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Ningxia Hengtai Chinese Wolfberry Health
Drinks Co., Ltd.
v.
Ningxia Xiangshan Liquor Industry (Group)
Co., Ltd.

Citation: The Ningxia Hui Autonomous Region Higher People's Court's Civil Judgment

No. Ningminzhizhongzi 4/2006

Date of judgment: May 19, 2006

Procedural history

The Ningxia Xiangshan Liquor Industry (Group) Co., Ltd. (Xiangshan) sued the Ningxia Hengtai Chinese Wolfberry Health Drinks Co., Ltd. (Hengtai) and Zhongwei Qilongyuan Supermarket in the Zhongwei County People's Court for making and marketing the Liquan brand Nigxiahong Chinese Wolfberry Liquor bearing the name, package and trade dress particular to its famous goods "Ningxiahong · Chinese Wolfberry Liquor". Hengtai raised opposition to the court's jurisdiction over the case. The Wuzhong City Intermediate People's Court decided to have transferred the case to the Yinchuan City Intermediate People's Court, which found Hengtai having committed unfair competition, and Hengtai appealed to the Ningxia Hui Autonomous Region Higher People's Court.

Issue

1. Determination of imitated name, package and trade dress particular to famous goods
2. Could the allegedly infringing patented trade dress be possibly posed against infringement allegation?

Facts

In 2001, Xiangshan began to market the “Ningxiahong · Chinese Wolfberry Liquor”. The whole background of the package and bottle label of the liquor was red, highlighting the three Chinese characters “ning xia hong” and decorated with the line pattern and landscape background. Xiangshan advertised and marketed its product extensively, and the product was established as famous goods by the administration for industry and commerce in 2002. The bottle, package and bottle label of the “Ningxiahong · Chinese Wolfberry Liquor” were granted the design patents respectively in 2001 and 2002.

In 2003, Hengtai began to make Liquan brand “Ningxiahong Chinese Wolfberry Liquor”; the trade dress of the package and bottle label were similar to those of Xiangshan; the two Chinese characters for “Ningxia” were conspicuously presented, which were different from those of Xiangshan’s product in typeface and arrangement. The three different bottles, two bottle labels, and the two packing cases were granted design patents in 2004.

Upon hearing the case, the first-instance court held that the “Ningxiahong · Chinese Wolfberry Liquor” was famous goods, and its name, package and trade dress were particular thereto. The name of the Hengtai’s product of the same class was identical with that of the Xiangshan’s product; and the package and bottle label thereof were similar as well. Although the bottle labels and packages the two companies used were granted the design patent, Hengtai was granted the patent later. Under the first-to-use doctrine, the name “Ningxiahong · Chinese Wolfberry Liquor”, package and trade dress Xiangshan used earlier should be accorded prior protection.

Hengtai argued in its appeal that it was undue in the application law to have deprived the patentee of the right to enforce its patent right under the Unfair Competition Law.

Rule of law

Article 5 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 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 an*

other party's famous commodity, thereby confusing the commodity with that famous commodity and leading the purchasers to mistake the former for the latter.

Article 23 of the Patent Law Any design for which patent right may be granted must not be identical with and similar to any design which, before the date of filing, has been publicly disclosed in publications in the country or abroad or has been publicly used in the country, and must not be in conflict with any prior right.

Article 16 of the Several Provisions of the Supreme People's Court on Issues Relating to Application of Law to Adjudication of Cases of Patent Disputes as of 2001 The prior rights referred to in Article 23 of the Patent Law include such rights as the trademark right, copyright, right of enterprise name, portrait right, and the right to use the package or trade dress peculiar to any famous goods.

Reasoning

1. Determination of imitated name, package and trade dress particular to famous goods

The “Ningxiahong ·Chinese Wolfberry Liquor”, widely advertised by Xiangshan, was marketed on a somewhat large scale, the quality thereof confirmed by the quality supervision authority, and well received and trusted by consumers. Said product was reputable to a certain extent in a given market and known to the relevant sector of the public, it was famous goods.

The name “Ningxiahong ·Chinese Wolfberry Liquor” was the combination of the place name, color and generic name, and Xiangshan was first to have used it and highlighted it in advertisement, promotion and exhibition. Consequently, consumers also associated it with Xiangshan, the maker and business operator of the product. The “Ningxiahong ·Chinese Wolfberry Liquor” was the product representation of the particular maker/business operator. It was distinguished from other products in the same class for being significantly distinctive, so it constituted the name particular to the famous goods.

The “Ningxiahong Chinese Wolfberry Liquor”, name of Hengtai's product, was fully identical

with the “Ningxiahong · Chinese Wolfberry Liquor” in the number of the Chinese characters and constituent elements with the three Chinese characters “Ningxiahong” being the most distinguishable. Separately put, it was very likely to create confusion on the part of consumers. Although they were different in the pauses made in reading, and in the arrangement of, the Chinese characters, the differences therebetween were easy to be disregarded if the average consumers pay average attention to them.

The trade dress of Xiangshan’s “Ningxiahong · Chinese Wolfberry Liquor” was quite noticeable, and its distinction in indicating goods obvious. The package and trade dress of Hengtai’s product were similar to those of the “Ningxiahong · Chinese Wolfberry Liquor” in overall impression, characteristics of the main part and of combination of colors, showing its intended close connection. It was difficult for the average consumers to set the two products apart by paying average attention thereto; hence, there were similar trade dresses. The differences in typeface and background were not sufficient to enable the average consumers to choose the right goods placed separately, thus creating confusion and misidentification on the part of average consumers.

2. Could the allegedly infringing trade dress that was patented be posed against infringement allegation?

Although the bottles, bottle labels and packages of both parties were granted the design patents, Xiangshan was the first to have been granted the patent and have used the name, package and trade dress of the “Ningxiahong · Chinese Wolfberry Liquor” earlier, so it should be accorded the prior protection according to the first-to-file doctrine.

Holding

The name of Hengtai’s “Ningxiahong Chinese Wolfberry Liquor” was exactly identical with that of Xiangshan’s “Ningxiahong · Chinese Wolfberry Liquor”, and its package and trade dress similar, so it was sufficient to create confusion and misidentification. While the package and trade dress had been patented, the fact was clear that Xiangshan was the first to have been granted the patent and have used them. Accordingly, the court may directly make its judgment without the need for going through the patent right confirmation proceedings.