

# A review of 2010's cases

**Vivien Chan, John Ng and Barbara Tsang** of **Vivien Chan & Co** describe the most significant cases last year faced by the People's Supreme Court, in trade marks, patents and copyright

Last year, 2010, was a year of changes in intellectual property. Although there were relatively few changes to the written laws, the Supreme Court issued significant opinions on the laws, which gave practitioners guidance as to their application. Together with an analysis of a selection of key cases decided by the higher courts in China, this article summarises recent notable changes to IP law.

## Trade marks

In April 2010, the Supreme Court issued an Opinion on Several Issues concerning Trial of Administrative Cases Regarding Trademark Authorization (no 12 of 2010). In this Opinion, the Courts clarified the approach to be taken to the adjudication of trade mark dispute cases. Below we describe the highlights of the Opinion.

### Foreign-language trade marks

Foreign-language marks with meaning may not necessarily be descriptive in China, as the test of distinctiveness is based on the views of the relevant public. As long as the proposed mark is capable of being a badge of trade origin in China, it will pass the test of distinctiveness. This has proven to be helpful for many trade mark owners, as it lends weight to the argument that although marks may be a common word in their country and language, it may not be interpreted that way by the Chinese public, where the first language is Chinese.

### Absolute grounds of refusal

The Court clarified that even if a trade mark has elements of exaggeration, as long as it does not mislead the relevant consumers in the course of ordinary life, then it will not be considered as an exaggeration of advertisement with fraudulent elements. The Court has in effect clarified that it will focus on misleading the public, rather than mere elements of exaggeration in the trade mark.

### Well-known trade marks

Well-known trade marks will be given the level of protection according to its fame in China. This in effect gives the Court a fair level of discretion as to the breadth of cross-class protection to be afforded to well-known marks in China. This also requires plaintiffs who wish to rely on the well-known status to prepare a large amount of evidence in support of a well-known claim.

### Bad faith

In a press release in October 2010, the Chinese government emphasised that the proposed Third Trade Mark Law (expected to be promulgated soon) is targeted to deal more effectively with illegal trade mark squatters. In the meantime however, the Opinion has helpfully extended the scope of the bad faith provision.

According to the current Trade Mark Law, agents and representatives of the rightful trade mark owner are prohibited from applying for marks of such owners without authorisation. The Opinion has expanded the scope to cover i) those who have conspired with these agents and representatives, and to situations ii) whereby there were mere negotiations with these agents or representatives but no actual relationship and iii) for the applications of not only identical marks, but to similar marks as well.

### Test of similarity

The Opinion is the first ever codification of the widened scope of similarity test in China. China strictly abides by its sub-class system rooted in the 9th Edition of the Nice Classification (Sub-Class Table). Previously, only goods which were in the same sub-classes were regarded as similar. However, the Opinion helpfully prescribed that the Sub-Class Table is only a matter of reference in assessing similarity.

The Court instead prescribed the following tests: in assessing similarity of goods, one should have regard to

the similarity of function, use, production, sales channel, target consumers; in assessing similarity of services, one should have regard to its purpose, content, method and target audience; and in assessing the similarity between goods and services, whether or not the public is likely to believe that it is of the same trade origin is a relevant factor. Although this has not been consistently followed in all cases in China, this is a high-level endorsement of a welcome and progressive development, showcasing the maturing of trade mark prosecution in China.

In January 2011, the Supreme People's Court issued the Opinion on Criminal Liability for Intellectual Property Rights Infringement Cases. This Opinion provides further definition and guidelines as to assessing what constitutes infringement, the scope of powers of the Public Security Bureau (PSB), and the penalties for infringers in different circumstances that were not previously defined.

### Increased options for jurisdiction of the PSB

In a case of trade mark infringement, police investigations are conducted by the PSB at the "place of infringement". The definition of place of infringement is now clearly expanded to include places where the infringing product was manufactured, stored, transported, sold, or broadcasted; and also includes the place of the IP address of the website provider where the infringing products are sold; the place of network access; the address of the website provider or manager; the place

where the infringing product has been uploaded; and the place where the IP owner has suffered "actual damage". Where necessary, investigation can be conducted at the place where the suspected IP infringer resides. As such, the place of infringement is not limited to the place where the infringing product was discovered.

