

China Newsletter  
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Intellectual Property

## THE FIRST PRC DECISION ON 3-DIMENSIONAL MARK

### THE BATTLE BETWEEN NESTLE AND MASTER

The Supreme People's Court of Guangdong Province recently ruled in favour of Master Seasoning ("Master") in its declaration for non-infringement action against Nestle. In July 2005, Nestle obtained registration of the 3-dimensional packaging of its Maggi soya sauce through an International Registration designating China. Its mark is the famous brown cubical glass bottle with a yellow tip-shaped yellow lid ("the Maggi bottle") in Class 30 in the PRC. Master, a local joint venture manufacturing soya sauce and food seasonings, has been using a similar bottle ("the Master bottle") since 1983.



Maggi bottle



Master bottle

### THE PROCEEDINGS

After successfully registering the Maggi bottle as a 3-dimensional mark in China, Nestle demanded Master cease use of the Master bottle and also threatened proceedings. Nestle claimed that due to the similarities between the respective bottles, use of the Master bottle on soya sauce had caused confusion in the eyes of the relevant public and hence infringed upon its rights over the Maggi bottle. Master decided to actively defend Nestle's intended suit and filed an action seeking a declaration of non-infringement of the Maggi bottle at the Guangdong Jiangmen Intermediate People's Court, which ruled in favour of Master. Nestle was unconvinced and subsequently appealed to the Supreme People's Court of Guangdong Province.

### THE DECISION – A VICTORY FOR MASTER

The final decision of the Supreme People's Court of Guangdong Province boiled down to 2 issues. First, whether the Maggi bottle, as a registered trademark, is distinctive in respect of the applied-for goods. Second, whether the use of the Master bottle alongside with the Maggi bottle in respect of food seasonings would deceive or cause confusion on the part of the public as to the source of the goods.

### *i) Maggi bottle with weak distinctiveness*

The Supreme People's Court of Guangdong Province ruled that the Maggi bottle was distinctive in respect of food seasonings by virtue of Nestle's use of the mark as the packaging of its soya sauce in China for years. However, as many Chinese companies have used similar packaging in their soya sauce in China before Nestle successfully registered the Maggi bottle with the Chinese Trade Mark Office ("CTMO"), the distinctiveness of the Maggi bottle on its own was weak.

### *ii) Maggi bottle has been used as the packaging but not as trademark*

The Supreme People's Court also considered that Master had not used the Master bottle as a trademark, but as the packaging of its soya sauce. It concluded that there were other distinctive features being used on the Master bottle. Therefore, the relevant public would remember the combined effect of the Master bottle together with the word mark "Master" and other details of the packaging label. As a result, when comparing the similarity of the mark for the purpose of infringement, the court should compare the registered mark against the overall impression of the infringing mark left on the relevant public. The key test of trademark infringement is whether the public is confused, and not merely whether the marks are similar.

## REGISTRABILITY OF 3-DIMENSIONAL MARK

Since the amendment to the Trademark Laws in 2001, China has allowed registration of 3-dimensional marks. There are 3 kinds of 3-dimensional marks including (1) a 3-dimensional mark irrelevant to or unconnected with the applied-for goods or services, (2) the 3-dimensional packaging of the applied-for goods, and (3) the 3-dimensional shape of the applied-for goods itself. There are only a limited number of 3-dimensional marks that have been registered with the CTMO. Examples include the glass bottle of Coca-Cola, the triangular chocolate owned by Kraft Food Inc. and the packaging of a single piece of Ferrero Rocher Chocolate.

## TRADEMARK VS DESIGN PATENT

The protection conferred by a 3-dimensional mark registration and that conferred by registered design patents sometimes overlap. A registered design patent protects the owner's exclusive right to use the design patent for a limited period, say for 10 years. On the other hand, by continuously renewing a trademark registration, the exclusive right to use conferred by the 3-dimensional mark registration is in fact perpetual. To some, this would result in monopolization of the designs and ideas for packaging and the resources for product designs, which is not conducive to the public interest of protecting freedom to ideas and enhancing creativity.

