



IP CASE EXPRESS



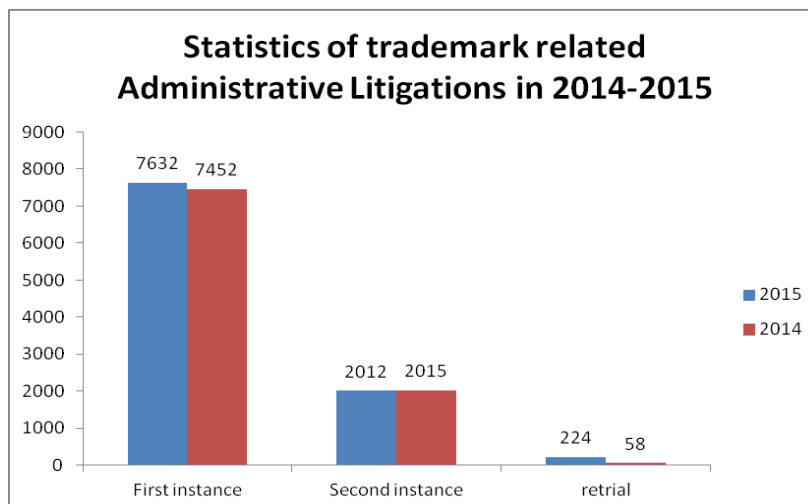
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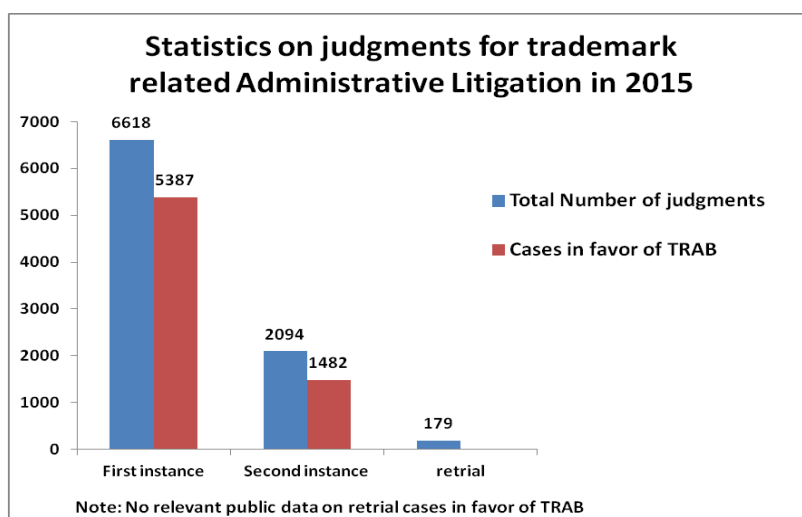
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In this edition, we browsed and analyzed IP-related court judgments and adjudications together with the key statistics recently, and we would like to share with you noteworthy statistics and our comments on some significant cases.

