



2009-2010 TOP TEN CHINESE IP CASES

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Case No. 1

Chint vs. Schneider, parties finally settled for the largest amount in China's patent litigation history.

April 15th, 2009 marks a historical day in China's patent litigation history. The French company Schneider settled its patent lawsuit with a Zhejiang company Chint at the beginning of the oral hearing conducted at the Zhejiang High People's Court. According to the settlement, Schneider ought to pay Chint monetary compensation in the amount of RMB157.5 million Yuan (approximately US\$23 million) within fifteen days, otherwise Chint would have the right to apply for enforcement of the first instance judgment rendered by the Wenzhou Intermediate People's Court against Schneider in the amount of RMB334 million Yuan (approximately US\$50 million).

On August 1, 2006, Chint filed a lawsuit in Wenzhou Intermediate People's Court against Schneider and its related parties for patent infringement asking for RMB500,000 Yuan (approximately US\$80,000) in damages, a much lower demand in order for the case to be accepted by Wenzhou Court. Then in February 2007, six months later, Chint increased the damages demand to RMB334 million Yuan (approximately US\$50 million), without transferring the case to the Zhejiang High People's Court.

The patent at issue, Chinese Patent No. ZL97248479.5 ('479 Patent), was a utility model patent, so called "petite patent" which was filed on November 11, 1997 and granted on June 2, 1999. The '479 Patent covered a high cutting off small circuit breaker with a ten-year validity expiring on November 10, 2007.

The case went through the Chinese Patent Re-examination Board (the "Patent Board") and the trial, almost in parallel with the trial court decision handed down first on September 29, 2007, ordered injunction and compensation in favour of Chint. Before the Zhejiang High People's Court's hearing, the Patent Board handed down a decision upholding the validity of the '479 Patent which did not go through substantive examination upon issuance. The case then settled, hoping to end the ten-year patent battle between the two companies worldwide.

¹ We would like to thank Leo HE and Max Lin, our China Associates for their assistance in preparing this summary. Should you have further questions, please contact Catherine Sun, the Managing Partner, at csun@foley.com.



Case No. 2

Pfizer vs. Wellman, foreign plaintiff lost an extremely popular Chinese translation mark under the first to file regime.

On June 24, 2009, China's Supreme People's Court finally adjudicated that Pfizer lost a Chinese translation mark “伟哥” to Plaintiff Guangzhou Wellman Corp., ending an eleven-year legal battle.

In March 1998, Pfizer's Viagra blue pill came out, which was immediately covered by the Chinese media. Viagra was translated by the Chinese media as Weige “伟哥” meaning “great brother”. But Pfizer did not choose “伟哥” as the trademark for the Chinese market, instead translating Viagra as Wanaike “万艾可” meaning “could have ten thousand lovers”. With the increasing popularity of “伟哥”, more than forty Chinese companies rushed to the Chinese Trademark Office (“CTMO”) the same year to apply for “伟哥” trademark registration. One local company called Guangzhou Wellman Corp. won the lottery. When Pfizer realised the value of “伟哥”, Wellman's “伟哥” trademark application was already accepted by the CTMO.

On June 22, 2002, “伟哥” mark was published and gazetted for public opposition. On day 89, just one day before the closure of the opposition period, Pfizer filed an opposition. On October 11, 2005, Pfizer filed a lawsuit against Wellman and other pharmaceutical companies claiming for well-known trademark infringement. The case went through Beijing No. 1 Intermediate People's Court, and Beijing High People's Court, finally the Supreme People's Court granted the certiorari to hear the case. The Court basically held that Pfizer has never used or promoted the Chinese mark “伟哥”, and only Wellman had. Because China is a first to file regime, without establishing well known status by an unregistered mark before other's trademark filing date, whoever files first has the right to use the trademark. Pfizer could not establish “伟哥” was well known due to its use and promotion in China before 1998, thus, Wellman does not infringe Pfizer's right.

Interestingly, on April 8, 2009, the Chinese Trademark Review and Adjudication Board upheld Pfizer's trademark opposition which seems to be conflicting with the Court decision. It is yet to be seen whether Wellman will ultimately obtain the ownership of the mark.



Case No. 3

Strix vs. Zhejiang JiaTai and Leqing FaDa, a British kettle company was awarded an “unprecedented” RMB 9.1 million Yuan (approximately US\$1.3 million) compensation for patent infringement against Chinese small appliances manufacturers.

