IP CASE EXPRESS

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In this edition, we browsed and analyzed IP-related court judgments and adjudications together with the key statistics recently, and we would like to share with you noteworthy statistics and our comments on some significant cases.

I. Statistics

China's Patent-related Statistics

Distribution of Inventions Received from Major Countries and Regions 2016

Countries and Regions	Yearly Total	Year-on-year Growth Rate	Total
Total	133522	-0.10%	1637788
JP	39207	-2.20%	562365
US	35895	-3.50%	417641
DE	14158	2.20%	161341
KR	13764	6.60%	138173
FR	4631	-1.50%	59034
CH	3453	0.60%	42709
NL	3155	4.10%	50036
GB	2372	6.80%	31208
SE	1919	-1.50%	26546
IT	1610	12.60%	20057
FI	1007	-3.30%	15805
CA	985	-3.90%	14182
AT	946	-3.70%	8634
DK	858	1.50%	10227
SG	769	7.70%	5599
BE	700	9.70%	8141
AU	624	-1.70%	10506
ES	393	14.90%	4668
RU	135	-8.80%	2249
Others	6941	8.00%	48667

Distribution of Applications for Patents for Utility Model and Design Received from Home and Abroad

		Yearly Total			Total	
		Number of Applications	**Percentage %**	**Year-on-year Growth Rate**	**Number of Applications**	**Percentage %**
	Sub-total	1475977	100.00%	30.90%	8101960	100.00%
Utility Model	Service	1143010	77.40%	32.00%	5187353	64.00%
	Non-service	332967	22.60%	27.30%	2914607	36.00%
	Domestic	1468295	99.5%	31.10%	8045003	99.3%
	Foreign	7682	0.5%	-2.30%	56957	0.7%
	Sub-total	650344	100.00%	14.30%	5919782	100.00%
Design	Service	342903	52.70%	20.40%	2920803	49.30%
	Non-service	307441	47.30%	8.20%	2998979	50.70%
	Domestic	631949	97.2%	14.60%	5698457	96.3%
	Foreign	18395	2.8%	4.60%	221325	3.7%

Distribution of Valid Inventions of Major Countries and Regions

Countries and Regions	**Valid Number**	**Sequential Growth Rate**
Total	614000	11.50%
JP	238910	7.70%
US	140947	14.80%
DE	62203	17.90%
KR	47090	11.30%
FR	22954	13.40%
CH	16696	13.50%
NL	16146	10.60%
SE	10396	8.30%
GB	8685	12.00%
IT	7506	12.40%
FI	6067	11.10%
CA	4709	6.40%
DK	3751	13.80%
AT	3364	21.50%
BE	3210	14.40%
AU	2644	12.00%
SG	2037	29.00%
ES	1221	17.60%
RU	445	12.90%
Others	15019	14.20%

Source: SIPO

II. Comments on Typical Cases

Patent

Dispute over Invention Patent Infringement Lodged by VMI Holland B. V. against Jieyang Shuangjun Rubber Machinery Co., Ltd.

- *(2016) Yue Zhi Zhong Zi No. 1390 Civil Judgment of Guangdong Higher People's Court*
- *(2015) Yue Zhi Fa Zhuan Min Chu Zi No. 1849 Civil Judgment of Guangzhou Intellectual Property Court*

Rules:

1. When judging whether the sued infringing product constitutes patent infringement, the auxiliary equipment that must be **added due to the nature and for the normal operation of the sued infringing product may be used to determine the sued infringing product has corresponding technical features.**

2. Where the decision made **by the administrative organ against the same infringement act is revoked by the court in subsequent judicial proceedings, the evidence legally collected and produced during the process of law enforcement and solving the case shall still have probative force.**

3. Where the right holder has endeavored to present evidence to prove the loss suffered thereby due to the infringement act, as well as provided the selling price of the sued infringing product and the industry's **average profit rate, while the defendant refuses to provide financial books concerning the sued infringing product as required by the court, the court may, based on the nature and duration of the sued infringing act, the production scale, the selling price, the industry's profit, etc, decide at its discretion the amount of damages that shall be borne by the sued infringer.**

Facts:

