SPC Guiding Case No. 58: Chengdu Tongdefu Hechuan Peach Slice Co., Ltd. v. Chongqing Hechuan District Tongdefu Peach Slice Co., Ltd. and Yu Xiaohua (Trademark Infringement and 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 May 20, 2016.

Keywords

Civil / infringement of trademark right / unfair competition / time-honored brand / false advertising

Holding

1. Where an individual or enterprise that has no historical connection with a "time-honored brand" registers the time-honored brand, or a trade name similar to it, as a trademark and then uses the history of the time-honored brand for publicity, this shall be found to constitute false advertising and unfair competition.

2. Where an individual or enterprise that does have a historical connection with the time-honored brand registers the time-honored brand as the trade name of an individually-owned business or as an enterprise name without violating the principle of good faith, and does not cause misidentification and does not use the trade name in a prominent manner, this does not constitute unfair competition or infringement of the exclusive right to use a registered trademark.

Basic Facts

The plaintiff (defendant in the counterclaim), Chengdu Tongdefu Hechuan Peach Slice Food Co., Ltd. ("Chengdu Tongdefu"), alleged that it was the owner of the "Tongdefu TONGDEFU and device" trademark, and that the individually-owned business and Chongqing Hechuan District Tongdefu Peach Slice Co., Ltd. ("Chongqing Tongdefu") successively established by Yu Xiaohua used "Tongdefu" prominently in their trade name and on the outer packaging of the peach slices they produced, infringing Chengdu Tongdefu's exclusive right to use the "Tongdefu TONGDEFU and device" registered trademark and constituting unfair competition. It requested the court to order Chongqing Tongdefu and Yu Xiaohua to cease use and cancel the enterprise name containing the trade name "Tongdefu"; to cease the acts infringing the plaintiff's exclusive right to use the trademark, to publish an apology and eliminate the effects, and to compensate the plaintiff for economic losses and loss of goodwill of RMB 500,000 plus reasonable expenses of RMB 5,066.4.

The defendants (plaintiffs in the counterclaim), Chongqing Tongdefu and Yu Xiaohua, jointly answered and counterclaimed, arguing as follows. The predecessor of Chongqing Tongdefu was the Tongdefu Zhai Shop, first established in 1898. Although the Tongdefu Zhai Shop ceased production due to public-private joint operation, its distinctive craftsmanship has been passed down from generation to generation without interruption. Yu Xiaohua, the fourth-generation successor of "Tongdefu," inherited the family business and successively registered an individually-owned business and a company, and used his enterprise name and trade name in a proper manner. The registration acts of Chongqing Tongdefu and Yu Xiaohua were in good faith and did not constitute infringement. Chengdu Tongdefu has no direct historical connection with the time-honored brand "Tongdefu," yet its publicity associating the "Tongdefu" trademark with the time-honored brand "Tongdefu" constituted false advertising. Moreover, Chengdu Tongdefu's unauthorized use of the well-known product name "Tongdefu" constituted unfair competition. They requested the court to order Chengdu Tongdefu to cease the false advertising and to publish a statement in a national newspaper to

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eliminate the effects, and to cease the acts infringing the special name of the well-known product “Tongdefu.”

The court found upon trial as follows. The Tongdefu Zhai Shop, which opened in 1898, was operated successively by Yu Hongchun, Yu Fuguang and Yu Yongzuo over three generations from 1916 to 1956. During the 1920s to the 1950s, the trade name “Tongdefu” enjoyed relatively high renown. In 1956, due to public-private joint operation, the Tongdefu Zhai Shop ceased operations. In 1998, the Wenjiang Branch of the Hechuan Peach Slice Factory was granted registration of the “Tongdefu TONGDEFU and device” trademark, No. 1215206, for use in Class 30, namely pastries, peach slices (pastries), cocoa products, and artificial coffee. On November 7, 2000, the name of the registrant of the said trademark was changed, upon approval, to Chengdu Tongdefu. The outer packaging of various products of Chengdu Tongdefu used the words “time-honored brand,” “century-old brand,” and “Introduction to ‘Tongdefu Brand’ Peach Slices: the ‘Tongdefu Brand’ peach slices were first created during the Qianlong period of the Qing Dynasty (or 1840), and have a long history and culture.” The “Company Profile” page of Chengdu Tongdefu’s website used the history of the Tongdefu Zhai Shop recorded in Selected Historical Materials of Hechuan (Second Volume) for the publicity of its “Tongdefu” brand Hechuan peach slices.

