

# CHINA IP SME HELPDESK

## New IP Developments in China

A selection of important changes in law and practice

14 July 2022 | Dr. Thomas Pattloch, LL.M.Eur

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## 1 | Background

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## Political background

- “Indigenous Innovation” in core technologies and standardization strategy of China
- The “New normal”
- “Made in China 2025” policy
- The US China decoupling
- Market access and technology
- Social credit system and use of data
- Chinese objectives
- Western objectives
- President Xi Jinping’s drive for rejuvenating CCP and his fight against corruption: A third term and no end?



# OBOR – One Belt One Road



# Key elements in the Chinese legal system

- Strong government; weak courts (?)
  - In IP: Office of the National Leading Group on the Fight Against IPR Infringement and Counterfeiting
- Courts are not independent; control over administrative authorities is very limited
- Party policy and supremacy as binding principles for all state organs and officials
- Rich central government, poor provinces
- Focus on planned market economy style (“state capitalism”), private companies still minor part of the economy, but important innovation driver
- Strong nationalism
- Political supremacy over rule of law, but IP law seen as an important part of “self-reliant innovation”
- (Multi-year) campaigns, e.g. “Wangjian 2020” online sale of counterfeits; “Sword Net”; “Iron Fist” for IP enforcement (short-term, high volume, e.g. 39.000 cases within a few months)

## Policy trends in IP

- “Revival” of leadership of CNIPA and other administrative authorities under the CCP
- Transparency: Publishing of all IP decisions under guidance of the SPC
- Online enforcement, accountability of trading platforms, social media
- Strong push for control over data, compliance: Pressure on private stakeholders
- Higher damage compensation awards for infringement
- More efficient procedures, but also more control by the government, intending to act against bad-faith applications and abusive behavior
- Revision of many laws and regulations in past five years: Civil Code, Criminal Code, Patent Law, Trademark Law, Copyright Law, Anti-Unfair Competition Law
- Policy-driven: E.g. Strengthening of geographical indication protection with more than 2490 GI products approved and 6,562 GIs registered as collective/certification trademarks



## 2 | Statistics

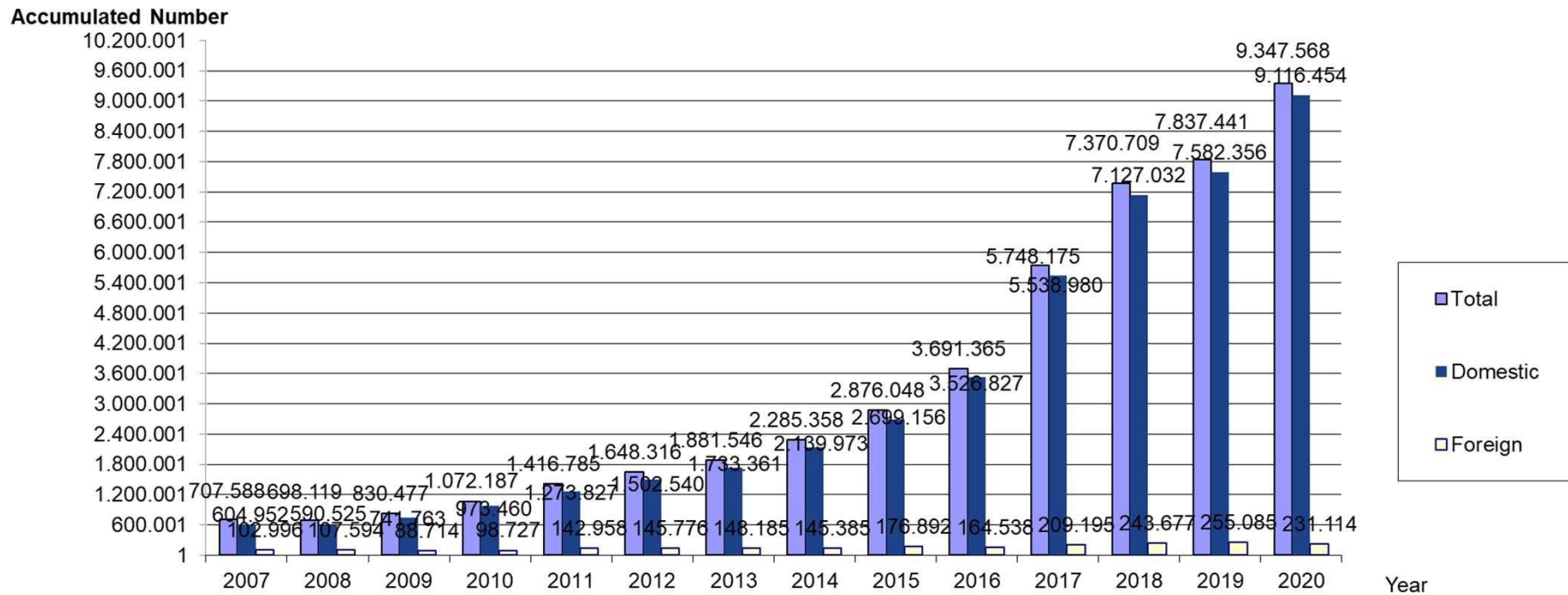


# Official patent and trademark facts 2021

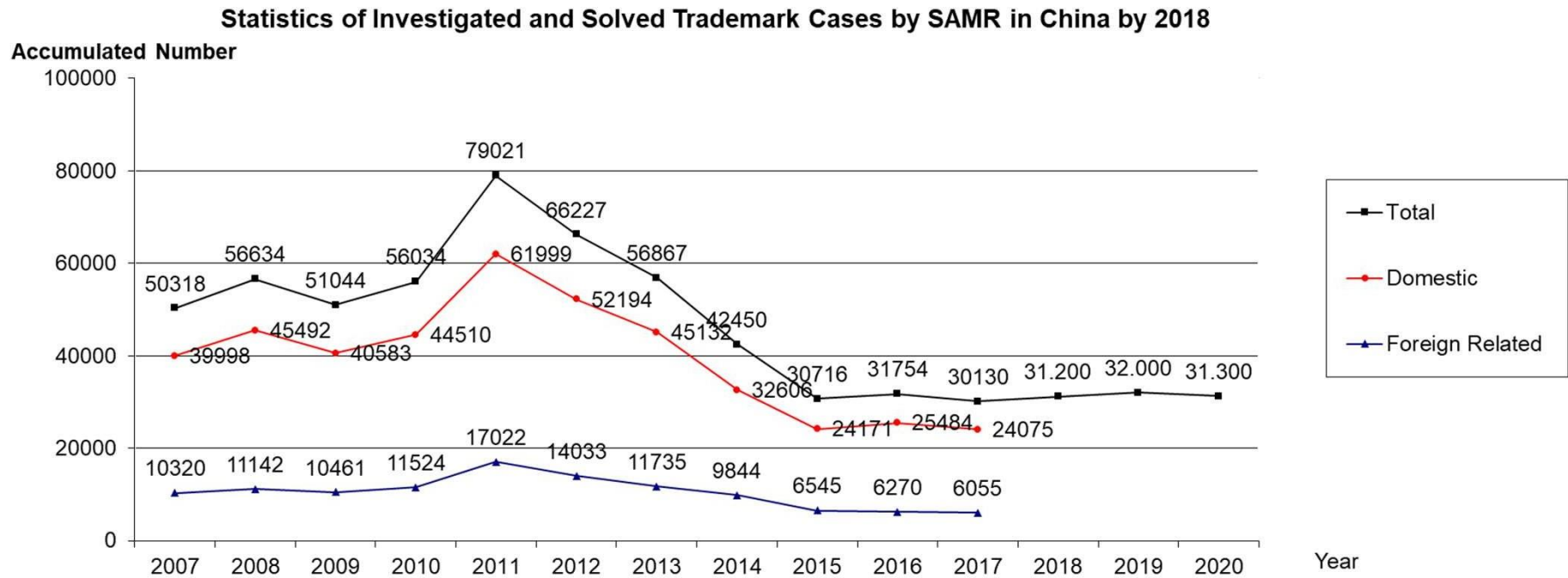
- 298,000 domestic companies own 1.91 million invention patents
- App. 310 billion CNY value of pledged IP rights secured financing
- IT methods for management, computer technology and medical technology rank as the fastest growing top three fields in China for patent filing
- 3.6 million patents valid in China
- 54,000 cases of patent reexamination, 7,100 cases of patent invalidation in 2021 closed
- 815,000 “irregular patent applications” dealt with
- 608 open patent license statements received
- Average review cycle invention patents 18.5 months (high value patent 13.3 months)
- More than 37 million trademarks valid in China
- 164,000 opposition cases, 383,000 trademark review cases
- 5,928 IR trademark application cases in 2021
- Crack-down on 482,000 malicious trademark filings (CNIPA 2021 Special Plan for Combatting Malicious Trademark Squatting)
- Average time filing to preliminary approval 4 months
- CNIPA Trial Measures for Fast-track Examination of Trademark Registration Applications of 19 January 2022 for names of national or provincial major projects, major scientific and technological infrastructure, major events or exhibitions, with a need of urgent trademark protection; examination completed within 20 working days from the date of consent

