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In this edition, we scanned all the IP-related judgments and adjudications published at the Supreme Court's official website (http://www.court.gov.cn/zgcpwsw/) in January 2015, worked out the statistics based on all the IP-related judgments and adjudications published by the Supreme Court and the 32 Higher Courts, and shared with you our comments on some significant cases.



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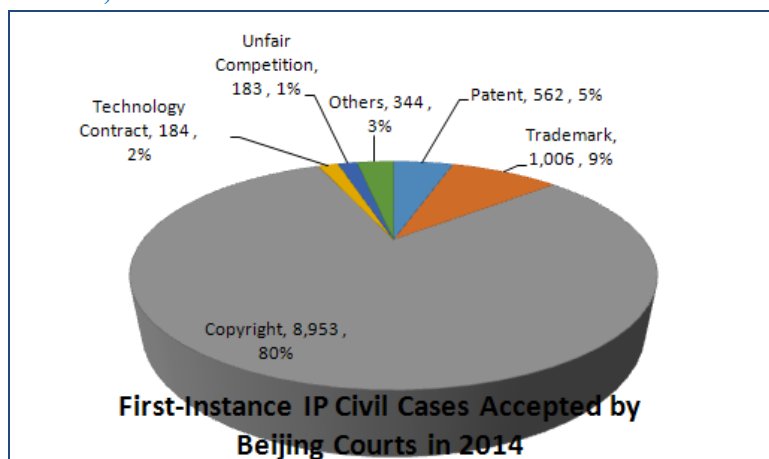
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I. Statistics

Summary of IP Litigations by Beijing Courts in 2014

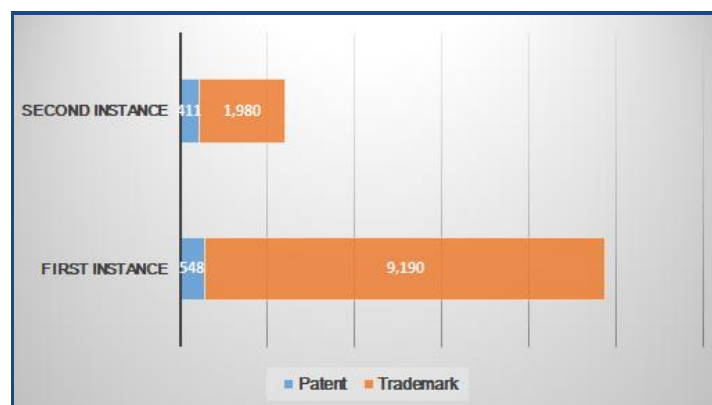
- IP Civil Litigations

In 2014, total number of new IP-related first instance civil cases accepted and concluded by Beijing courts were 11,232 and 10,930 respectively, and the respective year on year increases were 15.99% and 15.51%. For second instance civil cases, Beijing Courts accepted 1,312 cases and concluded 1,269 cases.



- IP Administrative Litigations

In 2014, the Beijing No.1 Intermediate Court and the Beijing IP Court accepted 9,738 IP-related first instance administrative litigation cases in total, 250.29% more than that of last year, including 548 patent cases and 9,190 trademark cases. The Beijing Higher Court accepted 2,391 second instance cases, with an increase of 65.93% over that of last year, including 411 patent cases and 1,980 trademark cases.



- IP-Related Criminal Cases

In 2014, total 203 IP-related first instance criminal cases were accepted by Beijing courts, involving 285 suspects and a total of 231 cases were concluded, with 203 first-instance cases and 28 appellant cases.



Source: The News Conference on Summary of IP Litigations by Beijing Courts in 2014

II. Comments on Typical Cases

Patent

Zou Mouyan vs. Qinhuangdao Ju Bo Electronic Technology Co., Ltd.

- Disputed ownership of the patent right
- The Beijing Higher Court [Case No.:(2014) Gao Min (Zhi) Zhong Zi No.3430]
- The Beijing No.1 Intermediate Court [Case No.:(2013)Yi Zhong Min Chu Zi No.13663]



Rule:

The ownership dispute of the patent right doesn't belong to the appeal of right of the obligatory claim. Furthermore, the disputed patent is valid up to now, which is not suitable for time limitation of proceedings.

An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the material and technical means of the entity is a service invention-creation. For a service intention-creation, the right to apply for a patent belongs to the entity.

