



IP CASE EXPRESS



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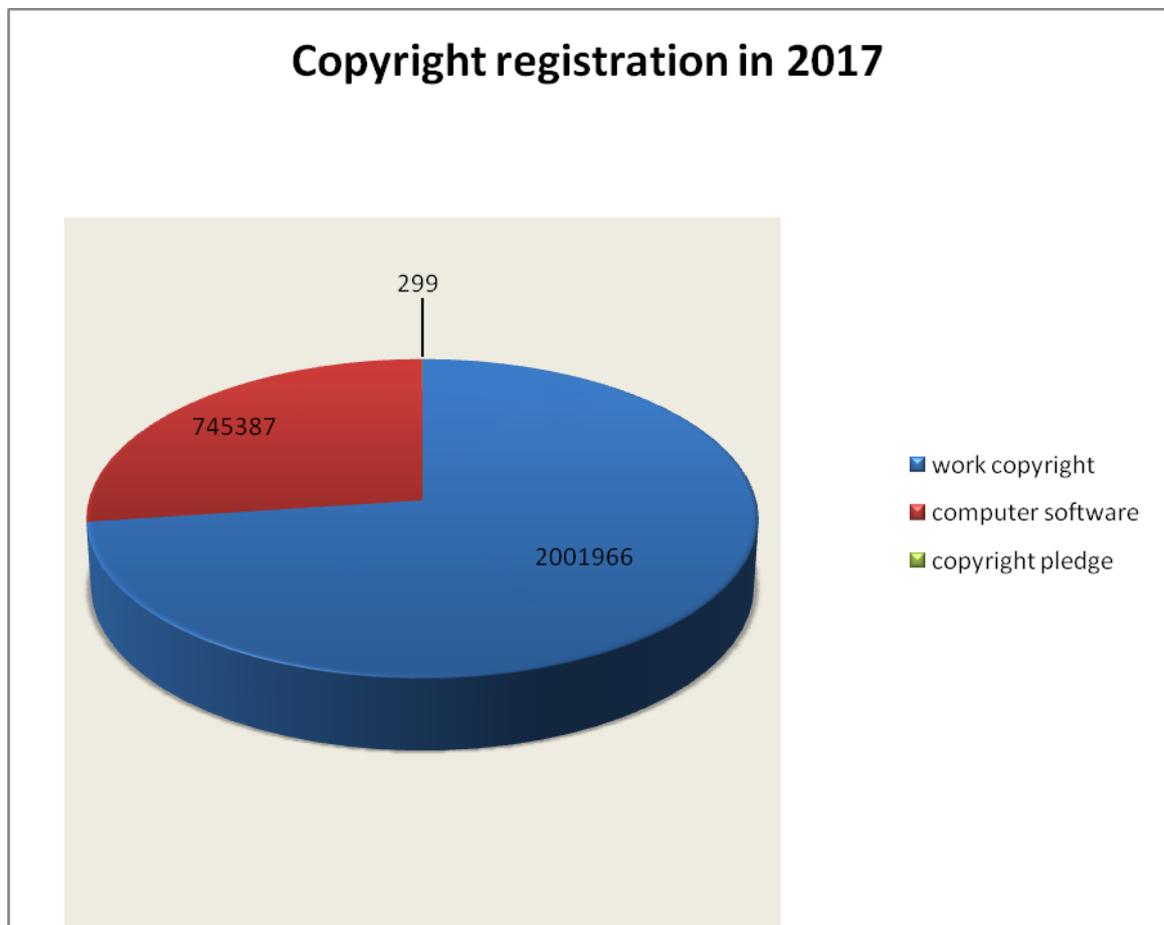
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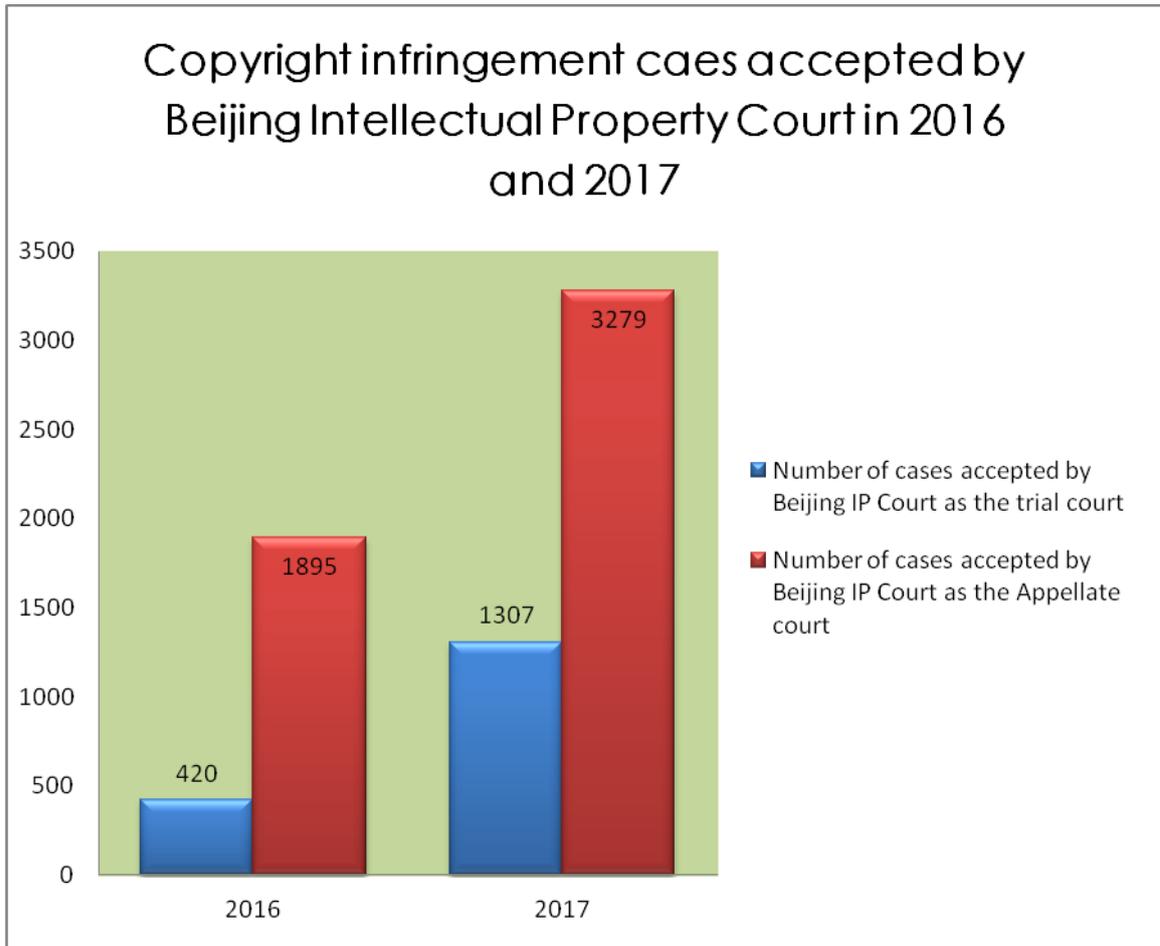
In this edition, we browsed and analyzed IP-related court judgments and adjudications together with the key statistics recently, and we would like to share with you noteworthy statistics and our comments on some significant cases.

