IP CASE EXPRESS

NTD Intellectual Property Attorneys• CHINA IP CASE EXPRESS • 2016.07 Issue No.21

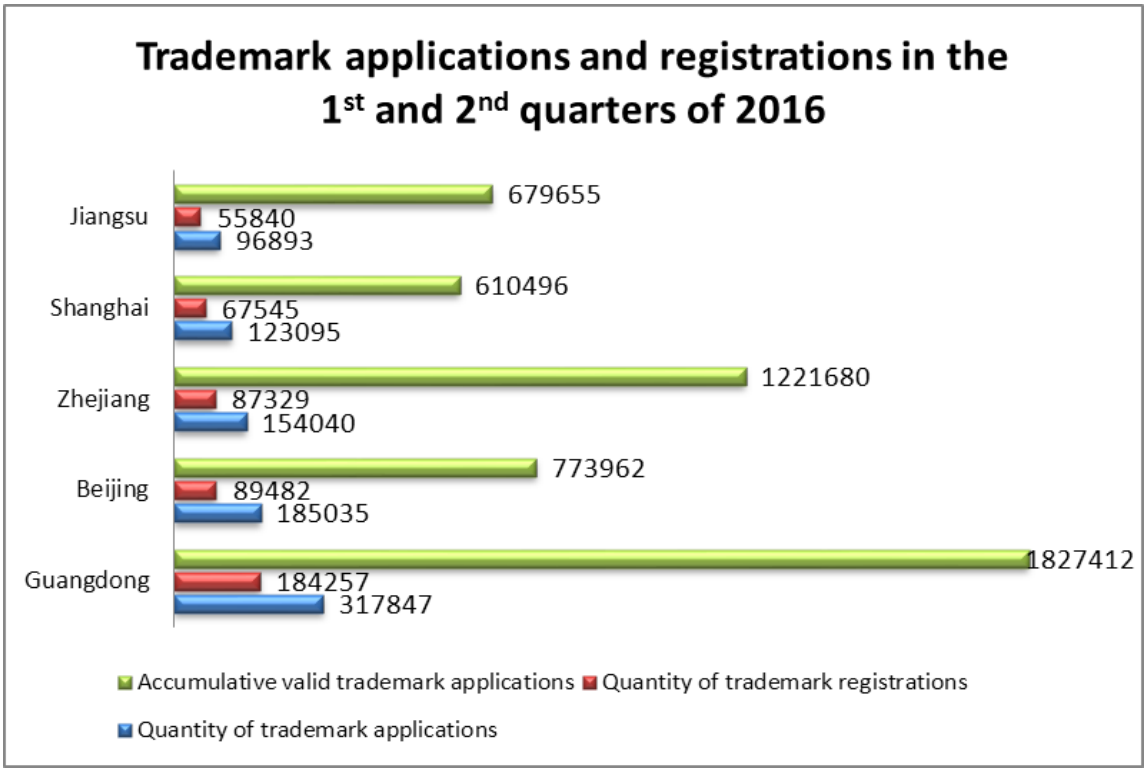
Table of contents

I. *STATISTICS* ..... - 2 -
CHINA'S TRADEMARK-RELATED STATISTICS FOR THE FIRST HALF OF 2016 ..... - 2 -
II. *COMMENTS ON TYPICAL CASES* ..... - 4 -
PATENT *CASE OF INVALIDATION OF DESIGN PATENTS OF LAND ROVER* ..... - 4 -
TRADEMARK *3M COMPANY AND 3M CHINA CO., LTD. V. CHANGZHOU HUAWEI ADVANCED MATERIAL CO., LTD. AND NIE XX* ..... - 6 -
COPYRIGHT *SHENZHEN SHENGYING NETWORK TECHNOLOGY CO., LTD. V. WUXI QIAOSHENG ENTERTAINMENT CO., LTD.* ..... - 8 -
UNFAIR COMPETITION *NINGBO INTERSKY SOFTWARE CO., LTD. V. NINGBO ZHONGSHENG INFOTECH CO., LTD. AND NINGBO ZHONGYUAN INFOTECH CO., LTD.* ..... - 11 -

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.

