IP CASE EXPRESS

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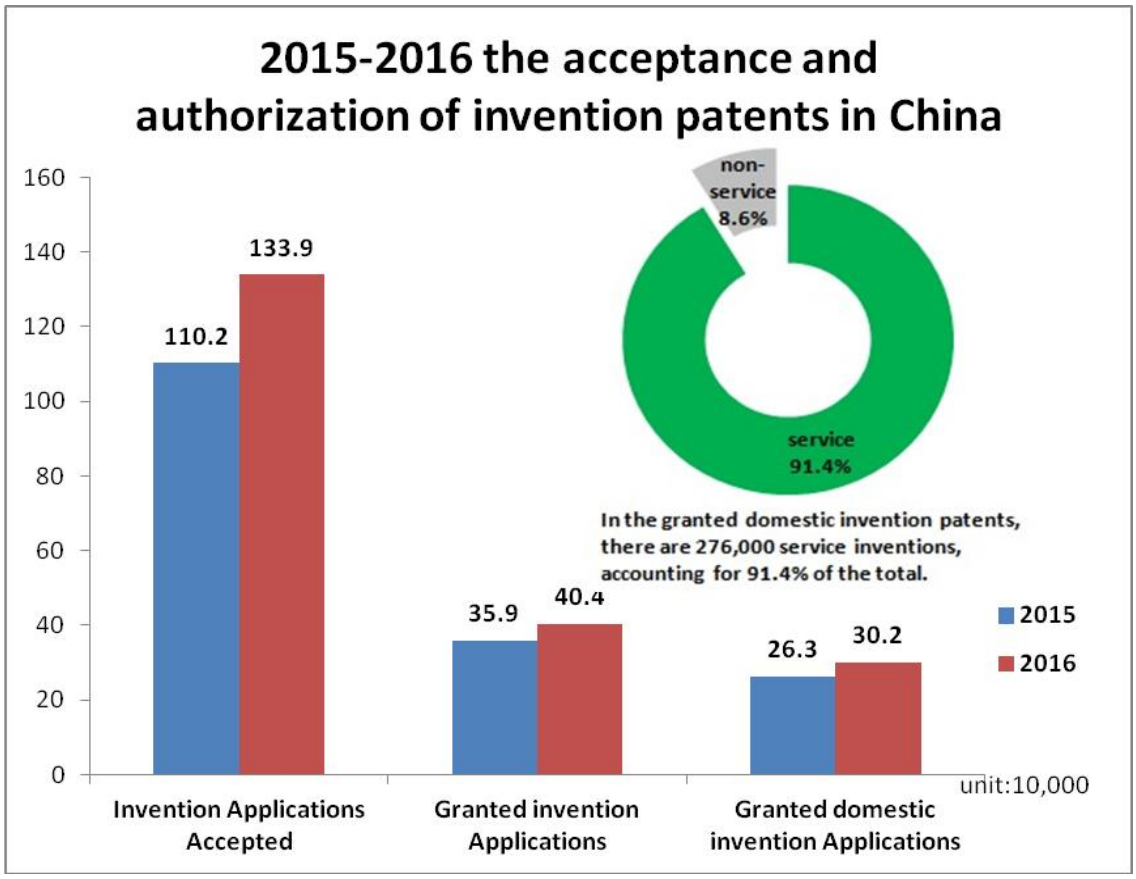
In this edition, we browsed and analyzed IP-related court judgments and adjudications together with the key statistics recently, and we would like to share with you noteworthy statistics and our comments on some significant cases.