The plaintiff VMI Holland B.V. found the mechanical drum used for producing tire products that was produced and sold by the defendant infringed No. ZL01806616.X invention patent thereof, and bought under notarization a 16-inch "VMI mechanical drum" from the infringer Jieyang Shuangjun Rubber Machinery Co., Ltd. (hereinafter referred to as "Jieyang Shuangjun"), requesting Guangdong Intellectual Property

Office to investigate into and deal with the infringement act of Jieyang Shuangjun. Upon the request of VMI Holland B.V., Guangzhou Intellectual Property Office conducted on-site inspection of the business premises of Jieyang Shuangjun, and found an 18-inch "VMI mechanical drum", as well as brochures bearing the pictures of the sued infringing product and relevant contents. On April 8, 2015, Guangdong Intellectual Property Office made an administrative decision, determining that Jieyang Shuangjun committed patent infringement and ordering it to stop the infringement act. On June 12, 2016, the court revoked the decision by determining that the administrative decision of Guangdong Intellectual Property Office was lack of factual basis.

On August 30, 2016, VMI Holland B.V. filed a civil infringement lawsuit with the court, claiming that Jieyang Shuangjun infringed the patent thereof and compensation for economic losses and reasonable right protection fees in an aggregate amount of 3,600,000 yuan. Jieyang Shuangjun told the court that it had produced and sold 2 "VMI mechanical drums" in total, a 16-inch one, which was bought by VMI Holland B.V., and an 18-inch one. Moreover, with respect to the infringement charge of VMI Holland B.V., Jieyang Shuangjun defended that the sued infringing product did not fall within the patent protection scope of VMI Holland B.V. for the reasons that the sued infringing product produced and sold by Jieyang Shuangjun did not have the "tire component made from rubber" as defined in Claim 1, nor did it have the radial equipment as defined in Claim 1; the technical features of "Position 1", "Position 2" and "radial equipment" as defined in Claim 1 had no clear meanings; the "bearing surface" of the sued infringing product was a polygon, while the surface as defined in Claim 1 was a "cylindrical surface".

When judging whether the sued infringing product constituted patent infringement, the court had to make the sued infringing product operate normally, so as to complete the comparison between the sued infringing product and the technical features as defined in Claim 1 one by one. The court added some auxiliary equipment to the sued infringing product during the on-site demonstration, including the "radial equipment" indicated by Jieyang Shuangjun. Jieyang Shuangjun raised an objection, stating that as the added auxiliary equipment did not belong to the sued infringing product itself, it was wrong for the court to make comparison of technical features based on the sued infringing product with added auxiliary equipment. With respect to the grounds of defense of Jieyang Shuangjun, the court pointed out in the judgment that according to relevant evidence obtained when VMI Holland B.V. bought the infringing product from Jieyang Shuangjun and the introduction of the staff of Jieyang Shuangjun during the sales process, the added auxiliary equipment was necessary for the normal operation of the sued infringing product, so that the sued infringing product should be determined to have corresponding technical features.

Moreover, with respect to the claim of Jieyang Shuangjun that the sued infringing product did not have the tire component made from rubber, the court pointed out in the judgment that the "tire component" in Claim 1 was a description of the function or effect of the product required to be protected, so that the grounds of defense of Jieyang Shuangjun were untenable. As to the ground

of defense of Jieyang Shuangjun that such technical terms as “Position 1” and “Position 2” had no clear meanings, the court found that the review decision on application for invalidation announcement made by the patent reexamination board had decided that the meanings of these terms could be understood by technical personnel in the field after reading the specification of the involved patent. With respect to the difference between the “polygon” and the “cylindrical surface” claimed by Jieyang Shuangjun, the court determined the two were identical.

The court determined that the sued infringing product of Jieyang Shuangjun infringed the patent of VMI Holland B.V., on the basis of which, the court required Jieyang Shuangjun to present financial books concerning the infringing product, while Jieyang Shuangjun refused to perform the burden of proof. Therefore, the court, based on the evidence presented by VMI Holland B.V., the unit sales price of the sued infringing product up to 400,000 yuan, the production capacity and production cycle of Jieyang Shuangjun, the industry’s average profit rate at no less than 20% and the duration of the infringement act of Jieyang Shuangjun for more than 2 years, determined at its discretion that Jieyang Shuangjun compensated VMI Holland B.V. for economic losses and reasonable right protection fees in an aggregate amount of 3,600,000 yuan.

