



中国贸促会专利商标事务所
CCPIT PATENT & TRADEMARK LAW OFFICE

59 Mar. 2023

Newsletter



INTELLECTUAL PROPERTY



中国贸促会专利商标事务所
CCPIT PATENT & TRADEMARK LAW OFFICE

COCKTAIL RECEPTION INVITATION

INTA 2023, Singapore



Time: May 18 Thursday, 6.00 pm - 10.00 pm



Venue: River Room & Terrace, Asian Civilisations
Museum 1 Empress Pl, Singapore 179555

Our clients and associates are cordially invited to join us for a cocktail reception featuring live Chinese folk music. You may also have a tour of the exhibitions of antiquities and decorative art reflecting the rich artistic heritage of Asia.



More information is available from the official website of the museum at www.nhb.gov.sg/acm/.

CONTENTS

News

- 03 Legal 500 Asia Pacific 2023: CCPIT ranked in Tier 1 again
- 04 Band 1 Intellectual Property Non-litigation Chinese Firm by Chambers in 2023
- 05 WTR Recognizes CCPIT as a Recommended Firm 2023

Articles

- 06 Draft revision to China Trademark Law
- 14 CNIPA provides guidance on trademarks containing geographic names
- 18 How to deal with trademark infringement in China
- 26 Which evidence is needed to obtain high damages

Legal 500 Asia Pacific 2023: CCPIT ranked in Tier 1 again



On November 23, 2022, Legal 500 released its annual survey results of Legal 500 Asia Pacific China 2023 ranking. With our highly professional service and undoubted strength, CCPIT Patent and Trademark Law Office is ranked in Tier 1 again in intellectual property area, both in contentious and

non-contentious.

We will continue our 65 years' tradition of providing professional, market-oriented, refined and international intellectual property legal services to actively support innovation and better serve the intellectual property protection for both Chinese and foreign enterprises.

Band 1 Intellectual Property Non-litigation Chinese Firm by Chambers in 2023

On January 13th, Chambers and Partners released its Greater China Region ranking. CCPIT Patent and Trademark Law Office is ranked Band 1 in intellectual property non-litigation area in China. According to Chambers, “CCPIT Patent and Trademark Law Office houses a team with a strong track record in handling patent and trademark registration and protection matters. The team is

especially noted for its strength in prosecution work. It also offers expertise in relation to IP disputes and is especially active in patent and trademark infringement cases. The team counts a number of multinational and domestic corporations among its clientele.” The clients note: “While being one of the renowned IP firms in China, CCPIT Patent and Trademark Law Office always offers professional and worthy services.” “They work in a team and have demonstrated



professional capability and experience in finding the best solution.”

WTR Recognizes CCPIT as a Recommended Firm 2023

CCPIT Patent and Trademark Law Office has once again been recognized by World Trademark Review (WTR) in its newly released rankings — WTR 1000, which identifies the top trademark professionals in key jurisdictions around the globe. CCPIT is recommended and ranked in “Gold Band” for its trademark prosecution and strategy in China. The firm is also ranked in “Silver Band” for



its trademark enforcement and litigation in China. “As one of the very first licensed IP firms in China, CCPIT Patent & Trademark Law Office still enjoys the first-mover advantage — its longstanding reputation as China’s definitive prosecution powerhouse holds firmly on the market, with

instructions from brand owners across the globe flocking to its doorsteps. With 322 patent and trademark attorneys, it boasts the largest outfit of its kind in Beijing and offers all-round trademark services, delivered with the utmost efficiency and accuracy”, according to WTR.

Draft revision to China Trademark Law

By Ling Zhao, Shufang Zhang, Xiaoping Wei, Qin Li and Lei Fu

On 13 January this year, the China National Intellectual Property Administration (CNIPA) issued a notification on soliciting public opinions regarding the draft revision to the China Trademark Law. The draft is published on CNIPA's website (in Chinese) to solicit public opinions until 27 February 2023.

[A comprehensive revision](#)

This will be the fifth revision of the China Trademark Law since 1983. The proposed draft is a comprehensive revision, and the total number of provisions in the Law has increased from 73 articles to 101 articles.

However, there will still be a series of long procedures to go through before the draft becomes legislation. The current version is published for public opinions and further improvements and

amendments will be made.

The revision aims to improve trademark protection. Efforts have been made to reshape the law to shift from the current registration-based system to be more use-focused.

Under the draft revision, a statement of trademark use will be required, and repeat trademark registration will be forbidden, except in certain circumstances.

Stronger protection will be given to well-known trademarks, either registered or unregistered in China. Bad faith trademark filings are strictly forbidden and compulsory transfer to the legitimate trademark holder will be possible. In addition, the draft revision aims to improve the efficiency of trademark examination, by shortening the opposition procedure.

Substantive examination

Regulation of bad faith trademark filings

The banning of bad faith filing has been specifically added to the draft revision. The following situations are considered as constituting bad faith filing:

- Filing a large number of trademarks without the genuine purpose of use and disrupting the order of trademark registrations;

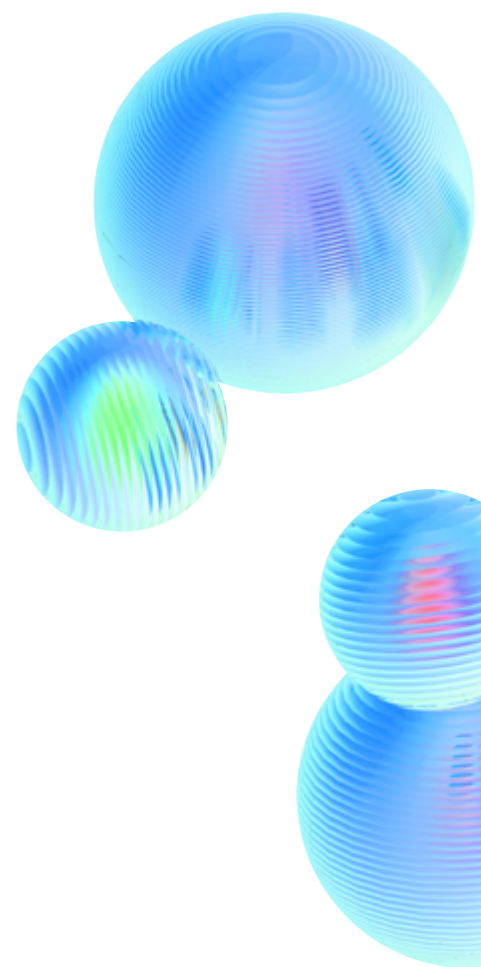
- Filing trademarks by fraud or other improper means;
- Filing trademarks which cause damage to the state interests, public interests, or may cause other substantial negative influence;
- Filing trademarks that are in violation of Articles 18 [well-known trademark], 19 [preemptive registration of agents, representatives, and interested parties] and 23 [preemptively register other people's trademark that is used and has certain influence], or intentionally damage other parties' interests and rights.