## CONCLUSION – THE SCOPE OF PROTECTION UNDER 3-DIMENSIONAL MARKS REMAINS UNCLEAR

This is the first case regarding infringement of 3-dimensional marks in China. Although a 3-dimensional mark is registrable in China, its extent of protection in the context of infringement is far from clear and more controversies are expected to arise in the future.

# ONLINE TRADING AND IP RIGHTS ENFORCEMENT AGAINST THE WEBMASTER IN CHINA

## LIABILITY OF ONLINE SHOPPING OR AUCTION SITE OPERATOR

While the convenience of online shopping benefits most people, the accompanying trademark and copyright infringement cases bring headaches to IPR owners. It is increasingly common to find online shopping or auction websites which sell forged or counterfeit products of well-known brands. Usernames or address can be false, and the Internet users are usually disguised by their IP addresses and thus difficult to locate for commencing legal action. In that case, is the online shopping or auction site operator liable for the infringement?

In a recent PRC decision, the Local Peoples' Court of Haidian district, Beijing held that Taobao, a famous online auction site in the PRC, was liable for copyright infringement committed by its online seller. This case is currently under appeal at the First Intermediate People's Court.

## THE FACTS OF THE DISPUTE

The Plaintiff is the producer of a video training series called *Zhiqiang Club's Stock Training Course*, and has registered its copyright over the training series with the Copyright Protection Centre of China. After conducting investigation on Taobao website, the Plaintiff discovered that hundreds of unauthorized distributors have been selling pirated copies of its training course through Taobao. While the genuine copies are sold at above RMB10,000, the pirated copies were being sold for RMB5 via Taobao, causing substantial loss to the Plaintiff.

An individual named "Wong" claimed that he has been sourcing the pirated copies from an online store of Taobao. In order to enforce its copyright, the Plaintiff instituted a copyright infringement suit against both Wong and Taobao, requesting (a) an injunction against Wong restraining him from selling pirate copies of the training course, (b) an order demanding Taobao to remove all the links offering the infringing videos, and (c) damages of RMB120,000 for which Wong and Taobao are jointly and severally liable.

## THE DECISION – WONG AND TAOBAO ARE BOTH LIABLE

The Court held that Wong had infringed the copyright of the Plaintiff since he knew that the videos sold were pirated copies and he deliberately sold those pirated copies with intent of yielding illegal commercial profits. As to the liability of Taobao, the Court held that there was evidence showing that Taobao had not immediately removed the infringing links upon receipt of the complaints from the Plaintiff or attempted to verify the alleged infringement. As such, Taobao was also liable for the damages suffered by the Plaintiff. Wong was ordered to pay damages of RMB20,000, and Taobao was held jointly and severally liable for RMB10,000 of such damages.

In its defence, Taobao claimed that as an internet webmaster and service provider, it had no prior or actual knowledge as to whether infringement had happened and it was impossible for it to be aware of the occurrence of an IP infringement.

# THE DIFFICULTY OF COMBATING ONLINE IP INFRINGEMENT

## a) *Identifying the infringer*

It is not easy to combat IP infringement that occurs online. The first hurdle is the identification of the infringer. A user name appearing on a website normally does not indicate the true or actual name of the infringer nor his whereabouts. Without any discovery and assistance from the webmaster and internet service providers, it is difficult to launch civil proceedings against the infringers.

## b) *Going after Internet service providers?*

Internet service providers of online shopping or auction site operators may be domiciled outside China. In such cases, the infringement occasioned by overseas Internet service providers may involve complex legal issues such as the applicable laws and appropriate forum of litigation. Even if the merits of the infringement claim are strong and the IPR owners succeed in the trial, further legal costs have to be incurred in order to enforce a judgment overseas.

## CONCLUSION – ONLINE AUCTION SITE AS THE GATEKEEPER

In China, lodging complaints with webmaster of the online auction sites requesting removal of links displaying suspected infringing product is a plausible and practical solution to internet IP infringement. Usually, online auction sites have complaint mechanisms in place for consumers and IPR owners for reporting suspected IP infringements. In light of the recent court decision against Taobao, it is expected that online auction sites will be more responsive and reactive to infringement complaints lodged by any IPR owner.

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