SPC Guiding Case No. 47: Ferrero S.p.A. (Italy) v. Montresa (Zhangjiagang) Food Co., Ltd. and Tianjin TEDA Zhengyuan Marketing Co., Ltd. (Unfair Competition Dispute)

Dan Young Business Consultancy — www.danyoungcpa.com

Unofficial English translation prepared for reference only. The official Chinese text prevails.

Discussed and adopted by the Judicial Committee of the Supreme People's Court; issued on April 15, 2015.

Keywords

Civil / unfair competition / well-known goods / distinctive packaging and decoration

Holding

1. "Well-known goods" as used in the Anti-Unfair Competition Law means goods that have a certain degree of market recognition within the territory of China and are known to the relevant public. For goods already known internationally, the protection of their distinctive names, packaging and decoration by China's law should still be premised on their being known to the relevant public within the territory of China. Therefore, in finding such well-known goods, comprehensive judgment should be made by combining such factors as the sale time, sale region, sale amount and sale targets of the goods within the territory of China, the duration, degree and geographic scope of publicity conducted, and the circumstances of protection of the goods as well-known goods, with appropriate consideration of the circumstance that the goods are already known abroad.

2. The distinctive packaging and decoration of well-known goods protected by the Anti-Unfair Competition Law means packaging such as containers that hold or protect goods and can distinguish the source of the goods, and decoration composed of words, graphics, colors and their arrangements and combinations affixed to the goods or their packaging.

3. Comprehensive imitation of the distinctive packaging and decoration of another person's well-known goods that can distinguish the source of the goods, to an extent sufficient to cause market confusion and misidentification, constitutes unfair competition.

Basic Facts

The plaintiff, Italy's Ferrero S.p.A. ("Ferrero"), alleged as follows. The defendant, Montresa (Zhangjiagang) Food Co., Ltd. ("Montresa"), counterfeited the plaintiff's products and, without authorization, used packaging and decoration identical or similar to the distinctive packaging and decoration of the plaintiff's well-known goods, causing confusion among consumers. The aforesaid acts of Montresa and the act of the defendant Tianjin TEDA Zhengyuan Marketing Co., Ltd. ("Zhengyuan") in selling the counterfeit products had already caused major economic losses to the plaintiff. It requested the court to order that Montresa not produce or sell, and Zhengyuan not sell, products using the packaging and decoration conforming to any one or several combinations of the distinctive features of the aforesaid Ferrero chocolate products, or any chocolate products similar to the aforesaid packaging and decoration of Ferrero sufficient to cause consumer misidentification, and to apologize, eliminate the effects, bear the litigation costs, and have Montresa compensate for losses of RMB 3 million.

The defendant, Montresa, argued as follows. The plaintiff's products in issue were not known to the relevant public in the domestic Chinese market, whereas the Jinsha chocolate products produced by Montresa enjoyed high recognition among domestic Chinese consumers and were well-known goods. The packaging and decoration that the plaintiff sought to protect were universal packaging and decoration for similar chocolate products at home and abroad, lacking originality and distinctiveness. The packaging and

Source: https://www.danyoungcpa.com/spc-guiding-case-47-china/

decoration used by Montresa's Jinsha chocolate were developed by it in cooperation with professional designers, and were not imitations of others' existing packaging and decoration. Ordinary consumers, with ordinary attention, would not confuse the chocolate products produced by the plaintiff and the defendant. The plaintiff believed that its product packaging covered multiple intellectual property rights such as trademarks, designs and copyright, but did not clearly point out which rights of the alleged infringing products' packaging and decoration were specifically infringed, and the subject matter it sought to protect was vague and unclear. Therefore, the plaintiff's action lacked factual and legal basis, and it requested the court to dismiss the plaintiff's claims.