Remarks:

This case is a relatively complicated one in current patent infringement disputes in China. Several legal issues in dispute are involved when judging whether the sued infringing product constitutes patent infringement, and some of them are avoidable in preparing patent application documents, which reminds the preparing person to consider not only the requirements of various grant conditions, but also the difficulty in right protection after the grant of patent when determining the protection scope of a patent. As to the amount of infringement damages, it shall be said that the court has made a relatively big breakthrough to the extent permitted by the existing legal framework of China. As the defendant refused to provide evidence concerning the profits from infringement, the court, after considering the unit price of the sued infringing product, the industry’s average profit, technical threshold of market access, the duration of the infringement and production capacity of the defendant, etc, reasonably balanced and assigned the burden of proof between the parties, as well as determined at its discretion a relatively big amount of infringement damages.

(I) Warning of the Judgment of the Underlying Case to Preparation of Patent Documents

1. Limit to “Radial Equipment”

A basic rule for determining patent infringement in China today is the principle of complete coverage, i.e. the sued infringing product shall have all the technical features as defined in the claims.

The infringer in the underlying case claimed that the court unreasonably added auxiliary equipment in judging infringement as the sued infringing product produced and sold by it was lack of “radial equipment”, thereby claiming it did not constitute patent infringement, which is reasonable to some extent. The infringer admitted during the process of selling the infringing product that as to the producer, the sued infringing

product was already a finished product, while as to the purchaser or user, the normal operation of the sued infringing product required adding the auxiliary equipment of "radial equipment".

The product in dispute in the underlying case must be a specific product with a special purpose, i.e. the sued infringing product has no other purposes other than for the purpose of infringement. Relevant laws in China have provided for indirect patent infringement, i.e. "the use of a product which infringes invention or utility model patent as a part to produce another product" constitutes patent infringement. However, in practice, it is generally thought that when the direct infringer is found and investigated for liability for infringement, the liability of the indirect infringer may be investigated for at the same time according to the aforesaid legal provisions. In the underlying case, the right holder directly bought the product from the infringer, so the right holder had to provide and install necessary auxiliary equipment by itself. It meant that there was no direct infringer or the direct infringer was the right holder itself. Therefore, the right holder could not claim the act of the infringer constituted indirect infringement according to the aforesaid legal provisions.

It is supposed that in preparing patent application documents in the underlying case, the preparing person did not consider conventional production and sales practice of the product required to be protected, and included in the independent claim the unnecessary "radial equipment", which provided a loophole to the infringer.

2. Functional Features of "Tire Component"

Claim 1 of the patent in the underlying case required protection of the production equipment used for unvulcanized tires, which prescribed a limit to the structure or raw material of tires. However, the structure or raw material of tires was not necessarily associated with the product required to be protected. As the right holder prescribed a limit to the structure of tires in the independent claim, the infringer defended during the trial that the sued infringing product was lack of the tire intended to be processed and applied, which did not constitute patent infringement.

The structure or raw material of the "tire component" was included in the claims to limit the purpose of the product required to be protected, which shall belong to environmental features. According to the provisions of relevant laws of China, if the infringer defends the act thereof does not constitute patent infringement, it shall present evidence to prove the sued product is not used for producing tire products. Even so, after reading the patent specification in the underlying case, I think there is no necessity to limit the structure or raw material of the "tire component" in Claim 1.

3. Limit to Meanings of Technical Terms in Claims

The infringer also defended that as the meanings of certain technical terms in the independent claim were unclear, is was impossible to determine the protection scope of the involved patent. The court, based on the review decision on application for invalidation announcement, determined the technical personnel in the field could understand the meanings of relevant technical terms after reading the patent specification, thereby making a judgment.

Obviously, if specific technical terms have

been clearly defined or interpreted in the specification when preparing patent documents, it will make these technical terms have more clear meanings, and further reduce infringement proceedings or disputes over invalidation of patent.

