# IP CASE EXPRESS

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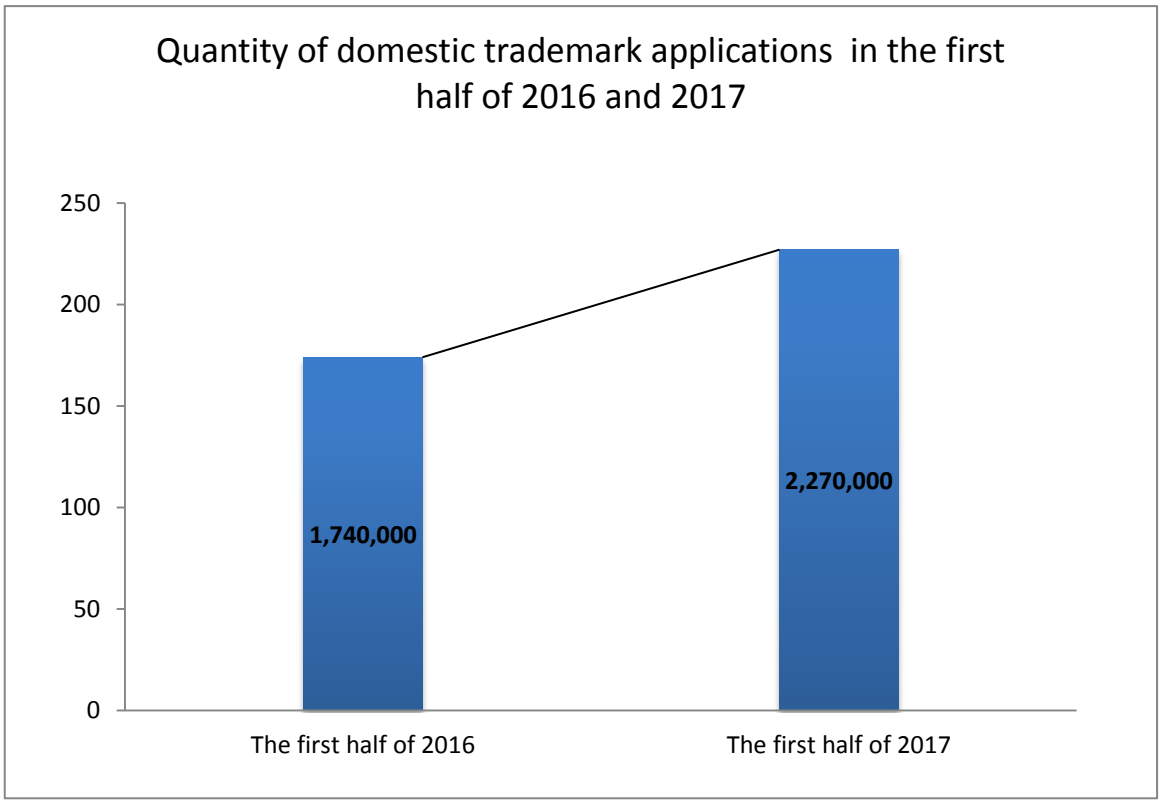
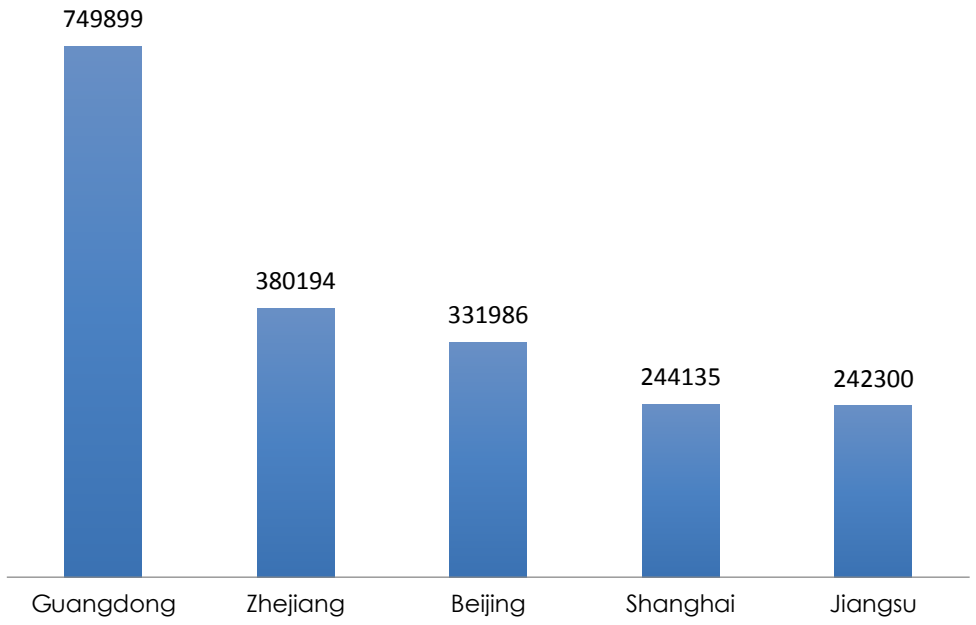
**In this edition, we browsed and analyzed IP-related court judgments and adjudications together with the key statistics recently, and we would like to share with you noteworthy statistics and our comments on some significant cases.**

