SPC Guiding Case No. 83: Weihai Jiayikao Household Appliance Co., Ltd. v. Yongkang Jinshide Industry and Trade Co., Ltd. and Zhejiang Tmall Network Co., Ltd. (Invention Patent Infringement Dispute)

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SPC Guiding Case No. 83

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Keywords

Civil; infringement of invention patent; valid notice; necessary measures; internet service provider; joint and several liability

Holding

1. Where a network user uses network services to commit an infringing act, and the infringed person, in accordance with the Tort Liability Law, sends a notice to the internet service provider requiring it to take necessary measures, the notice constitutes a valid notice if it contains the identity of the infringed person, ownership credentials, the network address of the infringer, preliminary evidence of the infringing facts, and other content. The complaint rules established by the internet service provider on its own shall not affect the right holder's lawful protection of its own lawful rights in accordance with the law.

2. The necessary measures that an internet service provider should take after receiving a notice as provided in Article 36(2) of the Tort Liability Law include, but are not limited to, deletion, blocking, and disconnection of links. "Necessary measures" shall be comprehensively determined in accordance with the principles of prudence and reasonableness, based on factors such as the nature of the right infringed, the specific circumstances of the infringement, and the technical conditions.

Basic Facts

The plaintiff Weihai Jiayikao Household Appliance Co., Ltd. (hereinafter "Jiayikao Company") alleged: Yongkang Jinshide Industry and Trade Co., Ltd. (hereinafter "Jinshide Company"), without its permission, promoted and sold products infringing its patent right No. ZL200980000002.8 on online platforms such as Tmall, constituting patent infringement; Zhejiang Tmall Network Co., Ltd. (hereinafter "Tmall Company") failed to take effective measures despite Jiayikao Company's complaint about Jinshide Company's infringement, and should bear joint liability with Jinshide Company for the infringement. It requested an order that: 1. Jinshide Company immediately cease selling the alleged infringing products; 2. Jinshide Company immediately destroy the stock of alleged infringing products; 3. Tmall Company remove all links to Jinshide Company's infringing products on the Tmall platform; 4. Jinshide Company and Tmall Company jointly and severally compensate Jiayikao Company RMB 500,000; and 5. the litigation costs of this case be borne by Jinshide Company and Tmall Company.

Jinshide Company defended, stating that it was merely a seller and not a manufacturer, and that the compensation claimed by Jiayikao Company was excessive.

Tmall Company defended: 1. as a trading platform, it was not the main operator or seller producing and selling the infringing products; 2. it could not be determined whether the products in question were infringing; 3. it could not be determined whether the products in question had been used first; and 4. in the absence of proof that it was the infringer, there was no factual or legal basis for its joint and several compensation of

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RMB 500,000, and since its company had already deleted the links to the products in question, Jiayikao Company's claim for removal of all links to Jinshide Company's infringing products on the Tmall platform could not be established either.

The court, upon trial, found: on January 16, 2009, Jiayikao Company and its legal representative Li Jinxi jointly applied to the State Intellectual Property Office for an invention patent titled "Infrared Heating Cooking Apparatus," and obtained authorization on November 5, 2014, with patent number ZL200980000002.8. The claims of the invention patent recorded: "1. An infrared heating cooking apparatus, characterized in that the infrared heating cooking apparatus comprises: a bracket, having a shaft hole in the center of its upper part and a switch for controlling power on one side; a rotating disc that is heated when irradiated by infrared rays, serving as a disc-shaped container on which food can be placed, with a detachable protrusion inserted into the shaft hole in the center of its lower part; a stand, vertically arranged on one side of the bracket; an infrared irradiation part, arranged at the upper end of the stand, which irradiates infrared rays toward the rotating disc when power is applied; the bracket is also provided with an oil collection tray that can be pulled out from the inner side; and an axial oil discharge hole is provided on the protrusion of the rotating disc." On January 26, 2015, the patentee of the invention patent in question was changed to Jiayikao Company. The annual fee for the patent in question was paid through January 15, 2016.

On January 29, 2015, the entrusted agency of Jiayikao Company, Beijing Shangzhuan Law Firm, applied to the Beijing Haicheng Notary Office for evidence preservation notarization. Its entrusted agents Wang Yongxian and Shi Yin, under the supervision of the notary office, operated a computer to log in to the Tmall website (URL: http://www.tmall.com), purchased a 3D barbecue grill priced at RMB 388 from an online store named "Yixinkang Flagship Store," and copied the business license information of the operator of the online store. On February 4 of the same year, Shi Yin, under the supervision of the notary office, received an express package with the sender's name "Yixinkang Flagship Store," containing a 3D barbecue grill with Korean-language packaging and gifts, a handwritten receipt, a Chinese-language user manual, and a warranty card. The notary notarized the entire evidence preservation process and prepared Notarial Certificate No. (2015) Jing Hai Cheng Nei Min Zheng Zi No. 01494. On February 10 of the same year, Jiayikao Company entrusted the non-party Zhang Yijun to upload complaint materials, including a patent infringement analysis report and a technical feature comparison table, to the Taobao intellectual property protection platform, but Taobao ultimately did not pass the review. On May 5 of the same year, Tmall Company applied to the Hangzhou Qiantang Notary Office of Zhejiang Province for evidence preservation notarization. Its agent Diao Manli, under the supervision of the notary office, operated a computer and searched "Yixinkang 3D barbecue grill Korean-style household non-stick electric grill smokeless barbecue machine electric baking pan iron plate barbecue pot" in the Yixinkang flagship store on the Tmall website, and the results showed that no goods matching the conditions were found. The notary notarized the entire evidence preservation process and prepared Notarial Certificate No. (2015) Zhe Hang Qian Zheng Nei Zi No. 10879.

