NTD INTELLECTUAL PROPERTY

IP CASE EXPRESS

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In this edition, we scanned all IP related judgments and adjudications published in July, 2014 on the Supreme Court's official website (http://www.court.gov.cn/zgcpwsw/); worked out the statistics based on all the IP related judgments and adjudications published by the Supreme Court and the 32 High Courts, and selected some significant cases with our comments to share with you.

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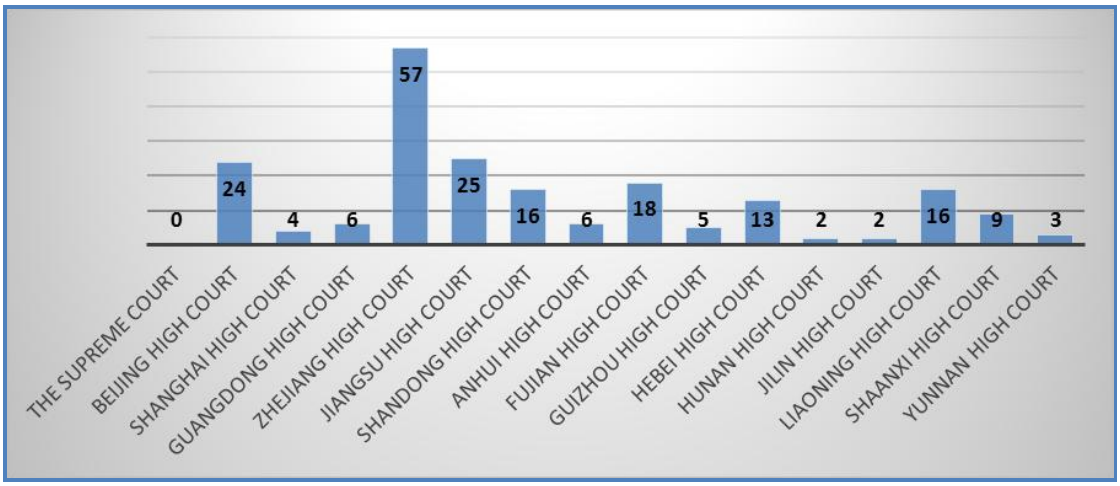
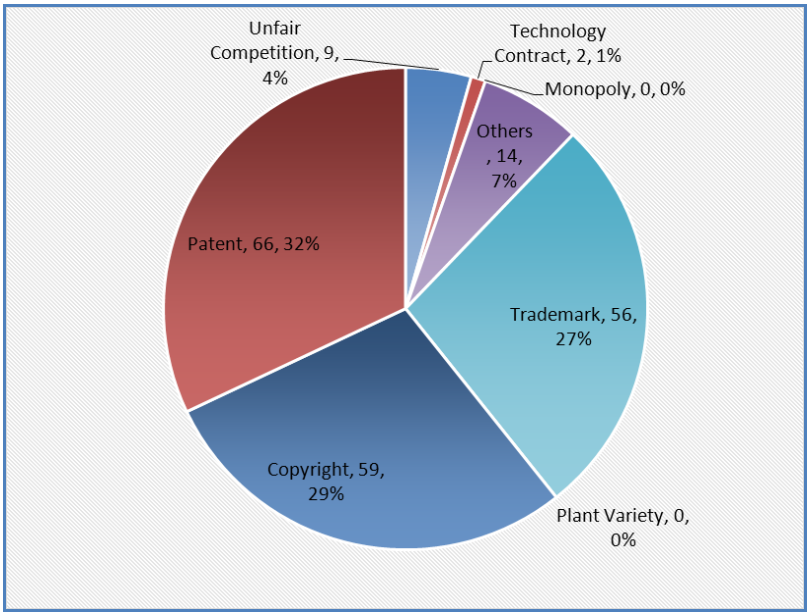
I. Statistics

- In July, 2014, 206 IP case decisions were published by 32 High Courts in China. Zhejiang High Court ranked No. 1 (57) followed by Jiangsu High Court (25) and Beijing High Court (24). No decisions were published by the Supreme Court in July.





Notes:

1） Decisions uploaded on the Internet are effective judgments and adjudications. First-instance judgments in the on-going appellant proceedings are not uploaded.

