IP CASE EXPRESS

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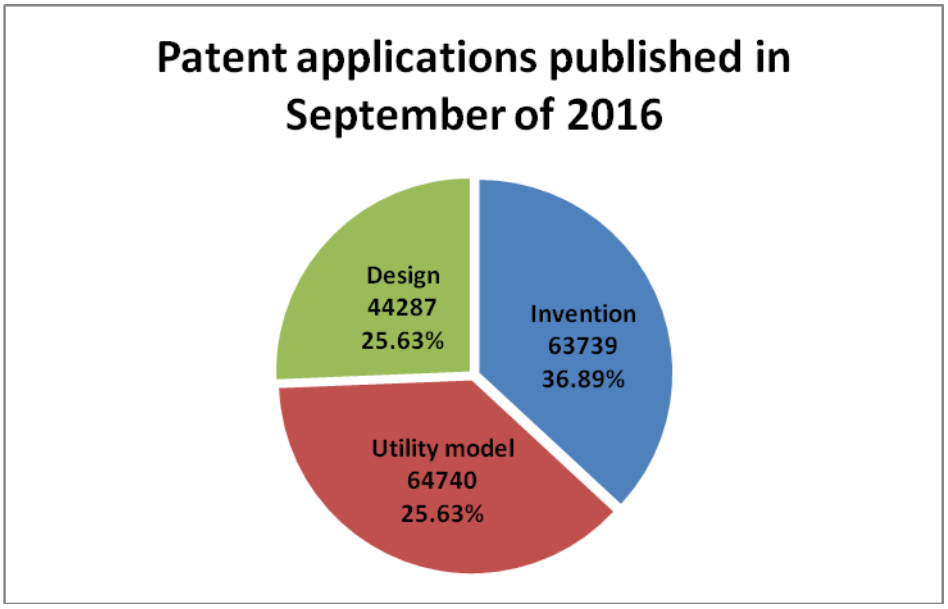
In this edition, we browsed and analyzed IP-related court judgments and adjudications together with the key statistics recently, and we would like to share with you noteworthy statistics and our comments on some significant cases.

