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A Review of the Application of Article 5 of the PRC Unfair

Competition law by the PRC Courts

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The *PRC Anti-Unfair Competition Law* has become a powerful weapon for dealing with unfair and corrupt business practices. This article focused on the intellectual property protections aspects of this law. Article 5 of this law is akin to the common law action for passing off, but could be seen as being broader and more flexible.

Article 5 provides that:

“Operators shall not adopt any of the following unfair means to carry on transactions in the market and cause damage to competitors:

- (1) *Passing off the registered trademarks of others;*
- (2) *using, without authorization, the names, packaging or decoration peculiar to well-known goods or using names, packaging or decoration similar to those of well-known goods so that their goods are confused with the well-known goods of others, causing buyers to mistake them for the well-known goods of others;*
- (3) *using, without authorization, the enterprise names or personal names of others on their own goods, leading purchasers to mistake them for the goods of others;*
- (4) *Forging or falsely using, on their goods, symbols of quality such as symbols of authentication and symbols of famous and high-quality goods, falsifying the origin of their goods, and making false representations which are misleading as to the quality of the goods.”*

This article looks at some recently decided cases and how the courts have applied this provision to the relevant facts. Intellectual property owners will gain some valuable knowledge as to how to prepare for a case under this law, as well as strategies for protecting their valuable intellectual property rights under this law.

Luzhou Jian Guan Spirit Co., Ltd. v. Sichuan Jiang Kou Chun Spirit Industry (Group) Co., Ltd

[2007] Yue Gaofa Min San Zhong Zi No. 318



The plaintiff developed a kind of "Zhuge Niang" spirit with the name of "Zhuge Niang" which was first used on its products since June, 1999 (the bottle on the left). The plaintiff subsequently registered "Zhuge Niang" in Chinese with the Chinese Trademark Office. Luzhou Jian Guan Spirit Co., Ltd., the defendant, started using the name of "Zhuge Niang", on its spirit products from February, 2004 (the bottle on the right). The plaintiff sued for trademark infringement and contravention of Article 5 of the *PRC Anti-Unfair Competition Law*.

The court decided that although trademark infringement had not occurred, since the Chinese characters used were not identical to the registered mark, the defendant has contravened Article 5.

The court considered that under section 2 of Article 5 in *PRC Anti-Unfair Competition Law*, article 3 in *Provisions on the Prohibition of a Number of Unfair Competition Counterfeiting Particular Names, Packages and Decoration of Well-known Goods* (the Provisions) and *Interpretation on Several issues Concerning the Application of Law to the Trial Cases of Civil Disputes Over Unfair Competition* (the Interpretation), the necessary requirements for constituting unfair competition by counterfeiting the name, packaging, and decoration of well-known goods are:

- I. the counterfeited goods must be well-known in China;
- II. the name, packaging or decoration counterfeited must be unique to the well-known goods;
- III. the name, packaging and decoration used without authorization are same or similar to those specific ones used on well-known goods;
- IV. Causing confusion with well-known goods, causing the buyers to mistake that product as being the well-known products.

The court looked at evidence from the plaintiff regarding sales regions, sale amounts, sale times, product quality, after sale service, advertising, awards etc. In order to promote the "Zhuge Niang" product, the plaintiff had spent lots money advertising it on TV, in newspapers, road signs, bodies of public transportation nationwide since it was first produced in 1999. Both the plaintiff and their products had received a number of honorary certificates and awards from local associations. Meanwhile, evidence was put forward regarding civil judgments issued by the Guangdong Provincial Higher People's Court and Hunan Higher People's Court having identified the product and brand (including packaging) as well-known product and brand. The court concluded that the brand and packaging was regarded highly by the public and the evidence proved it to be well known.