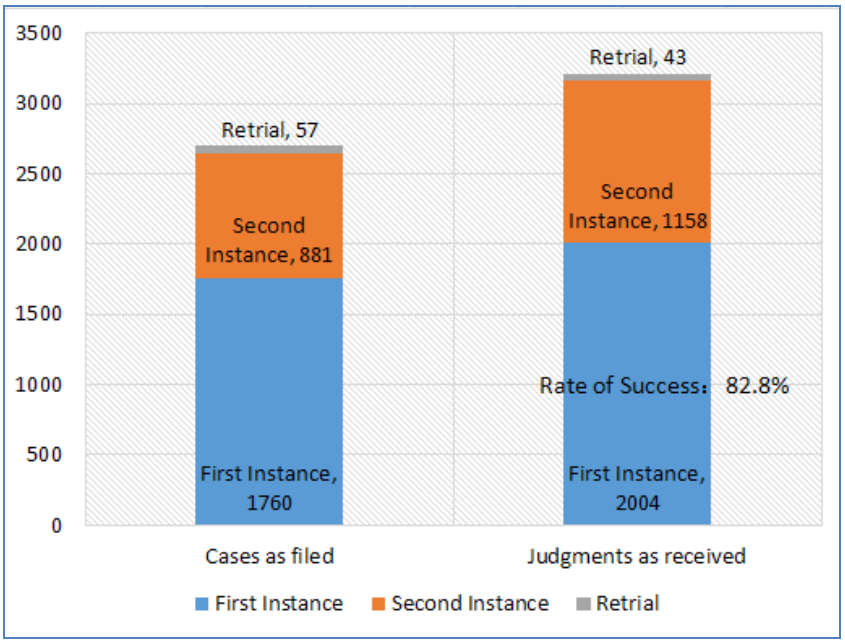
2） Not all enforceable judgments and adjudications issued by courts are uploaded. Cases involving trade secrets are not uploaded under the Exception rule of the Supreme Court Regulations. Also, some courts have not uploaded judgments and adjudications so far due to technical incapability.

Summary and Analysis of Administrative Litigation Regarding Trademark Review Cases in 2013

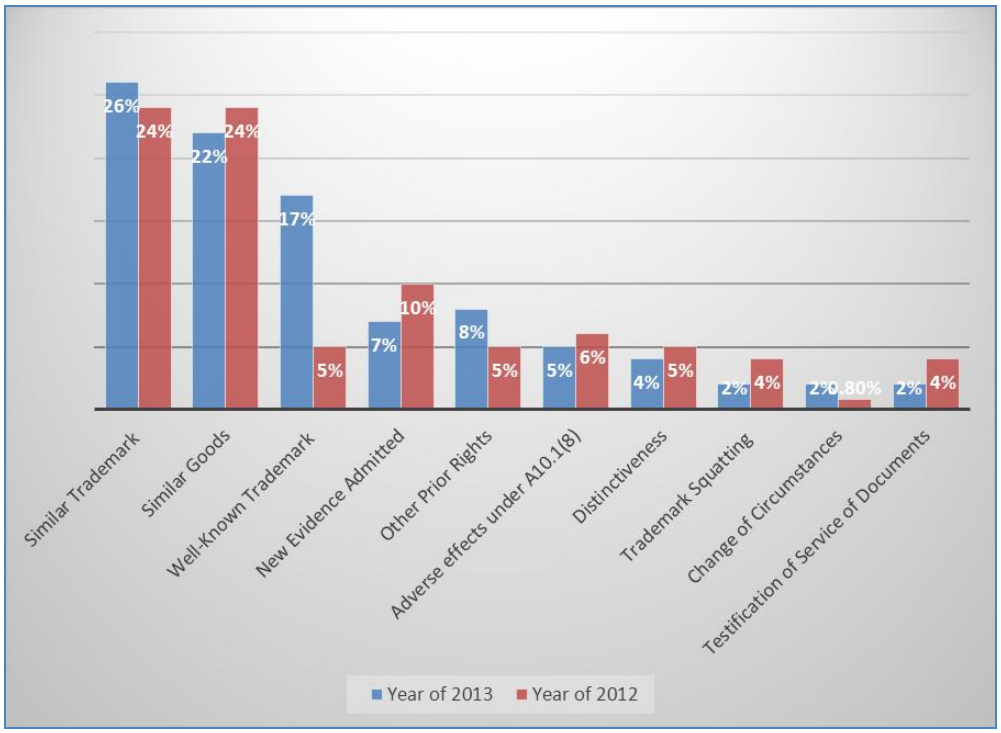
Source: The State Administration for Industry and Commerce Trademark Review and Adjudication Board Legal Communication Issue No. 63 (2014.7)

- In 2013, the Trademark Review and Adjudication Board (TRAB) made rulings on 144,200 trademark review cases, out of which 1,760 (1.22% of total) were brought to the Beijing No. 1 People's Court for administrative proceedings by the parties who were dissatisfied with the review decisions. 881 cases went through a second-instance proceeding at the Beijing High Court and 57 cases entered into the judicial stage of the hearing in the so-called trial supervision proceeding (or retrial as is called in practice) or went through the whole proceeding by the Supreme Court.

