

# Making the most of available protection

In China, brand owners can draw on a range of enforcement options to fight against counterfeiting – both in the physical world and online

A number of options are available for rights holders striving to fight against counterfeit goods.

In terms of border measures, Chinese Customs can take enforcement measures against counterfeit goods bearing a registered trademark, or an unregistered well-known mark, that are entering or leaving China.

According to the Regulations of Customs Protection for IP Rights and its implementing methods, border measures for protecting IP rights include the detention of suspected infringing goods, investigation of infringement, punishment of the exporter or importer and confiscation and disposal of the infringing goods.

There are two forms of customs enforcement: enforcement through application and enforcement *ex officio*.

According to the Implementation Measures of Regulations of Customs Protection for IP Rights, as well as Customs Notice 31/2006, the rights holder may provide a general guarantee (minimum Rmb200,000) to Customs to cover detention applications during the period from the date of approval of the general guarantee to December 31 of the same year.

The amount of the general guarantee shall be equal to the total cost of storage and safekeeping incurred by Customs for the detention of the suspected infringing goods based on the application of the rights holder the year before. If the rights holder did not apply for any detention or if the total cost of storage and safekeeping did not reach Rmb200,000 the year before, then the general guarantee shall be Rmb200,000.

The implementation of the general guarantee rule has substantially improved the efficiency of the application process for the detention of suspected infringing goods.

Another option is administrative action. In a broad sense, administrative action refers to any enforcement action taken by the Administration of Industry and Commerce (AIC) or the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China.

Compared to litigation, administrative actions have many advantages. First, once counterfeiting has been established, the local administrative authorities can take immediate action, whereas litigation takes a considerably longer time. Second, the formality of documents required for administrative action is less complicated than that required for litigation and the cost involved is usually much lower than the cost of litigation.

## Criminal prosecution

A criminal case can be commenced at any stage where counterfeiting constitutes a crime. Criminal proceedings often follow an investigation by the police or the People's Procuratorate leading to administrative action, a civil litigation procedure or an administrative litigation procedure - whichever reveals criminal levels of counterfeiting.

Pursuant to Article 213 of the Criminal Law of the People's Republic of China, using an identical trademark on the same goods without the permission of its registered owner shall, in serious cases, be punished with imprisonment or criminal detention of up to three years and a fine. Cases of a more serious nature are punishable by imprisonment of between three and seven years and 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 of a 'serious nature' or a 'more serious nature'.

The infringement is of a serious nature if:

- the total value of illegal business is more than Rmb50,000 or the total value of illegal gains is more than Rmb30,000;
- more than two registered trademarks are infringed, the total value of illegal business is more than Rmb30,000 or the total value of illegal gains is more than Rmb20,000; or
- other circumstances of a serious nature exist.

The infringement is of a more serious nature if:

- the total value of illegal business is more than Rmb250,000 or the total value of illegal gains is more than Rmb150,000;
- more than two registered trademarks are infringed, the total value of illegal business is more than Rmb150,000 or the total value of illegal gains is more than Rmb100,000; or
- other circumstances of a particularly serious nature exist.

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

On the other hand, the rights holder can also file additional pleadings to claim civil damages for the injury caused by the counterfeiting, either during the same criminal proceedings or in civil proceedings initiated independently.

## Civil enforcement

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

- using a mark that is identical or similar

- to a registered trademark in respect of identical or similar goods without the authorisation of the rights holder;
- selling goods in the knowledge that they bear a counterfeit trademark;
  - counterfeiting or making without authorisation representations of a registered trademark, or selling such representations;
  - replacing a registered trademark and reselling the goods without the authorisation of the rights holder; or
  - causing, 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 district courts have jurisdiction to hear cases involving trademark disputes. At second instance they are heard by the high courts at provincial level.

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.

As in litigation in other fields of law, collecting evidence is crucial, especially for the calculation of damages. On-site investigations are frequently undertaken, often accompanied by the notarised purchase of infringing products. If the sale of infringing products is conducted via the Internet, it is possible to ask the notary officer to notarise the whole online purchase with all relevant webpages involved.

### **Preliminary injunctions**

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 preservation of evidence before instituting legal proceedings.

According to the Interpretation on the Application of Law Concerning Preliminary Injunctions of Trademark Infringement and Evidence Preservation, if a trademark registrant or interested party's application



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for a preliminary injunction is accepted by the people's court and meets the requirement set forth in Article 4 of this interpretation upon examination, the people's court shall make an adjudication in writing within 48 hours.

### **Anti-counterfeiting online**

Most online counterfeiting cases involve two major issues: domain name disputes and online counterfeiting.

According to the rules of the China Internet Network Information Centre's (CNNIC) Domain Name Dispute Resolution Policy and relevant procedural rules, if any party considers that a registered '.cn' domain name or Chinese domain name conflicts with its legitimate rights or interests, it may file a complaint to a dispute resolution service provider, such as the China International Economic and Trade Arbitration Commission's Domain Name Dispute Resolution Centre.

Before a complaint is filed pursuant to this policy, during the dispute resolution proceedings or after the expert panel has rendered its decision, either party may institute an action concerning the dispute with the people's court at the CNNIC's

principal office or, subject to the agreement between the parties, submit the dispute to a Chinese arbitration institution.

Once infringement or unfair competition is found, the court may order the defendant to cease the infringement and cancel the domain name or, at the request of the plaintiff, order that the domain name be transferred to the plaintiff for use. The plaintiff may also claim damages from the defendant for the loss caused by such infringement or unfair competition.

In the event of online counterfeiting, generally the first step is to send a warning letter to the seller. Most auction sites have notice and takedown procedures and will take down counterfeit goods upon being notified by the rights holder. However, the seller will typically 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 notarising the webpages that contain infringing content and evidence of the purchase of counterfeit goods. This is done in preparation for subsequent AIC action, civil proceedings or criminal prosecution. [WTR](#)