I. Statistics

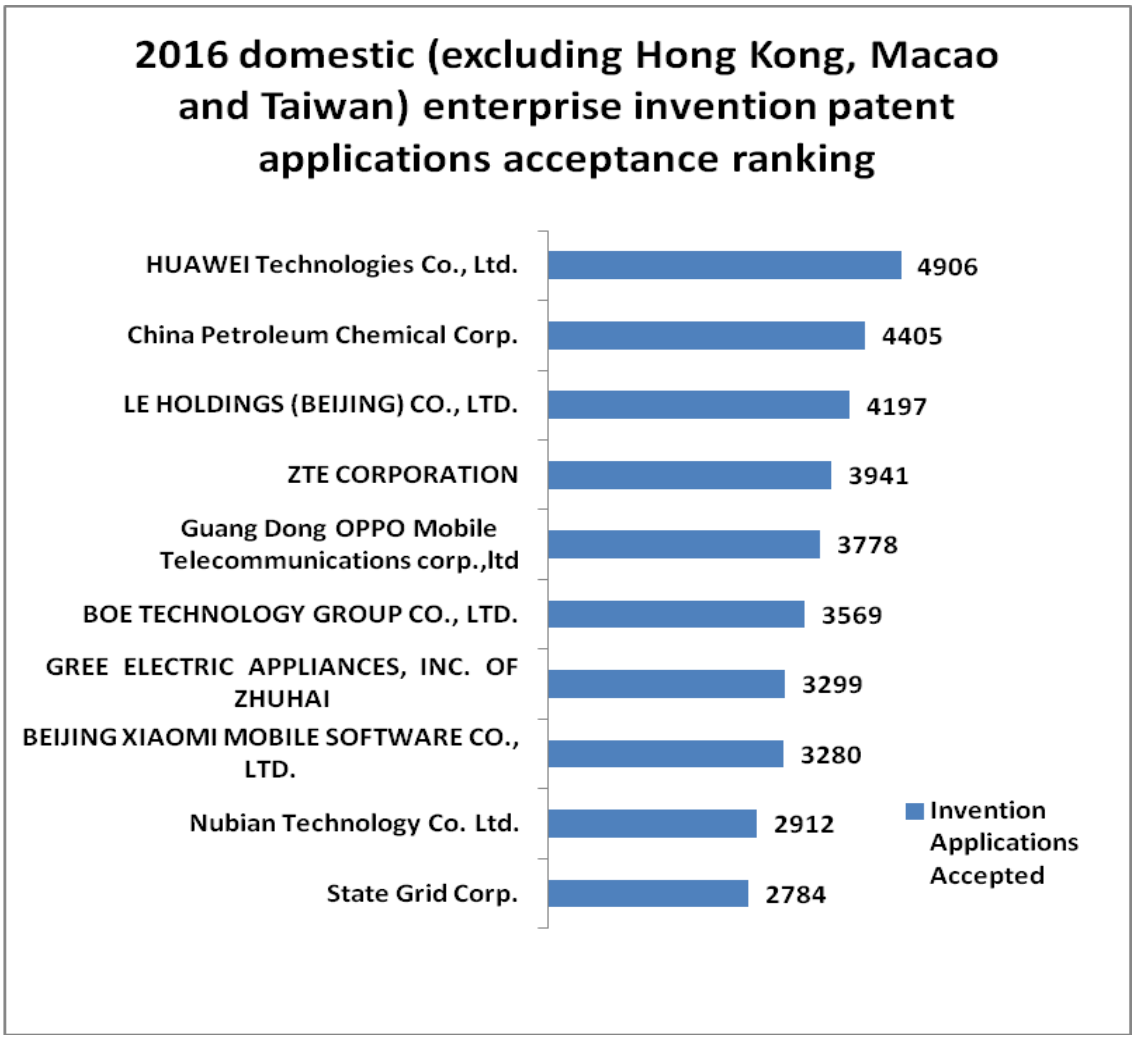
China's Patent-related Statistics

Statistics 1



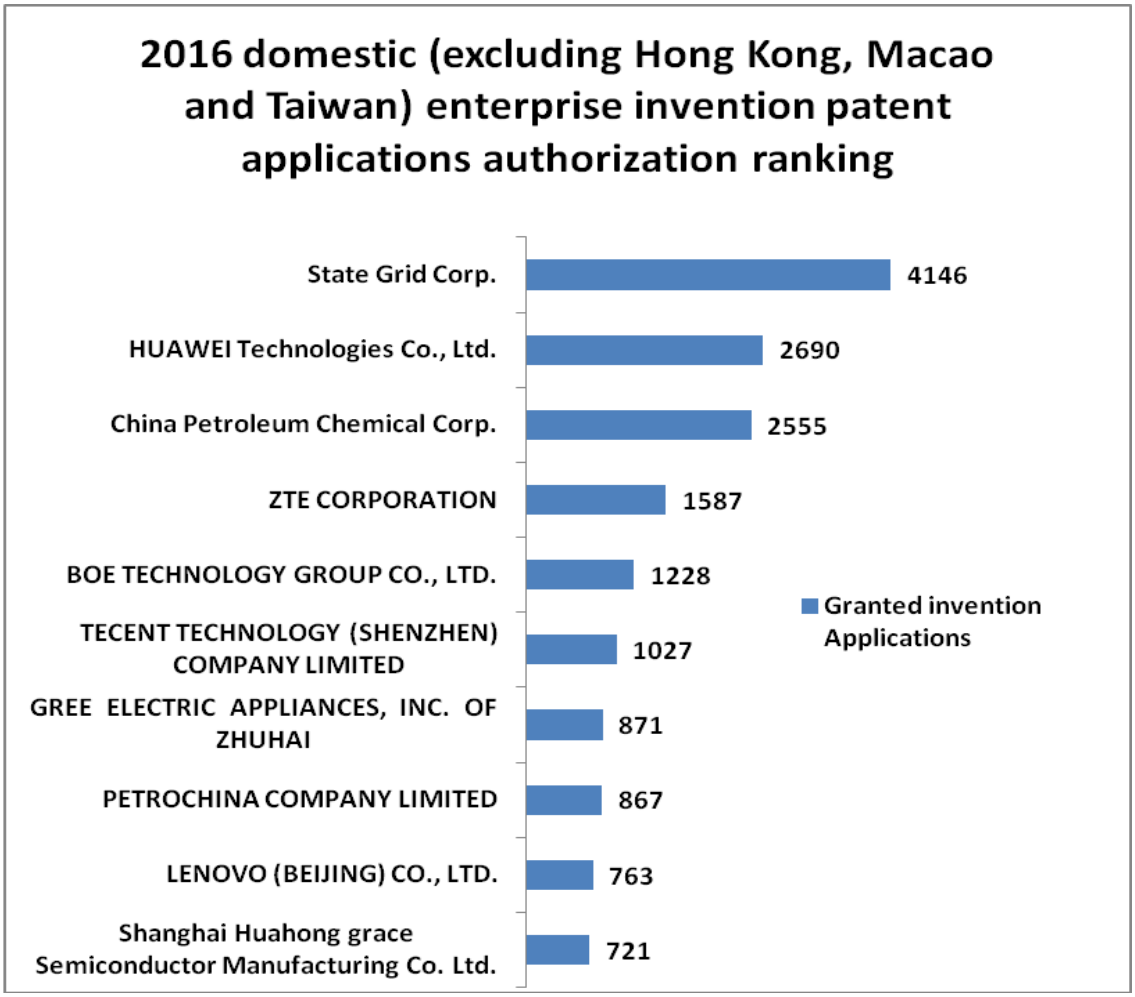
In 2016, SIPO accepted 1,339,000 invention patent applications. It is up 21.5% from the year and has been ranked first for 6 years. 404,000 invention patent applications were granted, including 302,000 domestic invention patent applications, which was 39,000 more than 2015 and 14.5% year-on-year growth. In the granted domestic invention patent applications, 276,000 applications were service inventions, accounting for 91.4% and 26,000 applications were non-service inventions, accounting for 8.6%.

Statistics 2



In 2016, the top ten domestic enterprise applications (excluding Hong Kong, Macao and Taiwan) are HUAWEI Technologies Co., Ltd. (4,906), China Petroleum Chemical Corp. (4,405), LE HOLDINGS (BEIJING) CO. (4,197), LTD. ZTE CORPORATION (3,941), Guang Dong OPPO Mobile Telecommunications corp. ltd (3,778), BOE TECHNOLOGY GROUP CO., LTD. (3,569), GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (3,299), BEIJING XIAOMI MOBILE SOFTWARE CO., LTD. (3,280), Nubian Technology Co. Ltd. (2,912), State Grid Corp. (2,784).

Statistics 3



In 2016, the top ten domestic (excluding Hong Kong, Macao and Taiwan) enterprise patentees are: State Grid Corp. (4,146), HUAWEI Technologies Co., Ltd. (2,690), China Petroleum Chemical Corp. (2,555), ZTE CORPORATION (1,587), BOE TECHNOLOGY GROUP CO., LTD. (1,228), TECENT TECHNOLOGY (SHENZHEN) COMPANY LIMITED (1,027), GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (871), PETROCHINA COMPANY LIMITED (867), LENOVO (BEIJING) CO., LTD. (763), Shanghai Huahong grace Semiconductor Manufacturing Co. Ltd. (721).