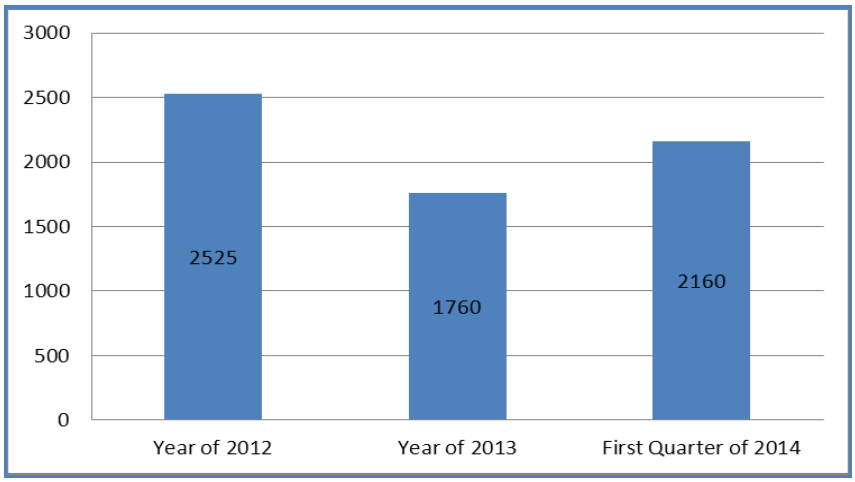
- In 2013, TRAB received 2,004 first-instance judgments, 1,158 second-instance judgments and 43 retrial judgments from courts respectively. Among the finished cases by the courts, in 2013, TRAB won 82.8% of first instance cases, and the rate was even higher for second-instance and retrial cases.



- The following table presents the reasons cases heard by TRAB lost comparing 2012 to 2013.



- In 2013, 1,760 trademark administrative litigation cases were appealed to the Beijing No. 1 People's Court, a 30% decrease compared to 2,525 cases in 2012. Two principal reasons were the enlarged number of the concluded trademark review cases and the delay in the issuance of acceptance notices by the court. For some review decisions made in 2013, TRAB did not receive acceptance notices from courts until 2014. Under such circumstances, TRAB encountered a huge increase of prosecution burden in 2014. The first quarter alone in 2014, TRAB received about 2,160 acceptance notices for first-instance cases, which is more than the total of the whole year of 2013.



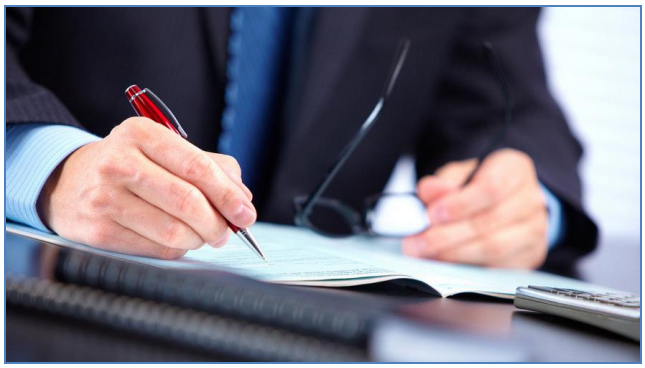
II. Comments on Typical Cases

Patent

Jiangmen Yatai Electromechanical Technology Co., Ltd. vs. Lei Bingquan regarding Utility Model Patent Infringement Dispute

- Guangdong High Court Civil Judgment (2013) Yue Gao Fa Min San Zhong Zi No. 15
- Guangdong Dongguan Intermediate Court Civil Judgment (2012) Dong Zhong Fa Min San Chu Zi No. 2

✓ 2013 Chinese Courts Top 50 Typical IP Cases



Rule: **For a patent infringement, the date when the sales behavior was conducted is considered the date that the accused infringement products are sold, which may also be the signing date of the sales contract. The accused infringer shall not assume any liability for sales prior to the date of the grant of the patent regardless of whether the technical features fall into the scope of the claims or not.**