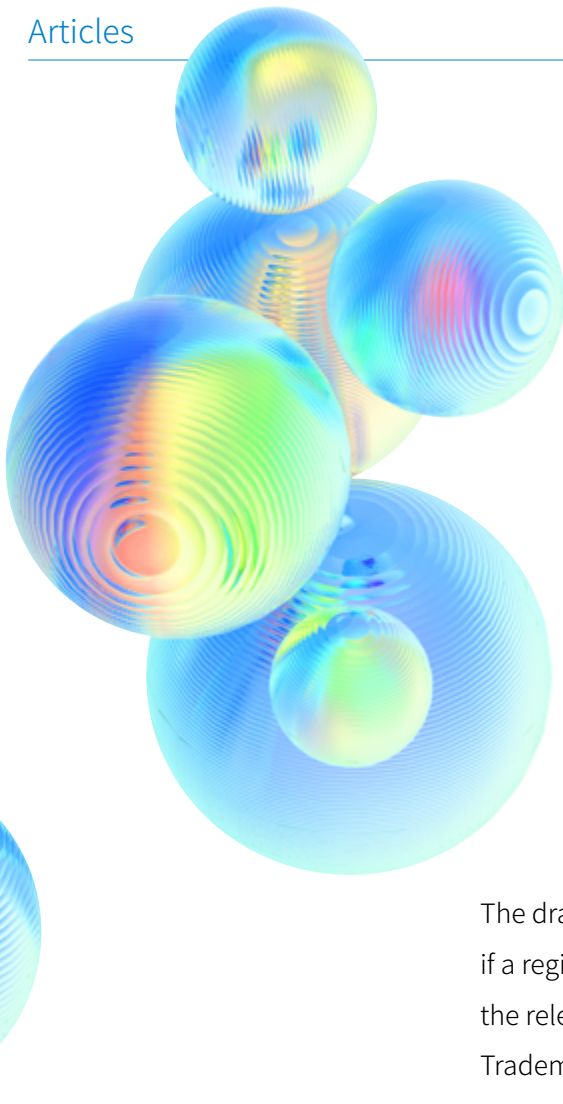
The draft revision further lays down administrative punishment and civil compensation for bad faith trademark filings. The draft revision stipulates that parties that constitute bad faith filings will face a warning from the trademark law enforcement departments or will be subject to a fine of no more than

50,000 yuan.

For those with serious offences, a fine of 50,000 yuan to 250,000 yuan will be imposed and illegal gains will be confiscated.

For the bad faith filings that cause damage to other parties, parties may initiate a lawsuit with the courts and claim civil compensation. The compensation





may cover reasonable expenses to stop the bad faith filings. For bad faith filings that cause damage to the state interests and public interests, the procuratorial authorities may initiate legal prosecution.

Compulsory transfer of trademarks registered in bad faith

The draft revision provides that, if a registered trademark violates the relevant provisions of the Trademark Law, the prior right holder or interested party may request the IP administrative department of the State Council to declare the registered trademark invalid.

For those who violate the provisions of Article 18 of this Law on the protection of well-known trademarks, and Article 19 of this Law on the preemptive registration of agents, representatives and interested parties, or violate the

provisions of Article 23 of this Law to preemptively register another person's trademark that is used and has a certain influence, the prior right holder may request to transfer the registered trademark to his own name.

Establishment of credit and good faith

The draft clarifies that oppositions and invalidations can be filed based on bad faith filings and stipulates administrative punishments on dishonest behaviours in trademark filings such as providing false documents. The credit supervision has also been introduced in trademark registration and use.

The draft also strengthens the supervision and management of the trademark agencies, laying out the admission requirements and obligations.

Strengthening of well-known

trademark protection

The draft reinforces the protection on unregistered well-known trademarks, adding anti-dilution protection to the well-known trademarks. It adds the principles on the protection of well-known trademarks, specifically the principles of determination on case-by-case basis, passive protection and on-demand recognition.

The draft stresses that the scope and level of protection of a well-known trademark shall be in line with the degree of distinctiveness and reputation of the trademark.

One of the major proposed amendments concerning well-known trademark protection is that a well-known trademark, which is unregistered in China, can enjoy protection on both identical and similar goods and dissimilar goods. Under the current law, an unregistered well-

known trademark can only enjoy protection on the same or similar goods.

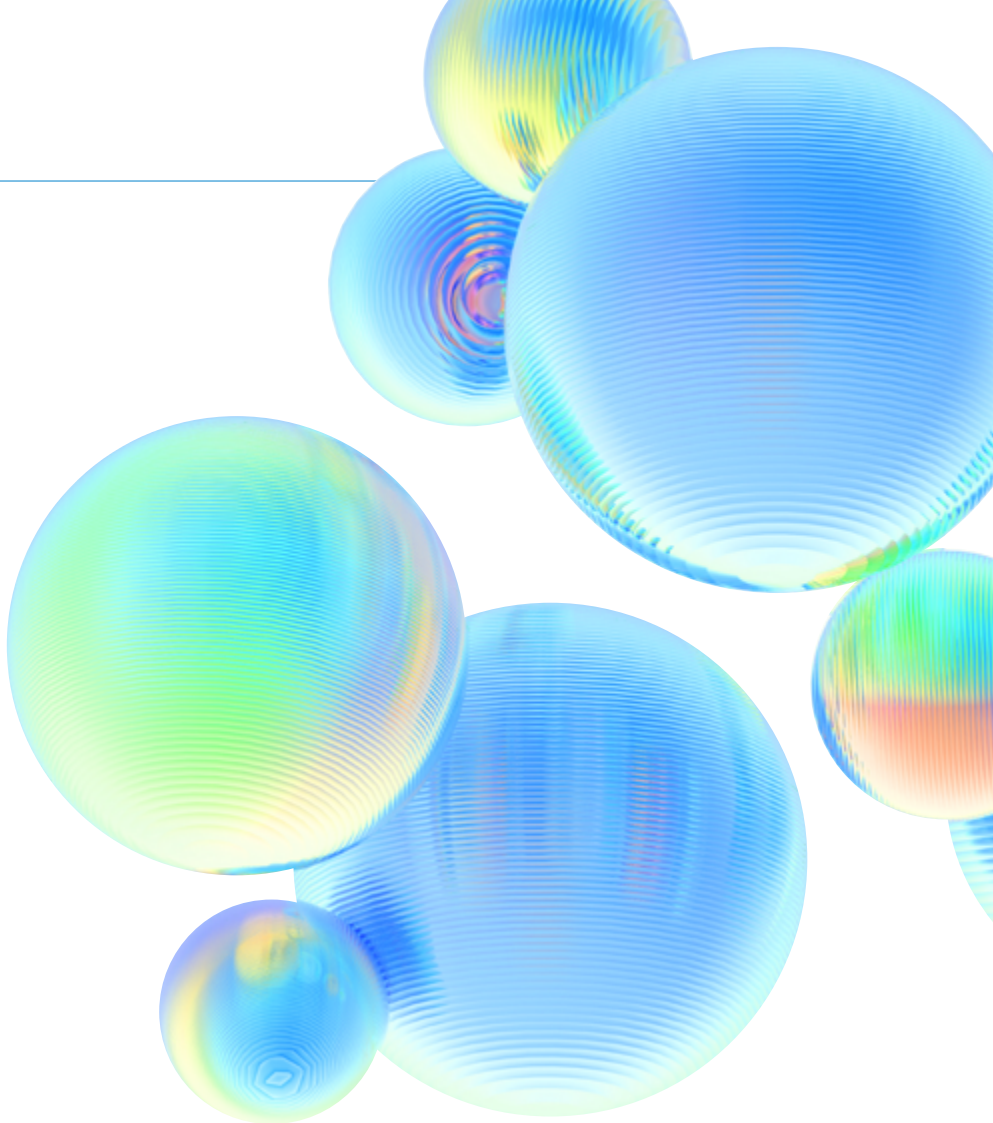
Emphasis on the obligation of trademark use

