

Country correspondents

The Country correspondents section of *World Trademark Review* is a feature in which leading firms from countries across the globe take a detailed look at a specific topic affecting trademark owners

Anti-counterfeiting

In this issue the correspondents consider various aspects of the fight against counterfeiting

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Investigating anti-counterfeiting in China

Thorough investigations and careful evidence collection are at the heart of any successful anti-counterfeiting campaign in China. But flexibility is also key

Many foreign companies are concerned with protecting their trademarks in China. When dealing with counterfeiters in that country, a comprehensive strategy is required. Underlying any strategy against counterfeiting is the collection of evidence to support the trademark owner's case. Because China is a civil law jurisdiction, its rules of civil procedure and evidence may be unfamiliar to many brand owners and practitioners. For instance, Chinese courts focus more on written or physical evidence than oral evidence. For this reason, investigative practices lie at the heart of any effort to stop counterfeiters.

Over the years, counterfeiters have become better at thwarting the enforcement efforts of trademark rights holders. Manufacturers of counterfeit goods are now demanding a significant deposit before entering into any agreement for the purchase of their goods. This increase in upfront costs (incurred while collecting evidence – see below) has deterred many trademark owners from enforcing their rights against counterfeiters.

Ever more foreign companies dealing in counterfeit goods seem to purchase their stock from small manufacturers. Such a structure enables both traders and manufacturers to evade the Chinese administrative authorities, which are generally reluctant to investigate small infringers because of their limited resources.

Experience shows that trademark owners can effectively protect their rights before the Chinese courts or the competent administrative authorities, provided that an anti-counterfeiting investigation is successful. Accordingly, the objectives of any anti-counterfeiting investigation are to obtain complete and reliable evidence, without raising the suspicion of the targeted counterfeiters.

Initial phase of investigation

Mark owners seeking assistance in finding the source of counterfeit goods that affect their trade usually have very little information about the counterfeiters. Often, investigators start with a blank slate and work from the ground up in order to identify the manufacturers and larger distributors of the counterfeit goods.

The first step is to find an initial contact person that can be used to identify the main counterfeiters. When dealing with counterfeits that are finished products, the Internet may provide leads to a contact, as trading online is one way for counterfeiters to sell their stock with little overhead. If the dealers are working from a registered website, the domain name registration may be used to identify the contact information of the retailer.

Markets that are notorious for dealing in counterfeit goods are convenient places to establish a contact. For example, as part of an anti-counterfeiting action on behalf of a foreign telecommunications company, we identified a distributor in such a notorious market, which enabled us to identify the location of the counterfeits' manufacture. This information led the State Administration of Industry and Commerce and the Information Industry Ministry to conduct jointly an administrative action against the counterfeiters.

When the counterfeit goods are not available to the public on markets or the Internet, such as in cases of manufacturing materials or unfinished goods, the public can be asked for assistance in locating the counterfeiters. The mark owner can thus offer a reward for information leading to the counterfeiters.

In one instance, a manufacturer of consumable goods had detected that a counterfeit version of its goods was being

sold on markets in its own country. These counterfeits were determined to have originated from China. By offering a reward for information leading to the counterfeiters, a shipment of counterfeit goods was identified and seized at the Chinese border. The shipment led to the identification of the counterfeiter, which later agreed:

- to cease all activities relating to counterfeiting;
- to pay damages; and
- to make a public apology to the mark owner.

Counterfeiters' premises

Once the manufacturer or distributor of counterfeits has been identified, an onsite investigation is required. When contacting the counterfeiters, it is strongly recommended that assistance be sought from counsel with experience in these matters as the investigation process is subject to overview by the Chinese courts. The right counsel will employ an experienced investigator and provide explicit instructions so that the investigation complies with Chinese law. There have been a number of cases where overzealous, inexperienced investigators obtained evidence illegally in order to please their employers, only to have the evidence later deemed inadmissible by the courts, which led to the collapse of the case.

Usually, the investigator will try to get access to the site by gaining the trust of the manufacturer or distributor through the initial contact person. In cases where the counterfeiter is extremely cautious, a person more intimately familiar with the counterfeiter's operations will be needed to undertake the onsite investigation. This inside person can be selected and contacted through additional investigation.