# Trademark application numbers

Statistics of Trademark Applications in China by 2020

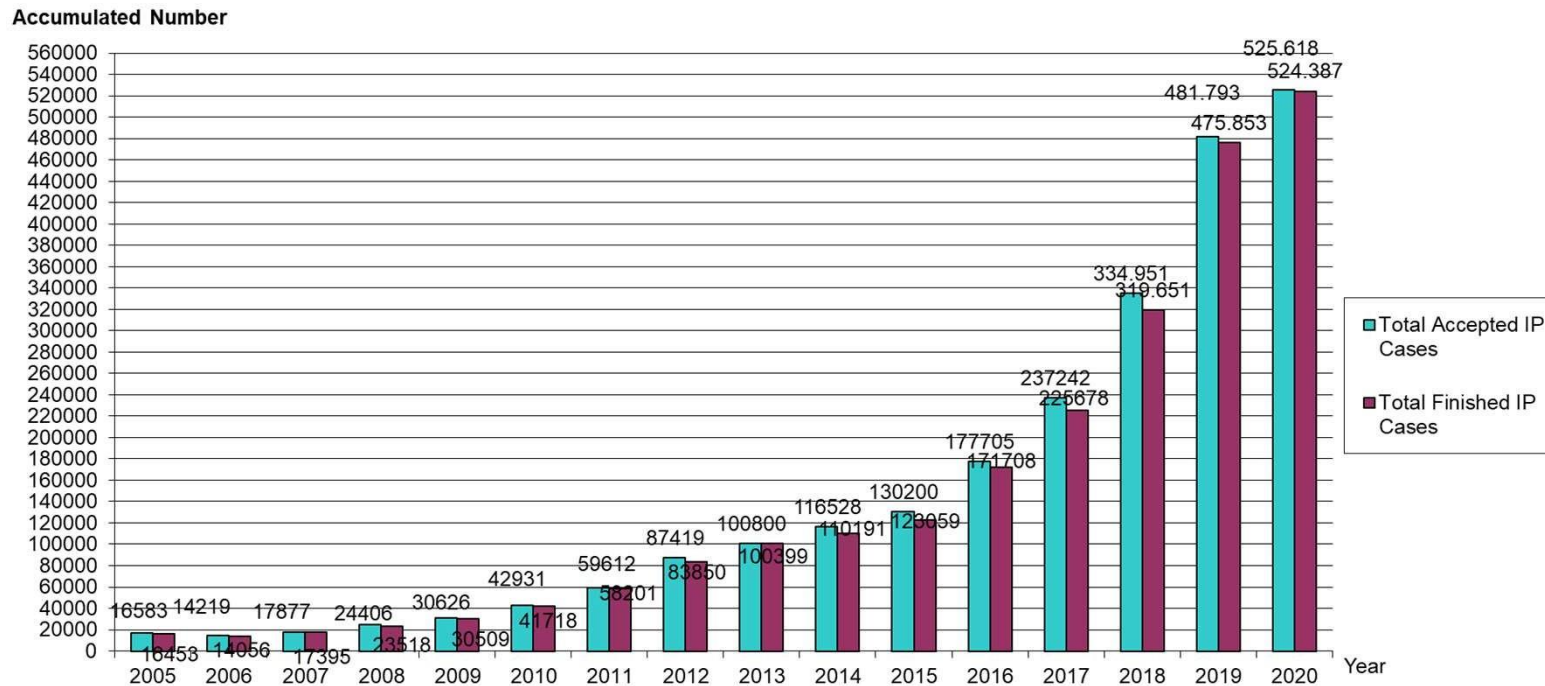


# Administrative enforcement actions (SAMR)

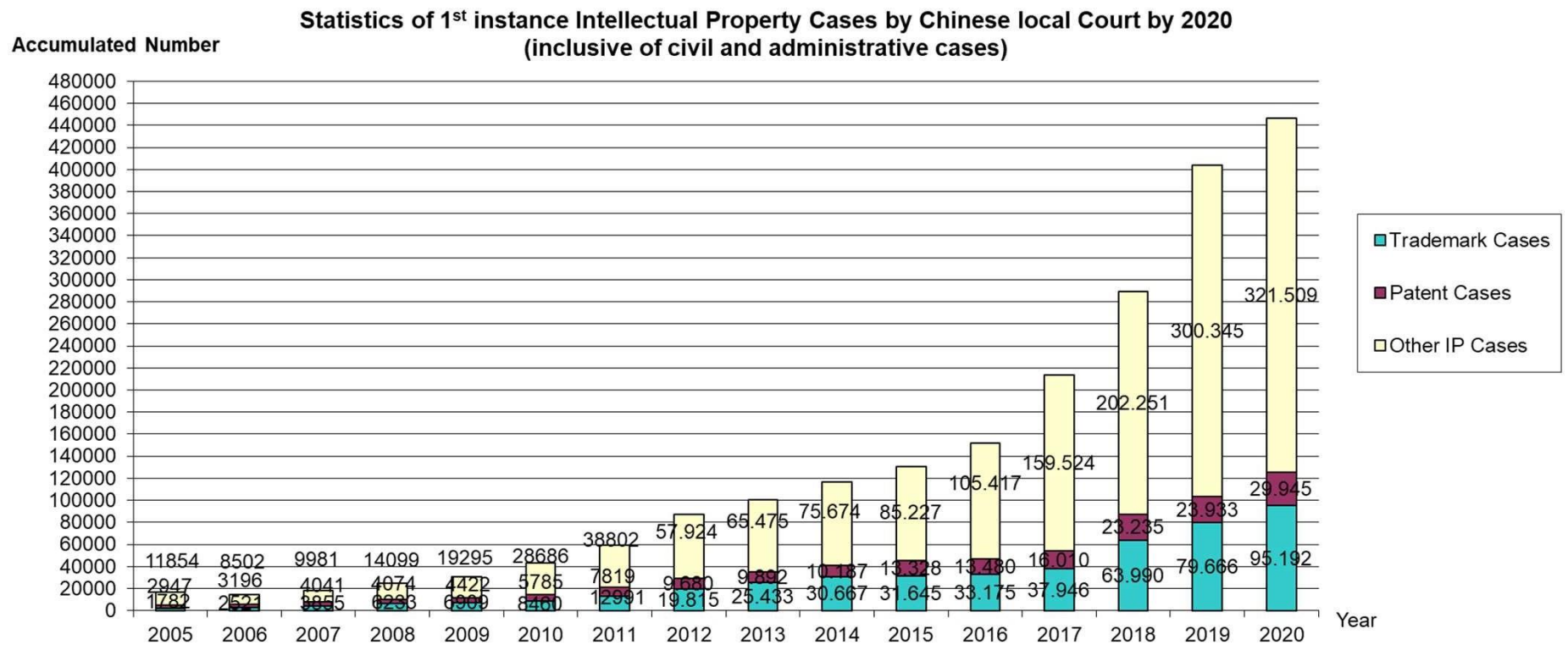


# IP cases in Chinese courts

Statistics of Intellectual Property Cases by Chinese Court by 2020



# Types of cases in courts





### 3 | Important Changes in Patent Law

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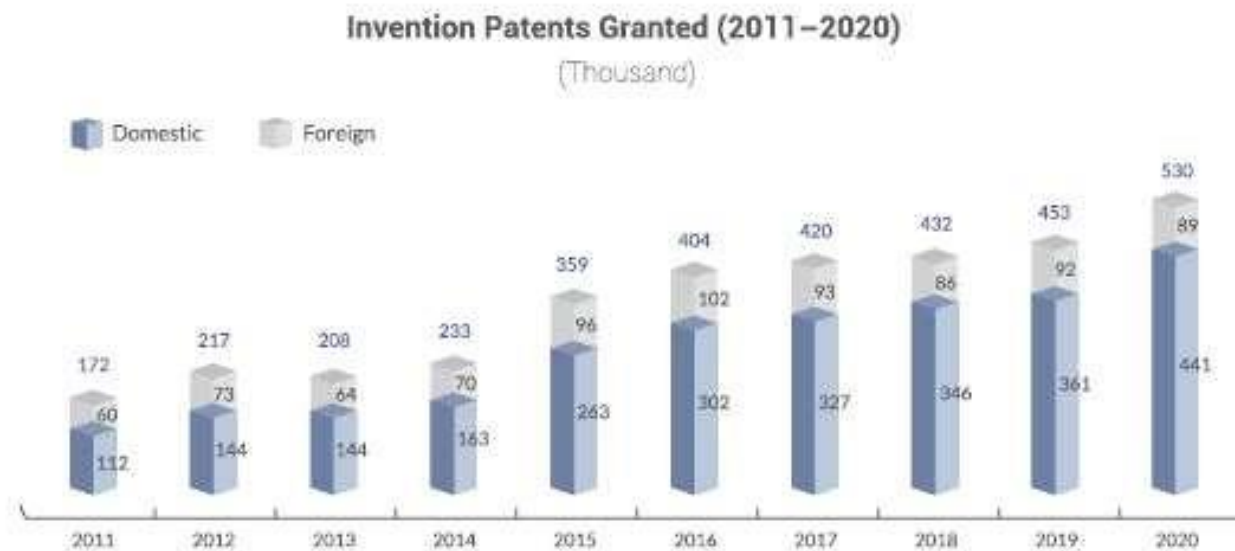
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## Practical experience

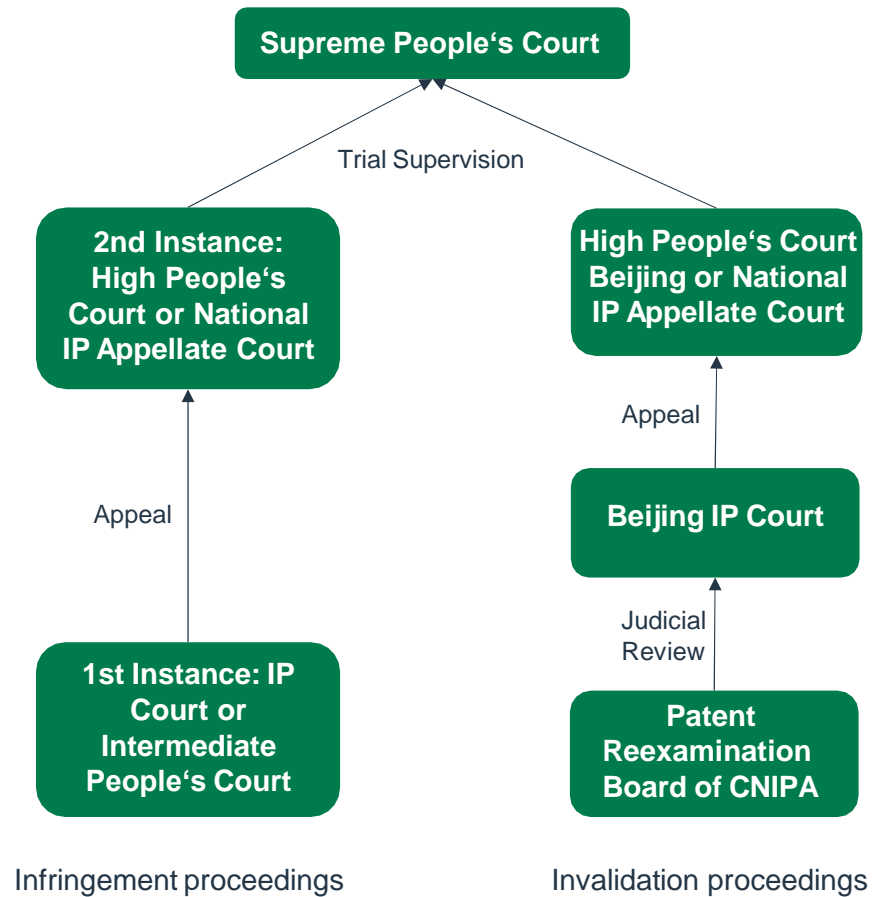
- Foreigners used to have very good chances at winning infringement cases against Chinese parties
- Damage compensation in court cases rises, with 7% of the decisions in 2020 exceeding 1 Mio RMB compensation granted
- But in the last few years more and **more lawsuits** have been filed by **Chinese** companies and individuals **against foreign parties** → this correlates with more and more applications for IPR in China
  - In 2020 Chinese companies and individuals filed the most international **patent applications** worldwide with a total of 68.720
  - All together **1,497,000 invention patent applications were filed in China** 2020 and 530,000 patents were granted



Source: CNIPA 2020  
Report "Application and  
Development"

# Patent Law

- 中华人民共和国专利法
- Last revised in 2020, in effect since June 1, 2021
- **Court system**
  - **Split-system** with separation of infringement procedure and procedure on validity of patents
  - Appeals in **invention patent and utility model** cases fall into the jurisdiction of the National IP Appellate Court
  - Appeals in **design** cases into the jurisdiction of the Higher People's Courts
  - Decisions of the Patent Reexamination Board will be **judicially reviewed** by the Beijing IP Court. The decisions of the Beijing IP Court can be **appealed** to the Beijing High People's Court/National IP Appellate Court





## IP Chamber at the SPC

- First time set-up on January 1, 2019
- SPC Provisions on Several Issues concerning the IP Tribunal, issued on December 27, 2018
  - Jurisdiction: **Review of second-instance appeals of IP administrative and civil litigations which are highly technical** (patent infringements, trade secret infringement, computer software related cases, most coming from Beijing IP Court). The IP Tribunal is also authorized to review first-instance civil and administrative IP cases which are highly technical, significant and complicated. NOT INCLUDED: Trademark cases
  - IP Tribunal since establishment until app. first half 2020 examined 1,945 cases, of which 174 were foreign-related cases. Amongst 98 closed cases, 35 involved substantive claims, and 21 cases resulted in favor of the foreign parties
  - Amongst the cases concluded in 2019 (1,174 in total), the IP Tribunal maintained the lower courts' judgments in 731 cases, and remanded 92 cases. 71 cases were settled and 280 cases were withdrawn by the parties. The IP Tribunal's average review timeframe for second-instance appeals was 73 days.