On January 4, 2002, Yu Xiaohua, son of Yu Yongzuo, registered an individually-owned business with the trade name “Hechuan City Time-Honored Brand Tongdefu Peach Slice Factory,” with the business scope of self-production and self-sale of peach slices and small foods. In 2007, its trade name was changed to “Chongqing Hechuan District Tongdefu Peach Slice Factory,” which was later cancelled. On May 6, 2011, Chongqing Tongdefu was established, with Yu Xiaohua as its legal representative and a business scope of production of pastries (baked pastries, cooked-flour pastries). It is the owner of the exclusive right to use the “Yu Fuguang 1898” word-and-device trademark, No. 6626473, and the “Yu Xiaohua” word-and-device trademark, No. 7587928. The outer packaging of various products of Chongqing Tongdefu used content introducing the history and awards of the Tongdefu Zhai Shop, such as “time-honored brand [Tongdefu] trade name, first established in the 23rd year of the Guangxu reign of the Qing Dynasty (1898), with a long history,” with some products noting after this passage that “the above text is excerpted from Hechuan County Annals”; the “[Tongdefu] Ode” reading “Tongdefu, in Hechuan, renowned far and wide, a century in business, making peach slices, passed down through four generations, high quality and fair price, honest and free of deceit, fair dealing, and warm-hearted talk”; and the words “Hechuan Peach Slice” and “Chongqing Hechuan District Tongdefu Peach Slice Co., Ltd.”

Judgment

On July 3, 2013, the First Intermediate People’s Court of Chongqing rendered Civil Judgment (2013) Yu Yi Zhong Fa Min Chu Zi No. 00273: (1) Chengdu Tongdefu shall immediately cease the false-advertising acts in issue; (2) Chengdu Tongdefu shall publish a statement on its website for five consecutive days from the effective date of this judgment to eliminate the effects of its false-advertising acts; (3) all the claims of Chengdu Tongdefu were dismissed; and (4) the other counterclaims of Chongqing Tongdefu and Yu Xiaohua were dismissed. After the first-instance judgment, Chengdu Tongdefu was dissatisfied and appealed. On December 17, 2013, the Higher People’s Court of Chongqing rendered Civil Judgment (2013) Yu Gao Fa Min Zhong Zi No. 00292, dismissing the appeal and affirming the original judgment.

Reasoning

The effective judgment held as follows. The individually-owned business of Yu Xiaohua and Chongqing Tongdefu had a business scope similar to that of Chengdu Tongdefu, and a competitive relationship existed between them. The three characters “Tongdefu” contained in their trade name were identical to the textual part of Chengdu Tongdefu’s “Tongdefu TONGDEFU and device” registered trademark and constituted similarity with that trademark. Whether their act of registering the trade name constituted unfair competition turned on whether the act violated the principle of good faith. Chengdu Tongdefu’s evidence was insufficient to prove that the “Tongdefu TONGDEFU and device” trademark had attained considerable renown; even if