The case was filed in Beijing in December 2008 by Strix Ltd. - the world’s leading manufacturer of electric kettle controls, against two electrical device makers - Zhejiang JiaTai Electrical Appliance Manufacture Co., Ltd. (JiaTai) and Leqing FaDa Electrical Appliance Co., Ltd. (FaDa), and two kettle manufacturers - Zhongshan WeiLing Electrical Appliance Co., Ltd. (WeiLing) and Zhongshan ShunLong Century Electrical Appliance Co., Ltd. (ShunLong), after Strix found that the companies were producing and selling electric control devices containing Strix’s patented technology.

The patent in suit entitled “Liquid Heating Vessels” (ZL95194418.5) was filed by Strix through PCT on June 9, 1995 and covers a technology which automatically switches off electric kettles after the water has reached boiling point.

Although the defendant’s manufacturing operations are in Guangzhou and Zhejiang, Strix chose to sue in Beijing for a better forum. To bring the lawsuit in Beijing, Strix has demonstrated that the infringing kettles, which were being sold across the country, were also available in Beijing.

In January 2010, the Beijing No. 1 Intermediate People’s Court ruled that JiaTai and FaDa should stop producing and selling the two models of electric kettles containing such control devices, and pay damages of RMB 7.1 million Yuan (approximately US\$1.04 million) and RMB 2 million Yuan (approximately US\$ 294,000) respectively. While the majority of the damages were imposed on the control manufacturers, the court also ordered two kettle manufacturers- WeiLing and ShunLong, who were also involved in the case, to pay substantial damages and to stop the production and sale of two models of electric kettles containing those controls.

In this case, the compensation amount was calculated by the “infringer’s illegal income”, which is much higher than the maximum statutory damages awarded to the patent right holders.



Case No. 4

Tomato Garden criminal case, copyright infringement of Microsoft Windows XP, where criminal liability was imposed.

The Tomato Garden version of Microsoft Windows XP program (Tomato Garden) was developed by Mr. Hong Lei who deciphered the program's authentication and certification barriers, enhanced the appearance of Windows XP desktop, buttons and certain program interface, and allowed users unrestricted access to certain Microsoft software. The use of Tomato Garden has been widespread in China and the program itself was ranked the second most popular operating system right after the original Windows XP.

Between December 2006 and August 2008, with the assistance of Mr. Hong Lei and other individual defendants, Chengdu Gongruan Network Technology Co., Ltd made various versions of Tomato Garden software, and provided access through public download at tomatolei.com and edudown.cn. While download was free of charge, the company made profit out of advertising. According to the judgment, Gongruan has an illegal income of RMB 2.92 million Yuan (approximately US\$ 430,000).

Some defendants were arrested in 2008. On August 20, 2009, the Hu Qiu District People's Court in Su Zhou, Jiangsu Province, adjudicated that the defendants infringed the copyright of Microsoft, so the illegal income of Chengdu Gongruan should be seized and the company should be fined three times of its illegal income, that is, RMB 8.77 million Yuan (approximately US\$1.23 million). Two principal individual defendants (including Mr. Hong Lei) were sentenced to jail for three and a half years and fined RMB 1 million Yuan (approximately US\$ 147,000). Two subordinate criminal suspects were sentenced to jail for two years and fined RMB 100,000 Yuan (approximately US\$ 14,700).



Case No. 5

People vs. Tantian, the first trademark criminal case relating to 2010 Shanghai World Expo.

On October 16, 2010, Shanghai Pudong New District People's Court handed down a judgment of the first trademark criminal case relating to 2010 Shanghai World Expo.

Tantian was one of the defendants. In 2006, Tantian's mother paid for RMB 500,000 Yuan (approximately US\$ 73,530) to establish Changzheng Company (the other defendant in the present case; hereafter "Changzheng") pursuing metals and steel business. Tantian was the general manager of Changzheng and in charge daily work. In 2007, Chengzheng became a materials supplier to Shanghai Installation Engineering Co., Ltd. (hereafter "Installation Engineering. In July 2008, Installation Engineering was granted contracts of electrical installation work of certain Expo venues and Changzheng was responsible for supplying steel materials to Installation Engineering.

In December 2008, a man, named Mr. Chen, promoted to sell "Jinzhou" brand galvanized steel pipes to Changzheng. Tantian made a decision to buy ninety tons of these steel pipes with the price of RMB 456,000 Yuan (approximately US \$ 67,059) which was obviously lower than the normal market price of "Jinzhou" brand steel pipes. Tantian sold these steel pipes to Installation Engineering for Expo venues buildings. In April 2009, Installation Engineering found that the steel pipes had breaking welding line when conducting random inspection to these steel pipes. Installation Engineering terminated Changzheng's supplier's qualification immediately and sent staff to carry out investigation. In order to verify the authenticity of steel pipes, Installation Engineering invited "Jinzhou" brand steel pipes manufacturer to conduct field verification. After verification by the manufacturer, these steel pipes were identified as counterfeit products. On May 6, 2009, Tantian turned himself into the public security department. On September 9, 2009, a public prosecution was instituted at the Pudong New District People's Court.

