

# China Legal Report\*

## July 2019



\* CHINA LEGAL Report is a monthly collection of Chinese law related news gathered from various media and news services, edited by WENFEI ATTORNEYS-AT-LAW LTD. distributed to its clients and CHINA LEGAL Report subscribers.

WENFEI ATTORNEYS-AT-LAW LTD. does not accept responsibility for accuracy of quotes or truthfulness of content. CHINA LEGAL Report is not intended to provide advice.

<b>Subject</b>	<b><u>Remarkable Intellectual Property Judicial Cases released by the Supreme People's Court</u></b>
----------------	--

<b>I</b>	<b>Introduction</b>
----------	---------------------

<b>II</b>	<b>Cases &amp; Comments</b>
-----------	-----------------------------

<b>III</b>	<b>Conclusion</b>
------------	-------------------

## I. Introduction

On April 17, 2019, the Supreme People's Court of the People's Republic of China (hereinafter the "SPC") released 10 annual intellectual property cases as well as 50 typical intellectual property cases for the year of 2018. The judicial cases released regularly by the SPC are said to play an exemplary part in the jurisprudence and should guide national courts at all levels through their judgments. Intellectual property protection has proven to be a decisive factor for foreign investments and China often stated its will to further develop its intellectual property law.

Due to the State Council reform in 2018, the original State Administration for Industry and Commerce of the People's Republic of China (hereinafter the "AIC") has been abolished, its functions are taken respectively by the State Administration for Market Regulation as well as the National Intellectual Property Administration. In this report, titles shown in specific cases remain the same. Intellectual property courts are established in Beijing, Shanghai and Guangzhou. The cases below are extracted from the ones released by the SPC for the year of 2018.

## II. Cases & Comments

### 1. Supplement of formalized files in trademark registration procedure is admissible

**Christine Dior** (hereinafter "CD") applied in China for territorial extension of trademark protection through the International Bureau of the World Intellectual Property Organization (hereinafter "WIPO"), after its trademark had completed international trademark registration at WIPO. The AIC refused such application due to lack of distinctiveness of the trademark. Thereafter, the **Trademark Review and Adjudication Board** (hereinafter "TRB") at AIC declined the review application made by CD, whereupon CD initiated administrative litigation at the Beijing Intellectual Property Court and later at the Beijing High People's Court. The case was finally ordered to go through retrial at the SPC, which annulled the judgments made in the first and second trials and sent it back to the TRB for re-evaluation.



*Trademark  
CD applied*

During the first application made to AIC, CD failed to meet certain legal requirements as they neither stated that it is an application for 3D trademark, nor did they submit respective drawings. However, CD supplemented those materials during the TRB review. The SPC held that CD had submitted all materials required for territorial extension of such trademark in the TRB review procedure, so the TRB should have considered this special international trademark registration and offered reasonable chances for supplements. The lacking materials were deemed as of formal nature by the SPC, and CD's claims were supported because all substantive materials had been submitted to AIC within the legal term.

## 2. Crack Down on Trademark Abuse

Although trademark abuses are strictly prohibited in China, abusive behavior is still frequent. Often, same or similar trademarks, both in foreign languages as well as in Chinese, are registered by trademark squatters to obtain economic interests. Foreign invested enterprises are the main targets of such attacks. The two cases below show different infringements towards trademarks.

### (1) Nation-wide Litigations against Uniqlo

The Fast Retailing Co., Ltd. jointly holds trademark "UL" with Uniqlo Commerce and Trade Co., Ltd. and completed international trademark registration in August 2012. It applied for territorial extension in November



*Trademark  
Uniqlo applied*



*Trademark held  
by Guangzhou  
Two Companies*

2012. However, Guangzhou Compass Exhibition Service Co., Ltd. and Guangzhou Zhongwei Enterprise Management Consulting Co., Ltd. (respectively "Compass", "Zhongwei", together "Guangzhou Two Companies") stated that they are the joint holder of such trademark and subsequently initiated 42 legal proceedings against Uniqlo's stores and companies in Beijing, Shanghai, Guangdong Province and Zhejiang Province.

