NTD INTELLECTUAL PROPERTY
IP CASE EXPRESS
Issue No.1 2014.03

2014.03.12

I. Preface

Pursuant to the *Regulations Regarding Publication of Court's Judgments on the Internet* announced by the Supreme Court of PRC in November 2013, **as of January 1, 2014**, all the Chinese Courts (with limited exceptions as listed in the Regulations) are required to publish all their judgments and adjudications at the Supreme Court's official website (http://www.court.gov.cn/zgcpwsw/) within 7 days after they become effective.

We browsed all IP related judgments and adjudications published on the website up to February 28, 2014 and made statistics on all the IP related judgments and adjudications published by the Supreme Court and 32 Higher Courts in order to see the big picture. Among the judgments and adjudications made by the Supreme Court, we selected some cases that were significant and made brief comments accordingly. We hope that this may be of some assistance to our colleagues who are interested in the development of judicial practice in the IP field of China.

NTD PATENT & TRADEMARK AGENCY LIMITED
NTD LAW OFFICE
10th Floor, Block A, Investment Plaza, 27 Jinrongdajie, Beijing 100033,P.R. China
Tel: 86-10-66211836 Fax: 86-10-66211845 E-mail: mailbox@chinantd.com Website: www.chinantd.com

Statement on the case samples for statistics is made as follows:

1） Given the large quantity of all the judgments uploaded by courts at each level, our statistics are only based on the cases published by the Supreme Court and 32 Higher Courts and does not include the cases in intermediate and local district courts.

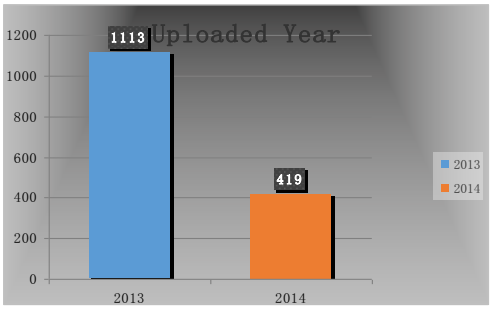
2） The decisions uploaded on the Internet are effective judgments and adjudications only. First-instance judgments in the appeal period are not uploaded.

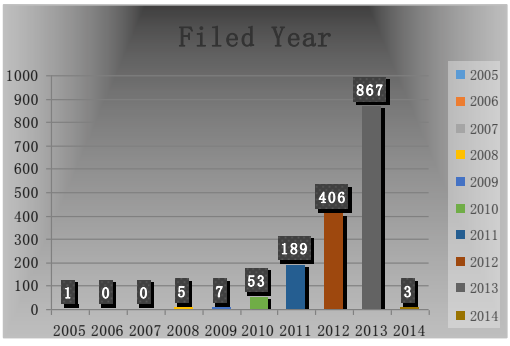
3） Not all the effective judgments and adjudications issued by courts are uploaded on the Internet. Some cases, like those involving trade secrets, are not uploaded under the Exception rule of the Supreme Court Regulations. Also, some courts have not uploaded judgments and adjudications so far due to technical issues.

II. Statistics

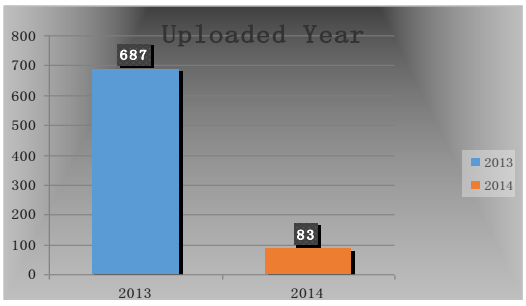
1. Up to February 28, 2014, The Supreme Court's official website *Judicial Opinions of China* has published a total number of 3,509 case decisions about intellectual property, including 1,532 decisions from the Supreme Court and 32 Higher Courts. Most of the cases were filed from 2011 to 2013 and most decisions were made during the period from 2011 to 2013 as well.