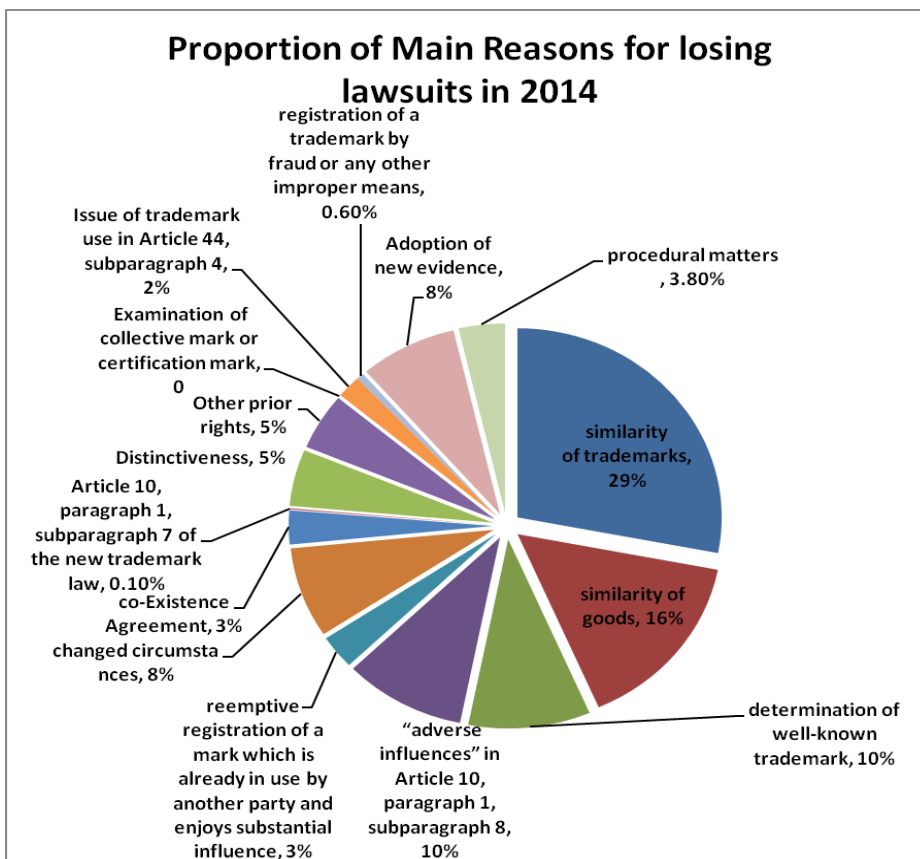
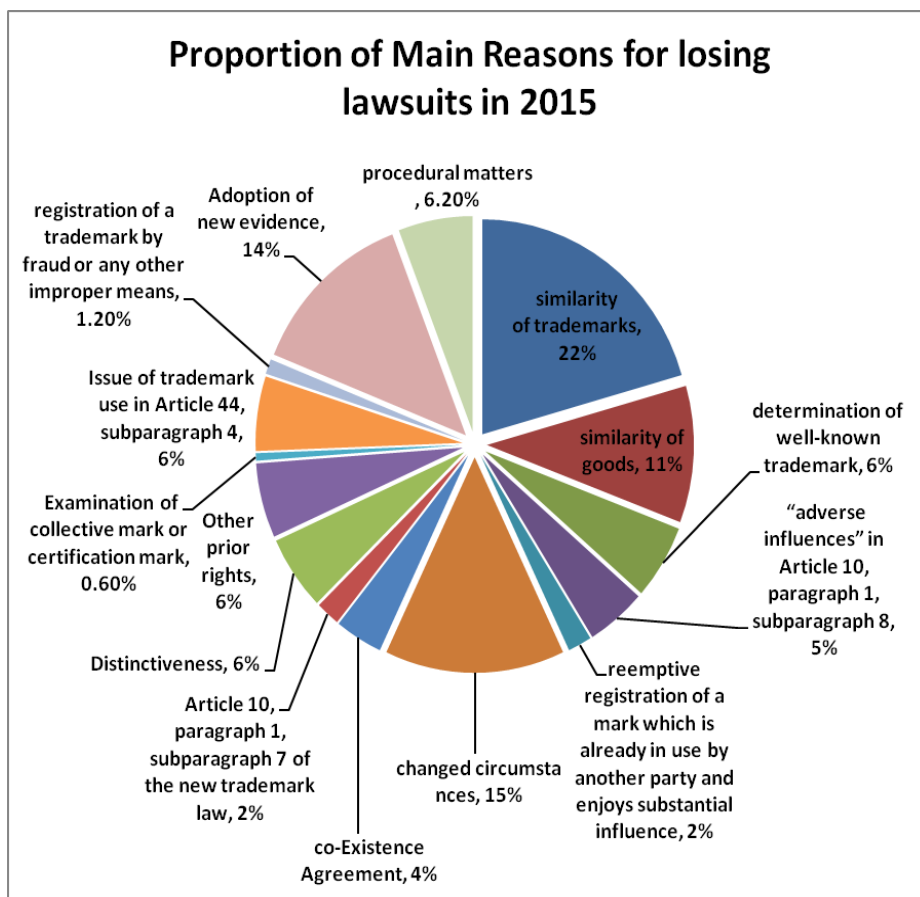
I. Statistics



