



IP CASE EXPRESS



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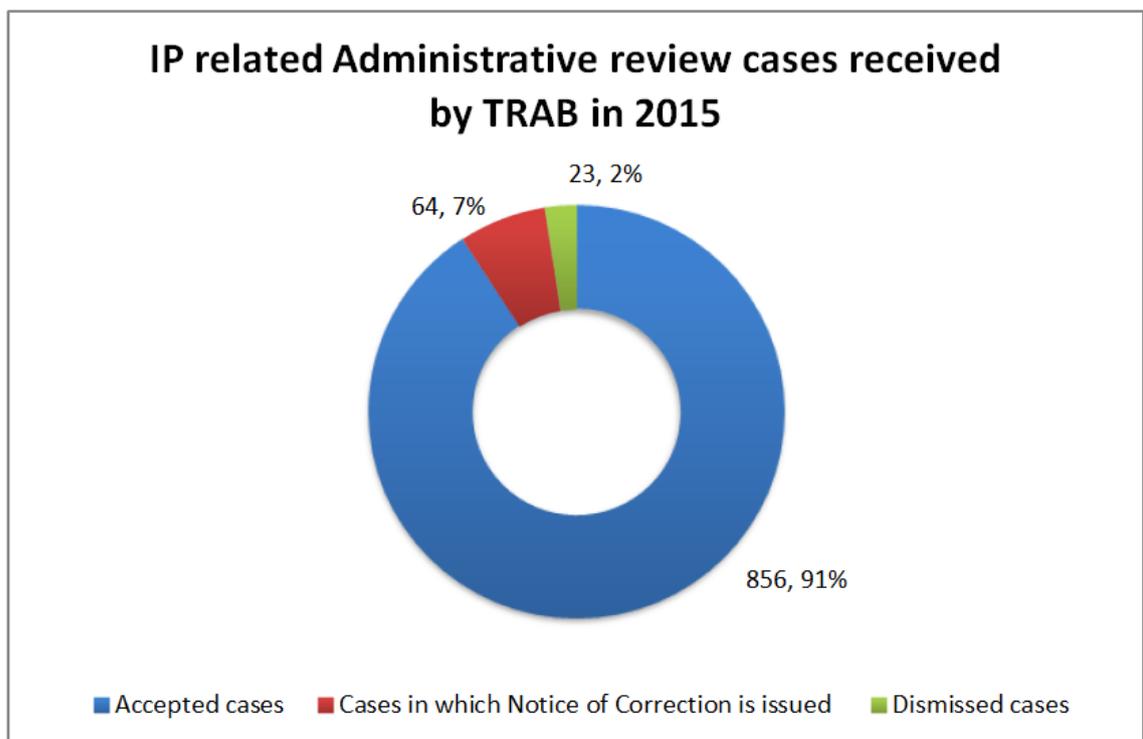
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In this edition, we browsed and analyzed IP-related court judgments and adjudications together with the key statistics recently, and we would like to share with you noteworthy statistics and our comments on some significant cases.