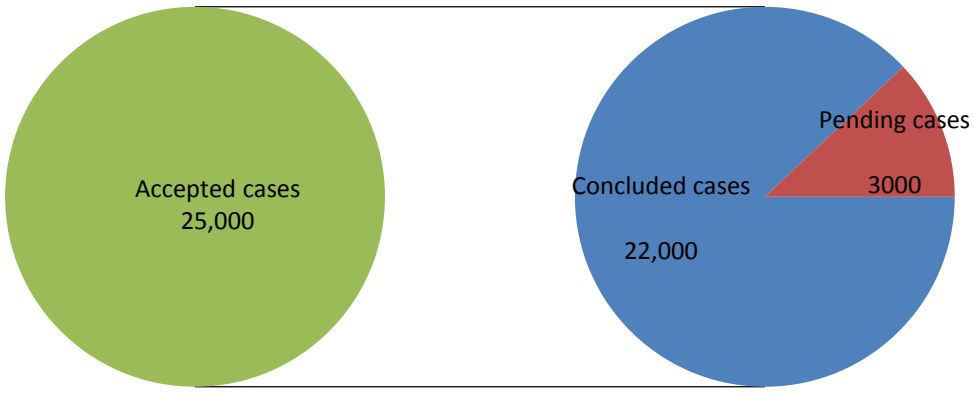
## I. Statistics

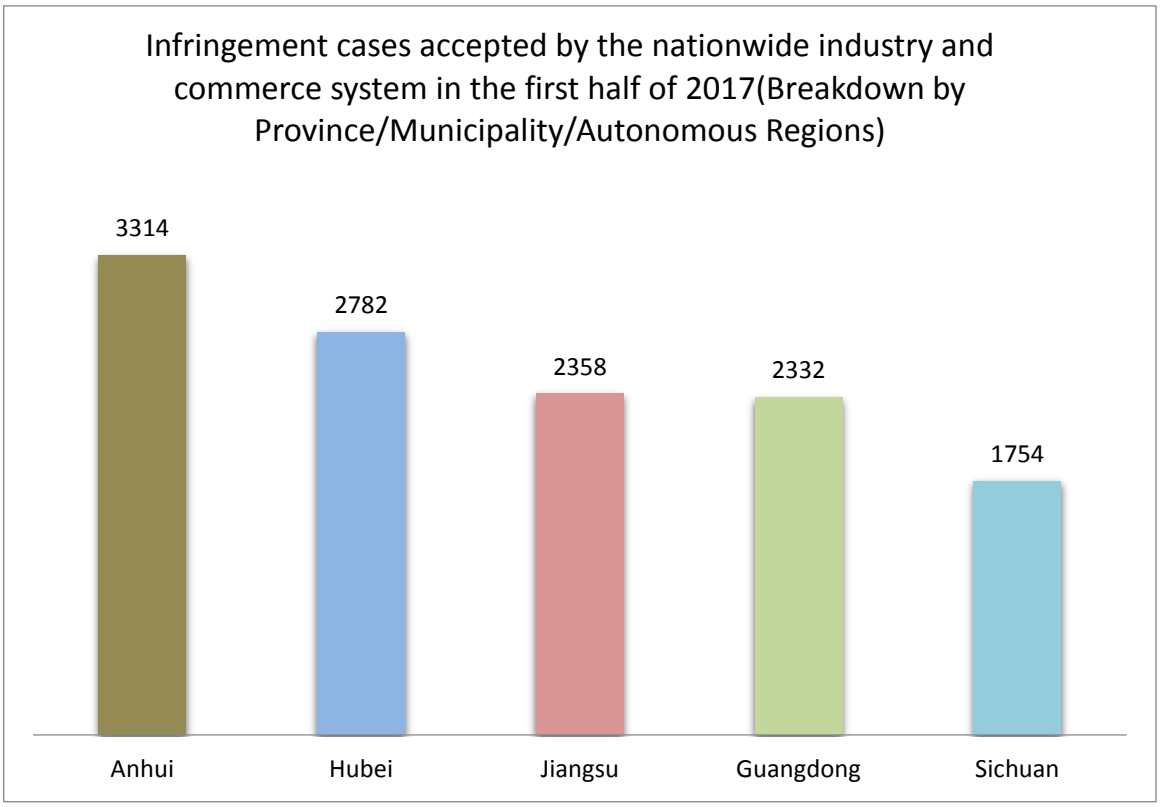


Top 5- Domestic trademark applications filed in the 3rd quarter
(Breakdown by Province/Municipality/Autonomous Regions)




Infringement cases handled by the nationwide industry and commerce system in the first half of 2017






Source: The state Administration of Industry and Commerce

# II. Comments on Typical Cases

## Patent

### Tianjin Changrong vs. Tangshan Xianfeng

- *The Supreme People's Court civil ruling(2017) Zui Gao Fa Min Shen No. 604*
- *Guangdong High People's Court civil judgment (2016) Yue Min Zhong No. 235*
- *Guangzhou Intellectual Property Court civil judgment (2015) Yue Zhi Fa Zhuan Min Chu Zi No. 861*

**Rules:**

In the event the defendant raises the defense of prior art in a patent infringement litigation, the period for submitting the evidence of the prior arts shall be limited. The application for retrial shall not be supported on the ground of having found new evidence of prior art after the first and second instances have been concluded.

**Facts:**

The plaintiff Tianjin Changrong Printing Equipment Co., Ltd. (the "patentee") is the owner of the patent 200410093700.6 entitled "a kind of die-cutting craft and automatic die-cutting thermo printing machine allowing for single paper feeding and repeated impression". The plaintiff believed the CLASSIC106ST-II die-cutting machine produced, sold and exhibited by Tangshan Xianfeng Printing Machinery Co., Ltd. (the "sued infringer") used the patented technology and constituted patent infringement. Therefore, the plaintiff filed a lawsuit with Guangzhou Intellectual Property Court.

The sued infringer answered that the sued infringing product did not have all the technical features of the involved patent, and adopted the existing technology recorded in the Background Technology of the involved patent specification, which did not constitute patent infringement. The court of the first instance held that the technical solution of the sued infringing product was different from that recorded in the Background Technology of the involved patent specification, which fell within the protection scope of Claim 4 of the involved patent and constituted patent infringement. The court of the first instance ruled the sued infringer to stop infringement and compensate for the patent infringement and reasonable legal costs of RMB 260,000.

