

Contributing firm
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Legal framework

The following laws and regulations govern anti-counterfeiting in China:

- the Trademark Law (2001) and the Implementing Regulations of the Trademark Law (2002);
- the Anti-unfair Competition Law (1993);
- the Copyright Law (2001) and the Implementing Regulations of the Copyright Law (2002); and
- the Criminal Law (2009).

Supreme Court interpretations of laws also play an important role in judicial practice:

- the Interpretation of the Supreme Court on Several Issues on the Application of Law in the Trial of Trademark Civil Disputes (2002);
- the Interpretation of the Supreme Court on Several Issues on the Application of Law in the Trial of Civil Disputes

concerning the Protection of Well-Known Trademarks (2009);

- the Interpretation of the Supreme Court on Relevant Issues on the Scope of Jurisdiction and the Application of Law for Trial of Trademark Cases (2002);
- the Interpretation of the Supreme Court on the Application of Law concerning Pre-trial Suspension of Trademark Infringement and Evidence Preservation (2002);
- the Interpretation of the Supreme Court on Several Issues on the Application of Law in the Trial of Civil Cases concerning Unfair Competition (2007);
- the Interpretation of the Supreme Court and the Supreme Procuratorate on Issues concerning the Application of Law in Handling Criminal Cases of Infringement of IP Rights (2004);
- the Interpretation of the Supreme Court on the Application of Law in the Trial of Civil Disputes over Copyright (2002); and
- the Interpretation of the Supreme Court on the Application of Law in the Trial of Civil Disputes over Domain Names (2001).

Border measures

Customs can conduct enforcement either *ex officio* or by application. In 2008, only 63 consignments were detained upon application by the rights holder, while 11,079 consignments were detained *ex officio*.

Enforcement *ex officio*

The prerequisite for enforcement *ex officio* is that the trademark right be recorded with Customs. Thereafter, where Customs finds that suspected counterfeit goods are entering or leaving China, it will seize the goods and notify the rights holder. The rights holder has three working days from receiving notification to apply for detainment of the goods and post a bond with Customs (the amount will depend on the value of the goods); otherwise, Customs will release the goods. If, upon investigating the detained goods, Customs determines that they are counterfeit, the goods will be confiscated and a fine will be imposed. If Customs makes no decision or decides that the goods are not counterfeit, it will notify the rights holder to apply to court for a

preliminary injunction or seizure of the infringing goods. If Customs receives no notice from the court within 50 working days of the date of detention, it will release the goods.

Enforcement by application

If the rights holder has not recorded its trademark with Customs, it can file an application with Customs for the detention of suspected counterfeit goods which are found to be entering or leaving China, but there must be sufficient evidence to demonstrate infringement to Customs.

After detaining the goods, Customs is not responsible for investigating or deciding on infringement. Instead, the rights holder must apply to court for seizure of the infringing goods or a preliminary injunction. If Customs receives no notice from the court within 20 working days of the detention, the goods will be released.

AIC action

The Administration of Industry and Commerce (AIC) can also take enforcement action according to Article 53 of the Trademark Law, which states: "Where any party has committed any of such acts to infringe the exclusive right to use a registered trademark as provided for in Article 52 of this Law and has caused a dispute, the interested parties shall resolve the dispute through consultation; where they are reluctant to resolve the matter through consultation or the consultation fails, the trademark registrant or interested party may institute legal proceedings in the People's Court or request the administrative authority for industry and commerce for actions."

The procedure for an AIC action is as follows:

- The rights holder identifies the counterfeiter and the location where the counterfeits are stored.
- It then submits a written complaint and relevant evidence to the AIC office.
- The AIC officials conduct a raid and seize all counterfeits on site.
- The AIC issues a penalty decision to the counterfeiter within six months of the raid.

AIC actions have the following advantages:

- The materials and evidence required for an AIC action are less complex than those required for civil litigation.
- The AIC can take immediate action after accepting the complaint.
- All infringing products will be seized on site and confiscated, and the

counterfeiter will be issued with a penalty fine.

- An AIC action is less costly than litigation.

