

Protecting trademark rights before the courts

Under Chinese law, three types of remedial measure are available to protect trademark rights: civil, administrative and criminal proceedings. A foreign legal or natural person may use these to protect its lawful rights in a trademark

Civil proceedings

If a case involves complex issues and a high level of damages, civil court proceedings are more likely to be chosen. If the infringement is recognised by the court, the infringer will be ordered to stop any infringing activities, including removing any misused trademarks from its products or destroying such products. Monetary compensation is also available to the rights holder for its economic loss. In contrast, administrative bodies are reluctant to pursue ambiguous cases, and only limited penalties are available from such bodies.

In order to bring an effective civil suit, certain prerequisites must be satisfied. Article 53 of the Trademark Law provides that the trademark registrant or an interested party may institute legal proceedings in the people's court in order to pursue an infringer's civil liability. In general, according to the Civil Procedure, these parties may file a lawsuit directly in the People's Court that is located in the place where the infringing act(s) took place, where the infringing goods are stored or were confiscated or where the defendant is domiciled.

In accordance with Article 18 of the Interpretation of Several Questions on the Application of Law in the Trial of Trademark Civil Dispute Cases, an action for infringement of a registered trademark must be brought within a period of two years, starting from the moment when the registrant or interested party knew or should have known of the infringing act. If the registrant or interested party files such an action outside the two-year period, the infringing act is still ongoing and it is within the effective period of the registered trademark right, the People's Court shall order the defendant to stop the infringing act and pay damages calculated from two years before the filing date.

According to Article 239 of the Civil Procedure, a foreign person, stateless person or foreign enterprise or organisation must retain Chinese lawyers when filing a lawsuit or a defence in the People's Court. In order to comply with the Civil Procedure, a foreign litigant must also prepare the following documents:

- a power of attorney, certified by a competent notary of the foreign country and legalised by the Chinese embassy or consulate in that country; and
- its business licence and a notarised and legalised legal representative certificate (where the plaintiff is a foreign enterprise).

During the preparation period for litigation, the interested party may seek a pre-trial injunction from the People's Court if it can present sufficient evidence to prove that infringing acts and severe damage took place.

In addition, the court may theoretically take action on its own initiative to find out the relevant facts; however, in practice, it always relies on the evidence submitted by the parties. Accordingly, litigants should act diligently to collect as much evidence as possible (eg, financial information of the infringer and the storage place of the infringing goods). Moreover, evidence which is obtained outside China and is not in Chinese must be translated, notarised and legalised before being formally submitted to the People's Court.

According to the Civil Procedure, the parties shall exchange evidence before the trial begins. Based on the submitted evidence, the People's Court shall carry out further investigation and, upon the request of pre-trial injunctions by the parties, issue rulings in terms of such submitted evidence.

After the case is filed, the trial is often concluded within six months. In

exceptional circumstances, if the case is complex, the trial may take up to 12 months.

Civil trademark infringement proceedings take place within the 'two-tier trial' system prescribed by the Civil Procedure. According to Article 147 thereof, a litigant which is unsatisfied with the first instance judgment is entitled to appeal to a higher court within 15 days (30 days for a foreign appellant) of service of the first instance judgment. The whole appellate proceeding is usually concluded within three months.

Whether at first instance or appellate trial, the litigants must present evidence in support of their allegations. In a trademark infringement case they mainly submit evidence in respect of the infringement and the monetary damages sought. The evidence of infringement must prove the existence of the infringing act. According to Article 52 of the Trademark Law, a registered trademark right is infringed when one of the following acts is found:

- the use of a trademark that is identical or similar to a registered trademark in respect of identical or similar goods without authorisation from the trademark owner;
- the sale of goods that the seller knows bear a counterfeit registered trademark;
- the counterfeiting or manufacture without authorisation of representations of another party's registered trademark, or the sale of such representations of a registered trademark as were counterfeited or made without authorisation;
- the replacement, without the consent of the trademark owner, of its registered trademark on goods bearing the replaced trademark; or
- the causing of any form of prejudice to the exclusive right of another person to use a registered trademark.

