

32

Italian Ferrero S. P. A. v. Mengtesha (Zhangjiagang) Foodstuff Co., Ltd. et al.

Citation: The Supreme People's Court's Civil Judgment No. Minsantizi 3/2006

Date of judgment: March 24, 2008

Procedural history

The Italian Ferrero S. P. A. (Ferrero) sued, in the Tianjin No. 2 Intermediate People's Court, the Mengtesha (Zhangjiagang) Foodstuff Co., Ltd. (Mengtesha) and Tianjin Economic and Technological Development Zone Zhengyuan Marketing Co., Ltd. (Zhengyuan) for unfair competition. The first-instance court found the defendants' acts not constituting unfair competition. Ferrero appealed to the Tianjin Higher People's Court. The second-instance court decided to have reversed said judgment. Mengtesha appealed to the Supreme People's Court for review of the case.

Issue

1. Determination of the prior famous goods in conflict of rights of two famous goods
2. Determination of the package and trade dress particular to the famous goods
3. Determination of the relevant sector of the public's confusion about and misidentification of the relevant goods

Facts

Incorporated in 1946 in Italy, Ferrero began to market the FERRERO ROCHER chocolate it made in 1982, and advertised the goods on TV and in the press in many countries and regions in Asia.

The FERRERO ROCHER chocolate entered the market in China in 1984, and was made available mainly at duty-free shops or shops at airports, places permissible for sale under the policy of the time.

In 1986, Ferrero was granted the registration of the “FERRERO ROCHER” mark in China.

From 1993, Ferrero began to gradually intensify its advertising of the FERRERO ROCHER chocolate in press and outdoor events mainly in some regions, such as Guangdong Province, Shanghai and Beijing, and set up special counters for selling said chocolate in some large and medium-sized cities, and sponsored some business and sports events with a view to making its product better known. In June 2000, its “FERRERO ROCHER” mark was put on the list of the major trademarks under protection in China by the State Administration for Industry and Commerce.

The package and trade dress used for the FERRERO ROCHER chocolate were as follows:

1. Each piece of ball-shaped chocolate was wrapped with a piece of golden paper;
2. On the golden ball-shaped package was shown the trade dress of oval label with golden edge, on which the “FERRERO ROCHER” mark was printed;
3. A dark brown base was used for each piece of the golden ball-shaped chocolate as trade dress;
4. A plastic transparent package in various shapes was used to highlight the ball-shaped inner package; and
5. On the plastic transparent package was placed an oval pattern with golden edge as trade dress. Within which the product pattern and mark were printed and a red and golden ribbon stretching therefrom.

For Jinsha chocolate Mengtesha made, the package and trade dress similar to those for the FER

RERO ROCHER chocolate were used from 1990.

Through extensive advertisement, Jinsha TRESOR DORE chocolate came out on top in terms of market share of the products of chocolate made in China, won rewards from the relevant Government agencies and associations on several occasions, and became relatively reputable in China.

The first-instance court held that:

(1) The FERRERO ROCHER chocolate became famous later than Jinsha TRESOR DORE chocolate did in China; and

(2) Jinsha TRESOR DORE chocolate was more reputable than FERRERO ROCHER chocolate; consumers were able to distinguish the two brands of chocolate on seeing the advertisements of the two parties and the trademarks placed in the noticeable places of the two products.

Accordingly, it was decided that, the package and trade dress used for the Jinsha TRESOR DORE chocolate made by Mengtesha did not constitute unfair competition against Ferrero.

The second-instance court held that:

(1) The repute of goods should be assessed comprehensively on the basis of the repute thereof in a particular market in China and abroad. Ferrero was relatively reputable in the international chocolate market, and FERRERO ROCHER chocolate had long been commercially available in the market in China, so known to the relative sector of the public there. It was, therefore, should be established as famous goods;

(2) The package and trade dress particular to the goods of FERRERO ROCHER chocolate, as a whole, had distinctive visual characteristics and effect, and expressed specific meaning, and forming a particular form of package and trade dress; and

(3) Mengtesha's package and trade dress were ones particular to the FERRERO ROCHER chocolate it used without authorization by means of unfair competition, so they should not be used as

the basis on which to assess the repute of the goods. Therefore, the Mengtesha's act to use the package and trade dress on the TRESOR DORE chocolate substantially identical with those of the FERRERO ROCHER chocolate constituted an act of unfair competition.