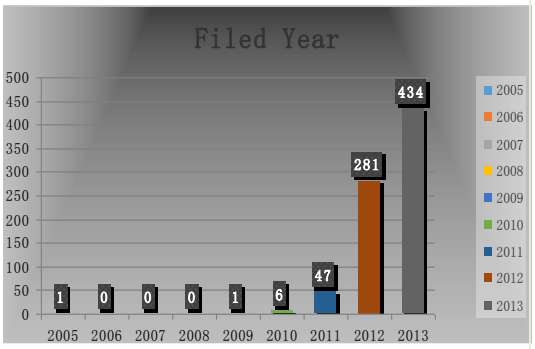
■ **Total Cases from the Supreme Court and 32 Higher Courts**

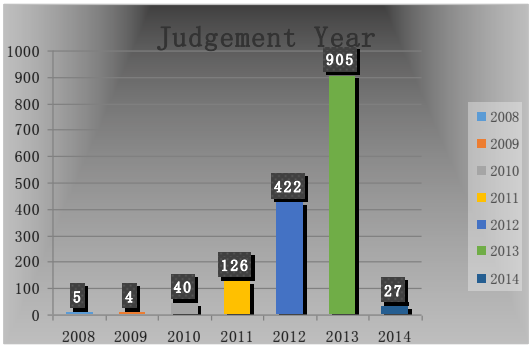


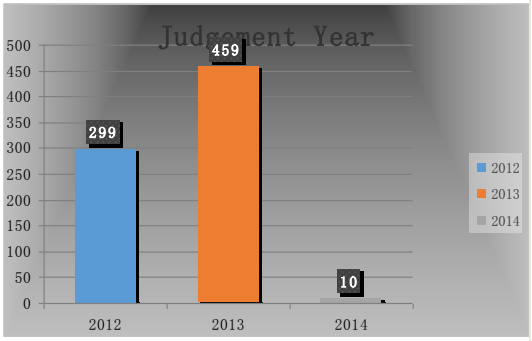


■ **Cases from the Supreme Court**



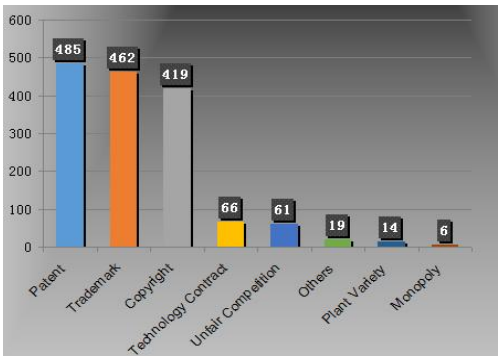


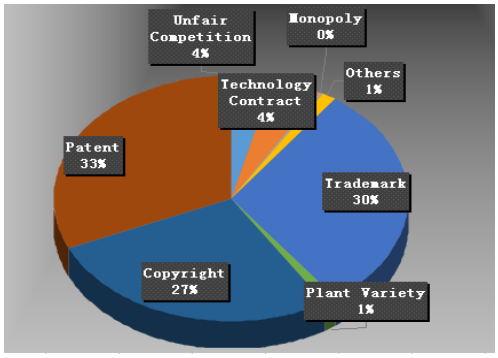




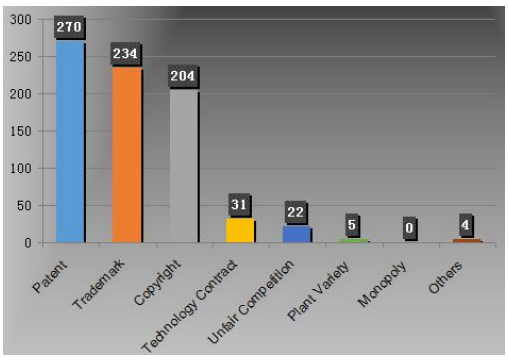
2. The number of cases about patents, trademarks and copyrights are ranked top 3, and cases relating to technology contract and unfair competition follows.