others registered “Tongdefu” as a trade name and used it properly, it would not cause misidentification by the relevant public. Therefore, it could not be shown that Yu Xiaohua’s registration of the trade name of the individually-owned business as “Tongdefu” was done with the bad faith of free-riding. Moreover, during the 1920s to the 1950s, the trade name “Tongdefu” enjoyed relatively high goodwill. The Tongdefu Zhai Shop was operated successively by Yu Hongchun, Yu Fuguang and Yu Yongzuo over three generations, and especially during the period operated by Yu Fuguang, the peach slices produced by the Tongdefu Zhai Shop won many honors. Yu Xiaohua is the grandson of Yu Fuguang and the son of Yu Yongzuo. In light of the renown once attained by the trade name of the Tongdefu Zhai Shop and his direct lineal relationship with the operators of the Tongdefu Zhai Shop, it was reasonable for him to register the trade name of the individually-owned business as “Tongdefu.” Yu Xiaohua’s act of registering the trade name of the individually-owned business was in good faith, did not violate the principle of good faith, and did not constitute unfair competition. In light of the continuity of operation, his act of changing the trade name of the individually-owned business and Chongqing Tongdefu’s act of registering the company name likewise did not constitute unfair competition.

Looking at the outer packaging of Chongqing Tongdefu’s products, Chongqing Tongdefu used its full enterprise name, marked at the bottom of the front of the outer packaging. The three characters “Tongdefu” were located within the full enterprise name, consistent with the whole, without being used separately and prominently in the form of an abbreviation, and without any change made to highlight them, and the overall size, font and color of the text were not prominent relative to the other parts. Therefore, Chongqing Tongdefu’s act of marking its enterprise name on the outer packaging of its products was proper use, did not constitute prominent use of the trade name, and did not constitute trademark infringement. As to Chongqing Tongdefu’s act of marking the “Tongdefu Ode,” the four characters “Tongdefu Ode” were in a slightly larger font relative to their specific content (a thirty-six-character doggerel), but visually formed a whole. Their specific content was adapted from a similar passage recorded in historical materials as having once been used on the outer packaging of the goods of the Tongdefu Zhai Shop, and was intended to indicate the history and business philosophy of the “Tongdefu” trade name, rather than to highlight the three characters “Tongdefu.” Moreover, the outer packaging of Chongqing Tongdefu’s products used multiple commercial identifiers, among which the collective trademark “Hechuan Peach Slice” was especially prominent, and its own trademarks were also relatively obvious, and the “Hechuan Peach Slice” geographical indication and Chongqing intangible cultural heritage were simultaneously marked. Relative to these identifiers, the “Tongdefu Ode” and its specific content were merely ordinary descriptive text, clearly lacking the form of a commercial identifier, not prominent or eye-catching enough, objectively unlikely to cause consumers to misidentify the source of the goods, and lacking the function of substituting for a trademark. Therefore, Chongqing Tongdefu’s act of marking the “Tongdefu Ode” was not “prominent use” in the sense of trademark infringement, and did not constitute trademark infringement.

The history and honors of the “Tongdefu Brand” peach slices published on Chengdu Tongdefu’s website were consistent with the history and honors of the Tongdefu Zhai Shop recorded in historical materials, and the source of the historical materials was marked on its website, but Chengdu Tongdefu did not adduce evidence proving any connection between itself and the Tongdefu Zhai Shop. In addition, Chengdu Tongdefu marked on the outer packaging of its products the words “century-old brand,” “time-honored brand,” and “first created during the Qianlong period of the Qing Dynasty,” whereas its “Tongdefu TONGDEFU and device” trademark was approved for registration in 1998, and it likewise failed to adduce evidence proving the basis for such marking. Chengdu Tongdefu’s aforesaid acts were inconsistent with the facts and were apt to cause consumers to misunderstand the origin and history of its brand and its relationship with the Tongdefu Zhai Shop, thereby gaining a competitive advantage; they constituted false advertising, and it should bear the corresponding civil liability of ceasing the infringement and eliminating the effects.

(Judges of the effective judgment: Li Jian, Zhou Lu, Song Lili)

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Relevant Legal Provisions

Article 57(7) of the Trademark Law of the People's Republic of China.

Articles 2 and 9 of the Anti-Unfair Competition Law of the People's Republic of China.

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