The new Opinion also imposes criminal penalties on infringers where products bearing a forged mark have not yet been sold or have been partly sold.

### Similarity and cross-class protection: Y-3 v Y3

Adidas relied on its prior registration for Y-3 registered in Class 18 for "cases and travel bags" to enforce against Dongguan Jinggu Company, who was producing racquet bag products. Dongguan Jinggu tried to argue that there was no infringement, as according to the Sub-Class Table, its products belonged to Class 28 as "ball and ball racquet bags". In December 2010, the Dongguan Intermediate People's Court held that since the goods, "cases and travel bags" are a multi-function handmade bag, and "ball and racquet bags" is a normal use bag, there are no evident differences in function, use, target consumers and sales channel. As such, it is likely to cause confusion, and therefore the Dongguan Court awarded Adidas RMB200,000 (\$30,420) of damages.

### Abbreviations of trade name: Sony Ericsson v "So-Ai"

In August 2004, Guangzhou City So Ai Digital Technology Company obtained registration for "So Ai" in Chinese characters in Class 9 for goods including "disc-players, telephones, recorders". In 2005, Sony-Ericsson applied for a cancellation of the mark for improper registration. Sony-Ericsson argued that So Ai is an abbreviation for Sony-Ericsson's trade name in Chinese, whose Chinese name was So Ni Ai Li Xin, with So and Ai being the first syllable for Sony and Ericsson respectively. Sony-Ericsson adduced evidence of internet discussion forums and media reports which refer to Sony-Ericsson in brief and as So Ai.

The CTMO and TRAB both rejected the cancellation, opining that Sony-Ericsson was not able to adduce sufficient evidence showing the link between the abbreviated mark So Ai and itself. This view was supported by the Beijing High Court, overturning the Beijing First Intermediate Court's decision. The Beijing High Court held that Sony-Ericsson did not produce, sell or conduct marketing for goods under the name So Ai, and therefore did not sufficiently use it as a trade mark. The same

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Vivien started her own law firm in 1985 and has over 25 years' experience in mergers and acquisitions, technology transfers and information technology, and related tax issues. Vivien is a justice of peace, and past-president of the Inter Pacific Bar Association. She is a notary public, a notarial attesting officer in PRC, and has been appointed arbitrator of CIETAC and the Shenzhen Arbitration Commission.

Vivien has been identified by the *AsiaLaw Leading Lawyers* surveys as one of the leading lawyers for China, intellectual property, mergers and acquisitions and general corporate practice for successive years. She has been consecutively named as one of the World's Leading Project Finance and Trademark Lawyers by *Euromoney Legal Media Group*. Vivien has also been named by *The International Who's Who of Business Lawyers* as a leading trade mark, patent, internet and e-commerce lawyer.

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Court held that the fact that the relevant public and media refers to and considers So Ai as a trade mark solely referring to Sony-Ericsson's products is not use by Sony-Ericsson as a trade mark, and therefore does not suffice as trade mark use. Despite Sony-Ericsson's appeal to the Beijing Supreme Court in October 2010, the Supreme Court endorsed the High Court's judgment in January 2011.

This case may be an important warning for trade mark owners of the dangers of the public's inaccurate references of one's trade mark, and the importance of protecting all marks and its likely abbreviations in China.

#### **Shadow companies: Jiu Mu**

This case highlights the more sophisticated tactics used by infringers today. Jiu Mu is an established brand in China manufacturing sanitary fittings and ironmongery.

An infringer established a company in Hong Kong, named Jiu Mu Huang Sanitary Fittings Company and proceeded to produce and sell water heaters and other plastic goods. The infringer also registered trade marks in China using its trade name in metal door handles and related goods. The litigation was started in 2005, and finally in January 2011, the Supreme Court held that there was infringement due to unfair competition.

It is worthwhile highlighting here that the Hong Kong Companies (Amendment) Ordinance 2010 took effect on December 10 2010, which allows for an expedited route to direct a change of a company name in Hong Kong. This law was specifically promulgated to target shadow companies, and it should allow trade mark owners to pursue more cost-efficient and speedy enforcement.

