



NEWSLETTER

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The Protection of Well Known Trademarks in Cases Related to Trademark Registration and Review A case study relating to HEINZ mark

- ✧ The Protection of Well Known Trademarks in Cases Related to Trademark Registration and Review
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HEINZ Company ("Heinz") raised an objection at the Trademark Office against Guangzhou DM Advertising Co., Ltd. ("DM") in relation to the trademark "PLAYGROUP HEINZ". The case went through various stages in the Chinese court system, until Beijing High Court made a final judgment on December 19, 2016.

According to the judgment, Heinz's trademarks - "亨氏" and "Heinz" - are well known trademarks, the appeal filed by DM was rejected with Heinz winning the lawsuit.

Lifang & Partners acted on behalf of Heinz throughout the first and second instances. We take this opportunity to provide you with our in-depth analysis on well-known trademark

protection and trademark rights based on this lawsuit, which we successfully handled for Heinz.

Background

1. Application for Registration

On July 13, 2010, DM applied to the trademark office for registration of the trademark "PLAYGROUP HEINZ" ("Opposed Trademark") in Class 41 - schooling (education) and other services - under application No. 8475530 ("Opposed Trademark").

Trademark No. 1277791, "Heinz" and trademark No. 1277794, "亨氏" ("Reference Marks") were registered by Heinz on March 20, 1998, for use in Class 5 - baby foods and other goods.

2. Opposition.¹

Heinz filed an opposition against the Opposed Trademark within the opposition period. Despite this, the Trademark Office approved the registration of the Opposed Trademark following their examination. Heinz was dissatisfied with the result, and filed an application to the Trademark Review and Adjudication Board (TRAB) for re-examination.

On March 13, 2014, TRAB issued the ruling Shang Ping Zi [2014] No. 8475530 regarding the re-examination of the Opposed Trademark ("TRAB ruling"), which determined that the evidence provided by Heinz was sufficient to prove that the Reference Marks have a relatively high popularity within the "baby food" industry, but was insufficient to prove that the Reference Marks were well known.

As the classes - schooling (education) and other services - sought in the Opposed Trademark were different from the classes - baby foods and other goods - that were protected by the Reference Marks, TRAB decided that the relevant public would not think that there was any specific relation between the two categories of goods and services in actual use. Therefore, the registration and use of the Opposed Trademark would not mislead the public, nor cause damage to the interests of Heinz. TRAB did not consider this situation to be a contravention of the circumstances provided for in Article 13.2 of the Trademark Law. TRAB approved the registration of the Opposed Trademark.

3. Beijing Intermediate Court

Heinz appealed the TRAB ruling with Beijing No. 1 Intermediate Court and submitted supplementary evidence to establish that the Reference Marks were well known. The court held that the totality of the evidence submitted, regarding previous court judgments on the Reference Marks, was sufficient to establish that the Reference Marks were well known and that the TRAB ruling was incorrect. TRAB was ordered to reconsider the issue.

4. Beijing High Court

DM, dissatisfied with the result, filed an appeal with Beijing High Court. The court ruled that if there was sufficient evidence to show that the public would believe there was a considerable extent of correlation between the Opposed Trademark and the well-known trademarks, to which it could mislead the public, damage the market reputation of said well-known trademarks and damage the interests of the trademark owner, such circumstances would fall within the scope of Article 13.2 of the Trademark Law. Considering factors such as sales volumes, publicity, sales territory, other precedent cases and other evidence, the Reference Marks constituted well-known trademarks in the “baby food” industry before the registration date of the Opposed Trademark. The Opposed Trademark included the Reference Marks and constituted an imitation of said Reference Marks.

The classes sought and other services specified for use in the Opposed Trademark had a certain correlation with “baby food” for which the Reference Marks were well known and may cause the public to mistake the source of the Opposed Trademark for the Reference Marks. This could subsequently weaken the correlation between the Reference Marks and “baby food”, and damage the interests of Heinz. The application for registration of the Opposed Trademark should not be approved under the Trademark Law. Therefore, it was appropriate for the intermediate court to correct the TRAB ruling.

On December 19, 2016, the high court made Administrative Judgment Jing Xing Zhong No. 5001 (2016) and rejected the appeal of DM, thus upholding the judgment of the intermediate court.