I. Statistics

Copyright Related Statistics in 2016 and 2017



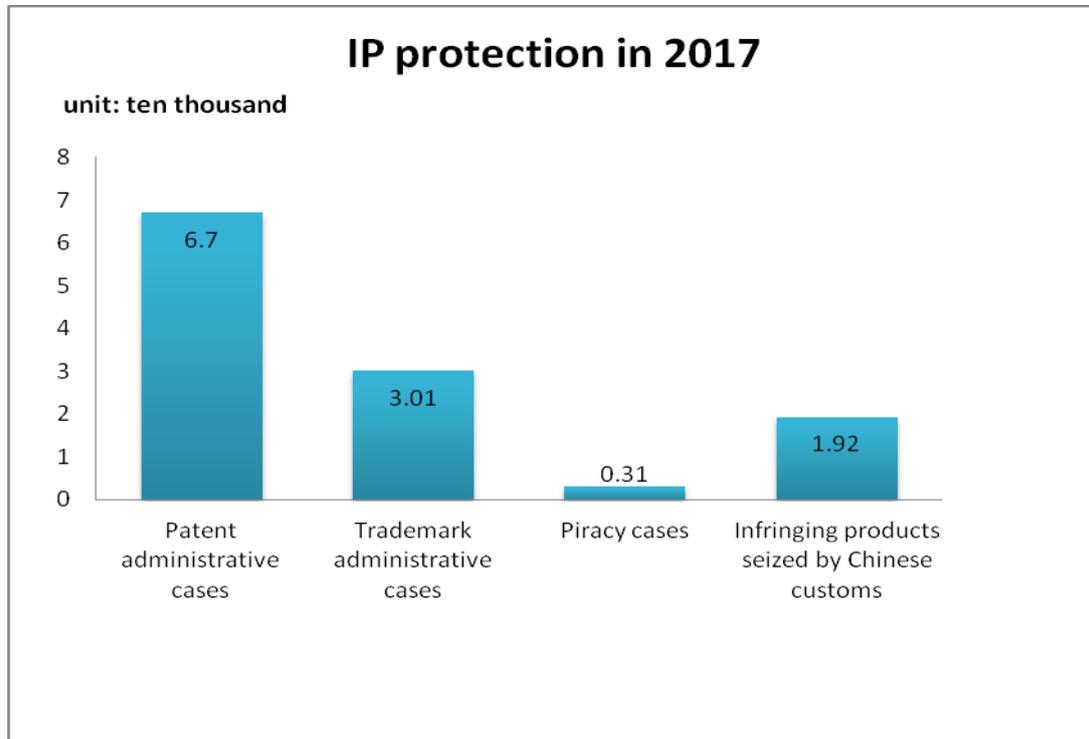
Source: National Copyright Administration

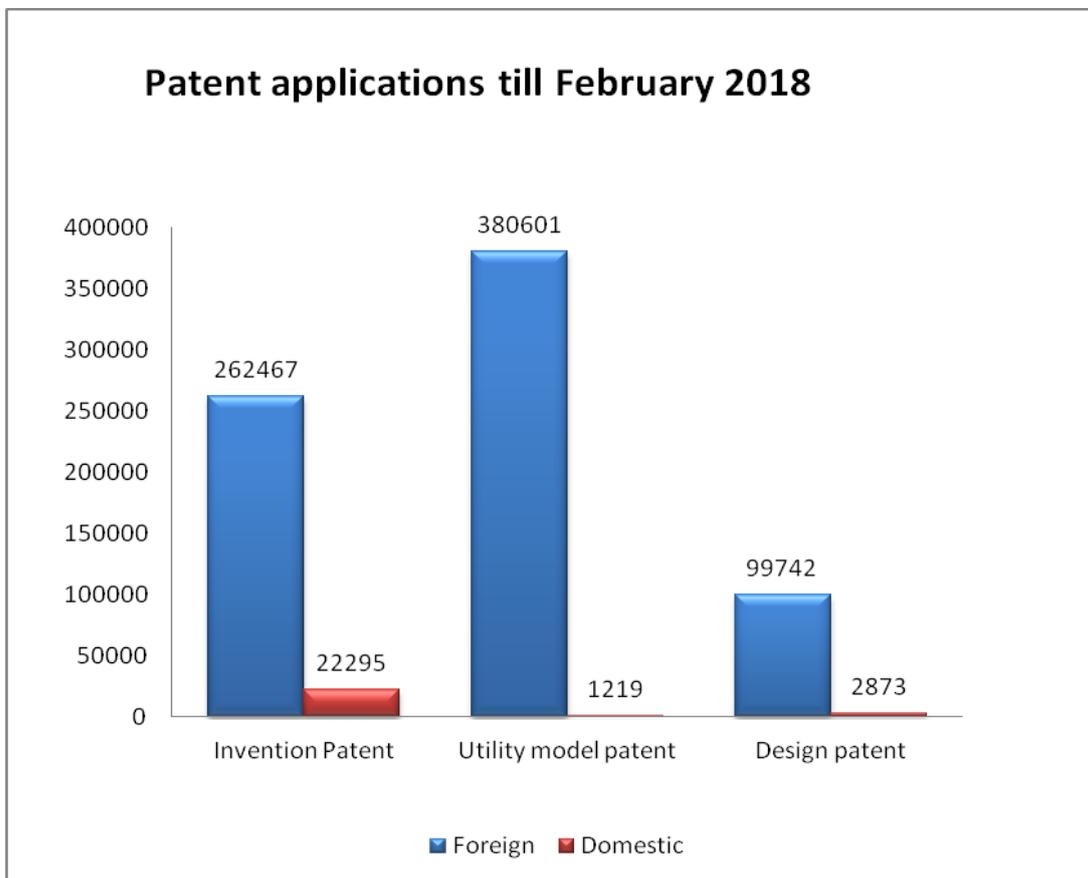
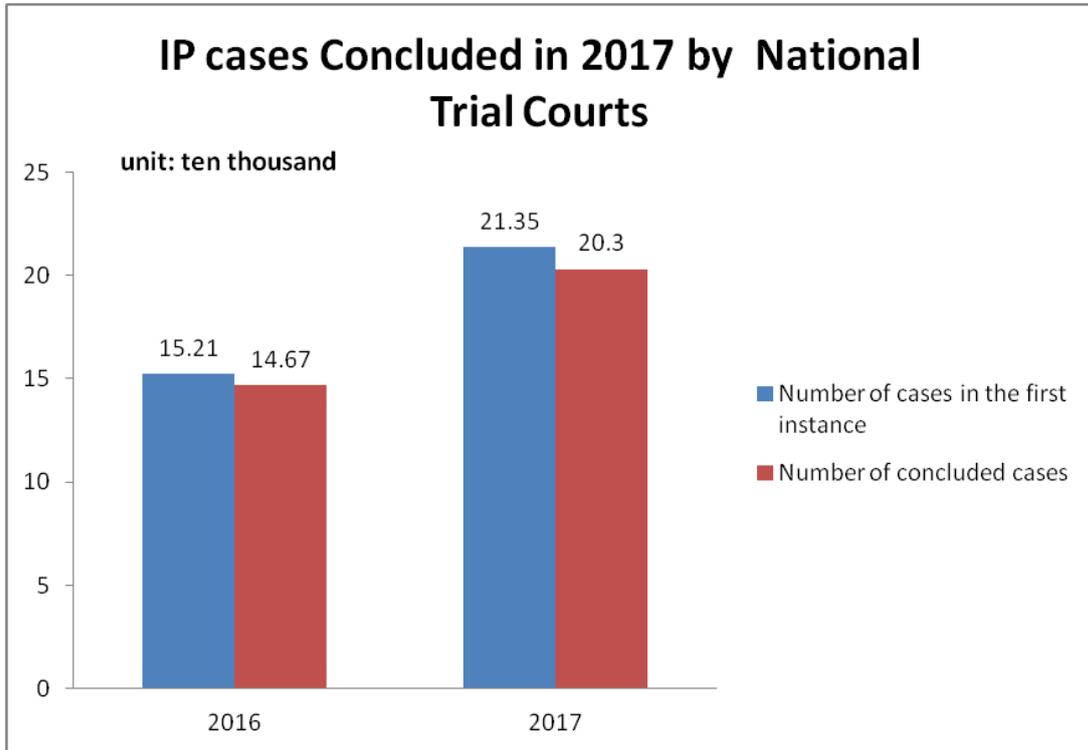


Source: Beijing Intellectual Property Court



China's Intellectual Property Related Statistics





Source: State Intellectual Property Office

II. Comments on Typical Cases

Patent

Beijing Qihu Technology Co., Ltd. and Qizhi Software (Beijing) Co., Ltd. v. Beijing Jiangmin New Science & Technology Co., Ltd.