#### **Well-known trade marks: Nissan**

The Beijing High Court upheld the decision of the lower Court in January 2011 in the Nissan case, allowing the cancellation of the mark Richan Jiahe based on its similarity to two separate registered marks of Nissan. The significance here is the infringer combined different elements of two of Nissan's registered marks, and yet the Court still regarded there to be similarity. It is worthy to note too, that Nissan had provided evidence of use in China prior to the application date of Richan Jiahe, although Nissan's registrations were applied for after Richan Jiahe and was also in dissimilar goods.

The Beijing High Court held that Nissan was a well-known trade mark, based on the evidence of use provided by Nissan of its continued advertising, use in China prior to the application date of the disputed mark. The

#### **John NG**



John Ng is a Qualified PRC Patent Attorney at Vivien Chan & Co and has been practicing intellectual property for over 10 years.

John has considerable experience in patents in a wide range of technical fields. He has prepared and prosecuted patent applications in major jurisdictions (including Greater China, the US and Europe) in mechanical, electro-mechanical inventions, electronics, telecommunications, semiconductor technologies, wireless communications, computer hardware and software, medical devices,

automation and industrial systems, internet-related inventions and business methods. John is also well versed in the prosecution of chemical and pharmaceutical patent applications in Greater China. John's practice areas include patent specification drafting and patent prosecution, patent searching and patentability advice, patent infringement and validity opinions, patent litigation and revocation proceedings. He also advises on patent enforcement, assignments and licensing matters in Greater China, as well as overall patent and design portfolio management.

John graduated from the Hong Kong University of Science and Technology with a Bachelor's degree in Mechanical Engineering. He then obtained a Bachelor's degree in Laws from the University of London. He is fluent in English, Cantonese and Putonghua.

High Court also held that in using the mark together with many Japanese characters in lubricating oils causes confusion. Together with evidence of Richan Jiahe's registrations in other famous car companies' brand names, the High Court allowed the cancellation.

*Disputed mark: Japan Jiahe*



*Nissan's prior registration*



In light of the above, should trade mark owners be able to provide substantial evidence of use in China prior to the application date of disputed marks, they may be able to successfully rely on later registrations in dissimilar goods to cancellation and opposition proceedings.

#### **Use of Anti-Unfair Competition Law: Baidu**

As the common law doctrine of passing off is not available per se as a cause of action in China, IP owners have to rely on its registration rights in trade marks, patents and copyrights. Although the Anti-Unfair Competition Law was promulgated to promote fair trade, it has long been used by IP owners to help fill the void to protect unregistered rights and peculiar IP rights such as trade dress, packages or decoration peculiar to well-known goods (Article 5), trade secrets (Article 10) and business reputation (Article 14).

**Barbara TSANG**



Barbara Tsang is a senior associate of Vivien Chan & Co, with 15 years' experience in the field of intellectual property.

Her experience covers the full range of non-contentious intellectual property and commercial work, including IP due diligence, entertainment, licensing, technology transfer and acquisition of IP related assets. On the contentious side, she represents clients in court litigation on infringement of trade mark, copyright and passing off. She also advises multi-national companies on management of their IP portfolio, strategy, protection and enforcement of rights in Greater China.

Barbara is admitted as a solicitor in Hong Kong. She holds a LLB from Manchester Metropolitan University, a LLM from City University of Hong Kong, and is in the process of obtaining her MBA degree. She is fluent in English, Cantonese and Putonghua, and has working knowledge of French.

Recently, Baidu successfully relied on this Law to sue a software company for unfair competition. Here, the Beijing Second Intermediate People's Court held that the act of labeling the Baidu toolbar and address as "adverse commands plug-in" (and describing them as "the plug has a malicious behavior that may harm your computer, we recommend that you immediately clean it up") in its internet security software amounts to false representation with the malicious intent to induce the users to delete Baidu toolbars and addresses. Baidu was awarded the sum of RMB385,000.

**Copyright**

In April 2010, China issued the 2nd Revision to the Copyright Law. As a result of the WTO talks with the US in 2009, the major change in the law was Article 4 of the Copyright Law. This article has been amended to afford protection to works even when their publication or distribution is subject to governmental approval, as long as the contents are not prohibited by the Con-

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stitution or violates public interest. This is a welcome change, as foreign movies may be considered to be protected works now even prior to governmental approval for its distribution.