At the first-instance hearing, Jiayikao Company asserted claim 1 of the patent in question as the scope of protection in this case. Upon comparison, Jiayikao Company held that, apart from the difference in the switch position, the technical features of the alleged infringing product completely fell within the protection scope recorded in claim 1 of the patent in question, and that the change in switch position was something that an ordinary skilled person in the art could solve without creative labor, constituting an equivalent feature. The two original defendants raised no objection to the comparison result.

It was additionally found that Jiayikao Company incurred notarization fees of RMB 4,000 and agency service fees of RMB 81,000 in this case.

Judgment

On August 12, 2015, the Jinhua Intermediate People's Court of Zhejiang Province rendered Civil Judgment No. (2015) Zhe Jin Zhi Min Chu Zi No. 148, ordering: 1. Jinshide Company to immediately cease the act of

selling products infringing the invention patent right of patent No. ZL200980000002.8; 2. Jinshide Company to compensate Jiayikao Company for economic losses of RMB 150,000 (including the reasonable expenses incurred by Jiayikao Company to stop the infringement) within ten days from the effective date of the judgment; 3. Tmall Company to bear joint and several liability for RMB 50,000 of the compensation amount payable by Jinshide Company under the above item 2; and 4. rejection of Jiayikao Company's other claims. After the first-instance judgment was pronounced, Tmall Company, dissatisfied, appealed. On November 17, 2015, the Zhejiang Higher People's Court rendered Civil Judgment No. (2015) Zhe Zhi Zhong Zi No. 186, rejecting the appeal and affirming the original judgment.

Reasoning

The court in its effective judgment held: the parties had no objection that the alleged infringing product sold by Jinshide Company fell within the protection scope of claim 1 of Jiayikao Company's patent in question, and the original judgment was correct in finding that Jinshide Company's conduct in question constituted patent infringement. As to whether Tmall Company constituted joint infringement in this case, Article 36(2) of the Tort Liability Law provides that, where a network user uses network services to commit an infringing act, the infringed person has the right to notify the internet service provider to take necessary measures such as deletion, blocking, and disconnection of links. Where the internet service provider fails to take necessary measures in a timely manner after receiving the notice, it shall bear joint and several liability with the network user for the expanded part of the damage. The above provision is directed at the situation where a right holder, after discovering that a network user has used the services of the internet service provider to commit an infringing act, "notifies" the internet service provider to take necessary measures to prevent the improper expansion of the consequences of the infringement, and it also clearly defines the scope of obligations and the constitution of liability that the internet service provider should bear in such a situation. In this case, whether Tmall Company's alleged infringing conduct in question constituted infringement should be comprehensively considered in light of the nature of Tmall Company's subject, the validity of Jiayikao Company's "notice," and whether Tmall Company should have taken measures after receiving Jiayikao Company's "notice," as well as the necessity and timeliness of the measures taken.

First, Tmall Company lawfully held a value-added telecommunications business operation license and was a service provider of an information release platform. In this case, it provided network technical services for the sale of the alleged infringing products in question by the "Yixinkang Flagship Store" operated by Jinshide Company, satisfying the subject conditions of an internet service provider as provided in Article 36(2) of the Tort Liability Law.

Second, Tmall Company confirmed at the second-instance hearing that Jiayikao Company had, on February 10, 2015, entrusted the non-party Zhang Yijun to upload complaint materials, including the complained-about product links, a patent infringement analysis report, and a technical feature comparison table, to the Taobao intellectual property protection platform, and that the complained-about subject and the complained-about product could be determined based on the above complaint materials.

The "notice" involved in Article 36(2) of the Tort Liability Law is the condition for determining whether the internet service provider was at fault and whether it should bear joint and several liability for the improper expansion of the harmful consequences. "Notice" refers to the act of the infringed person sending to the internet service provider, in respect of the fact that another person has used the services of the internet service provider to commit an infringing act, a request that it take necessary technical measures to prevent the further expansion of the infringement. A "notice" may be either oral or written. Generally, the content of a "notice" should include materials such as the identity of the right holder, ownership credentials, preliminary evidence proving the infringing facts, and the clearly indicated network address of the alleged infringer. Where the above conditions are satisfied, it shall be regarded as a valid notice. Jiayikao Company's complaint notice in question satisfied the basic elements of a "notice" under the Tort Liability Law, and was a valid notice.