The court found upon trial as follows. Ferrero was established in Italy in 1946, and in 1982 its Ferrero chocolate was put on the market, with advertising in television, newspapers and magazines in multiple countries and regions of Asia. In China's Taiwan and Hong Kong regions, Ferrero chocolate was named "Jinsha" chocolate, and the "Jinsha" trademark was registered in China's Taiwan and Hong Kong regions in June 1990 and 1993 respectively. In February 1984, Ferrero chocolate entered the domestic market by consignment through the China National Cereals, Oils and Foodstuffs Import and Export Corporation, mainly sold in duty-free shops and airport shops and other venues permitted by the then policies, and continued until before 1993. In October 1986, Ferrero registered in China the "FERRERO ROCHER" and device (oval lace pattern) and their combined series of trademarks, and used them on the chocolate goods sold within China. The main features of the packaging and decoration used by Ferrero chocolate were: 1. each spherical chocolate was wrapped in gold paper; 2. the gold spherical wrapping was decorated with an oval gold-border label printed with the "FERRERO ROCHER" trademark; 3. each gold spherical chocolate had a coffee-colored paper base as decoration; 4. several shapes of transparent plastic packaging to present the gold spherical inner wrapping; and 5. an oval gold-border pattern was used on the transparent plastic packaging as decoration, with a product pattern and trademark inside the oval, and a red-gold ribbon-shaped pattern extending from the trademark. The 8-piece, 16-piece, 24-piece and 30-piece three-dimensional packaging of Ferrero chocolate products was applied for as a three-dimensional trademark with the World Intellectual Property Organization in 1984. Beginning in 1993, Ferrero, centered on the Guangdong, Shanghai and Beijing regions, gradually increased its publicity efforts for Ferrero chocolate in domestic newspapers, periodicals and outdoor advertising, successively set up counters in some large and medium-sized cities for sale, and enhanced the recognition of its products by sponsoring commercial and sports activities. In June 2000, its "FERRERO ROCHER" trademark was included in the national key trademark protection list by the state administration for industry and commerce. The administrations for industry and commerce of Guangdong, Hebei and other regions of China had repeatedly investigated and punished acts of counterfeiting the packaging and decoration of Ferrero chocolate.

Montresa was a Sino-foreign equity joint venture established in December 1991 by Zhangjiagang Dairy Products No. 1 Factory and Belgium's Fetadale Co., Ltd., engaged in producing and selling various fancy chocolates. Zhangjiagang Dairy Products No. 1 Factory began producing Jinsha chocolate in 1990, and applied for registration of the "Jinsha" word trademark on April 23, 1990, which was approved for registration by the Trademark Office of the State Administration for Industry and Commerce in April 1991. In 2002, Zhangjiagang Dairy Products No. 1 Factory transferred the "Jinsha" trademark to Montresa, filing the application on November 25, 2002, and the transfer was approved on April 21, 2004 by the Trademark Office of the State Administration for Industry and Commerce. From then on, Montresa began producing and selling Jinsha chocolate. In producing and selling Jinsha chocolate products, Montresa, apart from replacing "Jinsha" with the combined trademark "Jinsha TRESOR DORE," continued to use the packaging and decoration used by the Jinsha chocolate products of Zhangjiagang Dairy Products No. 1 Factory. The packaging and decoration of the alleged infringing Jinsha TRESOR DORE chocolate were: each Jinsha TRESOR DORE chocolate was spherical and wrapped in gold foil; each gold spherical wrapping was topped with an oval gold-border label printed with the "Jinsha TRESOR DORE" trademark; each gold spherical chocolate had a bowl-shaped coffee-colored paper base with a smooth, wrinkle-free bottom and

Source: https://www.danyoungcpa.com/spc-guiding-case-47-china/

wave-pleated sides; the outer packaging was transparent plastic paper or a plastic box; the center of the outer packaging used an oval gold-border pattern, inside which was a product pattern and the Jinsha TRESOR DORE trademark, from which a red-gold ribbon extended. The above features were similar to the packaging and decoration that Ferrero sought to protect in its action in overall impression and main parts. Zhengyuan was the distributor of the Jinsha TRESOR DORE chocolate produced by Montresa in Tianjin. In January 2003, Ferrero, notarized by the Tianjin Notary Office, purchased the alleged infringing product at Zhengyuan in Hedong District, Tianjin.