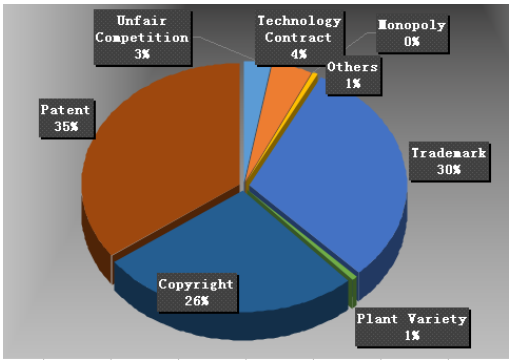
■ Total Cases from the Supreme Court and 32 Higher Courts





■ Cases from the Supreme Court

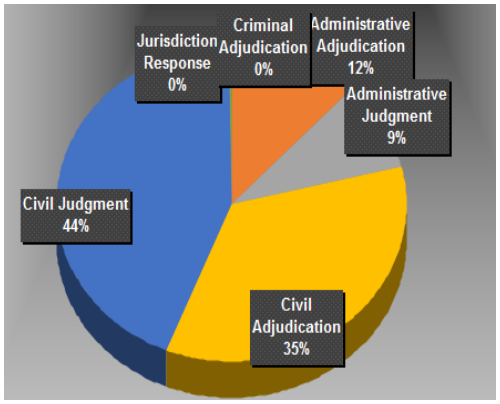




3. Among all the 1,532 decisions by the Supreme Court and 32 Higher Courts, 79% were civil judgments and civil adjudications. Among the 770 decisions issued by the Supreme Court, 71% were civil and administrative adjudications, and 29% were civil and administrative judgments.

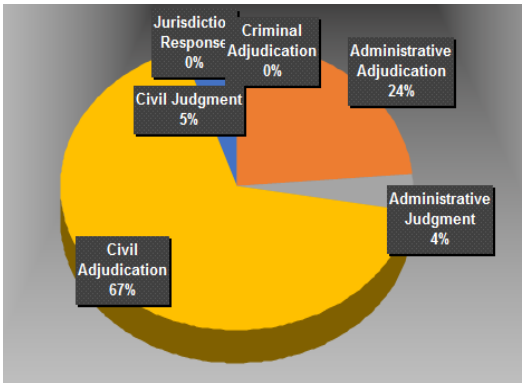
■ Total Cases from the Supreme Court and 32 Higher Courts

Type	Num
Jurisdiction Response	1
Administrative Adjudication	183
Administrative Judgment	140
Civil Adjudication	535
Civil Judgment	668
Criminal Adjudication	5

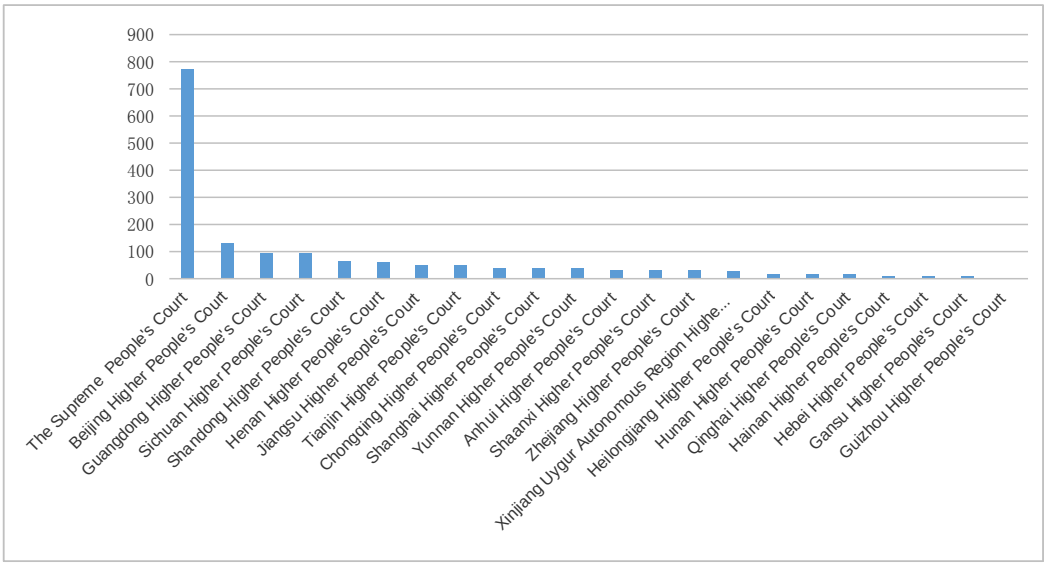


■ Cases from the Supreme Court

Type	Num
Jurisdiction Response	1
Administrative Adjudication	181
Administrative Judgment	32
Civil Adjudication	517
Civil Judgment	39
Criminal Adjudication	0