I. Statistics

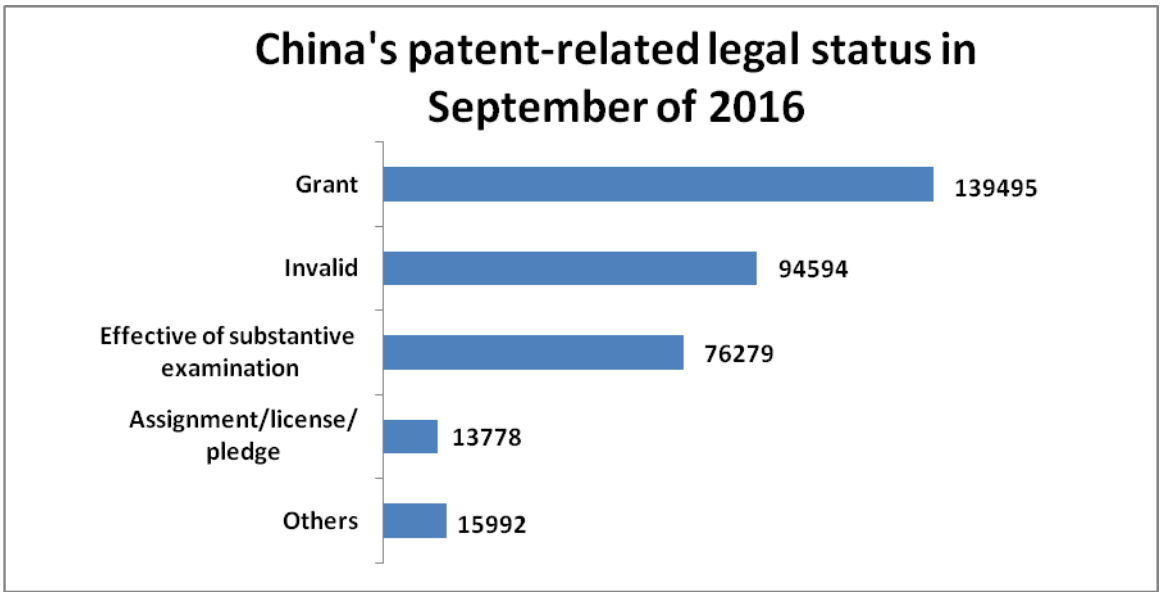
China's Patent-related Statistics

Statistic 1



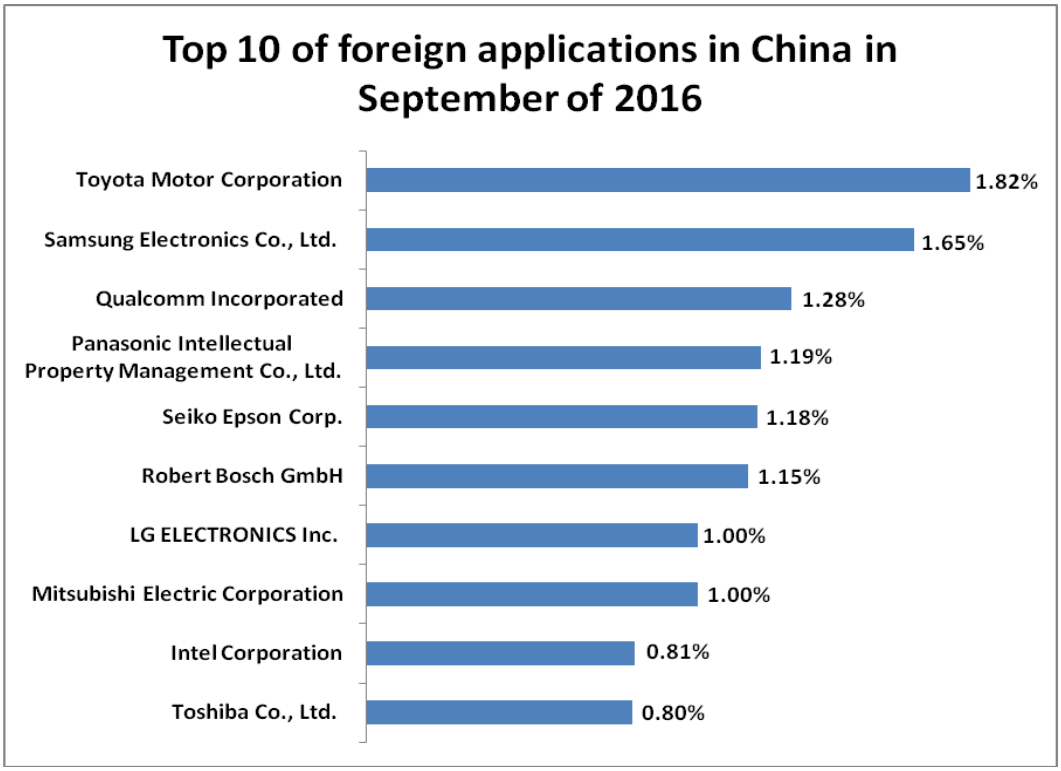
In September of 2016, there were 63,739 published inventions, declining by 37.99% month on month; 64,740 published utility models, declining by 53.11% month on month; 44,287 designs, declining by 37.53% month on month.

