

Application of Judicial Precedents in Adjudication of Intellectual Property Cases

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On 24 April 2015, Intellectual Property Case Guidance and Research (Beijing) Base (Case Base for short) was set up by the Supreme People's Court at the Beijing Intellectual Property Court. This is an important systematic innovation in the field of IP judicial reform during the process of full implementation of rule of law. Following the spirit of the Fourth Plenary Session of the 18th CPC Central Committee ("to strengthen and regulate judicial interpretation and case guidance, and to unify the application of laws and regulations"), Tao Kaiyuan, vice-president of the Supreme People's Court, required the Case Base to focus on theoretical, regulatory, informative and open researches of the IP cases, for the purpose of making the Case Base a national IP case research and guidance center, an IP case identification center and an intelligent IP case collection center and a national all-purpose IP case service center.

I. Background

From March 2015 to October 2016, the Beijing IP Court has applied judicial precedents in 168 judgments, wherein the judicial precedents in 121 judgments were submitted by the interested parties, and the judicial precedents in 47 judgments were cited by the judges on their own initiative. In view of the judgments, 117 cases were decided under the doctrine of judicial precedent, and in the rest 51 cases, precedents were not followed as the merits of the cases are different from those in the precedents. There have been no cases, where the precedents were not followed for no reason nor the precedents were overturned. Among the said 168 cases, 279 effective judicial precedents were cited, 31 of which were from the Supreme People's Court, 132 from High Courts (117 from Beijing High Court), 92 from Intermediate Courts (75 from Beijing Intermediate Court), and 24

from grassroots courts (16 from grassroots courts in Beijing).

In terms of the effects, there are obvious distinctions between the IP case guidance system (or the doctrine of judicial precedent) and the case law: firstly, most of the precedents were followed with an aim of guiding the adjudication of subsequent cases by providing examples, rather than setting forth new provisions; and secondly, the judges do not establish rules at the "margin" of the laws, but specify and refine provisions under the "framework" of laws.

For more than a year, a working mechanism has been preliminarily set up at the Beijing IP Court. Judges and agents *ad litem* in the frontline gradually start to follow the judicial precedents consciously and are familiar with how to cite judicial precedents in trials, which leads to the emergence of many "famous judges". The legal community and the general public recognize the achievements of the system with positive feedback, which provides judges with incentives to cite and follow judicial precedents in adjudication of IP cases.

II. Working Mechanism

1. To grope with open mind under the unified leadership.

For more than a year, people working at the Case Base and the Beijing IP Court are committed to groping under the guidance of courts at a higher level and various institutions and with the help of scholars and experts. They abide by the practice-focused and problem-oriented principle while adhering to synchronization of the judicial reform and informatization construction, practical and theoretical research, inspiring judges and providing guidance to lawyers, and individual exploration and overall design, in such a way to summarize practical experience through research and ex-

ploration.

2. To clarify the position of the precedent system within a clear scope and gradually reach a consensus

Firmly keep in mind the objective of “four centers” of the Case Base. The position and function of the judicial precedent system shall be clarified. The groping for the application of the precedent system is conducted as a part of case guidance work under the leadership of the Supreme People’s Court; the groping for the application of the precedent system is conducted within the scope of jurisdiction over judicial interpretation, thereby regulating and constraining the judicial power; and the groping for the application of the precedent system shall fit in with the needs of adjudication of IP cases in China, on the basis of good experience at all times and in all countries.