Remarks:

Zou Mouyan is one of the shareholders of Ju Bo Co., serving as superintendent of both the company and the R&D Center. In 2007, Zou Mouyan filed an invention patent application by the name of *Design of vehicle velocity detection radar and signal processing method*. Ju Bo Co., the plaintiff believed the disputed patent was made by Zou Mouyan and other staff of the R&D Center, using the material of the entity, in execution of the work tasks in Zou's employment with Ju Bo Co.. So the patent right should belong to Ju Bo Co.. Zou Mouyan argued that the disputed patent was completed after long-time research and had been put into use before the establishment of Ju

Bo Co., which was not made in his employment with Ju Bo Co.. In the meantime, the disputed patent was filed in June, 2006, while Ju Bo Co. became aware of it in 2007 and filed a lawsuit in 2013 which overpassed the time limitation of actions.

The Beijing No.1 Intermediate Court held that Ju Bo Co.'s request for affirming the ownership of the patent right didn't belong to the appeal of right of the obligatory claim. Furthermore, the disputed patent was valid by the end of the trial, under the circumstances, time limitation for the initiation of the proceedings should not be applied in the dispute.

As the theme of the disputed patent was identical with that of Zou Mouyan's job for Ju Bo Co., the disputed patent should be regarded as the achievement in of the performance of the tasks allocated by Ju Bo Co. In addition, the evidence, such as gold wire bonders Purchasing Contract supplied by Ju Bo Co. and the invoices as well as the receipts on the Purchase fee and experimental expenses of the equipment including oscilloscope, constituted the material base supplied by Ju Bo Co., existed correlation with the radar mentioned by the disputed patent, which could be determined that the disputed patent was finished by using the material and technical means of Ju Bo Co.. Thus, the existing evidence was enough to prove the disputed patent was made in execution of the tasks of Ju Bo Co. by using the material and technical means of Ju Bo Co., which belonged to a service invention-creation. So the disputed patent should belong to Ju Bo Co. and the Court ruled that Ju Bo Co. should be entitled to the disputed patent.

Zou Mouyan was not satisfied with the judgment of the first instance and appealed to the Beijing Higher Court. The Beijing Higher Court rejected the appeal and sustained the trial judgment.

There is great discrepancy between the theoretical circles and the practical circles on the issue if the ownership dispute of the patent right is suitable for the mandatory time limitation of proceedings. In terms of judicial practice, someone proposes the ownership dispute of the patent right is suitable for 2-year time limitation of proceedings according to *the GENERAL PRINCIPLES OF THE CIVIL LAW OF THE PEOPLE'S REPUBLIC OF CHINA* since there is no special regulation by the Law. Someone advocates that intellectual property right is similar to the real right by nature of absolute exclusivity, thus, the ownership dispute of the patent right is not suitable for the time limitation of proceedings comparing with the real right request. Or the prescription of the time limitation of proceedings should not be applied to the ownership dispute of the patent right due to the nature of a declaratory proceeding. In this case, both the Intermediate Court and the Higher Court rules that the ownership dispute of the patent right doesn't belong to the appeal of right of an obligatory claim, which is not suitable for time limitation of proceedings.

■ Copyright

[Tencent vs. NASDAQ: NTES, et al.](#)

- Preliminary Injunction regarding the dispute of Information Network Transmission Right of Music Work
- The Wuhan Intermediate Court of Hubei [Case No. (2014) E Wuhan Zhong Zhi Jin Zi No.5, No.5-1 and No. 5-2]
- This case was selected as one of the TOP 10 IP cases by Chinese Courts in 2014



Rules:

Copyright owners can request preliminary injunction before litigation to stop ongoing infringement or events to happen, if having evidence to prove that the aforesaid situation will lead to irreparable damage without the injunction.

Remarks:

On November 10, 2014, Tencent applied with the court for preliminary injunction on the respondents (Guangzhou NetEase, Hangzhou NetEase, etc.) to transmit 623 copyrighted music works including *Where Has the Time Gone* on the “NetEase Cloud Music” platform (music.163.com, PC and mobile clients); ordering the respondent Hubei Unicom to stop transmitting the aforesaid 623 music works by its “NetEase Cloud Music” service; ordering the respondent Guangdong OPPO to stop transmitting the aforesaid 623 music works by its mobile phone clients installed in OPPO cellphones. Tencent submitted relevant evidence as well as a bond while applying for this preliminary injunction.