- *First instance: Beijing Intellectual Property Court Civil Judgment (2016) Jing 73 Min Chu No. 276*



Rules:

1. The determination of infringement upon design patent of graphical user interface involves determining whether the products using the design is the same or similar, and whether the design is the same or similar. There will be not infringement upon the design patent if neither the product nor the design is the same or similar.
2. A precondition for contributory infringement is the existence of direct patent infringement.

Facts:

Beijing Qihu Technology Co., Ltd. and Qizhi Software (Beijing) Co., Ltd. (the plaintiffs) jointly submitted a patent application for design entitled “Computer with graphical user interface”. The filing number is 201430329167.3, and the application was later granted (hereinafter referred to as “the patent in dispute”).

Later, the plaintiff found out that the interface image of a software product developed and provided freely to users through the internet by Beijing Jiangmin New Science & Technology Co., Ltd. (the defendant) is similar to the patent in dispute, and thus brought a lawsuit for patent infringement to the court.

The plaintiff claimed the defendant’s act of providing the accused software through the internet is to make, offer for sale or sell the patented product for production or business purposes. Though the patent in dispute is entitled “Computer with graphical interface for users”, the computer for displaying the interface is only a carrier of the graphic

interface and is not related to the scope of protection. Even if the computer is considered as a part of the patent in dispute, the defendant's act of releasing and allowing others to download relevant software product has constituted contributory infringement by helping or abetting others to commit infringement.

The defendant argued the patent in dispute had been disclosed by others before the filing date.

After hearings, the court held that under the circumstance that for "products containing graphical user interface", there are no special rules which are independent of the current legal provisions, the rules for infringement judgment upon such products shall be identical to those for other products. This means the product elements and the design elements shall be considered at the same time when deciding the protection scope of the design patent. As for the accusation on abetting or helping others to commit infringement, the court held that one of the preconditions for the constitution of contributory infringement is the act of directly exploiting the patent in dispute by users. In this case, the users' act is only to download the accused software to their computers, but not to make, offer for sale or sell computers, thus did not constitute contributory infringement either.

Remarks:

This case is the first case concerning infringement dispute upon design of graphical user interface.

Unlike copyright, the current rules on granting design patents require that the relevant designs must be product

designs with industrial products as their carriers. Graph can be a part of the protected design, but must be attached to a product. The previous patent examination rules stipulate that the graph displayed after a product is electrified does not belong to the protected subject matter of design. However, with the development of technologies, more and more products can bring better experiences to users through good human-computer interaction interfaces. The new Guidelines for Patent Examination of the State Intellectual Property Office, which became effective as of May 1, 2014, include graphical user interface in the protection of design patent, and stipulate that "for the product design including graphical user interface, the design of the total product shall be submitted". The design in dispute conforms to such examination rules and was granted patent right.

However, as there is no rules for determining the infringement upon the design of graphical user interface, the court adopted the general rules on design infringement judgment, and held that the judgment on whether the product accused of infringement and the patented product are identical or similar, and the judgment on whether the designs of the graphical user interface of both products are identical or similar shall be made at the same time. As the court held the software accused of infringement and the computer are different products, there is no need to decide whether the designs are identical or similar.

The plaintiff probably had foreseen the legal risk, so it claimed that even if the

difference between computer and software is considered, the defendant's act of releasing and allowing others to download relevant software product has constituted contributory infringement by helping or abetting others to commit infringement upon the plaintiff's patent. Such a claim involves another debatable issue related to patent infringement: whether the patentee may hold persons helping or abetting others to commit patent infringement liable for indirect infringement if there is no direct infringer or it is impossible to hold the direct infringer liable. It is a pity that the answer is also negative according to the current rules.

It needs to be noted that the judgment on this case is only the first instance judgment, and the plaintiff may choose to appeal so as to pursue the application of new rules for infringement judgment. This case deserves our continuous

attention.

The author suggests as for an application concerning design of graphical user interface, the applicant should take the following measures:

- (1) Submitting several applications to make the graphical user interface to be protected cover all relevant products, such as computers, mobile terminals including cell phones and other potential human-computer interaction products;
- (2) Applying the copyright registration for the design of graphical user interface and the software product involving such interface at the same time, so as to preserve preliminary evidence for potential enforcement actions.

Author: Frank MU

SID Machinery (Beijing) Co., Ltd. v. Tianjin Suiyide Environmental Protection Engineering Technology Co., Ltd.

- *Second instance: Tianjin Higher People's Court (2017) Jin Min Zhong No. 91*
- *First instance: Tianjin First Intermediate People's Court (2016) Jin 01 Min Chu No. 302*



Rules:

An invention-creation made by a person related to the tasks of the entity for which he previously worked within one year after leaving the entity is a service invention-creation of that entity, and the right to apply for a patent belongs to the entity to which he previously worked for.

Facts:

The Plaintiff SID Machinery (Beijing) Co., Ltd. (hereinafter referred to as "SID") is a company that provides crushing system design, equipment manufacturing and on-site commissioning for waste disposal industries. Jia Yunpeng, Yang Hailong and Wang Hucheng are former

employees of SID.

In September 2015, Jia Yunpeng, Yang Hailong, Wang Hucheng, etc. resigned successively from SID, and established Tianjin Suiyide Environmental Protection Engineering Technology Co., Ltd. (i.e., the defendant in this case, hereinafter referred to as "Tianjin Suiyide Company").

On October 29, 2015, Tianjin Suiyide Company filed an application for patent for an invention named "a crusher sealing system" (hereinafter referred as "the invention in dispute") before the State Intellectual Property Office. The inventors were Jia Yunpeng, Yang Hailong and Wang Hucheng (hereinafter referred as the "inventors").

SID believed that the invention in dispute was made by the inventors in execution of their tasks at the time of working in SID. And the invention in dispute was completed mainly by using the materials and technical means of SID. Therefore, the invention in dispute was a service invention, and the patent application right should belong to SID.

Tianjin Suiyide Company argued that the invention in dispute was studied and completed by the inventors on the basis of existing technology through innovation of design concepts. It had nothing to do with the tasks of the inventors at the time of working at SID. It

was not a service invention of SID. Accordingly, the right to apply for patent should be owned by Tianjin Suiyide.