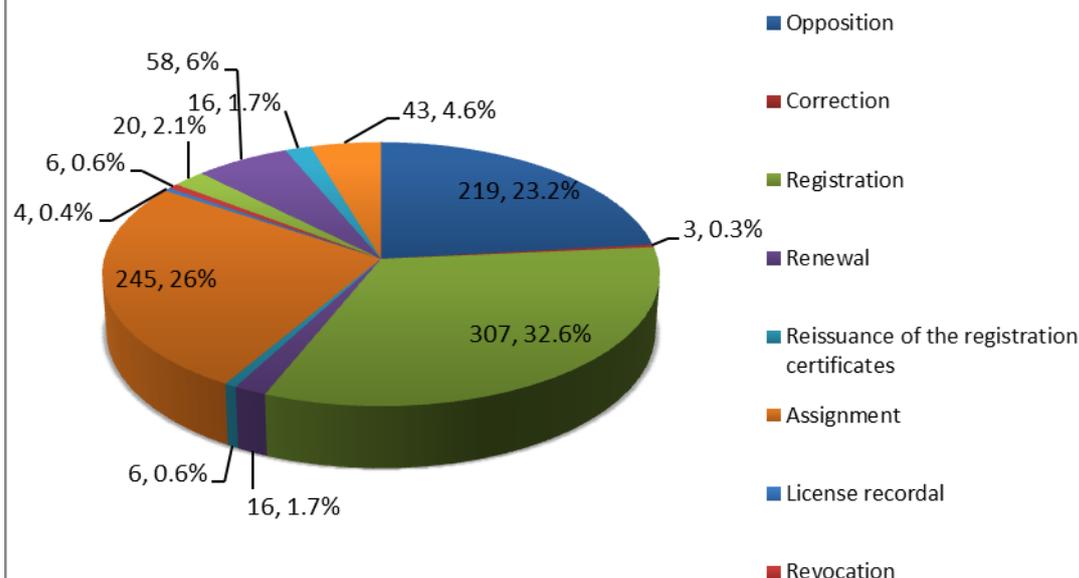
I. **Statistics**

China's Trademark-related Statistics

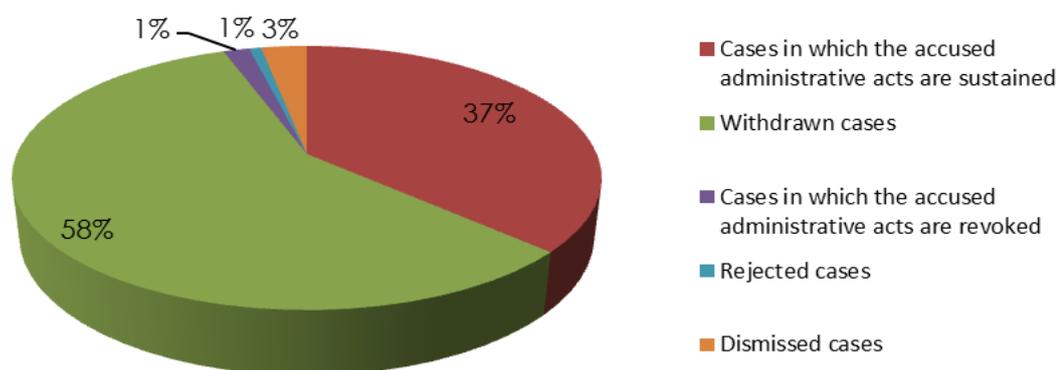


In 2015, the TRAB received a total of 943 IP related administrative review cases. Among these cases, 856 cases were accepted, accounting for 90.8% of the total number, 64 cases in which Notice of Correction was issued, accounting for 6.8% of the total number, and 23 cases were dismissed accounting for 2.4% of the total number.

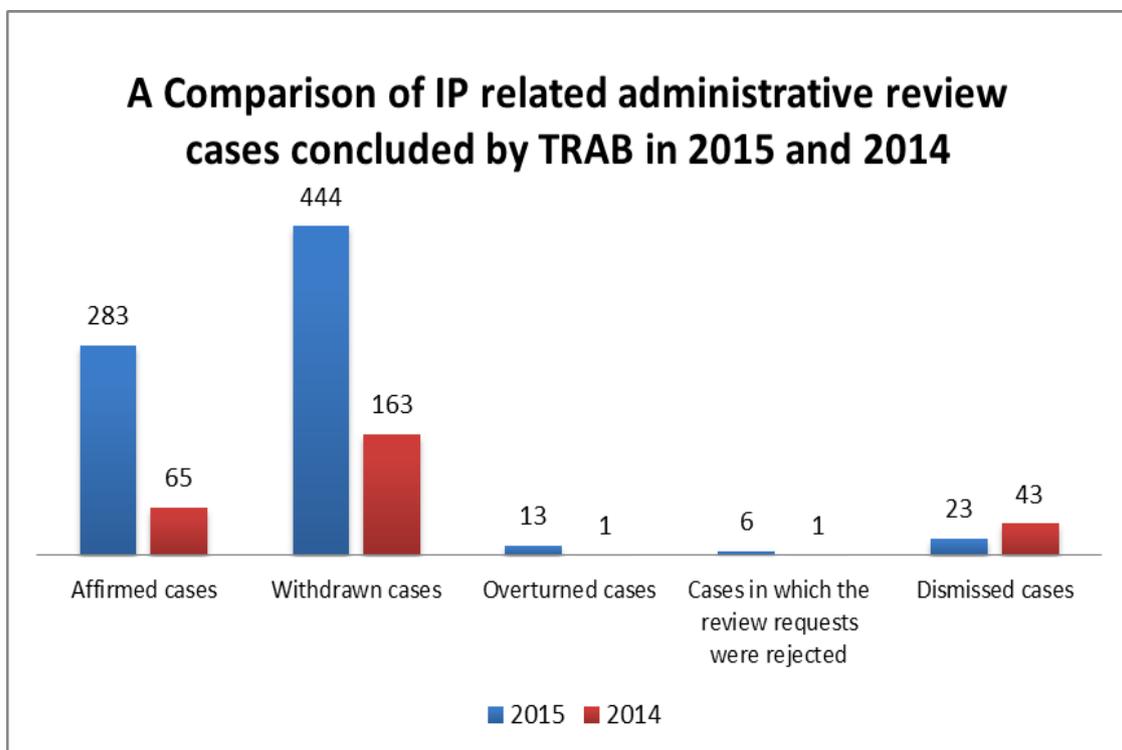
The quantity of administrative review applications and percentage of each category



