

38

Guangdong Changxing Science & Technology and Health Products Co., Ltd.

v.

Xinjiang Huashidan Drug Industry Co., Ltd.

Citation: The Xinjiang Uygur Autonomous Region Higher People's Court's Civil Judgment

No. Xinminsanzhongzi 18/2004

Date of judgment: January 20, 2005

Procedural history

The Xinjiang Huashidan Drug Industry Co., Ltd. (Huashidan) sued, in the Urumqi City Intermediate People's Court, the Guangdong Changxing Science & Technology and Health Products Co., Ltd. (Changxing) and the Urumqi Manjianghong Drug Retail Chain Store Co., Ltd. for making and marketing the “donkey-hide gelatin calcium” oral liquid product, infringing the name and trade dress particular to its famous goods, and for unfair competition. The first-instance court decided that Changxing's act constituted unfair competition. Changxing appealed to the Xinjiang Uygur Autonomous Region Higher People's Court.

Issue

1. Did a name composed of generic names constitute a name particular to famous goods?
2. Determination of similarity to the package particular to famous goods

Facts

Huashidan began to make the “donkey-hide gelatin calcium” oral liquid in 1995. In 1997, Huashidan filed application for patent for the invention of “donkey-hide gelatin calcium oral liquid and the process for making the same”, and was granted the patent in 2001. The package of the

“donkey-hide gelatin calcium” oral liquid was granted the design patent in 2001, the basic color of which was red with white Chinese characters meaning “donkey-hide gelatin calcium” printed on the upper-left part of the main view; and the “Huashi” mark, device mark and the manufacturer’s name in black on the lower-left part; on the right hand side were printed the white and golden patterns of ring, triangle and circle.

From 1995, Huashidan spent a lot of money advertising and promoting its “donkey-hide gelatin calcium” oral liquid in the mass media in various regions, set up its sales networks nationwide, and was rewarded awards on many occasions. After 2000, the “donkey-hide gelatin calcium oral liquid” sold well in the market, and there appeared the counterfeit “donkey-hide gelatin calcium” oral liquid product with trade dress similar to that of Huashidan’s products. Therefore, Huashidan assigned a task force to crack down on the counterfeits and the industry and commerce administrations in different regions investigated and punished counterfeiting activities. The Urumqi City Intermediate People’s Court once decided, in its effective civil judgment, that the “Donkey-hide Gelation” was the name particular to Huashidan’s famous goods “donkey-hide gelatin calcium oral liquid”.

In 2003, Changxing began to make and market the “donkey-hide gelatin calcium oral liquid”, the package of which was red with white Chinese characters for “donkey-hide gelatin calcium” printed on the upper-left part of the main view, and the manufacturer’s representation and name in black on the lower-left part; on the right hand side of the main view were printed the ring and circle patterns in red and yellow.

The Urumqi City Intermediate People’s Court held that, through ten-year operation and extensive advertisement and promotion of the product, Huashidan’s “Huashi” brand “donkey-hide gelatin calcium oral liquid” product had gained relatively high reputation and become famous goods. While both donkey-hide gelatin and calcium were commonly seen products, Huashidan was the first to have combined the names of the two substances and used the name “Donkey-hide Gelation Calcium” for the products. The “donkey-hide gelatin calcium oral liquid” was also Huashidan’s patented product and no one else was ever licensed to make them before and after the grant of said patent. It was, hence, impossible for a market to be formed where everyone could make the prod-

uct “donkey-hide gelatin calcium oral liquid” without authorization, let alone the possible creation of the generic name of the product. Through Huashidan’s R&D and its business operation, the name “donkey-hide gelatin calcium” for the goods had been recognized and accepted by the public, and it was sufficient to be distinguished from other health products; and it constituted the name particular to the famous goods.

A special style was set by Huashidan through the overall arrangement of the name particular to the goods, the ring patterns and the background red color of the product. The Changxing’s outer package was identical with that of the Huashinan’s product package in overall composition, layout, background color, style, content and form, so it constituted a similar package.

Rule of law

Article 5 (2) of the Unfair Competition Law *A business operator shall not harm his competitors in market transactions by resorting to any of the following unfair means:*

...

(2) using for a commodity without authorization the 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

Famous goods refer to goods that have certain repute in a particular market and known to the relevant sector of the public. Where another party’s use of a similar or identical name and trade dress of the goods without authorization was sufficient to mislead the buyers, said goods may be established as famous goods. Huashidan’s many-year business efforts and extensive advertisement and promotion had made it possible for the product of “donkey-hide gelatin calcium oral liquid” to be widely sold and well received in the market and for it be rewarded many awards and widely known to the public. It was due to the relatively high repute of the “donkey-hide gelatin calcium oral liquid” product among the relevant sector of the public that many manufacturers counterfeited the name and trade dress of the goods as a result. Besides, the “donkey-hide gelatin calcium oral liquid” had been established as famous goods in the effective legal instruments. In conclusion,

the “Huashi brand “donkey-hide gelatin calcium oral liquid” Huashidan made was famous goods. Relative to a generic name, a particular name was a name exclusively used for particular goods, and it was normally impossible for the name of another party’s goods to be identical with it. A name particular to some goods should be established as such under the first-to-use doctrine. In the present case, the donkey-hide gelatin was a traditional Chinese medicine, and calcium a mineral element, both being generic names. It was Huashidan that had used the combination of the two as the name of the new product, and the combination was by no means a simple lexical collocation. Rather, it was a scientific and original discovery from the Huashidan’s scientific research with the donkey-hide gelatin and calcium on the combination of calcium and blood supplementary to human body. Huashidan’s acquisition of the invention patent also showed that there was no identical, nor similar, product of identical name before the date of filing of said patent. Huashidan’s operation for many years had rendered the name “donkey-hide gelatin calcium” for the goods known to, and well-received by, the consumers, and was sufficient to facilitate them to distinguish it from other health products; said name has become the enterprise’s intangible assets and an important part of the goodwill as its intellectual property, and the name constituted one particular to the famous goods. The names, such as “Honghong Donkey-hide Gelatin-Calcium-Iron Oral Liquid” and “Donkey-hide Gelatin High-Calcium Oral Liquid” used by those which were no party to the case, had nothing to do with the donkey-hide gelatin calcium oral liquid” in suit, and their use did not prove that “donkey-hide gelatin calcium” was a generic name in the industry.

Comparison with and determination of the package and trade dress of a product to see whether it was similar or not should be made by virtue of global observation or separated observation, in isolation, of the main parts of the goods, rather than making a over-detailed observation. The relatively large white characters “donkey-hide gelatin calcium”, red background and the ring pattern on the upper-left part on the surface of the outer package of Huashidan’s donkey-hide gelatin calcium oral liquid product were conspicuous, and very attractive to the relevant sector of the public; hence the words, color and pattern design constituted the major portion of the trade dress; the particular arrangement thereof resulted in a special style. In comparison, the package of the Changxing was very much the same as that of Huashidan’s in the overall design of the major parts, such as the shape of the device, arrangement and color. Through global and isolated observations and by comparison of the major parts, the two were similar, and likely to create confusion on the part

of the average consumers paying average attention thereto. The over-detailed differences between the two in the size of the Chinese characters, shape, name and trade dress of the manufacturers, and trademark did not have any impact on the similarity of the two.

Holding

1. The name “donkey-hide gelatin calcium” was one particular to Huashidan’s famous goods of “donkey-hide gelatin calcium oral liquid”.
2. The Changxing’s package for its products was similar to that of the Huashidan’s famous goods of “donkey-hide gelatin calcium oral liquid”, and Changxing’s use of it constituted an act of unfair competition.