

Remedies for Trademark Infringement in China

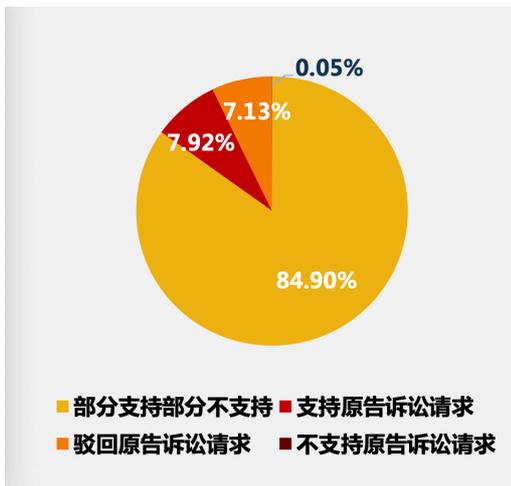
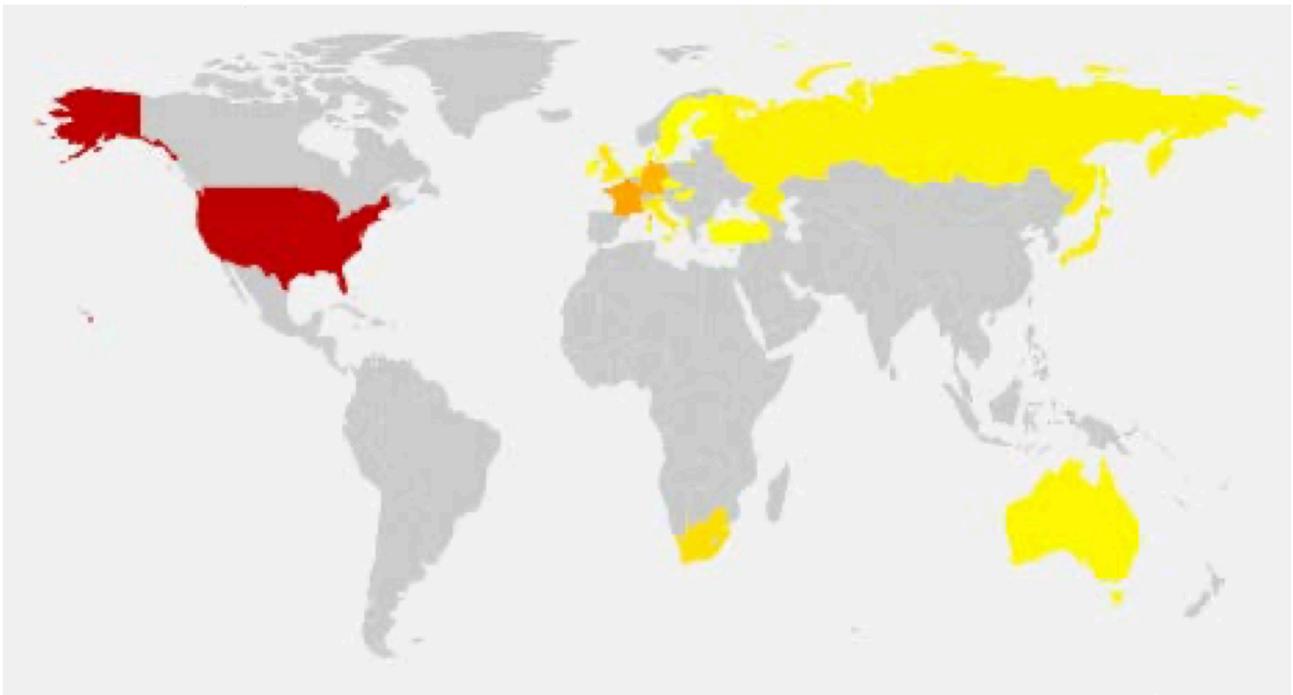
IP infringement & protection in China (1)

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Introduction

In 2015 and 2016, according to the Supreme Court's statistics, among all the 120,000 IP related cases, trademark cases have possessed 34.17%, ranked as 2nd next to copyright cases. It also appears that United States, France, and Germany are top three countries involved in foreign related IP cases. (<http://data.court.gov.cn/pages/reportshow.html?filename=司法大数据专题报告之知识产权侵权.pdf>)



Among all the cases, only 7.92% cases' claims are fully supported by the courts, while a majority (84.90%) of cases are only partially supported. In other words, the plaintiffs were lured to claim more with few evidence to prove their losses. Why and How would that happen? According to Article 48 of Copyright Law, Article 56 of Trademark law, and Article 65 of Patent Law, the plaintiffs need to prove their actual losses attributable to the infringement or illegal income obtained by the infringers. If either amount cannot be determined,

maximum 0.5 Million RMB could be awarded for copyright and trademark infringement, and maximum 1 Million RMB could be awarded for patent infringement. However previously in practice, it is very difficult to provide full amount evidence in either way, moreover, only a few cases could be awarded to the maximum amount in the past. As

such, plaintiffs always wonder whether there is any other ways for them to be compensated? This article has introduced other remedies that the plaintiffs might pursue.

Furthermore, recently the Supreme Court has promulgated “Opinions of the Supreme People's Court on Legally Imposing Heavier Punishments for Infringements of Intellectual Property Rights” on 14th Sep, 2020. It is believed that in the future, there will be more remedies and compensations for victims.