IP related Administrative review cases concluded by TRAB in 2015



- In 2015, the TRAB concluded a total of 769 IP related administrative review cases (including 38 cases from the previous year), accounting for 81.5% of the total number of accepted cases. Among the concluded review cases, 283 cases were upheld by TRAB, 444 cases were withdrawn by applicants/petitioners, 13 cases were overturned by TRAB, 6 cases in which the review requests were rejected and 23 cases were dismissed.



Source: SIPO/CNIPR.com

II. Comments on Typical Cases

Patent

Wei Hai Jiayikao House Appliances Co., Ltd. v. Zhejiang Tmall Network Co., Ltd. and Yongkang Jinshide Industry & Commerce Co., Ltd.

- *Zhejiang Higher People's Court Civil Judgment (2015) Zhe Zhi Zhong Zi No. 186*
- *Zhejiang Jinhua Intermediate People's Court Civil Judgment (2015) Zhe Jin Zhi Min Chu Zi No. 148*



Rules:

1. Where a network user commits a tort through the network services, the victim of the tort shall be entitled to notify the network service provider to take such necessary measures as deletion, blocking and disconnection. If, after being notified, the network service provider fails to take the necessary measures in a timely manner, it shall be

jointly and severally liable for any additional harm with the network user.

2. Effective notifications issued by the victim of the tort shall include such materials as the victim's identity of tort, certificate of ownership, preliminary evidences proving the tort, as well as the network address that can be specifically directed to the accused infringer.

3. Taking into consideration the ability of the network service provider on determining the establishment of patent infringement, the possibility of winning an infringement complaint, and the balance of interests of all parties, the network service provider, when being notified the infringement, is not necessarily requested to immediately take such measures as deletion and blocking, but it shall be one of the necessary measures to forward effective complaint materials to the accused infringer.

Facts:

The plaintiff owned a patent right for utility model. The defendant Yongkang Jinshide was suspected of infringing this patent right by promoting and selling a barbecue grill through www.Tmall.com (such platform was

provided by another defendant Zhejiang Tmall). In January 2015, the plaintiff entrusted a lawyer to perform a notarized purchase for the target barbecue grill from an online shop of the defendant Yongkang Jinshide, and then in February 2015, the plaintiff uploaded its complaint materials including a patent infringement analysis report to Zhejiang Tmall, the proprietor of www.Tmall.com. Zhejiang Tmall requested the plaintiff to further provide “order number” and the “member names” of both the purchaser and the seller when purchasing the accused product, but this requirement is rejected by the plaintiff. Therefore, Zhejiang Tmall refused to accept the plaintiff’s complaint on the ground that the complaint materials submitted by the plaintiff did not meet their requirements on the formalities.

In April 2015, the plaintiff brought an infringement action to the court of first-instance, requesting Yongkang Jinshide and Zhejiang Tmall to compensate RMB 500,000 for their economic damages. In May 2015, Zhejiang Tmall submitted counter-evidences to the court of first-instance, declaring the accused website links had been deleted. After hearing, the court of first instance determined that a patent infringement was constituted, ordering the defendant Yongkang Jinshide to compensate the plaintiff RMB 150,000 for the economic damages. Given that Zhejiang Tmall had not taken necessary measures in a timely manner when being notified the infringement, and thus resulted in an additional damage, the court of first instance ordered Zhejiang Tmall to be jointly and severally liable for the compensation within the amount of RMB 50,000 together with the defendant Yongkang Jinshide.

