

The “Balizam” Trademark Dispute – A Costly Lesson and a Stark Warning for Domestic Enterprises in International Partnerships

When a Chinese company invests over RMB 50 million to develop a foreign brand, builds a distribution network, promotes the product, and receives a formal Letter of Authorization from its Russian partner authorizing [trademark registration](#) in China - can it lose all ownership rights through a single retrial judgment?

In a landmark decision, the Supreme People’s Court of China brought final closure to the trademark ownership dispute between Chuanfeng Company (China) and Barizam Company (Russia) concerning the “**Balizam**” trademark series. The Court **overturned** *all previous rulings issued by lower courts*, affirming that the “Balizam” trademarks registered in China lawfully belonged to Barizam Company (Russia). The Court further ordered the transfer of these trademarks to their rightful owner - an unexpected reversal that sent shockwaves through the business community.


This case was not merely a protracted legal battle; it served as a wake-up call for domestic enterprises cooperating with foreign partners in brand development. From a seemingly solid partnership, to a breakdown following corporate restructuring, and ultimately to a judgment that completely reversed the outcome - the “Balizam” dispute raises pressing questions: Where lies the boundary between the right to use and the right to own a trademark? Is this the bitter end for Chuanfeng Company (China), or a profound legal lesson on the need for well-drafted, transparent, and forward-looking agreements in international business collaborations?

Initial Cooperation and Market Entry Strategy in China

In the late 1990s, during an economic and trade mission to Russia, Chuanfeng Company (China) - a company engaged in import-export and cross-border trade - identified the renowned alcoholic beverage brand “Balizam”, produced by Balizam Company in Ussuriysk (hereinafter referred to as “**Balizam Company (Russia)**”). With its strong reputation and high consumer trust in Russia, “Balizam” was quickly recognized by Chuanfeng Company (China) as a promising opportunity for penetrating the Chinese market. Following protracted negotiations, the parties formally entered into a cooperation agreement in early 2003, under which Chuanfeng Company (China) was granted the exclusive right to distribute “Balizam”- branded alcoholic beverages in China. Beyond mere commercial distribution, in May 2003, the parties elevated their cooperation by establishing a manufacturing joint venture in China. Under this joint venture arrangement, Balizam Company (Russia) undertook to supply production equipment, transfer technology, and provide raw materials, thereby laying the foundation for the localization of “Balizam” [products](#) in the Chinese market.

“Balizam Tiger Head”: A Breakthrough in the Chinese Market



Following the establishment of the joint venture, the “Tiger Head - ” version of the Balizam product line was officially launched in China. This product was the result of a brand localization strategy that combined the quality of Russian-made products with Chuanfeng Company (China)’s in-depth knowledge of the local market.

Demonstrating a strong commitment to brand development, Chuanfeng Company (China) invested substantial resources in marketing activities, building a distribution network, and expanding market coverage. Through systematic and effective promotional strategies, “Balizam Tiger Head” rapidly achieved high consumer recognition in China and recorded steady annual sales growth.

At the peak of the brand development campaign, Chuanfeng Company (China) had invested over RMB 50 million in brand promotion and distribution network expansion. However, rapid success also brought challenges: market demand far exceeded supply capacity, leaving the company in a state of severe product shortages.



Breakdown of Cooperation: From Lawful Authorization to Ownership Dispute

In 2004, as part of its efforts to expand market reach and strengthen brand positioning, Chuanfeng Company (China) proactively filed for [trademark protection](#) of the “Tiger Head” logo in China. Notably, this registration was based on a clear legal foundation: Balizam Company (Russia) had issued an official bilingual **Letter of Authorization, granting Chuanfeng Company (China) the right to register and use related trademarks in China.**

Under this authorization, Chuanfeng Company (China) proceeded to register the word trademarks **“Balizam”** in both Chinese and Russian, alongside the “Tiger Head” logo. During this period, all business operations, distribution activities, and product marketing were conducted under the legal entity of Chuanfeng Company (China), reflecting the close cooperation and mutual trust between the parties.

However, a turning point emerged when Balizam Company (Russia) underwent corporate restructuring, transitioning from a state-owned enterprise to a publicly listed joint-stock company. Following this restructuring, Balizam Company (Russia) unexpectedly sought to unilaterally terminate its partnership with Chuanfeng Company (China). This move was firmly rejected by Chuanfeng Company (China), escalating tensions and triggering a legal dispute. Balizam Company (Russia)’s abrupt cessation of product supply further exacerbated the situation, effectively ending what had once been envisioned as a long-term strategic partnership.

Litigation Process: Dispute Over Ownership and Validity of Authorization

In 2013, Balizam Company (Russia) formally filed a lawsuit in China, petitioning the court to invalidate the previously issued Letter of Authorization granted to Chuanfeng Company (China). The plaintiff also sought the transfer of ownership of the related trademarks and requested that Chuanfeng Company (China)’s use of those trademarks be deemed an [infringement](#) of intellectual property rights.

Balizam Company (Russia) argued that a mutual termination agreement between the two parties had rendered the original authorization void. Furthermore, the plaintiff claimed that discrepancies between the Chinese and Russian versions of the Letter of Authorization warranted prioritizing the Russian version - the original language of the issuing party.

However, the Harbin **Intermediate People’s Court** rejected all claims made by Company (Russia). This ruling was upheld in 2017 by the Heilongjiang **High People’s Court**, which provided a clear rationale: the termination agreement did not affect the legal validity of the original Letter of Authorization, and both

language versions of the document were consistent in granting Chuanfeng Company (China) the right to register and use the trademarks in China.

