



THE CHINA IP BULLETIN  
IS PRODUCED  
BY

WANG JING & CO.  
LAW FIRM

# CHINA IP Bulletin

YOUR IPR ADVISORS IN CHINA.

## Executive Summary

### News

In this issue of our IP bulletin we introduce new crack down measures on infringement of intellectual property rights, as provided by the 2013 Major Tasks for the Nationwide Crackdown on IPR Infringements and Production and Sales of Counterfeit and Forged Commodities. We will also review and provide a brief introduction of Shenzhen's initial insurance policies for patent enforcement.



### FAQ

This issue of our IP bulletin also focuses on whether IPR licensee has the right to file an IPR infringement lawsuits in their own name and whether the copyright infringement is in question when newspapers and/or journals use others' works by indicating "please contact us immediately if you are the author".



### Hot Topic

Does the distributor's use of others' registered trademark on their shop signboard without prior authorization constitute infringement? Recent heated discussions within the industry have taken place after a judgment was rendered by Chengdu

Intermediate People's Court as the legal distributor's use of the trademark "Wuliangye" used the trademark on its shop signboard constituted infringement. This article provides some ideas and guidelines for the distributors in confronting troubles by analyzing this question from the perspectives of cause of dispute, practices of judicial trial and principles of law.



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## A Brief Introduction to the IP Group of WJNCO

WANG JING & CO. was founded by managing partner Mr. Wang Jing, a shipping and insurance law practitioner since the 1980s and widely recognized as a leading expert in the field. Thanks to the continuous efforts of the partners and other members of the Firm over the years, WANG JING & CO. has successfully developed into a full-service law firm, applying and adhering to accepted international principles. WANG JING & CO. offers Clients a level of expertise and ethical practices proven exceptional since its very establishment. The Firm's advanced partnership-style management model encourages a vigorous team spirit and accentuates the advantages of the Firm's language proficiencies in Chinese, English, Japanese, French and Italian. The unparalleled strength of the Firm's shipping and insurance groups is complemented by professional divisions providing a full range of legal services in litigation, arbitration and non-contentious matters, including legal assistance on corporate law, banking law, investment, M&A, company listing, securities, IP rights protection, and real-estate issues. As of 2011, WANG JING & CO. and its 100 practicing attorneys, supported by a professional staff of senior consultants, paralegals, translators, assistants, and secretaries, provide legal services to Clients around the world. Headquartered in Guangzhou, the Firm operates branch offices in Shanghai, Tianjin, Qingdao, Xiamen, Shenzhen, Beijing and correspondent offices in Haikou and Fuzhou to provide Clients with the benefits of promptness, economic efficiency and in-depth knowledge of local conditions.

WANG JING & CO., having realized the increasing importance of intellectual property rights protection in China, established its IP Group which consists of lawyers and patent/trademark agents with a broad range of experience in providing intellectual property rights protection. Close cooperation with specialized patent/trademark agency institutions and authorities has enhanced the IP Group's ability to provide maximum legal protection for Clients' intellectual property rights:



- \* Applications for registration and authorization of patents and trademarks;
- \* Registration of copyrights, software and integrated circuits layout design;
- \* Applications and registration of new plants species;
- \* Objection to patent/trademark application, administrative review and litigation on patent/trademark application;
- \* Protection of trade secrets such as know-how and operations skills;
- \* Contracts for technology development / cooperation / service;
- \* Transfer, licensing, and trade of technology, investment in the form of technology;
- \* Anti-unfair competition;
- \* Protection of trade names and marks of origin;
- \* Applications for injunctions to cease infringements, litigation and arbitration;
- \* Customs and administrative protection of intellectual property rights;
- \* Protection of trade-related intellectual property rights;
- \* Protection of domain names and internet-related intellectual property rights.