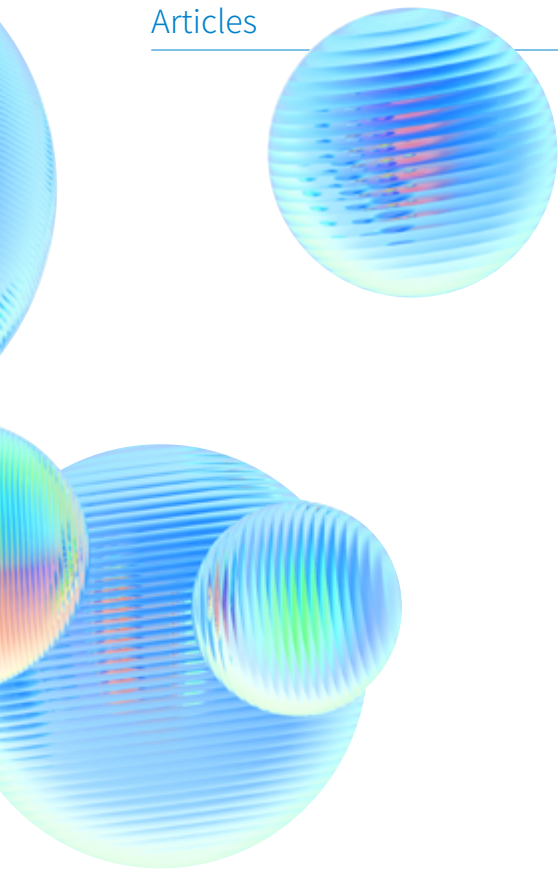
A statement of use shall be filed every five years after the registration of the mark. More circumstances are added as the

basis of cancellation of a registered trademark, such as: the use of a registered trademark is misleading in respect to the quality or origin of goods.

Repeat trademark registration forbidden

The draft provides that the trademark registration applied





for shall not be the same as one already applied for or registered by the same applicant on the same goods, or the same as a trademark that is removed, cancelled or declared invalid within one year, except if the applicant agrees to remove its prior registration, or under certain circumstances.

Cancellation of trademark

registration

More circumstances are added for the cancellation of a registered trademark, in addition to the circumstances of generic name and three years' non-use as stipulated in the current law.

According to the draft, anyone can file a petition of cancellation, wherein the use of a registered trademark is misleading to the relevant public in respect to the quality or origin of goods; wherein the registrant of collective mark or certification mark violates the obligations of collective mark and certification mark, with extremely serious circumstances; and wherein the use or enforcement of a registered trademark severely damages the public interests and causes significant negative influences.

Trademark infringement related to e-commerce activities

The infringement of the exclusive right to use registered trademarks through e-commerce activities is added in the draft. The scope of trademark use covers the use of information networks such as the Internet.

The draft provides that trademark infringement activity includes using signs identical or similar to the registered trademarks of others in e-commerce related to the same or similar goods without the permission of the trademark registrant and causing consumers confusion.

Public interest litigation concerning trademark infringement

The procuratorial authorities may initiate litigation against the infringement of the exclusive right to use a registered trademark with the people's court according to the law under the conditions that:

- The infringement of the exclusive right to use a registered trademark causes damages to the interests of the State or the society and public;
- The holder of a right to exclusively use a registered trademark or the interested party does not initiate litigation against the trademark infringement; and
- The administration responsible for enforcement of the trademark law has not dealt with trademark infringement.

Counterclaim for malicious litigation

The people's court shall punish according to the law anyone who files trademark litigation maliciously. If this litigation causes losses to another party, there should be compensation for the losses.

The amount of compensation shall include reasonable expenses paid

by the other party for stopping the trademark litigation in bad faith.

Trademark agencies

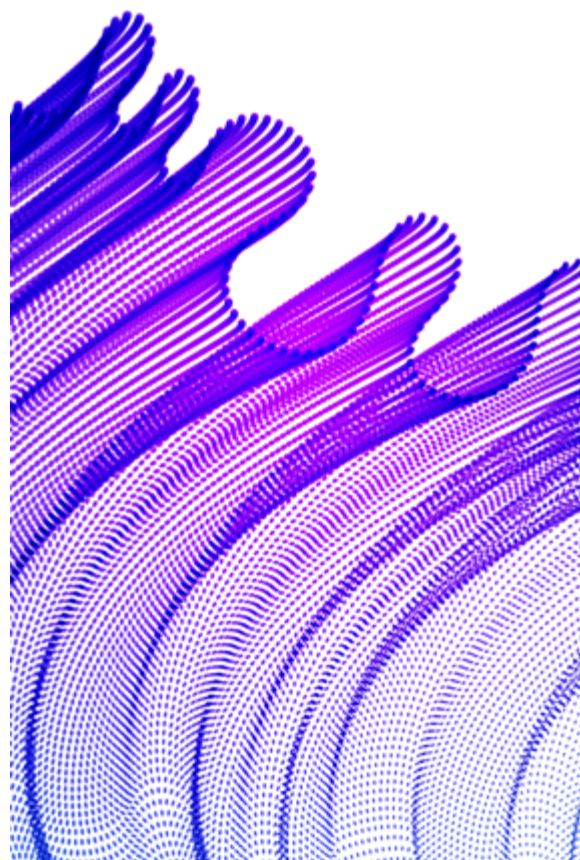
The draft intends to stipulate the admission requirements for trademark agencies and further regulates trademark agency behaviour. It strengthens the supervision and management of trademark agencies, clarifies the admission requirements of trademark agencies, and improves the quality of trademark agency services (Article 68).

It also strengthens the responsibilities and obligations on trademark agencies and practitioners, and standardises trademark agency behaviour (Article 69); improves the duties and obligations of the trademark agency industry organisation, and requires the organisation to better play the role of industry self-discipline (Article 70).

It further clarifies the illegal acts of a trademark agency, and increases the restrictive requirements on the person in charge of an illegal trademark agency, the person directly responsible, and the shareholder with management responsibility for new positions (Article 86).

Procedures

Non-acceptance of trademarks



found to have significant negative effects

The draft provides that if the IP administrative department of the State Council finds that the trademark applied for registration obviously has significant negative effects, it shall not accept the application during the formality examination stage.

Preliminary examination opinion

The draft provides that during the examination process, if the

IP administrative department of the State Council believes that the content of the trademark registration application needs to be explained or amended, it may issue a preliminary examination opinion to require the applicant to make an explanation or amendment.

If the applicant fails to make an explanation or amendment, it will not affect the examination decision made by the IP administrative department of the State Council.

Revocation of publication of preliminary approval

For trademarks that are found to violate the provisions of Article 15

[signs not allowed to be used as trademarks] after the preliminary approval, the draft provides that the publication of the preliminary approval can be revoked ex officio.

Opposition procedure

The draft shortens the publication period of a preliminarily approved application to two months for filing opposition (Article 36).

The draft cancels the procedure of review of opposition totally. If the IP administrative department of the State Council makes a decision to disapprove of registration, and the opposed party is not satisfied, they may file a lawsuit in a people's court within 30 days from the date of receipt of the decision (Article 39).

Suspension of procedure

The draft unifies the provisions on the suspension of the procedure and adds provisions

that the people's courts do not apply the principle of change of circumstances in the trial of administrative cases of trademark authorisation and confirmation.

In the processes of trademark examination and trial, the IP administrative department of the State Council may suspend the examination and review if the determination of the prior rights involved must be based on the results of another case that is being tried by the people's court or being handled by the administrative agency.