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# Impact revised Patent Law e.g. on designs

- **Design Patents**

- Partial design protection now available, Art. 2(4) Patent Law
- Introduction of domestic priority, Art. 29(2) Patent Law
- Grace period without loss of novelty when a national emergency or extraordinary state of affairs occurs within six months before the date of filing, Art. 24 Patent Law
- Protected for 15 years, Art. 42 PL
- „Open License“ system, Art. 50 Patent Law
- Patent evaluation report now also available for alleged infringers, Art. 66 Patent Law
- Punitive compensation system in case of infringement, multiplication up to five times „normal damages“
- Increase of statutory damages up to 5 million RMB
- Evidence not available to right holder, court may order defendant to provide it, reversing burden of proof
- Statute of limitation extended from two to three years



# Nullifying and revoking of patents

- Patent rights will be terminated before the regular expiration of its duration, when the annual fees are not paid, Art. 44
- Anyone can request the patent administrative department (CNIPA) to **invalid** patents, if the patent right does not conform to the relevant provisions of the law as prescribed before, Art. 45 PL
  - The Patent Reexamination Board of CNIPA, that is composed of technical and legal experts, will examine the request and decide
  - The party requesting to invalidate the Patent needs to submit **a written request** explaining the specific reasons for the invalidation request and all **necessary evidence**, Art. 65 draft Implementation Rules Patent Law
  - The party making the request can add reasons or evidence within **one month** commencing from the date of submission of the request, Art. 67 draft Implementation Rules Patent Law
  - If any party is not satisfied with the decision it can initiate legal proceedings in court
- Important: the nullifying of patent rights has **no retroactive** effect upon infringement verdicts, but the registrant has to **compensate** others for their losses caused mala fides by the patentee, Art. 47 PL

# Infringement

- Civil liability resulting in claim for cease-and-desist and damages; no claim for apology
- Disputes about patent infringements shall be settled through **consultation**. If consultation fails the patentee/any interested party may initiate legal proceedings in court or request the patent administrative department to handle the matter, Art. 65 PL
- **Injunctive relief**
  - The patent **administrative department** can order the infringing party to cease the infringement with immediate effect. If the infringing party is not satisfied with the ruling, it may within **15 days** initiate legal proceedings, Art. 65 PL
  - If the infringer neither takes legal actions nor ceases the infringement the patent administrative department may request the courts for a **compulsory execution** of the injunctive order

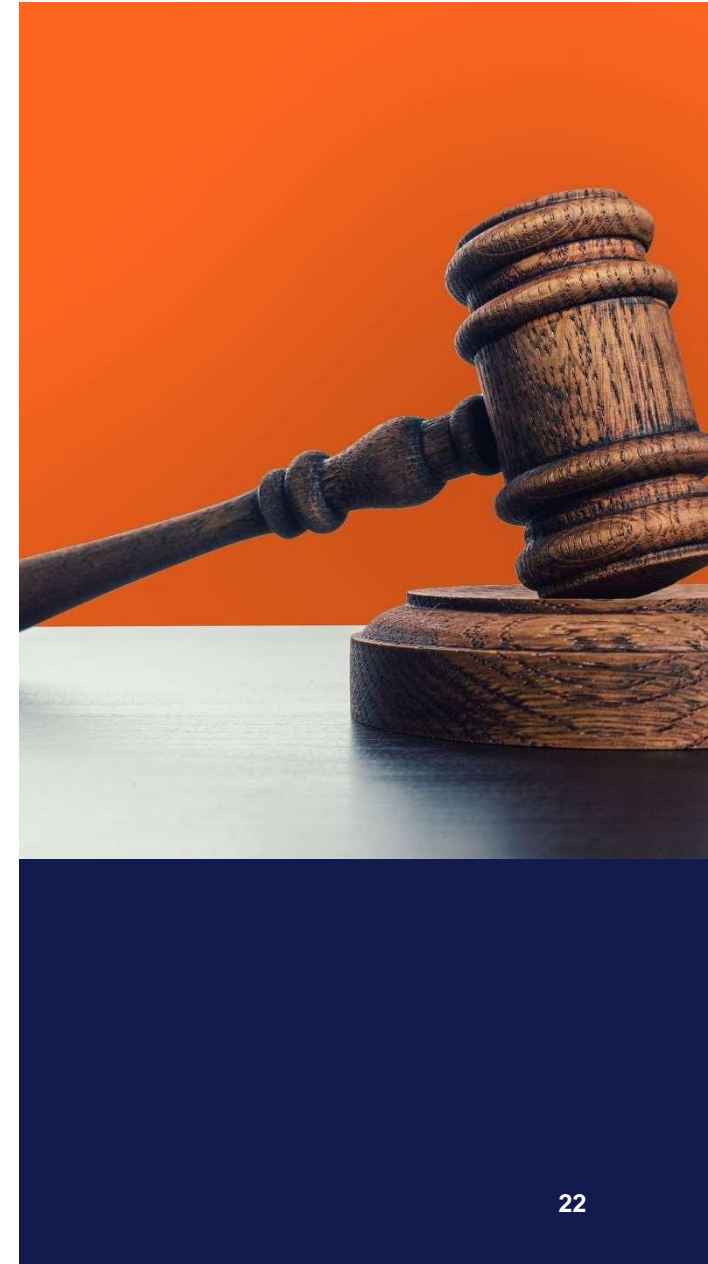
# Infringement

- The methods of determining the amount of **damage compensation** are the same as for trademarks, Art. 71 PL
  - For **intentionally infringement under serious circumstances**, the amount of compensations may be **up to five times** the calculated damages
  - **Statutory damages** between CNY30.000 and CNY5 million
  - The court can order the infringer to provide account books etc. to determine the amount of compensation
  - The patent administrative department may (upon request from the parties) conduct mediation in respect of the amount of compensation, Art. 65
- The **statute of limitation** is 3 years, starting from the date on which the patentee knows or should know of the infringement and the infringer, Art. 74 PL
- Designs can be enforced on **online platforms** following the same rules as for trademark protection



# Anti-Suit-Injunctions

- Behavior/act preservation measures („**anti-suit-injunction**”)
  - Prohibiting application for enforcement of the judgment of an extraterritorial court (Huawei v. Conversant)
  - When granting act preservation measures Chinese courts shall consider (ZTE v. Conversant):
    - Impact of the application for enforcement of the foreign judgment on the Chinese case
    - Necessity of the act preservation measures (market losses, market withdraw of the company, waiving of opportunities for legal remedy)
    - Impact of the act preservation on the interests of the applicant and respondent
    - Public interests
    - International comity factor
  - In case of violation of the ruling, courts impose high fines (RMB1 mio. Huawei v. Conversant; OPPO v. Sharp)
  - EU has launched a WTO action against this practice
- Often **low licensing rates for SEPs** granted in favor of Chinese companies (Huawei v. Conversant; OPPO v. Sharp)