3. To establish the regulations and reform the judicial precedents practice and procedures.

The establishment of the precedent system calls for the overall improvement of administration of justice in every aspect. Since its first day, the Beijing IP Court was committed to the implementation of judicial reform and has preliminarily put the judicial concepts, judicial mechanisms and talent pool in place to meet the requirement of the establishment of a judicial precedent system. For almost a year, efforts have been made to reform in adjudication with reference to judicial precedents, which enable lawyers and judges to work in the same legal context and with the same standard, which mainly includes:

Firstly, lawyers and the interested parties are encouraged to submit precedents in the Bill of Complaint and Bill of Defense in order to support their claims asserted in lawsuits. Although there is no limit on the number of precedents one can cite, it does not encourage people to cite precedents blindly. Precedents should only be submitted when there is a dispute over the application of laws or when there is a new legal issue to be addressed. The legal effect of the precedents should also be considered. One should submit the precedent which was made by the court at the highest level, together with a case summary and explanation why the precedent should be followed. Take the following case as an example:

One Party cites a precedent in the Bill of Complaint or Bill of Defense

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3. The Case: *Wuyishan Tongmu Tea Co., Ltd. v. Trademark Review and Adjudication Board (TRAB)* under State

Administration of Industry and Commerce, which is a dispute over trademark opposition reexamination (hereinafter referred to as *Tongmu Tea v. TRAB*)

First Instance Case No.: Yizhongzhixingchuzi 894/2013

Second Instance Case No.: Gaoxingzhongzi 1767/2013

Source: Top 10 IPR Cases released by the Supreme People’s Court (2013)

Interested Parties: Wuyishan Tongmu Tea Co., Ltd; TRAB; Wuyishan National Nature Reserve Zhengshan Tea Co., Ltd.

Cause of Action: Administrative dispute over trademark opposition reexamination

Keywords: generic name; trademark registration; registered trademark; collective trademark;

Laws and regulations applied: Article 5 of Administrative Procedure Law of the PRC, Article 11 of the Trademark Law; Article 3 of the Trademark Law; Article 32 of the Implementing Regulation of the Trademark Law; Article 20 of Regulation of Trademark Review and Adjudication; Article 61 of Administrative Procedure Law of the PRC; Article 70 of the Interpretation of the Supreme People’s Court on Several Issues Concerning the Implementation of Administrative Procedure Law.

Key Points of Judgment:

1. When it comes to decide whether the mark is a generic name or not, the intention of a trademark applicant when filing the application should not be taken into consideration, nor should the fact of how one particular party uses the mark in the market be considered. The formation of a generic name is a reflection of how the relevant public associates one product with a certain name in that particular market. The generic name can only be confirmed when the relevant public in that particular market normally associates certain product with that name. Determination of whether the mark at dispute is a generic name is normally based on the factual status when the mark was filed for application. If the mark was not a generic name when it was filed and however becomes a generic name when registered, this mark should also be determined as a generic name.

2. There are obvious differences between a commodity trademark and a collective mark in terms of characteristics and functions. If the mark at dispute is bound to be a collective mark, and is to be used by members of a certain organization or association, it will lose the function of distinguishing the sources of goods or services and cannot be registered as a commodity trademark.

Opinion on Citation: 1. The merits and focuses of the subject case are similar to those of the cited Precedent 3 with the only difference lying in the mark signs. Pursuant to Item 2 of the Key Points of Judgment of Precedent 3, the collective mark “黄山绿茶” (Yellow Mountain Green Tea in Chinese) at dispute was preliminarily published in the Trade-mark Gazette, therefore the mark at dispute “黄山 (Yellow Mountain in Chinese)” shall lose the function of distinguishing the sources of goods/services and should not be allowed for registration.

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The other party's response to the cited precedent (The undisputed facts and opinion shall not be reiterated)

1. Disagreeing with Item 2 of the Key Points of Judgment

Item 2 of the Key Points of Judgment should be: There are obvious differences between a commodity mark and a collective mark in terms of characteristics and functions. When it comes to the comparison of similarity of trademarks, given that there is no common ground between the two marks, the two marks should not be compared in the first place.

2. Opinion on Citation/Comparison: The merits and focuses of the subject case are similar to those of the cited Precedent 3 with the only difference lying in the marks. Pursuant to Item 2 of the Key Points of Judgment for Precedent 3, the registration of the collective mark “黄山绿茶” should not be used to prove the registration of the mark at dispute “黄山” is in violation of Article 30 of the Trademark Law.