4. The Supreme Court published more decisions than other courts, 770 in total. Beijing Higher Court (128 decisions) and Guangdong Higher Court (89 decisions) ranked second and third. Overall 21 Higher Courts published effective decisions on the website so far.



No.	Court	Cases	No.	Court	Cases
1	The Supreme People's Court	770	12	Anhui Higher People's Court	28
2	Beijing Higher People's Court	128	13	Shaanxi Higher People's Court	28
3	Guangdong Higher People's Court	89	14	Zhejiang Higher People's Court	27
4	Sichuan Higher People's Court	87	15	Xinjiang Uygur Autonomous Region Higher People's Court	22
5	Shandong Higher People's Court	63	16	Heilongjiang Higher People's Court	10
6	Henan Higher People's Court	56	17	Hunan Higher People's Court	10
7	Jiangsu Higher People's Court	44	18	Qinghai Higher People's Court	10
8	Tianjin Higher People's Court	43	19	Hainan Higher People's Court	6
9	Chongqing Higher People's Court	35	20	Hebei Higher People's Court	6
10	Shanghai Higher People's Court	33	21	Gansu Higher People's Court	3
11	Yunnan Higher People's Court	31	22	Guizhou Higher People's Court	2

III. Selected Cases

Among all the uploaded cases, 770 were from the Supreme Court, which provide authoritative and valuable resources to IP professionals to study IP judicial practice in China. In this issue, we selected and briefly commented on 1-2 very important patent, trademark, copyright and unfair competition cases. In the upcoming issues, we will continue to select significant cases to share.

■ Unfair Competition

[Qihoo 360 Technology Co., Ltd, Qizhi Software (Beijing) Co., Ltd ("Plaintiff") vs. Tencent Technology (Shenzhen) Co., Ltd and Shenzhen Tencent Computer System Co., Ltd ("Defendant") **-- Second Instance Civil Judgment Min San Zhong Zi No.5 of (2013)]**

The Supreme Court Uploaded at 2014.02.25

— **Boundaries among technical innovation, free competition and unfair competition clarified**

This case, as the first dispute appealed to and adjudicated by the Supreme People's Court concerning unfair competition in cyberspace, has drawn much attention from the public, considering the Plaintiff and Defendant both are influential IT companies in China. The trial panel for this case was made up of five judges, including Judge XI Xiaoming, Chief Justice & Deputy President of the Supreme People's Court, who acted as the Chief Judge, and Judge Kong Xiangjun, Head of the IP Tribunal at the Supreme People's Court, who acted as the Presiding Judge.

The Supreme People's Court rendered its decision on Feb. 18, 2014 and upheld the ruling of the first instance court, in which the Defendant was asked to pay the Plaintiff 5 million RMB as compensation and make a public apology to eliminate any adverse effects.

This case involves a determination of whether competition rules in the Internet industry are in violation of *Anti Unfair Competition Law of RRC*. The Supreme People's Court summarizes and elaborates on five key issues in its judgment:

1. On business ethics in Internet industry

The principle of honesty and creditability under Article 2 of *Anti Unfair Competition Law of RRC* is cited in the Supreme People's Court decision, in which the Defendant's development and installation of QQ Guard was found to have constituted unfair competition against the Plaintiff. The Supreme People's Court points out that IT companies should do business under the principle of honesty pursuant to Article 2 of *Anti Unfair Competition Law of RRC*, and comply with the established business rules in the Internet industry. It further points out that rules and regulations made by trade management authorities and associations can be used as references when deciding whether a business activity is in compliance with established business ethics.