Legal Analysis

The Trademark Law was amended on August 30, 2013, and came into force on May 1, 2014. As the circumstances of the case relate to events before May 1, 2014, this case was decided in accordance with the Trademark Law as it stood in 2001. According to Article 13.2 of the Trademark Law:

“An application for registration of a trademark which is a replication, imitation or translation of other’s well-known trademark already registered in China for use on non-identical or non-similar commodities which is misleading to the public and may cause harm to the interests of the trademark registrant of the said well-known trademark shall not be registered and the use of such a mark shall be prohibited”.

According to TRAB statistics, the unsuccessful rate for TRAB regarding well-known trademark cases was very high in 2015. A divergence between TRAB and the courts exists with regards to the standard for properly fulfilling the burden of proof in the certification of well-known trademarks. Additionally, there is divergence between TRAB and the high court in Beijing in respect of how to carry out non-competition protection of well-known trademarks by use of anti-dilution theory.¹ The discord of views is well reflected in this case.

1. The high court held a very tolerant attitude towards the new evidence submitted in the administrative proceedings.

In the past, there was a general view that trademark right authorization and determination cases are judicial reviews of specific rulings. According to the basic principle of administrative litigation, the evidence that the litigants failed to provide during the review process, but provided for the first time during the litigation process should not be adopted. Many cases failed to carry out cross-examination or adopt new evidence were because the newly submitted evidence was not considered as the basis of the rulings under review.²

In order to facilitate unified judgment standards, Beijing High Court published Several Legal Issues that Need to be Considered in Present Intellectual Property Trials in May 2016, which provided the following regulations on adopting new evidence in administrative litigation. They stated that **equitable considerations shall**

be made regarding substantive justice and procedural justice during administrative proceedings. As for evidence that may potentially affect the substantial judgment results, significantly affect the determination of litigants' rights and cause litigants to lose the opportunities to obtain remedies, if the said evidence was not considered, the admission of such evidence should be determined prudently. Any newly admitted evidence not damaging the public interests may be considered under specific circumstances.

With regards to this particular matter, Heinz submitted supplementary evidence to Beijing No.1 Intermediate Court in the form of Civil Verdict (2011) Sui Zhong Fa Min San Chu Zi No. 262 issued by Guangzhou Intermediate Court on May 22, 2014 and Administrative Verdict (2014) Gao Xing Zhong Zi No. 1537 issued by Beijing High Court on December 17, 2014, both of which had not been submitted during the TRAB proceedings. As the two verdicts were issued after March 13, 2014, the date of the TRAB ruling, and were sufficient to prove that the Reference Marks were well known trademarks protected in previous judgments that were significant to achieving a correct determination, the intermediate court in Beijing admitted the evidence and based on it overturned the TRAB ruling. The court also determined that the court acceptance fees for the proceedings should be borne by TRAB.

Beijing High Court also admitted the new evidence, but decided that the court acceptance fees should be borne by Heinz. The high court modified the former determination and awarded costs against Heinz. According to common practice, Complainants should undertake litigation costs, where the defeat of a TRAB decision is due to new evidence being submitted by the Complainants.

2. If a trademark had been determined as a well-known trademark by any court before the date of the Application of the Opposed Trademark, the litigants' burden of proof for the well-known trademark can be alleviated.

It's provided for in Article 7 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to the Adjudication of Civil Disputes Cases in which Protection of Famous Trademarks Is Involved that in the event any trademark is determined to be a well-known trademark by a court or the Department of Industry and Commerce Administration, prior to the occurrence of infringement of accused trademark or unfair competition, if the Defendant does not deny that the trademark is a well-known trademark, the courts shall in any event recognize the said trademark as a well-known trademark. If the Defendant raises any

objection, the Complainant shall remain responsible for proving that the trademark is well known.

