Analysis of Fight for "Red Can"

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In the present social situation in China, cases of disputes should be adjudicated not only on the basis of clearly ascertained facts and under duly applied laws, but also with consideration taken of the social effect brought about by the outcome of the adjudication. The judicial war over "WANG LAO JI" red can, widely reported in the mass media, is one of the examples.

I. How to perceive the subject matter in suit

The basic logic of adjudicating IP infringement cases is as the following: starting from "a rightholder's position" to first identify the right (such as the trademark right) asserted by the rightholder, then finding whether the accused party has infringed said right, and finally imposing the liability for infringement. By contrast, an unfair competition case is heard or adjudicated by the basic logic of starting from the "accused party's position" to determine whether his or its act constitutes the elements of unfair competition, and deciding on whether he or it should be held legally liable for the accused act. Hearing an unfair competition case from a "rightholder's perspective" cannot effectively resolve a dispute due to a dislocated perspective.

In the case under this study, both parties cited experts' views to convince the judges. All these views invariably argued for the ownership of the "red can" from the perspective of the right, and even presented or developed the concepts of "famous commondy right" and "package trade dress right" to testify infringement by the other party this way. If an unfair competition case is analysed from the perspective of "infringement of a right", then what an unfair competitor infringes should not be the "famous commodity right" or "package trade dress right", but "the rights and interests of a business in carrying on fair competition in the marketplace" and "the rights and interests of consumers' in fair consumption". There does not exist the "famous commodity right" protected under any law in China, and the "package trade dress right" is a subject matter protected by the copyright and patent right for design.

In hearing the case involving the "red can", the issue of "good faith" requires our attention. Generally in an unfair competition case involving activity of "taking ride", it is relatively easy to judge whether the accused party acted in violation of the "good-faith" doctrine because the subjective motivation to "take a ride" inevitably causes the objective effect of "mistaking or confusion on the part of consumers". While censuring the other party for unfair competition, both parties to the case did their outmost advertising to tell consumers that the "JIA DUO BAO (pronunciation for the Chinese brand '加多宝') brand cold tea" was not the "WANG LAO JI" brand cold tea, or the name of "WANG LAO JI" cold tea remained unchanged. Both parties' intensified wide advertising would greatly make it less possible for "consumer to mistake one brand for another".

II. Jiaduobao's marketing red canned cold tea does not constitute unfair competition against the Guangyao Group

Now that the cause of action in the "red-can" case was unfair competition, then what is at issue is not who owns the right in the "red can", but whether the other party's use of it to sell cold tea is an act of unfair competition as mentioned in Article 5 (2) of the Unfair Competition Law. Reports in the mass media have touched upon the following issues.

1. What is the "famous goods" in dispute in the case?

The Guangyao Group based its unfair-competition accusation against the other party on the claim that the "WANG LAO JI" red-canned cold tea was famous goods. The Supreme People's Court pointed out in its recently issued Judicial Interpretation of the Unfair Competition Law that "in establishing famous goods, comprehensive determination should be made by considering all the factors, such as the time, region, amount, and consumers of the sale of the goods, and the duration, extent and geographical scope of any advertising, and the circumstance of the goods protected as such. The plaintiff shall be under the burden to prove

the repute of its goods in the market." According to this standard, the time for the "WANG LAO JI" red-canned cold tea to become famous goods should be the time when Jiaduobao made the "WANG LAO JI" red-canned cold tea.

The basic function of a trademark or trade dress particular to some famous goods is to enable consumers to distinguish the source of one goods from that of another. Therefore, for consumers to whom the famous goods are famous, besides the "name of the goods", the name of the manufacturer of the goods is more important. The reason that "WANG LAO JI" red-canned cold tea is famous to consumers, besides the popularity of the product *per se* to consumers, depends, to a large extent, on Jiaduobao's intensive advertising of it; particularly, it made huge donations to relieve people in disaster-stricken area on several occasions, which have emotionally made many consumers have good opinion of the goods of "WANG LAO JI" red-canned cold tea manufactured by Jiaduobao, and accept the goods available in the market.

Then, is "WANG LAO JI" red-canned cold tea still famous goods manufactured by the Guangyao Group after Jiaoduobao ceased making the goods? We tend to believe that the answer is negative mainly because the goods in the famous goods have changed. That is, the "WANG LAO JI" red-canned cold tea now available in the market is different both in terms of formula and taste. To prove that "WANG LAO JI" red-canned cold tea is famous goods, the Guangyao Group must produce a lot of relevant evidence according to the above Judicial Interpretation. It took 12 years for Jiaoduobao to have turned "WANG LAO JI" red-canned cold tea into famous goods, but the "WANG LAO JI" red-canned cold tea the Guangyao Group mentioned was made available in the market after May 2012. It will take a long time and tremendous investment to make the new "WANG LAO JI" red-canned cold tea famous goods. The essential matter is to make the consumers who have accepted the "WANG LAO JI" red-canned cold tea as famous goods made by Jiaoduobao switch to the "WANG LAO JI" red-canned cold tea made by the Guangyao Group, which is hard to be determined as a legal fact in the present situation.

2.Are trademark and package/trade dress inseparable?

Of course, a trademark and package/trade dress is separable because:

(1) A trademark is protected under the Trademark Law while package/trade dress is a subject matter of the copyright and the patent right for design, and can be one factual element in unfair competition determination. Belief that things that are regulated by different laws are inseparable is theoretically baseless;

(2) The Guangyao Group argued that it was made clear when the involved trademark license was concluded that the "WANG LAO JI" trademark could be used only on "red bottle or red can"; hence when the "WANG LAO JI" trademark was taken back, the "package of red can" connected thereto should be "turned back".