In looking at similarity under Article 5, the court confirmed that it needed to look at the overall impression or main parts as being similar or not, and to consider this by a complex analysis as whether it can cause consumers to misidentify products. If it has caused misidentification or confusion, then the court considered that this would be

prima facie evidence that similarity existed between the brands. The court felt that there were some differences between the branding and packaging of the two bottles, but that those differences could not be found without careful identification especially since the underlying products were the same or very similar – it went on to conclude that consumers could easily misidentify the products.

According to Article 13 (1) of the *PRC Trademark Law* and Article 2 of the *Interpretation of the Law Applicable to a Number of Issues on Trademark Dispute Cases by the Supreme Court*, the court charged with a trademark dispute, has jurisdiction is able to identify a trademark as being a well-known trademark under the law. The court refused to make such a determination however, in line with a courts general reluctance to do so, even though it has concluded that the product or branding is well known for the purposes of Article 5.

Harbin Pharmaceutical Group v K-Max Medicine Co. Ltd
[2005] Ha Min Wu Chu Zi No.87



The Harbin Pharmaceutical Group (the plaintiff) had been produced of "San Jing" brand cephalixin tablets since 1990 (on the right). This tablet has won many honors like "Famous Brand Name of Heilongjiang Province" many times. "San Jing" was approved as a well-known trademark by PRC State Administration for Industry & Commerce in 2004.

K-Max Medicine Co. Ltd (on the left) started to make a similar product, using the same marking and packaging, and the plaintiff sought orders from the court that it had engaged in unfair competition.

The court found for the plaintiff. It was given evidence that the plaintiff's tablets had won many awards and that its trademark had been recognized as being a well known mark. The court went on to say that in assessing the similarity between the defendant's packaging and the plaintiff's, it needed to take into account the general attention of the public as the standard rather than close inspection as the standard, and compare the overall and main part of the products' packaging. In this case, both parties' packaging was used on the anti-inflammatory tablets. The size of the boxes were almost the same. The overall colors were both white. The main colors of the printing were black, red and silver grey. The upper designs were both basically the same pattern, with seven silver and white lines. The tablet names were written in black characters vertically at the lower right side of each package. Small printed red letters were used on both etc. The court concluded that either on a piece by piece analysis, or an overall impression analysis, similarity such to cause confusion has been proved.

Taiji Group Fuling Pharmaceutical Factory v. Jiangxi Xiji Pharmaceutical Co., Ltd.

[2005] Yu Yi Zhong Min Chu Zi No.472



Taiji Group Fuling Pharmaceutical Factory (the plaintiff) (on the right) provided evidence to the court, that it was awarded a patent for the preparation of Huoxiangzhengqi liquid by the Chinese Patent Office on March 16, 1996. This invention was granted the honor of "Gold Chinese Patent Invention" by Chinese Patent Office and the World Intellectual Property Organization on November 1, 1997. This product was approved also as a national second-class oral medicine by The Ministry of Health on October 9th, 1997 and second-class protected medicine species by the State Food and Drug Administration on December 16, 2004. Jiangxi Xiji Pharmaceutical Co. Ltd. (the defendant) was established in December 2003 - it launched its products (on the left) in Sichuan, Chongqing market in March 2005.

The court ended up finding for the plaintiff. It discussed that both parties' packaging involved rectangular boxes so their shapes and specifications were basically the same. It said that it should focus on the main views of each box - the court concluded that the pictures and printing colors used on both, were very similar and enough to satisfy their enquiry as to similarity and potential confusion – it seems that the rural scenery themes for both, were enough for the court to make this conclusion in this case.

In looking at whether the plaintiff's products and packaging were well known or not, the court looked at evidence showing that the product was patented, it had received the award of "Gold Chinese Invention Patent", and its relevant class listings; as well as sales and advertising evidence across China for a sustained period of time. The court was satisfied that the products and packaging was well known.

The defendant claimed that the content of the words used on the packaging and decorations by the plaintiff violated the mandatory provisions of China for pharmaceutical packaging, and shouldn't be protected by the *PRC Anti-unfair Competition Law*. The court refused to entertain this submission, saying that it only could focus on the intellectual property aspects of this case and the legality of the actual words could not be examined as long as they did not contravene any of China's intellectual property laws.