Statistic 2



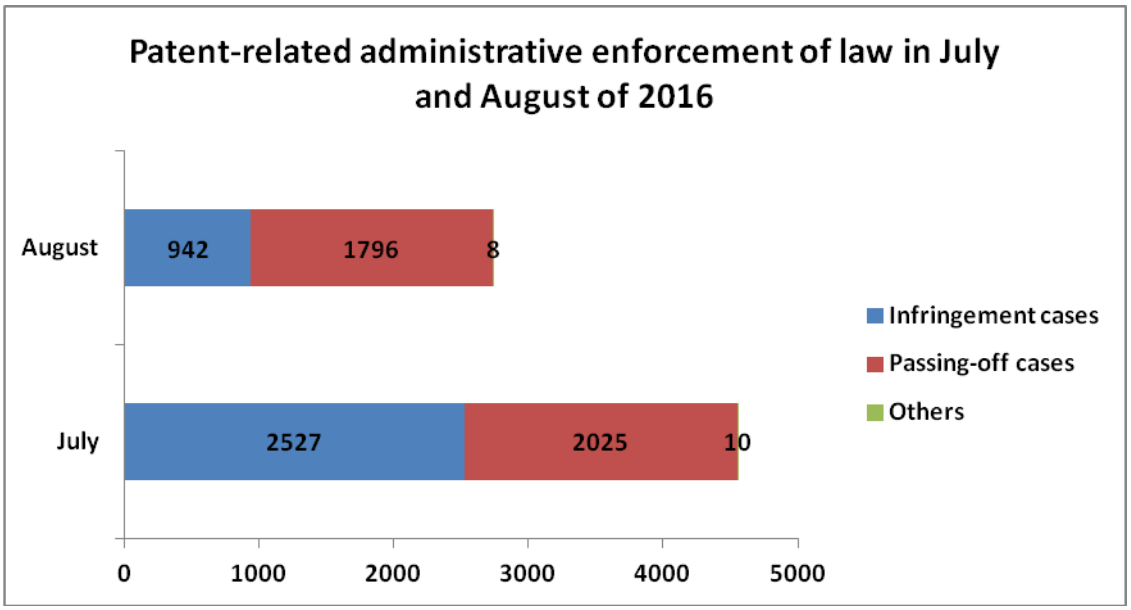
Referring to the changes about the Chinese patent legal status in August, 2016, there were 139,495 granted patents, declining by 50.93% month on month; 94,594 invalid patents, declining by 39.56% month on month; 76,279 patents entering substantive examination, declining by 15.43% month on month; 13,778 patent assignments /licenses/pledges in total, declining by 40.27% month on month.

Statistic 3



In September 2016, the top foreign applications were Toyota Motor Corporation, Samsung Electronics Co., Ltd. and Qualcomm Incorporated. The numbers of patents published of the applications decline in different degrees.

Statistic 4



In July, there were 2,527 infringement cases, 2,025 passing-off cases, 10 other cases and 4,562 cases in total.
In August, there were 942 infringement cases, 1,796 passing-off cases, 8 other cases and 2,746 cases in total.

Source: SIPO/CNIPR.com

II. Comments on Typical Cases

Patent

Liu Hongbin v. Beijing Jinglianfa Numerical Control Technology Co., Ltd. and Tianwei Sichuan Silicon Co., Ltd.

- *Supreme People's Court Civil Ruling (2015) Min Shen Zi No.1070*
- *Sichuan Higher People's Court Civil Judgment (2014) Chuan Zhi Min Zhong Zi No.29*
- *Sichuan Chengdu Intermediate People's Court Civil Judgment (2012) Cheng Min Chu Zi No.707*

Rules:

Contract being established is taken as the standard of judging the act of selling. Since unilateral declaration of will to sell commodities in such ways as advertisements, commodity display, made by the parties concerned before a contract is established, is the behavior of offering for sale; and the meeting of the minds of both parties concerned on the declaration of will to sell commodities is the act of selling, the act of selling and that of offering for sale can be intimately linked, which therefore makes all space between the act of selling and that of offering for sale covered by patent right, and helps protect patentees' interests. Meanwhile, contract being established is a factual state of the meeting of the minds of both parties concerned on selling commodities, and is more than often demonstrated through a written contract and other materials, making it unnecessary to further inspect specific contract terms or the implementation process; making it easier for the patentee to adduce evidence and prove the act of selling; and reducing the costs of evidence collection and identification.