The High Court also affirmed that while Balizam Company (Russia) retained [trademark ownership](#) in Russia, Chuanfeng Company (China)'s registration of those marks in China was legally secured, based on a clear and enforceable authorization letter. This judgment reinforced the principle of territoriality in intellectual property rights and clarified the legal standing of bilingual Letter of Authorization in cross-border commercial transactions.

Retrial at the Supreme People's Court: Clarifying the Legal Nature of the Letter of Authorization

In its 2020 retrial judgment, the Supreme People's Court of China (SPC) focused on analyzing and clarifying the legal validity of the Chinese-language Letter of Authorization issued by Balizam Company (Russia), offering a precedent-setting interpretation for similar disputes.

The Court affirmed that the **Letter of Authorization** constitutes a **unilateral civil legal act**, executed solely by Balizam. It is **not a bilateral contract**. As such, the act of authorization establishes, modifies, or terminates legal relations through a unilateral declaration of intent, and becomes effective at the moment the declaration is made - regardless of whether the authorized party accepts it.

Even in cases where the document bears signatures from both parties, the Court emphasized that its legal nature remains unchanged: it is still a **unilateral act**. The signature of the authorized party merely serves as **acknowledgment of receipt** and does not create reciprocal obligations as would be the case in a civil contract.

This ruling by the SPC not only resolved the specific dispute but also played a pivotal role in shaping the legal understanding of unilateral acts in international transactions - particularly in the context of authorization documents (Letters of Authorization) related to [intellectual property rights](#).

Confirmation of Validity: Supreme People's Court's Interpretation of the Legal Value of the Letter of Authorization

During the retrial proceedings, the Supreme People's Court of China (SPC) issued detailed findings to clarify both the legal validity and the nature of the Letter of Authorization issued by Balizam Company (Russia). The key points recorded by the Court included:

1. **Signature and Seal:** The Letter of Authorization bore only the signature and official seal of Balizam Company (Russia), clearly indicating that it was a **unilateral legal act**, not a mutual agreement between the parties.
2. **Title and Content:** The title and body of the document explicitly conveyed Balizam's unilateral intent to authorize Chuanfeng Company (China) to register trademarks in China. It contained no binding conditions or reciprocal commitments from the authorized party.
3. **Legal Effect:** The authorization became effective solely based on the will of the authorizing party - Balizam Company (Russia). However, in cases of revocation or modification, the authorizing party is obligated to notify the authorized party to ensure transparency and prevent legal harm.

The SPC also rejected the lower court's mischaracterization of the Letter of Authorization as a bilateral contract. While the Court acknowledged Balizam Company (Russia)'s argument regarding the document's unilateral nature, it disagreed with the plaintiff's proposed legal consequences - particularly the request to invalidate the authorization and transfer trademark ownership.

This ruling not only clarified the legal principles governing unilateral acts in civil transactions but also reinforced the **stability and predictability** of authorization documents in international legal contexts, especially those [involving intellectual property rights](#).

Final Judgment: Affirmation of Trademark Ownership by Balizam Russia

The Supreme People’s Court of China overturned all prior rulings issued by the lower courts and issued a definitive declaration: all trademark registrations and ownership rights related to the “Balizam” mark in China belong to Balizam Company (Russia). This judgment brought an end to a protracted dispute and established an important legal principle concerning trademark ownership in the context of international cooperation.

Practical Lessons for local Enterprises

The “Balizam” trademark dispute serves as a vivid illustration of the complexity and potential risks in cross-border business partnerships. Chuanfeng Company (China) invested over RMB 50 million in brand development, distribution network establishment, and product promotion in China. It operated under a valid Letter of Authorization from Balizam Company (Russia), which formed the legal basis for trademark registration in China. Throughout the litigation process, lower courts consistently recognized the legality of Chuanfeng Company (China)’s registrations.

However, [the Supreme People’s Court](#) ultimately reversed those rulings, affirming that trademark ownership remained with Balizam Company (Russia). The core reasoning lay in the legal nature of the Letter of Authorization: although it was a unilateral legal act, it did not transfer ownership. Registration alone does not equate to ownership. The Court emphasized the protection of original intellectual property rights, especially in cases where trademark appropriation or speculative behavior may arise after the termination of a partnership.

Although this case took place in China, it serves as a strong cautionary message for enterprises in any jurisdictions entering into partnerships with foreign entities to develop brands:

- **Do not rely solely on Authorization Letters:** Even if legally valid, a Letter of Authorization cannot substitute for a comprehensive contract governing intellectual property rights. Enterprises must ensure that ownership, usage rights, transferability, and post-termination terms are explicitly defined in a formal agreement.
- **Draft strong, bilingual contracts with international legal enforceability:** Contractual terms should be meticulously crafted with legal expertise, ensuring consistency across language versions to prevent interpretive disputes. Legal clarity is essential for enforceability across jurisdictions.
- **Anticipate risks upon termination of cooperation:** Enterprises should have a clear legal framework for handling intellectual property assets - particularly trademarks -when a partner undergoes restructuring, changes strategy, or terminates cooperation.

In today’s globalized environment, brand development through international cooperation is an inevitable trend. However, to avoid paying a “high price” as in the Balizam case, Vietnamese enterprises must be fully equipped with legal knowledge, build a solid foundation for cooperation, and place intellectual property ownership at the center of all agreements. This is not only a legal lesson but also a survival strategy in the journey toward global expansion.

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