Thanks to these advantages, the AIC action is the most common protective measure taken by rights holders in China. Statistics from the General Administration of Commerce and Industry confirm that the number of AIC actions is increasing. In 2008, 56,634 AIC actions were conducted against trademark infringement, 11,142 of which involved foreign parties. The total value of seized counterfeit goods and penalties stood at more than Rmb467 million.

Criminal prosecution

Pursuant to Articles 213, 214 and 215 of the Criminal Law of the People's Republic of China, it is a crime to:

- use a mark that is identical to a registered trademark for the same goods without the permission of the rights holder;
- knowingly sell goods bearing a counterfeit trademark; or
- sell forged representations of a registered trademark.

Such crimes are punishable by imprisonment for up to three years or a fine, or both in serious cases. In very serious cases the court will sentence the counterfeiter to between three and seven years' imprisonment and impose a fine.

The Interpretation of the Supreme Court and the Supreme Procuratorate on Issues concerning the Application of Law in Handling Criminal Cases of Infringement of IP Rights further specifies the standard for determining whether an infringement is 'serious' or 'very serious' as follows:

- Serious – either:
 - the value of the illegal business is more than Rmb50,000 or the value of the illegal gains is more than Rmb30,000; or
 - more than two registered trademarks have been forged, and the value of the illegal business is more than Rmb30,000 or the value of the illegal gains is more than Rmb20,000.
- Very serious – either:
 - the value of the illegal business is more than Rmb250,000 or the value of the illegal gains is more than Rmb150,000; or
 - more than two registered trademarks have been forged, and the value of the illegal business is more than Rmb150,000 or the value of the illegal gains is more than Rmb100,000.

Criminal proceedings can be initiated by both the public prosecution authority and the rights holder.

Proceedings initiated by the public prosecution authority

During customs detention of counterfeit goods or an AIC action, if it is found that the level of counterfeiting meets the criminal threshold, Customs or the AIC office will transfer the case to the police office for further investigation and the police office will transfer the case to the public prosecution authority to bring a criminal procedure.

The police office may also conduct an investigation upon being informed of the counterfeiting by the rights holder or others and transfer the case to the public prosecution authority to bring a criminal procedure after the investigation is concluded.

Proceedings initiated by the rights holder

The rights holder may directly bring a criminal charge against the counterfeiter before the court with sufficient evidence.

Civil enforcement

Article 52 of the Trademark Law provides that the following acts constitute an infringement of the exclusive right to use a registered trademark:

- to use a mark that is identical or similar to a registered trademark in respect of identical or similar goods without the authorization of the rights holder;
- to sell goods in the knowledge that they bear a counterfeit trademark;
- to counterfeit, or to make without authorization, representations of a registered trademark, or to sell such representations;
- to replace a registered trademark and re-sell the goods without the authorization of the rights holder; or
- to cause, in other respects, prejudice to the exclusive right of another person to use a registered trademark.

In the event of such infringement the rights holder can file a trademark infringement suit before the court.

In general, trademark infringement cases are heard at first instance by the intermediate courts at city level, except in some big cities where the district courts have jurisdiction to hear cases involving trademark disputes. At second instance they are heard by the high courts at the provincial level.

The jurisdiction in which to bring a trademark infringement action is determined according to:

- where the act of infringement has taken place;
- where the infringing products are stored, sealed or detained; or
- where the infringer is domiciled.

For the purpose of avoiding local bias, it is suggested that proceedings be brought in big cities, where the judges are more professional and the damages awarded will be higher.

The statute of limitations for instituting civil proceedings is two years from the date on which the rights holder or any interested party knew, or should have known, about the infringing act. However, if the infringement continues for a long time, the court will hear the case even if the action is brought after two years.

The court of first instance will usually enter a judgment approximately six months after the case is docketed if the case involves Chinese parties only; where a foreign party is involved, a decision will be issued in approximately one year.

Each party has the right to appeal the decision within 15 days (30 days for foreign parties) of the date on which the judgment is served; if no appeal is filed within the statutory time limit, the judgment becomes effective.

The second instance court will usually issue its decision within three months (six months to one year in cases involving foreign parties) from the date on which it receives the case.

Collecting evidence is crucial in civil proceedings. The typical way to do so is through on-site investigations. The evidence should preferably be notarized by a notary public (eg, web pages on which counterfeits are offered for sale), and a notarized purchase of the counterfeits is also recommended.