The sued infringer appealed to Guangdong High People's Court. During the second instance, the sued infringer submitted Patent 00226345.9 as the

evidence of prior art. The High Court held the technical solution recorded of Patent 00226345.9 was obviously different from that of the sued infringing product. The defense of prior art by the sued infringer was untenable. The judgment of the first instance was affirmed by the High Court.

Afterwards, the sued infringer applied for retrial with the Supreme People's Court and submitted Patent 00134692.X as the evidence of the prior art, claiming that the sued infringing product had the same technical features as Patent 00134692.X, so what the sued infringer used was prior art, thereby requesting to revoke the judgments of the first and second instances.

The Supreme People's Court held the evidence submitted by the sued infringer in the retrial could be obtained in the first and second instances. Its use of different evidence in different proceedings to support its defense of prior art, appeared to apply for retrial with new evidence, which, in essence, amounted to new allegation. According to the provisions of the Interpretations of the Supreme People's Court on Several Issues concerning the Application of Laws to the Trial of Patent Infringement Disputes, the patentee should determine the claims by the end of court debate of the first instance. If the sued infringer was allowed to raise new defense of prior art without limit, it would be obviously unfair to the patentee, and it would constitute litigation attack against the patentee, made the proceedings of the first and second instances impracticable, as well as was adverse to guide the parties to solve their disputes in the first and second instances. Therefore, the Supreme People's Court did not support the sued infringer's claims and rejected the retrial application thereof.