2. Denotations on business defamation

In the Supreme People's Court decision, the judges clarified that "falsified facts" relating to business defamation under Article 14 of *Anti Unfair Competition Law of RRC* included one-sided and misleading statements of true facts, and appraisals and comments on other business operators' products, services and business activities beyond the justified scope will be deemed as defamation.

3. Unfair competition by taking advantages of others' achievements

The decision holds that an IT company's acts that take advantage of others' achievements, like embedding its own products and services into others' products and services that have been successful in the market in order to gain competitive advantage and increase its own trading opportunities, will be deemed as unfair competition.

4. Boundaries among technical innovation, free competition and unfair competition

The Supreme People's Court holds that freedom of competition and innovation cannot injure others' legitimate rights and interests. Free competition and innovation in the Internet industry is

encouraged only when it is conducive to establishing an equal and fair market order, and brings good to the interests of the general public and the society. It will not be considered free competition and innovation if only certain technical improvements exist. The judgment further specifies whether a business mode constitutes a tie-in sale should be determined by relevant administrative and judiciary authorities, and whether other business operators have no right to make a judgment and take counter-measures based on their own standards.

5. About the amount of compensation

The Supreme People's Court held that damages caused by the defendant's infringing acts should include: the decrease in revenue and network traffic, block-outs of marketing channels for new products, tarnish to the brand name's reputation and corporate goodwill, and so forth. In addition, the judges also took into consideration additional factors such as: when in cyberspace, infringing acts can spread rapidly when the defendant was obviously acting with malicious intent, where the plaintiff and its brand name represent enormous market value, and when the plaintiff has spent a reasonable amount of money to stop the infringing acts. The final decision in the present case was to award 5 million RMB to the plaintiff.

To conclude, this case presents important references for future unfair competition disputes under the current new economy and market conditions in China, especially in the IT industry. In this case, the Supreme People's Court not only settled the dispute correctly, elaborated in great detail on the applicable laws, but also concisely expounded on the relationship between technical innovation and unfair competition, pointing out that the development of Internet relies on and advocates free competition and innovation. However, the case does not mean that the Internet is unfettered without being bound by laws.

■ Patent

[*Weifang Henglian Pulp & Paper Making Co., Ltd. vs. Yibin Changyi Pulp Co., Ltd. and Chengdu Xinruixin Plastic Co., Ltd.* regarding Invention Infringement Dispute-- The Supreme Court Civil Ruling No. 309 of (2013)]

The Supreme Court Uploaded at 2014.01.02

— Burden of Proof Relieved for Patentee in Patent Infringing Disputes regarding Manufacturing Method for Old Product

This case involves a patent infringement dispute regarding a product manufacturing method, in which the product viscose wood pulp is not new.

China's current laws and regulations provide that if a patent infringement case involves a method of manufacturing a new product, the burden of proof to prove that the product manufacturing process is different from the patented method will be on the alleged infringer. However, the burden of proof in a patent infringement involving a manufacturing method for an old product has

not yet been clearly defined.

In the judgment of this case, the Supreme Court held that in a patent infringement case involving a manufacturing method for an old product the patentee could only prove that the alleged infringer manufactured the same product if the alleged infringer's use of the patented method could not be proven based upon the patentee's reasonable efforts to do so. In this circumstance, the court could refer to Article 7 of *Some Provisions of the Supreme People's Court on Evidence in Civil Procedures* and assign the burden of proof to the alleged infringer without requiring any further evidence from the patentee. In cases that there is a significant possibility that the same product might be manufactured through the patented manufacturing method, the court must take into consideration the specific details of the case and the known facts and daily life experiences. Thus, the patentee no longer is required to provide further evidence and the alleged infringer must prove that its manufacturing method differs from the patented method.