Statistics 4

2016	Accepted	Concluded	Average trial time (Month)
Patent reexamination cases	13,107	17,623	11.9
Patent invalidation cases	3,969	4,100	5.1

The Patent Reexamination Board (PRB) accepted 13,107 patent reexamination cases and closed 17,623 reexamination cases, and accepted 3,969 patent invalidation cases and closed 4,100 invalidation cases. The average trial time of invalidation cases is 5.1 month.

Source: SIPO

II. Comments on Typical Cases

Patent

Design Patent Infringement Suit Lodged by Liao Hongyun against Shenzhen Zhan Hao De Plastic Electronics Co., Ltd.

- *(2014) Yue Gao Fa Min San Zhong Zi No.773 Civil Judgment*
- *(2014) Shen Zhong Fa Zhi Min Chu Zi No.17 Civil Judgment*

Rules:

Direct patent infringement is a precondition for the existence of indirect patent infringement.

When judging infringement of a design patent, a complete product and its components constitute goods of similar types, and therefore designs of both can be compared directly, so as to come to a conclusion of whether both are identical or similar.

Facts:

Liao Hongyun owns a design patent named "mobile power bank," and the patent number is ZL201330228353.3. The accused infringing product was a cover of mobile power bank sold by Shenzhen Zhan Hao De Plastic Electronics Co., Ltd. (hereinafter referred to as "Zhan Hao De Company"). Said mobile power bank cover was a component of the above patented product. To obtain a complete mobile power bank product, buyers need to buy other parts and assemble them.

The court of first instance held that the act of Zhan Hao De Company constituted inducement of infringement. In the second-instance trial, Guangdong High Court pointed out that it was improper for the court of first instance to identify the act of Zhan Hao De Company as inducement of infringement, and that the act of Zhan Hao De Company didn't constitute indirect infringement. Upon comparison, Guangdong High Court held that the accused infringing mobile power bank cover fell into the protection scope of the patent at issue, therefore found it constituted direct infringement.

Remarks:

This case involves two interesting issues:

determination of indirect patent infringement; and determination of products of the same or similar type in the judgment of design patent infringement.

Chinese Patent Law does not contain any special provision about indirect patent infringement. At present, the legal basis for identifying indirect patent infringement is Article 8 and Article 9.1 of Tort Liability Law of the People's Republic of China, which prescribe that two or more parties who jointly commit a tortious act and cause damage to another party shall be jointly liable; and a party who induces or assists another party in committing a tortious act shall be jointly liable with the actor. In judicial practice, there were different opinions as to whether the determination of indirect patent infringement should be based on the existence of a direct infringer and direct infringement. In this case, Guangdong High Court held that indirect tortious acts like inducement or assistance of infringement, shall be identified based on the intention of the infringer and be conditioned on the existence of direct infringement.

In a Judicial Interpretation issued later in 2016, the Supreme People's Court upheld the above understanding, that is, determination of indirect patent infringement shall be based on the existence of direct patent infringement. For more details, please refer to Article 21 of Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases (II) (shortened as Interpretation (II)) which reads, "Where a party that knows that a product is material, equipment, part or intermediate item being exclusively used for exploiting a patent, the Court shall sustain a right

holder's allegation that the provider's act is contributory infringement as specified in Article 9 of the Tort Law, if the party, without the authorization of the patentee, provides the product to help others to conduct the act of patent infringement for production and business purpose."

As Interpretation (II) came into effect on April 1, 2016, in judicial practice there is no longer any controversy as to the understanding that indirect patent infringement shall be based on the existence of direct patent infringement.

With regard to the second issue, Article 8 of Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases (I) (shortened as Interpretation (I)) clearly prescribes that whether the products are of identical type or similar type is a precondition for determining whether the two designs are identical or similar. If the products to be compared are neither identical nor similar, there is no basis for the comparison between the two designs at all.

As to how to determine whether the product types are identical or similar, Article 9 of Interpretation (I) prescribes, "The people's court shall determine whether the types of design products are identical or similar according to the use of the products. To determine the use of a product, the people's court may refer to the brief description of the design, the international classification for industrial design, the functions of the product, the

sale and real use of the product, and other factors."

Strictly speaking, in this case, mobile power

bank cover and mobile power bank have different uses. However, Guangdong High

Court held that a complete product and its components constitute goods of similar types, so designs carried by them can be compared directly, and whether the designs are identical or similar shall be subject to the comparison result. Guangdong High Court made a helpful exploration in determining whether the product types are identical or similar in design patent infringement analysis.

