



# IP CASE EXPRESS



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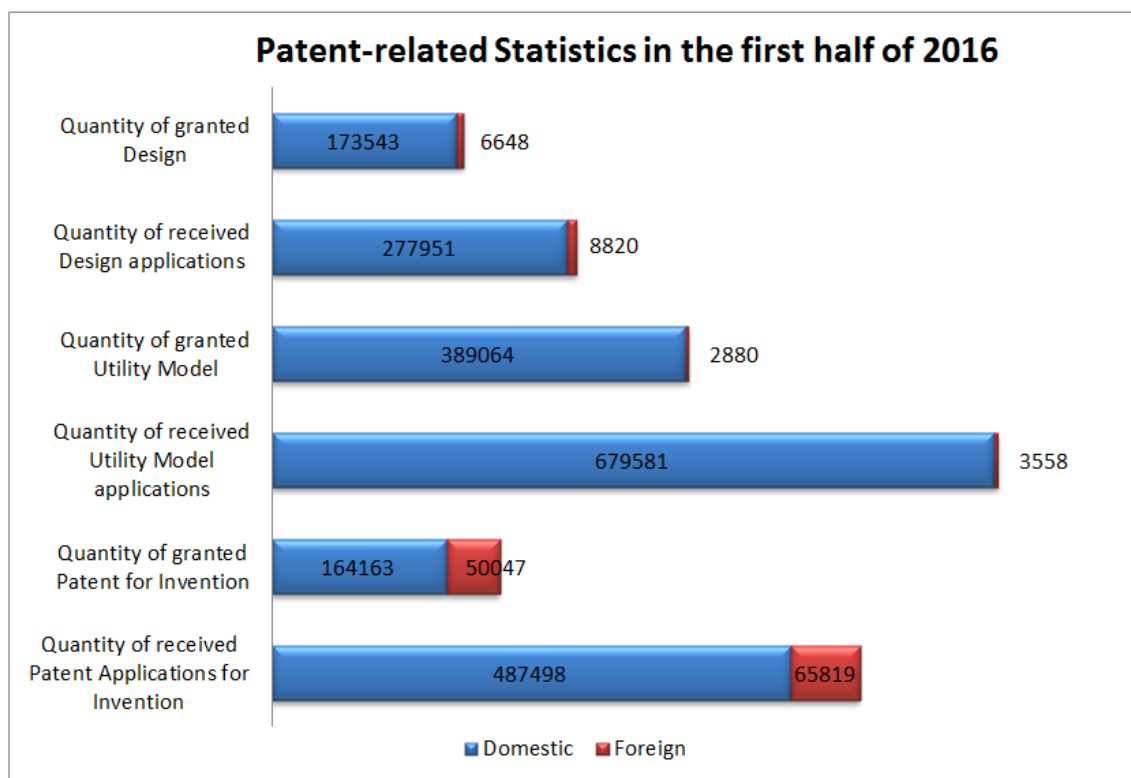
## Table of contents

