

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

**HEALTH KING ENTERPRISE, INC.,)
an Illinois corporation, XINGWU LIU,)
an individual, and JOANNE LIU f/k/a)
LINGJUAN LIU, an individual,)**

Plaintiffs,

v.

**DALIAN HEALTH KING PRODUCTS)
CO., LTD., a Chinese Limited Company,)
HEALTH KING USA, INC., a California)
Corporation, and LIWEN SU, an)
individual,)**

Defendants.

19 C 1878

Judge John Z. Lee

MEMORANDUM OPINION AND ORDER

Health King Enterprise, Inc., (“Enterprise”), Xingwu Liu, and Joanne Liu have sued Dalian Health King Products Co., Ltd. (“Dalian”), Health King USA, and Liwen Su¹ for, among other things, trademark infringement and false designation of origin under the Lanham Act, 15 U.S.C. §§ 1051, 1125(a), and copyright infringement under the Copyright Act, 17 U.S.C. § 101 *et seq.* Defendants have answered the complaint and filed counterclaims for, among other things, trademark infringement, breach of contract, and a declaration that Dalian owns the copyrights at issue. Plaintiffs have moved for a preliminary injunction on these claims. For the reasons below, the motion is denied [22].

¹ Liwen Su has been dismissed by agreement.

I. Factual Background

Dalian, which was originally founded under the name Mudanjiang Health King Industries, Inc., makes and sells Chinese herbal teas. Am. Compl. ¶ 30, ECF No. 32. Enterprise, owned by Xingwu Liu (“Xingwu”) and Joanne Liu (“Joanne”), is a wholesaler and retailer of Chinese herbal remedies, including teas and dietary supplements. *Id.* ¶¶ 3–4, 16.

A. “Health King” Trademark

For twenty-four years, Dalian and Enterprise were parties to three separate distribution agreements, whereby Dalian provided herbal teas, and Enterprise distribute them on an exclusive basis to customers in the United States using the “Health King Enterprise, Inc.” name. *Id.*

The 1994 distribution agreement provided that “[Enterprise] assists [Dalian] in protection [of] its intellectual properties, including patents, trademarks, etc. [Dalian] allows [Enterprise] to use its marks (excluding any products not related to [Dalian’s] products), [and] the ownership of the mark belongs to [Dalian] indefinitely.” Defs.’ Ex. 2, 1994 Agreement ¶ 3(10), ECF No. 53-3. The agreement also stated: “[Dalian] entrusts trademark application with [Enterprise], all the applications fees and costs shall be borne by [Dalian].” *Id.* ¶ 6.

Consistent with this agreement, Enterprise registered the Health King mark with the United States Patent and Trademark Office (“USPTO”) on October 12, 1994.

The application listed Mudanjiang Health King Industries as the owner. *See* U.S. Reg. No. 2010762, accessible at <http://www.uspto.gov> (last visited Feb. 14, 2020).²

The parties also entered into a distribution agreement in 1999. That agreement specified: “During the cooperation, [Dalian] permits [Enterprise] to use the mark of HEALTH KING for promoting and selling HEALTH KING branded products. However, [Enterprise] shall not use it in association with any products unrelated to [Dalian].” Am. Compl., Ex. 6, 1999 Agreement ¶ 7, ECF No. 32-6.

The third distribution agreement was in 2002. It dictated: “During the term of collaboration, [Dalian] authorizes [Enterprise] the right to use Health King trademarks when promoting and selling Health King products, however Health King trademarks cannot be used on any other products that are unrelated to Health King.” *Id.*, Ex. 15, 2002 Agreement ¶ 7, ECF No. 32-15. The 2002 Agreement had a term of eight years, renewable by consent of the parties. Am. Compl. ¶ 2.

After Mudanjiang Health King Industries changed its name to Dalian, Enterprise listed Dalian as the owner of the Health King trademark in its USPTO filing dated April 19, 2004. *See* U.S. Reg. No. 3127370, accessible at <http://www.uspto.gov> (last visited Feb. 14, 2020).

