NTD INTELLECTUAL PROPERTY

IP CASE EXPRESS

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We browsed all IP related judgments and adjudications newly published in March, 2014 at the Supreme Court's official website (http://www.court.gov.cn/zgcpwsw/) and made statistics on all the IP related judgments and adjudications published by the Supreme Court and 32 Higher Courts. We have selected several significant cases among the judgments and adjudications made by the Supreme Court, including the newly published and previously published, and made brief comments on each to share with you.

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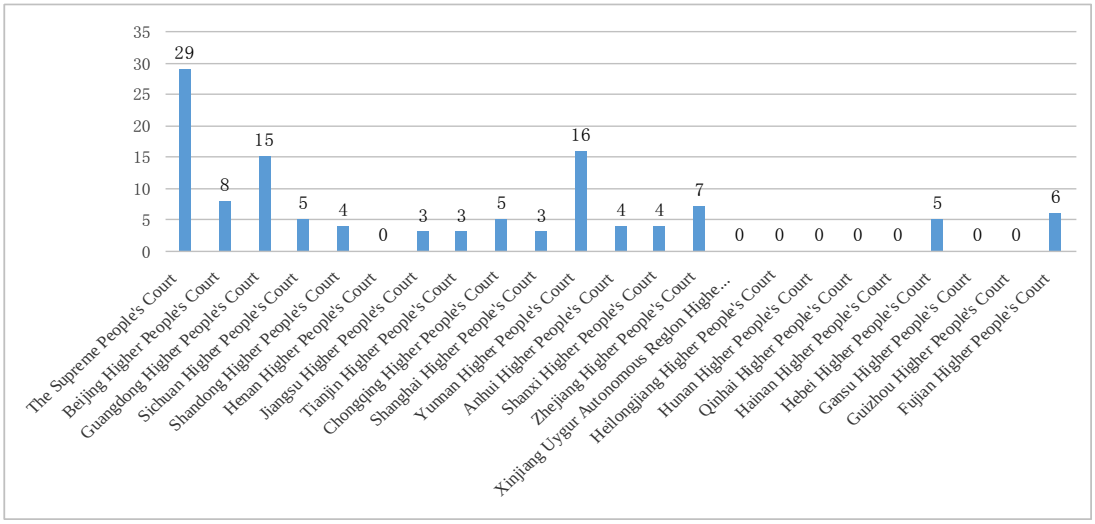
I. Statistics

1. In March 2014, a total number of 1,487 case decisions about IP have been published by the Supreme Court, 32 Higher Courts and all the Intermediate Courts, and the 1,487 case decisions include 117 decisions from the Supreme Court and 32 Higher Courts.

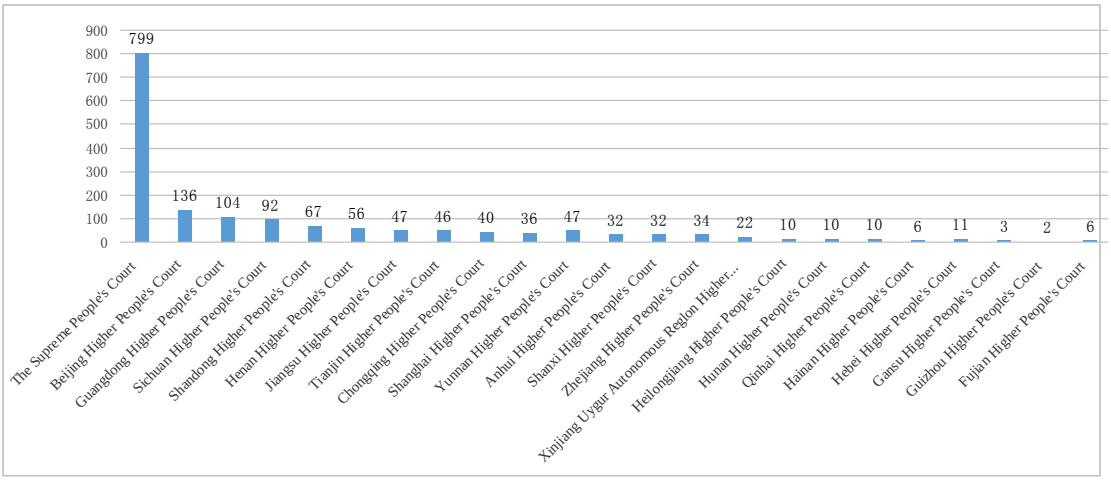
   The Supreme Court still ranked at the top with 29 case decisions. Yunnan Higher Court (16 decisions) and Guangdong Higher Court (15 decisions) were second and third respectively. Fujian Higher Court published 6 decisions on the website for the first time in March 2014.