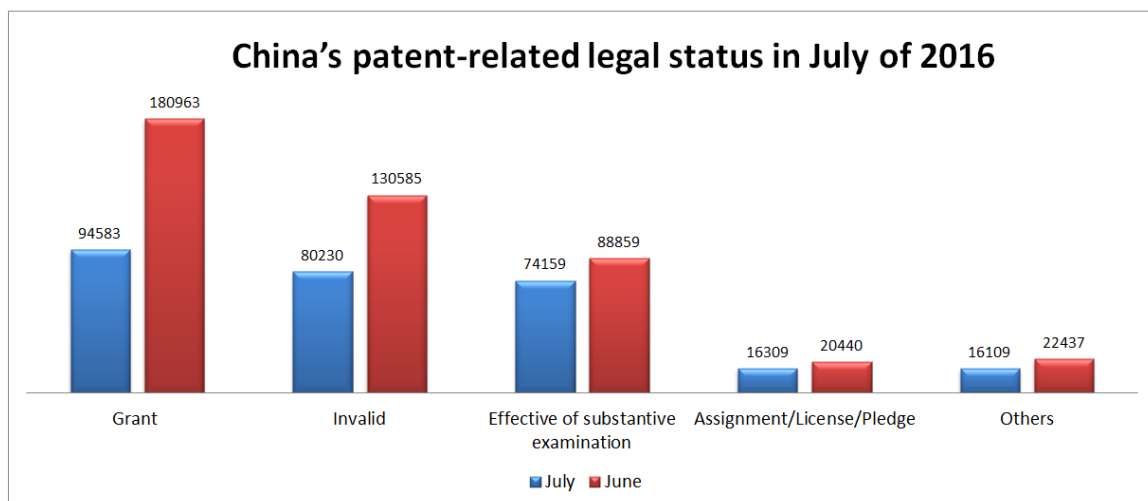
I. <b>Statistics</b> .....	- 2 -
China's Patent-related Statistics.....	- 2 -
II. <b>Comments on Typical Cases</b> .....	- 5 -
<b>Patent</b> Eli Lilly and Company v. WATSON Pharmaceuticals (Changzhou) Co., Ltd.....	- 5 -
<b>Trademark</b> Zhou Lelun v. "New Balance Trading (China) Co., Ltd.....	- 7 -
<b>Copyright</b> Beijing Daoshi Hudong Network Technology Co., Ltd. v. Hubei Radio Television and Wuhan Zhuoxun Hudong Information Science & Technology Co., Ltd. ....	- 10 -
<b>Unfair Competition</b> LeTV Information Technology (Beijing) Co., Ltd. v. Shanghai Damo Network Technology Co., Ltd. ....	- 13 -
III. <b>NTD Case Selection</b> .....	- 16 -
Administrative Protection Case of the Well-Known Trademark "TISSOT".....	- 16 -