Facts:

Liu Hongbin owns the patent of utility model numbered ZL200820223950.0 and titled "Numerical Control Tapered or Cylindrical Grinding Machine for Silicon Bar." The day of public announcement of granting such patent was October 21, 2009. On the ground that Tianwei Sichuan Silicon Co., Ltd. ("Tianwei") and Beijing Jinglianfa Numerical Control Technology Co., Ltd. ("Beijing Jinglianfa")

infringed his patent right for utility model, Liu Hongbin prosecuted an action at Intermediate People's Court of Chengdu Municipality, requesting the court to judge the two defendants infringement of his right.

During the trial of first instance, the court conducted a scene investigation of the products accused to be infringing in the factory workshop of Tianwei. On the label of such products was printed Chinese characters "Beijing Jinglianfa Numerical Control Technology Co., Ltd. of the People's Republic of China Silicon Core Cone Grinding Machine Model: MZ-08." Meanwhile, the court investigated and found out that Tianwei (the buyer) and Jinglianfa (the seller) signed a Purchase and Sales Agreement on April 10, 2009, and the contractual product in the agreement was the product accused to be infringing in Tianwei's factory workshop. Upon investigation, the court of first instance court of first instance held that the product accused to be infringing fell into the scope of protection of patent rights; that Tianwei used the product accused to be infringing, and Jinglianfa manufactured and sold the product accused to be infringing; and then it identified that the two defendants infringed Liu Hongbin's patent right.

Jinglianfa appealed and claimed that the date of completion of the act of purchase and sales between Jinglianfa and Tianwei should be subject to the date of signing the Purchase and Sales Agreement, that is, April 10, 2009. Therefore, such act of purchase and sales had ended before the date of announcement of patent granting, so it should not constitute infringement.

Liu Hongbin claimed that the date of completion of the act of purchase and sales between the two defendants should be subject to the date when the Purchase and Sales Agreement was fully performed. Such agreement had not yet been fully performed, so the date of completion of the above act of purchase and sales should be after the date of announcement of patent granting. The two defendants thus constituted infringement.

The court of second instance held upon hearing that the product accused to be infringing had been delivered to Tianwei by Jinglianfa on October 16, 2009, that is, the date of signing of the Purchase and Sales Agreement and the date the product accused to be infringing was delivered were both before October 21, 2009. Therefore, Jinglianfa's behavior of producing and selling the product accused to be infringing should be identified as before the date of announcement of patent granting. The court of second instance then judged that the two defendants did not constitute infringement.

In refusal of the judgment of second instance, Liu Hongbin applied to the Supreme People's Court for a retrial. The Supreme People's Court held that the act of selling shall be identified by the establishment of the sales contract, so it rejected Liu Hongbin's application for a retrial.

Remarks:

The standard of judgment of the act of selling in this case has been included in Judicial Interpretation (II), which then provides that the establishment of the product purchase and sales contract shall be identified the standard for judging the act of selling. Such standard enables patent right to cover each

and every link of commodities exchange, avoids the blind zone between offering for sale and selling, and helps solve the patentees' difficulty in protecting their rights. Meanwhile, contract establishment is more than often demonstrated by written materials, which help ascertainment of facts in infringement proceedings and solves patentees' difficulty in collecting evidence.

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Trademark

Administrative Dispute over the Review of Opposition Against Trademark "龟博士"

- *Supreme People's Court Administrative judgment (2015) Xing Ti Zi No.3*
- *Beijing Higher People's Court Administrative judgment (2012) Gao Xing Zhong Zi No.887*
- *Beijing No.1 Intermediate People's Court Administrative judgment (2011) Yi Zhong Zhi Xing Chu Zi No.1083*

Rules:

1.When different commodities or services may have identical sites of service or sales or target consumers, which may then mislead the public concerned into thinking that they are provided by the same entity or there is a specific association between their suppliers, they shall be identified as being easy to create confusion.