   Of the 117 judgments and adjudications, 14% were foreign-related cases (17 decisions), and 15% were internet cases (18 decisions).

■ Total Cases from the Supreme Court and 32 Higher Courts (2014-3)

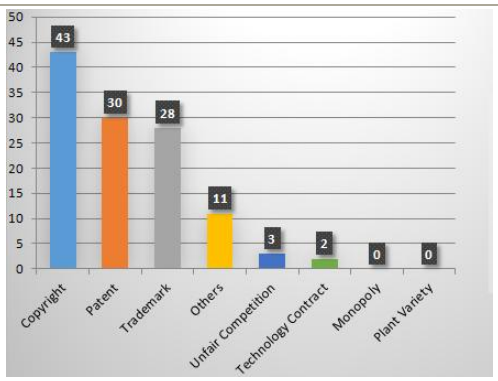


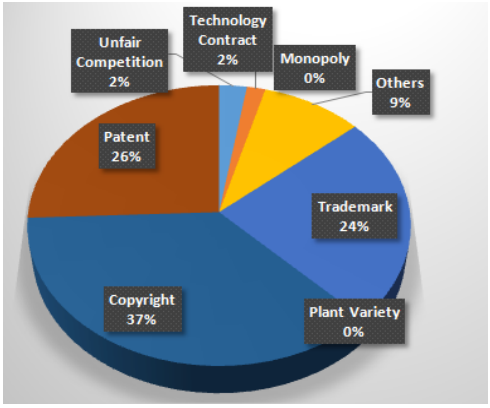
■ Total Cases from the Supreme Court and 32 Higher Courts（till 2014-3）



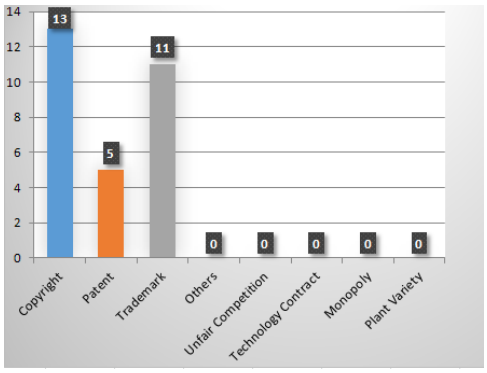
2. The cases regarding copyright, patent and trademark are still ranked in the top 3.

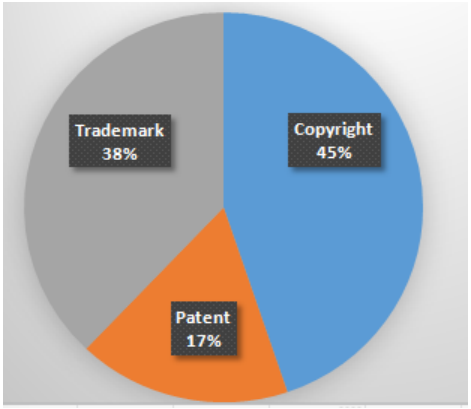
■ Total Cases from the Supreme Court and 32 Higher Courts（2014-3）