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

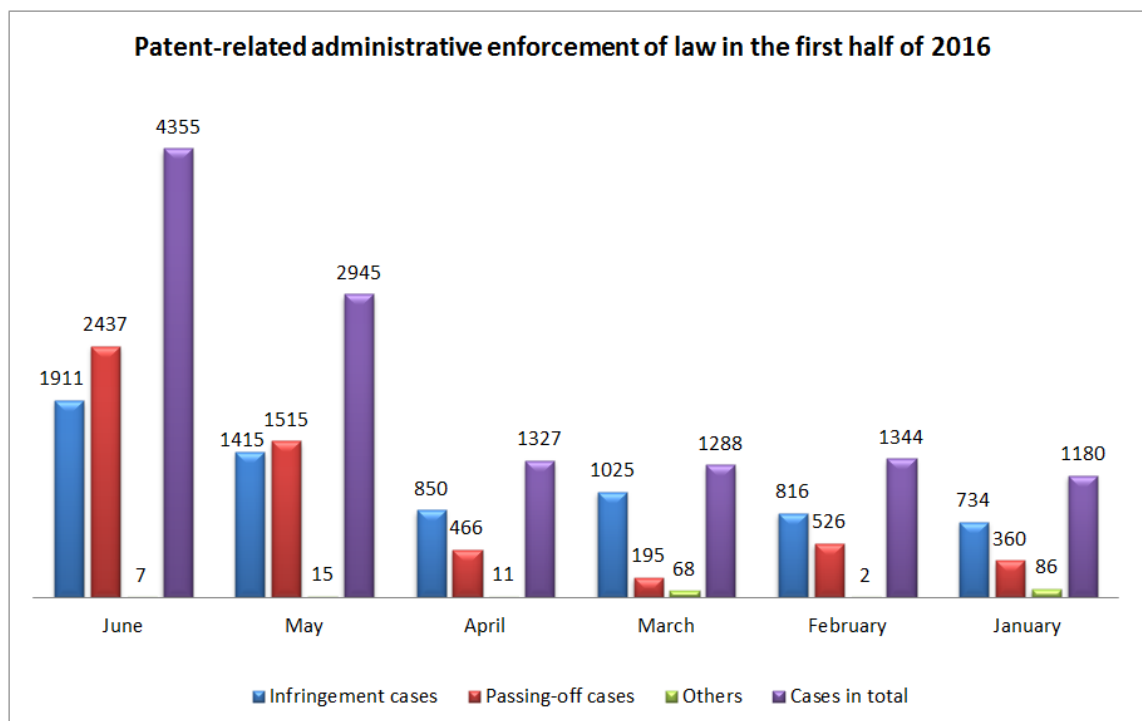
## I. Statistics

### China's Patent-related Statistics

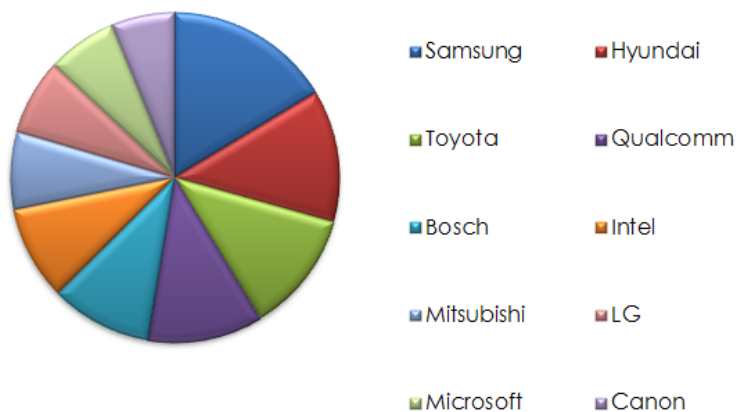




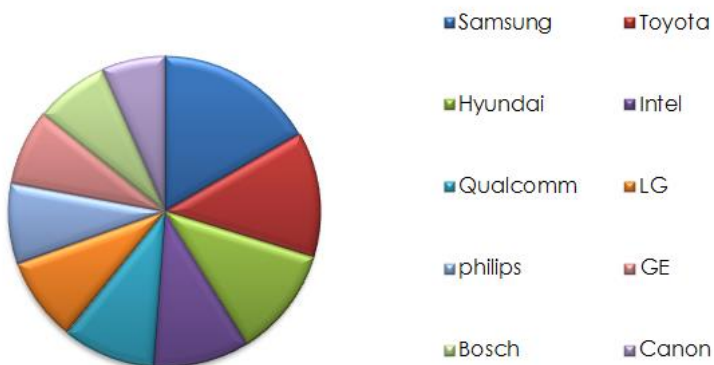
- Referring to the changes about the Chinese patent legal status in July, 2017, there were 94,583 granted patents, declining by 47.73% month on month; 80,230 invalid patents, declining by 38.56% month on month; 74,159 patents entering substantive examination, declining by 16.54% month on month; 16,309 patent assignments /licenses/pledges in total, declining by 20.21% month on month.



**Top 10 of foreign applicants in China in June of 2016**



**Top 10 of foreign applicants in China in July of 2016**



- In July, 2016, there were changes regarding the ranking of foreign applicants applying patents in China. The top three were Samsung Electronics, Toyota Motor Corporation and Hyundai Motor Company. Philips and GE replaced Mitsubishi and Microsoft Technology Licensing, LLC in the ranking of top 10.

## II. Comments on Typical Cases

### Patent

#### Eli Lilly and Company v. WATSON Pharmaceuticals (Changzhou) Co., Ltd.

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- *The Supreme Court Civil Judgment*  
(2015) Min San Zhong Zi No. 1
- *Jiangsu Higher Court Civil Judgment*  
(2013) Su Min Chu Zi No. 0002



VS



#### Rules:

**For patent infringement happened before the expiration of the patent right and after bringing a patent infringement lawsuit to the court, another action may be brought to the court separately, if the litigation claims can't be changed during the process of the original lawsuit. It does not constitute a repetitive suit.**

#### Facts:

Eli Lilly and Company (herein after referred as Eli Lilly) owned an invention patent on a method for manufacturing Olanzapine, which is a new product (patent number: 91103346.7, filing date: April 24, 1991). In September 2003, Eli Lilly brought an action to Nanjing Intermediate Court, claiming that WATSON Pharmaceuticals (Changzhou) Co., Ltd (herein after referred as WATSON) infringed its above mentioned patent. Nanjing Intermediate Court held that there was no infringement, and rejected the litigation claims of Eli Lilly. Eli Lilly appealed to Jiangsu Higher Court, who reversed the first-instance judgment and held that Watson infringed the patent of Eli Lilly and ruled that Watson should compensate Eli Lilly 500,000 Yuan.