**Remarks:**

The patent law in China adopts the dual-track system to determine patent infringement and patent validity, i.e., the court hearing infringement cases has no right to determine the validity of patent of the plaintiff, and if the defendant intends to challenge the validity of the patent, it has to file an invalidation request with the Patent Reexamination Board of SIPO. In order to increase the efficiency of infringement dispute hearing and reduce the litigation burden of the parties, the Patent Law 2008 has introduced the defense of prior art, i.e., in patent infringement disputes, if the sued infringer has evidence to prove that the technology implemented thereby belongs to prior art, the court may directly order that it does not commit patent infringement, and there is no need to determine whether the sued infringing product falls within the protection scope of the plaintiff's patent. Therefore, in patent infringement disputes, in addition to non-infringement defense, legitimate source defense, prior use defense, etc., defense of prior art is also a powerful defense method.

According to the basic principle of "whoever claims shall produce evidence" in civil proceedings, if the defendant raises defense of prior art, it shall collect the evidence to prove the technology implemented thereby belongs to prior art and submit relevant evidence within the time limit for producing evidence in civil

proceedings. Therefore, after receiving the notice of responding to action, the defendant shall promptly collect relevant evidence, such as conduct prior art search. Where the time limit for producing evidence prescribed by the court is relatively short, and it is difficult to complete prior art search within the prescribed time limit, the defendant may apply for extending the time limit for producing evidence with the court.

In this case, as the sued infringer did not found the stronger prior art reference until the conclusions of the first and second instances, and then applied for retrial based on the new evidence, the Supreme People's Court did not accept its retrial application. Certainly, in such event, the sued infringer may have to file an invalidation request with the Patent Reexamination Board. If the patent of the plaintiff is declared invalid, the original judgment on stopping infringement will lose the basis for further execution.

Authors：Gavin Jia

## Trademark

# Orion Food Co., Ltd. v. Nanjing Yurun Food Co., Ltd. and Fuyang Yurun Meat Processing Co., Ltd.

- *Beijing High People's Court Civil Judgment (2015) Gao Min (Zhi) Zhong Zi No. 4005*
- *Beijing Intellectual Property Court civil judgment (2014)Jing Zhi Min Chu Zi No.85*


**Rules:**

In the judgment of whether others' use of a trademark constitutes fair use, the following aspects should be taken into consideration: whether the use is in good faith, whether the trademark is used as the trademark of their own commodities, whether the trademark is used only to describe the features of their commodities.

In a specific case, the judge should comprehensively consider: the way others use the trademark; whether they have the intention on free riding the fame of the right holder; whether the use of the trademark has played the role of identifying the origin of goods, etc.

**Facts:**

The plaintiff Orion Food Co., Ltd. is the right holder of the series of trademarks "Hao Duo Yu", which are designated on goods "biscuits, puffed food and snacks made mainly from grain". The No. 5150404 "Hao Duo Yu" trademark designated on class 30 goods "puffed potato chips" and other commodities has been recognized as a well-known trademark in China.

The first defendant Nanjing Yurun Food Co., Ltd. (hereinafter referred to as "Yurun Company") used the words "Hao Duo Yu" prominently on the inner packages, packaging bags and the packaging boxes of "WangRun" fish sausages produced by its entrusted factory Fuyang Yurun Meat Processing Co., Ltd., and sold the products through its online and off-line stores.

The plaintiff once sent a C&D letter to Yurun Company, requiring it to stop selling the infringing products. Yurun Company replied that the words "Hao Duo Yu" on the packages of "WangRun" fish sausages were not used as a trademark, but to indicate and describe the ingredients of the products. Meanwhile, the packages were clearly labeled with the marks "Yurun Food" and "WangRun", so the public and consumers would not be

confused or misled about the origin of the products.

The plaintiff filed a lawsuit with the Beijing Intellectual Property Court. The Court held that the words “Hao Duo Yu” used on the packages of “WangRun” fish sausages has played a role of identifying the origin of goods and constituted trademark use. Thus, Yurun Company has infringed the plaintiff’s trademark right. Yurun Company was unsatisfied with the judgment of the first instance and appealed to the Beijing Higher People’s Court, still claiming that the words “Hao Duo Yu” were used just to describe the raw materials of the products but was not used as a trademark. The Court held that Yurun Company highlighted and enlarged the words “Hao Duo Yu” on the outer packages of “WangRun” fish sausages, and also labeled the words “Hao Duo Yu fish sausages” and “WangRun” on the inner packages of the products. These words were displayed in a parallel manner, but the font and form of the words “Hao Duo Yu” were obviously different from other ones. Based on the wayYurun Company used the words “Hao Duo Yu”, the public would consider the words “Hao Duo Yu” as the part to identify the origin of goods according to their cognitive habits. Therefore, the use of the words “Hao Duo Yu” has constituted trademark use. The Court finally determined Yurun Company’s defense unjustified, rejected the defendant’s appeal, and upheld the judgment made by the first instance court.