■ Cases from the Supreme Court（2014-3）

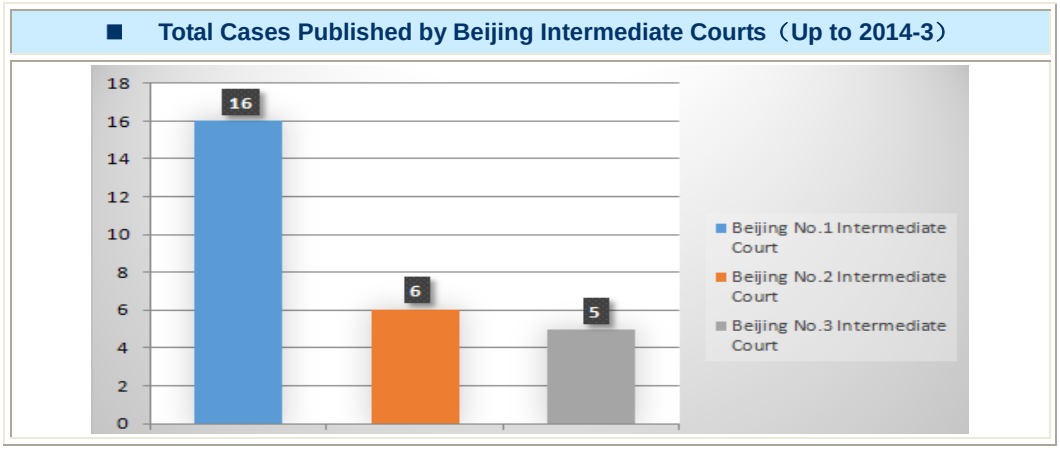




3. Focus on Beijing Intermediate Courts:

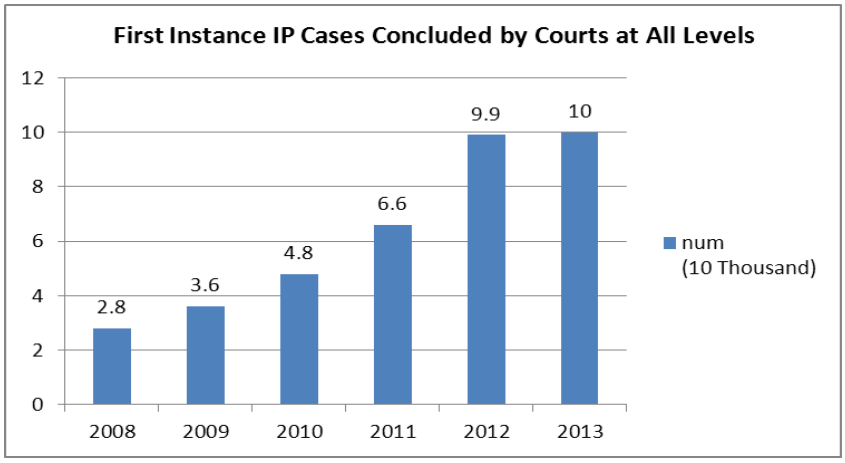
Beijing No.1 Intermediate People's Court is designated by the Supreme Court to be in charge of trials of administrative litigations regarding patent, trademark and other IP right grantings and confirmations. Up until March 2014, Beijing No.1 Intermediate Court has published 16 judgments and adjudications.

In March 2014, Beijing No. 2 Intermediate Court published a total of 6 decisions for the first time, and Beijing No. 3 Intermediate Court published 5 cases.



It was reported that in 2013, Beijing No. 1 Intermediate Court IP Tribunal concluded 3,557 IP cases, including 831 IP civil cases. Of the 3,557 cases, 89.1% are first instance cases, and 40% are foreign-related cases.

4. According to the government work report issued by the Supreme Court in March 2014, courts at all levels tried and concluded 100,000 first-instance IP related cases in total in 2013.



Notes on the case samples for statistics as follows:

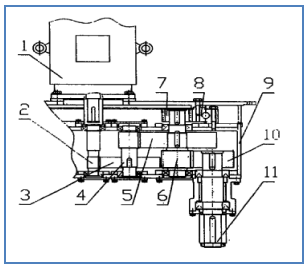
1） The decisions uploaded on the Internet are effective judgments and adjudications only. First-instance judgments still in the appeal period are not uploaded.

2） Not all effective judgments and adjudications issued by courts are uploaded onto the Internet. Some cases, such as cases involving trade secrets, are not uploaded under the Exception rule of the Supreme Court Regulations. Also, some courts have not uploaded judgments and adjudications so far due to technical reasons.

II. Selected Cases of the Supreme Court: Newly Published in March

■ Patent

1. *KUI Shouhong vs. Qingdao CO-NELE Machinery & Equipment Co., Ltd. and LI Zonglin*
Civil Adjudication (2013) Min Shen Zi No. 2320
Uploaded on 2014.03.20



（Patent in Dispute No. 200720022658.8）

Rule：A bona fide acquisition can be used as an argument in patent ownership disputes.

