

Country correspondents

The Country correspondents section of *World Trademark Review* is a feature in which leading firms from countries across the globe take a detailed look at a specific topic affecting trademark owners

Design and trade dress

In this issue the correspondents consider how to protect design rights and trade dress in their respective jurisdictions

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Protecting trade dress through unfair competition law

Trade dress can be registered in China as trademarks or design patents. It is more commonly protected under the Anti-unfair Competition Law. However, enforcing rights under that statute may prove to be a higher hurdle to negotiate than enforcing registered rights as it requires evidence that the trade dress is unique and applies to a famous commodity

Since China started its process of legal reforms and economic liberalization, it has also endeavoured to strengthen the protection afforded to intellectual property.

Historically, owners of unregistered trade dress rights have turned to unfair competition law to protect their rights against infringement.

Article 5 of the Anti-unfair Competition Law prohibits another party from using names, packaging or decoration that are either identical or similar to those of a famous commodity.

While registered trademarks are presumed valid throughout China, a party that seeks protection for its unregistered trade dress under unfair competition law must show that:

- the trade dress is unique;
- the product to which the trade dress applies is famous throughout China with respect to the relevant public; and
- there is confusion among the relevant public.

Due to the increased burden placed on the plaintiff to prove an unfair competition claim, some practitioners consider unfair competition law to be a more complicated method of protecting trade dress rights than relying on trademark law.

However, unfair competition law and trademark law are different: trademark law protects the trademark itself, while unfair competition law deals with acts of unfair competition.

The recent decision issued by the Chinese Supreme Court in a trade dress dispute between Italian chocolate manufacturer Italian Ferrero Co Ltd and Chinese chocolate producer Montresor Food Co Ltd reiterates this distinction and illustrates the use of unfair competition law to protect trade dress.

The Ferrero decision

The dispute between Ferrero and Montresor involved the use of a similar trade dress for two brands of chocolate, both of which may be considered famous throughout China. This decade-old dispute finally came to an end on March 24 2008 when the Supreme People's Court issued judgment against Montresor for imitating the trade dress of Ferrero's Ferrero Rocher chocolates on its 金莎 ('Jin Sha') Trésor Doré chocolates.

Ferrero first began selling its Ferrero Rocher chocolates in China in 1984 and marketed them under the names Ferrero Rocher and 金莎. In 1986 Ferrero registered the trademark FERRERO ROCHER and device in China. However, Ferrero did not apply to register 金莎. Five years later Montresor's predecessor registered the word trademark 金莎 and later that year began selling chocolates with a gold foil wrapping and decoration similar to that of the Ferrero Rocher chocolates. In 2002 the trademark rights for 金莎 were assigned to the joint venture company Montresor. The following year, Montresor obtained a registration for the word mark TRÉSOR DORÉ and continued to use the gold foil wrapping and decoration with its 金莎 Trésor Doré chocolates.

Ferrero later attempted to secure trademark and design patent protection for the Ferrero Rocher trade dress, but it was unsuccessful. A design patent was issued for the Ferrero Rocher trade dress that was later invalidated; this allowed Montresor to continue using a similar trade dress. During that time, Montresor was able to increase the profile of 金莎 Trésor Doré chocolates in the Chinese market and received numerous national awards for the product. Some market surveys and rankings conducted before trial suggested that 金莎 Trésor Doré chocolates were more popular than Ferrero Rocher chocolates in China.

Faced with the prospect that Montresor would continue to use a trade dress similar to that of Ferrero Rocher, Ferrero sued Montresor and its Tianjin distribution company in the Tianjin Intermediary Court for unfair competition in June 2004. Ferrero failed at first instance, but was successful on appeal before the Tianjin Higher People's Court. Montresor appealed that decision to the Supreme People's Court.

As the case centred on two famous commodities, the first issue for the court to address was whether Ferrero Rocher chocolates were famous in China before Montresor started using a similar packaging for its 金莎 Trésor Doré chocolates. The court held that Ferrero Rocher chocolates were well known at the relevant date, based on:

- Ferrero's earlier entry into the Chinese market; and
- the level of sales and advertisements made by Ferrero.