2. To allow appropriate coexistence of trademarks, there must be special circumstances like special historical reasons or historical continuation, and factors such as prior right owners' will and whether there has been objective market differentiation need to be taken into consideration.

3. Trademarks which are prohibited from being preempted by an agent or representative as provided in Article 15 of the Trademark Law include identical and similar trademarks and preemption on the same goods and on similar goods. Whether the principle has applied for or registered the trademark is not a restriction condition for applying Article 15 of the Trademark Law.

Facts:

The defending party in the retrial, that is, Changsha Guiboshi Auto Service Co., Ltd. (hereinafter referred to as Changsha Guiboshi) acquired the ownership of the opposed trademark No. 3167289 "**龟博士**" in May 2010, and the designated goods of the opposed trademark are motor vehicle maintenance and repair, vehicle cleaning (auto); vehicle lubrication [greasing]; vehicle glossing; vehicle polishing; vehicle maintenance; vehicle repair; vehicle cleaning; anti-rust treatment for vehicles; vehicle service stations of the services of Class 37.

Turtle Wax, Inc., applicant in the retrial and holder of cited mark No. 908487 "龟博士," submitted an opposition application together with Beijing Banlong Automotive Ltd. (hereinafter referred to as Beijing Banlong), licensee of the cited mark, within the statutory period claiming that the opposed trademark should be rejected registration for it violated the provision of Article 28, Article 15 and Article 13 of the Trademark Law. The TRAB made the appealed decision, in which it supported the two applicants' claims. Dissatisfied with the appealed decision, Changsha Guiboshi filed an administrative action with the court.

It was also investigated and found out that, in 1998, Beijing Banlong, as the exclusive general agent of "龟博士" auto supplies in China, signed "龟博士" Products Hunan General Agency Agreement" with the original applicant of the opposed trademark, and authorized the latter to be the exclusive general agent of the above products in Hunan.

The court of first instance held: In practice, "vehicle maintenance" service supplier might also use such commodities as "wax polish, rinse liquid for vehicles" while providing service, so the co-existence of the both might mislead the public concerned into thinking that they were supplied by the same entity or their suppliers were somewhat relevant, and then cause confusion and misidentification. Therefore, service "vehicle maintenance" and goods "wax polish, rinse liquid for vehicles" belonged to similar goods and services. As for Article 15 of the Trademark Law, the court held that the provision of Article 15 of the Trademark Law was not applicable to the opposed trademark given that the cited mark had been registered, thus it corrected related identification of the appealed decision, and rejected the claims made by Changsha Guiboshi.

The court of second instance held: Article 15 of the Trademark Law did not apply to circumstances where the principal or the represented party had applied for or registered its trademark. The provision of Article 15 of the Trademark Law did not apply to the opposed trademark. As for Article 28 of the Trademark Law, given the fact that the service objects, service sites and service modes of the opposed trademark were different from the functions, purposes, production departments, sales channels and target consumers of the designated goods of the cited mark; that trademark "龟博士" used by Changsha Guiboshi on vehicle maintenance had become substantially known; and that the two trademarks had established their respective consumer groups, the two trademarks should be identified as dissimilar trademarks. On that ground, it revoked the judgment of first instance.

The court of retrial held: Normally, if used on different goods or services, the same trademark led the public concerned to think that such different goods or services were provided by the same entity, or their suppliers were somewhat associated, it could be identified as similar goods or services. In practice, service "vehicle lubrication, vehicle maintenance" and goods "wax polish, rinse liquid for vehicles" fell into the scope of vehicle maintenance and repair, and their service sites or selling sites or target consumers were possibly identical. Therefore, the co-existence of both trademarks might mislead the public

concerned into thinking that both were supplied by the same entity or their suppliers were somewhat associated, and then cause confusion and misidentification in the public concerned.