The court held that "Jinzhou and its logo" was a registered trademark in China. Jinzhou company was the owner of the registered trademark "Jinzhou and its logo" and their legitimate rights should be protected by law. Defendants, Changzheng and Tantian knowingly sold the products bearing fake trademark with a relatively large sales volume, which had not only infringed trademark right owned by Jinzhou Company, but also destroyed state trademark management system and disturbed the socialist market economic order. Their action had committed crime for selling goods bearing counterfeit registered trademark. Changzheng was a limited liability company which was established legally. Tantian was the general manager of Changzheng and in charge of company's business activities. Tantian signed steel pipe sale contract with Installation Engineering in the name of Changzheng and the earned profit belonging to Changzheng, which constituted enterprise crime under the Chinese Criminal Law . Tantian had repeatedly distributed genuine "Jinzhou" branded steel pipes and knew it well, but he purchased the steel pipes bearing counterfeit "Jinzhou" trademark with obvious low price and further forged certificate of product quality. The above facts specifically showed that Tantian

willfully sold the steel pipes bearing counterfeit “Jinzhou” trademark.. Tantian, as the general manager of Changzheng, should bear the criminal liability according to the law.

The court decided that Changzheng committed crime for selling goods bearing counterfeit registered trademark and was punished with a fine of RMB 180,000 Yuan (approximately US \$ 26,471); Tantian committed the same crime and was punished with imprisonment of two years and a fine of RMB 180,000 Yuan (approximately US \$ 26,471); the seized steel pipes bearing counterfeit “Jinzhou” trademark were confiscated.



Case No. 6

Wuhan Jingyuan vs. Japanese Fujikashui and Huayang, injunctive relief was not granted due to public interest consideration in an environmental sector IP infringement case.

On December 21, 2009, the Supreme People's Court adjudicated that Wuhan Jingyuan Environmental Project Tech Co., Ltd. (hereinafter WUHAN JINGYUAN) won the patent infringement case against Japanese Fujikashui Engineering Co., Ltd. (hereinafter Japan FKK) and Huayang Electricity Co., Ltd. (hereinafter Huayang Company), ending an eight-year legal battle. Japan FKK and Huayang Company should jointly pay WUHAN JINGYUAN RMB 50.6 million Yuan (approximately US\$ 7.4 million), the largest patent compensation involving environmental products in China.

The patent in suit (ZL95119389.9) entitled Aeration Sea Water Type Technology for Removing Sulfur from Smoke and Aeration Device was filed by WUHAN JINGYUAN in December 1995, and granted on September 25, 1999. The patent provides core technology to remove sulfur by using sea water, which is a substantial improvement and could reduce the cost by two thirds, compared with the traditional limestone sulfur removal process which consumes lots of more freshwater and energy.

The sulfur removal technology and equipment used by Huayang Company was provided by Japan FKK. According to the agreement between Huayang Company and Japan FKK, there is an indemnification clause stipulating that the Japan FKK should indemnify the Huayang Company for any losses, damages and fines relating to the patent rights of the equipment provided by Japan FKK.

On September 16, 2001, WUHAN JINGYUAN initiated the patent infringement lawsuit before Fujian High People's Court. Subsequently, Japan FKK filed an invalidation request against the patent in suit before the Patent Board. During approximately six years of legal proceedings, WUHAN JINGYUAN successfully defended the validity of the patent in suit before the Patent Board, Beijing Intermediate People's Court and Beijing High People's Court. On May 12, 2008, the Fujian High People's Court made its first instance judgment, ruling that: Japan FKK should cease the infringement and pay RMB 50.6 million Yuan (approximately US\$ 7.4 million) to WUHAN JINGYUAN for compensation and Huayang Company should pay certain royalty fees to WUHAN JINGYUAN instead of injunction due to the public interest. The judgment was appealed to the Supreme People's Court. Then, Supreme People's Court made its final decision ruling that the defendants should jointly pay RMB50.6 million Yuan (approximately US\$7.4 million) for the patent infringement.