The Wuhan Intermediate Court held that Tencent was the owner of the Information Network Transmission Right of the aforesaid 623 music works. The respondents provided the public with a large number of the disputed music works by network, and this led to infringements of Tencent’s Information Network Transmission Right on these music works, causing huge economic losses to the right holder. Under network environment, if the aforesaid infringements were not forbidden timely, that would damage Tencent’s interests and cause irreparable damages to Tencent.

On November 11, the Wuhan Intermediate Court issued the preliminary injunction, ordering all the respondents to stop the transmission of the disputed music works. Guangzhou NetEase, Hangzhou NetEase and NetEase Leihuo applied for reconsideration after the release of the injunction, but the reconsideration application was rejected by the court. During the reconsideration proceedings, Tencent found that the infringements were still going on and then submitted a written application for punishment for the violation of the injunction. The court took punitive measures against the respondents. The infringements were fully stopped according to the injunction after the reconsideration decision was issued.

In this case, the court timely granted the preliminary injunction and took punitive measures to stop the violation of the injunction. This provided a feasible protective mode to strike on the online music piracy, to standardize online music market as well as to purify the internet environment. This case indicates the leading function of the judicial protection of IPR.

Trademark

[Shanghai Bi Feng Tang Food Co., Ltd vs. TRAB & Shanghai Panshi Yizhou Co., Ltd](#)

- Dispute over trademark invalidation
- The Supreme Court [Case no.: (2013) Xing Ti Zi No.8]
- This case was selected as one of the TOP 10 IP cases by Chinese Courts in 2014



Rule:

If an enterprise chooses a word of which the meaning is universally cognitive to the public as its trade name, the proper use of the word within its own fixed meaning cannot be prohibited on the ground of trade name entitlement.

Remarks:

Shanghai Zhu Jia Zhuang Food Co., Ltd (hereinafter referred to as “Zhu Jiang Zhuang Company”) applied for the registration of trademark “Zhu Jia Zhuang Bi Feng Tang in Chinese characters & Device” (the disputed trademark) in 1999. The Trademark Office approved the registration in 2000, designating in the services of Class 42 “restaurant, bar, etc.” The trademark was later transferred several times. The current right holder is Shanghai Panshi Yizhou Co., Ltd. Shanghai Bi Feng Tang Food Co., Ltd (hereinafter referred to as “Shanghai Bi Feng Tang Company”) applied for revoking the disputed trademark in 2003. The TRAB ruled in 2008 to sustain the disputed trademark. Dissatisfied with the TRAB’s ruling, Shanghai Bi Feng Tang Company filed a lawsuit with the court, and added another claim that the disputed trademark had infringed its prior trade name right. The courts of the first and second instances both sustained the TRAB’s ruling. Shanghai Bi Feng Tang Company was dissatisfied with the final judgment and applied for retrial with the Supreme Court.

In the retrial, the Supreme Court affirmed that “Bi Feng Tang in Chinese characters” had the meaning that was universally cognitive to the public. In addition to the meaning of “a shelter for fishermen to hide from typhoon”, it also means “a special cooking way”. The Supreme Court also mentioned that as long as it did not cause confusion or misrecognition among the relevant public, Shanghai Bi Feng Tang Company could not prohibit others using “Bi Feng Tang in Chinese characters” properly within its universally cognitive meaning on the ground of its trade name right. In addition, the disputed trademark is composed of bamboo pattern and the words “Zhu Jia Bi Feng Tang in Chinese characters”, in which the bamboo pattern occupies most of the area of the trademark and lies in the prominent position of the trademark. To the public in catering business, “Bi Feng Tang in Chinese” stands for the meaning of “a special cooking way”, so the bamboo pattern and the words “Zhu Jia Zhuang in Chinese” in the disputed trademark are able to identify the source of goods or services. Therefore, the registration and use of the disputed trademark would not cause confusion or misrecognition among the relevant public and did not infringe the trade name right of Shanghai Bi Feng Tang Company. Meanwhile, the Supreme Court deemed the grounds made by Shanghai Bi Feng Tang Company for retrial unjustified, so the Court rejected the application for retrial and upheld the judgment of the second instance.

The significance of this case is how to reasonably define the legitimate rights and interests between the public and the IP right holders. The Supreme Court has set up a clear guide in the retrial and judgment of the case, which is worth being thought over in other related cases.

