SQUIRE PATTON BOGGS

iWatch Standby Screen Hits Chinese Wall

The Case: *Apple v the Trademark Reexamination and Adjudication Board*
Beijing IP Court
6 November 2016

Why did a Beijing court reject Apple's attempt to trademark the standby screen on its iWatch? **Paolo Beconcini** and **Lin Jolin** offer a Chinese lesson in distinctiveness

A recent administrative judgment by the Beijing IP Court has thwarted Apple's attempts to obtain trademark protection in China for the standby screen of the iWatch. It is possible that Apple will try to appeal this judgment with the Beijing Higher Court. In this article, we will analyse the court decision, and its innovative aspects in relation to the definition of distinctiveness.

On 13 November 2014 Apple applied to the China Trademark Office to register the device depicted in Figure 1 as a trademark in China in classes 9, 10, 14, and 38. The four applications were rejected by the Trademark Office for lacking distinctiveness. Apple filed a request for review of the decision with the Trademark Reexamination and Adjudication Board (TRAB) without success. On 6 November, 2016, the Beijing IP Court issued its judgment on Apple's appeal to the TRAB decision. The court upheld the decision of the TRAB rejecting all four Apple applications on the ground that the iWatch's standby device lacks distinctiveness.

Figure 1

A Standby iWatch

The applied trademark

The Beijing IP Court concluded that the device is composed of several different small devices indicating specific functions of the product and the overall design is too complicated for consumers to recognise it as a trademark. Therefore, the court ruled that the applications contravened Article 11(3) of the China Trademark Law, ie the applied trademarks lack distinctiveness in the court's view. Apple counter-argued that even if the device lacks distinctiveness, it has nevertheless acquired it *de facto* through intensive use in China.

Obtaining registration of such a trademark would give Apple important protections. Trademarks are the most efficiently enforceable IP rights in China providing protection for an unlimited amount of time. Also, trademarks can be enforced through quick raid actions and with relatively lower costs compared to patents and designs.

"The Beijing IP Court concluded that most of these symbols lack distinctiveness insofar as they are descriptive of the function of the product. This contravenes the provisions of Article 11 of the Trademark Law."

On the other hand, the function of a trademark is that of allowing the relevant consumers to recognise that a product originates from a certain manufacturer. In order to fulfill this "recognition" function, which also represents the economic value of the trademark embodied in the exclusive right of economic exploitation, the mark should be sufficiently original and distinctive. Correspondingly, the core premise of trademark law is about fair trading, about maintaining an even playing field among the traders. In this spirit, trademark law must ensure that the registration of a word or symbol must not confer on any trader an unfair advantage thus prejudicing other traders by the registration.

Extrapolating this principle to its natural conclusion, trademark law thus prohibits the registration of any words or symbols which are descriptive of the goods or services. The rationale for such a prohibition is simply to ensure that descriptive words or symbols are allowed to remain in the public domain, free for all to use. After all, if the law were to give exclusive rights over descriptive words or symbols to a particular trader, the law is in essence depleting the pool of available words and symbols which other traders will likely want to use. This line of argument is neatly encapsulated in the Latin term – '*publici juris*'. It is thus this very concept of *publici juris* which forms the basis for the distinctiveness criterion in trademark law.

Logically, the aforesaid principle is reflected in the Trademark Law of China which expressly prohibits the registration of names, signs and other devices that are descriptive of the goods on which they are meant to be used or their qualities. In this respect the device applied by Apple shows a large number of icons, many of which are commonly used by many other devices to indicate a product function: the clock symbol, the note for music, the cloud and sun for the weather forecast function etc. In this respect, the Beijing IP Court concluded that most of these symbols lack distinctiveness insofar as they are descriptive of the function of the product. This contravenes the provisions of Article 11 of the Trademark Law.

Apple argued that the devices have been used so intensely that they are recognised as distinctive by the relevant public. It is the same Trademark law that allows a right holder to obtain registration of a trademark once it has acquired distinctiveness through intense use. How did the court react to this? The authors have no access to the official records of the case and cannot conclude on this without speculating. One thing is clear: the court had to overcome such a founded objection in order to reject the applications (otherwise it could have simply argued that the evidence of use was not sufficient to prove acquisition of distinctiveness).

The authors suspect that this is the reason why the court focused on the issue of the device being too complex and composite to be recognisable as a trademark. The court thus coined a novel argument – even if you had acquired distinctiveness, you are too complex a design for a consumer to see a trademark in it, and thus the device does not fulfill a trademark function.

This is indeed a critical point in the court decision. According to the court, the device is too complex for a consumer to fulfill its "recognition" function. It is a very interesting position and the most questionable portion of this judgment.

On the converse end of the spectrum, the Beijing First Intermediate People's Court, in a 2010 decision rendered in an appeal brought by Audi AG against the TRAB, the court affirmed TRAB's decision rejecting the registration of the mark "A6" in class 12 for automobiles and its attendant accessories on the basis that such a mark is too simple and thus cannot function as a trademark (ie, to differentiate between the sources of goods).

Both these judgments are equally puzzling insofar as both courts appear to introduce an additional criterion to Article 11 of the Trademark Law. It is poignant to note that nowhere in the Trademark Law does it stipulate that the distinctiveness of a mark is measured by its 'complexity' or 'simplicity'. This additional threshold is tremendously subjective and if adopted by subsequent courts, will inevitably lead to significant uncertainty in trademark registrations and brand management for traders in China. Similar to the old cliché, one man's meat is another man's poison – what would appear simple to one may be complex to another and vice versa.

Therefore, to avoid such uncertainties in the law, it is the authors' opinion that one should go back to first principles in determining whether a mark has satisfied the distinctiveness threshold. Put simply, a mark should not be denied registration if it is capable of acting as a badge of origin – to differentiate between the sources of goods and services. Pursuant to this principle, if a *prima facie* descriptive mark has acquired *de facto* distinctiveness such that it is capable of performing the function of differentiating between the sources of goods, there would be no legal basis in denying its registration on the trademark register. The complexity or simplicity of the design of the mark should not be part of the consideration for trademark registration. Hopefully, the Supreme People's Court will clarify the law in this respect.

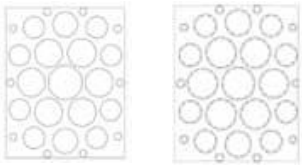
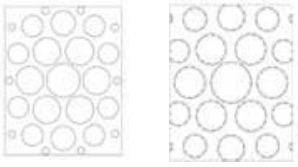
"In light of the current state of the law, an alternative strategy would be to file design patents for seemingly complicated symbols. This was precisely the strategy adopted by Apple."

Notwithstanding the above, in light of the current state of the law, an alternative strategy would be to file design patents for seemingly complicated symbols. This was precisely the strategy adopted by Apple. Table 1 summarises the various design patents obtained by Apple.

Therefore, the takeaway from this unfortunate plight is for companies to take considered decisions to implement comprehensive IP strategies – leveraging on the full spectrum of the various IP protection regimes (such as the design patent and copyright protection regimes in addition to the trademark protection regime).

Given the possibility that Apple may appeal such an anomalous decision, watch this space for further updates and analysis should the saga continue.

Table1: Design patent numbers

 CN201530051720
 CN201530051919
 CN201530051952

Authors

Paolo Beconcini and Lin Jolin look at why the Beijing IP court recently rejected Apple's attempt to trademark the standby screen on its iWatch. This case analysis was published in *Intellectual Property Magazine* in March 2017 and is reproduced with kind permission.