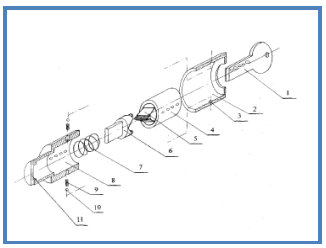
Remarks：

This case involves a patent ownership dispute, in which evidence provided by the plaintiff was not sufficient to individually prove that the disputed patent was a service invention-creation. The case facts were ascertained by applying the preponderance of the evidence rules commonly adopted in the civil procedure.

The defendant KUI Shouhong had assigned the patent rights to the other defendant LI Zonglin before the plaintiff brought the lawsuit. LI Zonglin, who was absent during the first instance, argued that it was a bona fide acquisition as a defense in both the second instance and the retrial procedure. The Supreme People's Court took into consideration the relationship between LI Zonglin and KUI Shouhong, LI Zonglin’s non-production of the disputed products, and the transfer price being far below the market value of the disputed patent. Based on these considerations the Court doubted LI Zonglin’s good faith in the assignment, and thus denied LI Zonglin’s arguments because The Court believed that LI Zonglin’s arguments were not convincing. Furthermore, the Supreme People's Court also pointed out that no ruling should be decided on LI Zonglin’s argument because he did not institute an independent claim during the proceeding.

In an IP ownership dispute, apart from trying to collect all the evidence to prove the case facts, taking preservation measures in due course to freeze the disputed IP is also a very necessary step for the plaintiff. This is because a third party might argue against the request for return of the IP once the transfer is completed by saying that the IP was a bona fide acquisition.

2. *Shanghai Mo Di Lu KeLock Factory vs. Shanghai GuJian Lock Co., Ltd.*
Civil Judgment (2013) Min Ti Zi No.113
Uploaded on 2014.03.18



（Patent in Dispute No. 200820155495.5）

Rule: To identify the meaning of a coined technical term by the patent applicant, one should take overall consideration of the related technical content disclosed in the claims, including the description and the figures.

Remarks:

It is a basic principle that claims should be interpreted according to the disclosure of them. Furthermore, the content that an ordinary person, skilled in the art, can reach from the description and the figures should also be considered.

Claim 1 of the disputed patent in the case disclosed a technical feature called "telescopic linkage device," which was not an existing technical term in the field before the filing date and was created by the applicant without giving a definition or interpretation either in the claims or the description. The Supreme Court held that, to identify the meaning of a coined technical term, one should take overall consideration of the related technical content disclosed in the claims, including the description and the figures. For technical terms that are defined or set forth in a manner sufficiently clear and specific in the claims or the description, generally, the meaning could be identified according to the definition or the interpretation. For those technical terms that are not defined or set forth in a manner sufficiently clear and specific in the claims or the description, the meaning in the overall technical solution of the disputed patent should be identified by finding out the related working style, function and effect by referring to the related background art, technical problems, invention purposes, technical solutions, and technical effects described in the description or the figures.

■ Trademark

Guangzhou LinYe Mechanical Technology vs. Trademark Review and Adjudication Board, Guangqi Hongda and Hongda Technology

— Abbreviated form of a company/enterprise name can be protected under Trademark Law of China

Administrative Judgment (2013) Xing Ti Zi No.23
Uploaded on 2014.03.17

Rule: The abbreviated form of a company/enterprise name, if serving as a de facto trade name that has achieved a certain reputation in the market and is widely known to the relevant public, can be deemed an enterprise name and is protected as a prior trade name right pursuant to Article 31 of Trademark Law of China.

Remarks:

Guangzhou Hongda Auto Co., Ltd, incorporated in 1998, changed its company name to "Guangqi Hongda Auto Co., Ltd" in 2009. Since its incorporation, the company has been producing and selling "Honda" series automobiles and has used "Guangben in Chinese" in many media reports to refer to itself. Relevant newspaper and magazines have also used "Guangben in Chinese" to refer to the company in a number of news reports. LinYe Company in 2003 applied to register "GUANGBEN & Guangben in Chinese" trademark with respect of "automobile, bicycles and etc.," against which Guangzhou Honda Auto Co., Ltd and Honda Science and Research Corporation filed an opposition based on its prior trademark registrations. The China Trademark Office supported the opposition and ruled to reject LinYe Company's trademark application in accordance with Article 10.1 (8) of Trademark Law of China (likely to mislead the public and bring adverse social influence).