The Supreme Court ruling provided an example of how to evaluate whether a commodity is famous. For the purposes of an unfair competition action, the ruling indicated that a famous commodity must be widely known by the relevant public inside of China. However, it added that the overseas sales and reputation of the commodity may also be taken into account in determining whether a commodity is famous. This additional factor was not provided for in an earlier interpretation of the Anti-unfair Competition Law issued by the Supreme Court.

The second issue the court needed to determine was whether the Ferrero Rocher trade dress was unique. In order for a trade dress to be considered unique under unfair competition law, the court stated that the trade dress, packaging and decoration of the commodity must be distinctive enough to

allow the relevant public to differentiate the sources of the commodity. Irrespective of whether many common factors of packaging and decoration are incorporated into the trade dress, the packaging and decoration shall be deemed to have notable characteristics if all the factors composed or combined in a particular way form a distinctive integral image – that is, more than merely functional – which is capable of differentiating the source of the commodities. In this case, the court found that the packaging in its entirety had become associated with Ferrero Rocher by the relevant public through the long-term use and advertising of the trade dress among the relevant public.

Montesor argued that Ferrero Rocher's trade dress was not unique and submitted evidence that Ferrero's application for a three-dimensional trademark had been refused on the basis that it lacked distinctiveness. Montesor also submitted evidence that a design patent for the Ferrero Rocher packaging had been invalidated. The court held that this had no bearing on the case and made a point of distinguishing between three-dimensional trademarks and trade dress; thus, the court broke from the traditional notion of referencing trade dress with trademark law.

The court held that the intention of the case was to protect the integral design of the packaging and decoration composed of words, drawings, colours and shapes on Ferrero Rocher chocolates by preventing acts of unfair competition. This is different from protecting three-dimensional trademarks and does not affect the standards of the relevant authorities in judging the registrability of three-dimensional trademarks or the patentability of designs. Accordingly, the Anti-unfair Competition Law is to be used as a sword of justice against unfair competitive acts.

Finally, the court had to determine whether the relevant public was likely to be confused between the 金莎 Trésor Doré and Ferrero Rocher products. The ruling indicated that the distinctive packaging and decoration of Ferrero Rocher chocolates was capable of differentiating sources of the commodities and chocolates. The court also found that 金莎 Trésor Doré's imitation of Ferrero Rocher's design would lead the relevant public to believe that there was some economic relationship between the two companies. In spite of Montesor arguing that the commodities of both parties are different in price, quality, flavour, consumer level, brand name and trademark, the court found that Montesor's



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acts had inevitably caused confusion between the products among the relevant public. Accordingly, the court concluded that this constituted unfair competition.

Having found that Montesor committed acts of unfair competition with respect to trade dress, the court was faced with the problem of how to award damages. As Ferrero could not establish damages according to its profits lost or any profits made by Montesor, the court resorted to statutory damages as provided under trademark law. The court reasoned that unique packaging and decoration are business signs, and unfair competition relating to unique packaging and decoration of well-know commodities is thus an infringement of an exclusive right similar to trademark infringement.

Further, the Supreme Court held that Montesor must stop using packaging and decoration similar to Ferrero Rocher chocolates with its 金莎 Trésor Doré chocolate brand and pay compensation of Rmb500,000 to Ferrero, as well as litigation expenses of Rmb40,000. The court also ordered that the Tianjin company stop selling the infringing products.

Conclusion

Under Chinese law, trade dress that is not protected by a trademark registration or design patent may be protected under unfair competition law if it is unique and applied to a famous commodity.

The *Ferrero* decision illustrates that under the Anti-unfair Competition Law, the trade dress of famous commodities may be given an equivalent level of protection as found under trademark law. Accordingly, unfair competition law will play a greater role in asserting the rights of trade dress. To some degree, the decision of the Supreme Court may also extend beyond trade dress and be applied to any visual cue that is unique and can refer to the origin of famous commodities.

Thus, in the future the *Ferrero* decision will play an important role in enhancing recognition of trademark rights because it further clarifies the relationship between three-dimensional marks, design patents and trade dress. This will certainly influence judicial and administrative practices in future cases.

Furthermore, the ruling demonstrates China's determination and capability of insisting on the policy of openness and reform, as well as following the rule of law. Accordingly, foreign companies should be more confident that their legitimate business conduct in China will be given more protection. [WTR](#)