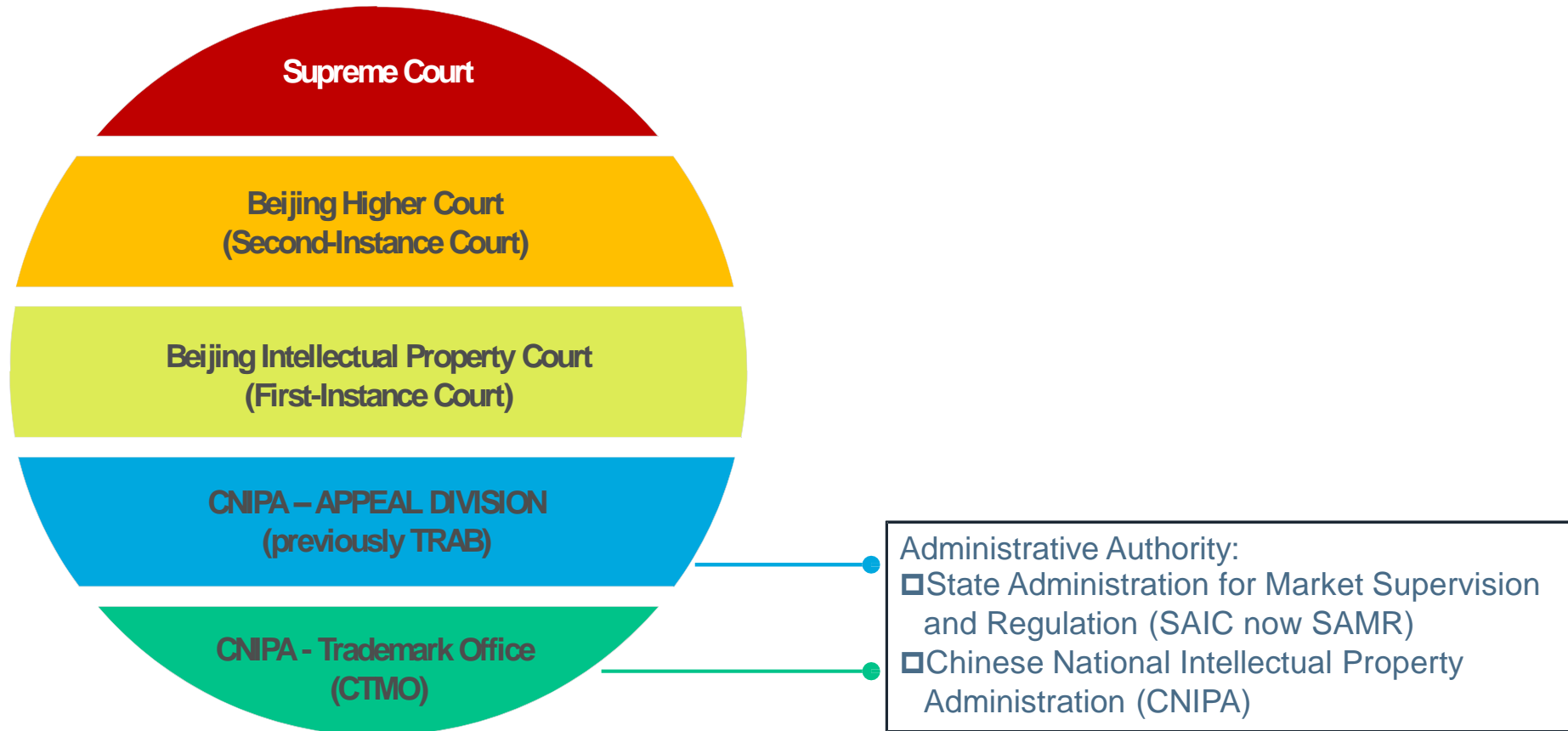


## 4 | Important Changes in Trademark Law

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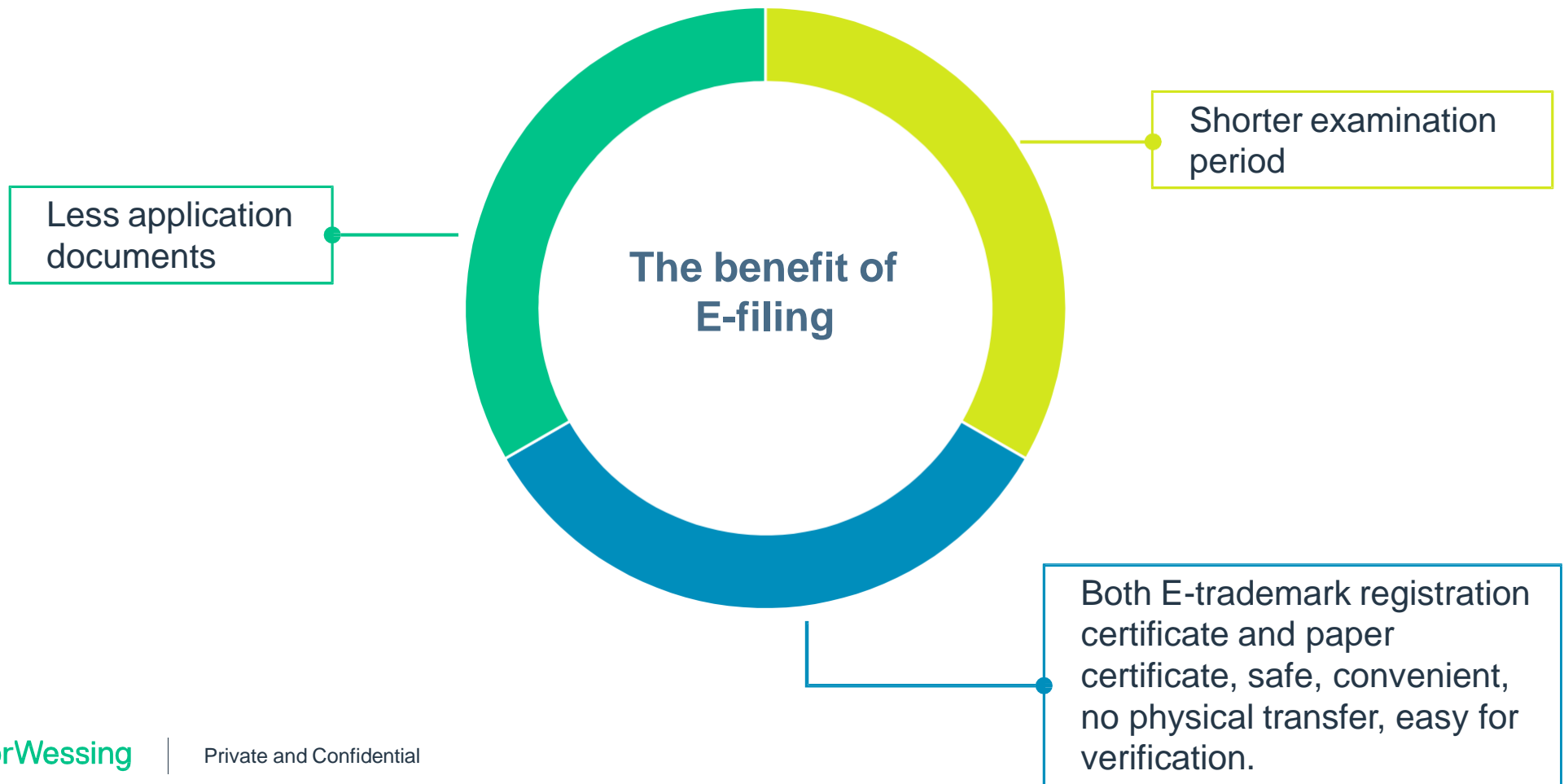
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# Regulatory Authorities

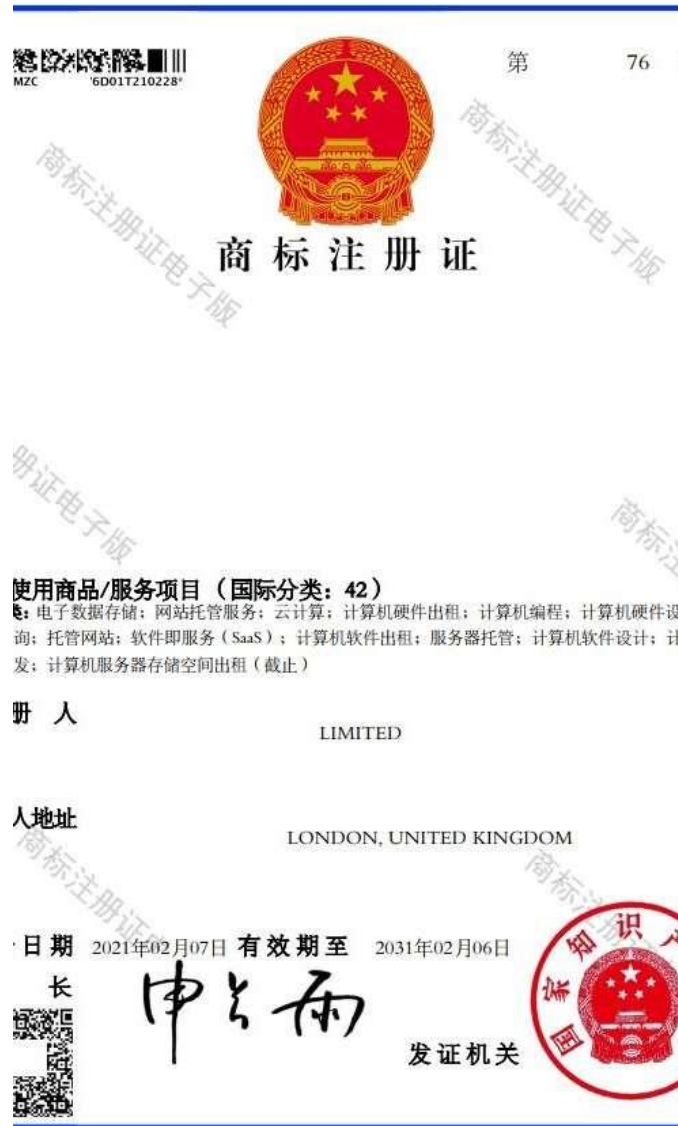




# E-Filings



# E-Certificate



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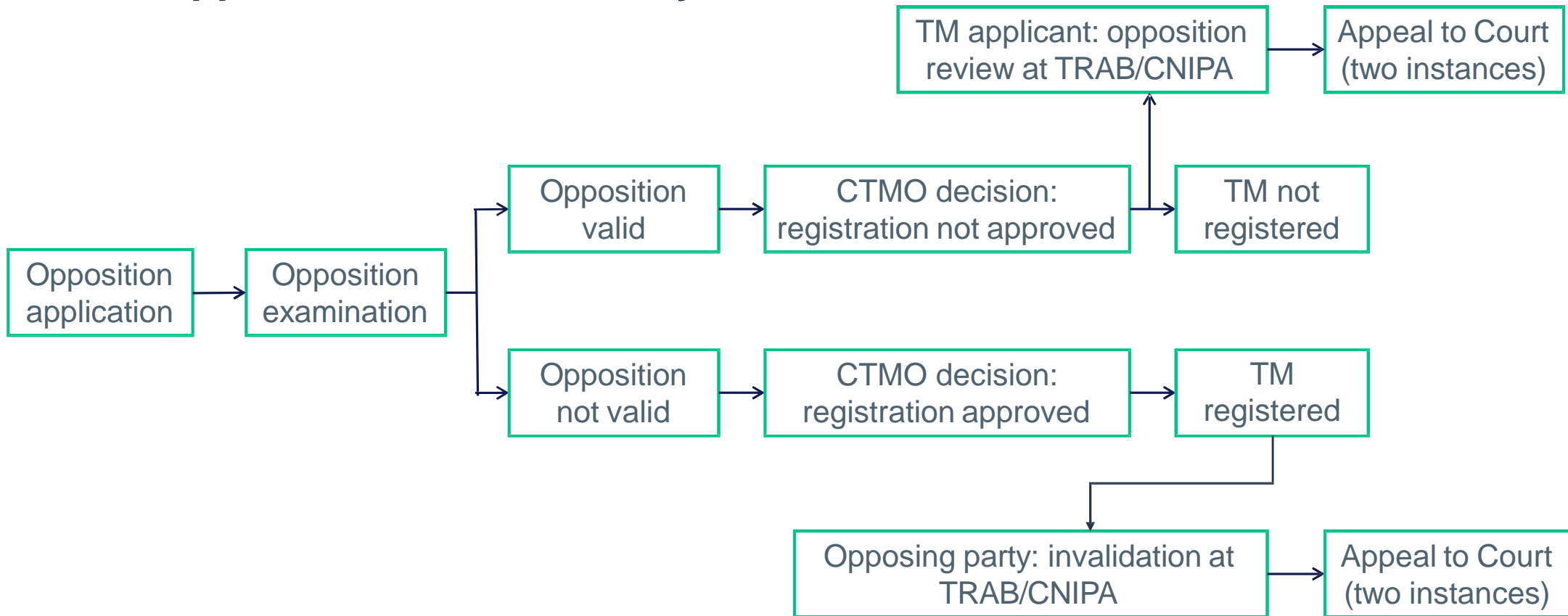
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# The Opposition/Invalidation System



## Art 4 TL and “intention to use” requirement

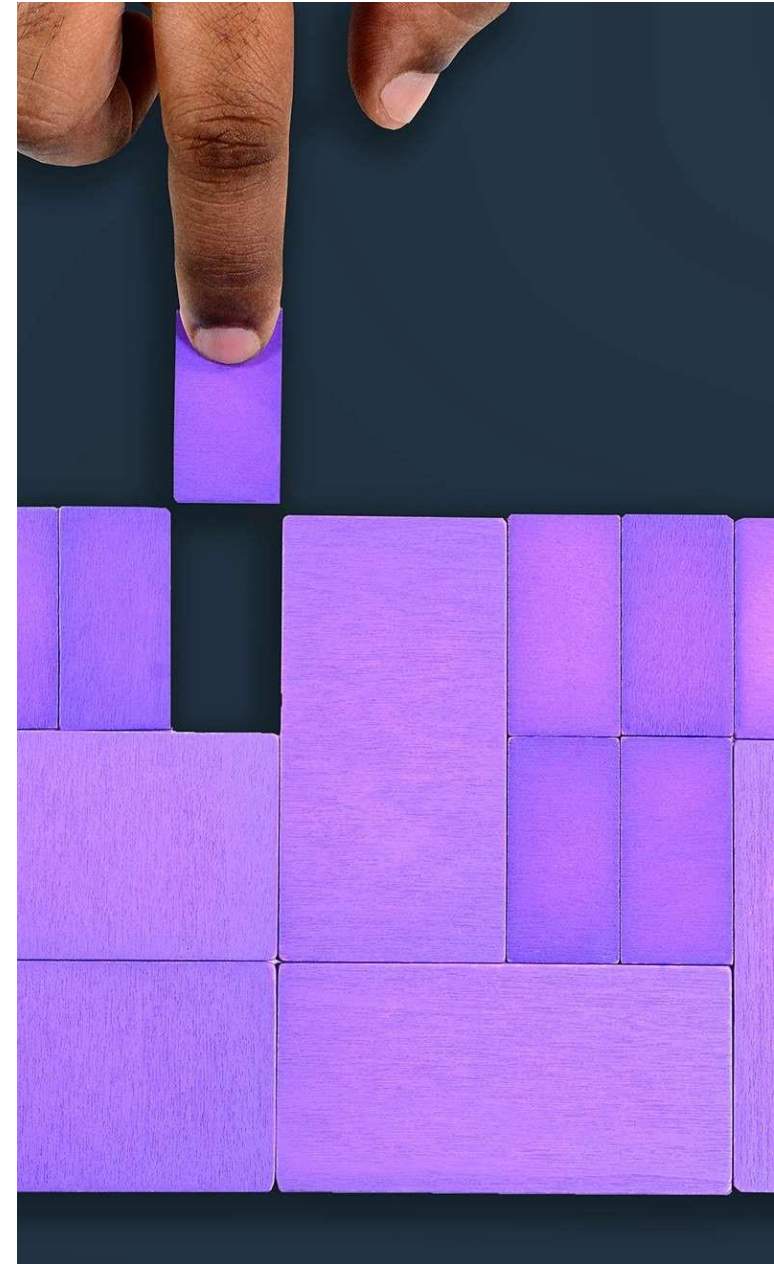
- Article 4 Trademark Law  
Any natural person, legal person, or other organizations that needs to acquire the exclusive right to use a trademark in the production and operation activities shall file an application for trademark registration with the Trademark Office. **The application for trademark registration that is malicious and not filed for the purpose of use shall be refused.**
- Differentiating from defensive marks or Non-use cancellation.



