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Taishan Enterprise Co., Ltd. v. Fujian Province Changle City Taifu Foodstuff Co., Ltd.

Citation: The Supreme People's Court's Civil Judgment No. Zhizhongzi 1/1998

Date of judgment: July 27, 1998

Procedural history

The Taishan Enterprise Co., Ltd. (Taishan) sued, in the Fujian Province Higher People's Court, the Fujian Province Changle City Taifu Foodstuff Co., Ltd. (Taifu) for unauthorized use of the package and trade dress particular to its famous goods and for unfair competition. The first-instance court decided on the constitution of unfair competition. Taifu appealed to the Supreme People's Court.

Issue

Whether sale of overseas famous goods in limited places in the territory of China was proof of prior use of the famous goods?

Facts

In 1986, Taishan began to make and market the Xiancao Honey and Babao Porridge products. The package and trade dress Taishan used for the Xiancao Honey drink were composed of the three Chinese characters meaning "Xiancao Honey" in the running-hand style and a device of "green jelly block", and that of the Babao Porridge were composed of the three Chinese characters meaning "Babao Porridge" also in the running-hand style and a colored device of a plate with Babao porridge therein. From late 1993 to late 1994, Taishan imported via Hong Kong into mainland China the Xiancao Honey and Xiancao Honey drink using said package and trade dress, and mark

ted them at the State-run duty-free shops where foreign currency was used in the special economic zones in Xiamen City and Shantou City.

In August 1994, Taifu slao began to make and market the Xiancao Honey and Babao Porridge drinks, the packages and trade dresses of which were substantially the same as Taishan's. Besides, on the packing can of the Xiancao Honey drink made by Taifu were indicated the name and address of the manufacturer in English which were the name and address of Taishan.

The first-instance court held that Taifu made the products identical with those made by Taishan, and the pattern, color and words on the package thereof were similar to those of Taishan's, which was sufficient to mislead consumers and create confusion, constituting unfair competition.

Taifu appealed, arguing that Taishan had legitimately marketed the Xiancao Honey and Babao Porridge drinks from late 1993 to late 1994 at the State-run duty-free shops in the special economic zone in Xiamen City. The customers of the duty-free shops were a specific group of people. However, since the goods were limitedly marketed there, the goods should not be deemed to have entered the market within the territory of China. Taifu, which began to market the goods in August 1994, had marketed them earlier, and its act did not constitute one of unfair competition.

Rule of law

Article 5 (2) of the Unfair Competition Law of the People's Republic of China *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 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

Taishan made and marketed the "Taishan" brand Xiancao Honey and Babao Porridge drinks, and used the package and trade dress particular to the goods from 1986. The two products were of relatively high repute in the Taiwan region.

Late 1993, Taishan began to market its Xiancao Honey and Babao Porridge using said package and trade dress in the duty-free shops in the special economic zone in Xiamen City, and it had used the package and trade dress of said products in the market in mainland China earlier than Taifu; hence Taishan enjoyed the exclusive right to use the package and trade dress particular to the two products in mainland China.

Taifu used the package and trade dress substantially identical with Taishan's without authorization on its identical goods, and such an act was sufficient to mislead the consumers, and constituted one of unfair competition. Accordingly, Taifu should be held civilly liable.

Holding

Taishan's Xiancao Honey and Babao Porridge products were of relatively high repute in the region of Taiwan; Taishan was the first to have marketed the products in mainland China, and enjoyed the exclusive right to use the package and trade dress particular to the two famous products.