Remarks:

The key controversy in the dispute was how to determine the date that the accused infringing products were sold. The patentee claimed that for some of the products the inspection and acceptance, as well as the payment, were effected after the authorized announcement of the disputed patent, although the accused infringement products were delivered before. Therefore, the date that the accused sales behavior was completed was later than the announcement of the patent. However, the accused infringer argued that the sales behavior should be considered completed when the seller delivered the subject products, while the acceptance and payment should be deemed as the buyer's act to honor the sales contract. This would show that the accused sales act was conducted earlier than the authorized announcement.

The court held that the act of selling under Patent Law is when a seller sells patented products unilaterally rather than trading done by both the buyer and the seller together. The date when the

sales behavior happens will be considered as the date that the alleged infringer sold the accused infringement products. Generally, the date that the seller and buyer signed the contract shall be deemed as the date that the actual sales behavior happens. Furthermore, when the date that the contract was signed and the date that the products were delivered are both earlier than the authorized announcement it will be held that the accused infringement behavior happened prior to the actual sales behavior. The coverage of the utility model patent under Patent Law should not include an act that happened before the grant of a patent or an act that happened after the expiration of the patent. Whether the technical features of the accused infringing products fall under the scope of the disputed patent claims or not, the alleged infringer will not be liable for the accused infringement.

Copyright

***Beijing Hanyi Keyin Information Technology Co., LTD vs. Frog Prince Chemical Co., LTD, Fujian Shuangfei Chemical Company and China Resources Suguo Co., Ltd* regarding Copyright Infringement Dispute**

- Jiangsu High Court Civil Judgment (2012) Su Zhi Min Zhong Zi NO. 161
- Jiangsu Province Nanjing Intermediate Court Civil Judgment (2011) Ning Zhi Min Chu Zi No. 59

✓ 2013 Chinese Courts Top 50 Typical IP Cases
✓ 2013 Jiangsu Courts Top 10 Typical IP Cases

汉仪秀英体	
（Font at Dispute）	（Alleged Infringing Trademark）

Rule:

1. According to Copyright Law, as long as it meets the requirements of originality, any single Chinese character in the character library should be regarded as a piece of art work and should be mandatorily protected.

2. For a font from the character library to be protected as a piece of art work, it must be original and possess a distinctly highly qualified aesthetic feature. In other words, a single character from the character library protected by law must be significantly different from those known by the public. Generally speaking, artistic calligraphy made by hand will always be regarded as original art work, because the standard for originality is different than that of a

font from the character library. Whether a character output is original is determined by running character library software comparing against the standard character and should be examined on a one by one basis.

Remarks**:**

The issue of this case is whether, according to Chinese Copyright law, the individual Chinese characters that were digitized after being formed by hand were collective works that refer to the whole character library. In the defendant's opinion, the character library was actually a work in its entirety of a unified style, which suggests that Hanyi Company did not own a copyright of a single Chinese character from the character library. This would be contrary to the facts that because the company had filed the library with the authorities and obtained software registration certificates and copyright registration certificates for the character library. In the case those facts could not be used as criterion to determine whether the company enjoys the copyright of a single character. The regulations under Copyright Law are used exclusively to determine the issue, and according to which, a single character from the library did not meet the originality requirements.

The court held that the use of computer technology could not change the essential quality of the character. Even though it had been digitized based on its initial script and made easier to copy, its potential as a piece of art work could not be denied. Like the situation in gaming software, which existed as a digital program, the scene generated by running the program could be protected as art work as long as it met the originality standard required by Copyright Law. Therefore, on the condition that the originality standard is met, a single character from the character library should be regarded as art work in accordance with Copyright Law and protected accordingly.

What needs to be pointed out is that, in light of the dual properties of the library font being both aesthetic and practical with the goal to make use of a Chinese character on computer, the library font was the intellectual output combining the aesthetic and practical. Therefore, to be protected as a piece of art work, the character must be original, and possess a distinct highly qualified aesthetic feature. In other words, to be protected by the law, a single character from the character library must be significantly different from that known to the public. Artistic calligraphy created by hand should be regarded as original art work, which is a different standard than that of library font. Moreover, a one by one examination is needed to determine whether a single character output is original by running character library software. If the protection criteria of a single character from a library was too low, it would be difficult to separate them from the font that already existed, which could cause confusion and impede regular use of a font that already existed in public. Given the above considerations, only a single character that is distinct and possesses a high qualified aesthetic feature that is significantly different than others in existence could potentially be regarded as a piece of art work and protected by law.