Tianjin First Intermediate People's Court held that the invention in dispute belonged to the invention-creation made by the inventors at the time of working in SID and the patent application right was owned by SID. Tianjin Suiyide Company was unsatisfied with the first-instance judgment and appealed to Tianjin Higher People's Court. Tianjin Higher People's Court held that the invention in dispute was made within one year after the termination of the employment relationship between the inventors and SID, and was related to the work undertaken by the inventors in SID. Therefore, the right to apply for patent for the invention in dispute should be owned by SID. The first-instance judgment was upheld.

Remarks:

According to Article 6 of the Patent Law, an invention-creation, made by a person in execution of the tasks of the entity for which he worked, or made mainly by using the material and technical means of the entity is a service invention-creation. The right to apply for patent for a service invention-creation belongs to the entity. According to Article 12 of the Implementing Rules of the Patent Law, any invention-creation made by a person within one year from his retirement, resignation or from termination of his employment or personal relationship with the entity for which he previously works is a service invention-creation, provided that the invention-creation relates to his own duty or any other tasks entrusted to him by

the entity for which he previously worked.

In practice, disputes over ownership of service invention-creations due to job-hopping are common. The above-mentioned legal provisions provide the legal basis for resolving such disputes, but these provisions are more general. In this case, the court comprehensively sorted out the major issues involved in the determination of service inventions, and proposed that the following five aspects should be considered when judging whether a invention-creation is a service invention-creation and whether the right to apply for patent or the patent right belongs to the entity:

Firstly, it is necessary to examine whether there exists an employment relationship or temporary working relationship between the inventor and the entity. This is a prerequisite for judging a service invention-creation.

Secondly, the scope of examination should be determined on the basis the type of a particular service invention-creation claimed by the entity. The relevance between the invention-creation and the tasks of the inventor, or whether the inventor made the invention by using materials and technical conditions of the entity should be investigated.

Thirdly, while examining whether a invention-creation was made "in execution of the tasks of the entity to which the inventor belongs", we must focus on the relevance of the tasks of the inventor entrusted by the entity and the invention-creation; as for any service invention-creation made within 1 year

after leaving the entity, “relevance” is established as long as the contents of the invention-creation are proved to be a continuation of the tasks of the inventor in the entity to which the inventor previously belonged.

Fourthly, while examining whether an invention-creation is made “by mainly using materials and technical means of the entity”, we need to examine the inventor’s use of funds, equipment, parts and components, raw materials and confidential technical materials during the time period when the invention-creation was made. The use of “technical materials” is not limited by time and space. After the inventor leaves the entity for which he or she previously worked, the inventor may also use the

confidential materials of the entity to make or involve in any invention-creation, this criteria shall not be limited to the time period when there is an employment relationship between the inventor and the entity.

Fifthly, given an invention-creation made “mainly by using materials and technical means of the entity to which the inventor belongs”, we need to examine whether there exists an agreement between the entity and the inventor on the ownership of rights. Where there is an agreement, the agreement shall prevail in determining the ownership of the rights. Otherwise, the right to apply for a patent shall be owned by the entity.

Author: Gavin Jia

Trademark

Tianjin Dawei Group Co., Ltd. v. HLA (Tianjin) Garment & Accessory Sales Co., Ltd.

- *Second instance: Tianjin No. 1 Intermediate People's Court civil judgment (2016) Jin 01 Min Zhong No. 5791*
- *First instance: Tianjin Heping District People's Court civil judgment (2015) He Zhi Min Chu Zi No. 0544*



Rules:

If the plaintiff's trademark is identical with or similar to the licensed trademark of the accused infringer, general attention of the relevant public shall be the criterion for deciding whether the accused infringer's use of its trademark falls within the approved scope of use for the plaintiff's trademark.

A trademark for any service in Class 35 shall highlight a certain service or the special value of such service, any business assistance such as "business management assistance" and "sales promotion for others" is to provide advice, planning, publicity and consultation for the sales of commodities (services) by others but not to directly sell

commodities (services). Such service targets at dealers (including suppliers) of commodities (services), and excludes obtaining commercial profit from price difference by directly selling commodities (services) to consumers through retail or wholesale.

Facts:

Tianjin Dawei Group Co., Ltd. ("Dawei Group", plaintiff of the first instance, appellant of the second instance) is the registrant of trademark "百衣百顺" for commodities in Class 25 including garment, and permits its associates to use the trademark on garment and other relevant products.

HLA (Tianjin) Garment & Accessory Sales Co., Ltd. ("HLA", defendant of the first instance, appellant of the second instance) obtained the right to use a series of trademarks related to "百衣百顺" (in classes 35, 18 and 16), and mainly uses two trademarks for Class 35 in its business operation, i.e. "百衣百顺 BETTSALE" (designated on services including "sales promotion for others, market, advertisement, etc.") was used on shop signs, cashiers, QR code floor decals, LED light boxes on the wall beside entrances, packaging bags and product publicity pamphlets, and "百衣百顺" (designated on services including "advertisement, business management

assistance, sales promotion for others, etc.”) was used for shop decoration. In addition, the trademark on garment sold by HLA is “IDOOMME”.

Dawei Group sued HLA for infringing upon its exclusive right to use the trademark in dispute, requesting the court to order HLA to immediately stop the infringement act of using the registered trademark “百衣百顺” of Dawei Group, to compensate the loss of Dawei Group, and to publish a statement on newspapers to eliminate ill effects.

HLA argued it hold a lawfully registered trademark and the trademark was used within the approved scope in accordance with the law, it did not infringe upon the trademark right of Dawei Group and should not bear compensation liability.

The key of this case is to decide whether HLA uses “百衣百顺” as a commodity trademark or a service trademark.

The court of the first instance held a trademark for any service in Class 35 shall highlight a certain service or the special value of such service. In this case, HLA claimed the trademark it used is a service trademark but failed to clarify specific service contents corresponding to the trademark, and there is no description on advertisement or the relevant management service in its registered business scope. Therefore, the court held that HLA’s use of the trademark “百衣百顺” is beyond the approved scope of use and is not the lawful use of its service trademark. In addition, though the trademark “IDOOMME” appears on garments sold by HLA, HLA failed to provide evidences on its right to use the said trademark or on its publicity of the said trademark.

HLA uses the trademark “百衣百顺” at obvious places such as shop signs and publicity pamphlets, with apparent intention for publicity; especially, according to general attention of the relevant public, the use of such trademark on packaging bags implies its relation with the garments inside them, so the trademark is used as a commodity trademark.

The court of the second instance held that, as there are no specific provisions on deciding the class of trademark use in laws and judicial interpretations, Article 10 of the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of Laws in the Trial of Civil Disputes over Trademarks may be used as the reference for decision “with general attention of the relevant public as the criterion” by considering the trademark’s distinctiveness and fame as well as the circumstances of trademark use. With general attention of the public as the criterion, the court held that HLA’s use of the trademark “百衣百顺” on shop signs, cashiers, shop decorations, packaging bags and publicity pamphlets is easy to make consumers connect the trademark with the garments and accessories sold by HLA but not with such services as business management assistance and advertisement that are provided by or related to HLA. In addition, the trademark “IDOOMME” actually used by HLA lacks the fame and distinctiveness to correct the above misunderstanding of consumers. Therefore, the court held that HLA used the trademark “百衣百顺” as a commodity trademark but not as a service trademark.

Remarks:

As the court of the first instance pointed out, a trademark for any service in Class 35 shall highlight a certain service or the special value of such service, any business assistance such as “business management assistance” and “sales promotion for others” is to provide advice, planning, publicity and consultation for the sales of commodities (services) by others but not to directly sell commodities (services). Such service targets at dealers (including suppliers) of commodities (services), and excludes obtaining commercial profit from price difference by directly selling commodities (services) to consumers through retail or wholesale.