In July 2013, Eli Lilly brought another action to Jiangsu Higher Court, alleging that the proceedings of the above case lasted from September 2003 to April 2011, that is, 91 months, in the duration of which the Watson continued its infringement activity; but the damages in the above case was calculated only until the case started. Therefore, it requested Watson to pay an additional compensation of 151,060,000 Yuan. In the first instance of the second case, Jiangsu Higher Court held that Watson committed infringement and, with comprehensive consideration and according to the principle

of fairness, Watson shall compensate Eli Lilly 3.5 million Yuan. Watson was unsatisfied with this judgment and appealed to the Supreme Court, who then reversed this judgment and held that: this case was not a repetitive suit; the claims of Eli Lilly were made within the prescribed period for litigation; but the Olanzapine manufacturing method used by Watson did not fall into the scope of the patent in dispute. It, therefore, rejected the litigation claims raised by Eli Lilly but decided that Watson should bear the majority part of the court fees.

**Remarks:**

This case involves many interesting issues, including fact ascertainment, application of law and trial procedure. Here, we focus on whether the latter case constituted a repetitive suit.

Article 247 of the Judicial Interpretation of the Civil Procedure Law stipulates three elements of a repetitive suit: (1) the party concerned in the latter action is the same as the former; (2) the object of the latter action is the same as the former; (3) the litigation claims of the latter action are the same as the former, or the claims of the latter action substantially reverse the judgment of the former. When a later case meets all these three criteria, it would constitute a repetitive suit. In the present case, the damage claimed by Eli Lilly in the former action was actually calculated till September 2003, i.e.

the date of complaint of the former action, while the damage of the latter action was calculated from 2003 to 2011. Although the parties concerned in the former action and the latter action were the same, and the object of actions were the legal relation caused by the same act of patent infringement, the litigation claims of the two suits covered infringement activities in different time periods. Thus, the two legal actions did not constitute repetitive suits.

This case gives us an inspiration that, in patent infringement cases or other intellectual property infringement cases, if failed to claim damages in a timely manner based newly obtained evidence on continuous infringement in a former action, we may consider bringing another suit to compensate the patentee for the damages caused by this continuous infringement during the proceeding of a former action.

Meanwhile, this case was also the first case where the Supreme Court designated a technical investigator to court hearing, which is also a highlighted point of the case. The technical investigator, as a judicial assistant, questioned the parties and their expert witnesses on technical issues directly, to assist the court to find out technical facts.

Author: Jonathan Miao

Translator: Jonathan Miao

## Trademark

### Zhou Lelun v. “New Balance Trading (China) Co., Ltd.

- *Guangdong Higher People’s Court Civil Judgment (2015) Yue Gao Fa Min San Zhong Zi No. 444*
- *Guangzhou Intermediate People’s Court Civil Judgment (2013) Sui Zhong Fa Zhi Min Chu Zi No. 574*



#### Rules:

**1. The possibility of causing confusion is an essential condition for trademark infringement. Confusion includes forward confusion (misidentification, mistaken purchase) and reverse confusion (wrong cognition), which both constitute trademark infringement.**

**2. The amount of compensation for infringement upon the exclusive right to use a trademark may be the profits the infringer gets from its infringement act during the infringement period. However, when calculating the amount of compensation for infringing the exclusive right to use a trademark, it shall be noted whether the infringer’s total product profits are directly caused by the infringing acts, that is, the rate of**

**contribution of the infringing mark to the profits of the infringing product.**

#### Facts:

Trademark No. 865609 “百伦” was approved to be registered by Chaoyang Industrial and Economic Development Headquarters Shoes & Hats Company on August 21, 1996 and designated to use on the goods of “clothing, shoes, hats, socks” of international classification 25. The term of validity lasted from August 21, 1996 to August 20, 2006, and then renewed to August 20, 2016. The trademark was approved to be transferred to Zhou Leheng on March 28, 1998, and then to Zhou Lelun on April 21, 2004.

