SPC Guiding Case No. 49: Shi Honglin v. Taizhou Huaren Electronic Information Co., Ltd. (Computer Software Copyright Infringement Dispute)

Dan Young Business Consultancy — www.danyoungcpa.com

Unofficial English translation prepared for reference only. The official Chinese text prevails.

Discussed and adopted by the Judicial Committee of the Supreme People's Court; issued on April 15, 2015.

Keywords

Civil / infringement of computer software copyright / burden of proof / infringement comparison / defective feature

Holding

Where the defendant refuses to provide the source program or object program of the alleged infringing software, and, due to technical limitations, the object program cannot be read directly from the alleged infringing product, if the software of the plaintiff and the defendant is substantially the same in terms of design defects, and the defendant refuses, without justifiable reason, to provide its software source program or object program for direct comparison, then, considering the plaintiff's objective difficulty in adducing evidence, it may be determined that the computer software of the plaintiff and the defendant constitutes substantial identity, and the defendant shall bear infringement liability.

Basic Facts

The plaintiff, Shi Honglin, alleged as follows. The defendant, Taizhou Huaren Electronic Information Co., Ltd. ("Huaren"), without permission, reproduced, distributed and sold in large quantities and over a long period software identical to Shi Honglin's computer software "S-Type Wire-Cutting Machine Tool Single-Chip Microcomputer Controller System Software V1.0," seriously damaging his lawful rights and interests. He therefore sued, requesting the court to order Huaren to cease the infringement, publicly apologize, and compensate the plaintiff for economic losses of RMB 100,000, the notarization fees for evidence preservation and litigation agency fees of RMB 9,200 incurred to stop the infringement, and the appraisal fees.

The defendant, Huaren, argued as follows. The system software used in its HR-Z wire-cutting machine tool controller was independently developed by it, and could not possibly be the same as Shi Honglin's S-type wire-cutting machine tool single-chip microcomputer control system; moreover, the hardware and keyboard layout of its product were completely different from those of the S-type wire-cutting machine tool single-chip microcomputer controller produced by Shi Honglin. It requested the court to dismiss Shi Honglin's claims.

The court found upon trial as follows. On August 1, 2000, Shi Honglin completed the development of the S-type wire-cutting machine tool single-chip microcomputer controller system software. On April 18, 2005, he obtained the computer software copyright registration certificate No. Ruan Zhu Deng Zi No. 035260 from the National Copyright Administration, which stated that the software was named S-Type Wire-Cutting Machine Tool Single-Chip Microcomputer Controller System Software V1.0 (the "S Series Software"), the copyright owner was Shi Honglin, and the manner of acquisition was original acquisition. On December 20, 2005, the Hailing District Notary Office of Taizhou City issued a notarial certificate (2005) Tai Hai Zheng Min Nei Zi No. 1146, recording the purchase by Shi Honglin, at a price of RMB 660, of one HR-Z wire-cutting machine tool numerical control controller (the "HR-Z Controller") from Huaren and the obtaining of the sales invoice (No. 00550751), and prepared a record of the evidence-preservation notarization work and took 8 photographs of the purchased controller and its user manual and outer packaging, and sealed the controller.

In the first-instance trial, the court entrusted Jiangsu Science and Technology Consulting Center to conduct a comparative appraisal of the following matters: (1) the identity between the software source program provided by Shi Honglin in this case and the software source program filed for copyright registration with the National Copyright Administration; and (2) the similarity or identity between the code of the notarially-preserved HR-Z controller system software of Huaren and the source program code of the software registered for copyright by Shi Honglin. Later, Jiangsu Science and Technology Consulting Center issued an appraisal work report, stating that because the defendant's software was mainly fixed on two chips, ATMEL's AT89F51 and Philips's P89C58, and the chip coded "AT89F51" was a micro-controller with self-encryption, its encryption system must first be cracked before the software code fixed therein could be read. Under the existing technical conditions, the problem of decrypting the chip could not be solved, so it was difficult to reach an objective and scientific appraisal conclusion based on the existing appraisal materials.