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Trademark

Zhejiang Modern New Energy Co., Ltd. and Zhejiang Lingpu Electric Appliances Co., Ltd. vs. Hangzhou Aupu Bath & Kitchen Technology Co., Ltd. and Yang Yan re Trademark Infringement

- *(2010) Su Zhong Zhi Min Chu Zi No.0312 civil Judgment*
- *Judgment (2011) Su Zhi Min Zhong Zi No.0143 civil judgment*
- *(2016) Zui Gao Fa Min Zai No. 216 civil judgment*

Rules:

1. For the purpose of encouraging innovation through the protection of IP rights and the principle of proportion, the scope and intensity of the protection of IP rights shall correspond to the creativeness of the IP and the contribution made to them. The intensity of the protection of a trademark shall correspond to the distinctiveness and the fame of the trademark. If the fame of a trademark was achieved through other's prior use in connection with the goods highly related to the goods designated by it, and the trademark did not achieve such distinctiveness an fame through the trademark owner's bona fide use that it shall be legally protected, the protection to the trademark shall not exceed the contribution made by the trademark owner to the trademark.

2. What the trademark law protects is a trademark's function to identify and distinguish the origin of goods and service, but not the trademark sign itself. Therefore, the similarity of trademark signs and the similarity of goods is not the decisive factor in the establishment of trademark infringement. If the suspected infringer clearly indicates the origin of goods when using a trademark sign similar to a trademark, which does not harm the trademark's function to identify and distinguish the origin of goods, thus not causing confusion to the consuming public , the use of the trademark sign shall not be deemed infringement of the trademark.

Facts:

Zhejiang Modern New Energy Co., Ltd ("New Energy Company") is the owner of the trademark reg. no. 1737521 aopu 奥普 , and Zhejiang Lingpu Electric Appliances Co., Ltd.

("Lingpu Company") is the licensee of the trademark. The trademark was registered in

2002, designating goods building materials of metal, etc. in Class 6.

Hangzhou Aupu Bath & Kitchen Technology Co., Ltd. ("Aupu Company") has trademark registrations no. 730919 and no. 1187759 "奥普" and trademark registration no. 1803772 "AUPU" designating goods heaters for baths and bath fittings, etc. in Class 11. Besides, Aupu Company has trademark registrations no. 5244151 and no. 5244152 designating building boards of metal and partitions of metal , etc. in Class 6.

Since 2001, Aupu Company's trademark "奥普" and trade name "奥普" have been recognized as a famous trademark in Hangzhou, a famous trademark in Zhejiang, and a famous trade name in Zhejiang for times. In 2005, the trademark "奥普" was recognized as a well-known trademark.

Since 2008, Aupu Company has been nonexclusively licensing its said trademarks to Hangzhou Aupu Bath & Kitchen Technology Co., Ltd. ("Aupu Bath & Kitchen").

Lingpu Company was administratively and judicially punished twice for unfair competition of free riding Aupu Company's good will and infringement of its trademarks.

On November 18, 2009, New Energy Company made a notarized purchase of 14 boxes of "bath roof (浴顶)" from a store run by Yang Yan named "奥普 1+N 浴顶" ". On the exterior of the packing boxes, words "ordinary pinch plate" and "general components of bath roof" were used, and at the bottom of the exterior of the packing boxes, Aupu Bath & Kitchen's full name "Hangzhou Aupu Bath & Kitchen Technology Co., Ltd." and signs "1+N 浴顶" and "浴顶" were used. On the metal pinch plates inside the packing boxes, the trademark sign of "AUPU 奥普®" was distinctively used and the trade sign AUPU was used at the side. The membrane covering the metal pinch plates and the side of it was printed with the trademark "AUPU 奥普®."

New Energy Company and Lingpu Company held that the above acts of Aupu Bath & Kitchen and Yang Yan infringed New Energy Company's trademark and harmed the rights and interests of New Energy Company and Lingpu Company, so they sued Aupu Bath & Kitchen and Yang Yan. Aupu Bath & Kitchen held that the alleged infringing products metal pinch plates were affiliated to electric appliances like heaters for bathes designated by their trademark registrations "奥普" and "AUPU" and that their use of the trademark "AUPU 奥普" on metal pinch plates was the legal use of their registered trademarks, so their acts didn't constitute infringement.