Judgment

On February 7, 2005, the Second Intermediate People's Court of Tianjin rendered Civil Judgment (2003) Er Zhong Min San Chu Zi No. 63, dismissing Ferrero's claims against Montresa and Zhengyuan. Ferrero appealed. On January 9, 2006, the Higher People's Court of Tianjin rendered Judgment (2005) Jin Gao Min San Zhong Zi No. 36: 1. the first-instance judgment was revoked; 2. Montresa shall immediately cease using the infringing packaging and decoration of the Jinsha TRESOR DORE series chocolate; 3. Montresa shall compensate Ferrero RMB 700,000, payable within fifteen days after the judgment took effect; 4. Zhengyuan was ordered to immediately cease selling the Jinsha TRESOR DORE series chocolate using the infringing packaging and decoration; and 5. the other claims of Ferrero were dismissed. Montresa was dissatisfied with the second-instance judgment and applied to the Supreme People's Court for retrial. On March 24, 2008, the Supreme People's Court rendered Civil Judgment (2006) Min San Ti Zi No. 3: 1. items 1 and 5 of Civil Judgment (2005) Jin Gao Min San Zhong Zi No. 36 of the Higher People's Court of Tianjin were affirmed; 2. item 2 of Civil Judgment (2005) Jin Gao Min San Zhong Zi No. 36 was modified to read: Montresa shall immediately cease the unfair competition act of using, on the Jinsha TRESOR DORE series chocolate goods in this case, packaging and decoration similar to the distinctive packaging and decoration of the Ferrero series chocolate goods; 3. item 3 of Civil Judgment (2005) Jin Gao Min San Zhong Zi No. 36 was modified to read: Montresa shall, within fifteen days after service of this judgment, compensate Ferrero RMB 500,000; and 4. item 4 of Civil Judgment (2005) Jin Gao Min San Zhong Zi No. 36 was modified to read: Zhengyuan was ordered to immediately cease selling the aforesaid Jinsha TRESOR DORE series chocolate goods.

Reasoning

The Supreme People's Court held as follows. This case mainly involved the focal points of dispute of whether Ferrero chocolate was a prior well-known good, whether the packaging and decoration used by Ferrero chocolate were distinctive packaging and decoration, and whether the packaging and decoration used by Montresa's Jinsha TRESOR DORE chocolate constituted unfair competition.

I. On whether Ferrero chocolate was a prior well-known good

Based on evidence such as the consignment contract and consignment contract confirmation signed between the China National Cereals, Oils and Foodstuffs Import and Export Corporation and Ferrero, the second-instance court's finding that Ferrero chocolate had been sold within China since 1984 was correct. Well-known goods as referred to in the Anti-Unfair Competition Law are goods that have a certain degree of market recognition within the territory of China and are known to the relevant public. For goods already known internationally, the protection of their distinctive names, packaging and decoration by China's law should still be premised on their being known to the relevant public within the territory of China. The recognition of the goods or services it claims usually arises from production, sale or other business activities within the territory of China. In finding well-known goods, consideration should be given to such factors as the sale time, sale region, sale amount and sale targets of the goods, the duration, degree and geographic scope of publicity conducted, and the circumstances of protection of the goods as well-known goods, with comprehensive judgment; the factor of being known abroad may also be appropriately considered without being excluded. The expression in the second-instance judgment that "the evaluation of the well-known status of goods should be comprehensively determined based on their recognition in specific markets at home and abroad, and cannot be understood as referring only to goods known within the territory of China"

Source: https://www.danyoungcpa.com/spc-guiding-case-47-china/

was somewhat inappropriate, but based on the time Ferrero chocolate entered the Chinese market, the sale situation, and the various publicity activities conducted by Ferrero, the finding that it was a well-known good with relatively high recognition in the relevant domestic market of China was correct. Montresa's claim that the time Ferrero chocolate became known in the domestic market of China was later than that of Jinsha TRESOR DORE chocolate could not be established. In addition, Ferrero's use of the packaging and decoration of Ferrero chocolate was prior, and Montresa's claim that the packaging and decoration in issue it used were independently developed and designed lacked sufficient evidentiary support, so the second-instance judgment's finding that Montresa used the distinctive packaging and decoration of Ferrero chocolate without authorization was correct.