In this case, HLA used the trademark accused for infringement in its sales of garments with its own brand, such use is apparently not in the service of “sales promotion for others”, and HLA has never provided business assistance or similar services in its business operation. Therefore, according to general attention of the consumers, the trademark is used in relation to the garments and accessories sold by HLA as a commodity trademark. HLA’s failure in properly using the trademark “百衣百顺” as a service trademark has infringed upon Dawei Group’s exclusive right to use the trademark “百衣百顺”, and constituted trademark infringement.

Authors: Fairy Li, Nancy Xu

Dongguan Houjie Chuwei Food Processing Plant v. Trademark Review & Adjudication Board and Chongqing Chuwei Food Co., Ltd.

- *Retrial: Supreme People's Court (2017) Zui Gao Fa Xing Zai No. 47*
- *Second instance: Beijing Higher People's Court (2016) Jing Xing Zhong No. 5047*
- *First instance: Beijing Intellectual Property Court (2015) Jing Zhi Xing Chu Zi No. 5334*



Rules:

1. Trademark use by the owner, or the use under the owner's authorization, or the use that does not violate the will of the trademark owner can be deemed as the actual use of the trademark.
2. Where the trademark in actual use is slightly different from the trademark approved for registration but does not change the distinctive features of the latter, it may be regarded as the use of the registered trademark.

Facts:

The retrial applicant Dongguan Houjie Chuwei Food Processing Plant (hereinafter referred to as "Dongguan Chuwei Processing Plant") is the owner of the trademark "厨味" under Reg. No. 1423623 (hereinafter referred to as the "disputed trademark"), designating such goods as *starch, chestnut powder, sago, curry powder (spice), vanillin (vanilla substitute), chicken extract (seasoning), chili powder, sauce, monosodium glutamate, and mustard* in Class 30.

The Trademark Office (hereinafter referred to as TMO) received the application lodged by Chongqing Chuwei Company for cancelling the disputed trademark on the above-mentioned goods on the basis of non-use for three consecutive years, and made a trademark cancellation decision on October 30, 2014. The TMO held in the decision that the use evidence of the disputed trademark provided by Dongguan Chuwei Processing Plant was invalid and Chongqing Chuwei Company's application for non-use cancellation was justified.

On December 4, 2014, Dongguan Chuwei Processing Plant filed an application for a review on the TMO Decision No. Y000548 with the

Trademark Review and Adjudication Board (hereinafter referred to as TRAB). On August 19, 2015, the TRAB made the sued decision that the disputed trademark should be cancelled on the designated goods because the evidence submitted by Dongguan Chuwei Processing Plant was not generated in the review period from January 22, 2011 to January 21, 2014 (hereinafter referred to as the review period), or was self-made, or failed to reveal the disputed mark. Thus, the evidence could not prove the actual and effective use in commerce of the disputed trademark during the review period.

Dongguan Chuwei Processing Plant was not satisfied with the sued decision, and filed an administrative litigation with Beijing Intellectual Property Court. The first instance court held that the trademarks “厨味 chuwei and device” and “厨味 and device” actually used by Dongguan Chuwei Processing Plant were quite different from the disputed trademark, so that Dongguan Chuwei Processing Plant had changed the disputed trademark in actual use, resulting in a significant change in the disputed trademark. The act could not be regarded as the use of the disputed trademark on chicken extract. Therefore, the first instance court rejected the claims of Dongguan Chuwei Processing Plant.

Dongguan Chuwei Processing Plant was unsatisfied with the first instance judgment and appealed to Beijing Higher People’s Court. The second instance court held that the facts were clearly found and the law was correctly applied in the first instance judgment, thereby upholding the first-instance judgment in

accordance with the law.

Dongguan Chuwei Processing Plant appealed to the Supreme Court for retrial. The Supreme Court held that trademark use by the owner, or the use under the owner’s authorization, or the use that does not violate the will of the trademark owner can be deemed as the actual use of the trademark. Where the trademark in actual use is slightly different from the trademark approved for registration but does not change the distinctive features of the latter, it may be regarded as the use of the registered trademark. In this case, although the evidence on record showed that the trademarks used by Dongguan Chuwei Processing Plant on chicken extract were different from the disputed trademark, the distinguishing part in the trademarks “厨味 chuwei and device” and “厨味 and device” used thereby was the characters “厨味”, which was the same as the disputed trademark. It did not change the distinctive features of the disputed trademark, so it could be regarded as the use of the disputed trademark. The Supreme Court finally decided that the first-instance and second-instance judgments, as well as the cancellation decision made by the TRAB should be revoked, and the TRAB should make a new decision on the review of cancellation.

Remarks:

In administrative disputes over review of trademark cancellation, the dispute focuses on whether the disputed trademark was commercially used in an open and true manner on the approved goods during the review period.

With regard to the use of trademarks, according to Article 48 of the Trademark Law, it refers to using trademarks on commodities, commodity packaging or containers, trade documents, or for advertisements, exhibitions, and other commercial activities, for the purpose of identifying the source of goods.

According to Article 49, where a trademark registrant alters a registered trademark, the name or address of the registrant, or any other registered matter without approval, the local administrative authorities for industry and commerce shall order it to make corrections by a specified time; if the registrant fails to do so within the time limit, the Trademark Office shall cancel the registered trademark.

In this case, although the evidence on record showed that the trademarks used by Dongguan Chuwei Processing Plant on chicken extract were different from the disputed trademark, the distinguishing part used by the retrial applicant was the same as the disputed trademark, i.e. “厨味”. The distinctive features of the disputed trademark were not changed and it could be considered as the use thereof. It can be seen that, according to the judgment of the Supreme Court, if the actually used

trademark is slightly different from the registered one of the right holder, but the distinguishing part is not changed, the actually used trademark can still identify the source of the goods and can be regarded as the use of the registered trademark of the right holder.

In short, based on current judicial practice, if a trademark registrant has evidence to prove that he has actually used the trademark, even if the trademark is not exactly the same as the registered trademark at the time of use, as long as the level of substantive change has not been reached, Chinese courts will consider more about the actual conditions and trading practices of the relevant markets in general, tend to accept evidence of the use of relevant trademarks, and maintain existing trademark registrations, so as to safeguard a fair and stable market order, and protect goodwill and relevant commercial values accumulated by trademark owners in trademarks through honest business operations.

Authors: Fairy Li
Liu Fangyuan

Copyright

Jiang Shengnan v. Hua'er TV and Film

- *Second instance: Zhejiang Wenzhou Intermediate People's Court civil judgment (2017) Zhe 03 Min Zhong No. 351*
- *First instance: Zhejiang Wenzhou Lucheng District People's Court civil judgment (2015) Wen Lu Zhi Chu Zi No. 74*



Rules:

1. As the first draft of script was written by the author of original novel, the final script was finished with the participation of another scriptwriter and there is no huge difference between their contributions to the script, the producer's decision on the order of names of the author and the scriptwriter based on the rights agreed in the contract between it and the author does not constitute the infringement upon the author's right of authorship.
2. Posters and clips are not the same as a TV play, and their purposes or functions are not to identify the author.