 Franchising

[Nanjing Baoqing Jewelry Chain Development Co., Ltd & Jiangsu
Chuangyu Co., Ltd vs. Nanjing Baoqing Jewelry Co., Ltd & Nanjing
Baoqing Jewelry Parent Company](#)

- Dispute over franchising contract
- The Jiangsu Higher Court [Case No.: (2012) Su Zhi Min Zhong Zi No.0154]
- The Jiangsu Nanjing Intermediate Court [Case No.: (2012) Ning Zhi Min Chu Zi No.456]
- This case was selected as one of the TOP 10 IP cases by Chinese Courts in 2014



Rule:

Franchisors possess absolute control over the franchised resources, but cannot refuse the franchisees' reasonable request for expanding the franchising network without justified reasons. Franchisees should comply with the franchising contract and cannot abuse the franchised resources. Considering the contributions made by the franchisees to the market value of the franchised resources, both parties' benefits should be fully considered and balanced when judging whether to terminate the franchising contract or not.

Remarks:

As the first bunch of "China Time-honored Brand" enterprises, Nanjing Baoqing Jewelry Co., Ltd (hereinafter referred to as "Baoqing Jewelry Company") and Nanjing Baoqing Jewelry Parent Co., Company (hereinafter referred to as "Baoqing Parent Company") have registered "Bao Qing" serial trademarks in jewelry classes. From 2005 to 2007, Baoqing Jewelry Company signed three

contracts with Nanjing Baoqing Jewelry Chain Development Co., Ltd (hereinafter referred to as “Chain Company”) and Jiangsu Chuangyu Co., Ltd (hereinafter referred to as “Chuangyu Company”) in respect of the franchised resources including “Bao Qing” serial trademarks and the service marks. All the parties agreed to cooperate in the way of franchising. During the contract period, business under “Bao Qing” brand has achieved great development and the annual turnover jumps to billions of RMB Yuan. But the cooperation was terminated due to the failure in the negotiation of joint investment project.

Baoqing Parent Company and Baoqing Jewelry Company sent letters to the Chain Company to terminate the contracts on the grounds of indicated defaults which have constituted fundamental breach of the contracts. Meanwhile, the two companies lodged serial litigations on the grounds of trademark infringement with regional courts in Jiangsu. The Chain Company and Chuangyu Company also sued for requesting court to confirm the notice of termination null and void. The Jiangsu Nanjing Intermediate Court made the first instance judgment, affirmed the notice of termination null and void, and rejected other claims made by the Chain Company. Both parties were dissatisfied with the judgment and applied for appeal. The Jiangsu Higher Court fully examined the case, corrected the proper applicable range of “Bao Qing” trademarks affirmed in the first instance judgment, and upheld the judgment of the first instance.

This case involves multiple parties and overlapped legal relations. When trying the case, the court should stick to the claims raised by the parties and determine the contractual relationships in accordance with the parties in the proceeding, but should not involve the contractual relationships of other parties into the trial (other parties and contractual relationships can be described as background information). Therefore, the court took the three contracts at issue as the standards for judging the legal acts and liabilities of the parties. The court of the second instance deeply analyzed whether the party’s acts had constituted a breach of the contract, and gave full consideration to the impact caused by the defaults on the achievement of the contract purpose, the basis of the cooperation and the root of the dispute. Particularly, the court considered the contributions made by the franchisee to the market value and the promotion of the franchised resources. To balance the benefits of each party, the court finally held that it was inappropriate to terminate the contracts under the current circumstances.

It is necessary to mention that when signing the contract, the disputing parties were not aware of the difference between trademark (and mark) licensing and the business franchising. Their original intention was to develop franchising chain by way of joint venture (or corporation), namely, to develop their business through joint venture or corporation as a franchisee (rather than the right holder). Under that circumstance, it might form more complex legal relations, especially when both parties failed to reach an agreement on establishing the distribution center by way of joint

venture or entity of other forms, or when one party transferred all of the stock rights of the established joint venture to the other party and caused disputes on redistributing the profit correspondingly. Therefore, the parties should have full understanding of the overall pattern of the future business activities before entering into the relevant contract.

It is also worth noting that whether the plaintiff's request for declaring the notice of termination null and void is appropriate. According to relevant provisions of the Contract Law, where one party claims to unilaterally terminate the contract but the other party disagrees, the party can request the court to confirm the validity of the termination of the contract. So in this case, it seems more appropriate for the plaintiff to request the court to confirm "the notice of termination has no legal force (rather than null and void)".