Case No. 7

Michelin Group vs. Tan Guoqiang and Ou Can, parallel import of goods without 3C approval was held to constitute an infringement of the trademark owner's right in China

On April 24, 2009, the Changsha Intermediate People's Court ruled that two individual tire dealers infringed the tire giant Michelin's trademark rights for selling Japanese-made Michelin tires in China without consent from the trademark owner and mandatory China Compulsory Product Certification (3C) approval. This case was regarded as the first trademark parallel import case in China by Chinese media.

The plaintiff, Michelin Group, is the trademark owner of Michelin series trademarks in China. In April 2008, Michelin engaged an agent to have bought Michelin brand tires with notary from the two tire dealers and then initiated the lawsuit seeking injunctive and monetary relief on February 22, 2009. It is notable that the tires in suit bear authentic Japanese-manufacturer Michelin's brand, but without the authorization for sale in China from Michelin. Moreover, the tire has not obtained 3C certification, which is mandatory before tires could be sold in China.

As the parallel imports of trademarked products is not specifically addressed in Chinese law and regulations, the Court focused on whether the sale of parallel imported products will constitute a trademark infringement if the sale in China is not authorized by the trademark right holder and the products do not comply with the 3C requirement. The Court found that the products in question should be inspected and certified in accordance with the 3C system before any import or sales in China market. Thus, the defendant's sales of such tires are illegal and should be forbidden. Further, the Court stated that if any quality or safety issue of the Japanese-made tires arises, the consumers will automatically relate this to Michelin. It is obvious that the defendant's unauthorized sales will damage Michelin's reputation, and then constitute an infringement of its trademark rights. The Court awarded an injunction against the sale of such products and a small amount of compensation to Michelin. The defendants did not appeal.



Case No. 8

Siemens vs. Co-trust, seven patent infringement actions between the parties based on two Siemens invention patents, invalidity petitions filed before answer but the Court did not stay; interestingly the Court found infringement in two actions based on one patent but that patent later was declared invalid by the Patent Board; all cases are pending for appeal.

In 2009, seven patent lawsuits based on two patents between Siemens and Shenzhen Co-trust technology Co., Ltd. went to appeal before the Guangdong High People's Court. In the first instance, Siemens won two cases and lost five cases before the Shenzhen Intermediate People's Court.

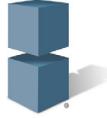
The two patents in suit are Chinese patent ZL95197172.7 ('172 Patent), entitled "User Defined Prot and Protocol Scheme for a Programmable Logic Controller" and Chinese Patent ZL01814807.7 ('807 Patent), entitled "Universal Controller Expansion Module System, Method and Apparatus". These two invention patents filed by Siemens through PCT were granted in China in 2004 and 2006 respectively.

Between December 2007 and January 2008, Siemens accompanied by notary purchased several CPU devices and expansion module devices manufactured by Co-trust from certain distributors, then filed seven lawsuits against Co-trust seeking injunctive relief and a monetary compensation in the amount of over RMB 17 million Yuan (approximately US\$2.5 million). In answering the Complaint, Co-trust filed invalidation petitions to the Patent Board challenging the validity of the patents, but the Court did not stay the trial. During the trial, an expert report was provided by Beijing Zi Tu Forensic Sciences Center according to both parties' request. The expert report concluded that the accused CPU devices have the same features as the claimed ones of the '172 Patent but are not equivalent to the prior art references provided by Co-trust; and the accused expansion module devices have different technical solutions as the ones covered by the '807 Patent.

In November 2008, Shenzhen Intermediate People's Court made its first instance decision based on the expert report, adjudicating that Siemens won two lawsuits relating to the '172 Patent with a compensation of RMB 500,000 Yuan (approximately US\$ 74,000) for each case, but rejected other five lawsuits relating to the '807 Patent.

Right after the Court's decision, the Patent Board declared that all claims of the '172 Patent invalid and partial claims of the '807 Patent invalid. Siemens then filed an appeal (administrative lawsuit) challenging Patent Board's decision before the Beijing No.1 Intermediate Court. Based on the Patent Board decision, Co-trust appealed the two cases it was ordered to pay to the Guangdong High People's Court based on the invalidity of the '172 Patent. Meanwhile, Siemens dissatisfied with the rejection of other five cases, also appealed to the same court based on the erroneous claim construction of the '807 Patent.

It will be a lengthy battle between the parties.



Case No. 9

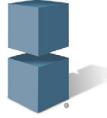
People vs. Bohai, a trade secret case where an employee stole and disclosed employer's trade secret, causing significant economic losses to employer and committing IP crime.