**Remarks：**

In trademark infringement disputes, fair use is one of the defenses frequently used by the defendant to argue against trademark infringement. The paragraph 1 of Article 59 of China’s Trademark Law has provided for the fair use of trademarks: “The exclusive right holder of a registered trademark shall not be entitled to prohibit other people from using in normal ways the common name, logo, model which is implied in the registered trademark or the quality, main raw materials, functions, uses, weight, quantity or other features or the geographic name which is directly expressed by the registered trademark.” This case involves the judgment on whether the use of “main raw materials implied in the registered trademark” constitutes fair use.

As to the constitutive elements of the fair use of a trademark, Article 26 of the *Answers of Beijing Higher People’s Court to Several Issues in Hearing Civil Cases on Disputes over Trademarks* issued by Beijing Higher People’s Court in 2006 stipulates: “The fair use of a trademark shall have the following constitutive elements: (1) the use is in good faith; (2) the trademark is not used as the trademark of one’s own commodity; (3) the use is only for the purpose of explaining or describing one’s own commodity.”

According to the above provisions, the following subjective aspects shall be taken into consideration when judging whether the use is in good faith: whether the relevant words or devices are prominently used, whether the words are in abbreviation, whether the defendant uses its own trademark at the same time, whether the defendant uses descriptive words such as “main ingredients” and “functions”, whether the used trademark is famous and distinctive. In addition, it

shall also be considered whether the defendant uses the alleged trademark only for the purpose of explaining or describing the nature of its commodity within the necessary scope. The objective aspect to be considered is that whether the defendant's use has played the role of identifying the origin of goods and constituted trademark use.

In this case, in consideration of the popularity and the filing and registration dates of the involved registered trademark, as well as the way and purpose of the use of the words "Hao Duo Yu" on the sausage products by Yurun Company, it can be judged that it is hard to tell the defendant Yurun Company uses the words in good faith. On the other hand, Yurun Company's use of the words has gone beyond the reasonable scope of explaining or describing its own commodity and has constituted trademark use. Therefore, Yurun Company's defense of fair use is unjustified.

The legislative goal of fair use is to prevent trademark owners from exclusively using certain descriptive phrases and protect the freedom of other producers and distributors to describe their own products and services. However, such freedom shall not be abused. In the judicial practice, when deciding whether others' defense of fair use is justified, the judge should strictly stick to the constitutive elements of fair use, so as to better balance and protect the interests of all parties concerned when there are conflicts between the right holders and the rights and interests of the public or others'

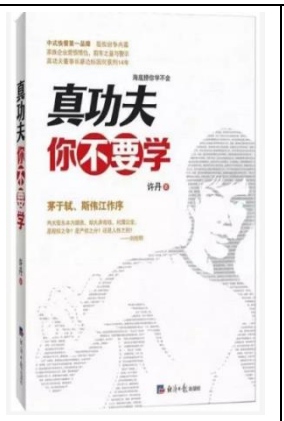
Authors: Nathan Yang
Jane LI

Copyright

# Dongguan Shuangzhongzi Food Beverage Management Co., Ltd. v. The Economic Daily Press and Xu Dan

- *Hubei High People's Court Civil Judgment (2017) E Min Zhong No. 65*
- *Wuhan Intermediate People's Court Civil Judgment (2015) E Wuhan ZhongZhi Chu Zi No. 02584*


The involved works of "zhengongfu figure"





The works of art used in the alleged infringing book

**Rules:**

In comparison of similarity of works of art in combination of texts and graphics, where texts and graphics are inseparable and constitute an organic unity, in addition to comparing the overall works, texts and graphics shall also be considered as key elements.