Mengtesha requested review of the case, arguing that:

- (1) That Ferrero's product was reputable in the international market could not be deduced that it was so in the domestic market;
- (2) The FERRERO ROCHER chocolate took up less market share than the TRESOR DORE chocolate;
- (3) The package and trade dress used on the FERRERO ROCHER chocolate were commonly used in the international chocolate industry without particularity of their own; and
- (4) Chocolate was high-grade dessert; consumers did their purchase, mainly relying on the distinctiveness of the trademark, not on the package and trade dress, so similar package and trade dress were unlikely to cause confusion on the part of consumers.

Rule of law

Article 5 (2) of the Unfair Competition Law *A business operator shall not harm his competitors in market transaction by resorting to any of the following unfair means: ... (2) "using for a commodity without authorization a name, package, or trade dress particular to another party's famous commodity, or using a name, package or trade dress similar to that of another party's famous commodity, thereby confusing the commodity with that famous commodity and leading the purchasers to mistake the former for the latter.*

Reasoning

1. Whether FERRERO ROCHER chocolate was prior famous goods

The famous goods referred to in the Unfair Competition Law were goods famous to a certain ex-

tent in the market within the territory of China, and known to the relevant sector of the public. As for goods famous internationally, being known to the relevant sector of the public within the territory of China should still be the prerequisite for securing protection of the name, package and trade dress particular thereto under the Chinese law. The repute of goods or services claimed was usually generated from the production, sales or other business transactions carried on within the territory of China, with, however, proper consideration taken of the factor of having been famous abroad.

In the present case, it might be determined that the FERRERO ROCHER chocolate was a famous goods with relatively high repute in the relevant market within the territory of China considering such factors as the time of its entry into the Chinese market, sales and the publicity carried on by Ferrero. The FERRERO ROCHER chocolate became famous in the market within the territory of China not later than the Jinsha TRESOR DORE chocolate made by Mengtesha.

2. Whether the package and trade dress used on FERRERO ROCHER chocolate had their own particularity

If the package, such as the container holding or protecting goods, and the trade dress composed of words, patterns, colors and the arrangement/combination thereof were sufficient to distinguish the source of goods, they were particular package and trade dress under the protection of the Unfair Competition Law.

The package and trade dress used on the FERRERO ROCHER chocolate Ferrero requested for protection composed of a series of elements. Any package and trade dress merely composed of package and decorative elements commonly used in the industry of food package were not particular to the goods for failure to distinguish the source of goods. But within the scope of free design, the elements of package and trade dress, such as the particular combination of the material, shape and color of package resulting in the distinctive character distinguishing the source of goods may constitute the package and trade dress particular to the goods.

In the present case, the package and trade dress used on the FERRERO ROCHER chocolate

should be taken as the particular package and trade dress protected under Article 5(2) of the Unfair Competition Law since the particularity in the arrangement of the constituent elements, such as words, device, colors, shapes and size formed a noticeable overall image, and had nothing to do with the function of goods; through long time of use and wide advertisement, they were sufficient to make the relevant sector of the public associate the overall image of the package and trade dress with Ferrero's FERRERO ROCHER chocolate, functioning to show the source of the goods.

3. Whether it was likely to create confusion about the two parties' chocolate on the part of the relevant sector of the public or led them mistake one for the other

The confusion or mistaking as prescribed in the Chinese Unfair Competition Law referred to those that were sufficient to cause the relevant sector of the public to misidentify the source of goods, including wrongly believing that there existed such particular connection or association as having been licensed or being an enterprise particularly related to the business of famous goods.

Businesses may learn from each other, and draw on other's experience in designing package or trade dress of goods in order to create new designs with distinctive character as the package or trade dress for their own goods. This practice was required for market operation and competition. However, a complete imitation of the particular package and trade dress showing the source of goods sufficient to create confusion and mistaking in the market was not allowable, otherwise, unfair market competition would be constituted.

In the present case, the package and trade dress particular to the FERRERO ROCHER chocolate had the distinctive character showing the source of goods, and those Mengtasha used on its chocolate goods were very similar thereto. Even if the goods of the two parties were different in price, quality, taste and demand, and the names of manufacturers and trademarks thereof were not identical, it was inevitable and likely for the relevant sector of the public to wrongly believe that it had a certain economic connection or relationship with the FERRERO ROCHER chocolate.

Holding

1. The FERRERO ROCHER chocolate was prior famous goods with relatively high repute in the

market in China; the package and trade dress used thereon were ones particular to the famous goods.

2. The relevant sector of the public were likely to confuse the FERRERO ROCHER chocolate with the Jinsha TRESOR DORE chocolate, or mistaking one for the other.

In conclusion, the Mengtesha's act to use on its goods of the chocolate package and trade dress similar to those used in respect of the FERRERO ROCHER chocolate made by Ferrero constituted one of unfair competition under Article 5 (2) of the Unfair Competition Law.