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Hong Kong 8-Minutes International Detergent Group Co., Ltd. et al. v. Sinochem Siping Lianhe Chemical Engineering General Plant et al.

Citation: The Supreme People's Court's Civil Judgment No. Zhizhongzi 13/1999

Date of judgment: November 21, 2000

Procedural history

The Daqing City Zhaoyuan County Chuangyi Corporation (Chuangyi) and the Hong Kong 8-Minutes International Detergent Group Co., Ltd. (EMC) sued, in the Jilin Province Higher People's Court, the Sinochem Siping Lianhe Chemical Engineering General Plant (Lianhe) and the Siping City Xinping Detergent Industry Co., Ltd. for imitating the name, package and trade dress of their products and tarnishing their goodwill of goods in advertisement and publicity and for unfair competition. In the first-instance judgment was rejected the litigant claims of Chuangyi and the EMC, and the EMC appealed to the Supreme People's Court.

Issue

1. Determination of imitated name, package and trade dress particular to famous goods
2. Determination of false advertisement tarnishing the goodwill of goods

Facts

In 1997, Chuangyi concluded a cooperation agreement with Lianhe, under which it, on behalf of the EMC, licensed the latter to make and market the "8-Minutes" brand washing powder. The a

greement was terminated on December 31, 1997. Later, the EMC began to make the second-generation “8-Minutes” washing powder with enzyme added (the “8-Minutes” washing powder for short). In January 1998, Lianhe began to make the second-generation “118” high-quality washing powder with enzyme added (the “118” washing powder).

In October 1998, Lianhe made a statement on TV in Jilin that it would no longer make the “8-Minutes” washing powder, and “this plant would not be responsible for anything that goes wrong”, and that it was about to put a series of the “118” washing powder on the market. After that, Lianhe distributed leaflets with contents similar to the advertisement in Siping, Harbin, various regions in Liaoning Province, and Bazhou in Hebei Province. From October 1998, the sales of the “8-Minutes” washing powder dropped dramatically in those regions.

The inner bag and outer package, specifications and material of the “8-Minutes” washing powder and the “118” washing powder were identical, with the basic colors of red, yellow, blue and white used and the identical words “clean by soaking” printed on. On the two sides of the seal of the outer package for the washing powder of the two brands were printed the same pattern of alternately colored strip. The notable differences in the trade dresses of the two were: on the front of the inner bag for the “8-Minutes” washing powder were printed the words “8-Minutes (in red and in extra large size) washing powder with enzyme added” and the registered mark “Bafenzhong (three Chinese characters that are homophonic to the English “8 minutes”) and the device of the number 8; on the back were printed “8 Minutes” in red and in large size, and the “the number 8 device” of its registered mark. On the front of the inner bag for “118” washing powder were printed the italic “118” in red and in extra large size against the yellow circle background, and “Silian 118” registered mark.

The Jilin Higher People’s Court held that the registered marks were respectively and legitimately used in respect of the “118” washing powder and “8-Minutes” washing powder; the major portion and global image of the trade dresses of the two inner and outer packages were not similar; and no imitation was constituted of the name, package and trade dress particular to the famous goods. Since Lianhe did make the “8-Minutes” washing powder in cooperation with Chuangyi, its advertisement and leaflets, and statement made on TV did not constitute acts of fabricating and spread

ing false information or carrying on false publicity.

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 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;

Article 9, paragraph one, there of *A business operator may not, by advertisement or any other means, make false or misleading publicity of their commodities as to their quality, ingredients, function, usage, manufacturer, duration of validity or origin.*

Reasoning

1. Name, package and trade dress particular to famous goods

According to the time it was put on the market, its market share and repute, the “8-Minutes” washing powder should be established as famous goods.

In the name “the second generation 8-Minutes washing powder with enzyme added”, neither “washing powder” nor, “with enzyme added”, nor “second generation”, nor the combination thereof constituted the name particular to the goods of washing powder. They would possess distinctive character, and might be used as the name particular to famous goods only after they were used in combination with the words “8-Minutes”, which were not registered as a trademark in the washing powder, nor were the statutory name or generic name of washing powder. In the name “the second-generation 118 high-quality washing powder with enzyme added”, “118” was not generic; “118” and “8 Minutes” were distinctive from each other in lexical formation, shape and pronunciation. Besides, the former was a numeric combination while the latter concept of time; the two were different in meaning and irrelevant to each other. Paying some attention would be

sufficient for the average consumers to set them apart without confusion or misidentification.

With regard to the package and trade dress, the trade dress on the front of the inner bag and the one on the outer package shown in the main view for the “8-Minutes” washing powder and the “118” washing powder which should be viewed with special care, where the words “8-Minutes” and the figure “118” were eye-catching elements respectively. Although identical advertising phrases was used on the two packages, it was secondary compared with the major portion of the whole trade dresses. What were shown in the main portion of the other views were notably different. Besides, while the colors of the trade dresses on the outer packages were substantially the same, they were used and arranged in a quite different manner; while some identical words were used to indicate such features as the raw materials, function, usage and model of the goods according to the national standards, these words *per se* could not be a part particular to the name of the goods, nor directly constitute a trade dress particular to the goods. Global observation and observation in isolation showed that the major portion of both parties’ trade dresses on the inner bags and outer package and the overall impression thereof were not similar. Paying some attention would enable the average consumers to sufficiently set them apart without confusion.

2. Advertisement and publicity

Lianhe was once licensed to use the name particular to the famous goods “8-Minutes” washing powder. However, it only stated, in its statement on TV and in leaflets, that it would cease making “8-Minutes” washing powder, but did not explain that what was actually ceased was the license for its production, nor explain why it would cease its production, nor have any evidence to show that average consumers had generally known about its authorized production. Objectively, this advertisement was sufficient to make consumers believe that production of the “8-Minutes” washing powder was ceased, and reappearance thereof was illegal. The statement that “this Plant would not be responsible for anything that goes wrong” would cause consumers to believe that the production of “8-Minutes” washing powder had been stopped because something had gone wrong; the statement on TV that “the series of the 118 washing powder would be put on the market” was likely to set consumers thinking that the “8-Minutes” washing powder was its obsolete product, and the new “118” washing powder would take its place. The advertisement and publicity did not

give an overall, objective account of the repute of the EMC's goods; Lianhe did not pay enough attention to, nor adopt corresponding measures to avoid, the possible adverse effect of its advertisement and publicity; its act was sufficient to create confusion about the brand, on the part of the consumers, of the "8-Minutes" washing powder, and the consequence of their confusion had been shown. Further, Lianhe placed the above advertisement over one year after it actually stopped making the "8-Minutes" washing powder, without showing the actual time when the production was ceased, and it did not give any reasonable explanation, either. Thus, it might be presumed that Lianhe intentionally put on the publicity against the EMC. Therefore, said advertisement and publicity constituted false publicity. Since the advertisement and publicity did not contain any fabricated or false information, so they did not do any harm to the goodwill of the EMC.

Holding

1. The name "118" washing powder was not similar to the name particular to the famous goods "8-Minutes" washing powder, the trade dress of the "118" washing powder was not globally similar to that of the "8-Minutes" washing powder, nor did use of it constitute unfair competition.
2. The advertisement and publicity of Lianhe, et al. constituted unfair competition with false advertisement and publicity.