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CHINA: Tesla Settles with Chinese Citizen

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On August 5, 2014, the Beijing Third Intermediate People's Court (the Court) successfully mediated a series of civil disputes between the U.S. company Tesla Motors, Inc. and the Chinese citizen Zhan Baosheng. The parties reached settlements in all cases, which included actions for trademark and copyright infringement, unfair competition and domain name ownership.

After the Court accepted the lawsuits filed by both Tesla and Mr. Zhan, it actively mediated the disputes with the parties both via telephone and in person, explaining the laws and reasons for settlement. In the settlement, Zhan agreed to cease his use of the trademark TESLA and other relevant marks, while Tesla agreed not to seek damages from him.

When Tesla entered the Chinese market, it set up Tuosule Motors Sales (Beijing) Co. Ltd. (Tuosule) and established Tesla electrical motors showrooms, service centers and super recharge stations in Beijing, Shanghai and many other locations in China. Later the company encountered problems with the use of its trademark TESLA, which hindered its business development and market expansion in China.

On September 6, 2006, Zhan filed a trademark application for TESLA, for motors, etc., in Class 12. The mark was registered on June 28, 2009. Mr. Zhan also used TESLA and other marks in his manufacture and sales of the goods; that use caused the conflict with Tesla.

In March 2013, Tesla filed a request for cancellation of Zhan's trademark with the China Trademark Office based on non-use for three consecutive years. The following month, it filed a request for invalidation of the mark with the Trademark Review and Adjudication Board.

On September 3, 2013, Tesla brought two lawsuits against Mr. Zhan before the Court, for

infringement of its copyrights and unfair competition, respectively. Tesla asserted that it owned copyright in the logo TESLA with T & Shield Device and trade name rights to Tesla and its Chinese equivalent 特斯拉 (Te, Si, La). Tesla charged that Zhan and his entrusted manufacturers used Tesla's copyrighted works and trade names on his goods, websites, the Chinese social media site weibo, and newspapers without Tesla's authorization; therefore, Tesla claimed, such use infringed its copyrights and constituted an act of unfair competition. Accordingly, Tesla requested that the Court order Mr. Zhan to stop any infringing activity, publish a notice to minimize damage to Tesla's reputation, and pay damages of RMB 1.1 million (about US \$180,000) for copyright infringement and RMB 3.1 million (about US \$500,000) for unfair competition.

On June 30, 2014,. Zhan filed a lawsuit before the Court against Tesla and Tuosele for trademark infringement, claiming that their use of the TESLA mark infringed his trademark. Mr. Zhan asked the Court to order Tesla and Tuosule to stop selling TESLA electrical motors; close the showrooms, service centers and super recharge stations; cease any advertising activity; make a public apology; and pay damages of RMB 23.94 million (about US \$3.9 million).

After the settlement, the Court said that the mediation turned out to be a resolution not only of the parties' litigation before the Court but also of the domain name, non-use cancellation and invalidation actions that were pending in other courts.

Considering that the TESLA cases would have a profound influence on the new energy motors industry in China, the Court actively communicated with the parties concerned in its mediating efforts.

Although every effort has been made to verify the accuracy of items in the *INTA Bulletin*, readers are urged to check independently on matters of specific concern or interest.