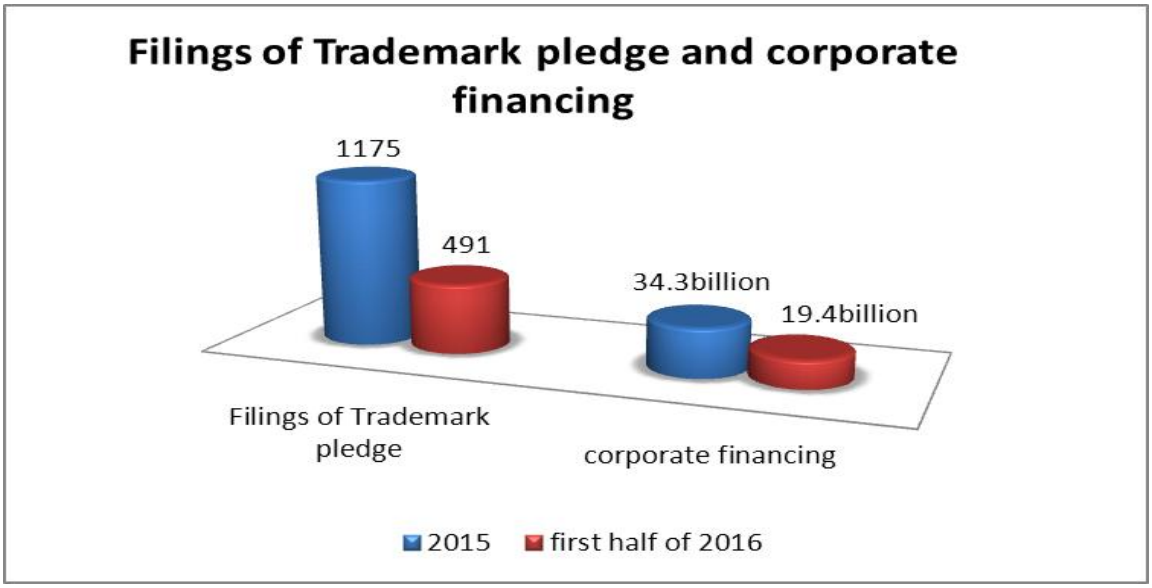
I. Statistics

China's Trademark-related Statistics for the first half of 2016

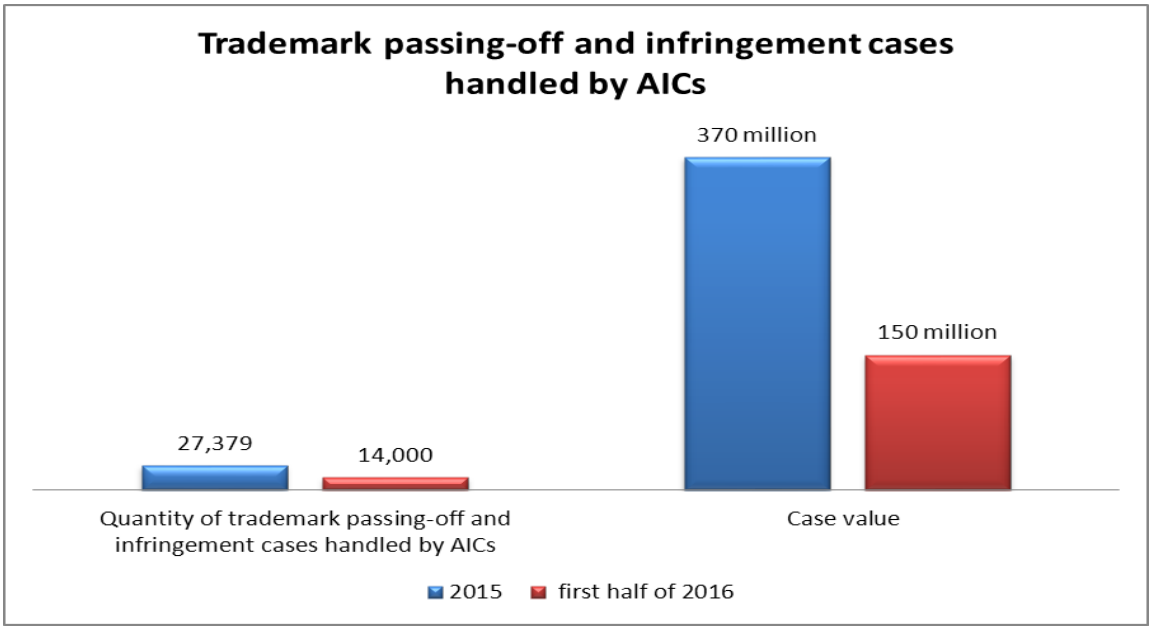


- In the first half of 2016, the top five provinces or municipalities on trademark filings are Guangdong (317,847), Beijing (185,035), Zhejiang (154,040), Shanghai (123,095) and Jiangsu (96,893).

- The top five provinces or municipalities owning the largest number of valid trademark registrations in China are Guangdong (1,827,412), Zhejiang (1,221,680), Beijing (773,962), Jiangsu (679,655) and Shanghai (610,496).



- In 2015, Chinese Trademark Office handled a total of 1175 trademark pledge registers, and supported enterprises in getting 34.3 billion RMB in funding.
- In the first half of 2016, Chinese Trademark Office handled 491 trademark pledge registers, and supported enterprises in getting 19.4 billion RMB in funding.



- In 2015, the nationwide AIC system investigated 27,379 trademarks passing off and infringement cases, and the total case value involved is 370 million RMB.
- Till the end of June 2016, the nationwide AIC system investigated 14,000 trademarks passing off and infringement cases, and the total case value involved is 150 million RMB.

Source: AIC/CTMO/website of PEOPLE.com

II. Comments on Typical Cases

Patent

Case of invalidation of design patents of Land Rover

– *Patent Examination Board of SIPO Decision No. 6W105638*

Rules:

1. As to network evidence from Baidu, Sohu and other well-known third party websites conserved by notarization, the authenticity of webpage contents should be confirmed if there is insufficient evidence showing the contrary.