During litigation before the lower courts, the courts held that the trademark of Uniqlo visually basically indistinguishable from the trademark of Guangzhou Two

Companies, thus constituting infringement. However, Guangzhou Two Companies had no intent to use the trademark in dispute but just wanted to transfer such disputed trademark to Uniqlo, thereby gaining compensation from Uniqlo. Uniqlo's trademark infringements did not cause actual economic losses to Guangzhou Two Companies. Therefore, the courts ordered Uniqlo to stop infringing such trademark, with no financial compensation to Guangzhou Two Companies.

Thereafter, Uniqlo applied for retrial at the SPC. The SPC abrogated the two courts' decisions made before, rejected all claims made by Guangzhou Two Companies and decided Guangzhou Two Companies to bear all litigation costs because the SPC thought Guangzhou Two Companies had abused its trademark and violated the principle of good faith.

(2) Business Discrediting against DBEN Pipe Shanghai Co., Ltd.

Debiao Pipe (Shenzhen) Co., Ltd.  
(hereinafter "Shenzhen Pipe") was sued  
jointly by Germany Standard Pipe  
(Shanghai) Co., Ltd. and Guizhou  
Germany Standard Pipe Co., Ltd.



*Shenzhen Pipe  
Trademark*



*Shanghai Pipe  
Trademark*

(respectively "Shanghai Pipe" and "Guizhou Pipe") for unfair competition and damage compensation.

The two Chinese characters of Debiao 德标 in Shenzhen Pipe's name are the same as the two Chinese characters translated from "German Standard" 德标 in Shanghai Pipe's and Guizhou Pipe's name. Shenzhen Pipe was established in April 2016 and authorized since August 2016 by a Jiangsu environment protection company to use "Debiao TUB" trademark before such trademark was fully transferred to Shenzhen Pipe. Shanghai Pipe is a foreign invested company established in 2006, it holds "DBEN" trademark. Guizhou Pipe is Shanghai Pipe's related company. Shenzhen Pipe entrusted Mr He Qiao on February 15, 2017 to protect Debiao's exclusive right to its trademark; on the same day Mr He reported to Guiyang (capital city of Guizhou Province) Guan Shan Lake District's marketing administration about Guizhou Pipe's trademark infringement. Mr He and other

Chinese in that industry posted pictures in which the authorities sealed Guizhou Pipe’s products for further investigation on Wechat Moments (national popular social media); with misleading wordings as “Shenzhen Pipe cooperates with authorities to crack down on products”, “Shanghai Pipe is sealed up by the authorities” and so on. On March 1, 2017, Guan Shan Lake District’s marketing administration sent Guizhou Pipe a suspension notice of administrative penalty. That is because it was discovered by the administration that Shenzhen Pipe’s trademark application had not yet been completed and the trademark was still under Jiangsu Company’s name.

Thereafter, Shanghai Pipe and Guizhou Pipe jointly sued Shenzhen Pipe before the Guiyang Intermediate People’s Court. The court adjudged Shenzhen Pipe to stop unfair competition conducts, compensate RMB 200’000 to the claimant, publish a statement on newspapers to eliminate impacts and bear litigation costs. Shenzhen Pipe applied to the second instance, where the High court upheld the previous court judgment. In this case, Shenzhen Pipe discredited Shanghai Pipe and Guizhou Pipe through trademark abuse, the courts’ judgments protected Shanghai Pipe and Guizhou Pipe’s legitimate interests.

### 3. Industrial Design must be examined as a whole

	
<p><b>Disputed design owned by Jiangling</b></p>	<p><b>Original design Range Rover SALVA2BG</b></p>

Jiangling Holding Co., Ltd (hereinafter “Jiangling”) is the owner of industrial design (applied in 2013 and authorized in April 2014) for an off-road vehicle “Landwind E32” (hereinafter “Design”). Jaguar Land Rover PLC (hereinafter “JLR”) requested invalidation of such Design to TRB in 2014 July, arguing that such industrial design is substantially the same as Range Rover Evoque and is a copy of JLR’s existing design.