After the reasons for the suspension are eliminated, the examination and review procedures shall be resumed in a timely manner.

When the people's court hears the decision of refusal review, decision of non-registration or ruling of invalidation made by the IP administrative department of

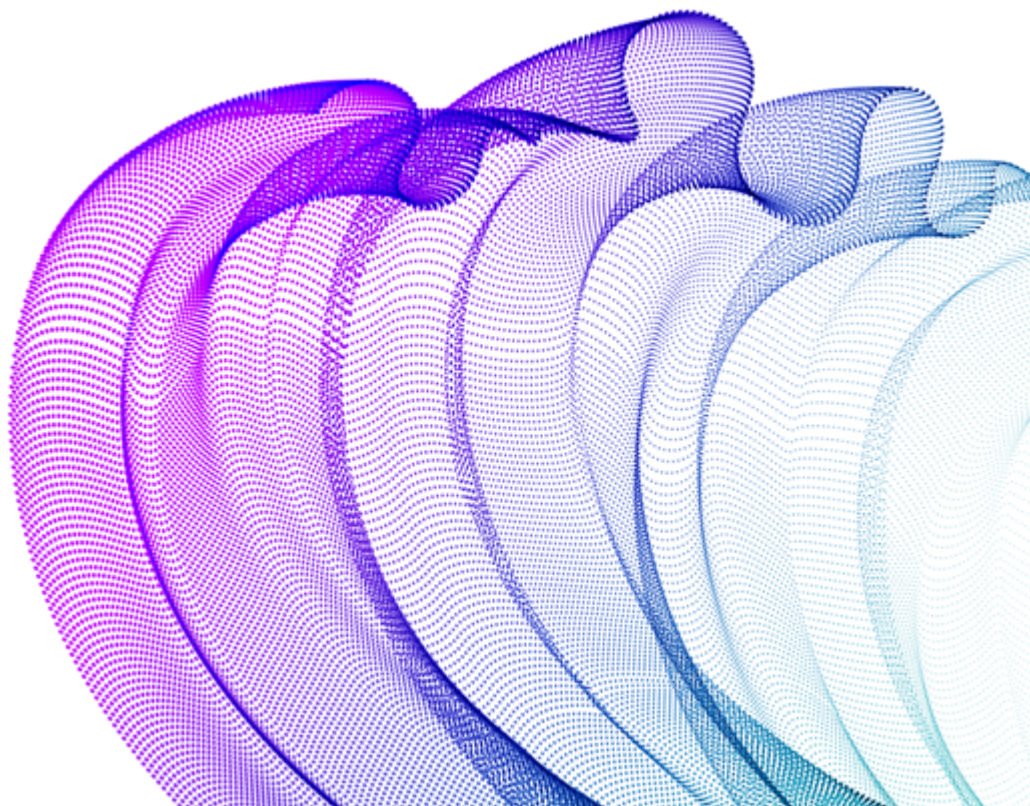
the State Council, it shall take the factual status at the time of the relevant decision or ruling being made as the basis.

If the status of the relevant trademark changes after the decision or ruling is made, it will not affect the trial of the decision or ruling by the people's court, unless it clearly violates the principle of fairness.

Watch this space


The current version of the draft is published for public opinions and further improvements and amendments will be made.

Based on previous experiences, we expect the draft will be substantially improved after listening to and accepting the suggestions of all stakeholders.



CNIPA provides guidance on trademarks containing geographic names

By Shufang Zhang and Ling Zhao



The China National Intellectual Property Administration (CNIPA) issued

Guidance on Registration and Use of Trademarks Containing Geographical Names on

January 19, 2023 . Shufang Zhang and Ling Zhao explain more.

[Aims of the Guidance](#)

The Guidance aims to improve

entities' understanding of the regulations on marks containing geographical names, the risks lying in the stability of rights for marks containing geographical names and the boundaries of rights.

Marks containing geographical names are usually rejected from registration or prohibited from use as they violate Article 10.1.2 (containing names of foreign countries), Article 10.1.7 (deceptive description on the place of origin of goods/services), Article 10.1.8 (detrimental to socialist morals or customs), or Article 10.2 (containing geographical names of administrative divisions at or above the county level or famous foreign geographical names) of the China Trademark Law.

Prohibited from registration

The Guidance provides the situations where marks containing geographical names are prohibited from registration and use as follows:

- marks containing words identical with or similar to the state name of a foreign country, with the following

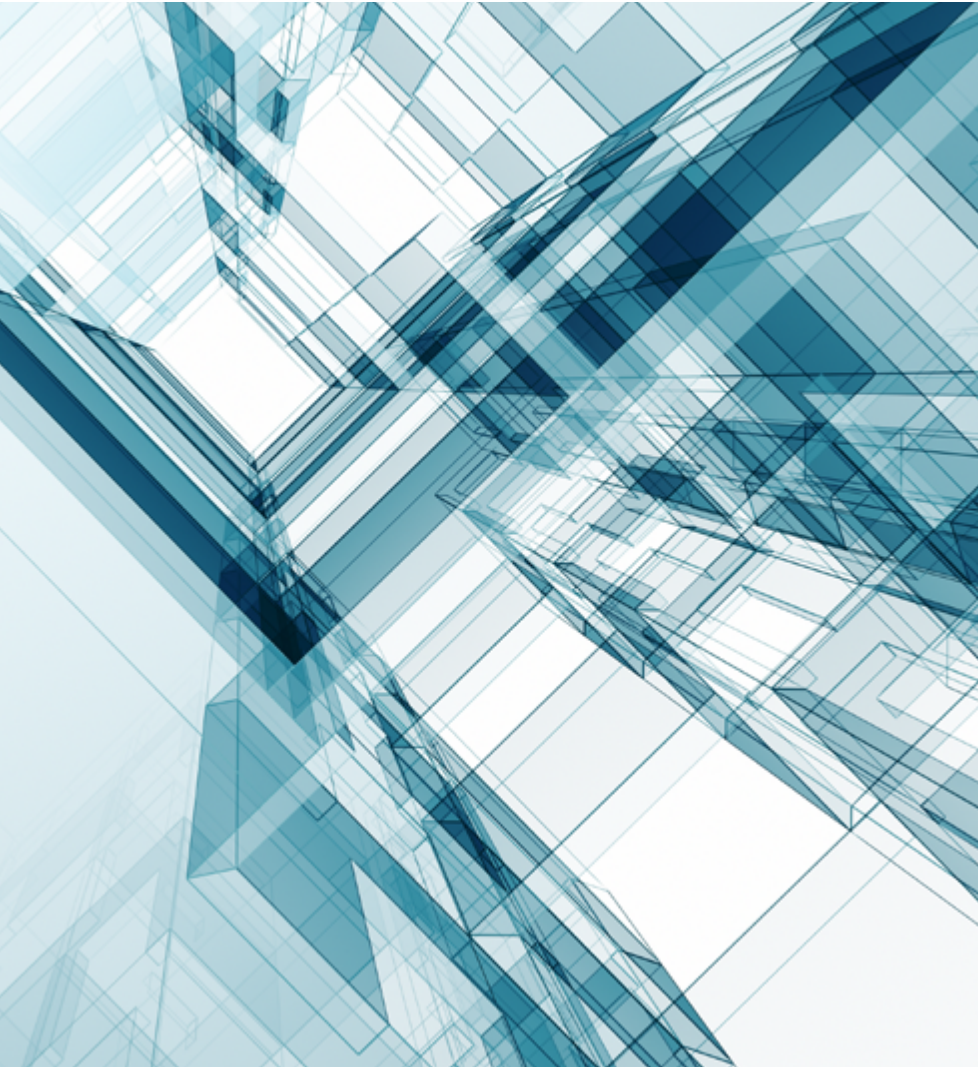
exceptions: where consent has been given by the government of the country; where the mark bears different meanings and would not mislead the public as a geographical name; or where the state name is independent from the rest composing elements of the mark and just functions to indicate the country of origin