In the second-instance trial, the court, upon application by the plaintiff Shi Honglin, organized a technical appraisal on the following matters: whether the plaintiff's software and the alleged infringing software had the same software defects and operating characteristics. Upon appraisal, the Copyright Appraisal Committee of the China Copyright Protection Center issued an appraisal report, concluding that, by running the plaintiff's and defendant's software, the following identical defects were found in the two: (1) after the continuous processing program segments of the two controllers exceeded 2,048 entries, both failed to execute normally; and (2) when the automatic alarm was turned off by pressing any key after the alarm sounded no more than twice following the completion of processing a complete program segment, both controllers occasionally emitted two beeps from the buzzer during the automatic pause before the processing return line in the next processing operation.

The second-instance court further found that the user manuals of the plaintiff's and defendant's software were substantially the same. The descriptions of controller functions and technical indicators were substantially the same; the descriptions of use and operation were substantially the same; and the paragraph arrangement and the use of most sentences were substantially the same. After repeated explanations by the second-instance court, Huaren consistently refused to provide the source program of the alleged infringing software for comparison.

Judgment

On December 8, 2006, the Intermediate People's Court of Taizhou City, Jiangsu Province rendered Civil Judgment (2006) Tai Min San Chu Zi No. 2, dismissing the claims of the plaintiff Shi Honglin. Shi Honglin appealed, and on December 17, 2007, the Higher People's Court of Jiangsu Province rendered Civil Judgment (2007) Su Min San Zhong Zi No. 0018: (1) the Civil Judgment (2006) Tai Min San Chu Zi No. 2 of the Intermediate People's Court of Taizhou City, Jiangsu Province was revoked; (2) Huaren shall immediately cease producing and selling products infringing the copyright in Shi Honglin's S-Type Wire-Cutting Machine Tool Single-Chip Microcomputer Controller System Software V1.0; (3) Huaren shall, within 10 days from the effective date of this judgment, compensate Shi Honglin for economic losses of RMB 79,200; and (4) the other claims of Shi Honglin were dismissed.

Reasoning

The effective judgment held as follows. Based on the existing evidence, it should be found that Huaren infringed the copyright in Shi Honglin's S Series Software.

I. The standard of proof in this case should be reasonably determined in light of the parties' objectively existing difficulty in adducing evidence

According to the law, a party bears the responsibility of providing evidence to prove the facts on which its claims are based. In this case, Shi Honglin alleged that Huaren infringed the copyright in his S Series Software, and he needed to prove that the computer software of the two parties constituted identity or

Source: https://www.danyoungcpa.com/spc-guiding-case-49-china/

substantial identity. Generally, Shi Honglin needed to prove that the source programs or object programs of the two computer programs constituted identity or substantial identity. However, in this case, owing to objective difficulties, Shi Honglin was in fact unable to provide the source program or object program of the alleged infringing HR-Z software and thereby directly prove that the source programs or object programs of the two constituted identity or substantial identity. 1. Shi Honglin could not directly obtain the source program or object program of the alleged infringing computer software. Because the source program and object program of the alleged infringing HR-Z software were under the actual control of Huaren, Shi Honglin was in fact unable to provide the source program or object program of the HR-Z software for direct comparison when Huaren refused to provide them. 2. Existing technical means could not obtain the source program or object program of the HR-Z software from the alleged infringing HR-Z controller. According to the first-instance appraisal, the object program of the HR-Z software was loaded onto the built-in chip of the HR-Z controller; because the chip was an encrypted chip, the object program of the HR-Z software could not be read from the chip and thereby reverse-compiled into the source program. Therefore, relying on existing technical means, the source program or object program of the HR-Z software could not be obtained from the HR-Z controller.

In conclusion, in this case, where Huaren refused, without justifiable reason, to provide the software source program for direct comparison, and Shi Honglin was indeed unable to directly prove his litigation claim due to objective difficulties, the scale of the standard of proof should be reasonably grasped from the perspective of fairness and the principle of good faith, and a comprehensive judgment should be made as to whether the existing evidence provided by Shi Honglin could form a high-probability preponderance.