**Facts:**

Dongguan Shuangzhongzi Food and Beverage Management Co., Ltd. ("Shuangzhongzi Company") is the copyright owner of the involved works of art of "zhengongfu figure", while a figure similar to the involved works was used on the cover and page 72 of a book Zhengongfu Ni Bu Yao Xue written by Xu Dan and published by The Economic Daily Press. Therefore, Shuangzhongzi Company sued that The Economic Daily Press and Xu Dan infringed its copyright.

The court of the first instance held that Shuangzhongzi Company owned the copyright of the involved works of art of "zhengongfu figure", which was completed and published earlier than the alleged infringing book. The shape of the cover person and the drawing on page 72 of the alleged infringing book were substantially similar to the involved "zhengongfu figure", thus Shuangzhongzi Company's claim of copyright infringement was tenable.

The court of the second instance held that when judging whether two works of art were same or substantially similar, the key composition elements and the overall visual effects should be compared at the same time. In the involved works of art,

the texts of “Zheng De Ying Yang ZhuanJia”, “Zhengongfu” and the image of Bruce Lee formed intact works connotation through the organic combination of the meaning of “zhengongfu”, the homophone of “zheng” and the image of the Kung Fu star Bruce Lee. As to the alleged infringing book, only the shape of Bruce Lee on the cover and no texts, and the texts on page 72 were different from the key texts of the involved works, which could not deliver the intact connotation of the involved works, so that the alleged infringing book didn’t constitute substantial similarity to the involved works. Therefore, the court of the second instance held that Shuangzhongzi Company’s claim of copyright infringement was untenable.

**Remarks:**

In this case, the plaintiff filed a lawsuit on the ground of copyright infringement as the defendants’ works contained critical comments against it. The court of the second instance held the claim of the plaintiff was untenable for the reason that the alleged infringing works were not substantially similar to the involved works, which although maintained the substantial justice, was a little far-fetched in terms of the argument and reasoning process. In addition, the conclusion of the judgment departed from the common sense and judgment of the public, therefore, the social effects remained to be discussed. Article 22 of the Copyright Law provides for the circumstances in which the fair use of works does not constitute infringement, such as appropriate quotation from a published work of others in one’s work for the purposes of introducing or commenting on a work, or explaining an issue. In this case, the defendants introduced the rise and decline of “zhengongfu” operated by the plaintiff, for which purpose, the defendants only used the icon of “zhengongfu” on the cover and page 72. The lawyer thinks that it would be better for the court to properly use the principle of fair use and give reasonable explanations. Many other courts have emphasized in prior cases that copyright owners shall adopt moderately tolerant attitude towards the acts of fair use of the works thereof, especially minor infringement acts should not waste judicial resources. Justice is a sign of social activities, and we expect that wiser judgments will emerge in China and rigid justice can be avoided. From another point of view, lawyers should provide clients with more litigation strategies and basis, no matter how absurd they appear, to strive for the greatest benefits for the clients.

Authors: Richard Hu, Zhangyan

## Unfair Competition

# Shanghai Hantao v. Beijing Baidu

- *Shanghai Intellectual Property Court civil judgment (2016) Hu 73 Min Zhong No. 242*
- *Shanghai Pudong New District People's Court civil judgment (2015) Pu Min San (Zhi) ChuZi No. 528*


**Rules:**

1. Baidu Company uses a large number of customer reviews of dianping.com in Baidu Map and Baidu Knows, which has constituted a substantive substitution for dianping.com. Such substitution will inevitably damage the interests of Hantao Company.

2.The act of Baidu Company, in this case, is in nature "the act of using others' fruits of labor without permission". While market players use the information obtained by others, they shall follow the recognized business ethics and use such information in a relatively reasonable range. With respect to the judgment of whether unauthorized use of the information obtained by others violates the recognized business ethics, on the one hand, the characteristics of internet industry of information sharing and interconnection shall be considered; on the other hand, the interests of information obtainers, information users and the public shall be taken into account in terms of the property investment on the part of information obtainers, the right to free competition on the part of information users, as well as the right to free access to information on the part of the social public, in order to define behavioral boundaries on the basis of balance of interests.