The Opinion on Criminal Liability for Intellectual Property Rights Infringement Cases of 2011 specifically addresses the difficulty of copyright owners in proving the forgery or exceeding of the scope of an authorisation document. As such, it allows copyright infringement to

be recognised where there is evidence that the publisher or distributor cannot produce evidence to show authorisation.

**Infringement by web servers: China Music Copyright Association v Baidu**

In July 2010, Baidu, the popular search engine in China, was held liable for damages for copyright infringement for placing a large amount of songs and a downloading service on its website. This case was the first successful lawsuit against Baidu, and therefore has been used as a precedent for many other cases. Here, Baidu was held liable as the lyrics of the songs were all downloadable and its website and the lyrics were not stored on any third party servers. In addition, users could download the songs from the website. The Beijing First Intermediate Court here held that this infringes upon the songwriters' rights in copying and distributing of the lyrics in its songs.

**Patents**

The new Rules on Administrative Enforcement of Patent Rights were promulgated by SIPO on December 29 2010 and became effective on February 1 2011. The Rules codify the actual practice and acts to strengthen the Patent Management Bureau's (PMB) powers, increasing the effectiveness of administrative actions in the enforcement of patents.

Under Article 28 of the Rules, the PMB is given the power to seize suspected counterfeiting patent products after obtaining senior PMB official's approval. The Rules also increase a complainant's ability to collect evidence. Article 35 prescribes that the party involved may request the PMB to collect relevant evidence for patent infringement disputes if he is not able to independently collect evidence due to objective reasons. The PMB can decide whether or not to investigate and collect relevant evidence.

During the investigation and collection of relevant evidence, and upon demonstrating the possession of administrative enforcement certificates, all parties shall cooperate with officials to provide relevant information faithfully, and shall not refuse to do so or to obstruct the investigation and collection of evidence. The PMB may also seek assistance from Customs authorities for the investigation of import and export of seized products according to Article 40.

In order to clarify the application of the revised PRC

Patent Law, the Supreme People's Court adopted an Opinion concerning Certain Issues on the Application of Law for the Trial of Cases on Patent Infringement Disputes which took effect from January 1 2010. Recent cases have brought to light the pertinent points with regards to the Opinion when adjudicating patent disputes.

When interpreting patent claims, the standard to be applied is the understanding of an averagely-skilled person in the art, taking into account the contents of the description and any drawings in the patent. Whereas specifically-defined terms in the document are normally to be given their defined meaning, the courts will further look into the literal language of the claim. Any reference to secondary sources (such as textbooks and other public literature) will be used only if the meaning of the claims cannot be so determined.

#### **Jishing Circuit chip case**

The Opinion has been affirmed in a recent case on utility model patent infringement. The defendant alleged that when determining the scope of protection, the consideration on the claims alone will suffice. The Nanjing Intermediate Court, whilst agreeing with the plaintiff's allegation that Article 56 of the Patent Law provides that the scope of protection for a patent shall be based on the claims, opined that these claims must be interpreted in conjunction with the specifications and drawings, which are essential to the understanding of functionalities of the claims.

#### **Hubei Wushi and Wangjunshe v Aonuo (China)**

When examining this patent application, SIPO considered that the term "soluble calcium" is generic and

broad, referring to various soluble matters containing calcium, and the specifications just described two separate embodiments of "calcium gluconate" and "activated calcium" without disclosing the formula and effect of other soluble calcium. It was indeed difficult for the person skilled in the art to anticipate whether or not the other soluble calcium represents the same effect in the human body when prepared in the way described in the invention. Subsequently, the applicant accepted the term to be amended to "activated calcium".

In determining the context of "activated calcium" (and other elements) in an infringement case, the Court to the claims, which disclose "a soluble calcium contains calcium gluconate, calcium chloride, Lact-calcium,

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um, calcium carbonate or activated calcium," and held that "calcium gluconate" and "activated calcium" are independent from and do not form part of the soluble calcium.

This was because the applicant did not state that activated calcium contains "calcium gluconate" in the observation when making amendment of the application. The patentee's subsequent argument at the Court that "activated calcium" contains "calcium gluconate" cannot be sustained. The Supreme People's Court, by applying Article 6 of the Interpretation, dismissed the decisions in the lower courts and held that the production and sale of the products containing "calcium gluconate" do not constitute infringement of patent right.