Matters should be prudently handled by the courts, if a significant amount of time has passed between the time when a trademark is determined to be a well-known trademark and the date of application for registration of an opposed trademark. The claiming side shall submit the evidence capable of proving that the trademark has been used and remained relatively popular before the application date.³ For example, in the trademark opposition case No. 7436032, relating to “OPUSHENG and Device”, Beijing High Court held that the evidence is enough to prove the reference marks were in continuous use and were widely publicized during the period from 2007 when the reference marks were identified as well-known trademarks to June 1, 2009, the date of application for registration of the opposed trademark. The evidence about publicity and use of the reference marks during the above period and the fact that the reference marks were identified as well-known trademarks (Sang Ping Zi [2007] No. 6570 Ruling) are sufficient to prove that the reference marks constituted as well-known trademarks for lamps and fluorescent tubes as of June 1, 2009, the date of application for registration of the opposed trademark.⁴

Civil judgment (2011) Sui Zhong Fa Min San Chu Zi No. 262 made by Guangzhou Intermediate People’s Court on May 22, 2014 determined that trademarks “亨氏” and “Heinz” had been well-known marks used for Class 5 goods, since before 2010.

Administrative judgment (2014) Gao Xing Zhong Zi No. 1537 made by Beijing High Court, on December 17, 2014 determined:

Trademark “亨氏” had been well-known on Class 5 “baby foods” and other goods before February 14, 2006.

In the case being discussed, the application date of the Opposed Trademark is July 13, 2010, and Heinz needed to prove that the trademarks “亨氏” and “Heinz” had been well-known before July 13, 2010. As Civil Judgment (2011) Sui Zhong Fa Min San Chu Zi No. 262 determined “亨氏” and “Heinz” had become well-known before 2011, which covers the date of application, the determination of well-known trademarks in Civil Judgment (2011) Sui Zhong Fa Min San Chu Zi No. 262 may directly act as proof of identification as well-known trademarks in this case.

Administrative Judgment (2014) Gao Xing Zhong Zi No. 1537 made by Beijing High Court on December 17, 2014 determined:

The trademark “亨氏” had been well-known on Class 5 “baby foods” and other goods before February 14, 2006, and there is a relatively long duration between December 17, 2014 and the time node of July 13, 2010 in this case.

Heinz submitted evidence to prove the trademark “HEINZ” was in continuous use and widely publicized during the period from February 14, 2006 to July 13, 2010. Therefore, the popularity and business reputation of the trademark “HEINZ” was maintained continuously during this period. The high court may combine evidence proving the publicity and use from 2006 to 2010 and that the trademark “HEINZ” was identified as a well-known trademark (Administrative Judgment (2014) Gao Xing Zhong Zi No. 1537) to confirm that the trademark “亨氏” had been well-known for Class 5 goods and other goods before July 13, 2010.

3. Anti-Dilution Protection

In the past, there were disputes on whether to provide anti-dilution protection to well-known trademarks and whether registration and use of disputed trademarks can reduce the salience of well-known trademarks. In particular, TRAB considered that anti-dilution protection regulations were absent in the Trademark Law of China for a certain period of time. Therefore, claims by well-known trademark owners were not supported in respect of such protection. Article 9 of the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of Law to the Adjudication of Civil Disputes Cases in which Protection of Famous Trademarks Is Involved provided regulations on anti-dilution protection, namely:

“Article 9 Where it is sufficient to cause the relevant public to reconsider the accused trademarks have considerate correlation with a well-known trademark, and thereby reducing the salience of the well-known trademark, derogating the market reputation of the well-known trademark or inappropriately using the market reputation of the well-known trademark, these cases shall fall within the provision of “misleading the public and causing possible damages to the interests of the registered well known trademark owner” under Article 13.2 of the Trademark Law”.

However, TRAB considered the judicial interpretation as only applicable to Civil Torts, but not applicable to cases of trademark right authorization and determination, and

held that the Opposed Trademark did not constitute “misleading the public” on the ground of confusion. Therefore, it was not considered by them to constitute weakening.⁵

Subsequently, it has been expressly stipulated in the Opinions of the Supreme People's Court on Several Issues Relating to Trial of Administrative Cases Pertaining to Licensing of Trademark and Authentic Right that:

“Article 10 When trying an administrative case pertaining to licensing of trademark and authentic right involving protection of well-known trademark, a People's Court may refer to the relevant provisions in Article 5, Article 9, Article 10, and other relevant articles of the Supreme People's Court's Interpretations on Several Issues Concerning the Application of Law to the Adjudication of Civil Disputes Cases In Which Protection of Famous Trademarks is Involved”.