## Art 4 and intention to use requirement

### How to judge whether the mark is with or without “intention for use”

- The number of registered trademarks applied for by the applicant or by natural persons, legal persons or other organizations with which it has an affiliation, the categories designated for use, the trademark transactions, etc.
- The applicant's industry, business status, etc.
- The applicant has been found by an administrative decision or ruling or judicial judgment in force to have engaged in the act of registering a trademark in bad faith or infringing the exclusive right of others to register a trademark
- The trademark applied for registration is identical or similar to the trademark of others with a certain degree of popularity
- The trademark applied for registration is the same as or similar to the name of a well-known person, the name of an enterprise, the abbreviation of the enterprise name or other commercial signs, etc.
- Other factors that the trademark registration department considers should be taken into account.



## Art 44 and bad faith claim

Article 44 The Trademark Office shall invalidate the registered trademark if it violates the provisions of Articles 4, 10, 11, 12 or Paragraph 4 of Article 19 of the Law, or **it was acquired by fraud or any other improper means.**

- The applicant of the trademark in dispute applies for registration of multiple trademarks **which are identical with or similar to others' trademarks with the higher distinctiveness or popularity**, including the application for registration of trademarks of the different owners on the identical or similar goods or services and also the application for registration of trademarks of the same owner on the non-identical or dissimilar goods or services;
- The applicant for the trademark in dispute applies for multiple trademarks which are **identical with or similar to any other corporate names, names of social organization, the names, packaging, decoration and commercial signs of goods with certain influence**; or
- The applicant of the trademark in dispute sells the trademark, or file an **infringement lawsuit against the users of the prior trademark after failing to transfer at a high price.**

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**European  
Commission**

## No Intension of Use / Bad Faith Claim

- Both claims are not subject to five-year statutory deadline for taking invalidation actions since date of registration which otherwise bars claims for invalidation thereafter
- No requirement of prior use or high reputation of a prior mark from the opponent's end

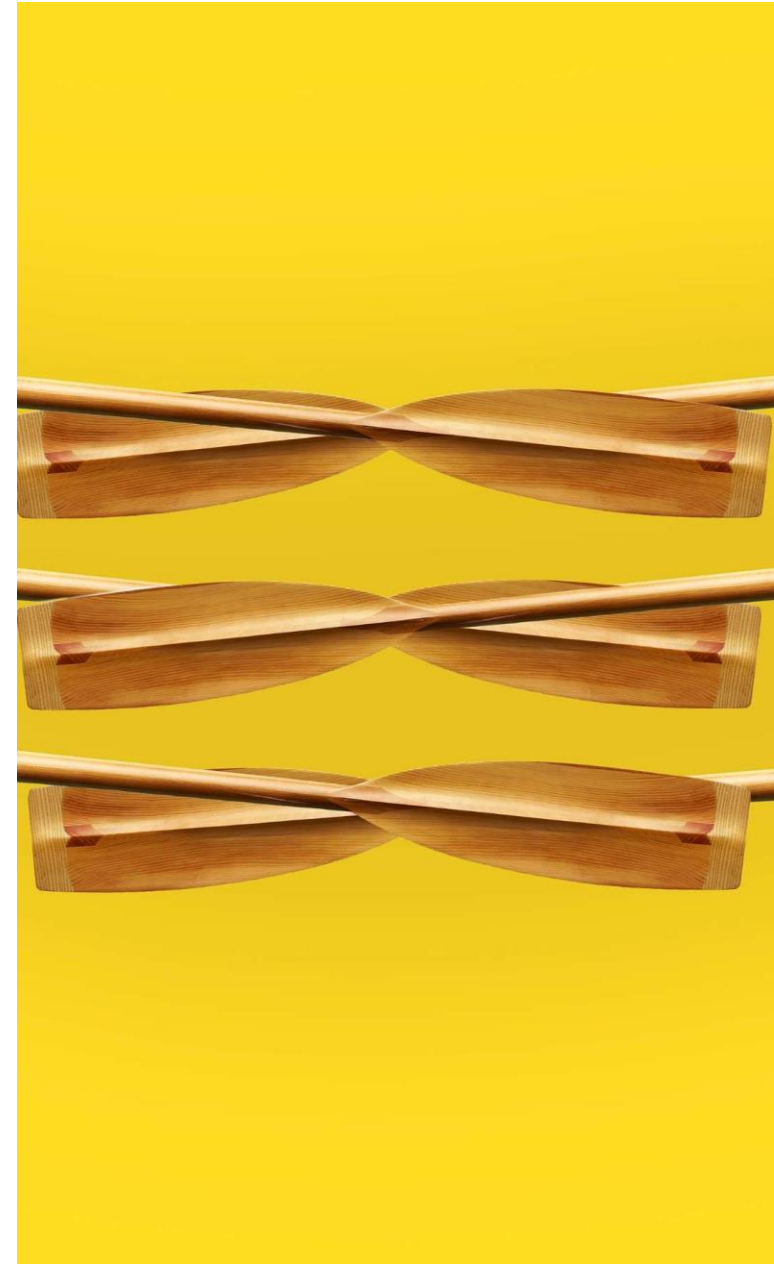


# Definition of “use”

## What is valid use evidence?

The use of a trademark refers to the **commercial use** of the trademark, e.g.

- Attaching the trademark to the product, package , container or tag of the product, or applying the trademark on the attached sights of the product, product manuals, introduction brochures and price lists;
- Applying the trademark to transaction documents relating to the sale of the product, including sales agreements, invoices, orders, receipts, inspection certificates for import and export commodity and customs declaration forms;
- Applying the trademark in media such as broadcasters or televisions, or publishing the trademark in publications **in public circulation** or advertising the trademark or the product using the trademark by means of billboards, mail shots or by other means of advertising.
- Using the trademark in exhibitions or expos, including handing out printing materials and other materials in an exhibition or expo.

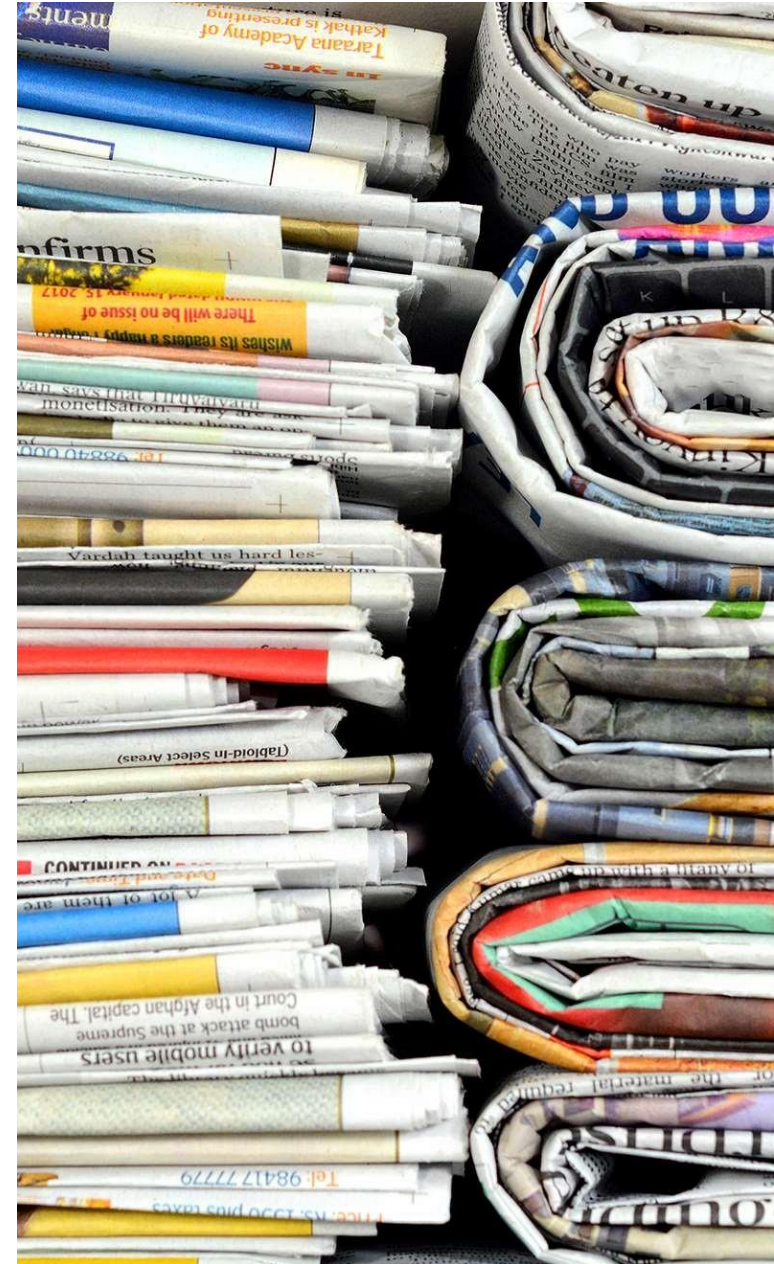




## Definition of “use”

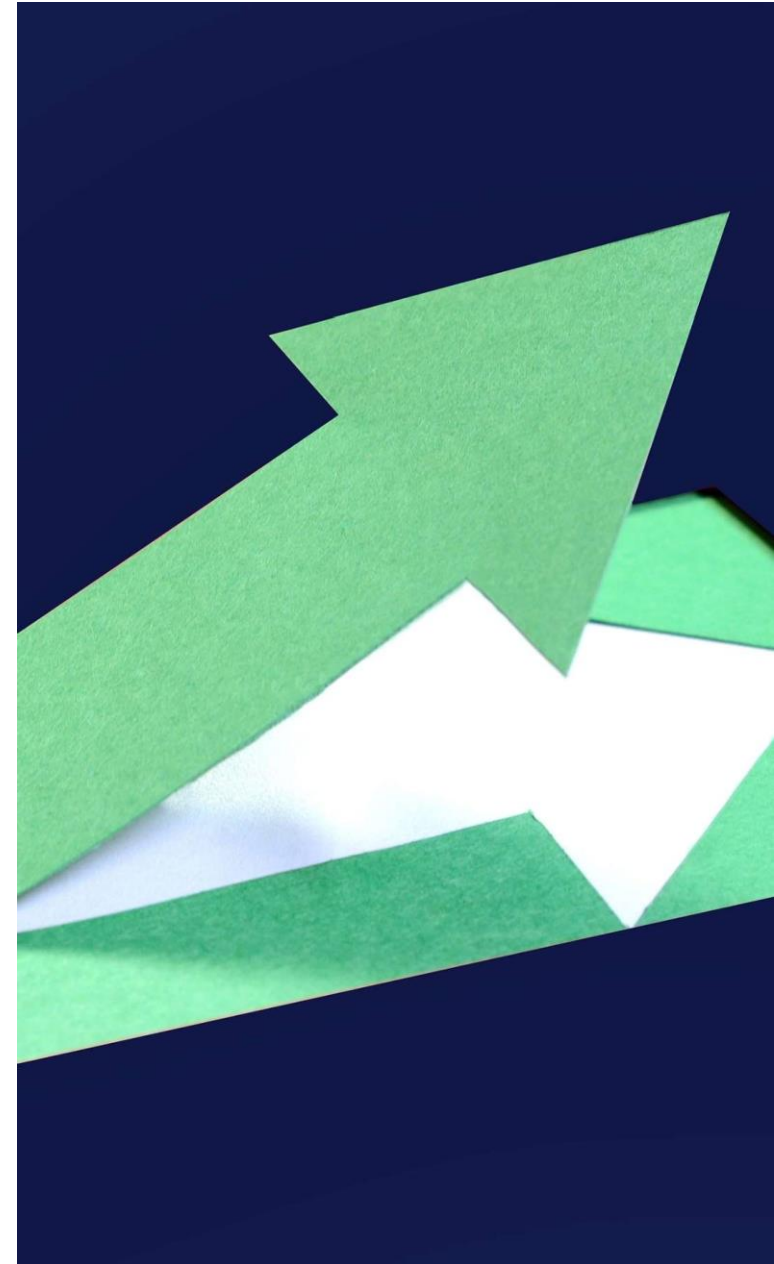
### What is valid use evidence?