Once the investigator has gained the trust of the counterfeiter, access to the manufacturing or distribution site is less problematic and getting detailed information becomes much simpler. In addition, samples of the counterfeit goods can then be purchased directly from the manufacturer or distributor.

If the number of counterfeit products obtained from either the manufacturer or distributor is very small, the trademark owner may seek assistance from the courts by way of an order to preserve evidence. This may lead to the discovery of a significantly greater number of counterfeit goods.

A later analysis of the counterfeit goods may also be worthwhile, as this might reveal other relevant information such as the names of sub-distributors and suppliers of materials.

Notarization and evidence preparation

Evidence from an investigation that is to be used before the Chinese courts should be notarized to enhance its authenticity in the eyes of the fact finder. In accordance with Article 9 of the Provisions of Evidence in Civil Litigation Procedures by the Supreme Court of China, Article 67 of the Civil Procedural Law of the People's Republic of China and Article 36 of the Notarization Law of the People's Republic of China, notarized evidence is deemed valid unless the defendant has sufficient contrary evidence to invalidate the notarization.

Notarizing the purchase

Counterfeiters rarely offer formal sales invoices, which would carry the seal of the tax bureau and be accepted as evidence *per se*. Instead, they offer simple sales receipts. For the counterfeit goods and receipts to be submitted as evidence for the purposes of litigation, it is common practice that the purchase of counterfeit goods be witnessed by a notary. In China, a notary needs to be a witness to the transaction in order to notarize the receipt of sale and counterfeit goods.

Aside from the notarization, it is also important that the counterfeit goods are both reflected accurately in the sales receipt and consistent with any product packaging and labels. Additional information relating to the counterfeiter's identity and address should also be stated accurately in the receipt.

Notarizing a website

In cases where only a small sample of counterfeit goods can be purchased as evidence and the counterfeiter has a website, the website may provide additional



George Chan
Partner, Kangxin Partners PC, Beijing
georgechan@kangxin.com

George Chan is a partner at Kangxin Partners PC, where he advises foreign clients on IP matters in China. His areas of expertise include IP management, IP strategy, patents, trademarks and enforcement.

In addition to his responsibilities at Kangxin Partners PC, Dr Chan is a regular contributor to international IP journals as a specialist on Chinese IP law.



Celia Li
Associate, Kangxin Partners PC, Beijing
celiali@kangxin.com

Celia Li joined Kangxin Partners PC in 2005. She specializes in litigation related to patent and trademark infringement, unfair competition, trade secrets, anti-counterfeiting actions and other IP disputes.

Prior to joining Kangxin Partners PC, Ms Li worked as an assistant judge at the High Court in Hebei Province for four years.

evidence for the mark owner's case. The website can be notarized and introduced as evidence to prove the counterfeiter's misconduct.

Flexibility

Once the investigation is concluded, it is necessary to determine objectively whether the evidence is sufficient to meet the mark owner's objectives. It may be necessary for the trademark owner to reconsider its initial plans as the evidence accumulates.

For instance, a European manufacturer of roadway products was affected by the sale of counterfeits originating from China. The investigation showed that at least 40 companies were involved in the counterfeiting. The suggested strategy was that the mark owner tailor its response to each counterfeiter depending on:

- the evidence obtained from the investigation;
- the cost involved; and
- time requirements.

A decision was made to target the largest counterfeiters. Five cases were dealt with by sending warning letters directly to the counterfeiters; five cases were resolved by warning the counterfeiters' internet service providers that they were assisting counterfeiters; four cases were dealt with through administrative seizures; and 20 cases were concluded through civil litigation. Not only did the campaign help to disrupt the supply network and dismantle the distribution chain, but the outcome also received significant news coverage. This further reduced the likelihood that the remaining counterfeiters would continue their illicit activities.

Conclusion

The investigative process for the purposes of evidence gathering is one of the most important parts of any effective anti-counterfeiting action and the success of any anti-counterfeiting investigation is often indicative of the likelihood of success at trial. However, trademark owners should be aware that there remain other considerations irrespective of the strength of the evidence. For example, local protectionism remains a problem in less developed parts of China. However, lawyers in China have developed different litigation strategies to overcome these hurdles. This gives trademark owners a greater chance of success at trial thanks to the availability of sufficient evidence. [WTR](#)