The TRB accepted to hear the request and decided on the invalidation of Jiangling's industrial design in 2016 stating the following reasons: specific designs as floating car roof, engine cover in the shell shape and other designs in disputes are special design from the JLR; the differences between the two vehicles' designs are mainly improvements in published details which bring little influence to the whole visual effect, while the similarities are in the main features of the vehicle and unique, which can influence consumers' judgments on the two cars based on their knowledge and the cars' appearances. Shortly thereafter, Jiangling sued TRB before the Beijing Intellectual Property Court and won such litigation. The Beijing Intellectual Property Court stated: the differences between the two designs are clear enough for normal consumers to distinguish the two designs, normal consumers are not able to design a car thus they focus on parts that are easily visual for them, the top roof is not visible or hardly visible when using the car.

The TRB and JLR appealed before the Beijing High People's Court and they won the appeal, the court upheld the decision made by TRB. Furthermore, the court confirmed the original judgment that such vehicle design shall be seen in whole in relation with specific vehicle type but not simply from design ratio. The similarities that existed between the two vehicles are parts that have big design space, the differences are not creative enough to be recognized as innovative design.

#### **4. Internet Intellectual Property Protection**

##### **(1) Information Network Dissemination Right Protection in Short Video**

Beijing Microplay Technology Co., Ltd. (hereinafter "Microplay") owns exclusive dissemination rights over a 13-seconds short video, and found that the same video had been spreading on other platforms supported/organized by two internet technology companies affiliated with Baidu (hereinafter "Two Baidu Companies"). Hence, it raised litigation against them before the Beijing Internet Court and asked for damage compensation. The Court turned down all claims from Microplay since the Two Baidu Companies only provide information storage service, don't have subjective malice and had deleted the short video after receiving the letter sent by Microplay.

However, the courts confirmed that such short video is a film production, as it meets the two requirements of originality: independent completion and creativeness. Further it was stated that watermarks on works are not technical measures to protect internet information dissemination but only information administration by the platform.

## (2) Antivirus Unfair Competition

Shanghai 2345 Internet Technology Co., Ltd. (hereinafter “2345 Company”) sued three Beijing companies which jointly operate Kingsoft Antivirus (hereinafter “Kingsoft Companies”) before the Shanghai Pudong New District People’s Court for unfair competition conducts. Kingsoft Companies, with its software, can access the default settings of the navigation page and change user settings. 2345 Company is one representative company in navigation page business. Kingsoft Antivirus software has hijacked the network flow of 2345 Company’s users what led to a loss. 2345 Company won the first litigation, whereupon the Kingsoft Companies appealed to the Shanghai Intellectual Property Court. The court upheld the verdict and rejected all their claims.

The Court held that antiviruses have privileges in computer systems which must be used prudently according to good faith. The intervening acts from antivirus software must be limited to necessary ones to complete its functions. Antivirus software must not produce pop-ups aiming to threaten or in other means to change or induce users to change their browser homepage. Based on the court’s judgment, Kingsoft Companies shall stop relevant unfair competition conducts; publish an explanation on their official websites to eliminate negative effects on 2345 Company; compensate 2345 Company with RMB 3.01306 million, including 3 million economic loss of 2345 Companies.

## III. Conclusion

The Chinese government aims to introduce a period of industrial transformation from “Made in China” to “Create in China”. Obviously, this transfer needs substantial improvement of intellectual property protection. Right now, abusive

conducts such as trademark squatting are still very common. However, the above-mentioned cases show that legal enforcement of IP rights in some cases may be successful. Effective protection of intellectual property, after all, needs confidential space where companies can keep their secrets. Therefore, recent legal developments need to be considered vigilantly and IP protection strategies need detailed evaluation.

\*\*\*\*\*

© Wenfei, Beijing, January 2019

Check the China Legal Briefing archives on: <http://www.wenfei.com/publications.html>

Obtain your personal subscription from: [china@wenfei.com](mailto:china@wenfei.com)