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## *2013 Major Tasks for the Nationwide Crackdown on IPR Infringements and Production and Sales of Counterfeit and Forged Commodities*

The 2013 Major Tasks for the Nationwide Crackdown on IPR Infringements and Production and Sales of Counterfeit and Forged Commodities issued by the General Office of the State Council of P.R.China has made the arrangements on the work such as cracking down on the illegal acts of production and sale of counterfeit and forged commodities, cracking down on infringements of intellectual property rights, maintaining a tough stance of judicial crackdown on criminal acts and pushing the establishment of long-term mechanism to strengthen the current infrastructure. Such crack downs included 22 major tasks: which we will further discuss. For corporation's convenience to correctly understand and comprehend the new policies of intellectual property protection in China in 2013, we briefly introduce the major tasks in respect of infringements of intellectual property.

**Crackdown on trademark infringement:** Priorities are now given to the well-known and foreign-related trademarks with a crack down on acts of trademark infringement. Through comprehensive inspections, earlier and consolidated trials, trademarks squatting in bad faith or wrongly affiliates the prestige of others' trademarks, this exclusive launch provides enforcement action to crack down on the "free-riding" acts to well-known trademarks.

**Crackdown on copyright infringement:** The measures continue to take the "Online Sword Action" to crack down on online infringements and piracies and launched special regulations on the infringement and piracy acts in respect of online literature, music, videos, games, animation and software. The regulations on video websites and online trade platform have since been intensified. This has included launch special actions to supervise the print, copy and publication activities. Priority has been given to strengthen efforts to regulate the publication of teaching materials and teaching aid publications, tool books, best sellers, and audio and video publications. The Crack down

on the infringement and piracy acts of forged signatures of renowned artists on artworks and other standard copyright work has been included in these regulations.

**Crackdown on patent infringements.** The launch also, centralized a special "Escort" action for enforcement and protection of intellectual property rights., Efforts in cracking down on the patent infringement in regard to major projects, foreign affairs and other areas have also intensified, specifically in the administrative mediation and handling procedure for patent infringement. This has included inspection and handling works for counterfeiting of patent and increased the efforts in enforcement and right protection work in important patents.

**Crackdown on infringements of other intellectual property rights:** The Crackdown also focused on unlawful acts of infringing trade secrets by stealing, inducement, coercion or any other illegitimate means. There is also a direct focus to intensify efforts on the unlawful acts of infringing intellectual property rights such as new variety rights of plants, geographical symbols and integrated circuit layout designs.

**Supervision and regulation of the cultural market.** In the critical periods such as summer and National Holidays, a special launch to increase supervision in internet cafés, entertainment locations, show and artwork markets to deter IP infringement. There is now a Published "black list" of illegal internet cultural activities, online music and online gaming websites.. These efforts also supervise and regulate the websites of providing online audio and/or video program services, cracking down on the illegal audio and/or video program websites.

Source: *Website of The Central People's Government of the People's Republic of China*



## **Initial Patent Enforcement Insurance Policies in Shenzhen**

On 20 June 2013, Shenzhen Riland Industry Co., Ltd. ("Riland") and Tecent Technology (Shenzhen) Co., Ltd. ("Tecent") took out the first "patent enforcement insurance" policies in Shenzhen, which symbolized the commencement of patent enforcement insurance in Shenzhen.

Tecent has insured 68 patents with a premium in sum of RMB400 for each patent. In the event of infringement, the investigation costs, court expenses and lawyer's fee incurred in the course of protection of rights can be covered by the insurance company, and the maximum amount may reach approximately to RMB3,000,000 Yuan. Riland has insured 31 patents held by it with premium in total RMB11,300

Yuan, under which the maximum indemnification amount is RMB169,500 Yuan.

This "patent enforcement insurance" is the first type of insurance for intellectual property rights, which was jointly developed by Shenzhen Intellectual Property Office and PICC Property & Casualty Company Limited Shenzhen Branch. According to the requirements stipulated by the *Pilot Project Proposal of National Patent Insurance (Interim)*, new insurances such as IPR mortgage and finance insurance and IPR infringement liability insurance may be further developed.