2. On the basis that the "ordinary consumer" has common sense knowledge of the development of the model or exterior design of and the existing design of modern automobiles, it can be concluded that there is great rather than little feasibility for the design of automobile appearance.

Facts:

On July 25, 2014, Jaguar Land Rover Automotive PLC applied with the Patent Reexamination Board of SIPO (PRB) for invalidation of the design patent No. 201330528226.5 named "Cross-Country Vehicle" (the design patent for Lufeng X7) of Jiangling Holding Co., Ltd. The Land Rover company held that Range Rover Evoque has been offered to the public for sale and use prior to the date of application for the patent involved, and that the design of Lufeng X7 is substantially the same as and not significantly different from that of Range Rover Evoque, therefore the patent is not in conformity with Article 23 of the Patent Law. After examination, the PRB held that according to the knowledge level and the cognitive ability of an ordinary consumer, with a comprehensive consideration of the similarities and differences between the patent concerned and the prior design in terms of their time of appearance in automobile designs, complexity, probability of occurrence in existing designs, potential for attracting public attention, size or proportion and other factors, the similarities have more significant impact on the overall visual effect as compared with the differences, while the differences lie mainly in partial detail designs and most distinguishing features are of existing designs or based on design techniques

covered by existing designs, therefore the differences have little impact on the overall visual effect. As there is no remarkable difference between the two designs in their overall visual effect, the design patent for Lufeng X7 does not conform to Article 23 of the Patent Law and is invalidated.