The subject case is not comparable with Precedent 3 on the grounds that

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Second, the Court, during the evidence exchange and court debate phases, should forward the precedents cited by the interested party and those initiatively cited by judges to the opposite party and make sure that each party is entitled to freely express its opinions.

Third, attention shall be paid to procedural antagonism. All the focal points of the dispute should be tried in the court. All the issues tried should be responded to. Judicial precedents without trial should not be incorporated into the judgments.

Fourth, emphasis shall be placed on the reasoning in judgments. If it is possible, arguments could be drafted by agents *ad litem* of both parties. It shall be thoroughly dis-

cussed whether the precedent should be followed. Before the text of the Judgment is there an Abstract of Judgment, which includes the Key Points of Judgment prepared by the judges for summarizing the judging rules and for later reference. Here is an example:

Beijing IP Court

Abstract of Judgment

Case No.: Jingzhixingchuzi 6058/2015

Collegial panel: Zhang Xiaoxia; Wang Chong; Sun Jingwei

Judge assistant: Yang Zhen

Court clerk: Ren Yan

Interested Parties

Plaintiff: Kaiping Shanglan Sports Goods Co., Ltd.

Defendant: TRAB

Third party: Shūeisha Inc.

TRAB Case No.:

Judgment No. Shangpingzi 63811/2015 concerning the Invalidation of the Mark “黑子的籃球” (THE BASKETBALL WHICH KUROKO PLAYS) (No. 11226352)

Cause of Action:

Administrative Dispute over Trademark Invalidation

Date of Acceptance: 30 November 2015

Date of Judgment: 26 October 2016

Decision:

The plaintiff's appeal is to be dismissed

Law and regulation applied:

Article 41.1 of the Trademark Law 2001

Key points of Judgment:

Article 19 of the Opinions on Several Issues Concerning the Trial of Administrative Cases Involving the Grant and Determination of Trademark Rights provides that to judge whether the disputed trademark is registered by other illicit means as provided for in Article 41.1 of the Trademark Law 2001, a people's court shall take into account whether the illicit means, other than deceitful means, are means which disturb the trademark registration order, damage the public interests, illicitly occupy public resources or seek for illicit profits in any other form. In this case, “to disturb trademark registration order” and “to seek for illicit profits” listed as the judging criteria in the judicial interpretation are respectively elaborated. Kaiping Shanglan Sports Co., Ltd. has registered more than 100 trademarks related to animated cartoon “黑子的籃球”. The evidence submitted is insufficient to prove that the registrant has put this mark into actual use. Therefore registration of the mark at dispute has dis-

turbed the trademark registration order. The Japanese cartoon “黒子のバスケ” and its Chinese translation “黒子の籃球” have acquired certain reputation in Mainland China before the filing date of the mark at dispute. Kaiping Shanglan Sports Co., Ltd.’s registration of the disputed mark is an act to take advantage of other’s hardly earned goodwill, and should be viewed as an act to seek for illicit profits. Especially when under the current legal system, the name of the animated cartoon and names of cartoon characters thereof do not enjoy any earlier legal rights, it is impossible to stop such trademark squatting by the owner of the earlier mark or interested parties, and to stop such improper activities efficiently. To regulate such acts as registering a mark through “other illicit means” has fulfilled the needs of the protection of the interested parties.

Note: This abstract is not a part of the Judgment and does not have any legal effect.

Of course, judicial precedent is only applicable to cases that are meaningful and contributive to the legal system, as guaranteed by reform measures taken by the Beijing IP Court, such as division of the cases according to the complexity thereof.

4. To provide strengthened guidance to application of the doctrine of judicial precedent

In order to ensure the *de facto* binding force (or persuasiveness) of the precedent, the Guidelines of Application of Judicial Precedent in IP Case Trial have been promulgated, with the focuses on the following:

First, the precedents should be cited and commented on in the part of “Court’s holding”. The judging rules and method of the precedent should be a starting point of the legal reasoning of the subsequent case, rather than the basis for judgment.