- marks containing words identical with or similar to geographical names of administrative divisions at or above the county level, specifically: marks composed of geographical names of administrative divisions at or above the county level; marks containing geographical names of administrative divisions at or above the county level; marks containing words similar to geographical names of administrative divisions at or



above the county level; marks composed of abbreviations of two or more geographical names of administrative divisions at or above the county level;

- marks composed of words with meanings aside from geographical names, where



the words are used in combination with words such as “city” or “county”, which highlight the meaning of geographical name;

- marks containing words identical with or similar

to foreign geographical names well-known to the Chinese public, specifically: marks composed of foreign geographical names well-known to the Chinese public; marks containing foreign geographical names well-known to the Chinese public; or marks containing

words similar to foreign geographical names well-known to the Chinese public

- marks containing geographical names of administrative divisions under the county level or foreign geographical names not widely known to the Chinese public, where such places are famous for producing certain goods or for provision of certain services
- marks containing geographical names with political connotations
- marks containing names of state-level new areas or state-level development zones
- marks containing names of key state projects, which contain geographical names
- marks containing names

of places or locations for religious activities

- marks containing names of mountains, rivers, tourist attractions, public buildings and etc., which are considered as public resources, with the following exceptions: the name of place is independent from the rest distinctive composing elements and the name of place just indicates the location of the applicant; or the name of place is one of the composing elements of collective mark or certification mark

Further details

The Guidance further specifies proper use, reasonable enforcement of rights and fair use of trademarks containing geographical names.

The proper use of trademarks

containing geographical names requires:

- using the mark on its designated goods and services
- no altering, highlighting, abridging, adding elements to, deforming or splitting the geographical name contained in the mark
- if the trademark is used on goods/services aside from its designated goods/services, or there is a change on the mark sample, new applications shall be filed.

The reasonable enforcement of rights over trademarks containing geographical names means the registrant shall follow the principle of good faith, and should not abuse their rights when they enforce their rights and protect their interests.

The fair use of trademarks containing geographical names requires the entities to use them in good faith, to pay full respect to trademark rights, and to use them within proper boundaries in the use of geographical names, to avoid misleading consumers regarding the origin or source of the goods.

The Guidance stipulates that the transfer of a trademark containing a geographical name is not allowed if such transfer would cause confusion among consumers regarding the origin or source of goods/services. In addition, for the transfer of collective or certification marks, assignees are required to meet the requirements on qualifications of holders of collective or certification marks.

How to deal with trademark infringement in China

By Bin Zhang and Yifan Yang



In recent years, China's social and economic level continues to develop and its economic fields continue to expand. In particular, there are more and more participants in various economic fields and the

competition is becoming more and more fierce. In the process of enterprises participating in the market competition, the role of the trademark is also increasing. The trademark has become an important intangible asset of the

enterprise, which is the symbol of the enterprise and the expression form of the enterprise culture. Due to the role played by the trademark and the unlimited value it can show, the trademark owners pay more and more

attention to the protection of the trademark. At the same time, as China is vigorously promoting scientific and technological innovation at the national level, the protection of trademark rights and other intellectual property rights can better reflect China's emphasis on scientific and technological innovation, which provides a good opportunity for trademark owners to fully protect their registered trademarks. For trademark owners, how to deal with trademark infringement? This article will be combined with China's relevant laws and regulations to make a brief interpretation.

As a kind of property right, trademark right can be protected by several laws in China. But as a special legal norm in the field of trademark, the Trademark Law plays the most important role in trademark protection.

China Trademark Law was first



enacted in 1982. After several revisions in 1993, 2001, 2013 and 2019, the current Trademark Law provides more comprehensive protection to trademark owners and shows stronger deterrence against trademark infringement. What situations in trademark infringement can be relieved by law? According to Article 57 of Trademark Law, there are mainly

six situations:

1. Using a trademark identical with a registered trademark on identical goods without being licensed by the trademark registrant;
2. Using a trademark similar to a registered trademark on identical goods or using a trademark

identical with or similar to a registered trademark on similar goods, without being licensed by the trademark registrant, which may easily cause confusion;

3. Selling goods which infringe upon the right to exclusively use a registered trademark;

4. Forging or manufacturing without authorization the labels of a registered trademark of another party or selling the labels of a registered trademark forged or manufactured without authorization;

5. Replacing a registered trademark without the consent of the trademark registrant and putting the goods with a substituted trademark into the market;

6. Intentionally providing facilitation for infringement upon others' right to exclusively use a registered trademark or aiding

others in committing infringement upon the right to exclusively use a registered trademark.

Of course, if the above six circumstances do not correspond to the infringement encountered by trademark owners, it can also invoke the fallback provision in Article 57, namely "causing other damage to the exclusive right to use the registered trademark of others".

In order to make the claims of trademark infringement conform to the requirements of the law, so as to achieve the purpose of protection, it also involves the preliminary judgment of trademark infringement.

The judgment of trademark infringement is generally considered from the following aspects:

1. Determining the scope of the exclusive right to use a registered trademark. The scope

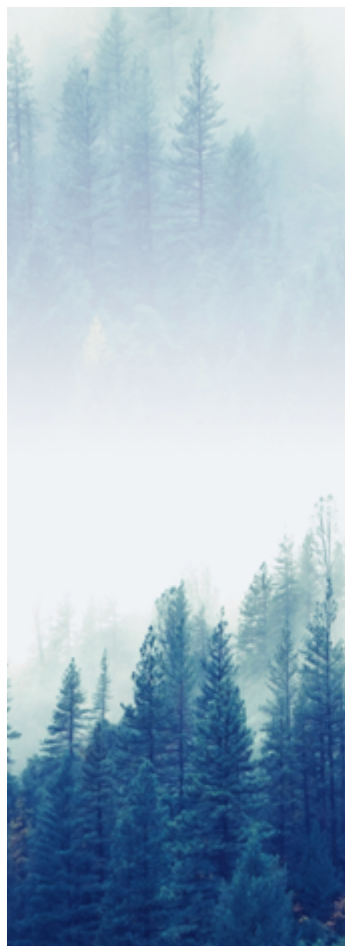
of the exclusive right of registered trademark is the primary basis for identifying trademark infringement.

According to Article 56 of the Trademark Law, "the exclusive right to use a registered trademark shall be limited to the approved trademark and the goods approved for use." That is to say, the exclusive right to use a registered trademark is limited to the trademark approved for registration and the goods approved for use by the registered trademark. Infringement claims beyond the scope of the exclusive right to use registered trademark can not be supported by law;

2. There are specific objects accused of infringement, including the trademark accused of infringement and the goods used by the trademark accused of infringement. This point is equally important as the above mentioned determination of the scope of the

exclusive right to use registered trademark;

3. The trademark accused of infringement shall be compared with the registered trademark to determine whether the trademark accused of infringement is the same or similar to the registered trademark, and whether the goods used by the trademark accused of infringement belongs to the same category or is similar to the goods approved for use by the registered trademark.



If the answers to the above three points are positive, the trademark owner will have a great certainty to stop the trademark infringement in time.