II. The existing evidence provided by Shi Honglin could prove that the alleged infringing HR-Z software and Shi Honglin’s S Series Software constituted substantial identity, and Huaren should bear the obligation of providing contrary evidence

The existing evidence in this case could prove the following facts:

1. The second-instance appraisal conclusion showed that, by running the HX-Z controller installed with HX-Z software and the HR-Z controller installed with HR-Z software, the aforesaid identical system-software defects were found in the two.

2. The second-instance appraisal conclusion showed that, by running the HX-Z controller installed with HX-Z software and the HR-Z controller installed with HR-Z software, identical characteristic conditions were found when the two were powered on and operated.

3. The user manuals of the HX-Z and HR-Z controllers were substantially the same.

4. The overall appearance and layout of the HX-Z and HR-Z controllers were substantially the same, mainly including that the overall layout of the panel and keyboard was substantially the same.

Accordingly, given that the HX-Z and HR-Z software had common system-software defects, and according to the general principles of computer software design, where design is completed independently, the probability of identical software defects appearing in different software is extremely small, whereas if there are common software defects between software programs, the probability that the source programs of the software are identical is relatively high. At the same time, combined with the facts that the two had identical characteristic conditions when powered on and operated, that the user manuals of the HX-Z and HR-Z controllers were substantially the same, and that the overall appearance and layout of the HX-Z and HR-Z controllers were substantially the same, the court held that the existing evidence provided by Shi Honglin could form a high-probability preponderance sufficient to make the court believe that the HX-Z and HR-Z software constituted substantial identity. At the same time, because the HX-Z software was Shi Honglin’s revision of his S Series Software, and the HX-Z software was substantially identical to the S Series Software, the alleged infringing HR-Z software and Shi Honglin’s S Series Software likewise constituted substantial identity, that is, Huaren infringed the copyright in the S Series Software enjoyed by Shi Honglin.

III. Huaren failed to provide contrary evidence to prove its litigation claim, and should bear the adverse consequence of failure to adduce evidence

In this case, where Shi Honglin had provided the aforesaid evidence to prove his litigation claim, Huaren failed to provide contrary evidence by way of rebuttal, and should bear the adverse consequence of failure to adduce evidence in accordance with the law. After repeated explanations by this court, Huaren ultimately still did not provide the source program of the alleged infringing HR-Z software for comparison. Although Huaren provided the computer software copyright registration certificate for the DX-Z wire-cutting controller microprocessor firmware program system V3.0, it neither proved that this software was the same software as the alleged infringing HR-Z software, nor proved that the alleged infringing HR-Z software was completed earlier than Shi Honglin's S Series Software or was independently developed by it. Although Huaren further claimed that the commercial sales invoice of May 19, 2004 that it provided in the second-instance trial could prove that it had developed and completed the alleged infringing software in 2004, the court held in this regard that, although the invoice noted the goods name as HR-Z wire-cutting controller, it could not naturally be inferred that the software used by the controller was the alleged infringing HR-Z software, and Huaren did not further provide other evidence to confirm this. At the same time, combined with a series of defects in the invoice, such as its not being a regular VAT invoice and its not noting the name of the purchasing entity, the court held that Huaren's claim that it had developed and completed the alleged infringing software in 2004 lacked factual basis and was not adopted.

In conclusion, based on the existing evidence, and given that Huaren held the source program of the alleged infringing HR-Z software and refused to provide it without justifiable reason, it should be found that the alleged infringing HR-Z software and Shi Honglin's S Series Software constituted substantial identity, and Huaren infringed the copyright in Shi Honglin's S Series Software.

Relevant Legal Provisions

Article 3(1) of the Regulations on the Protection of Computer Software.

Disclaimer: This translation is provided for reference and informational purposes only. In the event of any discrepancy, the official Chinese text issued by the Supreme People's Court shall prevail. This translation does not constitute legal advice.