Trademark

Wenzhou Rongsheng Trade Co., Ltd vs. Lucheng Branch Office of Wenzhou AIC **regarding Administrative Punishment**

- Zhejiang Province Wenzhou Intermediate Court Administrative Judgment (2012) Zhe Wen Xing Zhong Zi No. 261
- Zhejiang Province Wenzhou City Lucheng District Court Administrative Judgment (2011) Wen Lu Xing Chu Zi No. 94

✓ Typical Cases published by the Supreme Court on July 23, 2014

Rules:

The authentication report provided by the rightful holder during an administrative investigation on a trademark infringement should reveal basic information such as the process of identification, the method adopted, differences between the authentic products and counterfeits. An over-simplified authentication report cannot be taken as evidence to determine the authenticity of the products involved.

Remarks:

The issue in this case was how in-depth an authentication report must be in order for the court to rely on it in making a decision on whether the product in question was authentic or not.

The court held that an over-simplified authentication report that does not include detailed information made using professional judgment cannot be used as evidence when determining the authenticity of the product involved in the infringement dispute. The court did guide that an authentication report provided by the rightful trademark holder during an administrative investigation should reveal basic information such as the process of identification, the method adopted, the differences between the authentic products and counterfeits, and other detailed relevant information. However, these are just guidelines and are not yet specific requirements of the law.

In this case, a shipment of liquor was found bearing the trademark "Guizhou Maotai." After an

investigation by the Lucheng Branch Office, a determination was made that the liquor found was counterfeit. This determination was made solely based on authentication reports that simply stated "packing materials: fake; quality of the alcohol: not produced by our company."

Following the decision made by the Lucheng Branch office the plaintiff filed for an administrative litigation with the court. The Lucheng District Court also held that the product in question was a counterfeit that infringed on the defendant's trademark rights.

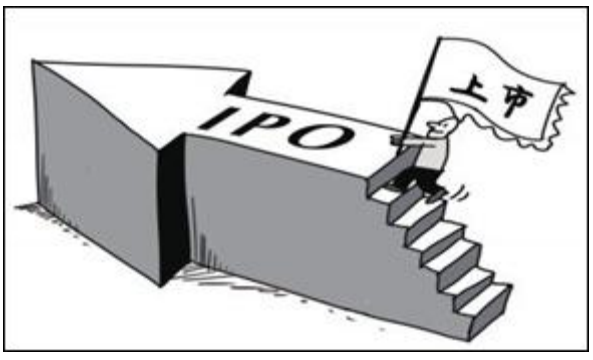
The plaintiff appealed again and the Wenzhou Intermediate People's Court overturned the previous decisions. The court ruled this way because it found that an authentication report must be done using professional judgment that cannot simply state "fake." The Court held that in order for an authentication report to be deemed valid evidence, the report must illustrate information such as the process of identification, the method adopted, the differences between the authentic products and counterfeits, and other detailed relevant information. It should be noted that the case only rejected the over-simplified authentication report, but did not explain requirements or any definitive test to determine what kind of specific details an authentication report should include.

Unfair Competition

Jiangsu Jianhua Pipe Piling Co., Ltd. vs. Shanghai Zhongji Pipe Industry Co., Ltd. regarding False Propaganda Dispute

- Jiangsu High Court Civil Judgment (2012) Su Zhi Min Zhong Zi No. 0219
- Jiangsu Province Zhenjiang Intermediate Court Civil Judgment (2012) Zhen Zhi Min Chu Zi No. 75

✓ 2013 Chinese Courts Top 50 Typical IP Cases



Rule:

When the Court is determining whether someone is using propaganda in a false and misleading way, the Court should take into account what kind of market transaction occurred and the corresponding scope based on different type of goods or services. For ordinary goods or services, consumer's ordinary judgment should be used and for specific goods or services, professional judgment should be used.

Remarks:

This case involves two parties, the plaintiff manufactures pipe pile while the defendant produces centrifugal square pipe. The two parties are horizontally competitive, as both are engaged in the pipe industry. During 2011 to 2012, when filing for an IPO (initial public offering), the defendant published two copies of prospectus on its own website as well as on the website of CSRC (China Securities Regulatory Commission). The plaintiff filed a claim that stated that more than 13 places in the two copies of prospectus were misrepresented, which constituted unfair competition.