Second, under the circumstances that the subsequent case and the precedent are “in the same category”, the precedent may become a reason for appeal, amendment of the original judgment or the judicial committee’s reconsideration only when a wrongly decided ruling of the subsequent case is different from that of the precedent.

Third, the legal effect of a precedent that is superior to that of single case results from the persuasiveness of the judgment thereof and the function and authority of the court making the judgment. If the court cites an improper precedent for the subsequent case or the judgement made for the subsequent case gets deviated from the precedent, the case cannot be considered as misjudged.

Fourth, upon emergence of new issues, the judge should be allowed to choose at his or her discretion between equal and competitive precedents for the subsequent case and to change his or her choice as things go on. The intent to establish a precedent or to not to follow one precedent shall be subject to discussion at the conference of judges or before the judicial committee.

Fifth, a mechanism should be established to allow the precedents to be overruled or adjusted. Where a precedent is found to be a misjudged one, if the precedent and the subsequent case were tried in the same court, the misjudged precedent should be reported to the judicial committee of the court for review. If the precedent was tried in a court at a higher level, the misjudged precedent should be reported to the judicial committee who then reports the same to the higher court, in such a way to guarantee the order of trial and the authority of the judiciary.

III. Experience and Effect

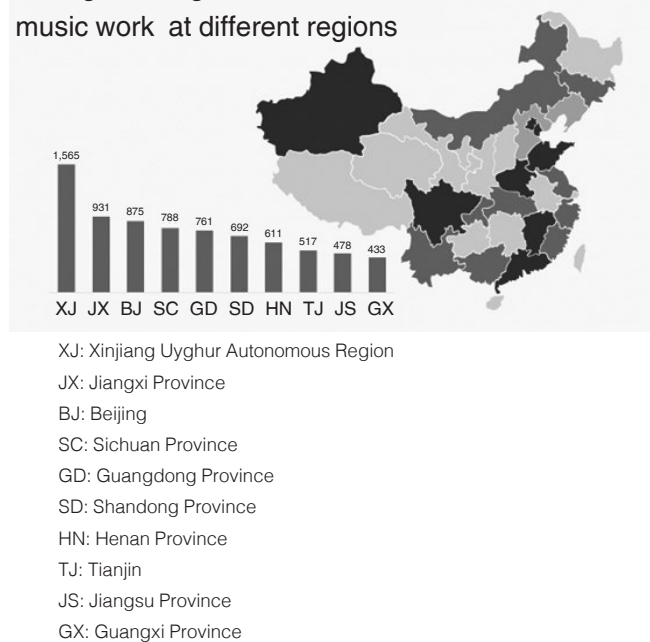
The advantageous effects of the adoption of judicial precedents can be preliminarily seen in trials of several cases.

1. To make sure that similar decisions are made for cases of similar merits and to restrain the judges’ discretions.

The simplest demand of the people for fairness and justice is that similar decisions should be made for cases of similar merits. Of course, different decisions may also be made for cases of similar merits for various reasons, among which, the inconsistency of judges’ discretions appears to the most apparent and the most understandable reason. The judgement consistency, however, is what we pursue because unfairness is very difficult to be accepted by the interested parties.

For instance, according to statistics (see the graph in the next page), in similar cases related to infringement upon music works over the Internet, the damages awarded to a single musical work range from RMB 400 to RMB 1,500, which varies greatly from province to province. In fact, different judges in the same court may award different damages in the same case, and even the same judge may award different damages in similar cases. This will affect the credibility of the judiciary.