Facts:

Jiang Shengnan is the author of a novel named *Queen Xuan of Qin Dynasty*, and adapted the novel into the script of a TV play named *Legend of Miyue* in 2012 with the entrustment of Dongyang Hua'er TV and Film Culture Co., Ltd. ("Hua'er TV and Film"). It is agreed in the *Contract on Script Creation* between Jiang Shengnan and Hua'er TV and Film: "If the work delivered by Jiang Shengnan cannot satisfy the requirements of Hua'er TV and Film, Hua'er TV and Film shall be entitled to employ other scriptwriters to modify the script written by Jiang Shengnan, Jiang Shengnan shall still be entitled to be listed as a scriptwriter at the beginning of the TV play *Legend of Miyue*, and the order of scriptwriters' names shall be decided by Party A."

After reading the script delivered by Jiang Shengnan, Hua'er TV and Film thought its requirements was not satisfied, so it employed another scriptwriter Wang Xiaoping to modify the script. The words "Original scriptwriter: Jiang Shengnan. General scriptwriter: Wang Xiaoping" or "First scriptwriter: Wang Xiaoping" were included at the beginning of distributed TV play *Legend of Miyue* and printed at the back side of packing boxes for DVDs of the TV play; and the status of Jiang Shengnan as a scriptwriter was not specified in some

posters of the TV play *Legend of Miyue*. Therefore, Jiang Shengnan sued Hua'er TV and Film, complaining that the latter's behavior of naming Wang Xiaoping as the first scriptwriter and general scriptwriter of the TV play *Legend of Miyue* and failing to specify "this TV play is adapted from a novel with the same name written by Jiang Shengnan" in posters of the TV play had infringed upon her right of authorship.

The courts of the first and second instances both held:

1. Where two or more scriptwriters participated in a joint creation, each scriptwriter plays different roles. The specific titles of them (for example "general scriptwriter" and "original scriptwriter" in this case) used by the producer in the TV play reveal their different functions and roles, such a practice is not prohibited by the Copyright Law or other laws and does not infringe upon Jiang Shengnan's right of authorship.

3. Article 10.2 of the Copyright Law stipulates: "the right of authorship, that is, the right to claim authorship and to have the author's name mentioned in connection with the work." Therefore, the right of authorship shall be executed with the work as its carrier. Posters are not the same as a TV play, and their purpose or function is not to identify the author. Considering a poster as the cover page of a film or TV play, Jiang Shengnan claimed that the failure of Hua'er TV and Film in specifying "this TV play is adapted from a novel with the same name written by Jiang Shengnan" in all posters has infringed upon her right of authorship, such a claim has no legal

basis and should not be supported.

Remarks:

The scriptwriter's right of authorship, i.e. the script author's right of authorship, is based on the provisions in Article 10 of the Copyright Law: "the right of authorship, that is, the right to claim authorship and to have the author's name mentioned in connection with the work". The execution of such right is generally manifested by directly mentioning "author" or "scriptwriter" in the script of a film or TV play, which is the same as common written works and usually not easy to cause disputes.

In addition, the scriptwriter's right of authorship also includes being mentioned in the caption of a film or TV play as "scriptwriter" in parallel with other titles such as "director", "actor/actress" and "photographer". The scriptwriter's right of authorship is generally originated from the agreement in the contract on entrusted creation between the scriptwriter and the producer. As the adaption often involves the modifications to the original work, the dispute on copyright infringement can hardly be avoided if there is no specific agreement on the right of authorship, the right of alteration and the right of integrity in the contract on entrusted creation even if the producer has obtained the right of adaptation. As there are no very detailed provisions on the scriptwriter's right of authorship in the Chinese laws, the scriptwriter and the producer shall draft detailed clauses on various rights when entering into the contract on entrusted creation and cooperate within the framework of such contract, so as to avoid the occurrence of disputes.



Author: Richard Hu

Shanghai Animation Film Studio v. Wuhan Xinjin Jewelry Co., Ltd.

- *Second instance: Hubei Higher People's Court (2017) E Min Zhong No. 71 Civil Judgment*
- *First instance: Wuhan Intermediate People's Court (2016) E 01 Min Chu No. 2010 Civil Judgment*



Rules:

Works of fine arts, music, scripts, etc. in films can be protected by law as works that are used independently. When considering whether the copyrights of these works are infringed, it is necessary to not only consider the elements of infringement of different types of works, but also pay attention to the time on which the works were firstly published. The term of protection of property rights in copyright stipulated in the Copyright Law of China is fifty years. After the expiry of the term, property rights will enter the public domain. This provision protects the authors' rights on the one hand and encourages the dissemination of works on the other hand, which reflects the principle of harmonization between interests of the authors and the public.

Facts:

The plaintiff Shanghai Film Studio (formerly Shanghai Animation Film Studio) created Part I and II of the cartoon *The Monkey King* in 1961 and 1964 respectively. The authors of the artistic design are Zhang Guangyu and Zhang Zhengyu, while the author of the animation design are Yan Dingxian, etc. The cartoon won the honors of "Best Art Direction", "Outstanding Movie of the Year", etc. at major domestic and foreign film festivals in 1962, 1963 and 1978 respectively. There are a large number of art images of "Sun Wukong" –the Monkey King in this cartoon. In February 2016, the plaintiff found that the Xinjin flagship store on Tmall operated and managed by the defendant Wuhan Xinjin Jewelry Co., Ltd. sold gold bills with the art image of "the Monkey King" on them. The plaintiff believed that the defendant used the art image without the approval of the plaintiff and without paying any remuneration for commercial propaganda and seeking improper interests, and filed a lawsuit on the basis of copyright infringement and unfair competition.

The court of first instance held that the act of the defendant did not constitute infringement on the reproduction right, publishing right, right of communication through information network of the art of the image "Sun Wukong" in the cartoon *The Monkey King*, and did not infringe the legal rights of the plaintiff Shanghai Film

Studio. Therefore, the court of the first instance dismissed the claims of the plaintiff. The plaintiff then appealed and the court of the second instance rejected the claims in the appeal and upheld the first-instance judgment.

Remarks:

The protection of the rights of works of fine arts in cinematographic works embodies multiple features: On the one hand, as an integral part of cinematographic work, works of fine arts are protected through the protection of such cinematographic work as a whole; on the other hand, the Copyright Law has granted the authors of the independently used works the right to exercise the copyright on their own. However, the law has granted different levels of protection to different right holders due to the difference in the term of protection.

In respect of a work where the copyright belongs to a legal person and a cinematographic work, the Copyright Law has granted a term of protection of 50 years from the date of the first publication of the work; in respect of a work of a citizen, the term of protection shall be the life time of the author and fifty years after his death. Therefore, where the protection of copyright in a cinematographic work is claimed in the name of a legal person, the term of protection of the copyright thereof is usually shorter than that of citizens' works. This case involves the term of a cinematographic work of the plaintiff as a legal person.

Since Part 1 of the cinematographic work *The Monkey King* was published in 1961, as a part of thereof, the work of fine arts of "Sun Wu Kong"-the monkey king was also

made known to the public. The term of property right protection in the fine arts work of "Sun Wukong" expired on December 31, 2012 at the latest. The alleged infringement in this case took place in February 2016. Therefore, the court held that the property rights of the plaintiff in the fine art work of "Sun Wukong" had exceeded the protection term stipulated in the Copyright Law and shall not be protected.

At the same time, since the property rights in the cinematographic work in dispute exceeded the protection term stipulated in the Copyright Law, the value of the film itself already disappeared, and the public could use the cinematographic work for free through legitimate channels. In other words, the cinematographic work *The Monkey King* only had the use value, but lost the value of goods, which did not constitute the goods traded in the market. Therefore, the court held that the cinematographic work in dispute did not belong to goods, let it along well-known goods, which could not be protected as well-known goods as stipulated in the anti-unfair competition law.