The above several considerations may be a little cumbersome for the trademark owner, but for professional trademark attorneys, they are customary workflow. Therefore, when encountering trademark infringement cases,

choosing an appropriate trademark attorney can also achieve twice the result with half the effort to deal with trademark infringement and reduce detours.

After the above analysis of the case, the next is to choose the path to solve the trademark infringement, which is the main content of this article. In

accordance with Article 60 of the Trademark Law, where any dispute arises from any of infringements upon the right to exclusively use a registered trademark, the parties concerned shall resolve the dispute through negotiation; and if they are reluctant to resolve the dispute through negotiation or the negotiation fails, the trademark registrant or an interested party



may institute an action in a people's court or request the administrative department for industry and commerce to handle the dispute. This provision lists three ways to resolve trademark infringement disputes.

In addition, according to Article 67 of the Trademark Law, it also stipulated the criminal liability of

trademark infringement, namely "where a party uses a trademark identical with the registered trademark on identical goods without being licensed by the trademark registrant, or where a party forges or manufactures without authorization the labels of a registered trademark of another party or sells the labels of a registered trademark

forged or manufactured without authorization, or where a party knowingly sells goods on which a registered trademark is falsely used, if any crime is constituted, the party shall be subject to criminal liability according to the law." Therefore, we can regard this provision that makes the trademark infringer subject to criminal prosecution as another way to solve the trademark infringement.

Next we will explain the four paths mentioned in the Trademark Law respectively:

1. Negotiation

Negotiating with the infringer, including face to face talk and sending letter to infringer, and asking the infringer to stop all acts of infringement and compensate for all losses incurred in the process of infringement is relatively simple and easy. The advantage of this method is that

if negotiation or communication skills are used skillfully and pressure is applied properly, trademark infringement disputes can be resolved cheaply and efficiently. However, the results of this approach often depend on cooperativeness of the infringer.

If the infringer is bona fide and trustworthy, negotiation could, to a certain extent, achieve the results of stopping the infringement or at least establishing a channel for further communication and final dispute resolution.

If the infringer is, on the other hand, of malicious intent, and due to the lack of pressure from law enforcement agencies and the government, the reasonable claims put forward by the trademark owner are likely going to be ignored and the infringement continued as the way it was. However, the trademark owner can use this ignorance and continuation as a factual basis to

argue bad faith on the infringer's part and claim punitive damages in subsequent civil litigations.

2. Administrative protection

Administrative protection has been proved particularly useful and effective in China in light

of China's characteristic, i.e., having a strong, effective, and encompassing-all-aspects-of-life government. However, the obvious downside of this approach is that it does not address the issue of compensation. Trademark owners must negotiate with the infringer separately or file a lawsuit if he/she



wishes to recover losses resulting from the infringement.

When a trademark owner (or a relevant party) suspects his/her rights are being infringed upon, he/she can draw the matter and preliminary evidence to local law enforcement authorities (Administration for Market Regulation, or AMRs, 市场监督管理局) by filing a complaint and request the AMR to investigate and punish the infringer once trademark infringement is established.

For the AMRs' part, they would review the complainant's documents and refuse taking those apparently non-infringing cases. If they decide to take the case, they are entitled to take necessary measures prescribed by the laws for the purpose of investigation, including inspecting and/or reproducing the relevant documents, and sealing up and/or seizing the allegedly infringing products. Once infringement is established, AMRs would impose on the infringer permanent injunction and economic punishment.

In addition, AMRs could also take ex-officio actions against IP infringements. In such cases, AMRs would often contact the trademark owner for verification and authentication, and the latter could then step in for following up.

3. Civil litigation

Compared with the first two

approaches, civil litigation is the most expensive and time-consuming. But the preliminary reliefs provided by the Chinese courts make that up to some extent. On the other hand, compared with the administrative law enforcement authorities, the courts are more flexible and tend to be more lenient in practice when determining the establishment of trademark infringement, which could result in better chances of success for trademark owners to obtain protection.

Trademark owners can obtain damages and have the infringers bear the reasonable expense in enforcing the trademark, which is not available or very difficult to get under the first two approaches.

In a civil litigation, the courts apply one of the following three methods when determining the amount of damages:

- Statutory : In practice, when

trademark owners were unable to submit evidence on either their own losses or the infringer's profits, they could apply for the statutory damages and leave the determination of the damages completely under the court's discretion, which is no more than RMB five million (about USD 741,500).

- Evidence proved: With sufficient evidence on their own losses or the infringer's profit, trademark owners could apply for higher damages on the basis of evidence proof.
- Punitive: Punitive damages can be applied when there is sufficient evidence proving the infringer's bad faith and the serious circumstances of the infringement. The punitive damages could be one to five times how much the trademark owner's losses

or how much the infringer's profit is, provided that the trademark owner can prove the same by evidence.

4. Criminal action

If the trademark owner wants the infringer to be held criminal responsible, he/she should first submit the case to the administrative law enforcement department as elaborated in above Path 2. After the administrative law enforcement department accepts the case, and finds that the amount involved in the case reaches the filing standard of a criminal case through on-site forensics investigation, the trademark owner may push the administrative law enforcement department to transfer the case to the public security organs. In the process of promoting the transfer of cases from administrative law enforcement department to public security organs, professional trademark attorneys may play a

bigger and more effective role with their own professional knowledge and resource characteristics, so as to finally achieve the purpose of investigating the infringer's criminal responsibility.

After accepting the case, the public security organ will control the suspect and initiate criminal investigation. As soon as the criminal investigation is completed, the public security organ will transfer the case to the procuratorate, who will then prosecute the suspect.

Articles 213 to 215 of the Criminal Law of China also lists the same acts that are subject to criminal liability as listed in the Trademark Law. Depending on the severity of these acts, possible criminal liability includes fixed-term imprisonment of not more than 3 years or fixed-term imprisonment of not less than 3 years but not more than 10 years and also a fine.

Which evidence is needed to obtain high damages

— The facts revealed by the judicial practice of intellectual property in China

By Gang Hu and Hongxia Wu

In recent years, China has continuously strengthened intellectual property protection to optimize the legal business environment. In the practice of intellectual property infringement litigation, accurately determining the amount of damages has gradually become one of the focuses of the trial of

infringement cases.

According to the author's search, the average awarded

damages amount and support rate of Intellectual property civil litigations in China from Jan. 2022 to Dec. of 2022 are as follows:

Type	The Average Damages Amount	Support Rate
Trademark	38,880 RMB	23.39%
Patent	475,800 RMB	92.54%
Copyright	16,100 RMB	13.93%

It can be seen from the table that the support rate and average damages amount of Chinese courts for IPR (intellectual property right) holders' claim for damages in trademark and copyright infringement cases are not high. It is obvious that obtaining an award of high damages is one of goals of a IPR holder to initiate a civil litigation. The crucial task for achieving the goal is collect and utilize evidence, because the facts, which can be recognized by Chinese courts, are mainly those proven by evidence.