Evidence of monetary damages is detailed in the relevant law, which provides three methods for calculating the monetary damages caused by an infringing act:

- the benefits gained by the misfeasor from the infringement;
- the loss suffered by the interested party due to the infringement; or
- when the amount of benefit or loss is uncertain, damages of Rmb500,000 granted by the People's Court, depending on the infringing situation.

The interested party may select one of the above methods to prove damages by presenting evidence. The 'loss suffered' method is rarely adopted in practice because there are several issues that can affect sales, such as the market and the economic situation. As such, the People's Court is unlikely to award damages if only evidence relating to sales figures is presented. Rather, the method of assessing the benefits gained by the infringer and the legally fixed amount of damages are frequently employed.

During the preparation period for the litigation, the main types of evidence include those to show infringement and damages. It is relatively simple to collect evidence of infringement. For example, evidence may be obtained by purchasing the infringing goods. In judicial practice, it is difficult to find evidence of damages because the law requires the interested party to bear the burden of proving the benefits gained by the infringer, while such burden of proof can be discharged only by auditing the infringer's complete and accurate financial accounts. Unfortunately, however, it is nearly impossible for a rights holder or its agent to obtain complete and accurate financial accounts from the infringer. Therefore, it is crucial to retain a professional business investigation company or a professional investigator for the purposes of acquiring such financial information, which can be used as evidence in the subsequent proceedings.

Criminal proceedings

There are three main types of crime in regard to trademark infringement:

- The crime of passing off a registered trademark – Article 213 of the Criminal Code defines this as using, without the authorisation of the registered trademark owner, a trademark that is the same as the registered trademark for the same type of goods. If the damage caused is declared to be severe, the punishment is up to three years in



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prison and/or a fine; if it declared to be extremely severe, the punishment is a prison term of three to seven years plus a fine.

- The crime of selling goods with a counterfeit registered trademark – Article 214 of the code defines this as selling goods in the knowledge that a counterfeit registered trademark attached to such goods. If a relatively large amount of goods is sold or acquired for sale, the punishment is up to three years in prison or detention and/or a fine; if the amount of goods is very large, the punishment is a prison term of three to seven years, plus a fine.
- The crime of illegally manufacturing and selling goods bearing a registered trademark – Article 215 of the code defines this as counterfeiting or manufacturing without authorisation a registered trademark owned by another party, or selling without authorisation counterfeit or manufactured goods bearing such registered trademark. If the damage caused is declared to be severe, the punishment is up to three years in prison and/or a fine; if it is declared to be extremely severe, the punishment is a prison term of three to seven years plus a fine.

An indictment for any of these crimes must be raised by the procurator. The rights holder or a third party can complain of a crime, accuse the suspect and report the illegal acts to the police. The police will decide whether to record the complaint, depending on the circumstances. After such a decision has been made, the police will carry out investigations to ascertain the relevant facts and then submit the case to the procurator. The procurator will decide whether to raise a public indictment, depending on the circumstances. If an indictment is raised, the judicial branch will try the case.

Criminal cases are also heard in the two-tier trial system, under the Criminal Procedure. A litigant which is unsatisfied with the first instance judgment may appeal to a higher court orally or in writing within 10 days of the judgment.

If the procurator does not raise a public indictment in the People's Court, the trademark owner may bring a criminal lawsuit directly, provided that it can present evidence to demonstrate the crime.

Under Article 59 of the Trademark Law, which establishes the crime of counterfeiting a registered trademark, not only can criminal liability be pursued, but the infringer may also be ordered to pay damages. Therefore, if an infringement is declared to constitute a crime, the infringer may file a civil lawsuit in the People's Court to recover any loss caused by the infringement.

Conclusion

Sound preparation is always essential when bringing a case before the Chinese courts. The Chinese civil litigation system relies almost exclusively on documentary evidence; the courts tend to ignore reasonable inference drawn from circumstantial evidence if the inference cannot clearly be supported by written documents. In addition, less weight is given to witness testimony. This imposes a heavy burden of proof on plaintiffs.

Despite this, China has gone a long way towards improving its IP rights enforcement system. The government's strength in tackling IP infringements increases each year. In the long term, it is promising to see China developing a mature and IP-friendly system to handle its disputes. [WTR](#)