Zhejiang Tmall was not satisfied with the judgment of first instance, so it appealed to the court of second instance. The court of second instance believed after hearing the case that the complaint materials submitted by the plaintiff were enough to identify the party and the product being accused, thus the complaint should be effective and conformed to the law regardless whether the plaintiff provided the “order number” and “member names” of both the purchaser and the seller when purchasing the accused product as requested by Zhejiang Tmall. However, the defendant Zhejiang Tmall had failed, when receiving the infringement complaint materials from the plaintiff, to forward the complaint materials to defendant Yongkang Jinshide in a timely manner. It should be jointly and severally liable for the additional damages together with defendant Yongkang Jinshide.

Remarks:

It has become a new business model that network users use the e-commerce platforms provided by network service providers to carry out production and business activities. With respect to the tort through internet, China Tort Law provides that the victim of tort shall be entitled to notify the network service provider to take such necessary measures as deletion, blocking and disconnection; if, after being notified, the network service provider fails to take the necessary measures in a timely manner, it shall be jointly and severally liable for any additional harm with the network user. However, the Tort Law doesn’t specifically prescribe the detailed content that a notification shall include, and what kinds of

measures should be necessary when a network service provider is notified a tort.

In this case, under the premise that the complaint materials submitted by the patent right holder are enough to identify the specific infringing product, the infringer and comparison of technical features, the e-commerce platform provider further requested the patent right holder to provide “order number” and “member names” of both the purchaser and the seller when purchasing the accused product, and alleged that such requirement was proposed for identifying that the product for technical comparison was bought from the accused network user. During court hearing, the e-commerce platform provider further alleged that the internal structure of the accused product was not visible pursuant to the technical comparison filed the patent right holder, so it was unlikely for them to determine whether or not an infringement was established. For this reason, they refused to accept the patent right holder’s complaint.

However, whether or not a patent infringement is established shall be decided through legal channels. The e-commerce platform provider has no legal authorizations to do so, nor are they requested to have corresponding professional capabilities on determining whether or not a patent

infringement is constituted. However, in this case, the e-commerce platform provider insisted the patent right holder should submit sufficient information to convince them a patent infringement is established. Only in this way can they accept the patent right holder’s complaint. Such requirement obviously goes beyond the requirement of the law, it also may bring additional obstacle for a patent right holder to enforce a patent.

The judgments made by the court specified that forwarding relevant complaint information to the complained infringer in a timely manner when being notified by an effective notification was a duty to be fulfilled and an obligatory measure to be taken by the e-commerce platform provider. The judgment sounded an alarm to e-commerce platform providers that the rules for complaint made by them shall not go beyond the necessary reasonable scope, regardless whether the rules are made for maintaining an order of complaint or being intentionally partial to their users. Otherwise, there will be a risk of bearing the liability of compensation for joint infringement.

Author: Frank Mu

Translator: Frank Mu

Trademark

Anhui Wan Jiu Group Co., Ltd. v. the TRAB of PRC and Anhui Beng Wan Jiu Co., Ltd.

- Beijing Higher People's Court
Administrative Judgment (2015)Gao
Xing (Zhi) Zhong Zi No. 114
- Beijing No.1 Intermediate People's
Court Administrative Judgment (2014)
Yi Zhong Zhi Xing Chu Zi No. 645



Rules:

The provisions and theories of the existing trademark law do not contain the concept of “base trademark,” so “the base trademark extension theory” can’t replace the basic principle on the judgment of the similarities of trademarks—“judging trademarks integrally and examining the possibility of confusion.” When the opposed trademark and the cited trademark are similar, and there is evidence proving that the opposed party has the intention to free ride the reputation of the cited trademark, the opposed trademark shall not be approved to be registered.

Facts:

Anhui Wan Jiu Group Co., Ltd. (Wan Jiu Company), based on its four prior registered

trademarks(“”, “”, “”, “”)(the cited trademarks) for
liqueur, raised opposition against trademark

application No. 7240443 “” (the opposed trademark) that was filed by Anhui Beng Wan Jiu Co., Ltd. (Beng Wan Jiu Company) in respect of liqueur. The Trademark Office of China (CTMO) decided the opposed trademark shall not be approved to be registered on the ground that it and the cited trademarks constituted similar trademarks in respect of same/similar goods. Beng Wan Jiu Company, dissatisfied with the CTMO's decision, filed a review with the Trademark Review & Adjudication Board (TRAB), and the TRAB held that the opposed trademark is not similar to the cited trademarks and shall be approved to be registered. Dissatisfied with the TRAB's decision, Wan Jiu Company appealed it with the Beijing No. 1 Intermediate People's Court(first-instance court), which, taking into consideration Beng