- A. Evidencing the trademark in use;
- B. Evidencing that the trademark is used on the **designated products or services**;
- C. Evidencing the user of the trademark;  
Trademark registrant; trademark licensee (with proof)
- D. Evidencing the date of use of the trademark;
- E. Evidencing that the trademark is used within the territory of China;
- F. Evidencing that the disputed trademark is used publicly, genuinely and legitimately in commercial activities.



## Make Use of Non-use Cancellation Action

- Although the new amended law requests the intension of real use, there is no such evidence requirement when filing the trademark application. The amount of new filings is still continuously increasing.
- It causes difficulty in registering new trademark in China due to prior similar marks.
- In order to overcome the citations, it is strongly recommended to file non-use cancellation if vulnerable.



## Necessity of Non-use Cancellation Action

### Pros

Low cost

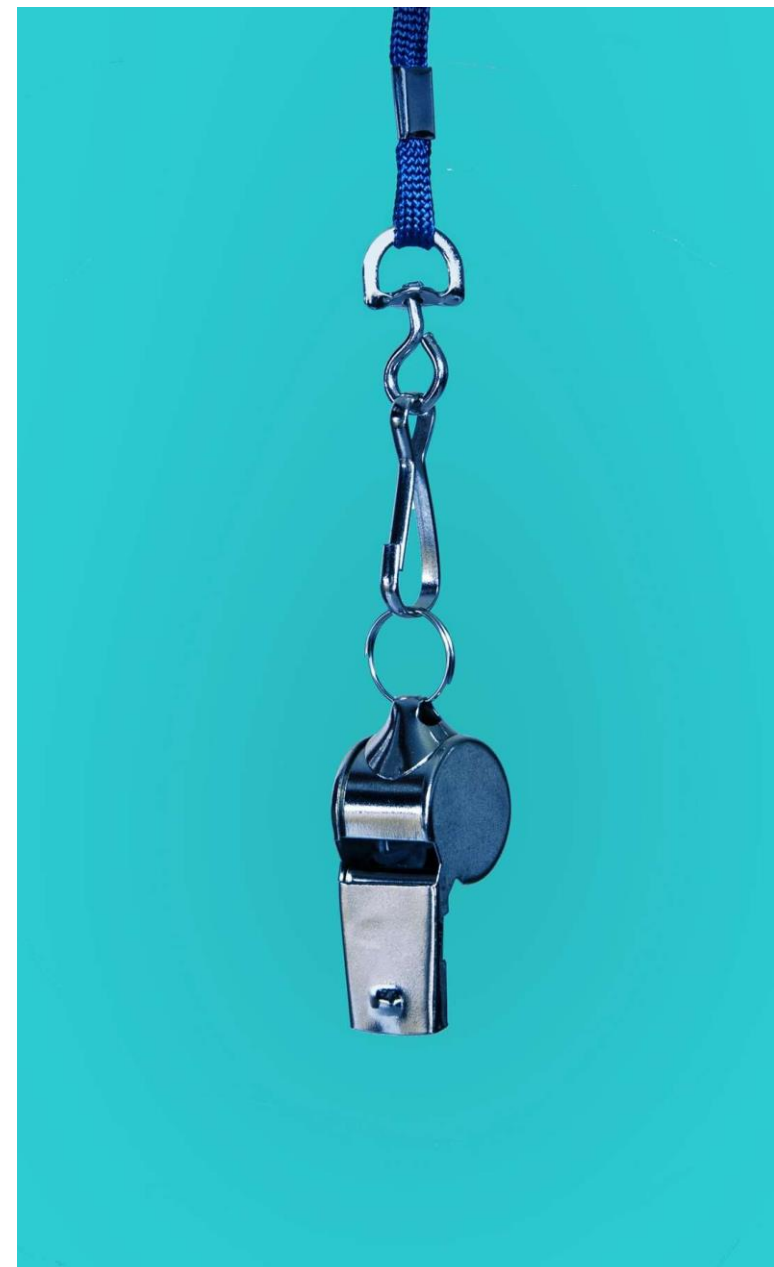
Can be filed anonymously

No document or evidence  
is needed

### Cons

No evidence cross-examination  
procedure and examination is lax

Review procedure highly  
increase the win chance but  
takes longer time



## Co-existence Agreement / Letter of Consent

- Legal effects

When judging whether the trademark in dispute is similar with the reference trademark, the co-existence agreements or LoC may be used as prima facie evidence to exclude confusion.

- Accepted by the CNIPA and the Court, but with reservations

If after issuing a coexistence agreement, the owner of the reference trademark raises an objection on unapproved registration or request for invalidation on the ground that the trademark in dispute is similar to the reference trademark, then this objection or request shall not be supported, unless such coexistence agreement is invalid or canceled.

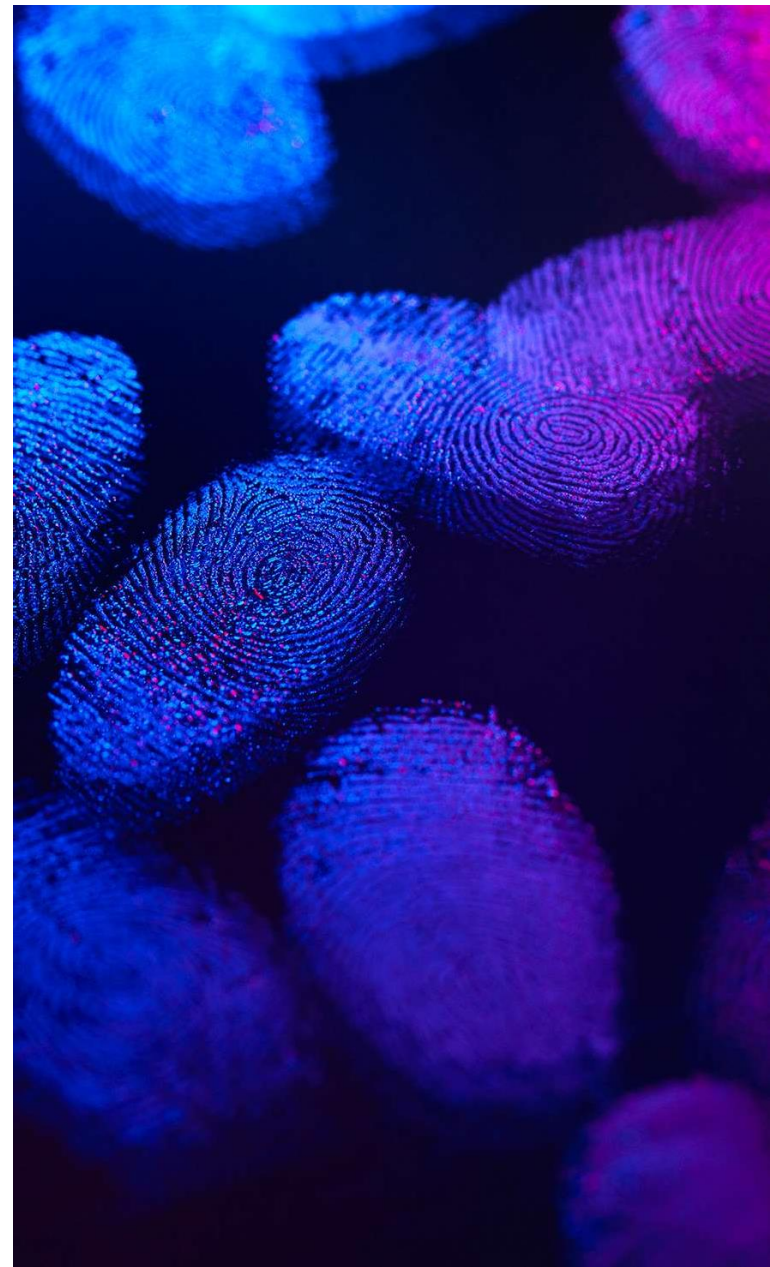
- **Exception:** If the marks of the reference trademark and the trademark in dispute are **identical or substantially identical with each other**, and **used on the identical or similar goods**.



# Co-existence Agreement / Letter of Consent

## Formal prerequisites

- The owner of the reference trademark shall agree with application for registration of the trademark in dispute **in written**, and **expressly state the specific information of the trademark in dispute**, but co-existence agreements **with conditions or periods shall not be acceptable in general**.
- If the owner of the reference trademark is a Chinese company, original agreement hard copy of LoC is sufficient.
- If foreign parties are involved, **notarization and legalization** of the agreement or LoC is needed.





# 5

## Important Changes in Copyright Law and Copyright Registration in China

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# Important changes in the revised Copyright Law

- Longest revision process compared to Trademark Law, Patent Law, Anti-Unfair Competition Law
- Definition of „works“ and „audiovisual works“ broadened to cover digitized film making, computer-assisted creations etc.
- Clarification of rental rights et al. to cover copies
- Information network transmission and broadcasting rights strengthened to address infringement by network broadcasting
- Introduction of punitive damages in case of serious and malicious infringements, statutory damages increased to 5 million RMB
- Shift of burden of proof for evidence not available to right owner

Copyright ownership proof continues to be a hurdle, especially for foreign right owners. Copyright registration of works predominantly but intensively made by Chinese creators: End of 2021, more than 5 million works registered with NCAC/Copyright Center

## Types of copyright registration in China



Copyright Protection Center of China (CPCC) is in charge of copyright related registrations/recordals in China. CPCC accept copyright registrations for:

- Works
- Software (source code)
- DCI (Digital Copyright Identifier)





## Types of copyright registration in China

- Written Works
- Oral Works
- Choreographic Works
- Works of Architecture
- Model Works
- Musical Works
- Graphic Works
- Photographic Works
- Acrobatic Art Works
- Works of Fine Art
- Dramatic Works
- Cinematographic Works
- Compilation works
- Works Created in a Way Similar to Cinematography



## Types of copyright registration in China

- Works of art

- Device mark



- Word and Device combination mark



- Word mark with special design (special font)



## Advantages of copyright registration

- Prima facie evidence of ownership
- Prior right in trademark opposition/invalidation proceedings regardless of classes
- Copyright registration allows for easier enforcement of rights
- Higher registration possibility than trademark registration, trademark filing back-up solution
- Quick process, generally 30 working days until registration
- Low cost





## 6 | New Court Guidelines relevant for Enforcement

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## Important policy-driven documents

- General Office of Communist Party of China and State Council Opinion regarding Reform and Innovation for Trial of Intellectual Property Cases, issued on 8 March 2018
  - First strategic document issued by CPC and State Council
  - Emphasizes the importance of ex officio collection of evidence by court, burden of proof and shift of burden of proof (substitute to discovery?)
  - Higher damage awards requested, including punitive damages against repeat infringers, intentional infringement or other serious cases
  - Stresses case guidance system (divided into simple and complicated cases, with fast-tracking of simple cases)
- China National Intellectual Property Administration and Ministry of Public Security Opinions on Strengthening Collaboration and Cooperation to Reinforce Intellectual Property Protection, 25 May 2021
  - Analyze and determine the trend of IP infringement offenses and crimes nationwide, formulate work plan, identify annual work targets and key tasks; quicker response mechanisms by public security organs in case of inquiries by administrative authorities; formation of an IP expert group for survey and research on IP macro strategy
- Opinions of the SPC on Comprehensively strengthening the Judicial Protection of IP Rights
  - Strengthen standards on trademark similarity, bad faith applications, well-known trademark protection, GI protection

## Enforcement-related court guidelines

- Several Provisions of the Supreme People's Court on Evidence in Civil Proceedings (Revised in 2019), effective as of 1 May 2020
- SPC Several Provisions on Evidence in IP Civil Litigation, effective as of November 18, 2020
  - “Legitimate source” defense requires defendant to provide evidence, e.g. on purchase channels, reasonable prices and direct suppliers and needs to demonstrate a level of reasonable duty of care based on its business scope, professional level, trade practice etc.
  - Acknowledgment of trap purchases if not actively inducing and “only” act causing the infringement
  - Simplification of notarization and legalization requirements for extraterritorial evidence for public documents available from public channels, valid witness testimony on authenticity of evidence, in second instance if the process was completed in first instance
  - Rules against evidence obstruction such as witness perjury, refusal to cooperate or obstruct evidence preservation, unauthorized disassembly or tampering with evidence, submission of false evidence or refusal to hand over evidence
  - In addition to “documentary evidence” application possible to request court order to submit evidence controlled by defendant and difficult to directly obtain, see also Art. 112 Civil Procedure Law and Art. 45-48 of the 2019 SPC Provisions on Evidence in Civil Litigation, including electronic data, audiovisual material etc.