The Trademark Review and Adjudication Board (hereafter as “TRAB”) received 7632 notices of responding to lawsuits from the Beijing's 1st intermediate people's court and the Beijing Intellectual Property Court, which was a 2.4% increase compared with 7452 cases of 2014. 2012 trademark related Administrative Litigations entered into the second instance procedure in Beijing Higher People's court, which was essentially unchanged from 2015 cases in 2014. 224 trademark related Administrative Litigations entered into retrial hearing procedure or retrial procedure, which was a 286.2% increase compared with 58 cases of 2014.



In 2015, the TRAB received 6618 first instance judgments which showed 59.2% year-on-year growth, 2094 second instance judgments which showed 51.6% year-on-year growth and 179 retrial judgments which showed 244.2% year-on-year growth.



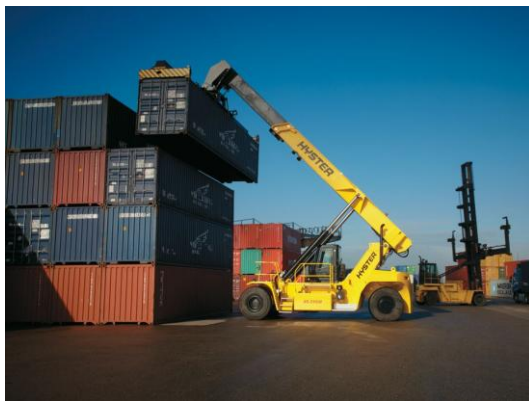
Source: Trademark Review and Adjudication Board

II. Comments on Typical Cases

Patent

Patent Infringement Litigation of CIMC vs Singamas

- Supreme People's Court Civil Judgment (2014) Min Ti Zi No. 40
- Shandong Higher People's Court Civil Judgment (2012) Lu Min San Zhong Zi No. 118
- Shandong Qingdao Intermediate People's Court Civil Judgment (2010) Qing Min San Chu Zi No. 216



Rules:

1. Usage environment features which are defined in claims are necessary technical features, and somewhat restrict the scope of protection of claims.
2. Restriction of the scope of protection of claims by the usage environment features is subject to circumstances

of a case. Generally, usage environment features shall be understood as restricting that the subject to be protected can be used in such usage environment instead of must be used in such environment. However, if a person skilled in the field explicitly and reasonably concludes that the subject to be protected must be used in such environment after reading claims, description and file history of the patent, such usage environment features shall be understood as that the subject must be applied to such usage environment.

3. Under the circumstance where the alleged infringing products have the usage environment features defined in claims, the actual usage status does not influence the infringement determination.

Facts:

CIMC (Group) Ltd. is the owner of patent ZL200710063587.0 entitled "a transportation platform and transportation unit". Claim 1 of the patent states that "a transportation platform, used to pile non-standard containers, ...of which each crossbeam shall contain at least one apex angle piece above

it, used to match the base angle piece of such non-standard container; ...” CIMC held that the transportation platform used to transport non-standard containers that was manufactured and used by Singamas fell into the scope of protection of the patent, so it brought an action to Intermediate People’s Court of Qingdao Municipality. Both the first-instance and the second-instance courts held that the alleged infringing products fell into the scope of protection of the patent, and ruled Singamas to stop infringement and compensate the plaintiff 600,000 yuan for the latter’s economic loss.

Singamas applied to the Supreme People’s Court for a retrial on the following main grounds: The transportation platform described in the patent is “used to pile non-standard containers” and one of the apex angle pieces in the middle above the crossbeam functioned to “match the base angle piece of such non-standard container,” so in actual usage, it should be used to link non-standard containers. The alleged infringing product couldn’t be used to link non-standard containers, so it could only be used to pile standard containers first, and then non-standard containers of 53 feet non-standard containers. It therefore did not have the technical features about the usage defined in the claims, thus didn’t constitute patent infringement.