4. Identity between "Polygon" and "Cylindrical Surface"

The bearing surface as defined in the independent claim of the involved patent was a "cylindrical surface", while the structure of the sued infringing product was a 42-face polyhedron other than a cylindrical surface. After considering specific technological means and realized functions and effects, the court determined the two were identical.

However, in the practice of court trial in China today, the standards used to determine an identical patent are relatively strict, and there is a high degree of uncertainty. If the "cylindrical surface" is deleted or a superordinate concept is used when preparing patent documents, I don't think it will influence the grant of patent.

There is no denying that when preparing patent documents, nobody can predict the potential attack of the infringer after the grant of patent, but reasonably predicting any challenge that may be encountered during subsequent protection of patent and taking corresponding prevention measures will reduce to a large extent the difficulty in right protection after the grant of patent.

(II) Discretional Judgment of the Court on the Amount of Infringement Damages

The amount of patent infringement damages is a widely disputed issue in patent infringement disputes in China today. The law of China has provided for four kinds of methods to calculate infringement damages: (1) the loss suffered by the right holder due to patent infringement; (2) the profit obtained by the infringer due to patent infringement; (3) one to three times the royalty of the involved patent; and (4) the amount of damages decided by the judge at the discretion thereof after considering specific infringement facts. As to the calculation methods of infringement damages in (1) to (3), they are rarely adopted by the court due to difficulty in evidence collection and affirmation, while as to the amount of infringement damages decided at the discretion of the judge, the judge has to consider some factors relevant to the infringement act.

A detail in the underlying case was that the right holder had requested the administrative organ to investigate into and deal with the patent infringement dispute before filing the civil infringement lawsuit. In China, settling patent infringement disputes through administrative ways is an approach to safeguard legal rights in parallel with patent infringement lawsuits. If either party is unsatisfied with the decision made by the administrative organ, it may file an administrative lawsuit. The court will comprehensively consider the facts and application of law pursuant to which the administrative organ has made a decision. In the underlying case, the court revoked the decision of the administrative organ by determining that the decision was lack of factual basis. After consulting the decision, I suppose that the reason for revoking the decision was that the sued infringing product was directly affirmed to have the "tire component" in the administrative decision, which was obviously not consistent with objective facts.

Even so, in subsequent civil infringement proceedings, the court still admitted the evidence legally collected and produced during the process of law enforcement and solving the case. As the infringer refused to provide financial records concerning the infringing product, the court, based on the unit price of the infringing product, the industry's average profit, the production scale and duration of the defendant, as well as the evidence obtained by the administrative organ during the process of law enforcement and solving the case, supported the claim of the right holder for the amount of infringement damages. In terms of patent infringement lawsuits in China, the court in the underlying case has made relatively big progress.

Contributed by Lawyer Frank Mu

Trademark

GUCCIO GUCCI S.P.A. vs. Guess Shanghai Limited, GUESS, Inc. and Nanjing Grand Ocean Department Store Co., Ltd. re Infringement of Exclusive Right to Use Trademark and Unfair Competition

- *(2014) Su Zhi Min Zhong Zi No. 0080*
- *(2012) Ning Zhi Min Chu Zi. No. 117*

Rules:

An important principle to deal with disputes over infringement or unfair competition concerning trademarks and business marks (e.g. commodity decorations) is to forbid causing confusion and misunderstanding to the consuming public. The purpose and value of applying the principle of forbidding causing confusion are to protect such IP rights as the exclusive right to use trademarks and encourage creation, protect consumers from being cheated and misled, maintain honest and fair competition order, as well as preserve recognized business ethics and the stability and safety of transactions. The general care of the consuming public shall be used to judge whether confusion and misunderstanding will be caused.