II. On whether the packaging and decoration used by Ferrero chocolate were distinctive

Packaging such as containers that hold or protect goods, and decoration composed of words, graphics, colors and their arrangements and combinations affixed to the goods or their packaging, when they can distinguish the source of the goods, are distinctive packaging and decoration protected by the Anti-Unfair Competition Law. The packaging and decoration of Ferrero chocolate that Ferrero sought to protect were composed of a series of elements. If the simple combination of wrapping spherical chocolate in foil, using transparent plastic outer packaging, and presenting the chocolate inner wrapping, etc. alone formed the packaging and decoration, it would lack the distinctive feature of distinguishing the source of the goods and would not be distinctive; moreover, the various elements in such a combination also belonged to universal packaging and decoration elements in the food packaging industry and could not be exclusively used. However, there is a great deal of room for choice in the arrangement and combination of packaging materials such as foil, paper bases and plastic boxes with their shapes and colors; and in affixing a trademark label to the packaging, there is also a great deal of design freedom in the size, pattern and composition method of the label. Within the scope of free design, uniquely arranging and combining the various elements of packaging and decoration so that they have the distinctive feature of distinguishing the source of the goods can constitute distinctive packaging and decoration of the goods. The packaging and decoration used by Ferrero chocolate, because the arrangement and combination of their constituent elements in words, graphics, colors, shapes, sizes, etc. had uniqueness, formed a significant overall image, was unrelated to the functionality of the goods, and after long-term use and extensive publicity, was already sufficient to enable the relevant public to associate the overall image of the aforesaid packaging and decoration with Ferrero's Ferrero chocolate goods, and had the function of identifying the source of the goods, so it should belong to the distinctive packaging and decoration protected by Article 5(2) of the Anti-Unfair Competition Law. Montresa's argument that finding the packaging and decoration in issue to be distinctive would cause the universal packaging and decoration of the chocolate industry to be exclusively used by Ferrero, monopolizing the domestic spherical chocolate market, could not be established.

III. On whether the relevant public was likely to confuse and misidentify Ferrero chocolate and Jinsha TRESOR DORE chocolate

As to the design of packaging and decoration of goods, different operators may learn from and borrow from each other, and on that basis carry out innovative designs to form packaging and decoration that clearly distinguish their respective goods. This practice is an inevitable requirement of market operation and competition. In this case, Montresa could fully utilize the universal elements in chocolate packaging and decoration design and freely design packaging and decoration clearly distinguished from the distinctive packaging and decoration previously used by others. However, with respect to another person's distinctive packaging and decoration having the significance of identifying the source of the goods, it could not carry out comprehensive imitation sufficient to cause market confusion and misidentification, otherwise it would constitute unfair market competition. The confusion and misidentification provided in China's Anti-Unfair Competition Law means that it is sufficient to cause the relevant public to misidentify the source of the goods, including misidentification of a specific connection such as a license for use or an affiliated enterprise

relationship with the operator of the well-known goods. In this case, because the overall image of the packaging and decoration used by Ferrero chocolate had the distinctive feature of distinguishing the source of the goods, the packaging and decoration used by Montresa on its chocolate goods and the distinctive packaging and decoration of Ferrero chocolate reached a degree of being visually very similar. Even though there were differences between the two parties' goods in price, quality, taste and consumer level, and different manufacturer names and trademarks, it was unavoidable that the relevant public would readily misidentify Jinsha TRESOR DORE chocolate as having some economic connection with Ferrero chocolate. Accordingly, the retrial applicant's argument that the similar packaging and decoration in this case would not cause consumer confusion and misidentification could not be established.

In conclusion, Montresa, on the Jinsha TRESOR DORE chocolate goods it produced, used without authorization packaging and decoration similar to the distinctive packaging and decoration of Ferrero's Ferrero chocolate, sufficient to cause the relevant public to confuse and misidentify the source of the goods, constituting unfair competition.

Relevant Legal Provisions

Article 5(2) of the Anti-Unfair Competition Law of the People's Republic of China.

Disclaimer: This translation is provided for reference and informational purposes only. In the event of any discrepancy, the official Chinese text issued by the Supreme People's Court shall prevail. This translation does not constitute legal advice.