With respect to such ground of Singamas for applying for retrial, the Supreme People’s Court decides:

Firstly, contents of a claim shall be determined according to the wordings of the claim in combination with the understanding of the person skilled in the art after reading the description and drawings of the patent. “A transportation platform, used to pile non-standard containers;” “each crossbeam

shall contain at least one apex angle piece above it, used to match the base angle piece of such non-standard container”, which are stated in claim 1, are usage environment features. According to understanding of the person skilled in the art, “used to” here generally means “**can be used to**” or “**may be used to**” instead of “only be used to” or “must be used to.” That is, such transportation platform may be used to pile non-standard containers, and such apex angle pieces may match the base angle pieces of a non-standard container.

Secondly, the patent description in didn’t have clear limitation or exclusion of the usage environment of the transportation platform and specific apex angles. On the contrary, the description states that the transportation platforms could be piled together, or with standard containers. It at least indicates that the description had made it clear that the transportation platform to be protected could be piled together with standard containers. Therefore, the usage environment features in claim 1 should not be explained that such transportation platform must be used to pile non-standard containers.

The alleged infringing product can be linked up to non-standard containers and linked down to standard containers. Therefore, it conformed to the usage environment features of the patent, whereas its actual usage status didn’t affect the interpretation of the above usage environment features.

Therefore, the Supreme People’s Court held that Singamas’ grounds for retrials were untenable.

Remarks:

The Supreme People’s Court illustrated once again the rules on inter reputation of usage

environment features and the infringement determination through this case.

Usage environment features refer to technical features in claim describing the background or conditions of usage of the invention. In practice, some product (Product A) needs to be installed to another product (Product B) in usage, or can be used only in combination with another product. The structure of Product A itself may not be able to demonstrate the improvements of interfaces or the auxiliary structure. Therefore, the claims need not only define the structure of Product A itself, but also the structure features of the interface of Product B so as to make such claims a complete technical solution able to realize the purpose of invention. Such features are not components, but usage environment features of Product A. Controversy remains whether usage environment features limit the scope of protection of the claims, or the degree of such limitation.

In the case of patent infringement lodged by Shimano against Ripin, the Supreme People's Court for the first time established the definition and technical standards of usage environment features. In this case, the Supreme People's Court once again made clear the rules of interpretation of usage environment features and infringement determination.

It is noteworthy that the rules established by the Supreme People's Court in these two

cases were not completely absorbed by *Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to Hearing Cases of Dispute over Patent Infringement (II)* that was released later. Article 9 of the above Interpretation simply provides where the alleged infringing technical solution **is inapplicable to** the usage environment features of a claim, the alleged infringing technical solution **does not fall into** the scope of protection of the claim. As regards the alleged infringing technical solution which **can be used both** in the usage environment defined in patent claim **and the other environments**, the Supreme People's Court has not yet given a clear answer whether it falls into the scope of protection of a patent. According to the rule raised by the Supreme People's Court in the case lodged by Shimano, under such circumstance, it depends on the specific conditions of a case. In general, it is not required that the subject must be used in such usage environment. However, if a person skilled in the art, after reading the claims, description and file history of the patent, can clearly and reasonably conclude that the subject to be protected must be used in such usage environment, such usage environment features should be understood that the subject to be protected must be used in such specific environment.

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Trademark

Case of Dispute over Trademark Right Infringement and Unfair Competition Lodged by Beijing Chance Electric Technology Co., Ltd. against Jiangsu Chance Electric Technology Co., Ltd. and Nantong Chance Electric Equipment Co., Ltd.

- *JiangSu Higher People's Court Civil Judgment (2015) Su Zhi Min Zhong Zi No.00205*
- *Jiangsu Nantong Intermediate People's Court Civil Judgment (2014) Tong Zhong Min Chu Zi No. 00197*



Rules:

When an enterprise's trade name and its registered trademark coincide and are used by the same market entity, they can strengthen the association among commercial signs and promote such brand reputation on the whole. Use as trade name and use as trademark can't be

distinguished rigidly, because all market business reputation will be accumulated and belong to such operator.