In 2010, Dalian and Enterprise agreed to renew the 2002 agreement. *See id.* ¶ 34. And, on October 22, 2018, the parties agreed to terminate it. *Id.* ¶ 37. Since

² A 1995 Memorandum of Understanding between Dalian and Enterprise “reiterate[d] their commitment based on the 1994, July 24 signed distribution agreement.” Defs.’ Ex. 3, 1995 Memorandum of Understanding, ECF No. 53-3.

then, Dalian has engaged another distributor, Health King USA, to replace Enterprise in the United States. Defs.' Answer ¶ 43, ECF No. 11.

Plaintiffs allege that, because Enterprise has used the Health King trademark to sell Dalian's Health King products for twenty-four years, it has the right to continue its use of the Health King trademark. *Id.* ¶¶ 81–83. Plaintiffs also claim that, even after the expiration of the 2002 distribution agreement, Dalian and Health King USA continued to sell herbal teas in boxes bearing the words “Distributed by Health King Enterprise, Inc., Chicago, IL 60616, USA (888) 838-8938 www.healthkingenterprise.com,” except with a sticker covering them. *Id.* ¶ 45. As Plaintiffs see it, the continued use of the previously printed boxes creates the false impression that Enterprise is still associated with Dalian's products. Plaintiffs also assert, on information and belief, that some boxes are “hitting the retail shelves either without stickers, or with stickers that are not fully adhered, or not fully covering Health King Enterprise's name on the packaging.” *See id.* ¶¶ 45–46 (internal quotation marks omitted).

For Defendants' part, they submit that, after the distribution agreement expired, Enterprise no longer had a right to use the Health King mark, and Enterprise's continued use infringes Dalian's registered trademark. Am. Countercls. ¶¶ 221, 252. Also, Defendants contend that, because the label covering Enterprise's information is affixed before each box is individually shrink-wrapped in plastic, there is no chance that a box of Dalian's herbal teas could be sold to an end consumer with Enterprise's name visible on the box. Defs.' Ex., Giuchun Su Decl. (“Su Decl.”) ¶ 42,

ECF No. 53-1; *see* Pl.’s Suppl. Ex. B, J. Liu Decl. (“Liu Decl”) ¶ 9 (stating that, after the distribution agreement ended, Enterprise called one of its distributors and directed her to find a Dalian product box with a sticker, after which she proceeded to peel the sticker off).

B. Copyrights in Health King Product Names & Description Translations

Dalian has sold its products in China in packaging featuring names and descriptions written in the Chinese language since 1994. Am. Countercls. ¶ 171, ECF No. 11. To promote its products in North America, Dalian provided these names and descriptions to Enterprise’s owners, Xingwu Liu and Joanne Liu, so that they could translate them into English. *Id.* ¶ 172; Su Decl. ¶¶ 17–18, 20; Defs.’ Exs. 5, 7, 8, Chinese Product Descriptions, ECF Nos. 53-6, 53-8, 53-9; Am. Compl. ¶ 3.³

Joanne told Dalian that, to best promote the products in North America, the descriptions had to reflect American perspectives and comply with laws that applied to health claims. Defs.’ Ex. 1, 3/29/94 Letter from J. Liu to G. Su ¶ 3, ECF No. 53-2. Joanne also commented on the Chinese descriptions themselves, stating, “Some of them don’t make much sense, and bear some grammar [sic] mistakes.” *Id.* ¶ 4. In exchange for Enterprise’s translating services, Dalian agreed to provide a lower price on its products and prioritize Enterprise’s orders. Defs.’ Ex. 6, 6/27/97 Letter from X. Liu to G. Su ¶ 4, ECF No. 53-7.

³ For an undetermined period of time, Xingwu was also employed as first vice-manager of Mudanjiang Health King. Defs.’ Ex. 3, 1994 Agreement ¶¶ 2, 3(5).

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