## Enforcement-related court guidance

- SPC Official Reply on the Issues concerning the Defendant's Request for Compensation for Reasonable Expenses due to Abuse of Rights by the Plaintiff in IP Infringement Litigation, June 3, 2021
  - Confirmation that „abusive litigation“ leading to damages to legitimate rights and interests can support a valid claim for compensation of reasonable attorney fee, transportation fee, accomodation fee and other expenses
  - For E-commerce, refer to Art. 42(3) E-Commerce Law in case „the notice is unreal and thus causes damages“. Where an unreal notice is issued maliciously, which causes losses to the operators on the platform, the compensation liability shall be doubled.



# Enforcement-related court guidelines in E-commerce

- SPC Circular on Guiding Opinions on the Trial of Intellectual Property Civil Cases Involving E-commerce Platforms, issued on 10 September 2020
  - III. If e-commerce operator **knows or should know** that platform-based operators have infringed IP rights **it must “take necessary measures according to the nature of the fight, specific circumstances and technical conditions of the infringement”**, including deleting, blocking, disconnecting links; repeated infringements allow for termination of services
  - IV. e-commerce platform operators **may formulate specific implementation measures for platform-based notification and declaration mechanisms** based on the types of intellectual property rights and the characteristics of goods or services. However, the relevant measures shall not set unreasonable conditions or obstacles for the parties concerned in respect of their right protection in accordance with the law.
  - V. **Notifications sent by an intellectual property right holder** to an e-commerce platform operator in accordance with the provisions of Article 42 of the E-commerce Law generally include: the certificate of intellectual property right and real identity information of the right holder; information on the suspected infringing goods or services that can be pinpointed; preliminary evidence on the constitution of infringement; and written guarantee of authenticity of the notification. All notifications shall be made in writing.



# Beijing High Court Guidelines on Determination of Damages and Statutory Damages in Disputes over IP and Unfair Competition

Courts may find that the defendant is in bad faith if any of the following nine factors are established, Art. 1(15): 1) repeat infringement by a defendant or its legal representative/controlling shareholder after an effective judgment is rendered; 2) continuous infringement after receipt of warning letters or administrative decision; 3) trademark counterfeiting; 4) freeriding goodwill of or filing to register a plaintiff's well-known trademark; 5) use of a plaintiff's well-known trademarks on identical or similar goods; 6) prior relationship with a plaintiff (e.g. employment, agency, distribution, etc.) or prior communications that establish the defendant's actual knowledge of the asserted intellectual property; 7) the defendant's concealment of the infringement, or forgery or destruction of infringing evidence; 8) the defendant's refusal to comply with a preliminary injunctive order; and 9) other relevant factors.

Courts may find that the infringement is serious if plaintiff can establish any of the following circumstances, Art. 1(16): 1) defendant is a professional infringer; 2) infringement exists for a long period of time; 3) infringement extends to a broad scope of areas; 4) illegal profits are enormous; 5) concurrent violations that could be harmful to personal safety, environment or public interests and 6) other relevant circumstances.

Art. 1(18): The basis for calculating punitive damages is the plaintiff's loss, the defendant's illegal profits or a reasonable license fee, excluding the plaintiff's enforcement costs. Courts have discretion to determine the multiples within the statutory range, Article 1(19).

In addition, plaintiff must raise its claim for punitive damages before the end of court debate of the first-instance proceeding, Article 1(14). Defendant's request for deducting the amount of administrative or criminal fine already paid by the defendant from the punitive damages are generally not acceptable Article 1(20).

## Pre-trial interlocutory injunction

- China's IP legislation provides pre-action and interlocutory injunctions as provisional remedies in the form of injunctions before and during the trial. In PRC law the term "interim injunction" is not explicitly used, a court may however order certain conduct by a party or prohibit a party from certain conduct before and during a trial, to avoid the occurrence or the escalation of damage to the other party.
- Included into Art. 65 Trademark Law: Where a trademark registrant or any interested party can prove that the infringement in process or to be conducted on the exclusive right to use the registered trademark will cause irretrievable losses to their legal interests if lack of prevention in a timely manner, they may apply to the People's Court for taking such measures as ordering the infringer to cease relevant behaviors and property preservation before filing any lawsuit.
- Subsequently introduced into Civil Procedure Law, extending it to Unfair Competition cases and others
- In practice still difficult to obtain, especially pre-trial!



# SPC interpretation on act preservation in IP disputes

Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in Examining Cases Involving Act Preservation in Intellectual Property Disputes, effective as of 1 January 2019:

Art. 7: The People's Court shall consider the following factors when reviewing an application for “act preservation” (=injunction):

- (1) whether the applicant's request has factual basis and legal basis, including whether the validity of the intellectual property to be protected is stable [see Art. 8];
- (2) whether the failure to enforce injunction will cause the legitimate rights and interests of the applicant to suffer irreparable injury or will cause difficulty in enforcement of the ruling;
- (3) whether the injury suffered by the applicant as a result of the failure to enforce injunction will exceed the injury suffered by the respondent as a result of enforcement of injunction;
- (4) whether the enforcement of injunction will compromise public interest; and
- (5) any other factors to be considered.

## SPC interpretation on act preservation in IP disputes cont'd

Art. 8: The People's Court shall consider the following factors when reviewing whether the validity of the intellectual property to be protected is stable:

- (1) the type or attributes of the rights involved;
- (2) whether the rights involved have been subject to substantive examination;
- (3) whether the rights involved are in the invalidation or revocation procedure, and the possibility of the said rights being declared invalid or being revoked;
- (4) whether the rights involved comprise a dispute over ownership; and
- (5) any other factors which may cause the rights involved to be unstable.

# Evidence preservation

- Art. 81 Civil Procedure Law: Where the evidence may be lost or it may be difficult to obtain the evidence in future, a litigant may apply to the People's Court for preservation of evidence during the proceedings, the People's Court may also voluntarily adopt preservation measures (**preservation during trial**)
- Under urgent circumstances where the evidence may be lost or it may be difficult to obtain the evidence in future, a stakeholder may apply to the People's Court at the location of the evidence or the respondent's domicile or the People's Court which has jurisdiction for the case for preservation of evidence prior to filing of lawsuit or application for arbitration (**preservation pre-trial**)
- Article 11 of the Several Provisions of the Supreme People's Court on Evidence in Civil Litigation Involving Intellectual Property Rights 2020 clarifies conditions for granting evidence preservation:
  - 1. whether the applicant has provided prima facie evidence in support of its claim;
  - 2. whether the evidence can be collected by the applicant itself;
  - 3. the possibility of loss of the evidence or difficulty in obtaining it in the future as well as the impact thereof on proving the facts to be proved; and
  - 4. the impact of possible preservation measures on the evidence holder.
- Article 12 stipulates that evidence preservation should be limited to valid fixed evidence and minimize the damage caused to the value of the object being preserved and the impact on the normal production and business operation of the evidence holder,

## Trademark Law (2019) about pre-trial evidence preservation

- Art. 66 Trademark Law: For the purpose of curbing an infringement, where the evidence may be lost or destroyed or difficult to obtain in the future, a trademark registrant or a stakeholder may, prior to the lawsuit, apply to the People's Court for preservation of evidence pursuant to the law.
- SPC Several Provisions on Evidence in IP Civil Litigation, Art. 17 and right of objection: Where a respondent raises an objection to the scope, measures or necessity for preservation of evidence and provides the relevant evidence, the people's court may change, terminate or revoke the preservation of evidence if it deems that the reasons for the objection are established upon examination.
  - But also: Art. 1(4) SPC Opinions on Intensifying Punishment for IP infringement (effective as of 14 September 2020): If the defendant arbitrarily damage or transfer the alleged infringing products or any other evidence that has been preserved, causing the court unable to find out infringing facts, the court may presume that the right owner's claims about the said evidence.





## 7 | Case law on trademarks

## Michael Jordan vs. „TRAB“

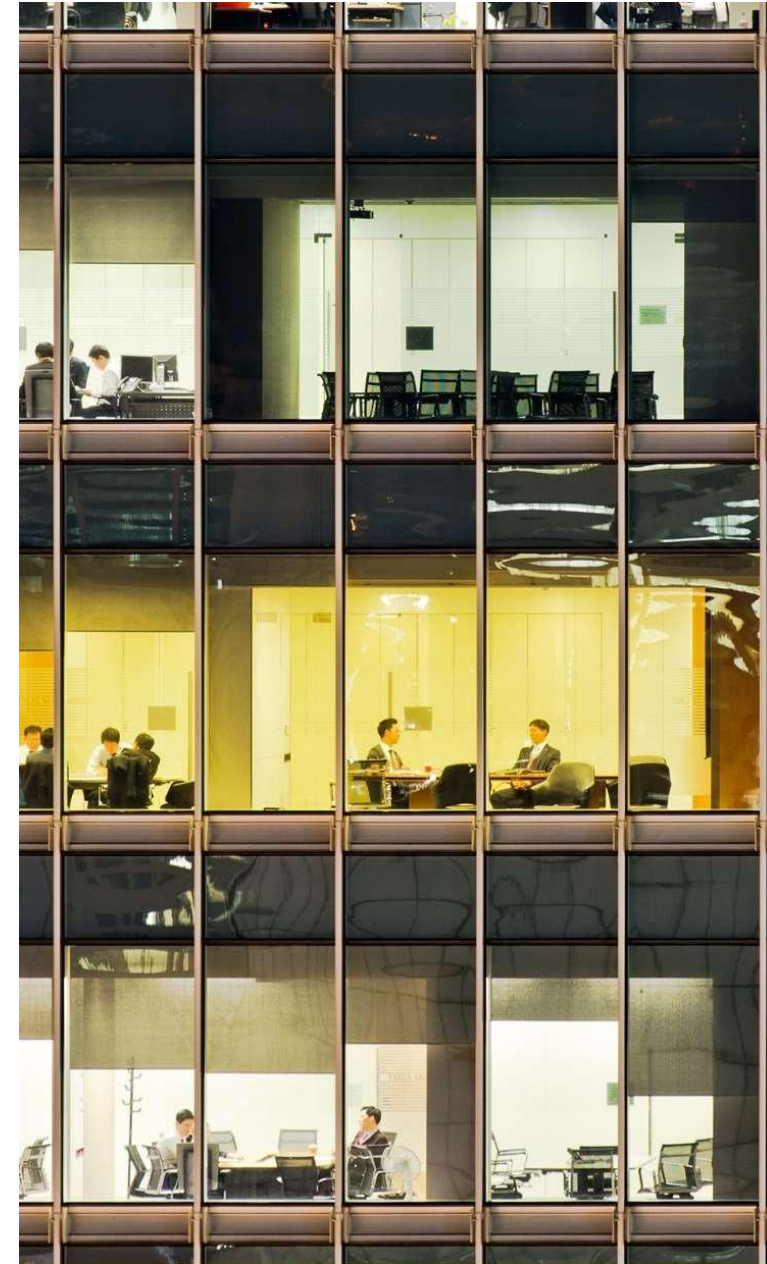
- Decision rendered on 8 December 2016 by the SPC
- In 2000, Qiaodan Sports registered “乔丹” (the Chinese version of "Jordan" in Chinese characters) and "Qiaodan" in Pinyin as trademarks on sports products in China and grew a substantial business in China with more than 6,000 stores and an annual turnover of approximately RMB 4 billion at the time of the decision
- In 2012 Michael Jordan requested invalidation of the trademarks, but prevailed in front of the SPC only in relation to his Chinese name (not for his name in Pinyin), based on Art. 32 Trademark Law, Art. 99 General Principles of Civil Law, Art. 2 Tort Law and the argument of being famous, well-recognized, and that the relevant public links the name to Michael Jordan, evidencing there is a connection between the name and the person.