Beijing High Court published Several Legal Issues that Need Attention in Present Intellectual Property Trials in May 2016, which provided a preliminary opinion on administrative cases, related to well-known trademark authorization and determination. The scope of well-known trademark protection in administrative cases involving trademark authorization and determination shall be subject to Article 9 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to the Adjudication of Civil Disputes Cases in which Protection of Famous Trademarks Is Involved. In particular, the protection of registered well known trademarks shall not be limited to avoiding confusion related to the source of goods or services; instead, the protection shall be expanded to avoid “dilution” of the trademarks. As TRAB determined the protection scope of registered well known trademarks merely on the ground of confusion, the ruling of TRAB shall be corrected if it is found during court proceedings that it is necessary to expand protection to avoid dilution.

The intermediate court determined that the evidence in this case could prove that the Reference Marks had been widely known to the relevant public, and that they were well known trademarks. Therefore, the TRAB ruling that the Reference Marks were relatively popular in the “baby food” industry, but had not reached the well-known degree, was incorrect. The TRAB ruling was thus overturned.

After the high court made inquiries and the opinions of the three parties were heard, the high court further invoked the theory of well-known trademark anti-dilution



protection, holding that schooling (education) and other services specified for use in the Opposed Trademark have a certain degree of correlation with scope of the Reference Marks (baby foods) in respect of certain consumer groups and other aspects. This may cause the relevant public to mistake the source of goods or services bearing the Opposed Trademark and subsequently reduce the extent of correlation between the Reference Marks and “baby foods”. As a result, consumers will be misled and the interests of Heinz may be damaged.

The application for registration of the Opposed Trademark constituted the circumstances prescribed in Article 13.2 of the Trademark Law. The high court offered anti-dilution protection to the well-known trademarks, holding that protection of the Reference Marks shall not be limited to avoiding confusion relating to the source of goods or services, but shall expand the protection to avoid “dilution” of the well-known trademarks. Accordingly, the well-known trademarks “亨氏” and “Heinz” are now able to enjoy non-competition protection that covers “schooling (education)”.

Conclusion

As can be seen from this case, Beijing High Court adopted a relatively tolerant attitude towards Heinz, who submitted new evidence to prove the popularity of their trademarks, and that courts awarding the well-known trademark status may alleviate a litigant’s burden of proof relating to well-known trademarks, The anti-dilution protection granted by the high court provides as a relatively high level of protection to the well-known trademark owners.

By Xiong Lei, Zhang Lei



Notes:

1. Provided by Trademark Review and Adjudication Board, written by Li Junqing: "Analysis | Do you see the Trademark Review and Adjudication Board usually lose lawsuits? Actually, it wins more.....", published in China Industry & Commerce News, Sept. 19, 2016
2. Zhou Yunchuan: *Rules and Judicial Precedents about Trademark Right Authorization and Determination*, Law Press, 2014, p.208-209
3. Zhou Yunchuan: *Rules and Judicial Precedents about Trademark Right Authorization and Determination*, Law Press, 2014, p.208-209
4. Beijing Higher People's Court (2015) GX(Z)ZZ No. 2751 Administration Judgment
5. Zhou Yunchuan: *Rules and Judicial Precedents about Trademark Right Authorization and Determination*, Law Press, 2014, p.217

Legitimate Source Defense in China's Patent Litigation

I. Concept and connotation of legitimate source defense

In respect of legitimate source defense in patent infringement litigation, provisions are made in Article 70 of China's Patent Law amended in 2008: "In terms of patent-infringing products used, offered to sell or sold for the purpose of production and operation (not aware that the said products were manufactured and sold without the authorization of the patent owner), no compensation liability will be undertaken if the legitimate source of the said products can be proved."

In a patent infringement litigation, the patent owner usually takes vendors that sell patent-infringing products within the region of litigation as defendants to sue en masse in order to lodge a case against the actual defendant to a court favorable to the patent owner, so as to realize the purpose of suing the actual dependent not covered in the region of litigation in the same region. However, the said vendors sued en masse may defend and request exemption of compensation liability by claiming for reasonable source defense.