Facts:

The plaintiff Guccio Gucci S.P.A. claimed that it was one of the biggest and leading multinational corporations engaging in top-grade and luxury products worldwide. Since 2002, it had obtained the exclusive right to use the following registered trademarks in connection with such goods as bags and suitcases in Class 18: in May, 2002, it was permitted to register the trademark no. 1775935 "  " in China; in October, 2002, it was permitted to register the trademark no. 1927849 "  " and no. 1927786 "  " in China; in 2005, it applied for the extension of the international registered trademark "  " thereof in the territory of China, which was approved by the Trademark Office of China, with reg. no. G869613; in August, 2008, it was permitted to register the trademark no. 4374356 "  " in China. Among the aforesaid trademarks, the series of trademark G or double G were

the initial of GuccioGucci, which was the handwritten form of the family name of GuccioGucci. “Double G argyle cloth” was widely used by Guccio Gucci S.P.A. in connection with the bags, suitcases and other products thereof, which had become commodity decorations peculiar to famous commodities in China. It was found after investigation that Guess, Inc., without license, used as trademarks or decorations figures or words identical or similar to the series of trademark G, the series of trademark double G and the trademark “ ” of Guccio Gucci S.P.A. in the prominent positions of various bags and suitcases produced and sold thereby through its general agent in China Guess Shanghai Limited. Meanwhile, Guess, Inc. and Guess Shanghai Limited also used commodity decorations similar to the “double G argyle cloth” in connection with several series of bags and suitcases. Grand Ocean Department Store publicly sold these infringing products at the business premises thereof. Guccio Gucci S.P.A. then filed a lawsuit against the three defendants. The defendants defended that the involved marks and decorations of Guess Shanghai Limited were different to a large extent from the registered trademarks of Guccio Gucci S.P.A. in terms of appearance, meaning and pronunciation, and the two companies were different from each other in terms of market orientation, selling price, sales approach, etc, so it did not constitute trademark infringement. The decorations used by Guess Shanghai Limited adopted the pattern of consecutive rhombus plus the logo, but it was significantly different from the decorations stated by Guccio Gucci S.P.A., thereby not constituting unfair competition. The court of the first instance supported in part the claims of the plaintiff, determining the defendants had infringed the exclusive right to use registered trademarks of Guccio Gucci S.P.A., but held that the alleged use of the logo “ ” plus rhombus did not constitute unfair competition.

Guccio Gucci S.P.A., Guess Shanghai Limited and Guess, Inc. were all unsatisfied with the judgment of the first instance, and appealed with Jiangsu Higher People’s Court. The court of the second instance held after trial that the claims of Guccio Gucci S.P.A. were based on its exclusive right to the registered trademarks “ ”, “ ”, “ ”, “ ”, and“ ”, as well as the right to the decorations of double G argyle cloth, while the sued infringing acts of Guess, Inc., Guess Shanghai Limited and Grand Ocean Department Store were the use of the capital G, “ ”, “ ”, the handwritten logo of guess and commodity decorations of the pattern of the logo “” plus rhombus. The court held an important principle to deal with disputes over infringement or unfair competition concerning trademarks and business marks (e.g. commodity decoration) was to forbid causing confusion and misunderstanding of the consuming public. The purpose and value of applying the principle of forbidding causing confusion were to protect such IP rights as the exclusive right to use trademarks and encourage creation, protect consumers from being cheated and misled, maintain honest and fair competition order, as well as preserve recognized business ethics and the stability and safety of transactions. The general care of the consuming public should be used to judge whether confusion and misunderstanding will be caused. In this case: 1. in terms of the overall appearance, the marks of the parties in dispute had significant differences, or the two or the commodity sources thereof could be distinguished by means of other identification factors; 2. in terms of popularity and distinctiveness, the trademark of a

single letter G of Guccio Gucci S.P.A. had relatively weak distinctiveness; 3. in terms of business practice, it was common for a company to use the English name of the trade name thereof or the abbreviation or initials of the trade name to refer to the trade name in the business field; 4. in terms of the sales model and shopping habits, the consuming public could distinguish the commodities and services of the parties. In conclusion, the use of the involved business marks and commodity decorations by Guess, Inc., Guess Shanghai Limited and Grand Ocean Department Store in connection with the bags and suitcases thereof and in the service field thereof would not cause confusion and misunderstanding to the consuming public, which did not constitute infringement against the exclusive right to use the trademarks of Guccio Gucci S.P.A. and unfair competition. Therefore, the court ordered to revoke the judgment of the first instance and dismissed the claims of Guccio Gucci S.P.A..