If the Guangyao Group allowed Jiaoduobao to use a "red can bearing the particular trade dress" existing when the parties concluded the license, then the pure "trademark license" changed into a mixed license in respect of "trademark and copyright". This being the case, when the trademark license terminated, Jiaoduobao should cease its use of the trade dress. But if in the trademark license, only the use of the licensed trademark on "red can or red bottle" was clearly mentioned, then in law, only the "scope of use" of the licensed trademark (not licensing some extra right) was limited. After the trademark license terminated, such limitation did not have any legal meaning any more, nor did it mean that the licensee could, from then on, not use the "red can or red bottle" for the cold tea it made because within the present legal framework in China, no one enjoys the exclusive right in a red can (a can of red colour).

(3) The essential nature of a trademark license is that a trademark owner gives a licensee the right to use a licensed trademark. A contract is evidence to the existence of the right. Termination of a trademark license legally means, to the licensee, that he or it cannot claim or assert the right to use the trademark based on the contract. It is legally baseless that a trademark licensor may secure any right beyond the "licensed subject matter" via trademark licensing unless it is clearly agreed in the contract, and it does not violate the compulsory provisions of the laws and administrative regulations.

(4) Jiaoduobao, after acquiring the right to use the "WANG LAO JI" trademark, designed, on its own, the trade dress of the red can, and was granted a design patent therefor. Expiry of the design patent does not have any impact on its copyright in the designed trade dress, and continuing using a trade dress in which one enjoys his copyright is not contrary to the good-faith doctrine.

3. Did Jiaoduobao acquire the goodwill of the licensed trademark by unfair means?

A mark of device or word generates goodwill only if it is associated with some specific product or service and the provider thereof, and the value of a mark is truly realised or achieved when the right in the mark is transferred (e.g. acquisition or merger, or pure assignment of the trademark right). The goodwill of the "WANG LAO JI" trademark should not be discussed without mentioning the goods the trademark is associated with and the providers thereof. Jiaoduobao used "WANG LAO JI" trademark to make and market cold tea, which generated a goodwill of the trademark. This is absolutely not the same as the goodwill generated by the Guangyao Group's use of its "WANG LAO JI" trademark. The allegation that Jiaduobao extensively advertised "JIA DUO BAO" red-canned cold tea, and, thus stole the "WANG LAO JI" trademark is not convincing since a trademark would generate its goodwill only if it is associated with a specific product and its producer. For that matter, it is impossible for anyone to steal goodwill from anyone else. Jiaduobaos' extensive advertising of "JIA DUO BAO" red-canned cold tea generates a goodwill associated with the "JIADUOBAO" trademark, and Guangyao Group has to rely on its own efforts to establish goodwill for the "WANG LAO JI" trademark after it took back the trademark.

4. Is confusion likely on the part of consumers?

A key element in finding act of unfair competition is "likelihood of confusion with another party's famous goods, so that consumers would mistake a product for the famous goods". Jiaduobao, after its cessation of using the "WANG LAO JI" trademark to make the "red can cold tea", spent a huge amount of money advertising, telling consumers that the "JIA DUO BAO" red-canned cold tea is not the "WANG LAO JI" red-canned cold tea , and did everything possible to help consumers to distinguish the two goods. With such intensive advertising, it would not be convincing to determine that Jiaduobao was attempting to "take a ride" with the "WANG LAO JI" trademark to confuse consumers about the source of the goods. Likewise, the Guangyao Group used a considerable part of its business turnover to do advertising, trying to tell consumers that the Guangyao Group is now the provider of the "WANG LAO JI" red-canned cold tea. This intensive advertising warfare (let alone the extensive media coverage) should have made it possible for consumers to be well able to distinguish the two products.

Jiaduobao has repeatedly mentioned the numbers in its advertising that "In China, out of every ten cans of cold tea sold, seven cans are the 'JIADUOBAO' cold tea". It is said that the business turnover of the Guangyao Group had reached RMB 7.5 billion yuan in the first half of this year, about RMB 3 million yuan had been spent advertising. Without discussing whether the numbers are objectively true or not, the numbers from both parties are sufficient to prove that "it is impossible for consumers to confuse the two products".

As the above analysis shows, any determination that "JIA DUO BAO" red-canned cold tea made and marketed by Jiaduobao constituted "unfair competition" against Guangyao Group is factually and legally baseless.

III. Guangyao Group's marketing red-canned cold tea does not constitute unfair competition against Jiaduobao

The Guangyao Group's marketing red-canned cold tea does not constitute unfair competition against Jiaduobao for the same or similar reasons discussed above.

(i) Now that Jiaduobao cannot prove that it now has the law-protected exclusive right in its "red can", then the Guangyao Group's use of "WANG LAO JI" trademark on its "red can" to make cold tea is not prohibited by law.

(ii) Except colour and general explanation, the trade dresses of the two products are considerably different in overall layout. Given the co-existence of other "red-canned" drinks, consumers must watch closely to distinguish them when buying drinks of the kind, and the different overall layout of the trade dresses of the two products are suffient to enable them to see the differences, and find the cold tea they want to buy.

(iii) Both parties have spent huge amount of money advertising that "JIA DUO BAO" red-canned cold tea is not "Wang LAO JI" red-canned cold tea, which is sufficient to enable consumers to see the distinction between the two.

As the above analysis shows, the mutual allegation of the Guangyao Group and Jiaduobao for the other party's carrying on unfair competition and their litigant claims for the court to order the other party to cease and desist from using the "red can" to produce cold tea should be all rejected by the court. Let the market and consumers choose the drink of cold tea they prefer. ■

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