A、 Administrative Remedies

Administrative remedies means government actions/supervision conducted by the government (i.e. Administration for market Regulation and Customs). That includes:

(1) Protection by the Administration for market Regulation

According to Article 53 of **Trademark Law**: “If the parties are reluctant to negotiate or unable to reach an agreement, the trademark owner or interested party is entitled to ask Administration for Market Regulation to handle, and if the Administration had affirmed that (action) has constituted an infringement, it will issue **immediate injunction** to the action, **confiscate and destroy** infringed commodities and equipment that used to manufacture infringed commodities, counterfeit registered trademark logos, and in the meantime may **impose penalties**.”



(Knock-off mobile data cable shattered by Shenzhen Administration for market regulation and Police)

(2) Protection by the Customs

According to Article 44 of **Customs Law**: “The customs protects Intellectual Property of imported and exported goods according to laws and regulations.” Article 2 of

Regulations of IP protection by Customs¹:“this regulation applies to IP of imported and exported goods protected by PRC laws and regulations, which includes trademark right, copyright, and patent.”

In practice, usually the IP right owner may file their copyright, trademark, and/or patent at the Customs(the filing cost is about RMB 800 per item), or report suspicious imported & exported infringed goods, apply to detain suspicious goods to the Customs².



(In 2019, Changsha Customs seized knock-off glasses of “Nike”, “Adidas”, “Amani” etc.)



(In 2019, Fuzhou Customs seized 51,800 knock-off sneakers, wireless headsets of “Nike”, “Adidas”, “Apple” etc.)

¹ 《知识产权海关保护条例》

² www.haiguanbeian.com



(In 2019, Shantou and Shenzhen Customs seized 232128 knock-off toothpaste of “Colgate”)



(In 2019, Hangzhou Customs seized 229200 knock-off cigarettes of “Marlboro”)

B、 Civil Remedies

(1) Before litigation

Injunctions. According to Article 57 of Trademark Law: “the owner of trademark or interested party has evidence to proof that others are infringing or is going to infringe its

trademark right, and will suffer **irreparable harm** if not been refrained from in a timely manner.”

(2) In the process of litigation

The plaintiff may ask the defendant to:

- (i) be refrained from infringement
- (ii) eliminate impact
- (iii) destroy knock-off goods and materials/ tools that manufacture the knock-offs
- (iv) indemnify damages/losses

According to **Article 56** of Trademark Law, the indemnified number shall be the **actual benefit** the infringer get during the period of infringement, or the **losses** the infringed had suffered during the period of infringement, including those **reasonable expenses** occurred in order to stop the infringement. But in practice, sometimes it is difficult to calculate either actual benefit or losses for the plaintiff, as such, **Article 56.2** grant the court discretion to indemnify the infringed no more than RMB 500,000 in case the above mentioned amount could not be determined.

Moreover, according to the “Opinions of the Supreme People's Court on Legally Imposing Heavier Punishments for Infringements of Intellectual Property Rights” promulgated by the Supreme Court on 14th Sep, 2020 ([2020] NO. 33), the court will determine “**actual benefit**” based on information obtained from tax bureau, third party platform, website of infringer, company brochure, and industrial average margin etc. Further, for those who deliberately infringe others’ IP rights, the court may grant **punitive remedies** for the plaintiffs. There is also a trend inferred from the “Opinion” that the court might grant higher remedies by taking into consideration the following factors: mens rea of the infringer, whether the conduct is repetitive, and/or the conduct is a career, time and area affected, whether personal security, environmental resources and public interests were affected.

C、 Criminal Remedies

In Criminal Law, Article 213 [Fake Registered Trademark logo] sentences those who use identical registered trademark on the same products without trademark owner’s permission up to 7 years imprisonment as well as fines equivalent to one to five times of illegal gaining or 50% to 100% of illegal revenue.

Article 214 [Sale of knock-off products], Article 215 [Illegally manufacture, sale of illegally manufactured registered trademark logo] also sentences criminals up to 7 years imprisonment as well as fines the same as Article 213 mentioned above.

To be specific, according to explanations by the Supreme People’s Court and Supreme People’s Procuratorate, sentences and penalties are as follows:

Sales Amount	Sentences	Fines	Remarks
< 50,000 RMB	NA		
50,000 RMB (include) ~250,000 RMB (not include)	less than 3 years imprisonment or detention	plus/ only one to five times of illegal gaining or 50% to 100% of illegal revenue.	consider factors: illegal gaining, illegal revenue, damages to victims, social impact etc.
> 250,000 RMB (include)	3 to 7 years imprisonment	plus one to five times of illegal gaining or 50% to 100% of illegal revenue.	

In practice, the most serious crime we have encountered so far is an employee from a German company (Loctite) who supplies glue for iPhone battery to Apple. This employee (regional sales manager) of that German company established his own trading company, buys knock-off glue from a Shandong manufacturer, sold to buyers by using Loctite sales channels. The total sales amount is over 10 Million RMB. We defended for the client in terms of mens rea, accomplice, compensation to the victims, etc. Finally, got the client (accomplice) probation. In contrast, another precedent of Youwei (<https://wenshu.court.gov.cn/website/wenshu/181107ANFZ0BXSK4/index.html?docId=98d0857ae18b446591efabeb011b203b>) who sold knock-off “LV”, “Nike”, “PalphLauren” amounts to over 25 million got 5 years imprisonment and 4 million RMB fines.

Summary

Compared with US trademark laws, although in civil cases, IP right owners always get less compensation, they could be still well protected by other alternative means conducted by the government, which could be more efficient than legal litigation.