III. NTD Case Selection

Snowpeak Co., Ltd. vs. TRAB and LUO

- **Dispute over Trademark Opposition Review**
- **The Beijing Higher Court [Case Nos.: (2014) Gao Xing Zhong Zi No. 1557, No. 1520, No.1270]**

The image shows the word "Snowpeak" in a serif font, enclosed in a thin black rectangular border. The letters are black and the background is white.

On April 4, 2005, Zhejiang Xiyu Outdoor Gear Co., Ltd. (hereinafter "Xiyu Outdoor Company") filed No. 4579213, No. 4579228 and No. 4579246 trademark applications for "Snowpeak" (hereinafter "the opposed trademarks") in respect of animal hide and backpacks in Class 18, furniture and sleeping bags for camping in Class 20 and tents in Class 22, and then transferred the applications to an individual businesswoman whose family name is LUO. On September 21, 2008, the opposed trademarks were preliminary approved and published by the CTMO. Snowpeak Co., Ltd. (hereinafter "Snowpeak Company") filed the opposition proceedings in respect of the opposed trademarks, and the CTMO decided to approve the registration of the opposed trademarks during the opposition proceedings. Unsatisfied with the decisions, Snowpeak Company applied for the reviews to the Trademark Review and Adjudication Board (TRAB). On February 13, 2012 (during the review proceedings), the three opposed trademarks were transferred to LUO after the examination and approval by CTMO. Then TRAB ruled to maintain the registration of the opposed trademarks. Still unsatisfied with the decision made by the TRAB, Snowpeak Company

filed lawsuits before the Beijing First Intermediate Court and the court maintained the decision made by the TRAB. On January 28, 2014, Snowpeak Company appealed to the Beijing Higher Court for the disputes.

Besides the opposed trademarks, Xiyu Outdoor Company also applied for another 32 trademark applications and then transferred these applications to LUO. All the aforesaid trademarks or applications were foreign well-known outdoor brands. During the first instance, Snowpeak Company submitted additional evidence such as the trademark archives of the aforesaid 32 trademarks, relevant introduction of right holders and brands of aforesaid trademarks; documents proved Xiyu Outdoor Company was an outdoor gear company with reputation to certain extent, personal information of LUO and investigations of assignments of the opposed trademarks. All the additional evidences were to prove that LUO is no more than a nominal holder of the opposed trademarks and Xiyu Outdoor Company was evading the law on purpose. Finally, the Beijing Higher Court accepted the aforesaid evidences in the second instance, holding that the registration of the opposed trademarks was obtained by improper means. In accordance with Article 41 of the old Trademark Law, the Beijing Higher Court overruled the judgment made by the first instance and the decision made by the TRAB and supported the claims of Snowpeak Company.

According to Article 41.1 of the old Trademark Law (Article 44.1 of the new Trademark Law), a registered trademark shall be declared invalid by the Trademark Office if it is in violation of Article 10, Article 11 or Article 12 of the Law, or its registration is made by deceptive or other improper means. This Article clearly stipulated that this Article is applied to registered trademark. The legislative intent is to protect the order of trademark registration and to prohibit the breach of this order by deceptive or other improper means. In this case, some of the opposed trademarks have not been registered, but it can be deduced from the legislative intent that any of the trademarks cannot be approved for registration if the application is made by deceptive or other improper means. Judging on the issue of whether the disputed trademark belongs to those “obtained by other improper means”, except for deceptive means, it should consider the factor of disordering the trademark registration mechanism, the conduct that does harm to the public interest, the improper possessing of the public resource and other means to gain improper interests. In addition, according to relevant provisions of the Trademark Law, the civil subjects who apply for a trademark should have a real intention to use the trademark. The trademark application should be rational and legitimate. Moreover, when judging upon whether the disputed trademarks constitute similar marks, it should consider the constituent elements of the mark, the overall degree of similarity as well as the distinctiveness, the awareness of relevant trademarks and the association with the goods. Whether it will lead to public confusion should be confirmed as the criteria.

In this case, LUO had no real intention to use these trademarks but held a large amount of trademarks. Therefore, the final judgment was helpful to protect the interests of the prior trademark holder and the trademark registration order.

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