Zhou Lelun applied for registering trademark No. 4100879 “新百伦” on June 4, 2004. After the trademark was preliminarily examined and announced on October 7, 2007, an opposition was brought against it. On July 18, 2012, the Trademark Office of China ruled that the opposition against such trademark was untenable, and such trademark was approved of registration and designated to use on “shoes (for feet); boots; slippers; short-sleeve shirts; clothing; clothing of leather; socks; ties; belts (clothing); jerseys” of international classification 25. The term of validity of such trademark lasted from January 7, 2008 to January 6, 2018.



Zhou Lelun filed a lawsuit with Guangzhou Intermediate People's Court on July 15, 2013, claiming that "New Balance Trading (China) Co., Ltd." (hereinafter referred to as New Balance) et al. used "新百伦" in business propaganda (sales checks, sales receipts, cards, commodity price tags, Product Brochure, Product Synopsis, video ads, website names, microblog name, names of shops on we.taobao, business promotional activities, product introduction, introduction to specialty stores), so it infringed its exclusive right to use trademark No. 865609 "百伦" and trademark No. 4100879 "新百伦." Zhou Lelun therefore requested the court to judge that New Balance should immediately stop its infringement act and requested economic compensation from New Balance according to the latter's profits. Guangzhou Intermediate People's Court decided that New Balance's infringement act was tenable, and New Balance should compensate Zhou Lelun 98 million Yuan for the latter's economic loss. After the first-instance trial, New Balance, in refusal of the judgment, appealed to Guangdong Higher People's Court. Guangdong Higher People's Court held after hearing the case: (1) The act of New Balance closely associated mark "新百伦" with marks "NewBalance" and "NB," and such act of use was sufficient to mislead the relevant public to believe that "新百伦" was a trademark of New Balance, and that Zhou Lelun was seeking connection with the business reputation of New Balance and infringed the trademark right of New Balance. Such act of New Balance split the association between Zhou Lelun and the registered trademarks in this case, and damaged Zhou Lelun's exclusive right to use a trademark. (2) When calculating the amount of compensation for the infringement

upon exclusive right to use a trademark, it shall be noted whether the infringer's total product profits were directly caused by the infringing acts. New Balance didn't get all its profits from the mark "新百伦," therefore Zhou Lelun didn't have the right to claim compensation from the profits of New Balance which derived from trademark reputation of New Balance or the values of its commodities. Therefore, Zhou Lelun's ground that all product profits of New Balance during the period it was charged with infringement should be used as the basis of calculating damage compensation was untenable.

#### **Remarks:**

(1) The law reserves the space of use for a trademark after it is approved of registration. Reverse confusion splits the specific association between a trademark and its registrant, and squeezes the space of market development of such trademark registrant, thus it constitutes trademark infringement.

(2) Where the infringer's profit is taken as the calculation basis of damages, it shall be clarified that such profit is not the total amount of profits the infringer gets from infringing products, and it shall be noted whether the infringer's total product profits were directly caused by the infringing acts, that is, the infringing mark's rate of contribution to the profits that are got from infringing products. But in practice, there isn't any clear standard or reference for calculating the rate of contribution to profits, so the claim that the infringer's profits should be used as the compensation amount is hard to be supported by the court.





When determining the amount of  
Compensation ex officio, the people's court  
shall take into consideration such factors as  
the nature, period, consequences of the act  
of tort; trademark reputation; the amount of

trademark licensing fees; and reasonable  
expenses on stopping the act of tort.

Author: Tao PANG

Translator: Nathan YANG

## Copyright

### Beijing Daoshi Hudong Network Technology Co., Ltd. v. Hubei Radio Television and Wuhan Zhuoxun Hudong Information Science & Technology Co., Ltd.

- Hubei Higher People's Court Civil Judgment (2015) E Min San Zhong Zi No. 00618
- Wuhan Intermediate People's Court Civil Judgment (2014) E Wu Han Zhong Zhi Chu Zi No. 03321



#### Rules:

1. Works of computer software that are protected by the copyright law include computer program statements and related specification files, but not the ways of data calculation during software operation and interface contents after the functional use of software. Functional interfaces belong to the displayed contents after computer program operation starts and are for the selective use during human-computer communication. They are useful and

applicable, and the text and icon buttons are also one of the results from software program operation and manifestations of computer operation methods as well. They are not a representation of computer program statements, so they are not forms of manifestation of computer software that are protected by the law.