**Facts:**

The plaintiff in the first instance Shanghai Hantao Information Consulting Co., Ltd. ("Hantao") is the operator of dianping.com, which complained that Beijing Baidu Netcom Science and Technology Co., Ltd. ("Baidu") had committed the following infringement acts and constituted unfair competition: 1. plagiarizing and copying a large number of the customer reviews of dianping.com in Baidu Map and Baidu Knows, and directly providing contents to users, which is in substitution for dianping.com; 2. using the special famous service name of dianping without permission; 3. falsely publicizing that there was a cooperative relationship between Hantao and Baidu in relevant replies in Sina Weibo, which constitutes unfair competition . Therefore, the plaintiff filed a lawsuit with Shanghai Pudong New District Court. In addition, the plaintiff also claimed that Shanghai Jietu Software Technology Co., Ltd., and Baidu Company should bear joint liability for infringement. Due to the

limited length, this article will not cover the claims of the plaintiff against Jietu.

The defendant in the first instance Baidu Company argued that first, there was no horizontal competition relationship between Baidu Company and Hantao Company; second, Hantao Company did not have copyright or any other rights to the customer reviews on dianping.com; third, the use of the information of dianping.com by Baidu Company was in accordance with Robots Exclusion Protocol and did not constitute unfair competition. Baidu Company only displayed the customer reviews of dianping.com to a limited extent, and set up a link to dianping.com, which would not cause losses to Hantao Company but would bring favorable data traffic to Hantao Company; fourth, Baidu Company fairly used the logo of Dianping to mark the source of information, which did not constitute unfair competition; fifth, Baidu Company replied that “there is a cooperative relationship” in Weibo, which was not a publicity act, but a passive reply to a specific person. Therefore, Baidu Company did not conduct false publicity.

On May 26, 2016, Pudong New District Court made the judgment of first instance, holding that first, Baidu Map used a large number of the customer reviews of dianping.com and provided information to users in substitution for dianping.com, which would result in a reduction in the data traffic of dianping.com. Meanwhile, Baidu Company promoted its own group-buying business etc. and then grabbed certain trading opportunities from dianping.com, which would cause damages to Hantao Company. Second, the customer reviews of dianping.com were one of the core competition resources of Hantao Company. Hantao Company had put a huge investment into the operation of dianping.com. The customer reviews of dianping.com were released by the users thereof on a voluntary basis, and Hantao Company did not violate the prohibitive provisions of law or the recognized business ethics for obtaining, holding and using such information. Unable to obtain enough reviews from its own users, Baidu Company obtained the customer reviews from such websites as dianping.com through technological means to enrich Baidu Map and Baidu Knows. Such behaviors were unfair. Therefore, the court concluded that the act of plagiarizing and copying a large number of the customer reviews of dianping.com by Baidu Company constituted unfair competition. Baidu Company should compensate for the economic damage of 3,000,000 RMB and reasonable costs of 230,000 RMB. Baidu Company appealed to Shanghai Intellectual Property Court.

On August 30, 2017, Shanghai Intellectual Property Court made the judgment of second instance, holding that first, the act of Baidu Company constituted a substantive substitution for dianping.com, and such substitution would inevitably damage the interests of Hantao Company. Second, although the act of Baidu Company resulted in positive effects on the society, it went beyond the limit of necessity and thus had an adverse impact on the market order; the vertical search technique used thereby obviously went out of the scope of providing internet search service and was unfair. Therefore, the court dismissed the appeal of Baidu Company and affirmed the judgment of

first instance.

**Remarks:**

With the rapid development of Internet technologies, disputes involving data use emerge in endlessly. It shall cause warning effect on data protection of internet enterprises, and also calls on the legislative and supervisory departments to issue better rules and take powerful measures.

In this case, Baidu Company argued that Hantao Company did not have copyright or any other rights to the customer reviews on dianping.com. The courts made no comments regarding this. As contrast, in another case filed by dianping.com against aibang.com, the court of second instance held that dianping.com obtained the right to use the customer reviews through User Registration Protocol, but it could not prove that it had the copyright to the customer reviews, nor did it enjoy the right of compilation to the customer reviews. Therefore, the court dismissed the claim. Afterwards, dianping.com filed a lawsuit against aibang.com after separately obtaining special authorization from each customer who made review with high originality. Finally, dianping.com won and was compensated for 20,000 RMB. From the series of cases, it can be seen that it is more favorable to appeal for protection by the anti-unfair competition law than the copyright law when it involves protection of data.

We can summarize from the cases that when judging whether free-riding in the internet industry is unfair, the Chinese courts mainly consider the following aspects: 1. the involved information shall have commercial values and operators must put certain investment into obtaining such information; 2. whether the act of competitors of obtaining and using such information has positive effects on the society; if it does have, whether such act goes beyond limits of necessity; whether such act, in the end, has an adverse impact on the market order.

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