Remarks:

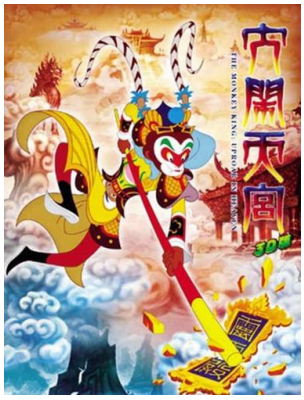
In disputes over trademark infringement, when judging whether two trademarks are identical, the key is whether the coexistence of the two will cause confusion and misunderstanding to the consuming public, with respect to which, the basis shall be the legislative intents of protecting such IP rights as the exclusive right to use trademarks and encouraging creation, protecting consumers from being cheated and misled, maintaining honest and fair competition order, as well as preserving recognized business ethics and the stability and safety of transactions. In the underlying case, as the parties are both well-known, the court has adopted relatively high standards to determine confusion and misunderstanding and corrected the judgment of the first instance under the circumstance that the coexistence of the two will not cause confusion and misunderstanding to the consuming public, which means that in disputes over trademark infringement, the legislative spirit of the trademark law of preserving the existing stable economic order shall be strictly complied with.

Contributed by Lawyer Nathan Yang
& Jane Meng

Copyright

Dispute over Copyright Infringement Lodged by Shanghai Animation Film Studio against Xijiang Company

- ***(2016) Zhe Min Zhong No. 590 Civil Judgment***
- ***(2016) Zhe 01 Min Chu No. 242 Civil Judgment***



Rules:

1. In accordance with the rule of balance of interests, where the creation of the image of a traditional character is relatively mature and little space is left for the creation of traditional history and culture, the distinctive and distinguishable features demonstrated by the new works in connection with the development history and creation rule of the image shall be deemed as original parts and paid special attention to.

2. In disputes over copyright infringement arising out of recreation of the image of a traditional character, both historical factors and realistic cognition shall be considered. A rich public domain shall be preserved, the legal rights and interests of the right holder of original works shall be respected, and space shall be given for the creation of historical tradition and culture, so as to facilitate the promotion and development of our traditional history and culture.

Facts:

On August 10, 2011, the plaintiff obtained the copyright of the work of art of "Q-version Sun Wukong" from the design company through the Transfer Agreement. On January 12, 2012, the film The Monkey King 3D produced by the plaintiff was released and several images of Q-version Sun Wukong were used at the tail leader. On November 11, 2015, the plaintiff bought under notarization 3 pieces of "all-copper ornaments" from the defendant. The plaintiff thought that the involved copper products were materially similar to the work of art thereof, and then filed a lawsuit with the court.

The court of the first instance ordered the defendant to immediately stop producing and selling infringing copper products, and to compensate the plaintiff for economic losses (including reasonable expenses) of 100,000 yuan; the defendant was unsatisfied and appealed with Zhejiang Higher People's Court. The court of the second instance held after trial that the image of a character was composed of the works of the same character with various forms of expression.

Therefore, the key to determine infringement did not lie in a certain static modeling of the character, but in the most distinctive and distinguishable feature thereof. When judging whether the sued infringing product was materially similar to the involved product, the comparison parts which should be paid special attention to would be the features of the image of the involved product and the original expression part thereof different from the existing product. Upon comparison, the differences in certain facial features between the two products would not affect the similarity in the original expression part of main artistic modeling. As the two were basically the same in terms of body proportion, facial feature, etc, which reflected the originality and the most distinctive part of the involved product, the court held the two were basically similar, thereby upholding the judgment of the first instance.

Remarks:

The court has clarified several long disputed issues in the field of the copyright law through this case:

Whether does the act of "converting a two-dimensional product to a three-dimensional product" constitute the act of reproduction within the meaning in the Copyright Law? The court held that the process of reproducing the original expression of the works would constitute the reproduction of the works. The reproduction in the Copyright Law is a generalized concept, which definitely includes the reproduction from two dimensions to three dimensions.

Whether is the comparison for determining infringement limited to the same modeling? The defendant defended that the image of the character of the plaintiff was just a static two-dimensional modeling, while the involved works thereof belonged to a dynamic three-dimensional modeling. The court held that when conducting comparison for determining infringement, as the character of the cartoon had various forms of expression as required by the theme and plot of the cartoon, the comparison should be conducted in an overall manner from the overall image of the works, the design keynote, the conveyed message, etc, rather than in a completely still and isolate manner; the comparison should be targeted at the overall image of the works, rather than at a single action, posture and look. The comparison should emphasize the original parts.