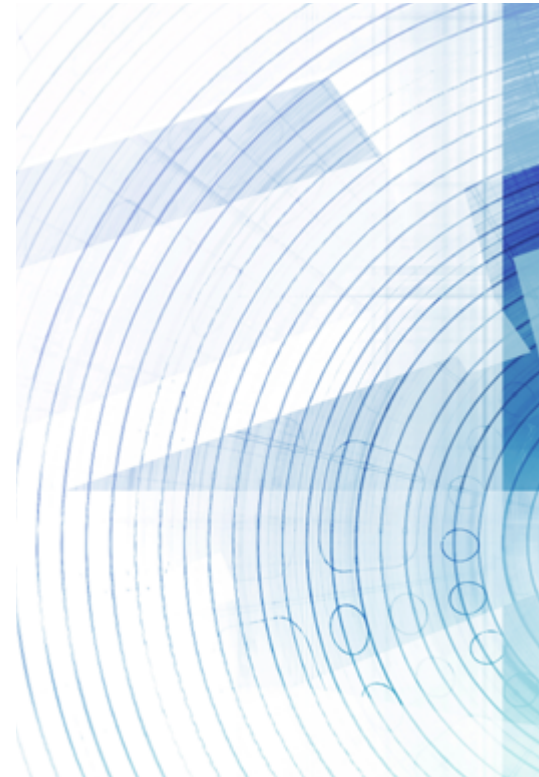
This article will introduce three categories of damages evidence, an overview of the calculation of damages for IPR infringement in China, as well as three steps and related practical advice for obtaining high damages from the perspective of evidence.

1. Three categories of damages evidence

Article 31 of the Several Provisions on Evidence in Civil Litigation of Intellectual Property Rights in China, implemented by the Supreme People's Court of China on November 18, 2021, provides evidence that can be used to prove the amount of compensation for intellectual property infringement. The specified evidence can be classified into three categories, namely the evidence filed by an IPR holder, the evidence collected by applying for court investigation, the evidence filed by the alleged infringer.

1) The evidence filed by an IPR holder

In practice, an IPR holder usually can submit damages evidence, which is not confidential or has been disclosed in earlier relevant proceedings involved by him. The non-confidential



evidence may include annual reports of listed companies, prospectuses, advertisements on website or online e-commerce platforms, the alleged infringer's business income shown in public courts' judgements, profit margin evidence issued by relevant industry associations or government agencies, field investigation report, notarized evidence of purchase, etc. The earlier proceedings in which damages evidence may be disclosed to IPR holders



may include oppositions or invalidations against the alleged infringer's IPR, or raid actions or criminal litigations against IPR infringement, etc.

2) The evidence collected by applying for court investigation

A considerable amount of damages evidence is controlled by parties other than an IPR holder and the IPR holder, based on his own ability, is not able to get access to them. According to relevant laws in

China, IPR holders may actively apply for court investigation to collect the evidence on the grounds that the evidence is not able to be obtained by him or his lawyers for objective reasons. For instance, with a lawyer investigator order issued by a competent court, an IPR holder's agent can obtain the alleged infringed products transaction record from e-commerce platforms. Normally in computer software infringement lawsuits, with the assistance of a competent

court, an IPR holder is able to conduct evidence preservation at the workplace of the alleged infringer.

3) The evidence filed by the alleged infringer

According to the principle of who claims and who proves, an IPR holder shall be liable for the accused infringer's infringement as well as damages. In most cases, the alleged infringer is unwilling to submit damages evidence.

In China, an IPR holder may utilize two ways to push the accused infringer to submit relevant damages evidence. First is to apply to the court for evidence disclosure. In the case of Baidu vs. Jingbaidu, the IPR holder applies to Beijing IP court for evidence disclosure of the alleged infringer's store property information, lease contract information of leased premises, sales revenue books, financial statements and tax information, on the grounds that the relevant evidence cannot be obtained by him for objective reasons and the evidence is likely to be lost or difficult to be obtained later. The said application is justified by the court and the accused infringer has to submit relevant materials. Fortunately, these materials are later used by the court as a reference for calculating damages. Second is to pursue a shift of the burden of proof. If an IPR holder has

made every effort to prove the damages, the burden of proof has been shifted to the alleged infringer, who shall be liable for submitting damages evidence.

2. An overview of the calculation of damages for IPR infringement in China

In China, damages for IPR infringement can be calculated with reference to one of the following:

- 1) Losses of the IPR holder;
- 2) Profits of the infringer;
- 3) A reasonable multiple of the IPR license fees, when it is difficult to determine losses of the IPR holder, profits of the infringer;
- 4) Statutory damages of less than 5 million yuan, when it is difficult to determine losses of the IPR holder, profits of the infringer or IPR license fees;
- 5) Punitive damages of one to five times of the base amount determined by losses of the IPR holder, profits of the infringer or IPR license fees, when the IPR infringement is committed intentionally with serious circumstance.

The first three can be called as “evidence proved damages”.





In determining the amount of damages, a Chinese court will first check whether it can establish the losses of the IPR holder, profits of the infringer or IPR license fees by evidence on record. If so, the evidence proven damages will prevail. If so, and the IPR infringement is intentional and serious, punitive damages will apply. If it is difficult to determine losses of the IPR holder, profits of the

infringer or IPR license fees, the statutory damages will apply.

In practice, over 90% civil IPR litigation in China uses statutory damages of less than 5 million yuan due to the difficulty of determining the IPR's losses, infringer's profits or IPR licensing fees.

3. Evidence needed to obtain high damages and related practical advice

First, in order to be awarded high damages, an IPR holder shall do every effort to assist court in determining losses of the IPR holder, profits of the infringers or IPR license fees.

1) Evidence determining losses of an IPR holder:

For trademark civil litigation, according to judicial interpretation, the losses of the IPR holder may be calculated

according to the reduction in the sales of goods caused by the infringement or the sales volume of the infringing goods multiplied by the unit profit of the registered trademark goods.

For patent civil litigation, according to judicial interpretation, the losses of the IPR holder may be calculated according to the reduction in the sales of patented product caused by the infringement or the sales volume on the market of the infringing product multiplied by the reasonable unit profit of patented product.

For copyright civil litigation, according to judicial interpretation, the losses of the IPR holder may be calculated according to the reduction in the distribution of the copies caused by the infringement or the sales volume of the infringing copies multiplied

by the unit profit of the right holder's distribution of the copies.

The application of the losses of IPR holder standard in calculating damages has been well illustrated in one Adidas trademark civil litigation in China. The court of second instance held that the losses of the IPR holder due to infringement is 6050 pairs x 189 yuan/pair x 50.4% gross profit margin x 60%=345,779.28 yuan. The sales volume (6050 pairs) of the infringing goods is based on the number of shoe uppers seized by the administrative authority in raid action.

The unit profit of registered trademark goods is calculated according to 189 yuan (the lowest unit price of authentic shoes in the official flagship store of Adidas) multiplied by 50.4% (the gross profit margin of Adidas annual accounting report) and then multiplied

by 60% (taking into account that the infringing products are not finished shoes, which cannot be directly used in the field of consumption). In said case, when determining losses of IPR holder, the court of second instance accepted the evidence include the statement made by the infringer when accepting the inquiry of the administrative authority, the prices of authentic shoes in the official flagship store of Adidas, Adidas annual accounting report, etc..

2) Evidence determining profits of the infringer:

For trademark civil litigation, according to judicial interpretation, profits of the infringer can be calculated according to the sales volume of infringing goods multiplied by the unit profit of the goods; If the unit profit of the goods cannot be ascertained, it shall



be calculated according to the unit profit of the registered trademark goods.

For patent civil litigation, according to judicial interpretation, profits of the infringer can be calculated according to the sales volume of infringing goods on the market multiplied by the reasonable profit of each



infringing product. The profit obtained by the infringer due to infringement are generally calculated according to the operating profit of the infringer. For the infringer who takes IPR infringement as its business, it can be calculated according to the sales profit.