Source: *Shenzhen Special Zone Daily*



## Whether the IPR Licensee has the Title to File IPR Infringement Lawsuits in its Own Name?

For lawsuits concerning patent and trademark infringements, the licensee's right to sue is stipulated in law as follows:

The Licensee under exclusive license contract may file lawsuits before a court independently; licensee under sole license contract may file lawsuits with or without the licensor; licensee under simple license contract shall file the lawsuits together with the licensor; and licensee under simple license contract who has obtained the specific authorization of the licensor may file lawsuit independently.

As for lawsuits in respect of copyright infringement, no law has specific stipulations on the licensee's right to sue. In judicial trial practices, the court usually refers to the provisions on the patent and/or trademark licensees' right to sue. However, some courts also make special provisions, such as Shenzhen Intermediate People's Court who made the certain provisions.

Such provisions for lawsuit in respect of copyright infringements, the authorized copyright licensee may file lawsuits without the copyright owner if the litigation requests are limited to stopping infringement acts and destroying the infringing items, but if the lawsuit requests involve any compensation of losses, the authorized copyright licensee shall file the lawsuits together with the copyright owner, unless the licensee has been expressly authorized by the copyright owner to gain the compensation.

Therefore, under the circumstances of no law provisions in writing, we suggest the copyright licensee to try its best to

obtain the express authorization from the copyright owner for its right to sue and the right to gain compensation.

*by Xiang Shaoyun*

## Whether the Copyright will be Infringed in the Event that the Newspapers and/or Journals Use Others' Works by Indicating that "Please Contact Us Immediately if You Are the Author"?

In practice, some newspapers and journals often indicate that "please contact us immediately if you are the author" when they are using others' works, and believe that such indication may exempt them from the liability for infringement. However, according to provisions of Copyright Law, except for reasonable use and the events approved by law, using others' works without the consent of the copyright owner constitutes infringement. Therefore, such indication at the end of the publication can not exempt the newspapers and/or journals from any liabilities. Publishers of the newspapers and journals must review and check whether the copyright owner's license or authorization of the publish works has been obtained before their publication, and if none exist they cannot publish such works.

According to the report of People's Court Daily, Chongqing No.1 Intermediate People's Court has recently closed the trial of a case of dispute over copyright infringement under which a certain newspaper used others' animated works without the owner's consent. As they specially indicated that "please contact with us immediately if you are the author of this picture", to avoid liability for infringement, a dispute still arose. However, as the result of the trial, the court ordered the Defendant to immediately stop the infringement, compensate the Plaintiff economic losses and other reasonable expenses in sum of RMB35,000 Yuan and publish anapology statements in consecutive three issues of its own newspaper.

*by Xiang Shaoyun & Joe Rocha III*



## Whether the Distributor's Use of Others' Registered Trademark on The Shop Signboard without Authorization will Constitute an Infringement?



Recently, a dispute over trademark infringement was closed by Chengdu Intermediate People's Court in which the distributor took the liberty to use the associated trademark "Wuliangye" on its shop signboard. As the result of trial, the court held that the Defendant, a trade company in Chengdu did infringe the trademark, and ordered the Defendant to compensate economic losses in sum of RMB30,000 Yuan to the Plaintiff Wuliangye Group and publish statements in newspapers to eliminate influences.

Does distributor's use of others' registered trademark on a shop signboard without authorization will constitute an infringement?.

### Cause of Dispute

As a Trademark is the intangible property of an enterprise and maintains a high brand value, the trademark "Wuliangye" has the right to enforce protection. As the core brand of the group, the Plaintiff had in 2006 issued the circular for protecting the intangible property of "Wuliangye", requiring that all distributors not "overdraw" the intangible property of "Wuliangye" which would otherwise be construed as an act of trademark infringement. The overdraft acts specifically refer to taking the liberty to use words "Wuliangye" in a company or trade name or authorizing sub-distributors to use words "Wuliangye" on shop signboards, without the authorization of Wuliangye Group.