Contributed by Lawyer Richard HU

Unfair Competition

Case of Dispute over the Specific Decoration of Famous Commodity Lodged by Cartier against Hangzhou Ruishang E-commerce Co., Ltd.

- ***(2016) Zhe 0108 Min Chu No. 1401 Civil Judgment***

Rules:

The design of a commodity constituting the specific decoration of a famous commodity shall meet the following conditions: firstly, the commodity has certain popularity and is well known to the relevant public in China, which constitutes a famous commodity; secondly, the design of the commodity is not determined by the nature of the commodity itself, or necessary due to the technical effect of the commodity or for enabling the commodity to have substantial values; thirdly, the design of the commodity shall have a distinctive feature that distinguishes it from a common design; fourthly, through the use of the design in the market, the relevant public has associated the design with the provider of the famous commodity, i.e. the design has a distinctive feature that distinguishes the source of the famous commodity from that of other commodities.

Facts:

The LOVE collection produced and sold by the plaintiff Cartier include bracelets, rings, necklaces, etc. On the surface of the LOVE collection products, it is stamped with screws "⊖" or inserted with diamonds regularly, or arranged with screws and diamonds at regular intervals. Moreover, the bracelet locks around the wrist and can only be removed with a screwdriver. After years of publicity and promotion, the LOVE collection has obtained certain popularity in China, which is well known to Chinese consumers.

The plaintiff found Hangzhou Ruishang E-commerce Co., Ltd. established a flagship store and sold infringing products at TMall (a famous e-commerce platform in China). The involved infringing products included bracelets, rings, necklaces, anklets, etc, the design of which were similar to that of the LOVE collection products of the plaintiff, also regularly arranged with screws ("⊖" or pattern of a circle with a cross inside) or diamonds, or both with screws and diamonds at regular intervals. The bracelets

of the defendant also need to be opened by screwdrivers.

The plaintiff held the above acts of the defendant infringed the specific decoration of its famous product of the LOVE collection, which constituted unfair competition. The plaintiff then filed a civil lawsuit with the court, requesting the defendant to stop infringement, make apologies and compensate economic losses and reasonable expenses.

After the trial, Hangzhou Binjiang District People's Court of Zhejiang Province determined: 1. The plaintiff's LOVE collection products constituted famous commodities; 2. The design of the LOVE collection of the plaintiff belonged to structural decoration, which was obviously different from other designs and could distinguish the source of commodities after continuous publicity and promotion. Therefore, the design of the LOVE collection claimed by the plaintiff constituted specific decoration. 3. The involved products sold by the defendant and the LOVE collection products of the plaintiff almost had no difference in terms of visual effect, which would cause confusion with others' famous commodities and made consumers misidentify the involved products as the famous commodities of the plaintiff. In conclusion, the court ordered the defendant to immediately stop unfair competition acts and compensate the plaintiff for economic losses and reasonable expenses in a total amount of 300,000 RMB.

Remarks:

The issue in the case lies in how to determine the design of a commodity constitutes the specific decoration of the famous commodity.

Compared with the decoration which comprises characters and patterns, structural decoration is usually inseparable from the commodity itself, which has to meet more strict conditions before being determined to be the specific decoration of the famous commodity. In the "M&G pen" case, the Supreme People's Court held the following conditions shall be at least met in general: 1. the design shall have a distinctive feature that distinguishes it from a common design. 2. through the use of the design in the market, the relevant public has associated the design with the specific producer and provider of the famous commodity, i.e. the design has obtained a secondary meaning through use.

In the underlying case, Hangzhou Binjiang District People's Court of Zhejiang Province followed the rules established by the Supreme People's Court in the "M&G pen" case , and determined based on the facts of the case that the design of the LOVE collection claimed by the plaintiff could be separated from the nature itself as an independent element, which belonged to structural decoration. The court further determined that the design had a distinctive feature that distinguished it from a common design and could distinguish the source of commodities after years of publicity and promotion, thereby finally supporting the claims of the plaintiff.

Contributed by Emily Zhang

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