Dissatisfied with the China Trademark Office's ruling, LinYe Company filed a review request to Trademark Review and Adjudication Board (TRAB), who held that "GUANGBEN & Guangben in Chinese" is similar to "Honda in Chinese" and the opposition should be supported pursuant to Article 28 of Trademark Law of China. LinYe Company then appealed the case to Beijing No.1 Intermediate Court and Beijing Higher Court, both of whom upheld TRAB's decision. Still

dissatisfied, LinYe Company filed a petition for retrial to the Supreme Court. The Supreme Court determined that the opposed trademark is not similar to "Honda in Chinese," but it constitutes infringement of Guangqi Hongda Auto Co., Ltd's prior trade name right to "Guangben in Chinese," which is the abbreviated form of its enterprise name, and therefore should not be approved for registration pursuant to Article 31 of Trademark Law of China.

■ Copyright

Yang Lin vs. Wuhan Wuchang Yangzijiang Milk Co., Ltd, Wuhan Lu Xiang Square, Wuhan Asian Trade and Wuhan Zhongshang Group etc.
– Fair use of art works displayed in public outdoors and commercial use of the derived works

Administrative Judgment (2013) Min Shen Zi No.2104
Uploaded on 2014.03.19

Rule: The copying, painting, photographing and recording of art works displayed in public, outdoors, does not require prior permission of copyright owners and is not subject to the payment of royalty fees. Further use of the aforesaid derived works in a reasonable manner and within a reasonable scope, even for profit, will not constitute infringement.

Remarks:

Fair use under copyright law is a restriction on the rights of the copyright owner. Many nations around the world categorize copying, painting, photographing or recording of art works displayed in public, outdoors, as fair use. *Article 22(10) of Copyright Law of China* and *Article 18 of the Supreme Court's Interpretations on Several Issues relating to Application of Laws in Copyright Dispute Cases* expressly provide that copying, painting, photographing and recording of art works displayed in public, outdoors, does not require prior permission of copyright owners and are not subject to the payment of royalty fees; further use of the aforesaid derived works in a reasonable manner and within a reasonable scope, even for profit, will not constitute infringement. The Supreme Court, in its reply to Shandong Province Higher Court in 2004 regarding the copyright dispute between Shandong Tian Li Advertisement Co., Ltd and Qingdao Hai Xin Telecom Co.,

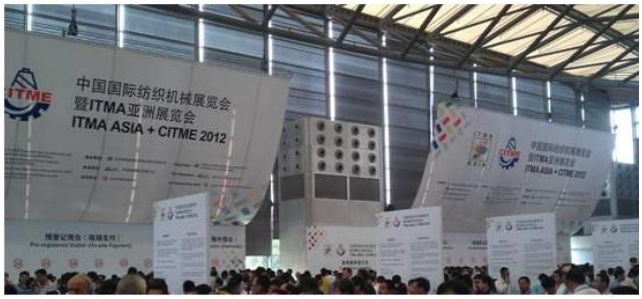
Ltd, clarified that the "reasonable manner and scope" of fair use in the aforesaid judicial interpretation includes further use for profit, based on the underlying principles of the judicial interpretation. This case was adjudicated in accordance with these provisions.

It should be noted that fair use of art work displayed in public, outdoors, is limited to copying, painting, photocopying and recording, and any other form beyond these four types will not constitute fair use [such as the 2009 Bird nest Fireworks case under (2009) Yi Zhong Min Chu Zi No.4476].

III. Selected Cases of the Supreme Court: Previously Published

■ Patent

1. *Oerlikon Textile GmbH & Co.KG vs. Wuxi Hongyuan Mechanical & Electrical Technology Co., Ltd.* regarding jurisdiction objection
Civil Adjudication (2013) Min Shen Zi No.948
Uploaded on 2014.01.02



（Place of Offering for Sale：ITMA ASIA + CITME 2012（Shanghai））

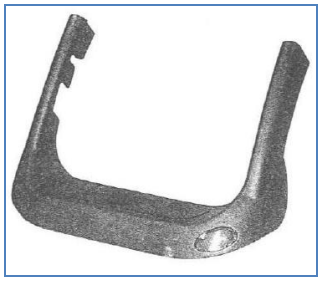
Rule: The court where infringing products are offered for sale has jurisdiction over patent infringement cases.