In September 2006, Tianjin Bohai Iron and Steel Engineering Technology Development Co, Ltd (hereafter "Bohai") was incorporated in Tianjin. After incorporation, Bohai signed a program design contract "AnGang High-performance Cold-rolled Silicon Steel Test Line Project" with AnGang Steel Company. In order to complete the program, Bohai recruited several design experts including Chu Naibing, Chen chunyuanyuan and others who originally worked at WISDRI Engineering & Research Incorporation Limited (hereafter "WISDRI").

In March 2007, Bohai convened a regular meeting. At the meeting, Chu Naibing, Chen chunyuanyuan and others proposed and decided to entrust Liu Xiang who worked at WISDRI to conduct design on two product lines of certain equipment with RMB 100,000 Yuan each (approximately US \$ 14,706). After the meeting, Chen chunyuanyuan contacted Liu Xiang directly and Liu Xiang agreed to design accordingly. Afterwards, Liu Xiang changed the drawing names, "TaiGang Cold-rolled Silicon Steel normalization-based Pickling Equipment Design Drawings" and "WuGang Two Silicon-oriented Silicon Steel Hot-drawing Formation Unit Equipment Design Drawings" both of which owned by WISDRI, into "High-performance Cold-rolled Silicon Steel Test Line Project". In addition, Liu Xiang changed the logo on the design drawings to Bohai's logo. Then, Liu Xiang delivered the design drawing to Bohai by Chen chunyuanyuan and received RMB 150,000 Yuan (approximately US \$ 22,059) paid by Bohai as a reward.

On September 14, 2009, Wuhan Jiangnan District People's court made the first instance judgment. The court held: Bohai used high rewards to induce Liu Xiang to steal and disclose WISDRI's trade secret and used WISDRI's trade secret into its AnGang program directly; Chen chunyuanyuan, Chu Naibing and others, as Bohai's management, directly involved in obtaining WISDRI's trade secret by unfair method such as inducement; Liu Xiang violated confidentiality agreement signed between Liu Xiang and WISDRI. The action of Bohai, Chen chunyuanyuan, Chu Naibing, and Liu Xiang caused significant economic losses to the trade secret owner-WISDRI.

The first instance court held that Bohai committed trade secret crime and was sentenced to a fine of RMB 1.6 million Yuan (approximately US \$ 235,294); Liu Xiang and Chen chunyuanyuan committed trade secret crime and were sentenced to imprisonment for two years and a fine of RMB 800,000 Yuan (approximately US \$ 117,647) respectively. Chu Naibing committed trade secret crime and was sentenced to imprisonment for ten months and fourteen days and a fine of RMB 800,000 Yuan (approximately US \$ 117,647). All the defendants were not satisfied with the judgment of the first instance court and appealed. On January 5, 2010, Wuhan Intermediate People's court rejected the defendants' appeal and affirmed the judgment of the first instance.



Case No. 10

Exxon Mobil vs. American Mobil International Petroleum Group, registration of internet keyword and domain name may constitute trademark infringement. The infringing internet keyword and domain names were cancelled.

On July 24, 2009, Shanghai Intermediate People’s Court made its first instance decision in a trademark infringement and unfair competition action brought by Exxon Mobil against American Mobil International Petroleum Group, a Hong Kong registered company, Xi’an Yanqing Technology Development Co., and Shanghai Songjing Industrial Co. The Court held that the defendants infringed Exxon Mobil’s trademark right and engaged in unfair competition due to their registration and misuse of certain internet keyword and domain names, thus awarded Exxon Mobil an injunction and a monetary compensation RMB 500,000 Yuan (approximate US\$ 73,209).

Exxon Mobil is the owner of trademark “美孚”, which is the Chinese translation for “Mobil” and widely known by relevant public in China. The defendants registered an internet keyword - “美国美孚石油” (American Mobil Petroleum) and two Chinese domain names - “美国美孚石油.中国” and “美国美孚石油.cn” in China. The internet keyword and domain names include Exxon Mobil’s Chinese trademark. The Court held that due to the distinctiveness of the two Chinese characters “美孚” in the keyword and domain names, the Chinese characters used in the internet keyword and domain names are similar to Exxon Mobil’s Chinese trademark. Because such similarity will confuse consumers to assume certain relationship between the defendants and Exxon Mobil, the defendant infringed Exxon Mobil’s trademark right by registering and using similar internet keyword and domain names. The Court further ordered the defendants to cancel the registration of the internet keyword and domain names.

In addition, the Court held that the defendants’ conduct constituted unfair competition because they have caused customer’s confusion, utilized Exxon Mobil’s reputation and breached the business ethics.