Neoplan v. Beijing Zhongtong Xinghua Automobile Selling Co., Ltd., et al.

(Case No. Yizhongminchuzi 12804/2006 heard and judged on 14 January 2009 by the Beijing No.1 Intermediate People's Court as the first-instance court)

The patent in suit was a patent for a design of "bus" which the Neoplan applied for, on 23 September 2004, and the grant of which was published on 24 August 2005. The allegedly infringing products were the four models of A9 series of large and medium-sized buses (Models YCK6139HG、YCK6139HGW、YCK6129HG、YCK6129HGWA9) marketed by the Beijing Zhongtong Xinghua Automobile Selling Co., Ltd. (Zhongtong) and made by the Yancheng Zhongwei Bus Co., Ltd. (Zhongwei) and Zhongda Industrial Group Corporation (Zhongda). Neoplan alleged that said allegedly infringing products had infringed its design patent, and therefore sued them in the Beijing No.1 Intermediate People's Court, l claiming damages amounting to RMB 40 million yuan from the two manufacturers, and requesting them and the dealer to cease making and marketing the allegedly infringing products, and jointly and severally pay for the reasonable lawyer's fee of RMB 1.37 million yuan.

Issue 1: Whether the allegedly infringing products had infringed the patent

Zhongwei and Zhongda asserted that to decide on whether the design patent was infringed or not, the plaintiff's products should be compared with the defendant's. But the first-instance court believed that defendants' products should be compared with the text of the plaintiff's design patent.

The first-instance court compared the YCK6139HG Bus made by Zhongwei with the design patent in suit, and arrived at the conclusion that in both of them there were upper and lower wedge-shaped windscreen, slant front composite lights, and the frontal wedge parts corresponding to said lights, side windows all stretching towards the rare, the concave design along the horizontal bus body, reversed ladder-shaped window at the rare, hexagonal engine hood; triangle rare lights, radiation grid at the sides and the rare, and the cover parts of the wheels. The identical design substantially constituted the overall appearance of the bus products. While the two were somewhat different in the side marker lights, windscreen wiper, lights, vehicle number plate installation part, edges of the rare windscreen, location of the exits, air-intake of the engine hood, and location of the air-conditioners, these differences were small and minor, and had no significant impact on the visual effect of the overall design of the bus products. Where the allegedly infringing products and patented design in suit were substantially identical, the two were similar designs.

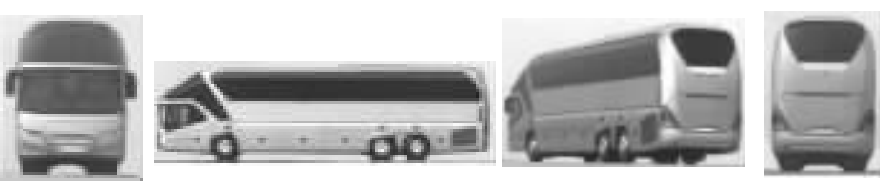
The court took the view that the outer shape of the four models of the A9 series of large and medium-sized buses (models YCK6139HG, YCK6139HGW, YCK6129HG, YCK6129HGWA9) were substantially identical; hence the A9 series of buses were all similar to the patented design. Accordingly, it decided that the acts of making and marketing the same were acts of exploiting the patent in suit.

Issue 2: Whether the defendants' non-infringement defence was tenable or not

Zhongwei asserted, with evidence, that the Model A9 series of buses were products of its own independent R&D.

The first-instance court took the view that the evidence from Zhongwei was not sufficient to show that the designs of the allegedly infringing products were those of its own R&D. Besides, the patent right was an exclusive right. That is, when a technical solution was patented, any other party is excluded from exploiting said technical solution no matter

The design patent in suit



The Model YCK 6139HG bus

whether the technical solution the other party exploited was one of its own R&D unless the latter could prove that it had the prior right of using said technical solution, namely, it had already made or used the identical method or made the necessary preparation for making or using said method before the application for the patent in suit was filed. But Zhongwei could not prove its prior right of use; hence the self-development defence was not tenable. Further, while Zhongda was granted the patent right for the design of the buses by the SIPO, but the filing date of the patent was 13 October 2005, a date following 24 August 2005, on which the grant of the patent in suit was published, so Zhongda's patent should not be posed against the plaintiff's prior patent right.

Issue 3: whether the amount of damages the plaintiff claimed was due or not

In the case, the plaintiff claimed damages amounting to RMB 40 million yuan.

In the case, the amount of damages was calculated in one of the methods provided for in Article 60 of the Patent Law, namely, it was determined on the basis of the benefits the infringer made because of the infringement. Regarding the volume of sales of the allegedly infringing products, the Zhongwei's statistics of the bus sales between 2005 and 2007 put at the court disposal showed that more than 5,000 buses had been sold. And it was reported before the institution of the present lawsuit by Zhongda in its website that at least 200 buses of the allegedly infringing products of the mode A9 series were sold in 2005, and in 2006 the volume of the sale of the products took up 60% of all its sales. In the absence of evidence to the contrary, the court presume on the basis of the evidence that from 2005 when Zhongwei began to make the model A9 series of buses, more than 2,000 buses of the allegedly infringing products had been sold. As for the benefits the defendants made, the plaintiff claimed that the profit of the bus product was 20%; the defendants held it to be about 5%. In the absence of evidence on the matter from both parties, the court did not consider their claims. The court took the view that the products of buses were somewhat special, and factors, such as the repute and goodwill of the manufacturers and the performance of the engine and the main factors having impact on consumers' consumption; hence the benefit of an infringing product was not made merely because of the infringing acts; so all the benefits made from the infringing products should not be determineded as the amount of the damages claimed.

After taking account of the factors, such as the class of the patent right enjoyed by the plaintiff, the duration of the defendants' infringement, the nature and circumstances of the infringement, the region where the infringing products were marketed and the prices thereof, the first-instance court decided on the damages at the amount of RMB 20 million yuan.

The judgment

On 14 January 2009, the Beijing No.1 Intermediate People's Court ruled to order Zhongtongxing to immediately cease marketing the YCK6139HG model buses, Zhongwei and Zhongda immediately cease making and marketing said four Modes of the A9 series of buses, and held all of them jointly and severally liable for paying for the damages of RMB 20 million yuan and the reasonable litigation expenses of RMB 1.16 million yuan.

Zhongwei and Zhongda appealed.

The present case was the first case in which a foreign business sued Chinese auto makers after China acceded to the WTO. With the damages amounting to RMB 20 million yuan, the lawsuit was also known as the No.1 bus infringement case in China.

P.S. The rule of law in the present case were as follows:

Articles 11, paragraph two, 60 and 63, paragraph two, of the Patent Law; Article 118 of the General Principles of the Civil Law; Article 22 of the Supreme People's Court's Several Provision on Several Issues relating to Application of Law to Trial of Cases of Dispute over Patent (No. Fashi 21/2001)

(Correspondents Xiao Hai and Yuan Wei)