Trademarks create value to improve the prestige and prominence of the company. Companies must be proactive to prevent the weakening of the trademark. Currently, various mobile phone stores selling brand named phones use the famous trademarks in their store names, as do many garages and auto-parts shop often use the well-known automobile brands' trademarks on the shop signboards. Such cases can result in the weakening of value of the trademarks in question.

For this reason, it is imperative that trademark owners understand that the use must be limited or used within strict guidelines to ensure the trademark retains its value. In fact, trademark owners usually select franchisees or authorized distributors, who are subject to a higher standard, whereas ordinary distributors usually lack the quality of the franchisees or authorized distributors in respect of purchasing channels, employees, technological guidance, business level, shop layout and after-sale services. Therefore, ordinary distributors

will choose to use the trademark owner's trademark on their shop signboard, to induce the customers to believe they are franchisees or authorized distributors. These distributors are usually not as strict as the franchisees or authorized distributors in respect of purchasing channels, technological guidance and after-sale services, etc., commodities bought in the ordinary distributors by the customers are usually not able to enjoy the necessary technological guidance or after-sale services. Should any mal-performance occur, the value and reputation of the trademark can be affected.

For these reasons, trademark owner who intend to prevent distributors from abusing their trademark often by file lawsuits to protect the value of their trademark. However, the distributors usually hold that it is reasonable and proper to use the trademark since the products sold by them are all from legal sources and it will attract more attention from the customers and thus promote the sales if they use the product's trademark in the shop signboards. Therefore, conflicts between the distributors and the trademark owners results in cases lodged by trademark owners for trademark infringement become more and more.

### Practice of Judicial Trial

If infringement is constituted by the distributor's use of others' registered trademark on the shop signboard without authorization, there are some legal precedents. In the practical judicial trial, there exist two opinions on this issue.

**Some believe that the distributor's use of others' registered trademark on shop signboard without authorization shall be construed as a use under the Trademark Law, and thus constitute a trademark infringement. As below are two precedents which hold this opinion:**

Case No.1 is regarding the trademark "Wuliangye", judged by Chengdu Intermediate People's Court in 2013. The court held that the Defendant's use of the Plaintiff's said registered text and image trademark on the shop signboard of the exclusive shop of "Zhencang Wuliangye" was for the purpose to draw the public's attention, instead of reasonable demonstrating they sold alcohol drinks. In accordance with relevant provisions, the use of trademarks refers to using trademarks in the commodities, commodity

packages or containers and commodity trading instruments, and using trademarks in advertisements, promotions, exhibitions and other commercial activities. So, the Defendant's use was construed as the use of trademark under the *Trademark Law* and thus constitute an infringement.

Case No.2 is regarding the trademark of "Michellin" tires, judged by Changchun Intermediate People's Court in 2013. The court held that the distributor's prominent use of the registered trademark "Michellin" without the authorization of the trademark owner, under the *Trademark Law*, made use of the connection between the commodities and the commodities provider to confuse and mislead relevant publics to believe that the distributor had certain relationship with the trademark owner or that the distributor might be the authorized store or chain store of the trademark owner. This caused customers to mistrust the distributor's operation activities and its sold commodities on the basis of the prestige of the trademark "Michellin" and the good faith the trademark owner, and also caused damage to the exclusive right of the registered trademark of Michellin Company. Therefore, in this case, the distributor's use of "Michellin" trademark caused damage to the exclusive right of others' registered trademark as stipulated in Article 52.5 of the *Trademark Law*, and thus the distributor shall bear the liability for infringement.