For copyright civil litigation, there is no judicial

interpretation to specify the profit calculation of the infringer. In judicial practice, it is mainly based on the evidence of the profit of the infringer submitted by the IPR holder or the alleged infringer, and the specific pattern of infringement is used to analyze the exclusive value contributed by the specific infringed work in the profit.

In the ERDOS vs. MIQI trademark civil litigation case, Beijing IP Court held that the profits of the infringer is $10446 \text{ pcs} \times 35 \text{ yuan/pcs} \times 25\% \text{ profit margin} = 91,402.5 \text{ yuan}$. The sales amount (10446 pcs) of the infringing goods is shown in the infringer's Tmall online store. Unit price of the infringing goods is determined



by the court as 35 yuan, while the court confirmed at its discretion that the original price and special price products accounted for 50% of the total sales respectively. Profit margin is determined by the court as 25%, while no evidence to support the 50% profit margin claimed by the plaintiff and the

20% profit margin admitted by the defendant in court.

3) IPR license fees

Where IPR requests a court to determine the amount of damages by reference to a reasonable multiple of IPR license fees, he shall submit

sufficient evidence proving why the said IPR license fee can be referenced in the current case. For instance, the IPR license fees are actually paid, the licensee is not his interested party, and they meet the general standards for industry licensing.



In the OPPLE vs. Dong Sheng trademark civil litigation, Guangdong Superior Court held that the license fee authorized by OPPLE to distributor is 0.35 million yuan/year has reached the evidentiary standard of high probability and therefore is accepted. The evidence as filed include executed

trademark license agreement, corresponding retail channel regional operator contract, shipment consignment note, bank transfer certificate and site photo of the authorized shop bearing OPPLE. We can see that a court in China usually requires an IPR holder to submit a relatively complete chain of evidence to show the fulfillment of the licensing transaction before determining the amount of damages by reference to a reasonable multiple of IPR license fees.

Secondly, in order to be awarded damages higher than specific amount proven by evidence, we may actively claim punitive damages.

The damages for IPR infringement generally follows the principle of compensation. For intentional infringement with serious circumstances, IPR holders can actively claim punitive damages.

The punitive compensation system is not only to fill in the economic losses of IPR holders, but also to reflect the punishment for intentional infringers.

The preconditions for applying punitive damages are 1) base amount can be determined, 2) the defendant intentionally infringes upon the IPR, and 3) the infringement has serious circumstances.

1) Base amount

In accordance with relevant laws, losses of the IPR holder, profits of the infringer or IPR license fee shall be taken as the base amount for calculating punitive damages. In the previous part of this article, we have discussed how to obtain relevant evidence for losses of the IPR holder, profits of the infringers or IPR license fee.

2) Evidence of intentional

infringement

The Supreme People's Court of China has listed some specific circumstances wherein the defendant intentionally infringes upon the IPR:

- (1) The defendant still commits the IPR infringement after being notified or warned by the plaintiff or party of interest.
- (2) The defendant or its legal representative or manager is the legal representative, manager or actual controller of the plaintiff or party of interest.
- (3) The defendant has work, labor, cooperation, licensing, distribution, agency, representation or any other relationship with the plaintiff or a party of interest, and has been in contact with the infringed IPR.

(4) The defendant has business relations with the plaintiff or party of interest or has any consultation with the plaintiff or party of interest for the purpose of reaching a contract, among others, and has been in contact with the infringed IPR.

(5) The defendant commits any act of piracy or counterfeiting any registered trademark.

(6) Any other circumstance that may be determined as an intentional act.

From the above, “intentional infringement” could be interpreted that the infringer is aware of others' IPR through being notified or warned, or through the relationship with IPR holder or a party of interest, etc., but still commits the infringement act. Therefore, the relevant “intentional

infringement” evidence shall focus on those which can prove how the infringer is aware of other's IPR.

3) Evidence that the infringement has serious circumstances

The Supreme People's Court of China has also listed some specific circumstance wherein



the defendant's infringement has serious circumstances:

(1) The defendant commits the same or similar infringement after it has been subject to any administrative punishment or has assumed liability

based on the ruling of the court due to infringement.

(2) The defendant takes IPR infringement as its business.

(3) The defendant forges, destroys or conceals any evidence of infringement.

(4) The defendant refuses to perform a preservation ruling.

(5) The defendant obtains huge benefits from the infringement or causes huge loss to the right holder due to the infringement.

(6) The infringement may endanger national security, public interest or personal health.

(7) Any other circumstance that may be determined as a serious circumstance.

“Serious circumstances” could be understood that serious damages or endangerment caused by the infringement to IPR holder, competition order, judicial order, national security, public interest or personal health, etc. It would be easy to understand how to obtain the evidence proving the above (1) and (3)-(6). As for the above (2) “take IPR infringement as its business”, the judicial practice in China shows that



the typical situation would be that the infringing goods are the infringer's sole business or occupy a major proportion in the infringer's business.

Thirdly, if specific amount of damages cannot be proven by evidence, how we can obtain high damages in statutory damages issued by Chinese courts.

As mentioned above, evidence proved damages are always higher than the amount of the statutory damages. But, the statutory damages are applied by Chinese Courts in most cases. If specific amount of damages cannot be

proven by evidence, how we can obtain high damages in statutory damages issued by Chinese courts. In principle, Chinese Courts shall consider the nature, duration and consequences of the infringement, the goodwill of IPR, the amount of IPR license fee, the type, time and scope of the IPR license, the subjective fault of the infringer and the reasonable expenses to stop the infringement, when determining the amount of damages. In practice, we need to 1) collect and submit as much evidence as possible reflecting the above consideration factors; 2) submit different types and sources of evidence for the same facts that need to be proven; 3) actively

apply for court investigation or evidence preservation, if the evidence cannot be collected by an IPR holder; 4) submit evidence, even though which does not form a chain of evidence or is flawed, as it can prompt the responsible judge to make a high award from his free mind perspective.

In short, the damages for intellectual property infringement is not only a legal issue but also an economic issue. The IPR holder needs to try to prove the amount of damages for infringement from multiple angles, form a full chain of evidence, restore the objective truth related to the amount of damages as much as possible, and provide ideas and paths for the fine judgment of the amount of damages, so as to more effectively safeguard its own legitimate rights and interests.



中国贸促会专利商标事务所
CCPIT PATENT & TRADEMARK LAW OFFICE

MEETING INVITATION

INTA 2023, Singapore



Thirteen attorneys from CCPIT Patent and Trademark Law Office, a leading Chinese IP firm, will attend the 2023 INTA Annual Meeting in Singapore:

◀ Mr. Chuanhong Long



Mr. Gang Hu



Ms. Shuhui Huang



Mr. Bo Li



Mr. Bin Zhang



Ms. Ling Zhao



Mr. Aiguo Liu



Ms. Xiaoping Wei



Ms. Fuping Wang



Ms. Yuxiao Ren



Ms. Guan Wang



Ms. Rui Song



Ms. Yaru Yao

We will host a hospitality suite from May 17, Wednesday to May 20, Saturday to have meetings with our clients and associates. The operation time and location of our hospitality suite are:

01 May 17
Wednesday
10:00 am - 5:30 pm

02 May 18
Thursday
8:30 am - 5:30 pm

03 May 19
Friday
8:30 am - 5:30 pm

04 May 20
Saturday
8:30 am - 10:00 pm



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* This publication is designed to provide our friends and clients with up-to-date information regarding intellectual property in China. It is not intended to provide legal advice. We welcome your suggestions and comments.



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