Moreover, to allow appropriate coexistence of trademarks, there must be special circumstances like special historical reasons or historical continuation, and factors such as prior right owners' will and if there has been objective market differentiation need to be taken into consideration. The time of registration of the opposed trademark in this case was later than that of the cited mark in this case; the prior trademark holder did not give its consent; and the existing evidence was insufficient to prove that the two trademarks had established their respective consumers groups. The registration of the opposed trademark violated the provision of Article 28 of the Trademark Law.

Regarding Article 15 of the Trademark Law, Changsha Guiboshi, as the agent of Beijing Banlong, was not allowed to apply for registering any trademark that was the same as or similar to its principal's trademark for use on the same or similar goods. The judgments of first and second instances held that Article 15 of the Trademark Law should apply only when the represented party or the principal did not yet apply for registering its trademark before the agent or the representative applied for trademark registration, but such view improperly narrowed down the scope of application of Article 15 of the Trademark Law. Based on that ground, the judgment of second instance was revoked.

Remarks:

Classification of Goods and Services is an important tool to judge similar goods/services, but when different goods/services, if existed concurrently, would mislead the public into thinking that they are from the same entity or their suppliers are somewhat associated, there is the possibility that the Classification of Goods and Services can be appropriately broken through. The goods/services in this case are held by the Supreme People's Court as similar goods/services even though they belong to different classes of goods, mainly out of the following considerations: (1) whether the service sites, the selling site and target consumers of goods/services were possibly identical (2) whether there were any special historical reasons for trademark co-existence (3) prior trademark owner's will; and (4) whether they had formed market differentiation. In practice, the goods/services market is always changing, so it is not to the advantage of protecting trademark owners' legal rights and interests sometimes if strictly following Classification of Goods and Services. The industry of vehicle repair and maintenance mentioned in this case is a market where multiple goods and services exist concurrently. Simply following the rules in Classification of Goods and Services to judge similar goods/services will ignore the possibility of actual confusion, and cause new harassment to trademarks' identification function. The view held by the Supreme People's Court in this case is of referential value to hearing cases of the same type.

Article 15 of the Trademark Law prohibits trademark preemption by agents or representatives. The Supreme People's

Court denied the narrowed and limited interpretation of legal provision by the court of first instance and that of second instance, and held that no agent was allowed to apply, in bad faith, for registering any trademark that was the same as or similar to the trademark of a person for whom it acted as the agent on the same or similar goods. The focus of such view lies in “in bad faith” instead of whether the prior used trademark was “registered” or not, demonstrating the advanced judgment concept, of the Supreme People’s Court, of maintaining the trademark management order and trademark applicants’ honesty and credibility.

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Copyright

Case of Dispute over Infringement of Information Network Communication Right of Huashi Wangju Co., Ltd. by the WeChat Public Account of Tvmining Co., Ltd.

- *Beijing Intellectual Property Court Civil Judgment (2016) Jing 73 Min Zhong No.289*
- *Beijing Dongcheng District People's Court Civil Judgment (2015) Dong Min (Zhi) Chu Zi No.15582*

VS

Rules:

Communicating related contents through WeChat public account is the act of information network Communication according to China's Copyright Law.

Facts:

The plaintiff enjoyed exclusive information network communication right to the TV series involved in this case. Without permission, the defendant provided the service of online broadcasting of episodes one and two of the TV series involved in this case through the WeChat public account run by it and involved in this case. The plaintiff held that the defendant's behavior constituted infringement of its information network communication right, so it prosecuted an action at Dongcheng District People's Court of Beijing Municipality. The court of first instance held that the defendant's behavior infringed against the plaintiff's information network communication right. In refusal of that, the defendant appealed. Beijing Intellectual Property Court confirmed that the behavior of transmitting related contents through a WeChat public account is the behavior of information network communication according to China's Copyright Law, so it rejected the defendant's appeal. WeChat users follow a WeChat public account and become its subscribers. Through a WeChat public account, one can send texts, pictures, voices, and video clips

to the public platform of WeChat to communicate and interact with the group of subscribers. Although WeChat public accounts are different from traditional way of

network transmission in terms of information release channels and reading terminal, it is in nature sending texts, pictures, voices, video clips to WeChat users through the Internet. After following a WeChat public account, WeChat users can get access to information that is released through such WeChat public account through the information network at any personally selected time or location. Therefore, the behavior of transmitting related information through a WeChat public account is the act of information network communication according to China's Copyright Law.