Wan Jiu Company's bad faith in plagiarizing and copying the Wan Jiu Company's trademarks, held that the opposed trademark is similar to the cited trademarks and shall not be approved to be registered and made the judgment that the TRAB's decision shall be overruled and that the TRAB shall make a decision a new. Dissatisfied with the judgment made by the first-instance court, Beng Wan Jiu Company appealed to the Beijing Higher People's Court (second-instance court). The second-instance court further found out that Beng wan Jiu Company owned the trademark registration No. 4144287



“” (base trademark), which was filed earlier than the cited trademark was recognized as a famous brand of China and a famous brand in Anhui province in 2007 and 2013. The second-instance court held that “酒王” (meaning “Liquor King”) lacked distinctiveness on liquor products and that the distinctive parts of the base trademark, the opposed trademark and the cited trademarks are “徽皖” (Hui Wan) and “皖” (Wan) respectively, so the opposed trademark didn't change the distinctive feature of the base trademark. Besides, according to the evidence submitted by Beng Wan Jiu Company, the base trademark has some fame. Therefore, the business reputation of the base trademark can be extended to the opposed trademark, and it was reasonable for Beng Wan Jiu Company to register the opposed trademark, which constituted the extension registration of the base trademark. The related consuming public will generally hold that the opposed trademark and the base trademark are provided by the same entity or are associated and will not be easily confused as to the origin of the goods under the opposed

trademark and the cited trademarks when they coexist. So the second-instance court held that the first-instance court's judgment that the opposed trademark and the cited trademarks constituted similar trademarks in respect of the same/similar goods is defective and decided that it shall be overruled while the TRAB's decision shall be upheld.

Dissatisfied with the judgment made by the second-instance court, Wan Jiu Company applied to the Supreme Court for a retrial. After hearing the case, the Supreme Court held that the opposed trademark and cited trademarks 1 and 2 are the same in the font and the only difference between them is that the opposed trademark has one more Chinese character “徽” (Hui), which means Anhui province to the public. The opposed trademark and the cited trademarks are similar in the composition elements and overall look. Besides, the fame of the cited trademarks is obviously higher than that of the opposed trademark. So the registration and use of the opposed trademark would easily cause confusion to the consuming public, so the opposed trademark and the cited trademarks constituted similar trademarks in respect of same/similar goods. Taking into consideration Beng Wan Jiu Company's bad faith to free ride the goodwill of Wan Jiu Company, the Supreme Court decided that the opposed trademark shall not be approved to be registered and that the second-instance judgment shall be revoked while the first-instance judgment shall be upheld. As regards Beng Wan Jiu Company's claim that the opposed trademark is an extension of its base trademark, the Supreme People's Court held that the provisions and theories of the existing trademark law do not contain the concept of

“base trademark,” so “the base trademark extension theory” can’t replace the basic principle on the judgment of the similarities of trademarks—“judging trademarks integrally and examining the possibility of confusion.”

Remarks:

Generally speaking, a trademark registrant enjoys independent exclusive right to use the different trademarks it has registered, and the trademarks registered in succession do not necessarily have the continuance relationship, that is, the registration of the so-called base trademark or prior trademark does not certainly lead to the approval of the trademarks filed later. If the trademark registered later is similar to other’s prior registered trademark(s) in respect of same/similar goods, it shall not be approved to be registered. However, when a prior trademark of a registrant has achieved such fame through use that the related consuming public would associate the trademark filed later with the prior trademark

and believe that goods under the prior trademark and the later trademark are originated from the same entity or from entities affiliated to each other and would not be confused as to the origin of the goods, the trademark filed later could be approved to be registered. This is the so-called “base trademark extension theory.”

In this case, the opposed trademark has distinctive differences from the prior trademark of Beng Wan Jiu Company. Even if the prior trademark had achieved some fame and goodwill through use, its fame and goodwill should not be naturally extended to the opposed trademark. Given that the opposed trademark is similar to the cited trademarks, which are far more famous than the opposed trademark, the co-existence of the opposed trademark and the cited trademarks would cause confusion to the related consuming public as to the origin of goods, s, and the opposed trademark shall not be approved to be registered. The “base trademark extension theory” can’t replace the basic principle on the judgment of the similarities of trademarks.

Author: Grace GAO
Translator: Grace GAO

Copyright

Shanghai Animation Film Studio v. Zhejiang New Film Era Culture Media Co., Ltd.