Facts:

Beijing Chance was registered and established on March 14, 2006, and its business scope includes high- and low-voltage equipment for var compensation. On March 15, 2006, the company's legal representative Zhan Ziyang applied for registering the trademark No. 5215343 “赤那思” and the trademark was approved for registration on April 14, 2009 in class 9 on the designated goods of equipment for var compensation (electricity) etc. On April 13, 2009, Zhan Ziyang licensed Beijing Chance to exclusively use the trademark. Beijing Chance used its commercial sign in the following ways: 1. prominently indicating characters “赤那思电气” in two lines at the top right corner of its product catalogue, while indicating the full name of the company at the lower part of the front cover. In the product catalogue, full company name or “北京赤那思电气” was indicated to physical product pictures.

Nantong Chance was registered and

established on April 23, 2008. Jiangsu Chance was registered and established on January 20, 2010. Xi Hao, legal representative of Nantong Chance, was one of the shareholders of Jiangsu Chance. The two companies' business scopes were basically the same as that of Beijing Chance. Jiangsu Chance prominently used “赤那思电力” at the bottom right corner of its product catalogue, and used Chinese characters “赤那思电力” at the top right corner of the website.

Beijing Chance held that the above act of Jiangsu Chance infringed its exclusive right to use registered trademarks. Therefore, Beijing Chance sued Jiangsu Chance to the court, requesting the latter to immediately stop its infringement activities by using any trademark that was the same as or similar to registered trademark “赤那思.”

One of the arguments of Jiangsu Chance was that Beijing Chance did not actually use registered trademark “赤那思;” and that “赤那思电气” or “北京赤那思电气” was simplified use of corporate trade name. Beijing Chance held that “北京” and “电气” were names of place and industry, and that it was “赤那思” which still functioned to distinguish sources of goods. Therefore, “赤那思” was used as a trademark in nature, and the way of using it conformed to the provision of the Trademark Law.

There were other claims and grounds of demurrer in this case, and the court ascertained other facts, yet given the priorities of this paper, no more statement will be made here.

As regards the above controversial focus, the first-instance court held that the trademark involved in this case was the core

trade name of Beijing Chance; that Beijing Chance was in normal operation and continuously used Chinese characters “赤那思” for commercial purpose. Under the circumstance that Jiangsu Chance didn't provide other evidence to prove that the trademark involved in this case hadn't been in use for three consecutive years, its arguments were untenable.

The second-instance court held: 1. the characters in registered trademark “赤那思” were totally the same as trade name Beijing “赤那思.” Chinese law didn't prohibit coincidence of enterprise trade name and characters in a registered trademark. Generally speaking, enterprise's trade name is thought to be simplified use of enterprise name, and mainly functions to distinguish different market operators, yet it is in nature a commercial sign. Therefore, when an enterprise's trade name coincides with its registered trademark, and is used by the same market entity, it functions to distinguish different operators and sources of goods. In this case, “赤那思电气” or “北京赤那思电气” were used in such way; 2. the above way of use by Beijing Chance functions to strengthen the association among different commercial signs and promote the popularity of brand “赤那思” on the whole, and no evidence was found to prove that the above way of use actually weakened the function of any of the signs to distinguish sources of goods; 3. in individual cases, the main purpose of identifying the use of a commercial sign as trade name or trademark was mainly to solve right conflict between enterprise name and registered trademark among different market entities, because different ways of use might lead to different consequences according to the rules of right conflict. However, to the same entity, rigidly differentiating use as a trade name or use as



a trademark sometimes did not conform to business logics and market cognition, because all market reputation would finally be accumulated and belong to such operator. In view of the above, the second-instance court held that the claim—made by Jiangsu Chance—that Beijing Chance did not actually use or promote registered trademark “赤那思” was untenable.

Remarks:

In judicial practice, a lot of cases require distinguishing the use of some commercial sign as trade name or trademark, mainly for solving the right conflict between enterprise name and registered trademark among different market entities. According to the rules of right conflict, different ways of use may lead to different legal consequences. Yet when an enterprise's trade name coincides with its registered trademark, and both are used by the same market entity, it is not justifiable to mechanically differentiate whether it is used as trade name or as

trademark. Meanwhile, it does not conform to market logics, because all market reputation will be accumulated and belong to the same operator.