Remarks:

According to Article 3.2 of Regulation of the Supreme People's Court on Several Issues Concerning the Application of Law to Hearing Cases of Civil Disputes over Infringement of Information Network Transmission Right, acts that infringe network communication right have two characteristics: first, they place the infringing works in the network; second, they enable the public to access to such infringing works at any selected time or location. In this case, the defendant intercepted the signals broadcasted by the TV station before storing them in the private clouds it managed, and set a WeChat public account for them. By clicking to follow the WeChat public account, subscribers can access it. Therefore, the defendant obviously did not set any requirements for following such WeChat public account to limit the communication of such video clips to specific groups, but placed it all accessible by the public so that the public could access the video contents stored in such WeChat public account at any selected time or location. Therefore, the defendant constituted infringement of another party's network communication right. This case for the first time clarified that WeChat public accounts may fall into the scope of protection of network communication right.

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Translator: Richard Hu

Unfair Competition

Shenzhen Fangjinsuo Financial Service Co., Ltd. and Shanghai Fangjinsuo Financial Information Service Co., Ltd. v. Shanghai New Home Financial Information Service Co., Ltd., Beijing SINA Internet Information Service Co. Ltd. and Shanghai House Sales (Group) Co., Ltd.

- *Shanghai Intellectual Property Court Civil Judgment (2016) Hu 73 Min Zhong No.107*
- *Shanghai Pudong New District People's Court Civil Judgment (2015) Pu Min San (Zhi) Chu Zi No.518*

Rules:

To get equal protection as enterprise names, the trade names in enterprise names shall have "become substantially well-known in the market, and familiar to the public concerned" before the occurrence of the accused act of use. To that end, facts like promotion, profits, sales duration, geographical areas, service targets, amounts of transaction, and market shares have to be taken into full consideration.

Facts:

Incorporated on November 20, 2013, Shenzhen Fangjinsuo Financial Service Co., Ltd. ("Shenzhen Fangjinsuo") is mainly engaged in providing financial brokerage service for the financing of financial and non-financial institutions by providing mortgage on real estate. On January 14, 2014, Shenzhen Fangjinsuo registered top-level domain names including "fangjinsuo.com," and recorded the domain name on March 28, 2014. The website put on record was titled "Fangjinsuo." On July 8, 2014, "Fangjinsuo Real Estate Financial Information Service Platform" developed by Shenzhen Fangjinsuo was launched officially through its website www.fangjinsuo.com. On December 24, 2013, Shenzhen Fangjinsuo opened a microblog account under name "Fangjinsuo" on sina.com. On December 28, 2013, the company opened a WeChat public account under name "Fangjinsuo." In "Company Profile" in such WeChat public account, it clearly indicated "Fangjinsuo, a real estate finance exchange, is run by (Shenzhen) Fangjinsuo Financial Service Co., Ltd. …" As of July 8, 2014, the account had attracted 15,237 persons accumulatively, been read by 32,633 persons, and shared and forwarded 3,339 times.

Shanghai Fangjinsuo Financial Information Service Co., Ltd. (“Shanghai Fangjinsuo”), a subsidiary of Shenzhen Fangjinsuo, was incorporated on July 3, 2014 and is engaged in the same business as Shenzhen Fangjinsuo.