Ningxia Xiangshan Wine (Group) Co., Ltd. v. Ningxia Dream Estate Wine Co., Ltd.

[2007]Yin Min Zhi Chu Zi No.4



Ningxia Xiangshan Wine (Group) Co., Ltd. (the plaintiff)(on the right) developed a new type of fruit wine, called "Ningxia Hong", with the trademark "Xiang Shan" in 2001. The bottle label and packaging used on it was granted a design patent by the Chinese Patent Office on January 15, 2003. The plaintiff registered the combination of the shape of wolfberry and the graphic of a filling wine glass from a plan

perspective, in China, Japan, Singapore, South Korea, Switzerland, United Kingdom, Australia, the United States and Taiwan on December 28, 2003, as trademarks. Its trademark registration application was accepted by the Chinese Trademark Office on May 24, 2005, but it was pending at the time that this lawsuit was filed against the defendant (on the left). Ningxia Dream Estate Wine Co., Ltd. (the defendant) started producing Ningxia wine with Ning Xin Er brand in 2002. Two types of bottles used by the defendant were awarded design patents by the Chinese Patent Office, on November 3, 2004. The plaintiff sued for contravention of Article 5, as its device trademark application had not registered as yet.

The court found for the plaintiff. After comparing of the bottles, packaging and decorations used on both parties' wines, it was found that there are significant differences between their bottles and bottles labels, which are main decorations for both products: the packaging and decoration used on both products were all in red, and the main colors of the text combination on the front and back were both in black and white; the location and composition of both decorative screens were different but similar. The composition and text from the view of left, right and up are different. The plaintiff provided evidence showing that the "Ningxia Hong" word mark had been continuously used and advertised sustainably on wide variety of media for many years by the plaintiff, and was known by the relevant public. The products with "Ningxia Hong" were sold all over the China and in Japan, Korea and other countries as well as Hong Kong and Taiwan. Ningxia Hong wolfberry wine was found to occupy a significant market share, and the product was found to be well regarded in China at least.

The court in accordance with Article 14 of the *Trademark Law* held that the "Ningxia Hong" word mark was a well known trademark in China and its name, packaging and decoration was unique to well known goods. Using similar packaging could cause misidentification by consumers, given how well known the Ningxia Hong" word mark was, and constituted counterfeiting of the special packaging of well-known goods. This case showed how flexible and expansive Article 5 can be in a relevant case.

Beijing Lan Tian Da Cheng Building Materials Ltd. v. Langfang Jin Shu Building Decoration Company

[2006] Hai Min Chu Zi No.10580

Beijing Lan Tian Da Cheng Building Materials Ltd. (the plaintiff) was established on December 17, 1998. The plaintiff claimed that a particular flag device mark used by the defendant would confuse consumers and attempted to claim that its products and packaging were well known in China. The plaintiff presented limited sales and

advertising evidence, but relied heavily on some awards issued by a relatively unknown building group, Beijing Architectural Hardware Door and Window Industry Association, in the hope that the court would conclude that its products and the relevant mark were well known in China. The court concluded that the flag mark used by the defendant was similar, but that no confusion was likely given that the plaintiff had not been able to prove that the products and mark were not well known in China. This is often one of the reasons for a court's refusal to apply Article 5 to a case.

Conclusion

As can be seen from these cases, the courts in China tend to be willing to apply Article 5 expansively and creatively, as long as it is convinced that the plaintiff's products and relevant packaging or mark, are well known in China. Foreign plaintiffs often have difficulty in proving this point, so it is important to look at what the courts have identified as key indicia in dealing with this difficult issue – registered rights, long historical and consistent use, awards and recognition by substantive authorities, detailed sales and advertising evidence, are all key to getting across the line on this issue.