Third, upon examination, Tmall Company handled Jiayikao Company's complaint materials with a "review not passed" result, and its reply indicated that the reason for the failed review was: "please fill in, in detail, in Table 2 of the utility model and invention infringement analysis comparison table, the technical points at which the complained-about product falls within the patent claims provided by your side, and it is suggested to point them out one by one using a combination of graphics and text. (It should be noted that the objects of comparison are the pictures and text in the product information published by the seller), and please provide the purchase order number or the member names of both parties."

The second-instance court held that the determination of infringement of an invention or utility model patent is often not something that can be made merely on the basis of superficial or written materials. Therefore, a patentee's complaint materials usually only need to include the identity of the right holder, the patent name and patent number, and the complained-about product and complained-about subject, so that the complaint recipient can relay them to the complained-about subject. In this case, Jiayikao Company's complaint materials had already completely included the above elements. As to the infringement analysis comparison, Tmall Company, on the one hand, held that its ability to judge whether the goods sold by a seller infringed an invention patent was limited, but on the other hand, required the complaining party to "fill in, in detail, the technical points at which the complained-about product falls within the patent claims provided by your side, and it is suggested to point them out one by one using a combination of graphics and text." The court held that, considering the huge number and complex circumstances of complaints in the internet field, Tmall Company's above requirement, based on its own interest considerations, did have a certain reasonableness and was also conducive to Tmall Company making a preliminary judgment on the nature of the complained-about conduct and taking corresponding measures. However, from the perspective of the right holder, Tmall Company's above requirement was not a necessary condition for the validity of the right holder's complaint notice. Moreover, Jiayikao Company provided, in its complaint materials in this case, a technical feature comparison table of up to five pages presented in a manner combining graphics and text, and Tmall Company still treated the technical feature comparison as one of the reasons for the failed review with a dogmatic, formulaic reply, which was improper handling. As to Tmall Company's failed review and its requirement to provide the purchase order number or the member names of both parties, the court held that, in this case, whether the complaining party provided the purchase order number or the member names of both parties did not affect the legality and validity of the complaint act. Moreover, the complaint rules established by Tmall Company did not have legal binding force on the right holder's rights protection, and the right holder only needed to exercise its rights protection acts within the framework prescribed by law; the complaining party could completely decide, based on its own interest considerations, whether to accept the complaint rules established by Tmall Company. Furthermore, the complaining party might not need to purchase the goods but could prove the infringement through other evidence, or might discover possible infringement based on the purchasing acts of others. Even where the complaining party had a direct purchasing act, it could still refuse to provide it based on considerations of certain economic interests or trade secrets.

Finally, the necessary measures that an internet service provider should take after receiving a notice as provided in Article 36(2) of the Tort Liability Law include, but are not limited to, deletion, blocking, and disconnection of links. "Necessary measures" should be comprehensively determined based on the nature of the right infringed, the specific circumstances of the infringement, and the technical conditions.

In this case, after determining that Jiayikao Company's complaint act was lawful and valid, it was necessary to judge whether Tmall Company's handling after accepting the complaint materials was prudent and reasonable. The court held that this case was a dispute over infringement of an invention patent. Tmall Company, as the provider of an e-commerce network service platform, based on its consideration of factors such as its subjective ability to judge invention patent infringement, the probability of success of infringement complaints, and the balance of interests, was not necessarily required to immediately take deletion and blocking measures against the complained-about goods after accepting the complaint. The necessary

measures taken against the complained-about goods should follow the principles of prudence and reasonableness, so as to avoid harming the lawful rights and interests of the complained-about person. However, relaying the valid complaint notice materials to the complained-about person and notifying the complained-about person to defend should be one of the necessary measures that Tmall Company should take. Otherwise, the right holder's complaint act would lose any meaning, and the right holder's rights protection act would be difficult to realize. The provider of a network service platform should ensure the smooth transmission of valid complaint information, and should not become a black hole of complaint information. The complained-about person would naturally make a corresponding judgment and response as to whether the goods it produced or sold infringed, and whether it should proactively cease the complained-about conduct on its own. The result of Tmall Company's failure to perform the above basic obligation was that the complained-about person received no warning, thus causing the expansion of the harmful consequences. As to Tmall Company's deletion and blocking measures against the complained-about goods after Jiayikao Company sued, they were prudent and reasonable. In summary, Tmall Company, after receiving Jiayikao Company's notice, failed to take necessary measures in a timely manner, and should bear joint and several liability with Jinshide Company for the expanded part of the damage. Tmall Company's appeal ground in this regard could not be established. As to the share of liability to be borne by Tmall Company, the court of first instance, comprehensively considering the duration of the infringement and the time when Tmall Company should have known of the infringing facts, determined that Tmall Company should bear joint and several liability for RMB 50,000 of the compensation amount payable by Jinshide Company, which was not improper.

(Judges of the effective judgment: Zhou Ping, Chen Yu, Liu Jing)

Relevant Legal Provisions

Article 36 of the Tort Liability Law of the People's Republic of China

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