II. Judicial application of legitimate source defense in China

(I) Specific actual subjects that may claim for legitimate source defense: users, offerers for sale and sellers

The legitimate source defense system is deemed as protection for the "bona fide third parties". However, according to the provisions of existing Patent Law, the "third parties" are only limited to the users, offerers for sale and sellers. The main reason lies in the fact that offerers for sale, sellers and users are located at the end of the product circulation, different from product manufacturers. Due to their actual attributes, they needn't to have the cognitive ability about the technical solutions used in the patent-infringing products. Therefore, it's obviously unfair to require them to perform the obligations of self-inspection on whether any patent technology has been used in the products. The regulations that bona fide users, offerers for sale and sellers shall not undertake any compensation liability are favorable for circulation of commodities and protection of the lawful interests of sellers, offerers for sale and users.

(II) Specific infringement acts that may claim for legitimate source defense: use, offering for sale and sale

In respect of what infringement acts charged in patent infringement litigations may claim for reasonable source defense, they're defined in Article 70 of the Patent Law as acts of "use, offering for sale or sale" of "patent-infringing products".

First, particular infringement acts that claim for reasonable source defense shall be such acts as use, offering for sale or sale of "patent-infringing products". Second, particular infringement acts that claim for reasonable source defense shall be such acts of "use, offering for sale or sale" of "patent-infringing products". The infringing products manufactured by the defendants in many patent infringement litigations do not immediately constitute overall infringement of the patents in dispute; however, a part or any components of the alleged infringing products constitute infringement of the patents in dispute. However, the said part or components were not produced by the defendants, but produced and sold to the defendant by third parties, and the defendants only assembled the immediate infringing part or components. Then, how to determine the defendants' acts of assembly of infringing products, and whether defendants may claim for legitimate source defense. In this regard, it's provided in the Interpretation of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases that any act of assembling products infringing any invention or utility-model patent is actually an act of use defined in the Patent Law; and any act of assembly and sale of products infringing design patents is actually a sales activity defined in the Patent Law. Therefore, the defendant in patent infringement litigation can still claim for legitimate source defense in light of the actual situation even though the alleged act is manufacture of infringing products.

In the event of "offering for sale" and "sale", relevant judicial interpretations also provided explicit definitions, embodied in: the Regulations of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases defines "offering for sale" as presenting the intention of selling goods by advertising, displaying in shop windows or displaying at exhibitions; the Interpretation of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases (II) defines the legitimate conclusion of product sales contract as "sale" described in the patent law, namely, it's not deemed as "sale" if the sales contract isn't concluded lawfully.

(III) Conditions for the justification of legitimate source defense: the product source is legitimate

According to Article 70 of the Patent Law, the precondition for exemption of

compensation liability for use, offering for sale or sale of any patent-infringing products for the purpose of production and operation not aware of the fact that the products were manufactured and sold without the authorization of the patent owner: able to prove the legitimate source of the products.

Proving the legitimate source is a pre-condition for the justification of legitimate source defense. As defined in the Interpretation of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases (II): legitimate source refers to obtaining the products by legitimate sales channels, typical sales contracts and other normal commercial approaches. In addition, it's also set off in the judicial interpretation: users, offerers for sale or sellers shall provide relevant evidence in conformity of transaction practices. In respect of relevant evidence, relevant vouchers shall be provided in line with regulations of the Guidelines for Judgment of Patent Infringement promulgated by Beijing High People's Court.

In terms of proving legitimate source, it not only needs to prove the patent-infringing products under use, offering for sale or sale are acquired from others, rather than manufactured by itself; but also prove the patent-infringing products are acquired from others through legitimate approaches or channels, e.g. acquired from a third party with license for legitimate production at a reasonable market price. Namely, it not only needs to prove the source of products, but also needs to prove the legitimacy of the source, and the latter is the key to legitimate source defense. If the defendant in a patent infringement litigation can only prove that the alleged infringing products were acquired from others but cannot prove the legitimacy of the acquiring act, or the legitimacy of the acquiring act is proved but awarded illegitimate by trail, e.g. the basis of legitimate source defense is invalid if the products were obtained by cheating or bought from any street pedlar without business license.