It is noteworthy that views in this case remain exploratory for judicial adjudication. As it is mentioned above, in an environment that a great number of judicial decisions have differentiated the use as trade name and that as trademark, regardless of its purpose and reasons, such differentiation will leave the impression that use as trade name is different from use as trademark, and differentiation needs to be done. Therefore, in actual operation, market entities are suggested to consciously differentiate use as trade name and use as trademark to better protect their exclusive right to use trademarks and avoid unnecessary legal risks.

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Copyright

Case of Dispute over Information Network Communication Right of Works Lodged by Huandian Company against Qiyi Company

- *Shanghai higher People's Court Civil Judgment (2015) Hu Zhi Min Zhong Zi No.213*
- *Shanghai Pudong New District People's Court Civil Judgment (2014) Pu Min San (Zhi) Chu Zi No.1137*



Rules:

Where a network service supplier provides search and link services for the communication of a work through technical means, yet fails to guide the subscribers to watch the work concerned on the website that's linked to, or indicates the subscribers that such work is from another website (i.e., depth link), the act itself of such network service supplier does not constitute the behavior of providing the work, so such network service supplier does not bear direct liability for tort. In case a depth link service supplier should have known that the work linked to is subjectively infringing, yet fails to take any measure upon the unauthorized

program involved in the case to prevent or avoid such infringement objectively, which helps expand the infringement consequence of the program involved and constitutes infringement, such depth link service supplier shall bear the liability of compensation.

Facts:

Happy Camp is an entertainment program premiered by Hunan Satellite TV. It invites guests who are famous stars to have interactive interviews, play games, or perform with the hosts, and is highly well-known in China. The plaintiff, with the exclusive information network communication right over such TV entertainment program, had the right to sue any act of tort in its own name. In October 2014, the plaintiff discovered that the defendant was broadcasting such TV program on the latter's website and while it was broadcasted, the website indicated the defendant's domain name; at the top right corner of the web page, it was the name and head portrait of the subscriber who uploaded such program. The video did not indicate any information on the website that was linked to, or contain any advertisement on the website that was linked to.

It was investigated that one of the



defendant's website subscribers reproduced or filled the online address of the web page, where such video was broadcasted, to the contribution web page of Huandian Company's website, along with title and tag and other information; and then the internal software of the defendant's website extracted the code of the website where such video was on. After that, the defendant's website sent a request to the server of the website, where such video was on, with such code and, according to the reply of such server, extracted video document data before broadcasting such video through the player of defendant's website. Checking the address to visit the video that was broadcasted by the defendant's website through LiveHTTPheaders plug-in, it indicated the original address of such video instead of the defendant's address. The plaintiff confirmed that such third party website didn't have its authorization.

The first-instance court held: The defendant artificially used box technology to mislead the users into thinking that such video came from the defendant. Therefore, the services provided by the defendant had gone far beyond the traditional link service similar to search engine. Seen from consequence, users could watch such video directly on the defendant's website instead of the interface of the website linked to, and the server storing such video of the linked website had been similar to a remote-controlled server that was controlled by the defendant, and the defendant's website had substantially substituted the linked website and transmitted the work to the public. Therefore, although the defendant didn't directly upload the work involved in this case to its servers, it conducted artificial intervention in the link service, and made it possible for its users to

get access to the work involved in this case at personally selected time or location. Therefore, the defendant was ascertained to have conducted the behavior of providing the work, and infringed the Plaintiff's information network communication right over the work.