The court ruled that, in accordance with the Anti-unfair Competition Law, propaganda that was false and misleading and mainly targeted ordinary markets of goods or services should use ordinary consumer judgment. And the court also held that for specialized goods or services, it should be judged upon the common attention of professionals. The pipe foundation involved in the case belonged to a special category of goods with special properties, so that a purchase of this kind of goods is usually determined by people with a background in technology and made according to the comprehensive judgment of the foundation and special circumstances of the construction. The owner of the construction project should not make the decision based on comparing statements of these two kinds of pipe foundations described in the prospectus. Therefore, the alleged misrepresented information in the prospectus could not mislead the general consumers. Meanwhile, as for the potential investors and the shareholders, they would make comprehensive considerations of the company management, the product features before they decided to buy the shares issued by the defendant. The alleged misrepresented information only made up a tiny portion of the prospectus, and it would not affect the decisions to be made by the investors. Therefore, the alleged information would not mislead the potential investors or the shareholders.

Jiangsu High Court held that the alleged misrepresented information in the prospectus was not totally true, but it was not false propaganda either. The defendant's behavior was not bad enough to be sanctioned by the application of Anti-unfair Competition Law. Therefore, Jiangsu High Court affirmed the first-instance judgment and dismissed the plaintiff's petition. This case is of great significance as to how to correctly define false propaganda behavior, and will also have a strong impact on similar cases in the future trial practice.

Guilin Nanyao Co., Ltd vs. Sanmenxia Sainuowei Co., Ltd regarding using without authorization another's unique package & decoration of famous commodity

- The Supreme Court Civil Judgment (2013) Min Ti Zi No.163
- Henan High Court Civil Judgment (2012) Yu Fa Min San Zhong Zi No.88
- Henan Province Luoyang Intermediate Court Civil Judgment (2011) Luo Zhi Min Chu Zi No.90

✓ 2013 Chinese Courts Top 50 Typical IP Cases
✓ Selected Typical Cases in Intellectual Property Cases Annual Report by the Supreme Court in 2013

	
Guilin Nanyao For Reference Only	Sanmenxia Sainuowei For Reference Only

Rule:

A unique package, used to decorate a famous commodity is protected by the Anti-unfair Competition Law, and can be transferred and inherited in accordance with relevant law.

Remarks:

The dispute of this case is whether the Lactasin tablets produced by Guilin Nanyao Company and the ones produced by Guilin Pharmaceutical Factory should be considered the same commodities after Guilin Pharmaceutical Factory was merged into Guilin Nanyao Company in 2001. The court of the second instance held that the Lactasin tablets produced by Guilin Nanyao Company and the ones produced by Guilin Pharmaceutical Factory were no longer identical commodities because of the changed producers and the different approval numbers. The Supreme People's Court corrected this concept and pointed out that, the change of the approval number was not solid enough to prove that the products made by the two companies were not the same. The name and specification of the Lactasin tablets produced by Guilin Nanyao Company were the same as those produced by Guilin Pharmaceutical Factory. In addition, this company had been producing Lactasin tablets continuously, even though the pharmaceutical approval number changed, the two commodities remained the same.

The Supreme People's Court mentioned that the unique package and decoration of a famous commodity should be the protected subject of the Anti-unfair Competition Law, and could be transferred and inherited. In this case, the Lactasin tablets produced by Guilin Nanyao Company were recognized as famous products, thus the package and decoration used constituted as a unique package and decoration of a famous commodity. In view of the fact that there existed a direct business relationship between Guilin Nanyao Company and Guilin Pharmaceutical Factory, the Lactasin tablets produced by these two should be deemed as the same commodity, and there was no substantial difference between the trademarks used on the package of Lactasin tablets (0.15mg) produced by the two companies. Therefore, Guilin Nanyao Company was entitled to inherit the unique package and decoration of the above-mentioned famous commodity owned by Guilin Nanyao Company. The package and decoration of the Lactasin tablets (0.15mg) designed by Guilin Nanyao Company also constituted a unique package and decoration of a famous

commodity.

Using, without authorization, another's unique commodity name, package and decoration, causes confusion to the consumers, and constitutes unfair competition. Finally, the Supreme People's Court revoked the judgments made by the first and second instance courts, and ordered Sainuowei Company to stop the illegal acts immediately and compensate Guilin Nanyao Company for its economic losses.

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.

−The End−