The court of the first instance held that the alleged infringing products metal pinch plates belonged to metal building materials, which were the goods designated by New Energy Company's trademark registration no. 1737521 and that the trademark "AUPU 奥普"used by Aupu Bath & Kitchen is similar to New Energy Company's trademark registration no. 1737521, so t Aupu Bath & Kitchen's said acts constituted trademark infringement, and the court decided that the two defendants Aupu Bath & Kitchen and

Yang Yan stop the infringement and compensate the two plaintiffs RMB100,000.

The court of the second instance held that Aupu Bath & Kitchen's said acts constituted

trademark infringement and further that since Aupu Bath & Kitchen's trademark "奥普" registered in connect with electric appliances was well-known New Energy Company would naturally be more repressed to use its registered trademark would inevitable suffer more loss from the infringement. The court of the second instance adjudicated that the two defendants stop the infringement and compensate RMB 300, 000 to the two plaintiffs.

Aupu Bath & Kitchen filed a retrial request with the Supreme People's Court. The Supreme People's Court held:

1. For the purpose of encouraging innovation through the protection of IP rights and the principle of proportion, the scope and intensity of the protection of IP rights shall correspond to the creativeness of the IP and the contribution made to the IP rights. The intensity of the protection of a trademark shall correspond to the distinctiveness and the fame of the trademark. The great fame of the trademark "奥普" was mainly attributed to the prior use of it by Aupu Bath & Kitchen and its affiliated companies. New Energy Company did not contribute to the distinctiveness and fame through bona fide use, and Lingpu Company conducted unfair competition of free riding the fame of 奥普 Aupu trademark and trade name Therefore, although New Energy Company enjoyed the right to the exclusive use of its registered trademark in connection with metal building materials, the scope and intensity of protection of such trademark rights shall comply with New Energy Company's

contribution to the distinctiveness and fame of the trademark.

2. What the trademark law protects is a trademark's function to identify and distinguish the origin of goods and service, but not the trademark sign itself. If the use a trademark sign does not harm the registered trademark's function to identify and distinguish the origin of goods, thus not causing confusion to the consuming public , the use of the trademark sign shall not be prohibited under the trademark law. The alleged infringing products were sold by a store with printed expressions "奥普" and "1+N 浴顶" and the external packaging of the alleged infringing products and the products were clearly printed with the full company name of Aupu Bath & Kitchen and the signs "1+N 浴顶." , whereby the consumers are able to clearly distinguish the origin of goods and would not be misled and confused as to the origin of goods.

In light of the above, the Supreme People's Court held that Aupu Bath & Kitchen's said use of the trademark signs did not infringe New Energy Company's trademark and decided that the judgments made by the courts of first instance and the second instance be revoked and that all claims of New Energy Company and Lingpu Company be rejected.

Remarks:

According to the provision of the trademark law, when the use of a trademark similar to a registered trademark in connection with goods identical/similar to the goods

designated by the registered trademark is likely to cause confusion as to the origin goods, such use constitutes trademark infringement. Therefore, similarity of

trademark signs and/or similarity of goods is not the decisive factor in the establishment of trademark infringement, and whether the use of a trademark sign would cause confusion in the market shall be taken into consideration well. In this case, Aupu Company's trademark "奥普" is highly distinctive and enjoys extremely high popularity on heaters for bath. Although metal pinch plates are similar to metal building materials, the designated goods of New Energy Company's registered trademark, they are highly relevant to heaters for bath for which Aupu Company's trademark "奥普"is well known Besides, Aupu Bath & Kitchen clearly indicated the sources of its goods when using the trademark sign. The Supreme People's Court therefore held that Aupu Bath & Kitchen's use of the trademark

sign would not cause confusion to the public and thus didn't constitute infringement.

It is noteworthy that the Supreme People's Court, when making the judgment, took into consideration Aupu Company's contribution to the fame of the trademark "奥普" and Lingpu Company's unfair competition of free riding the fame Aupu Company and its trademarks. The interpretation on the encouragement of innovation, the origin-distinguishing functions of trademarks, and relevance between the e alleged infringing acts and the registered trademarks in this case is of great referential and instructive significance to the hearing of similar cases in the future.

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Copyright

Dispute over Infringement of Information Network Communication Right Lodged by Shenzhen Tencent Computer Systems Co., Ltd. against e-linkway (Beijing) Tech Co. Ltd.