Average damages awarded for each music work at different regions



Such problems can be solved with reference to the judicial precedent. For instance, a Mr. Zhao sued a library for copyright infringement. The first-instance court has awarded damages calculated based on the standard of RMB 50 per 1000 Chinese characters according to the statutory compensation provision. Mr. Zhao was dissatisfied with the decision and brought the case to a higher court without submitting any new evidence. In the past, the application of discretion is unlikely to be the focus of a second instance trial. But under the system of judicial precedent, the interested party submitted a prior judgement, which determined the library's infringement on his work in 2010 for the first time, and the damages awarded were calculated based on the standard of RMB 30 per 1,000 Chinese characters. He was of the view that the defendant infringed his rights again six years later, but the compensation standard in the first instance decision did not reflect the judicial policy that IP right should be better protected, and did not even reflect the inflation rate and the normal market value fluctuation. Then shall we establish an explicitly defined standard for the judge's discretion? According to the statutory provisions, when an administrative department makes legal use of a copyrighted work, the remuneration paid for the use is RMB 80 to RMB 300 per 1000 Chinese characters. This means that the damages awarded for a repeated infringement were even lower than the remuneration for the legal use of that particular work. Judging from this case, one

could see that a precedent is *de facto* persuasive, and helps the court to make a convincing judgment.

2. Use legal reasoning to differentiate the facts of different cases to prove that different judgements result from different merits of cases

Under the doctrine of judicial precedent, the court could conduct analysis by identifying the similarities and dissimilarities of different cases and then point out that the dissimilarities are sufficient to lead to different judgements. This will help to eliminate the relevant parties' questioning of different decisions made for similar cases.

In the case related to "Shennongjia and Device", a precedent "Zhongjiang International" is introduced for comparison. Although, similar to "Zhongjiang", "Shennongjia" is distinguishable from a county-level geographical name, evidence in the precedent showed that "Zhongjiang International" and "China Jiangsu International Economic and Technological Cooperation Company" are involved in a clear one-to-one relationship, which will not cause confusion among consumers. "Shennongjia", however, indicates a particular geographical location to some extent. When used on goods such as "mineral water; purified water", the mark "Shennongjia" is likely to mislead the consumers to associate the goods with that particular location and carries the specific characteristics and functions associated with that geographic location. Therefore, the mark "Shennongjia" cannot function as a trademark to distinguish the sources of the goods.

3. To maintain the judicial deference and restraint and to reduce misjudged cases or judge-made law

Under the principle of case-by-case analysis, it is possible to see an individual judge to make wrong judgments or law in a particular case due to its limited capabilities and narrow vision. For instance, in absence of clearly worded legal provisions in China, some judgments render non-original database, non-confidential technologies and etc. under protection as a patent right. It has in fact broadened the scope of subject matters eligible for patent protection and transcends the judicial power. When such judgments are exaggerated or even maliciously distorted, it is likely to lead the public or the international community to mistakenly believe that this is the attitude of China's courts as a whole, which will have an adverse impact on the courts.

Under the doctrine of judicial precedent, lawyers will help judges to collect precedents and resources to enable deeper thinking with more information; the judges need to

restrain their discretion when there is no precedent to follow and set a precedent if necessary based on collective wisdom; and reasoning and analysis should be highlighted in the judgment so as to make the judgment more scientific and less erroneous. For instance, in the trademark case of “黑子的籃球”, the mark is in fact the name of a Japanese animated cartoon. The title and characters of the cartoon enjoy a high reputation among the relevant public in China. However, according to our existing laws and regulations, such names do not constitute any statutory IP right. Therefore, the trademark squatting cannot be curbed according to the provision of prior rights. Shanglan Co.’s filing of the mark at dispute “黑子的籃球” has taken advantage of the efforts made by the others. Judges from the Beijing IP Court, after taking into consideration of precedents, restrained their discretion, and did not create the legal concept of “merchandising right”, although it was respected and protected in some countries. Shanglan Co.’s filing was finally held as a bad-faith act according to the judicial interpretation of “seeking illicit profits”.