**Other believe that the distributor's use of others' trademark on the shop signboard is for the purpose of advertisement and promotion, is a reasonable use of trademark and shall not constitute infringement. As below are two precedents which hold this opinion:**

Case No.3 is regarding trademark of "Nippon" paint, entertained and judged by Shanghai Xuhui District Court in 2012. The court held that the protection of trademark by law is mainly for the purpose to ensure the customers may select commodities or services by the distinctive function of the trademarks, and prevent the customers from having confusion on the commodities or the service sources so as to maintain the trademark owner's good faith. The distributor used the involved trademark in a reasonable way in selling, promoting and advertising the Plaintiff's commodities, which is in accordance with the general commercial practices, so it shall not be construed as an infringement act and the Plaintiff's litigation requests were dismissed.



## Whether the Distributor's Use of Others' Registered Trademark on The Shop Signboard without Authorization will Constitute an Infringement?

Case No.4 is regarding the trademark of "TOTO" bath, entertained and judged by Henan Higher People's Court in 2004. The court held that the distributor's hanging of the trademark "TOTO" outside its business premise was to advertise and promote the "TOTO" commodities purchased by it through legal channel, did not infringe the exclusive right of the registered trademark "TOTO", and did not cause any economic losses to the trademark owner TOTO Ltd. The distributor's act was not the act infringing the exclusive right of registered trademark that shall be cracked down on as provided by the *Trademark Law of P.R.China*.

In addition, in the part of Determination of Distributor's Reasonable Use of Trademark for Trademark Infringement Judgments in the *Annual Report of the Supreme People's Court on Intellectual Property Cases in 2012*, with respect to the cases of disputes over infringement upon exclusive right of trademark and improper competition between Wuliangye Group and Tianyuan Tonghai Trade Co., Ltd. [(2012)MSZ No.887], **the Supreme People's Court pointed out that it is in order to clarify its identity as an authorized licensee and to promote the commodities of the trademark owner that the authorized distributor used the trademark in goodwill, and such use did not impair the trademark's distinctive function and shall not constitute the trademark infringement.**

### Analysis and Conclusion

As an important intellectual property, trademark has the nature of exclusivity inherent in intellectual properties. However, just as there is no absolute right without any limitation, the trademark's exclusivity is not absolute either. The basic function of trademark is to distinguish the source of commodities, and during the process of sale, the trademark will be definitely connected with commodities. Therefore, when selling the commodities assigned by legal means and attached with others' trademarks, the seller will inevitable have to use others' trademark to a necessary extent, such as indicating the trademark in the price label of the commodity and present the trademark in advertisements. The trademark owner has no right to interrupt or prohibit such legal, reasonable use of trademark within necessary extent, otherwise

the right of trademark will be abused and the free circulation of commodities and benign competition order will be blocked.

To determine whether an infringement is constituted, it is critical to correctly understand the bound of the said "necessary extent". According to the guiding spirit of the *Annual Report of the Supreme People's Court on Intellectual Property Cases in 2012*, the penman holds that the distributor's use of others' registered trademark on shop signboard shall be considered as a reasonable use provided that the following conditions are all satisfied with:

Firstly, identity of the operator shall be clarified. The license of product distribution is not equivalent to authorization of brand. The distributor only has the right to legally sell the products, rather than use the product's trademark.

Secondly, the use of trademark is limited to the instructive use, which is for the purpose of demonstrating or describing the features, sources and functions of the products.

Thirdly, the use of trademark shall conform to the commercial practice of good faith, and shall neither deceive or mislead the customers nor impair the prestige of the trademark.



Whether the distributor's use of the trademark owner's trademark will constitute a trademark infringement cannot be simply determined, but shall comprehensively be considered by reference to the specific means of use by the distributor and the extent of use. For example, if the distributor uses a certain trademark in its shop signboard while the commodities distributed by it are in several brands, then such use of it is very likely to mislead the customers, in which circumstance, a trademark infringement shall be constituted. Therefore, for the sake of insurance, the distributor should obtain the authorization of trademark in advance so as to avoid the possibility of being claimed for infringement; and if the distributor fails to obtain such authorization, then the distributor shall bear in mind the said conditions of reasonable use so as to avoid relevant legal risks.

by Xiang Shaoyun

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