Since the plaintiff in this case is a legal entity, and the work claimed is a cinematographic work, the film cannot enjoy copyright protection after expiry of the term of protection. However, where the right holder of the fine arts work is an individual, who files a lawsuit as the plaintiff, will different results be obtained in this case? NTD lawyer believes that the focus of the issue at that time will be how to prove that this individual is the author of the work of fine arts, and whether he or she still retains his property rights to the work instead of transferring the rights to the film producer. Taking into account the situation

during the years when the work is created, NTD lawyer thinks that there may not exist such a clear agreement. Therefore, if the author is an individual, he or she may still has the legal right to be exercised independently on the work of fine arts

under the copyright law, and the results of the case may be substantially different.

Author: Richard Hu,
Tang Jingyuan

Unfair Competition

Xuzhou Branch of Shanghai Xuanting Entertainment Information Technology Co., Ltd. v. Beijing IQIYI Science & Technology Co., Ltd., etc.

- *First instance: Jiangsu Xuzhou Intermediate People's Court civil judgment (2017) Su 03 Min Chu No. 27*



Rules:

1. After long-term promotion and several times of reprints, the *Ghost Blows Out the Light* novel series became famous among the public. Its title has the function of indicating the source of goods, becomes the unique name of a famous goods and should be protected according to the Anti-unfair Competition Law.
2. The decision on whether a novel's title relates to feudalistic superstition shall be made after giving comprehensive considerations to such factors as the title's origin, the author's purpose of

using such title, the general understanding of the relevant public and whether the title has passive or negative influences on public interest or public order.

3. The long-term, extensive, continuous and large-scale use and promotion shall be the criteria for affirming the owner of rights related to the unique name of famous goods. In case the author has transferred his copyright (to the business operator), the owner of rights related to unique name of famous goods shall be the party that has made greater contributions.

Facts:

In this case, the plaintiff Shanghai Xuanting Entertainment Information Technology Co., Ltd. Xuzhou Branch (Xuanting Xuzhou) obtained the copyright and the relevant derivative rights of famous literature works *Ghost Blows Out the Light (I)* and *Ghost Blows Out the Light (II)* (the novel series *Ghost Blows Out the Light*) from Shanghai Xuanting Entertainment Information Technology Co., Ltd. (Xuanting) on August 1, 2016.

The plaintiff brought a lawsuit with Jiangsu Xuzhou Intermediate People's Court, claiming the behavior of using

“Ghost Blows Out the Light” in the names and promotion campaign of Internet drama *Ghost Blows Out the Light: Finding Hu Bayi* by three defendants Beijing IQIYI Science & Technology Co., Ltd. (IQIYI), UP Pictures and Zhang Muye (pen name: Tianxia Bachang; author of the serial novel *Ghost Blows Out the Light*) has constituted unfair competition with misleading and false advertisement.

The first defendant IQIYI argued: (1) the title “Ghost Blows Out the Light” is too abstract to indicate the source of goods, and shall not be protected under Article 5.2 of the Anti-unfair Competition Law; in addition, the Trademark Office held that it relates to feudalistic superstition; (2) the Internet drama produced by IQIYI is adapted from a legitimate publication with the same name; (3) the Internet drama whose rights owned by IQIYI and the written work whose rights owned by Xuanting Xuzhou will not lead to confusion and mistake of the public.

The third defendant Zhang Muye argued: (1) the term “Ghost Blows Out the Light” originates from ancient poems and proverbs and is not unique; (2) even if the term “Ghost Blows Out the Light” constitutes the unique name of famous goods, its rights shall attribute to Zhang Muye instead of Xuanting Xuzhou.

After several hearings, Xuzhou Intermediate People’s Court held: 1. After years of promotion, the *Ghost Blows Out the Light* novel series has obtained high market awareness and was well-known by the relevant public in China, which has become a famous goods; as the name of the novel series, “Ghost Blows Out the Light” has established strong

correspondence with the novel, it has distinctive features for indicating the source of goods, and constitutes the unique name of famous goods. 2. Zhang Muye has created the novel series *Ghost Blows Out the Light* and has used “Ghost Blows Out the Light” as the title of novel for the first time; the long-term, extensive, continuous and large-scale promotion and operation of the novel series *Ghost Blows Out the Light* by Xuanting has turned the novel from a “non-famous goods” to a “famous goods” and has given “distinctive features” to “Ghost Blows Out the Light” as the title of novel. Therefore, Xuanting is the main contributor to the unique name of a famous goods, the rights of “Ghost Blows Out the Light” as the unique name of famous goods shall belong to Xuanting, while the plaintiff has become the owner of such rights through the assignment in 2016.

In November 2017, Xuzhou Intermediate People’s Court made a judgment, affirming the unauthorized use of the unique name of famous goods by IQIYI, UP Pictures and Zhang Muye has constituted unfair competition, ordering three defendants to stop using “Ghost Blows Out the Light” in the name and clips of the Internet drama and to jointly compensate the plaintiff RMB 1,100,000, and ordering IQIYI to compensate the plaintiff RMB 400,000 for misleading advertisement.

Remarks:

The focus of this case is whether “Ghost Blows Out the Light” constitutes the unique name of a famous goods and the ownership of its rights.

The provisions on the unique name of famous goods aim at protecting unregistered well-known trademarks. Article 5 of the 2007 judicial interpretations to the Anti-unfair Competition Law clarifies that the name, packaging or decoration of a commodity cannot be used as a trademark as stipulated by Article 10.1 of the Trademark Law; while the party concerned applies for protection in accordance with Article 5.2 of the Anti-unfair Competition Law, the people's court should not support such claims. In this case, it is inevitable to decide whether "Ghost Blows Out the Light" relates to feudalistic superstition and has negative influences. After making a comprehensive analysis of various factors including the origin of "Ghost Blows Out the Light", Zhang Muye's purpose of using "Ghost Blows Out the Light" as the name of his novel, Zhang Muye's statement during the hearing (the term "Ghost Blows Out the Light" was not used to advocate feudalistic superstition), the general public understanding of "Ghost Blows Out the Light" and the possible influences of "Ghost Blows Out the Light" as a title of novel to public interest and public order, Xuzhou Intermediate People's Court finally affirmed that the use of "Ghost Blows Out the Light" as the title of the novel series is not related to feudalistic superstition, and further

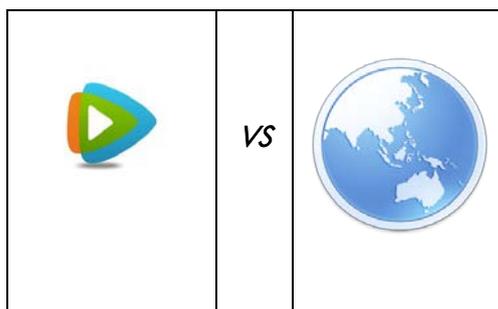
affirmed that "Ghost Blows Out the Light" constitutes unique name of a famous goods and is subject to the protection under the Anti-unfair Competition Law.

The ownership of the unique name of famous goods is an issue with many controversies in the practice. In accordance with the agreement entered into between Xuanting and Zhang Muye in 2007, the copyright has been transferred to Xuanting except for the nontransferable personality rights. After the transfer, Xuanting has carried out large-scale promotion, which made the novel series *Ghost Blows Out the Light* gain certain fame among the public. As the author has transferred his copyright, the court confirmed that the long-term, extensive, continuous and large-scale use and promotion shall be the criteria for affirming the owner of rights related to the unique name of famous goods after making theoretical analysis of differences in protecting the copyright and the unique name of famous goods and comprehensively considering the input and contributions of various parties as well as for balance of interests. This case provides reference and guidance for similar cases in the future.