On February 16, 2015, Jiangling Holding Co., Ltd applied with the PRB for invalidation of the design patent No. 201130436459.3 named “motor vehicle” of Jaguar Land Rover Automotive PLC, holding that since Range Rover Evoque had been displayed at Guangzhou International Automobile Exhibition prior to the date of application for the design patent involved, and the design in the patent involved is or substantially the same as or not distinctively different from that of the exhibited vehicle, thus the patent does not conform to Article 23 of the Patent Law. Based on the evidence submitted by Jiangling Company, the PRB confirms the fact that Range Rover Evoque was publically exhibited at Guangzhou International Automobile Exhibition from December 21 to December 27, 2010. Therefore, Range Rover Evoque displayed at the exhibition became an existing design prior to the date of application for the patent involved in this case. Based on the principle of overall observation and comprehensive judgment, considering the prominence of the similar and different features of the two designs in overall visual effect, the patent concerned is not distinguishable from the prior design and therefore is not in conformity with Paragraph 2, Article 23 of the Patent Law. Thus, patent No. 201130436459.3 of Land Rover is invalidated.

Remarks:

According to Article 23 of the Patent Law, designs that are known to the public either in China or abroad before the filing date of application for design patent are prior designs, which include those published on domestic and foreign publications, used publically or otherwise known to the public before the date of application. The display at an exhibition constitutes public use. Thus, the public exhibition of a product before the filing date of a patent application would destroy the novelty and inventiveness of the patent application.

In this case, it is the exhibition before the filing date that results in the invalidation of the design patent of Range Rover Evoque. In practice, there is no lack of cases in which the novelty of patents was lost due to publication of research results in papers or the like before filing patent application. Thus, we hereby remind relevant firms to strengthen the awareness of intellectual property protection, apply for patent registration for the R&D results and product designs as soon as possible, and not to disclose them to the public before the patent application, so as to avoid possible loss of access to patent protection.

Author: Gavin Jia

Translator: Gavin Jia

Trademark

3M Company and 3M China Co., Ltd. v. Changzhou Huawei Advanced Material Co., Ltd. and Nie XX

- *Zhejiang Higher People's Court Civil Judgment (2015) Zheng Zhi Zhong Zi No.152*
- *Zhejiang Hangzhou Intermediate People's Court Civil Judgment (2013) Zhe Hang Zhi Chu Zi No.424*

Rules:

The basic criterion to judge whether two trademarks are similar shall be in following sequence: firstly whether the font, pronunciation and meaning of the characters or the composition and color of the graphics or the overall structure of the constituent elements of the trademarks under dispute are similar; secondly, whether customers in relevant industry would be confused about the trademarks under dispute when paying general attention thereto. Therefore, these criteria should still be complied with in tolerating trademark coexistence.

Facts:

3M Company and 3M China Co., Ltd. are the proprietors of the "3M" trademark with registration No. 884963 and No. 5966501. They held that Changzhou Huawei Advanced Material Co., Ltd. and Nie XX had infringed their rights to the trademark "3M" by manufacturing retro-reflective marking products for automobile bodies under the mark "3N" and selling the same respectively, therefore instituted a legal proceeding with the Court, requesting Huawei company and Nie XX to cease the infringement action, and Huawei to pay RMB13 million as a compensation for economic losses and RMB 200 thousand as that for reasonable expenses.

After examination, Hangzhou Intermediate People's Court held that the trademark "3M" is highly distinctive and well-known in products of retro-reflective markings for automobile bodies, that the trademarks "3M" and "3N" are similar in terms of composition and overall structure, and that retro-reflective markings for automobile bodies are generally identical in appearance, namely, all such products are red-and-white strips or straps that relevant consumers would pay little attention in the purchase, so that the consumers would be liable to confuse the retro-reflective markings for automobile bodies bearing Huawei company's "3N" mark with those bearing 3M Company and 3M