The second-instance court held: The video involved in the case was not stored in the defendant's server, that is, the defendant didn't directly upload the video involved to its server. The program involved in the case was linked to by the defendant from a third party website. The defendant, through technical means, provided search and link services for the communication of the program involved in this case, but didn't conduct the behavior of putting the work to the network or providing the work directly. It therefore didn't have the behavior of providing any work or involve any issue of direct liability for tort. The defendant's depth link mode provided more targeted guidance for network subscribers on the one hand, which brought to it more economic benefits; while on the other side, caused greater damage to the Plaintiff under the circumstance that the linked website constituted infringement. Therefore, the duty of care to such kind of network service suppliers should be played. Therefore, the court held that the defendant should play the duty of care to the authorization of the video document. The program involved in the case was a famous entertainment program in China which had been broadcasted for years. The defendant should have realized that the video was uploaded the day after such entertainment program was first broadcasted, so subjectively it should have realized the high infringement possibility of such program, yet objectively it didn't take any measure to prevent or avoid the occurrence of infringement of such unauthorized program

involved in this case, which helped expand the consequence of infringement of program involved in the case. Therefore, the defendant's behavior infringed the plaintiff's information network communication right, constituted infringement, thus the defendant should bear the liability of compensation.

Remarks:

1. This case involves the so-called issue of copyright infringement by "depth link." The quite controversial in the case are the so-called "server standard" and "user perception standard." The first-instance court of this case adopted the "user perception standard" to identify that the defendant's behavior constituted direct infringement where work is provided directly. The second-instance court adopted the "server standard" to identify that the program involved in the case was not stored in the defendant's server, so the defendant didn't provide the work directly, and didn't constitute direct infringement.
2. On whether depth link constitutes direct infringement, Chinese courts tend to adopt the "server standard" more. For example, in Civil Judgment (Zai 016) Jing 73 Min Zhong No.143, Beijing Intellectual Property Court contributed a

lengthy part to demonstrate that server standard should be identified as the reasonable standard for identifying the act of information network communication.

3. It needs to be clarified that the controversy of the above two standards involves whether the act of depth link constitutes direct infringement. However, even following "server standard," it does not mean that a depth link service supplier does not have to bear any liability for tort just because its behavior does not constitute direct infringement. The court will also follow the fault principle to judge if it has to bear indirect liability for tort. In this case, the second-instance court judged the defendant to undertake a greater duty of care from such aspect as the well-knownness of the program involved in this case, and identified that the defendant's act constituted indirect infringement.

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Translator: Richard Hu

■ Unfair Competition

Case of Dispute over Unfair Competition Lodged by Foshan Gaoming Xite Electric Appliance Co., Ltd. against Foshan Chuandong Magnetic Electrics Co., Ltd.

- *Guangdong Higher People's Court Civil Judgement (2015) Yue Gao Fa Min San Zhong Zi No. 707*
- *Guangdong Foshan Intermediate People's Court Civil Judgment (2015) Fo Zhong Fa Zhi Min Chu Zi No. 1*



Rules:

To become the specific name of a well-known goods, the following conditions must be met: 1. the goods must be well-known goods; 2. the name does not directly indicate goods functions, purposes or quality, and is significantly different from the generic name of such kind of goods, or the generic name (model) has acquired new specific meanings or significant features after being used by the operators; 3. the name shall be significantly distinguishable, and consumers can naturally associate such name with specific operators and the well-known goods.

Facts:

Foshan Chuandong Magnetic Electrics Co., Ltd. (hereinafter referred to as Chuandong Company) is a well-known enterprise in Foshan. “(川 东 磁 电 + device) temperature-conditioner” produced by Chuandong Company was identified as a well-known product in Guangdong Province in 2012. Its trademark “川东磁电 + device” has been identified as a well-known trademark in Guangdong Province in 2015. Since 2004, China Quality Certification Center issues CQC product certification certificates to the magnetic control products modeled CPS-8500 and CPS-3150 that are produced by Chuandong Company each year. According to such certificates, products are named following the rule below: C stands for company name; PS stands for magnetic switches; 8500 and 3500 stand for category codes. From October 2013 to March 2014, Chuandong Company sold magnetic switches to many well-known companies. Since August 2013, Chuandong has promoted its company and products through magazine *Household Electrical Appliances* many times, and the promotional materials indicate mechanical magnetic proximity switches, and models of CPS-8500, CPS-3150 and CPS-8500B on the ulterior packages.