Authors: Fily Fu
Kong fanji

Shenzhen Tencent Computer System Co., Ltd. v. Beijing Star World Technology Co., Ltd.

- *First instance: Beijing Chaoyang District People's Court (2017) Jing 0105 Min Chu No. 70786*



Rules

1. The damages stipulated in the Anti-Unfair Competition Law shall be directly targeted, specific and actual damages without any avoidable conditions or options.
2. The Anti-Unfair Competition Law has the attributes of the social law. It must take interests of the general public into consideration. Acts that do not target specific video operators or do not cause fundamental damage to competitors shall not be deemed as unfair competition acts.

Facts:

The plaintiff Tencent is the legitimate operator of the website Tencent Video (website: www.qq.com) and enjoys the right of operating and gaining profits from the website in accordance with the law. The plaintiff believed that the software “The World Browser”

developed and operated by Star World Company had set up an advertisement filtering function, which effectively blocked and/or paused advertisements during video playing on the website of the plaintiff, causing the plaintiff unable to make direct earnings from the opening and pause advertisements in the videos on the website thereof and suffer economic losses. The plaintiff filed a lawsuit against Star World Company with Beijing Chaoyang District People's Court by claiming that Star World Company violated the principle of good faith and commercial ethics, and damaged the legitimate rights and interests of the plaintiff.

The defendant Star World Company argued mainly based on the following reasons: 1. There existed no direct competitive relationship between the plaintiff and the defendant. 2. The business model of “free videos + advertisements” advocated by Tencent did not belong to the interests protected by law. 3. The act of filtering advertisements through a browser did not infringe the interests of website operators. Users did not have the obligation to watch advertisements. Advertisement blocking did not necessarily lead to impairment of commercial interests of video websites. Even if the interests were impaired, it was a result of normal commercial competition and did not violate the

principle of good faith.

After hearing, the court held that: 1. There was a de facto competitive relationship between the plaintiff and the defendant. 2. The defendant did not intend to damage the interests of others on purpose and should not be deemed as dishonest. 3. The advertisement filtering function of the browser software in dispute was selected and applied by network users themselves. It did not damage the contents of the video works and did not constitute damage to the fundamental interests of the right holder of the video works. 4. The browser that had the function of filtering and blocking advertisements in dispute did not have directly targeted and did not cause specific damage without any avoidable conditions or options to Tencent's operations. As it did not have any specific targets, it should not be regarded as improper. To sum up, the court held that the defendant's development and operation of a browser that had the function of selectively filtering and blocking advertisements did not constitute unfair competition, so all claims of the plaintiff were rejected ultimately.

Remarks:

As the Internet industry is developing rapidly and competition becomes fiercer, the way of competition is constantly changing and updating. In the case of unfair competition lodged by Youku against Jinshan's "Cheetah Browser", the court established the recognition and protection of the business model of "free videos + advertisements", holding that the browser's advertisement filtering technology would cause substantial

damage to the revenues of video websites and constitute unfair competition. It shows that in judicial practice, China has always emphasized the protection of interests of business operators.

Different from the case mentioned above, the court in this case did not have a discussion about whether the business model of "free videos + advertisements" should be protected by law. Instead, it started with the standard of "users' interests", emphasizing the users' right to know and right to choose. In the assessment of whether a competitive behavior is proper, interests of competitors and the public should be considered comprehensively, so as to maintain free competition and technological innovation in the market. Where the operator does not have a subjective intention and the behavior thereof causes no direct and specific damage to the other operators objectively, the behavior does not necessarily constitute unfair competition.

The judgment in this case on whether the filtering of video advertisements by browsers constitutes unfair competition provides us with new ideas and perspectives. Meanwhile, it also raises some questions for discussion and study.

For example, whether the fact that the browser software of the plaintiff and the defendant both have an "advertisement filtering" function can demonstrate that the function has become a rule and common practice in the browser industry. For another example, how to determine the substantial impact of filtering advertisements by the advertisement

filtering function on video site operators?
Generally speaking, in the business model of “free videos + advertisements”, “advertisements” are one of the ways for video website operators to legitimately operate online contents and make profits. The defendant’s use of technical means to circumvent or impede the plaintiff’s normal network operations is inconsistent with Article 19 of the Internet Terminal Software Services

Industry Self-discipline Convention, which provides that except for malicious advertisements, it is prohibited to intercept and block legitimate information contents and pages of specific information service providers. It also violates the principle of non-interference unless necessary for the public’s interests.

Authors: Zhang Yanqing
Kong Fanji

III. NTD Case Selection

Rimowa v. Aimowa



Rimowa vs. Aimowa - Unfair competition litigation before Zhongshan No. 1 People's Court, a milestone case for protecting product shape like Rimowa groove design

Facts:

RIMOWA is a world-class German luggage brand of century and entered China in 2007. RIMOWA suitcase with the typical groove design was originated in 1950 and has become well-known around the world including in China. In October 2015, RIMOWA filed an unfair competition litigation against Zhongshan Aimowa Luggage Co., Ltd. (hereinafter: the defendant) for copying the unique groove design of RIMOWA suitcases. Zhongshan No. 1 People's Court made a judgment in favored of RIMOWA. The defendant appealed before Zhongshan Intermediate Court and later withdrew the appeal.

Merits:

This is an unprecedented case in China. In the judgment, Zhongshan No. 1 People's Court, for the first time, confirmed that the groove design of RIMOWA suitcase can identify the source of goods and thus shall be protected as "unique decoration" of RIMOWA's famous goods under the Anti-unfair Competition Law. After the M&G case of Supreme Court, this unfair competition case is another milestone

case for protecting product shape, and will have much reference value for Chinese courts and administrative

authorities for resolving similar cases going forward.

Authors: Fairy Li

SPC's retrial on Escort Inc. v. TRAB - case won before Supreme People's Court



Escort Inc. filed for No. 7665474 “ESCORT” trademark on goods in Class 9, which was refused by CTMO due to prior trademarks No. 5378268 “ESCORT”, No. 5538379 “ESCORT” and No. 954633 “ESCORT”.

Unsatisfied with CTMO's decision, Escort Inc. filed refusal review and simultaneously filed non-use cancellations against the three cited trademarks according to NTD attorney's suggestion. Although the third cited trademarks was later canceled by CTMO, but TRAB didn't consider the new fact and still sustained CTMO's refusal decision. Escort Inc. then appealed to Beijing 1st Intermediate Court, but the court also sustained the decision.

Escort Inc. further appealed to Beijing Higher Court. During the second instance, the second cited trademark was cancelled due to non-use for three consecutive years, but the appellate court didn't consider the fact that the cancelled trademarks can no longer block the registration of the applied trademark on some goods, and still sustained the lower court's decision.

Afterwards, the first trademark was cancelled in the non-use cancellation as well. In light of NTD attorney's suggestion, Escort Inc. filed for retrial with the Supreme Court.

There was precedent by the Supreme Court that rebus sic stantibus shall be applied in refusal review cases, and courts shall take full account of the fact that the cited trademark has been canceled. In the retrial, NTD attorneys cited such precedent, thoroughly explained the merit of rebus sic stantibus in this case and the remedial value of administrative procedures, and the rationale to adopt the new evidence about the cancellation of first cited trademark in retrial. Finally, the Supreme Court supported our arguments, reversed the lower courts' decisions and approved the registration of Escort Inc's trademark.

Author: Nathan Yang

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