China Company's "3M" mark, or at least tend to think that there is a specific relationship between the two trademarks in terms of their origins. At the time of entering the market of retro-reflective markings for automobile bodies in 2007, Huawei Company should have avoided the prior registered and well-known trademark "3M", yet it chose "3N" that is similar to "3M" to use as its trademark. By so doing, Huawei Company could hardly be in good faith and therefore its actions have constituted infringement. In the judgment dated June 30, 2015, the Court ruled that Huawei Company and Nie XX should cease the infringement action, and Huawei company should pay 3M Company and 3M China company RMB 3.5 million in total as a compensation for economic losses and reasonable expenses.3M Company and 3M China Company as well as Huawei Company were all dissatisfied with the first instance judgment and instituted an appeal with Zhejiang Provincial Higher People's Court.

After examination, Zhejiang Provincial Higher People's Court held that being a competitor in the trade Huawei company's choosing of the trademark "3N" that is similar to "3M" on identical goods at the commencement of business with no goodwill accumulated is aimed at obtaining illegal profits by taking advantage of the popularity of the"3M" trademark. Although the trademark "3N" has gained some influence through long-term use, it is improper and illegal for Huawei Company to use the trademark at a later date without prior rights. Thus, in the judgment made on September 9, 2015, the Court ruled that: the appeal filed by 3M Company, 3M China Company as well as Huawei Company is rejected and the first instance judgment affirmed.

Remarks:

The key issue of this case is whether the trademarks "3M" and "3N" are similar. The Defendants' interpretation of "3N" (as "3NEWs") is far-fetched. The courts elaborated on the similarities between the two trademarks in terms of the alphabetical order of English letters, and explained the reasons for determining the likelihood of "causing confusion among consumers" in respect of the popularity the trademark "3M" enjoys in China. The highlight of this case, however, lies in the review on the defendant's claim that "the trademark 3N has been used for quite a period of time, and a parallel market has been created". The court holds that "(the Defendant's) use of the trademark at a later date in the absence of any prior rights is not justified. On the contrary, it turned out to prove its persistent encroachment of the market share of the proprietors' of trademark "3M" by taking price and other advantages. Should the judicial adjudication agree the "market share" and consumer group formed by persistent infringement acts of Huawei company, trademark infringers would definitely be encouraged to evade liabilities of infringement through expansion of infringement scales, which is obviously inconsistent with the legislative intent of the Trademark Law of China and would undermine the fundamental value of the Law." In other words, "use" of a trademark without sound reason or legal basis could never be justified under the "parallel market" theory. Instead, it should be taken as an important basis for determining the infringer's compensation for damages.

Author: Shaojie CHI
Translator: Nathan YANG

Copyright

Shenzhen Shengying Network Technology Co., Ltd. v. Wuxi Qiaosheng Entertainment Co., Ltd.

- *Jiangsu Higher People's Court Civil Judgment (2015) Su Zhi Min Zhong Zi No.00100*
- *Jiangsu Wuxi Intermediate People's Court Civil Judgment (2014) Xi Zhi Min Chu Zi No.90*

Rules:

Shengying Company is essentially exercising the functions and rights of a copyright collective management organization, which has violated the prohibitive provisions of the Regulations on the Collective Management of Copyright that no organization or individual may engage in activities of copyright collective management except copyright collective management organizations. Shengying has no legal ground to conduct collective management of the music televisions involved and initiate legal proceedings in its own name, since a non-collective management organization is not granted with the same legal status and rights as a collective management organization under the Copyright Law of the People's Republic of China and the Regulations on the Collective Management of Copyright.

Facts:

Shenzhen Shengying Network Technology Co., Ltd is granted by Seeder Company with the exclusive right to manage, issue usage license to, collect royalty from, and take legal actions against operators of such public amenities as karaoke stores in mainland China in its own name in respect of 239 musical works, including the 54 pieces of works involved in this case. Shengying company claims that Wuxi Qiaosheng Entertainment Co., Ltd. has infringed its copyrights by reproducing 54 musical works in an authorized album of Shengying company and storing the same in its server and provide services on demand to its customers in the form of karaoke at its place of business for lucrative purpose without any consent of Shengying company and any payment of royalty.