The scope of business of Xite Company is

manufacturing and selling temperature-conditioners, electric appliance accessories, electric controllers, etc., and the magnetic switches (a.k.a. proximity switches or reed switch components) sold by it are also imprinted with CPS-3150-108. In 2010, Chuandong Company sold a batch of temperature-conditioners to Xite Company.

There is no regular goods name for magnetic switches currently. A number of companies in the same industry indicate CPS, or CK or GPS after their Chinese names. The general English name for multi-purpose electric appliance (equipment) control and protection switches is control and protective switching devices (or equipment), or CPS in short, in national standards. On January 27, 2014, Chuandong Company sued Xite Company on the ground that Xite Company constituted unfair competition by selling the alleged infringing magnetic products, and requested Xite Company to immediately stop using CPS-3150, CPS on its magnetic switches and sales documents.

The first-instance court held: 1. Models CPS and CPS-3150 used by Chuandong Company on magnetic switches were highly readable; the magnetic switches produced by Chuandong Company were simply imprinted product models which had long been started with CPS. Such model name played the distinguishing and identifying functions as goods name, so it could be viewed as goods name; 2. In the CPS product series of Chuandong Company, C in CPS stood for Chuandong, PS stood for proximity switch, while numbers like 3150 were category codes. Besides, CPS was the general name of control and protective switching devices (or equipment) instead of magnetic switches. CPS or CPS-3150 were therefore significant as models, and were

specific goods names; 3. Chuandong Company had been producing magnetic switches since 2004, and had been doing CQC certification continuously over the years, and supplied goods to a number of well-known enterprises. Therefore, CPS magnetic switch products could be identified as being certainly well-known in the market. The first-instance court therefore judged Xite Company to stop the above behavior of unfair competition.

The second-instance court held: 1. The evidence to prove that the magnetic switches produced by Chuandong Company had become substantially well-known was insufficient; the “川东磁电 + device” temperature-conditioners produced by Chuandong Company, a well-known company, were well-known products, and “川东磁电 + device” was a well-known trademark. That did not necessarily deduce that Chuandong Company’s magnetic switch products modeled CPS were well-known; 2. CPS was not highly distinguishable, and the general name of “multi-purpose electric appliance (equipment) control and protection switch appliance (equipment),” which had similar functions to magnetic switches, was also CPS in national standards. CPS therefore could not be identified as a specific name to the magnetic switch products produced by Chuandong Company; 3. many enterprises in the same industry used CPS as the model or name of magnetic switches. No evidence proved that CPS had established a stable association with the magnetic switch products produced by Chuandong Company, and could play the function to distinguish sources of goods. The second-instance court finally rejected the claims of Chuandong Company.

Remarks:

As economic entities' awareness of rights gets strengthened gradually, the economic values of goods names, packages and decorations are becoming more and more significant, yet the premise for them getting protection is they are "well-known goods," and they are "specific."

I. Being identified as well-known goods is the premise for being "specific"

To identify names specific to well-known goods, it must be based on well-known goods. In this case, the evidence submitted by Chuandong Company could only prove the well-knownness of its enterprise, trademark and temperature-conditioners. Evidence directly proving the well-knownness of magnetic switches modeled CPS was weak. There was no evidence on sales volume, market occupation rate, or advertising.

II. The essence of being "specific" is being "distinguishable."

Commercial signs are protected because of the values of their commercial reputation accumulated in actual use, therefore the

premise for a good's name to get protection is that such goods name is "distinguishable," or such goods name can play the function to identify the sources of goods. In this case, CPS is the English abbreviation of "multi-purpose electric appliance (equipment) control and protection switches" which have similar functions to magnetic switches, and many companies in the same industry indicate sign CPS after their Chinese names. Therefore, there isn't one-to-one correspondence between CPS and magnetic switches produced by Chuandong Company, so CPS does not play the function to distinguish product sources. What's more, Chuandong Company also indicates trade name "川东" while selling products. It is therefore hard to identify that CPS plays the function to distinguish the sources of goods.

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