Remarks:

In this case, the plaintiff brought an infringement lawsuit before Shanghai No. 1 Intermediate People's Court on the ground that products exhibited by the defendant in an exhibition in Shanghai infringed its patent right. The Shanghai Higher Court ruled in the second instance that the jurisdiction should be transferred to the court where the defendant is domiciled (Wuxi Intermediate People's Court) because the defendants stopped selling the product before the plaintiff brought the lawsuit. The plaintiff then applied to the Supreme Court for a retrial. Wuxi Intermediate Court then made its first-instance judgment on whether the infringement can be established before the Supreme Court held the hearing. The Supreme Court pointed out in its

ruling that the court where the infringing products were offered for sale has jurisdiction over patent infringement cases. Therefore, the ruling regarding jurisdiction made by the Shanghai Higher People's Court was improper. However, because the Wuxi Intermediate Court made a substantial judgment, the plaintiff's retrial application was rejected.

2. *Zhongshan Longcheng LTD. vs. Hubei Tongbai LTD.*
Civil Judgment (2013) Min Ti Zi No. 115
Uploaded on Jan.28, 2014



（Patent in Dispute No. 01355071.3）

Rule: An infringer must bear liability for repeated infringements after the settlement or mediation agreement came into effect. The method for calculating the amount of compensation for the infringement set out in the former settlement or mediation agreement will be applied in determining the amount of compensation for the later infringement.

Remarks:

In IP infringement disputes, it is common for the owner of rights to reach a settlement or mediation agreement with the infringer. In such an agreement, the infringer usually promises that it will not infringe the IP rights of the owner again and agrees to pay a certain amount of compensation to the right holder if such an infringement occurs again. Whether the agreed amount of compensation for future infringements in such agreement should be enforced is a controversial issue in judicial practice.

In this case, the plaintiff and the defendant signed a mediation agreement where the agreed compensation to the plaintiff for any future infringement by the defendant would be 500,000 RMB.

The Supreme Court held the following in its judgment:

1. The mediation agreement was entered into voluntarily between both parties and only a private right was involved rather than interests of the public or any third party. Therefore, such an agreement will be deemed as legal and valid, on the premise that other provisions in the agreement do not violate laws and regulations.

2. The infringer will bear liability for repeated infringements after the settlement or mediation agreement came into effect and there is no concurrence between the liability of tort and the breach of contract liability in this case. On one hand, a mediation agreement is not a basic transaction agreement, so the infringer's liability does not fall into the liability concurrence situation. On the other hand, the legal effect of such a mediation agreement is to mutually consent to the tort liability rather than the contractual rights and obligations for the transaction agreement.

3. Neither Tort Liability Law of P.R.C, Patent Law of P.R.C or other Chinese laws forbids the agreement of tort liability or the infringement compensation. Thus, such an agreement can be deemed a simple and convenient method, agreed in advance, for calculating and determining the amount of loss to the rightful owner or the gains of the infringer between the infringer and right holder for future infringement.

■ Trademark

1. *Yunusi·A Ji vs. Xinjiang Nongzi Group Co., Ltd.*
Civil Adjudication (2013) Min Shen Zi No.237
Uploaded on 2014.01.09

Rule: The interested party is entitled to file a lawsuit for confirmation of non-infringement to avoid potential damages if the trademark owner proceeds with AIC raid action. This has caused instability to the interests arising out of the conflict of trademark use between both parties.

Remarks:

The focus of the dispute was to determine whether the trademark owner filed a complaint to AIC about the alleged trademark infringement, and whether that constitutes as a pre-condition for the alleged infringer to file a lawsuit of Confirmation of Non-infringement.

Under existing law, the following pre-conditions must be met for the alleged infringer to file a Confirmation of Non-infringement lawsuit:

(1)The rightful owner has sent warnings to the alleged infringer, but the alleged infringer denies its action constitutes infringement;
(2) The rightful owner delays its prosecution to the court or complaints to relevant IP administrative authorities without any justified reasons;
(3) The aforesaid delay by the rightful owner may cause damages to the rights and interests of the alleged infringer.