[*Shimano Co., Ltd. vs. Patent Reexamination Board and Ningbo Saiguan Bicycle Co., Ltd.* regarding Invention Invalidation Administrative Dispute--The Supreme Court Administrative Judgment No. 21 of (2013)]

The Supreme Court Uploaded at 2014.01.22

— Supreme Court's Latest Explanation for Determining whether the Amendment to the Application is beyond the Initial Scope

The focus of the dispute was to determine whether the amendment of "round bolt hold" to "round hole" and "mould pressing" to "pressing" went beyond the scope of the disclosure contained in the initial description and claims.

The law that is relevant to making amendments to an application is *Article 33 of Chinese Patent Law and Guidelines for Patent Examination*, which provides that when amending the application documents, introducing any content that cannot be directly and unambiguously derived by a person skilled in the art from the initial description and claims shall be regarded as having gone beyond the scope described in the initial description and claims.

Instead of referring to the above clause in *the Guidelines for Patent Examination* or the holding of the famous SEIKO EPSON ink cartridge case ruled in 2011 that said that the allowed scope of an amendment to an application should be "directly and definitely deduced," the Supreme Court held in this case that "the disclosure contained in the initial description and claims" shall be "the content disclosed in the original description, drawings and claims in the form of text and graph and also that can be determined according to the initial description and claims by a person skilled in the art." In the judgment, the term "innovation point" is introduced and defined as "the technical features that reflect the contribution of the invention to the prior arts." Furthermore, the judges held that the original intent of Article 33 of Patent Law is to make a distinction between innovation and non-innovation when determining whether the amendment is beyond the scope of the initial disclosure in a patent prosecution.

■ Trademark

[*Quanyou Furniture Co., Ltd vs. Chengdu Quanyou Electrical Co., Ltd. and TRAB* regarding Trademark Review to Opposition Administrative Dispute -- The Supreme Court Administrative Judgment No. 3 of (2013)]

The Supreme Court Uploaded at 2014.01.02

— The requirement of evidence to prove a well-known trademark should not be too high of a bar

中国驰名商标

The extremely high standard of evidence applied by administrative and judicial authorities in well-known trademark disputes has long been criticized by relevant parties in China. The newly amended Trademark Law of PRC changed the legal definition of a well-known trademark from "widely known by the relevant public" to "well known by the relevant public." This slight change of wording gave trademark owners hope that the threshold to be found as a well-known trademark might be lowered under the new law.

In this case, the trademark owner's claim of well-known status of its mark was rejected by the Trademark Office, TRAB, the trial court and the appeal court according to their usually high standard of evidence requirement. The Supreme Court overruled all the prior decisions and judgments and recognized the well-known status of the trademark in dispute, and clearly stated in its judgment that "the evidence requirement applied by TRAB and both trial and appeal courts were too high." In its opinion, the Court defined "well-known trademark" as "trademarks that have a **relatively high** reputation in the market, and are known well by relevant public," and further held that the evidence submitted by the trademark owner was sufficient to prove that "the manufacture and sale of the goods bearing the mark in dispute have reached a **certain scale,**" "the trademark owner has made **certain advertising and promotional activities** and obtained a **certain reputation** in the market," thus, the trademark in dispute can be determined as "known well by relevant public." Some evidence that originated after the filing date of the opposed mark and only showed the trademark owner's trade name (same to its cited mark) was also taken into consideration by the Court.

This case was a retrial granted by the Supreme Court on its own initiative. Through this judgment the Supreme Court sent a clear message that the requirement for evidence to prove a well-known

trademark should not be too high. After the new Amendment of Trademark Law becomes effective on May 1, 2014, we might see more cases where the courts recognize well-known trademarks with a lowered threshold.

[*BAOJIA Trademark Co., Ltd. vs. Trademark Review and Adjudication Board(TRAB) & CHEN Junxian* regarding Trademark Review to Opposition Administrative Dispute --The Supreme Court Administrative Ruling No. 38 of (2012)]

The Supreme Court Issued at 2012.12.04

— **Minimum intellectual creativity should be a prerequisite for a trademark to be protected by claiming prior copyright.**

In trademark cases at TRAB, more and more trademark owners began to fight with bad-faith filings based on prior copyrights of their trademark logos. Those types of claims acquired a lot of support from TRAB and the courts. However, due to the lack of a clear standard regarding the level of originality needed to be considered copyrightable works in the Copyright Law, whether a trademark logo is original enough to be entitled to copyright protection often becomes a major issue of dispute in this kind of cases.