2. Given the purpose of software development, software products that are developed to meet the demands of the same industry may be the same; and given the limitation of human-computer interaction, the ways of using their functional interfaces may be the same or similar, too, but that does not necessarily lead to the same software program statements and files. Therefore, the same functional interfaces do not necessarily lead to the same computer programs. The claim held by the plaintiff in this case—a conclusion could be drawn by comparing the functions, interfaces, texts and icons of the two software products after they were operated, that is, the software charged with infringement copied and plagiarized the software to which the plaintiff enjoyed right—could not be supported.



**Facts:**

On July 1, 2013, the plaintiff Beijing Daoshi Hudong Network Technology Co., Ltd. (Beijing Daoshi), after completing the development of computer software “TV shakes client software V1.0” (hereinafter referred to as “TV shakes”), applied to the National Copyright Administration of the People’s Republic of China for computer software copyright registration. After the development of the software was completed, Beijing Daoshi and Hubei Radio Television negotiated about business cooperation on such computer software, but did not reach any agreement. Later, Hubei Jingshi, a subordinate to Hubei Radio Television, entrusted Wuhan Zhuoxun Hudong Information Science & Technology Co., Ltd. with developing Hubei Jingshi Shake Product, and launched the software product to the public through TV and network media for use. In November 2014, the plaintiff sued the defendant to the court, and charged the defendant with infringing the plaintiff’s copyright on computer software.

During the first-instance trial, the plaintiff clearly expressed that “TV shakes” computer software program, source program and files which had already been registered, examined and put on record would not be submitted as evidence, and recognized that the accused “Jingshi shake” software program statement and source program were different from the software it had registered, but it charged that the functional interfaces, text and icons presented after the software involved in the case was operated were partially the same as or similar to its software. Thus it constituted infringement upon the plaintiff’s copyright on its computer software. The first-instance court rejected

the plaintiff’s claims. In refusal of that, the plaintiff instituted an appeal. The second-instance court held: The plaintiff claimed that the accused software developed by the two appellees copied and plagiarized software “TV shakes,” to which it enjoyed right. As regards that, Beijing Daoshi should submit the computer program and specification files of the software to which it claimed right, and make a comparison of the computer program of the software charged with infringement and related files and the software to which it enjoyed right. However, Beijing Daoshi did not submit the program or related files of the software to which it enjoyed right, and voluntarily recognized that the program statement and source program of the software charged with infringement were different from the computer software to which it enjoyed right. Therefore, the adverse legal consequences thus caused should be borne by the plaintiff.

**Remarks:**

In cases of computer software copyright infringement, the plaintiff must provide preliminary evidence to prove that the defendant’s software constitutes infringement upon the plaintiff’s software copyright, like evidence to prove that the functional interfaces of the two software products after they are operated are similar. But the functional interfaces being the same alone does not necessarily lead to the conclusion that computer software programs are substantially similar. The court still requires comparing if the source programs of the two software products are the same. Therefore, the court normally would require both parties to provide source programs to compare them. Under the circumstance that



the plaintiff provides the source program, but the defendant can't provide the source program, the court normally would follow the principle of sharing the burden of proof and draw a conclusion against the defendant. The functional interfaces displayed after a

software product is operated normally are not supported by the court unless they can be proved to be highly original, due to the limitation of human-computer interaction.