The first instance court held that since the

music televisions involved are works created in a way similar to the production of films, their copyright belongs to the producers, while songwriters alone may not claim the rights of reproduction and performance to the lyrics and music of their songs. The existing evidence of this case fails to prove that Qiaosheng Company has infringed upon the rights of reproduction and performance of the musical works concerned, and therefore the Plaintiff's claim is rejected.

Dissatisfied with the above judgment, the Plaintiff filed an appeal. The second instance court held that Shengying is not the copyright holder of the music televisions concerned, and it claims relevant litigation rights on the basis of an Audio-video Works Copyright Authorization Contract executed with the Seeder Company, which provides that the Seeder Company authorizes Shengying company the exclusive right to manage, issue usage license to, collect royalty from, and take legal actions against operators of such public amenities as karaoke stores in its own name. There is materially no difference between the activities set forth in such provision and the management activities of copyright collective management organizations under Article 2 of the Regulations on the Collective Management of Copyright in nature, contents and other aspects. Based on the above facts, Shengying company is essentially exercising the functions and rights of copyright collective management organizations by collecting royalty from karaoke operators and initiating legal proceedings based on an authorization contract executed with others, which has violated the prohibitive provisions of the Regulations on the Collective Management of Copyright that no organization or individual may engage in activities of copyright collective management except copyright collective management organizations. Thus, the appeal was rejected and the first instance judgment affirmed.

Remarks:

This case was listed as one of the Ten Major Intellectual Property Protection Cases in Jiangsu Province in 2015, and the judgment is considered to be a creative one made by the court based on the principle of balance of interests by comprehensively considering the interests relationship among such parties as karaoke operators, copyright holders of karaoke musical works, copyright collective management organizations and individual right holders. Yet, the ground on which the second instance judgment was made is controversial. With reference to the provisions of the Regulations on the Collective Management of Copyright, the second instance court considers the Plaintiff's rights defending actions as of the nature of the management activities of a collective management organization. However, on the one hand, collective management organizations are non-profit organizations incorporated as associations, which is different in subject from the licensee in this case who seeks to defend its rights and make profits after the payment of royalty. It is questionable to merely consider the similarities in behavioral pattern rather than that in such other aspects as subject. On the other hand, regulations on copyright collective management organizations are administrative regulations only, and shall not prejudice the determination on the validity of the copyright authorization contract and licensing. Besides, since the Regulations on the Collective Management of Copyright is a lower level law to the Copyright Law, it is

doubtful whether it is proper to rule out with the provisions of a lower lever law the right of action granted by a higher level law to the right holder, as the Copyright Law includes authorization provisions as to the copyright holder's rights defending actions, and defending rights via a copyright collective management organization is just one of the means of rights protection, and it does not exclude the right holder' authorization to a licensee to take rights defending actions in the licensee's name or even make profits.

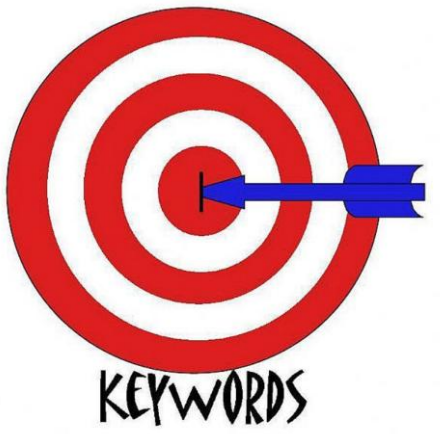
Since the second instance judgment is final, unless the Plaintiff successfully initiates a retrial process by the Supreme People's Court, the principle set up by the judgment in this case will be observed by local courts in Jiangsu Province at least, which will definitely impact the business operation mode in which the licensees have, after obtaining authorization from some copyright holders, defended their rights by managing, issuing usage license to and collecting royalty from third party users in its own name. Therefore, lawyers remind the public that there is legal risk in right protection for commercial authorization in modes similar to copyright collective management organization, and such mode should be taken with prudence.