In this case, the plaintiff claimed copyright upon the trademark composed of two Chinese seal characters "超羣" (whose pronunciation is CHAO QUN means "outstanding" in Chinese). The Supreme People's Court held that the two characters "超羣" in the plaintiff's trademark were not unique in style, writing method, or appearance and were only slightly different from the traditional fonts of seal characters and clerical script characters. The court held that the characters should not be deemed as constituting originality on a relatively high creativity level. In regards to the ambiguous, scattered, irregular frame in the cited trademark, it was only a common feature among archaizing seals in China, and did not constitute originality due to a failure to achieve the minimum level of creativity required. In regards to the expression methods of a combination of characters and frame, it was also a common feature among regular traditional seals and failed to achieve the requisite creative level and was not original. In conclusion, although the cited trademark was independently completed by the plaintiff, it should not be deemed as a work protected by the Copyright Law because of its failure to achieve the minimum intellectual creativity.

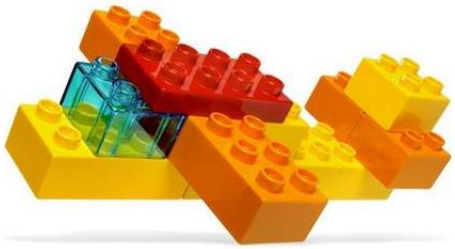
Through this case, the Supreme People's Court explicitly indicated that originality should be established on the basis of both "independent completion" and "minimum intellectual creativity." A certain level of intellectual creativity can reflect the unique intellectual judgment and choice of the author, express the personalities of the author and meet a certain requirement of creation. Therefore, both "independence" and "creativity" are indispensable.

■ Copyright

[*LEGO Group vs. Guangdong XIAOBAILONG Cartoon Toys Industrial Co., Ltd. and Beijing HUAYUAN XIDAN Shopping Center Co., Ltd.* regarding Copyright Infringement Dispute -- The Supreme Court Civil Ruling No. 1365 of (2013)]

The Supreme Court Uploaded at 2013.12.26

— The copyrightability of an industrial product depends on its originality in its aesthetic field.



（Not the toy blocks in dispute, for reference only）

The copyright dispute case between LEGO Group and KEGAO Company in 2002 was named as one of the Top Ten IP Cases in China that year by media. It was the first time that a court in China confirmed the copyright of a work of applied art and granted legal protection. When Beijing Higher People's Court issued its final judgment in favor of LEGO Group, LEGO published a comment on its official website, saying that this case was a milestone in the history of China's IP rights protection. AP also reported that this case indicated an improvement of IP protection in China since joining the WTO.

However, 56 similar lawsuits filed by LEGO Group in 2011 were not supported by Beijing Higher People's Court. Afterwards, LEGO Group instituted a request for review upon these cases, in which the Supreme People's Court also overruled their claims.

In these 56 cases, the issue of dispute was whether the involved toy blocks should be deemed as works of fine art, which constitute objects protected by the Copyright Law. In this issue, the most disputable question is the affirmation of the originality of works of fine art. The Supreme People's Court held that the affirmation of originality should be determined on the basis of specific facts.

The toy blocks involved were quite different from the blocks in the LEGO case in 2002 in terms of expression form. Therefore, the decision of the prior effective judgment should not replace the examination of the originality of the work in these new cases. Since the blocks involved were parts of the toy block combinations and did not reflect any unique personality or thought of the author, they did not constitute originality as required by works of fine art. The objective of copyright registration was to provide preliminary proof for solving copyright disputes. The registration itself did not necessarily become the decisive basis for copyright protection.

Through this case, it could be concluded that objects with both aesthetic merit and practical merit were not necessarily protected by the Copyright Law of China. Whether they should be deemed as works of fine art depended on their originality in its aesthetic field. Since there is no unified standard for originality, the confirmation of originality should be made on a case by case basis.

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−