- *(2016) Jing 73 Min Zhong No.143 Civil Judgment*
- *(2015) Hai Min (Zhi) Chu Zi No.40920 Civil Judgment*

Rules:

1. Information network communication shall refer to the initial uploading behavior. Since all uploading acts are based on the premise of storage, work that is not stored can't be disseminated through the network, and such storage medium is the so-called "server" in server standards. Therefore, it is the most reasonable to take server standards as the standards for identifying the act of information network communication.

2. Although deep linking is not the act of information network communication, it indeed provides a channel and convenience for spreading information on the website that is linked to. Therefore, under the circumstance that the linked website infringes information network communication right and the link provider has subjective error over the existence of such direct act of tort, the act of deep linking may have to bear civil liabilities for joint tort. If the linked website has been legally authorized, or the link provider does not make any error subjectively, the act of deep linking is impossible to constitute joint tort.

Facts:

The plaintiff legally enjoyed the exclusive information network communication right to *The Palace: The Lost Daughter*. The plaintiff non-exclusively authorized letv.com to use the work involved in this case, and stipulated with letv.com that the latter should take measures to prevent any third party not covered by the contract from using the work involved in this case, including preventing any third party from setting up link with such work. On June 4, 2014, the plaintiff discovered that the defendant provided online broadcasting

service of the work involved in this case for the public via its phone terminal software "快看影视" through the information network. While broadcasting the work, it did not indicate the source of the work, but directly entered the broadcasting page. The plaintiff held that the defendant edited the work involved in this case, and broadcasted the work involved in the case by resorting to means of breaking the linking prevention technology and measures in order to seek profits, and therefore infringed the plaintiff's copyright.

After hearing the case, Beijing Intellectual Property Court held that the defendant's behavior did not constitute an act that infringed the plaintiff's information network communication right, so it revoked the first-instance judgment, and rejected the plaintiff's claims.

Remarks:

1. Beijing Intellectual Property Court devoted a lengthy part to demonstrate the nature of deep linking; clarified that the act of deep linking was not the act of information network communication, and highly recommended to take server standards as the reasonable standards for judging the behavior of information network communication, because the subjective elements and tort liabilities for direct infringement and indirect infringement prescribed in the Chinese laws relating to information network communication right are different. For direct infringement, strict liability is generally adopted, while for indirect infringement by online service suppliers, fault liability is generally adopted. In particular, to promote the development of the Internet industry, and balance the interests of the obligee, network service suppliers and the public, the requirement on subjective fault of indirect infringement by network service has been reduced accordingly, and the so-called "red flag standards" are adopted.

2. The judge also analyzed such issues as the legal interests protected by the copyright law, the law against unfair competition and the contract law, and the nature of tort in this case. Although the defendant resorted to the means of applying technical measures to break the prevention of linking toward the linked website, it was the linked website that had the litigious right over such act and the plaintiff could not exercise such right, which was held by the owner of the linked website, on behalf because of the contractual stipulation with the linked website. Therefore we can see that, for an obligee, how important it is to select a proper litigant participant and a proper cause of action when deciding concrete measures for safeguarding its rights.

Author: Richard Hu
Translator: Richard Hu

Unfair Competition

Case of Dispute over Unfair Competition Lodged by Jiangsu Tianrong Group Co., Ltd. against Hunan Haohua Chemicals Co., Ltd.

– *(2015) Pu Min San (Zhi) Chu Zi No.1887 Civil Judgment*

Rules:

Although *Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Cases of Unfair Competition* lists three types of enterprise names that can be identified as those prescribed in Item 3 of Article 5 of the Law against Unfair Competition, such list is incomplete, and does not exclude enterprise names of other types from the scope of protection of the Law against Unfair Competition. When English enterprise names used by market entities in foreign trade activities possess the function to distinguish market entities, they belong to enterprise names that are prescribed in Item 3, Article 5 of the Law against Unfair Competition. Should other market entities use such English enterprise names on exported goods without authorization, which misleads the public, they shall be deemed as conducting the activity of unfair competition of using other parties' enterprise names without authorization.