- *Shanghai Intellectual Property Court Civil Judgment (2015) Hu Zhi Min Zhong Zi No. 730*
- *Shanghai Putuo District People ' s Court Civil Judgment (2014) Pu Min San (Zhi) Chu Zi No. 258*



Rules:

- 1. The identification of reasonable use shall be limited to special circumstances where it doesn't go against the normal use of a work, or unreasonably damage the right holder's legitimate rights and interests.**
- 2. To explain an issue in a new work, if the original art values and functions of the cited work change in the new work, it**

constitutes reasonable use even if it is unnecessary to cite the original work in the new work.

Facts:

The plaintiff had the copyright of the role and image of "calabash brothers" in animated film Calabash Brothers and the role and image of "Mr. Black" in animated film Mr. Black. Defendant 1 used the images of "calabash brothers" and "Mr. Black" on the promotional poster of Independent Declaration of the Post-1980, a film shot by it. Defendant 2 released the poster of such film that was involved in this case via its official microblog account at sina.com. The plaintiff held that defendant 1 used the images of "calabash brothers" and "Mr. Black" without permission, thus defendant 1 constituted infringement of the plaintiff's right to revise, right to copy, right to release and right to transmission through the information network; and that the behavior of defendant 2 constituted infringement of its right to transmission through the information network, thus it constituted common infringement with defendant 1. Therefore, it sued the defendants.

The first-instance court held that such use constituted "reasonable use" in the copyright law sense, so it rejected the plaintiff's claims. In refusal of the judgment, the plaintiff brought an action to Shanghai Intellectual Property Court. After hearing the case, the

second-instance court rejected the plaintiff's appeal and supported the first-instance judgment.

Remarks:

1. Article 22 of the Copyright Law provides reasonable use under twelve circumstances. However, new circumstances of using works appear unremittingly in real life. It is not enough to judge circumstances of reasonable use simply by legal provisions. The judicial judgment made by the court, starting with the basic principle and purpose of the copyright law, gave a judicial explanation of the judgment essentials of reasonable use, which plays a great referential role under similar circumstances in the future.

2. The first-instance court held that such factors as whether the cited work had been published openly, the purpose of citing another party's work, the proportion of the cited work in the whole work, whether it

would have baneful influences on the normal use or market sales of the original work shall be taken into consideration to judge if the use of another party's work is reasonable use, and that was supported by the second-instance court.

3. Besides, the second-instance court also held that it constituted reasonable use if, to explain a question, citing a work was not to purely demonstrate the art values of the cited work itself, but the cited work in the new work saw changes in its original art values and functions; and citing such work was unnecessary in the new work.

4. The illustration of reasonable use by the court better demonstrates the spirit of the copyright law of encouraging work spread, and holds a more tolerant attitude toward moderate use of work. It reflects that Chinese courts have become more mature in protecting copyright, and paid more attention to balancing private and public rights and interests.

Author: Richard Hu

Translator: Richard Hu

Unfair Competition

Beijing iQIYI Technology Co., Ltd. v. ExcelleView Technology Co., Ltd. and Guangzhou city Dongjing Computer Technology Co., Ltd.

- *Beijing Haidian District People's Court Civil Judgment (2015) Hai Min Zhi Chu Zi No. 23773*



VS



Rules:

1. Utility software operators are not allowed to improperly disturb other operators' legal operational activities. Fastening forward other parties' video advertisements with utility software and changing other parties' limitations on online video downloading are acts would

disturb other parties' business models, therefore it shall be decided as unfair competition.

2. It is not unfair competition for the utility software operators to drag other parties' videos away from their original places on the website and broadcast them via small windows, in order to optimize the user experience, because that only affects the bounce rate of a video website, but doesn't disturb the operation of normal business model of the video website. So the video website operators should tolerate this activity.

Facts:

Beijing iQIYI Technology Co., Ltd. (hereinafter referred to as iQIYI) runs the website of iQIYI.com, and provides the service of "advertising plus free-of-charge videos" for the subscribers, and advertisement-free video broadcasting service for the registered subscribers who paid membership fees. The former service is the main business model of iQIYI. Guangzhou city Dongjing Computer Technology Co., Ltd. and ExcelleView Technology Co., Ltd. (hereinafter collectively referred to as the two defendants) ran the UC browser together.