Shanghai New Home Financial Information Service Co., Ltd. (“Shanghai New Home”), established by its shareholder Shanghai Kushuo on May 22, 2014, is mainly engaged in financial brokerage service of providing investment and financing platform for clients with the need to buy houses and to make investment. On August 13, 2014, Shanghai New Home was joined by Lhasa Heye Investment Management Co., Ltd. (“Lhasa Heye”) and natural person Liu Yunli. On July 8, 2014, website “fangjinsuo” (www.fangjs.com) run by Shanghai New Home was launched for test run. It was indicated in many places of such website that “fangjinsuo” referred to Shanghai New Home and the financial platform run by it. In column “Account and Safety,” there was “How to subscribe to be a user of Fangjinsuo?” In column “User Protocol,” it stated, “This agreement is a contract with legal effect signed between you and Fangjinsuo.”

Besides, on January 17, 2014, Shanghai Kushuo applied for registering Chinese trademark “Fangjinsuo in Chinese characters” in Classes 35, 36, 38 and 42 for the purpose of establishing Shanghai New Home and running the financial service platform of “Fangjinsuo.” On February 23,

2014, Shanghai New Home registered top-level domain name “fangjs.com,” and recorded the domain name on June 23, 2014.

The recorded name of the website was “Fangjinsuo.”

Some other facts were investigated and found out in this case, yet given the focus of this article, no more details will be given here. Shenzhen Fangjinsuo and Shanghai Fangjinsuo held that Shanghai New Home infringed their enterprise name because the latter used “fangjinsuo” to refer to itself and the financial platform run by it, thus they sued the latter, and requested the three defendants to stop the above act of unfair competition, eliminate negative influences and make due compensation. There were other focal issues of dispute between the two parties in this case, but given the focus of this article, no more details will be given here.

The court of first instance held: 1. Although “fangjinsuo” was the two plaintiffs’ trade name, it was not distinctive because it was often understood as “real estate finance exchange” which was also how the two plaintiffs explained it in their promotion. 2 Although Shenzhen Fangjinsuo registered microblog account and WeChat account under name “Fangjinsuo” in December 2013, it had not yet started business officially, or known to the public concerned. The shareholder and initiator of Shanghai New Home applied for registering trademark “Fangjinsuo” in January 2014. The court of first instance rejected the two plaintiffs’ claims accordingly.

The court of second instance held: To get equal protection as enterprise name, the trade name in an enterprise name should have become substantially well-known before the occurrence of the accused act of

use, and had established a specific relationship with the financial service products provided by the two plaintiffs. However, the two plaintiffs submitted promotional materials through the website they ran, and the microblog and WeChat accounts they opened, which was insufficient to prove that the two plaintiff's trade name "Fangjinsuo" had "become substantially well-known in the market, and familiar to the public concerned" prior to July 8, 2014. The court of second instance finally rejected the two plaintiffs' claims.

Remarks:

As economic subjects' market awareness is being improved gradually, the market value of enterprise names is attracting more and more attention. Trade name, as the core content of an enterprise name, is the most distinguishable of all. However, legal protection of enterprise trade name does not equal that of enterprise name.

I. Only famous enterprise trade names can get equal protection as enterprise names.

Although the two plaintiffs began to publicize their company through microblog and WeChat since its formation, they didn't submit any evidence to prove the profits, sales duration, geographical areas, service targets, amounts of transactions, and market shares of the commodities and services their company provided. That is to say, the evidence submitted by the two plaintiffs failed to convincingly prove that their trade name "fangjinsuo" had "become substantially well-known in the market and familiar to the public concerned" before Shanghai New Home's act accused to be infringing.

II. Distinctive enterprise trade names shall be chosen and protected in multiple dimensions.

Trade name is particularly important in an enterprise's intellectual property rights, so enterprises shall choose distinctive trade names to avoid unnecessary confusion with the trade names of other enterprises. Meanwhile, before a trade name becomes well-known, protection of it shall be carried out in many dimensions like registering domain names and registering trademarks.

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Disclaimer:

NTD IP Case Express is compiled according to public reports, aimed at delivering the latest IP case information for reference only and does not constitute any form of legal advice.

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If you are interested in gathering further details about the above cases, please do not hesitate to contact us.

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