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IP UPDATE



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Top 10 Cases from China's Supreme People's Court

China's Supreme People's Court has just announced last year's top 10 IP cases which serve as our important guideline for future cases. We have selected and summarized the highlights of 5 most significant cases below:

I. WELL-KNOWN "RED CAN" TRADE DRESS AND SHARING OF EXCLUSIVE RIGHT



[Left: "Red can" design of Wanglaoji; Right: "Red can" design of Jiaduobao]

In this high-profile case between two long-standing beverage giants in China, Jiaduobao and Wanglaoji battled for the exclusive right to the well-known "red-can" trade dress. Here, both parties have used their respective trade dress for many years and both argued that they have through their long term use established well-known status and exclusive rights to use the trade dress. The court of first instance held in favour of Wanglaoji and awarded them

RMB 150million (~USD21million) in damages. Jiaduobao appealed the decision to the Supreme People's Court.

In deciding this case, the Supreme People's Court emphasized the legislative intent to protect consumers under the Anti-Unfair Competition Law and fairness principles. If the Supreme People's Court ruled that any one side's exclusive right over the "red can" may cause a loss of fairness and public good. Therefore, the Supreme People's Court granted both parties the joint right to use the "red can" design. This case is a highly publicized case in China, and the results are refreshing – this is a case where the Supreme People's Court was willing to depart from normal practice to award a result that although unconventional, may be the best practical outcome.

II. MARKUSH TYPE CLAIMS ACCEPTED

Winsunny Harmony initiated an invalidation proceeding for lack of novelty against the patent entitled "Process for

Preparing Pharmaceutical Composition for Treatment or Prevention of Hypertension" filed by Daiichi Sankyo Company, Limited, which was drafted in the "Markush Type".

"Markush Type" is an increasingly popular method in drafting patent claims because of its flexibility in capturing various alternatives for a given element in a single claim. It allows patentees to list alternative species or elements that can be selected as part of the claimed invention in their patent claims.

Here, the Supreme People's Court clarified that the "Markush Type" patents are accepted. It however held that amendments which will generate new properties or functions in a single compound or combination should not be accepted (although individual factors should be taken into consideration).

The Supreme People's Court reaffirmed the applicability of the "Three Step Test" to patent drafted with Markush type claims for the assessment of novelty in accordance with the Patent Examination Guidelines. The Supreme People's Court held that "unanticipated technical effect" is only one of the considering factors when assessing novelty but it should supersede the "Three Step Test".

III. INTERPLAY BETWEEN COPYRIGHT AND TANGIBLE PROPERTY RIGHTS OVER AN ARTWORK






This case involves a conflict of the copyright of the artist/creator (and its successors) and the tangible property rights of the auction house. The Shens are the heirs of the famous author Mao Dun, who published an article in Chinese calligraphic style in 1958. In 2013, the auction house acquired the manuscript of the published article and posted high-definition photos of the same online on its official website and its Weibo page. The Shens sued the auction house for copyright infringement.

The court of first instance held in favour of the Shens and ordered the auction house to pay RMB100,000 (~USD15,000) compensation. At second instance, Nanjing Intermediate People's Court of Jiangsu Province agreed with the decision

of the court of first instance and held that although the auction house holds the tangible property rights of the artwork, it still has the obligation to respect and protect the rights of the copyright owners. On the other hand, the copyright owner also has to respect the property owner's rights, including his/her rights to dispose of, profit from or to exhibit the artwork.

IV. JAGUAR LAND ROVER CO., LTD. V. FENLI FOODS CO., LTD.

In this case, Land Rover successfully obtained cross-class protection for its well-known trademark "LAND ROVER" (and its Chinese counterpart) in classes 30 (nutrition drink) and 32 (non-alcoholic beverage). Besides taking into account the fame of the claimant's mark, the People's High Court of Guangdong Province also took into account the defendant's bad faith for notoriously squatting at least 10 other famous marks and celebrity names in China including "SHARP" and "ZHEN ZI DAN" (a famous Chinese actor). The defendant was ordered to pay to Jaguar RMB 1.2million (~USD176,000) in damages.

Marks owned by Jaguar Land Rover Co., Ltd.	Mark applied-for by Fenli Foods Co. Ltd.
 <p>(Registration No. 4309460 in class 12)</p>	 <p>(Application no. 10561102 in class 32)</p>
 <p>(Registration No. 3514202 in class 12)</p>	 <p>(Application no. 8429937 in class 30)</p>
 <p>(Registration No. 808460 in class 12)</p>	

V. CRIMINAL LIABILITY FOR LARGE SCALE STORAGE OF ONLINE BOOKS/ARTICLES

The defendant, Yicha Wang, is an online service provider who helps Internet users convert online articles / books (HTML websites) into WAP pages which is more reader-friendly for mobile device users. The prosecutor found over 500 pieces of copyrighted work belonging to another company stored on

the server of Yicha and were made available to Yicha-users without authorization by the copyright owner. Yicha argued that it is only a search engine instead of a content provider and in the process of converting HTML pages to WAP pages, it is technically necessary to temporarily store the articles on its own server.

The Shanghai Pudong New Area People's Court held Yicha to be liable for copyright infringement as the duration of storage of the copyrighted materials on its own server has exceeded the duration necessary for providing code conversion services and therefore constituted copyright infringement.

The Yicha was fined RMB2million (~USD300,000) for the copyright infringement and the legal representative of Yicha was also sentenced to 3 months imprisonment, suspended for 3 months and was fined RMB5,000 (~USD750).

TAKEAWAYS

The above selected cases demonstrate the Supreme People's Court and some of the higher courts' flexibility in handling IP cases involving new technology.

It also shows that in order to obtain a departure from current practice, clients may need to be prepared to invest in the case, and appeal to the higher courts in order to achieve the desired results.