Author: Richard Hu

Translator: Richard Hu

## Unfair Competition

### LeTV Information Technology (Beijing) Co., Ltd. v. Shanghai Damo Network Technology Co., Ltd.

- Shanghai Intellectual Property Court Civil Judgment (2016) Hu 73 Min Zhong No. 75
- Shanghai Minhang District People's Court Civil Judgment (2015) Min Min San (Zhi) Chu Zi No. 1770



VS



#### Rules:

**1. Market operators are free to choose business models by themselves and, under the premise of not violating the prohibitive provisions of laws and regulations, the legal interests got by the market operators through such business models shall be protected by Anti-unfair**

**Competition Law. The act of other operators of utilizing the third party's infringement intention to help the third party to infringe the legal interests of market entities which conduct normal operation, for their own interests, constitutes unfair competition.**

**2. Technology in itself is neutral, but neutral technology could also be used as the tool for unfair competition. To judge whether a technology provider constitutes unfair competition, we still need to judge if the technology provider has the subjective intention of infringement and whether the technology provider conducts the act of infringement, instead of assuredly citing the principle of "technology neutrality" to exempt the technology provider from his responsibilities.**

#### Facts:

The plaintiff LeTV Information Technology (Beijing) Co., Ltd. (hereinafter referred to as LeTV) mainly provided video broadcasting service for network users. Its operating income mainly comes from two sources: first, placing commercial ads on its website or playing ads before broadcasting video programs and charging advertising fees; second, users pay membership fees to watch video programs without commercial



ads.

Shanghai Damo Network Technology Co., Ltd. (hereinafter referred to as Damo) was established in 2012. It registered and ran a website—www.ad-safe.com, and provided a software product named “ADSafe” it researched and developed independently. On its website, it is claimed the above software has three major functions: the function to “filter bad information,” that is, to filter all phishing, trojan horse and fraud information as well as all the contents that are not appropriate for adolescents so as to prevent any leakage of user information and protect network safety; the function of “no harassment browsing websites,” that is, to eradicate the shielding of commonly-seen stubborn harassment like couplet ads or malicious software popup and protect users’ internet privacy; and the function of “no wait for watching videos,” that is, users may skip the 30-second, 60-second and 90-second waiting periods before watching a video and eliminate all distractions.

The evidence submitted by LeTV which was preserved under notarization showed that, on November 4, 2014, on the website of www.letv.com, there were “Letv shopping mall” and other ads on the homepage. When clicking some movies or TV series on the website, a video ad of about dozens of seconds would be played first before the related video programs. After paying membership fees and becoming a member, the user could directly play video programs and the video ads would not be played. When downloading and installing the software “ADSafe” from the website www.ad-safe.com, the function to “filter bad information” was automatically checked by default; and such functions as “no

harassment browsing websites” and “no wait for watching videos” could be checked by the users voluntarily. When visiting the website of LeTV after checking functions “no harassment browsing websites” and “no wait for watching videos” at the same time, the related commercial ads were no longer seen on the homepage of the website. Clicking the same movies or TV series, one did not need to pay any membership fee to become a member, and would find that the video ads lasting dozens of seconds would not play anymore.

LeTV held that Damo’s act constituted unfair competition, so it sued Damo to the court, requesting Damo to immediately stop the act of unfair competition of skipping the website ads and video ads on the website of LeTV using software “Adsafe.”

The case was first heard by Shanghai Minhang District People’s Court, and then heard by Shanghai Intellectual Property Court, and the final judgment was made on July 28, 2016. Both of the two courts held: firstly, LeTV’s business model of charging fees from users or placing ads on its website did not violate related laws or regulations, so its legal interests therefore obtained should be protected by the Anti-unfair Competition Law; secondly, although technology was neutral, the act of Damo—a technology developer—of operating a software product to shield or skip the website ads of LeTV, and promoting it to the users was improper use of LeTV’s market achievements for the purpose of seeking its own competition advantage, which damaged the legal interests of LeTV and constituted unfair competition. Finally, the court decided that Damo should immediately stop the above unfair competition.

**Remarks:**

With the booming of online video media, their business model has been shocked, and several disputes are intrigued between the online video medias and browsers or software operators having such functions as shielding, intercepting and skipping ads. In this case, the court took into consideration the following factors to determine it to be unfair competition:

**1. It violated violates the principle of good faith and the established business ethics.**

When an operator seeks its own competitive advantage by improperly utilizing other parties' established market results, it constitutes unfair competition. In this case, LeTV, after years of operation, has already had a certain number of users. The purpose of the above act of Damo aimed at relying on the user group which LeTV had built after years of operation for more market trading opportunities and an advantage in market competition. That violated violates the principle of good faith and established business ethics.