Facts:

The plaintiff, Jiangsu Tianrong Group Co., Ltd. (hereinafter referred to as Tianrong Company), was established on September 29, 1998 with the name Jiangsu Liyang Lihua Chemicals Co., Ltd. In 2006, it changed its name to the current company name. Its registered scope of business covers pesticide manufacturing, processing, sub-assembling and combination. In the *Registration Form for Record-keeping of Foreign Trade Dealers* of Tianrong Company, the English enterprise name is "JIANGSU TIANRONG GROUP CO., LTD." Tianrong Company manufactures and exports cartap hydrochloride to India, and has passed the registration of the Indian government

under English enterprise name "JIANGSU TIANRONGGROUP CO., LTD."

The defendant, Hunan Haohua Chemicals Co., Ltd. (hereinafter referred to as Haohua Company), was established on September 15, 2003, and its registered scope of business covers monosultap water soluble powders processing, cartap hydrochloride water soluble powders, processing of 40% omethoate emulsifiable concentrate, production of bisultap aqueous solution, production of monosultap technical, production of cartap hydrochloride technical, etc.

On May 6, 2014, Shanghai Pudong New District Market Supervision Administration (hereinafter referred to as Pudong MSA) investigated and seized 16,000kg cartap hydrochloride technical worth 1,004,740.80 yuan that was manufactured by Haohua Company and to be imported to India. On the exterior package of such cartap hydrochloride products, it indicated "Manufacturer: M/s.Liyang Chemical Factory, China (Jiangsu Tianrong Group Company, Ltd., China)," but no trademark or enterprise name. Haohua Company alleged that it used the enterprise name of Tianrong Company because Indian government required that imported cartap hydrochloride must pass its registration, yet Haohuan Company had not passed the registration. To pass the Indian customs, Haohua Company used the enterprise name of Tianrong Company on its exporting products at its client's request. Tianrong Company held that the above act of Haohua Company constituted unfair competition, so it sued Haohua Company, requesting the latter to bear the liability for damage compensation. Haohua Company held that the goods involved in this case were exported to the Indian market, and would not cause confusion in the public concerned in China or cause any damage to Tianrong Company, so it did not constitute unfair competition.

Other facts were ascertained in this case, but limited by length, no more details will be given here.

The court of first instance held: 1. Although *Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Cases of Unfair Competition* listed three types of enterprise names that could be identified as those prescribed in Item 3 of Article 5 of the Law against Unfair Competition, such list was incomplete, and did not exclude enterprise names of other types from the scope of protection of the Law against Unfair Competition. Therefore English enterprise names could also be taken as enterprise names and protected by Law against Unfair Competition. 2. Enterprise name was an important business mark for an enterprise. In operational activities, operators would not only use complete enterprise names that had been registered, but normally would need to use English enterprise names in foreign trade activities. In the *Registration Form for Record-keeping of Foreign Trade Dealers* that was submitted by Tianrong Company to relevant government department of China, the English enterprise name was "JIANGSU TIANRONG GROUP CO., LTD" and Tianrong Company used the same English enterprise name when getting registered at relevant department of India. Such English

enterprise name corresponded to Tianrong Company's registered complete Chinese name, so it had possessed the function to distinguish market entities, and should belong to enterprise names that were prescribed in Item 3 of Article 5 of the Law against Unfair Competition. 3. Haohua Company's cartap hydrochloride products using Tianrong Company's English enterprise name were all exported to India, and cartap hydrochloride products manufactured by Tianrong Company were also exported to India. The two companies were therefore in competition with each other. Haohua Company had the subjective intention to counterfeit, which objectively misled people into thinking that the goods were manufactured by Tianrong Company, and thus squeezed Tianrong Company's shares in the exportation market. Such act not only harmed the legitimate rights and interests of Tianrong Company, but also disturbed the normal order of the market for foreign trade, so it was an act of unfair competition provided in Item 3 of Article 5 of the Law against Unfair Competition, that is, using other enterprise names without authorization.

Based on that, the court of first instance held that the above act of Haohua

Company constituted unfair competition.

Remarks:

The "One Belt And One Road" initiative was a major strategic decision made by China to actively respond to the profound global changes, and coordinate the domestic and international situation. In operational activities, entities of the market economy have to seize policy opportunities and, more importantly, respect others' intellectual properties. In foreign trade, no market entity can randomly use other market entities' English enterprise names, or it may be identified as conducting unfair competition. The principle of good faith is the basic principle of all judicial practices, and entities of the market economy can achieve standing development only by operating with credibility and integrity.

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