4. To maintain the consistency of interpretation and application of laws and regulations

The statutory law can be general and hysteric, and cannot cover all the circumstances. For instance, the Trademark Law provides that a registered mark is vulnerable to a cancellation action if not used for three consecutive years. But, what constitutes the use of the mark should be interpreted by the judge. In the trademark case of Sinok, the registrant only uses the mark at dispute for export purpose and does not sell the goods within the territory of China. Is the mark used in the sense of the Trademark Law? Views are divided in this regard. Following the precedent of “SCALEXTRIC”, the Beijing IP Court held that the registrant used the trademark for their OEM parts and components of the goods and then sold them in an overseas market, and although the goods never entered into the market of Mainland China, it meets the provision of the Trademark Law that the registrant is encouraged to use the mark, rather than leave it alone for a long period of time, and encouraged to conduct foreign trade. Therefore, such use was considered as use of a registered trademark. The understanding of law in this case is consistent with that in the precedent, and the judgment of this case shall function to guide the activities of export-oriented companies.

5. To accumulate judicial experience so as to provide recommendations and reference in decision-making

We’re witnessing the rapid development of technologies and are also faced with more and more emerging issues. The Supreme People’s Court is heavily burdened with drafting of various judicial interpretations and judicial policies. The doctrine of judicial precedent will be a huge support to the judges’ discretion and also to the research and policy making of the courts as a whole.

For instance, a new issue emerging in the Internet is whether an infringement occurs if video software embedded in a set-top box provides deep linking to others’ film and television works. In judicial practice, there are different opinions on the standard of internet broadcasting, such as “user-awareness standard” and “server standard”. In the “Day Day Up” case, the Beijing IP Court has explained the “information network broadcasting” from its literal meaning to “the source of legislation”, and cited 5 precedents made by the Supreme People’s Court and the Beijing High People’s Court to probe into the formation and evolution of different legal opinions before making its own judgment. The judgment, composed of 37,000 Chinese characters, is a real and effective search report on policy making and overall situations.

6. To regulate the judicial examination criteria and bring the leading role of the judiciary into full play

Through the doctrine of judicial precedent, the Beijing IP Court has effectively regulated the judicial examination acts and criteria, which are conducive to regulating administrative acts.

For instance, the Patent Law of the PRC set forth no provisions as to whether the Patent Re-examination Board can examine the defects of a patent application *ex officio* beyond the scope of examination of the original examining division. The Guidelines for Patent Examination, as departmental rules made by the SIPO, only provides that *ex officio* examination is conducted to find “obvious substantive defects”.

Following the criteria in the Supreme Court’s Administrative Judgment No. Zhixingzi 2/2014, the Beijing IP Court, in the trial of Nokia Company’s “motion sensor” application, held that it is not appropriate to broadly take examination of obvious and substantive defects as an evaluation of inventive step. The examination of obvious substantive defects should be conducted strictly, so as to protect the legitimate rights and interests of patent applicants and to guarantee the basic function of the reexamination procedure. The unified judicial examination criteria shared by the

courts at different levels help the administrative authorities perform their functions and duties in a correct manner.

IV. Informatization construction

In the spirit of the “two wheel-driven system” advocated by the Supreme People’s Court (two wheels are judicial reform and informatization construction), the Case Base will deeply probe into the IP case guidance system, and meanwhile carry out the informatization construction based on the IP case guidance service platform (briefly known as a case service platform).

Currently, the case service platform is in its embryonic stage, which consists of three parts, i.e., the precedent evaluation system, the precedent publication system and the precedent application system. Compared with the existing legal data search system, the case service platform has five advantages: 1, it has a unique IP coding system, which locates and connects the legal knowledge with the IP codes; 2, the precedent effectiveness system is introduced according to the case guidance system so as to intelligently provide decisions and suggestions on a case-by-case analy-

sis; 3, it supports the intelligent push-pull technology under fuzzy conditions, which provides identical case or similar cases to users without inputting any keyword manually; 4, it can provide an interactive Q&A with users; 5, a user behavior analysis tool is embedded into the case service system for the sake of rendering it more user-friendly, intelligent and accurate.

V. Current problems

The case guidance system is a long-term systematic project. With preliminary achievements seen in the pilot work, we are still facing some issues to be urgently solved: 1. to solve the contradiction between the system probing and trial workload; 2. to deepen the theoretical research to make the case guidance system more reliable; and 3. to further standardize the construction of the case guidance system to form reproducible experience. These issues should be addressed in the near future. ■

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