Preliminary measures

According to Article 57 of the Trademark Law, where a rights holder has evidence that another person is infringing or will infringe its right to use its registered trademark, and that failure to stop the infringement promptly will cause irreparable damage to its legitimate rights and interests, it may file an application for a preliminary injunction and for seizure of the infringing goods before instituting legal proceedings.

Remedies

According to Article 21 of the Interpretation of the Supreme Court on Several Issues concerning the Application of Law in the Trial of Trademark Civil Disputes, the rights holder is entitled to the following remedies:

- immediate cessation of the infringement;
- confiscation of the counterfeit goods, materials and moulds, and representations of the forged trademark; and
- compensation for damage.

There are three ways to calculate damages according to Chinese law:

- lost profits by the plaintiff due to infringement, which are calculated by multiplying the reduced sales volume of the products by the unit loss per infringing product;
- unjust enrichment by the defendant due to infringement, which is determined by multiplying the sales volume of the infringing products by the unit profit per infringing product; and
- where damages cannot be determined by the methods mentioned above, statutory damages determined by the court up to a maximum of Rmb300,000 in regular cases and Rmb500,000 in cases with severe consequences or serious circumstances.

The rights holder shall also be entitled to recover reasonable expenses incurred during the course of enforcement, such as expenses for investigation, transportation, collection of evidence, statutory attorneys' fees and notarization fees.

Anti-counterfeiting online

Counterfeits are sold online mainly through auction sites. There are also some independent online sellers which operate their own websites.

In the event of online counterfeiting, the first step is generally to send a warning letter to the seller. Most auction sites have notice and takedown procedures and will generally take down counterfeit goods upon being notified by rights holder; but the problem is that the seller will generally continue to infringe.

Where online sellers ignore the warnings or continue to infringe, it is necessary to conduct an investigation to learn more about the counterfeiter and collect evidence by notarizing the web pages that contain infringing content and purchasing counterfeit goods. This is done in preparation for subsequent AIC action, civil proceedings or criminal prosecution.

Preventive measures/strategies

Trademark registration and monitoring
Chinese trademark law protects registered

trademarks only; unregistered trademarks enjoy only limited protection under restricted conditions. It is therefore recommended that rights holders register their trademarks in China as early as possible. They can avoid infringement by translating foreign trademarks into Chinese and should also register Chinese versions of their trademarks and their variants.

Moreover, given that some counterfeiters seek to register marks which are identical or similar to registered trademarks, it is necessary to establish a trademark monitoring system and to apply for oppositions and cancellations against such marks.

Market monitoring

Rights holders should establish a market monitoring scheme to obtain greater knowledge of counterfeiting activities on the market and to target counterfeiters in preparation for further legal action. Surveys of local markets, fairs and trade shows, as well as online monitoring, should be conducted on a regular basis.

Public resources

AIC authorities play an increasingly important role in anti-counterfeiting and rights holders should participate actively in their efforts.

For example, some AIC offices have set up famous brand protection associations, which are tasked with strengthening cooperation between member enterprises and the authorities, and collaborating in anti-counterfeiting activities.

Some AIC offices have also launched online anti-counterfeiting platforms, where rights holders can record their trademarks and relevant information in the system and submit complaints against counterfeiters online. Officials can communicate promptly online with the rights holder, verify the documentation and arrange a raid. This enhances the efficiency of enforcement action and strengthens the protection afforded to the rights holder. [WTR](#)

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Before joining Kangxin Partners, PC in 2004, Celia Li worked for many years at the Hebei Provincial High Court. During this time, she developed extensive knowledge of the Chinese legal system and IP laws and regulations, and gained in-depth, practical experience in IP litigation. Ms Li's familiarity with the legal protection of IP rights in judicial proceedings enhances the success rate of her cases. She specializes in litigation relating to patent and trademark infringements, and investigates and deals mainly with administrative, unfair competition and customs protection actions, in addition to providing arbitration and anti-infringement services.



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Sophie X Li joined Kangxin in 2008. Her practice covers litigation related to copyright, trademark infringement and unfair competition, anti-counterfeiting actions, and trademark oppositions, domain name disputes and similar.