Author: Richard Hu
Translator: Richard Hu

Unfair Competition

Ningbo Intersky Software Co., Ltd. v. Ningbo Zhongsheng Infotech Co., Ltd. and Ningbo Zhongyuan Infotech Co., Ltd.

- *Supreme People's Court Civil ruling (2015)Min ShenZi No.3340*
- *Zhejiang Higher People's Court Civil Judgment (2015)ZheZhiZhongZi No.71*
- *Zhejiang Ningbo Intermediate People's Court Civil Judgment (2015)Zhe Yong Zhi Chu Zi No.863*



Rules:

If any party sets the business name or trade name of a rival party that enjoys certain reputation and popularity as a search keyword on Baidu, so that the relevant products and services of its own rather than those of its rival party appear in the first place of the search results, such behavior has infringed upon the rival party's right of trade name and constitutes unfair competition.

Facts:

The Plaintiff, Ningbo Intersky Software Co., Ltd. (hereinafter referred to as "Intersky"), formerly known as Ningbo Intersky Software Development Co., Ltd., was founded in November 2001 and is the provider of "Intersky" series of foreign trade management software and the related services that have gained certain popularity and reputation in the industry. The Defendant Ningbo Zhongyuan Infotech Co., Ltd. (hereinafter referred to as "Zhongyuan") was established in March 2003, and the Defendant Ningbo Zhongsheng InfoTech Co., Ltd. (hereinafter referred to as "Zhongsheng") was set up in April 2011. The two Defendants are affiliated companies and both of them are engaged in the research, development and sales of "FutongTianxia" series of foreign trade management software and the related services.

The Notarial Certificate (2014) Zhe Yong Yong Zheng Ming Zi No. 1797 submitted by Intersky specifies that, by entering the keywords "Intersky Software" into the search bar of Baidu on July 2, 2014, the title of the first entry of the search results on the left side is "FutongTianxia Foreign Trade Management Software" with the label

beside that reads as “promotion link”, Beneath the title was the trademark “FutongTianxia” as well as the description that “the leader of foreign trade management software in China, proven by 12 years of history and chosen by millions of foreign trade professionals! Foreign trade software-foreign trade management software-foreign trade mail software-software products, www.joinf.com”. The third entry of the search results on the left side of the webpage (this is also the first entry in the organic search results) was “Ningbo Intersky Software Co., Ltd., foreign trade software, foreign trade management software, foreign trade ERP”.

The Notarial Certificate (2014) Zhe Yong Yong Zheng Min Zi No. 1997 submitted by Intersky specifies that, by entering the keywords “Ningbo Intersky Software Development Co., Ltd.” into the search bar of Baidu on July 22, 2014, the search results retrieved were the same as the above.

The Court has consulted with Baidu and found that Zhongyuan was a client of Baidu promotion search service and Zhongyuan’s website is www.joinf.com, but Zhongsheng is not such a client of Baidu. From January 1, 2013 to August 31, 2014, the click rate of the promotion link set by Zhongyuan by using the keywords “Intersky Software” and “Ningbo Intersky Software Development Co., Ltd.” is 452 times. The two Defendants confirm that the above two keywords were set by them.

Some other facts were also found in this case, but we omit them here since they are not the key points of this article.Intersky held that the two Defendants’ activities above constituted unfair competition, and instituted in August 2014 a legal proceeding with the court on the above grounds and other reasons, requesting the two Defendants to stop the aforesaid unfair competition, etc.