**2. It harmed the legal rights and interests of LeTV.**

The business model of "advertising videos/pay-per-view videos" of LeTV, was

not against the legal provisions. Therefore, the contracted profits it got from the users and advertisers should be protected by law. In this case, the act of Damo made LeTV unable to charge fees from the users, and reduced LeTV's income from advertising, which obviously damaged LeTV's legal rights and interests.

**3. The principle of "technology neutrality" was not applicable here.**

The principle of "technology neutrality," aka the principle of "substantial non-infringing use," applies when no evidence can prove that a product provider has the infringement intention. In this case, the court held that Damo's propaganda and introduction of such software's ads-free function showed its intention to improperly use users' consumption psychology, and allure and instigate users to use its software so as to seek business opportunities and get an advantage in competition. Therefore, the court finally ascertained that Damo allured users, and helped them conduct the act of tort. Therefore, Damo couldn't be exempted from responsibilities by applying the principle of "technology neutrality."

Authors: Lily Fu;  
Zhang Cuifang  
Translator: Lily Fu



### III. NTD Case Selection

#### Administrative Protection Case of the Well-Known Trademark “TISSOT”

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TISSOT watches of TISSOT Co., Ltd date back to 1853, and are being sold in over 150 countries. TISSOT is a globally widely-known trademark, and in China, it has been recognized by the Chinese Trademark Office as a well-known trademark for watches in many decisions on trademark opposition.

In April 2016, in response to the complaint made by the trademark owner, the Trademark Office of Tongzhou District, Beijing, searched the premises of Beijing Jiexunxing International Trade Co., Ltd in Tongzhou District, and seized 11,453 pairs of glasses with the trademark of “TISSOT”. As a result, the Trademark Office of Tongzhou District made the decision to impose the administrative penalty of confiscating all the infringing products and a fine of RMB 167,735 upon the infringer. This is one of the few successful cases in China in which the infringement of a well-known trademark is identified and stopped through

the quick action of the administration of industry and commerce.

**From this case it can be learnt that the principle of passive protection and case-by-case identification is applicable to the protection of well-known trademarks—only the trademark offices, the trademark review and adjudication boards, and the people’s courts have the power to identify well-known trademarks based on the specific demand of each case at the request made by the party concerned that its well-known trademark needs protection.** In accordance with the Provisions for Identification and Protection of Well-Known Trademarks promulgated by the State Administration for Industry and Commerce, local administrations of industry and commerce do not have the power to directly identify well-known trademarks and have to report the requests for well-known trademark protection all the way up to the Trademark Office, and may not take any action until a reply from the Trademark Office is received. The defect of such a procedure is obvious: the local administrations of industry and commerce cannot act effectively, and the following actions may become pointless since the best opportunity has been missed.

Since the normal practice of case-by-case identification cannot give advantages to the actions of local administrations of industry and commerce, the lawyers of NTD chose to apply to this case Article 12 of Provisions for Identification and Protection of Well-Known Trademarks: “when a party requests that his trademark should be protected in accordance with Article 13, he may submit records showing that the trademark has previously been protected as a well-known trademark by the relevant Chinese authorities in charge. Where the scope of protection of a case that has been accepted is basically identical to that of a case in which protection of the well-known trademark has been granted, and the other party has no objection that the trademark is well-known, or although he objects to it, he is unable to provide evidence that the trademark is not well-known, the administration for industry and commerce that has accepted the case may render a ruling on or deal with the case on the basis

of the conclusion of the record of protection.” Such provision empowers the local administrations of industry and commerce to take direct actions on the accepted case according to the existing decision with the same scope of protection.

Because the Chinese Trademark Office had ruled in a trademark opposition decision that an application for the trademark “TISSOT” used on glasses has violated the well-known trademark “TISSOT” of the trademark owner, Tongzhou Administration of Industry and Commerce in this case took direct actions against and imposed an administrative penalty upon the infringer, in accordance with the administrative decision which had taken effect.

**Authors:**        **Richard Hu;**  
                         **Qing SUN**

**Translator:**   **Richard Hu**



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