In respect of the basis of legitimate source, the defendant claiming for legitimate source defense usually provides relevant evidence such as sales contract, invoice, receipt, product promotion brochures and other evidences; however, few evidences are adopted by the court at last. The main reasons include: first, the evidence provided by the defendant is not intact and cannot form a complete chain of evidence due to irregular transactions on Chinese market and lack of a unified and standard voucher system, e.g. transaction subjects are usually relatively casual in

ordering and delivery form for the purpose of saving transaction costs, tax evasion and many other factors, and as a result, transaction voucher cannot be formed or transaction voucher formulated can hardly meet the legal requirement of adoption ; second, relevant evidence usually carries the name, data, price and information of commodities, but only the name, data, price and other information of products, but lacks detailed records of technical features of the transacted goods and the records of warehouse entry/exit, namely, relevant evidence fails to form one-to-one correspondence with the alleged infringing products, and the defendant fails to exclusively prove the alleged infringing products are the goods marked on the evidence provided; third, in the event that the supplier as a third-party doesn't participate in the litigation, it's difficult to prove the authenticity and probative value of such commodity transaction evidence provided by the defendant as sales contract, delivery or payment voucher, etc. Therefore, the defendant claiming for legitimate source defense in a particular case is advised to provide full evidence which can form a complete chain; as for any evidence or transaction act involving any third party (e.g. supplier), the defendant may apply to the court to notify the third party to participate in the legitimation in the identity of a third party or witness, so as to prove the probative value of relevant evidence.

(IV) Conditions for the justification of legitimate source defense: proving subjective "unawareness"

It's known by analysis of Article 70 of the Patent Law that another condition for the justification of reasonable source defense is unawareness of the fact that the patent-infringing products were manufactured and sold without the authorization of the patent owner. It's a subjective requirement on legitimate source defense.

In respect of how to confirm the subjective "unawareness" of the alleged infringer, it's set forth in the Interpretation of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases (II): "'Unawareness' refers to actual unawareness and 'shall not know'". In the judicial review on the design patent dispute between the re-applicant Guangdong Archie Hardware Co., Ltd. and the respondents Yang Jianzhong and Lu Bingxian who were accused of design infringement [(2013) MTZ No. 187], the Supreme People's Court held that legitimate source defense shall simultaneously meet two conditions, i.e. the user and seller have no subjective fault and the alleged infringing products have a legitimate source.

In ordinary circumstances, the alleged infringer may be directly confirmed as the

subjectively "unawareness" if only the infringer can provide the "legitimate source" and be approved by law if there isn't any evidence to the contrary. However, availability of legitimate source evidence shall not be directly taken as subjective "unawareness". In the practice, many patent owners usually warn the alleged infringers by sending an infringement warning letter before they institute formal proceedings against the infringers, and they will institute formal proceedings if the warning fails. In patent infringement litigation, the infringer may not necessarily have subjective "awareness" though the patent owner is able to prove that an infringement warning letter has been sent to the alleged infringer. Where the contents of infringement warning letter sent by the patent owner are sufficient and accurate and specify the facts of infringement of the alleged infringing products, and meanwhile the letter is attached with convincing evidence, e.g. written court verdicts for other relevant cases, infringement analysis opinions issued by relevant qualified agencies, etc. which are sufficient to cause the alleged infringer to believe that the alleged infringing products may possibly involve patent infringement, the patent owner's act of sending an infringement warning letter may cause the alleged infringer's subjective "unawareness" to transform to "awareness".

(V) Legal consequence of legitimate source defense

According to Article 70 of the Patent Law, the defendant may undertake no compensation liability where the legitimate source defense is justified. However, if the patent owner requests the court to order the defendant to cease the infringement acts, the court shall provide appropriate support. In practice, defendants that conduct legitimate source defense are usually unaware of the fact that the products under use, offering for sale or sale are infringing products, and they have paid for the infringing products, i.e. their acts of use, offering for sale or sale are usually "bona fide". Therefore, it's usually unfair to order them to stop use, offering for sale or sale. Accordingly, Interpretation of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases (II) set forth the follows in order to maintain transaction security and protect the lawful rights and interests of bona fide third-parties: if any user of alleged infringing products legally proves he/she has properly paid the product, the court will not support the patent owner's request for ceasing the use. However, we noted that the judicial interpretation only limits the exception to "use", but fails to set "offering for sale" and "sale" as exceptions. In our opinion, the reason behind it shall be such fact that the latter two circumstances are infringement acts which may cause direct impact on

the market or potential market of the patent owner, and substantial damages will be incurred to the interests and rights of the patent owner if the latter two acts are also set as exceptions.

By Yu Haidong





IMPORTANT INFORMATION

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