In this case, the Supreme Court rules that, in general, the lawsuits of Confirmation of Non-infringement of trademark right must be filed under the factual premise that the trademark owner has sent warnings to or taken similar actions against the alleged infringer, but fails to legally initiate the dispute resolution procedure within a reasonable period. In this case, the trademark owner did not send warnings to the alleged infringer but sought administrative relief instead. The local AIC accepted the trademark owner's complaint and was about to render the verdict, which could be deemed that the instability to interests had been caused due to the conflict of trademark use between the two parties. Considering the potential damage to the alleged infringer, this case conforms to the substantive conditions of Confirmation of Non-infringement Litigation.

At the same time, we also note that the Supreme Court has recently made this point clear in other decisions as well, such as Civil Adjudication (2013) Min Shen Zi No.1642 and Civil Adjudication (2013) Min Shen Zi No.1643, i.e. the court shall accept Confirmation of Non-infringement lawsuit filed by the alleged infringer, but only if the trademark owner proceeds with administrative actions directly.

2. *Shenzhen Skyworth vs. TRAB and Zhongshan Xinshidai Public Relations and Advertisement*

Administrative Judgment (2012) Xing Ti Zi No.22
Uploaded on 2013.08.19

Rule: A famous trade name can enjoy cross-class broad protection beyond the business scope of the enterprise.

Remarks:

We learn from this case that the legal standard for recognizing famous trade names is lower than that of well-known trademarks. In this case, the Supreme Court held that evidence submitted by the applicant for retrial was sufficient to prove the high reputation of its trade name with the public even though the evidence was not solid enough to prove that its trademark was a

well-known one. The Supreme Court did not comment on the ground made in the second instance judgment that "the goods under the applicant's business scope are not identical to or similar with the designated goods of the disputed mark." Instead, the Court ruled that the disputed trademark infringes on the prior trade name rights of the applicant by recognizing the reputation of its trade name. According to this ruling, a famous trade name can break through the business scope of the enterprise and enjoy protection beyond classes like a well-known trademark does. In view of the fact that the standard for recognizing well-known trademarks is higher than that for famous trade names, seeking cross-class protection for famous trade names can be considered in the situation that the relevant party's evidence is not solid enough to reach the recognition standard for well-known trademarks.

■ Unfair Competition

Yueqing Wanshun Electric Appliance, Shenzhen Xinbaokai Electric Appliance vs. Hebei Baokai Electric Appliance and Baoding Jizhong Electrical Power Equipment Factory

— Protection for specific model names of a well-known commodity under Anti-unfair Competition Law

Civil Adjudication (2012) Min Shen Zi No.398
Uploaded on 2013.09.05

（Product for example, for reference only）

Rule: In certain industries such as the low-voltage electrical products industry, a product model name is required for compulsory registration. This makes the model name unique, easy to distinguish the origin of goods and can function as a product name. Thus, it can be protected as the unique name of a famous product in accordance with Anti-unfair Competition Law.

Remarks:

This case has guiding significance in deciding whether a product model name can be deemed a unique name of the famous product. Generally speaking, the function of a product model name is

only to classify the product and not to distinguish the origin of goods or function as the product name. However, the products involved in this case belong to the low-voltage electrical industry and are subject to compulsory registration and recordal so that the product model name is unique within the industry.

In actual use, the product model name, the product, and the manufacturer are exclusively associated with each other, which means that the product model name in this industry functions as "the unique name of famous products and should be able to distinguish the origin of goods and can be referred to as the product name" as provided by Anti-unfair Competition Law. In addition, the right holder, in this case Hebei Baokai Co., Ltd, has registered such "BK" product model names as "BKM1" and "BKW5" with China Electrical Equipment Industrial Association, among which, "BK" is the enterprise code name. This means that the low-voltage electrical products were researched, developed, and produced by Hebei Baokai Co., Ltd. The "BK" is a distinctive product name that can help distinguish the origin of goods. Further, the distinctiveness has been constantly strengthened through years of commercial use of "BK" model names and good reputation obtained. Pursuant to Article 2.2 of *Interpretation of the Supreme People's Court on Several Issues of Application of Laws in Civil Cases of Unfair Competition*, generic names, patterns, and model names obtaining distinctiveness through use can be recognized as unique names, packaging and decoration. Therefore, it is appropriate for the courts to recognize "BK" product model name as a unique name of a famous product and grant it protection.

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

Please call +8610 66211836 ext. 323 or send email to law@chinantd.com.

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