## Enterprise name protection: BBC

- Beijing Haidian court confirmed use of „BBC“ by a Beijing company specialising in English learning applications for prominent use of „BBC“ logo on two company websites, a public account on WeChat and five mobile applications
- BBC claimed infringement of its enterprise name and that use of the „BBC“ logo makes the public believe that the applications and services provided by iYuba are associated with the BBC
- BBC could prove high popularity in the country
- Infringing logo was slightly different in font and color with additional words such as „English“, but was still held to be similar
- Damage compensation granted was 1 million RMB



## FENDI case (2019) Shanghai civil retrial No. 5

Shanghai East Land International Trading Co., Ltd. (上海益朗国际贸易有限公司) as an outlet store operator sourced original goods from a licensed distributor of Fendi Italy and attached the FENDI logo to its price information bulletin board, shopping bags, packaging and store signage. Outlet Mall operator Capital Outlets (Kunshan) Commercial Development Co., Ltd. (首创奥特莱斯 (昆山) 商业开发有限公司) also used and promoted the FENDI mark in the mall and on its WeChat account.

Fendi Italy owns FENDI IR trademark No. G1130243 in class 35, but not on retail services.

During retrial, the court decided that the use of FENDI mark has blurred the boundaries between directly operated stores and select shops and thus impeded horizontal competition. The use shall not be deemed as fair use and is not in line with business practice; the use of Fendi Italy's trade name constitutes unfair competition.

### Impact:

This case reflects the court's opinions about unfair use by retailers. Usually, use of trademarks of original goods will not constitute infringement based on exhaustion of trademark right. However, select shops should use trademarks distinctively distinguishable from the directly operated stores to identify source of services to avoid confusion and misleading as well as preventing horizontal competition.

On the other hand, for foreign brand owners who have directly operated stores in China, securing a registration in class 35, even on non-retail services can provide a legal basis against infringement in retail sector.

## Punitive damages case I: MOTR case (2018)

- Shanghai court case decision 0115 civil first instance No. 53351
- Balanced Body Inc. is a provider of Pilates apparatus and courses under the brand “MOTR”. It offers products and services via cooperation with Chinese distributors of fitness equipment and gyms. It has an earlier trademark no. 17787572 MOTR in China. It found Yongkang Elina Sports Equipment Co., Ltd. (永康一恋运动器材有限公司) was offering “MOTR” fitness equipment at the fifth Health, Wellness and Fitness Expo during 14-16 March 2018 in Shanghai. It also found Yongkang offering “MOTR” fitness equipment via its WeChat store and factory.
- Yongkang claimed it sold 1,500 rollers in October-November 2017 on its WeChat account, but it argued the WeChat promotion was false promotion. Yongkang refused to submit its account book to the court.



# Punitive damage case I: MOTR case

## Court's decision:

- Considering Yongkang's other distribution channels such as factory and exhibitions, and that the sale should have lasted for over two months, the actual sales volume should exceed 1,500, so the plaintiff's claimed sales of 1,500 pieces was upheld.
- The court referred to a notarized purchase at the WeChat store to decide the unit price of the infringing goods. Without account books, the court referred to other infringing cases involving the same plaintiff to decide Yongkang's cost for manufacturing infringing goods. Considering a dispute resolution agreement reached by both parties in 2012 and Yongkang's turnover of RMB 8 million in 2016, as well as the damage to plaintiff's goodwill caused by poor quality of infringing products, the court decided Yongkang committed intentional repetitive infringement and applied 3 times punitive damage, and upheld the claimed damage of RMB 3 million.

## Impact:

- Punitive damage was applied and confirmed by Shanghai courts for the first time

## Punitive damage case II: Xiaomi Case

- Xiaomi Technology Co., Ltd. (小米科技有限责任公司) owns the trademark No. 8228211 “小米“ („Xiaomi“) in class 9 which has been recognized as a well-known trademark in numerous opposition/invalidation decisions.
- Zhongshan Beves Electrical Appliances Co., Ltd. (中山奔腾电器有限公司) and Zhongshan Du Ling Feng Sao Electrical Appliances Co., Ltd. (中山独领风骚生活电器有限公司, formerly 中山米家生活电器有限公司) used the trademark “小米生活“ („Xiaomi Life“) as well as similar color combination and slogans to those of Xiaomi in promotion of their products (mainly electrical cooking apparatus) via off-line stores, websites, WeChat stores and online shops on major ecommerce platforms including JD, Taobao, Tmall and Pinduoduo, and registered the domain names 小米生活电器.com and xiaomi68.com for trade and ecommerce purposes.
- Zhongshan Beves' trademark no. 10224020 小米生活 was applied for on 23 November 2011, survived Xiaomi's opposition and was registered on 7 July 2015, but invalidated on 13 November 2020.



## Punitive damage case II: Xiaomi Case

**Decision** (2019) Jiangsu High Court Civil final No. 1316

- Well-known trademark: The mark No. 8228211 小米 was recognized as a well-known trademark.
- Calculation of profits made by infringement was based on turnovers multiplied by profit rate. The amount of comments indicated in online shops was taken as a useful reference for deciding the amount of transactions. The turnover of the 23 online shops on ecommerce platforms should all be calculated in the profits earned by the infringing parties.
- Obvious bad faith: Defendants continued to promote and offer the infringing goods until during the second instance court hearing.
- Factors for applying punitive damage: The amount and variety of infringing goods, the poor quality of the same and the scale of infringing behavior. The claimed damage award of RMB 50 million was upheld.

### Impact

- The court's decision provided specific factors in considering application of punitive damage and the calculation method for punitive damage.

# Tiktok recognized by Haidian court as an ecommerce platform in case Agatha China vs. Laizhou Hongyu and Tiktok

- Saishi Trading (Shanghai) Co., Ltd. (赛饰贸易 (上海) 有限公司) obtained an exclusive license from Agatha Diffusion to use the “AGATHA” trademark in China. Saishi found Laizhou Hongyu Handicraft Co., Ltd. (莱州市弘宇工艺品有限公司) was offering handbags bearing the “AGATHA & device” mark for sale via live streaming on Tiktok platform. The Tiktok platform was operated by Beijing Microseeding Horizon Technology Co., Ltd. (北京微播视界科技有限公司).

## Court’s decision:

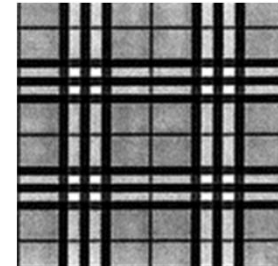
- The services actually provided by Tiktok include assisting deal-making and publishing information and were in line with the definitions stipulated by ecommerce law, so Tiktok should be deemed as an ecommerce platform.
- Nevertheless, Beijing Microseeding Horizon has exercised reasonable diligence including pre-implementation approval and taking actions promptly after it became aware of the litigation.

## Impact:

- The decision is the first time a China court deems live streaming platform as an ecommerce platform and explains rules of deciding whether the operator of ecommerce platform has exercised reasonable diligence.

## Burberry vs. Baneberry

- Xinboli Trading (Shanghai) Co., Ltd. (新帛利商贸 (上海) 有限公司, established in May 2019) extensively used Burberry's check pattern, color combination and similar promotional materials to promote its "BANEBERRY" products. Xinboli had opened over 40 stores in China in one and half a year's time, nearly the same amount as Burberry's boutique stores in China. Baneberry's stores are located in malls and outlet malls in cities such as Beijing, Shanghai, Hangzhou, Suzhou and Changsha, within the same distribution channels as Burberry.
- Xinboli registered the "Baneberry" trademark No. 5735060 in the name of a UK company UK Baoboli Limited and the mark was licensed to Xinboli.
- Suzhou Intermediate Court decided that the defendants shall immediately stop use of "BANEBERRY" trademark and production and distribution of products bearing trademarks that are identical or similar to Burberry's device marks IR no. 732879 and no. 987322.
- Burberry's device marks:





# Interim injunction decision: Burberry vs. Baneberry

## Court's findings:

- Possibility of infringement: Burberry's trademarks "BURBERRY" have become reputable in China and there are chances of recognizing the marks as well-known trademarks. Although Xinboli's BANE BERRY mark is registered, its behavior can be recognized as malicious reproduction of Burberry's well-known trademark and possibly constitute trademark infringement. Baneberry's misuse of Burberry's check patterns and promotional materials (including history and origin of brand) may constitute unfair competition and would easily cause consumer confusion.
- Realistic urgency for injunction: The court believes that before the judgment is issued, there exists urgency to issue an injunction decision, otherwise the plaintiff may suffer irreparable damage.
  - Advantages obviously outweigh disadvantages: infringement is highly possible while potential harm of injunction to the defendants should be controllable.
  - Public interests: infringement has already caused a large amount of consumer complaints. Injunction would be beneficial to market order and consumer interests.
  - Plaintiff provided guarantee for the injunction.

## Penfolds case: (2018) Jiangsu 01 civil first instance no. 3450

- SOUTHCORP BRANDS PTY LIMITED is the trademark owner of Penfolds on wine products. Since 1990s when Penfolds entered China market, Southcorp has been using “奔富” (“Ben Fu”) as the Chinese equivalent to Penfolds. Via Southcorp’s extensive promotion and use, “奔富” has obtained high fame and influence.
- In 2016 Huai’an Huaxia Zhuangyuan Winery Co., Ltd. (淮安市华夏庄园酿酒有限公司) acquired trademark no. 11138966 奔富尼澳 in class 33. Huai’an also filed applications to register trademarks “Penfoills”, “Penfunils” similar to Southcorp’s “Penfolds” mark and the applications were eventually rejected. During the litigation, No. 11138966 was invalidated while Southcorp’s application for “奔富” was preliminarily approved and published.
- In 2018, Southcorp noted Huai’an was using Penfunils/奔富尼澳 and 奔富 marks on wine and promotional materials at an off-line venue. The products are distributed by Hangzhou Zhengsheng Trade Co., Ltd. (杭州正声贸易有限公司). Huai’an was also offering the goods for sale on JD and Taobao.

### Decision:

- The court decided to recognize 奔富 as an unregistered well-known trademark. The defendants infringed Southcorp’s trademark right over Penfolds and should compensate for damages.

### Impact:

- The first case in Jiangsu to recognize unregistered well-known trademark and had impact on the administrative process of respective parties trademark applications.

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