The Intermediate People's Court of Ningbo City ruled in the first instance judgment that: setting Intersky’s business name and trade name as keywords in Baidu promotion service by the two defendants is just the use of Intersky’s business name and trade name in the website background process, rather than for publicity and commercial activities. Besides, it is specified in the search results that the products and services they provide are “FutongTianxia” software, and Intersky’s business name and trade name are not mentioned. Thus, subjectively, the Defendants have no intention to mislead and confuse the public by taking advantage of Intersky’s reputation; and objectively, the title of the two Defendants’ entry in the search results is labeled with the words “promotion link”, which differentiates the search results generated by Baidu promotion service from the organic search results, and the relevant public are also able to distinguish the search results generated by Baidu’s paid listing promotion service from the organic search results, and would not be confused about the origins of the products and services as well as the providers. To sum up, the two Defendants’ activities do not constitute infringement upon Intersky’s right of trade name.

However, Higher People’s Court of Ningbo City in the second instance trial and the Supreme People’s Court in the retrial held the contrary opinion. Firstly, Intersky has gained certain reputation and popularity in the industry. The persons who conduct search on Baidu with the business name and

trade name of Intersky as key words are very likely the target clients or potential clients of Intersky, and also may be the target clients the two Defendants strive for. By using Intersky's business name and trade name as the keywords in Baidu search for creating the promotion links, the two Defendants obviously have the subjective intention to make improper use of Intersky's reputation to grab its customer resources and obtain illegal interests from unfair competition. Secondly, when a client searches "Intersky Software" or "Ningbo Intersky Software Development Co., Ltd.", the click rate of the two Defendants' websites would be increased objectively, and this would bring the two Defendants potential business opportunities but damage Intersky's interests. In conclusion, the two Defendants have apparently used others' business name or trade name improperly, violated the principle of good faith and recognized business ethics, and their activities should be explicitly negated. Finally, the Higher People's Court of Ningbo City ruled that the first instance judgment made by the Intermediate People's Court of Ningbo City, Zhejiang Province should be revoked, and that the two Defendants shall immediately stop using "Intersky Software" and "Ningbo Intersky Software Development Co., Ltd." as keywords in Baidu promotion service. The application filed by the two Defendants for retrial was also rejected by the Supreme People's Court.

Remarks:

It is a very common commercial promotion means for an enterprise in practical operation to use a rival party's business name or trade name as its own search keywords. In this case, the Court determined such act as unfair competition with consideration to the following factors:

1. Confusion and misunderstanding caused among the public

Although Intersky's business name and trade name were not showed in the information and webpage of the two Defendants to which the search results link, it is unknown to the public that the two defendants' use of Intersky's business name and trade name as their own search keywords is not authorized or permitted by Intersky, and they may be misled to believe that there is certain authorization, investment, cooperation, sponsorship or other association relationship between Intersky and the two Defendants.

2. Damage to the rival party's legal rights and interests

When searching for Intersky online, the users are shown webpages of the two Defendants. Unintentionally or out of curiosity, the users would click on and open such webpages and find that the two Defendants provide similar products or services. Some of them may, simply to save efforts or give it a try, change their mind and buy the two Defendants' products, which essentially forms a substitution effect, namely, the business trading opportunities of the two Defendants are increased while that of Intersky decreased.

3. Subjective fault of free riding

In this case, Intersky has accumulated certain reputation and popularity through years of operation among relevant public,

and meets the requirements for becoming the keyword for similar products or services on the internet. Obviously, by setting Intersky's business name or trade name as their own search keyword, the two Defendants have the subjective intention to ride on Intersky's reputation and popularity, so as to grab unearned trading opportunities.

Authors: Lily Fu;
Zhang Cuifang
Translator: Lily Fu

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.

Picture Source I Baidu Pictures

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

Please send email to law@chinantd.com.

NTD PATENT & TRADEMARK AGENCY LIMITED
NTD LAW OFFICE

10thFloor, Block A, Investment Plaza
27 Jinrongdajie Beijing 100033
P.R. China

Tel: 86-10-63611666
Fax: 86-10-66211845
E-mail: mailbox@chinantd.com
Website: www.chinantd.com