The notarized evidence submitted by iQIYI showed that logging in the website of

iQIYI.com through UC browser with an iPhone could realize the following functions:

1. fastening forward the video advertisements, that is, when playing a video advertisement after clicking the downloading arrow on the player page and the buffering ends, the video advertisement could be speeded up by dragging the broadcasting progress button arbitrarily during the broadcasting of the video advertisement.
2. downloading videos online, that is, after clicking the downloading arrow when a video is played, and adding it to cache successfully, the downloaded video could be played by opening the UC browser under the flight mode, and the broadcasting could also be speeded up arbitrarily;
3. broadcasting via a small window: clicking to broadcast the video on the homepage, and then dragging the video downward to get an independent small window for broadcasting; the video can be played full screen through such small window, or be dragged arbitrarily on the phone page. While a video is played through a small window, the original video can't be broadcasted.

The notarized evidence submitted by iQIYI also showed that Safari and 360 browsers can't realize the above functions of fastening advertisements forward, broadcasting via small windows and downloading videos online like UC browser. iQIYI also showed that the client terminal software of iQIYI can realize the function of video downloading, which is necessary for promoting its client terminal software, and a requirement of fulfilling the video copyright agreement as well.

iQIYI held that the two defendants constituted unfair competition by conducting the above three acts through the UC

browser, so it sued the two defendants to the court, requesting the two defendants to immediately stop the above three kinds of unfair competition, and compensate it for its economic losses and reasonable expenses. After the trial, the first-instance court held: 1. Browsers and players, as utility software products, shall objectively, completely and accurately present other parties' Internet products and services. That the two defendants fastened forward the advertisement broadcasting through UC browser damaged iQIYI's important operational model and constituted unfair competition against iQIYI. 2. iQIYI limited the online video downloading function on its website in order to promote its client terminal software, and meet the right owners' need to limit their authorization. While the online video downloading function provided by UC browser changed the downloading setting of iQIYI, it had damaged iQIYI's proper benefits that may be gotten under its normal operational model, and therefor constituted unfair competition. 3. Broadcasting through small window didn't replace the website of iQIYI in providing videos to the subscribers, or affect the normal display of the website of iQIYI. On the contrary, broadcasting via a small window, besides the former broadcasting at a fixed location or full-screen broadcasting made a new flexible way of broadcasting and met better user experience of watching videos and browsing websites at the same time. The website of iQIYI.com shall moderately tolerate it. Although it affected the bounce rate of iQIYI.com to a certain degree, it didn't hinder the normal operation of iQIYI. It therefore couldn't be identified as damaging the legitimate rights and interests of iQIYI.

Finally, the court judged that the two

defendants should immediately stop the unfair competition of fastening forward the broadcasting of advertisements, and of online video downloading, and compensate iQIYI for the latter's economic losses and reasonable expenses thus caused.

Remarks:

In recent years, disputes over unfair competition are more in number, newer in types and more complicated in case circumstances through the Internet. Each case usually involves the judgment of legality of a new-type business model. In this case, the court took into consideration the following aspects when determining whether the operators' acts constitute unfair competition:

I. Protecting the operators' legal business model iQIYI as an operator had the right to provide an intact operational model on its own will. Utility software operators shall restrict their behavior to meeting necessary functions, and shall be self-disciplined in expanding operational activities as well. Utility software operators should not, with the excuse of user demand, by using their role advantages, to randomly judge the advantages and disadvantages of the operational models of other operators, damage other operators' normal business model, and harm other parties' legitimate rights and interests.

II. That subscribers had the right to choose

freely couldn't deny the existence of unfair competition. Although the functions of UC browser that was developed and run by the two defendants need to be selected by the users, user selection was just a necessary step to realize the functions of UC browser in this case, and did not affect the two defendants' behavior of changing the setting of iQIYI website for normal operation through the UC browser. The behavior of the two defendants' unfair competition couldn't be denied on the ground that it was the result of the users' selection.

III. The design that optimizes user experience within the reasonable degree should be tolerated.

The operators' try to improve their design favorable for the public and popular interests in respects of user selection scope and user experience under the premise of not changing or damaging others' normal operational model, conformed to the principle of encouraging and protecting fair competition that is set in the People's Republic of China Unfair Competition Law, and met the spirit of protecting operators' and consumers' legal rights and interests, so it didn't belong to behavior of unfair competition. In this case, the act of broadcasting videos via small windows fell into the above circumstance, so iQIYI didn't have the right to stop it.

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