CCPIT PATENT AND TRADEMARK LAW OFFICE
中国国际贸易促进委员会专利商标事务所

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Newsletter

IP LITIGATION AND DISPUTE RESOLUTION ISSUE



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The best form of defense is attack.

To achieve victory, we must mass our forces at the hub of all power & movement. The enemy's 'center of gravity'

——— Von Clausewitz, On War

The good fighters of old first put themselves beyond the possibility of defeat, and then waited for an opportunity of defeating the enemy. To secure ourselves against defeat lies in our own hands but the opportunity of defeating the enemy is provided by the enemy himself.

In all fighting, the direct methods may be used for joining battle, but indirect methods will be needed to secure victory.

In war, the way is to avoid what is strong and to strike at what is weak.

——— Sun Tzu, The Art of War

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CCPIT PATENT AND LAW OFFICE

Profile

CCPIT PATENT AND TRADEMARK LAW OFFICE is the oldest and one of the largest full-service intellectual property law firms in China. Our firm has 292 patent and trademark attorneys, with 76 qualified attorneys-at-law. We provide consultation, prosecution, mediation, administrative enforcement and litigation services relating to patents, trademarks, copyrights, domain names, trade secrets, trade dress, unfair competition and other intellectual property-related matters. Headquartered in Beijing, we have branch offices in New York, Tokyo, Munich, Hong Kong, Guangzhou and Shanghai.

OUR MISSION is to render tailored services to clients with high quality, efficiency and reliability in a cost-effective manner. We strive to continually improve the reliability and flexibility of our portfolio management system and the effectiveness of our quality control mechanism. We appoint teams of professionals with complementary expertise and organize brainstorming discussions when necessary. Our professionals are encouraged to be both proactive and creative, providing commentary and guidance and creating value-added solutions for our clients.

OUR CLIENTS represent every sector of industry and commerce, from start-up businesses to multinational giants. Through decades of practice, we have successfully obtained hundreds of thousands of patents and trademark registrations and enforced thousands of patents and trademarks for our clients. With extensive legal and technological expertise, we are in a position to satisfy the demands of our clients in all aspects of intellectual property protection.

OUR PROFESSIONALS are required to receive continuous professional training and education to keep pace with the development of rapidly changing laws and technologies. We organize in-house academic and experience-sharing activities on a regular basis. We send our professionals to attend training programs or pursue further education in law. Some of our attorneys are active speakers and participants in intellectual property-related conferences and seminars.

OUR PROFESSIONALS

580
People in Total

7
Working Languages: Chinese, English, Japanese, German, French, Russian, Korean

237
Patent Attorneys

53
Trademark Attorneys

83
Lawyer Qualification

Litigation/Enforcement Team

- Copyright software registration
- Domain name registration and dispute resolution
- Layout-design of integrated circuits applications
- Recordation of intellectual property with Customs
- Consulting and litigation on trademark infringement and unfair competition
- Intellectual property financing and transaction



History

OUR HISTORY goes back to January 1957, when a trademark agency was established within the China Council for the Promotion of International Trade, a non-governmental trade promotion organization, to represent foreign companies before Chinese authorities. The agency was the sole trademark agency in China until the mid-1980s. A patent agency was organized by CCPIT in the early 1980s, when China began to establish its patent system. The patent agency was authorized as the first Chinese intellectual property law firm to have cross-border representation. In 1993, the two agencies merged to form the CCPIT Patent and Trademark Law Office.



1957

CCPIT Trademark Agency established

1982

Chinese Trademark Law promulgated

1983

Chinese Trademark Law implemented

1984

Chinese Patent Law promulgated

1984

CCPIT Patent Agency established

1985

Chinese Patent Law implemented

1993

CCPIT Patent and Trademark Law Office established

Honours

OUR REPUTATION for professionalism is widely recognized among peer professionals and clients, both domestically and internationally. Since 1999, we have been ranked among the top Chinese intellectual property law firms in the annual surveys conducted by publisher Managing Intellectual Property and have been nominated time and again as a leading Chinese intellectual property firm by institutes such as Asia Law & Practice, Asia Legal Business, Intellectual Asset Management and Chambers & Partners.

Managing Intellectual Property

Ranked Tier 1 both in the Area of "Patent Prosecution" , "Trademark Prosecution" and Tier 2 in the Area of "Patent Contentious", "Trademark Contentious" by MIP

Benchmark Litigation Asia-Pacific 2019

Recognized as Tier 2 Intellectual Property Office in China by Benchmark Litigation (Asia-Pacific 2019)



IP Law Firm of the Year 2019-China by ALB

China Business Law Journal 《商法》卓越律所大奖 China Business Law Awards Winner 2019

Honored China Business Law Awards Winner 2019 by the China Business Law Journal

Global Law Experts 2019 Annual Awards Winner

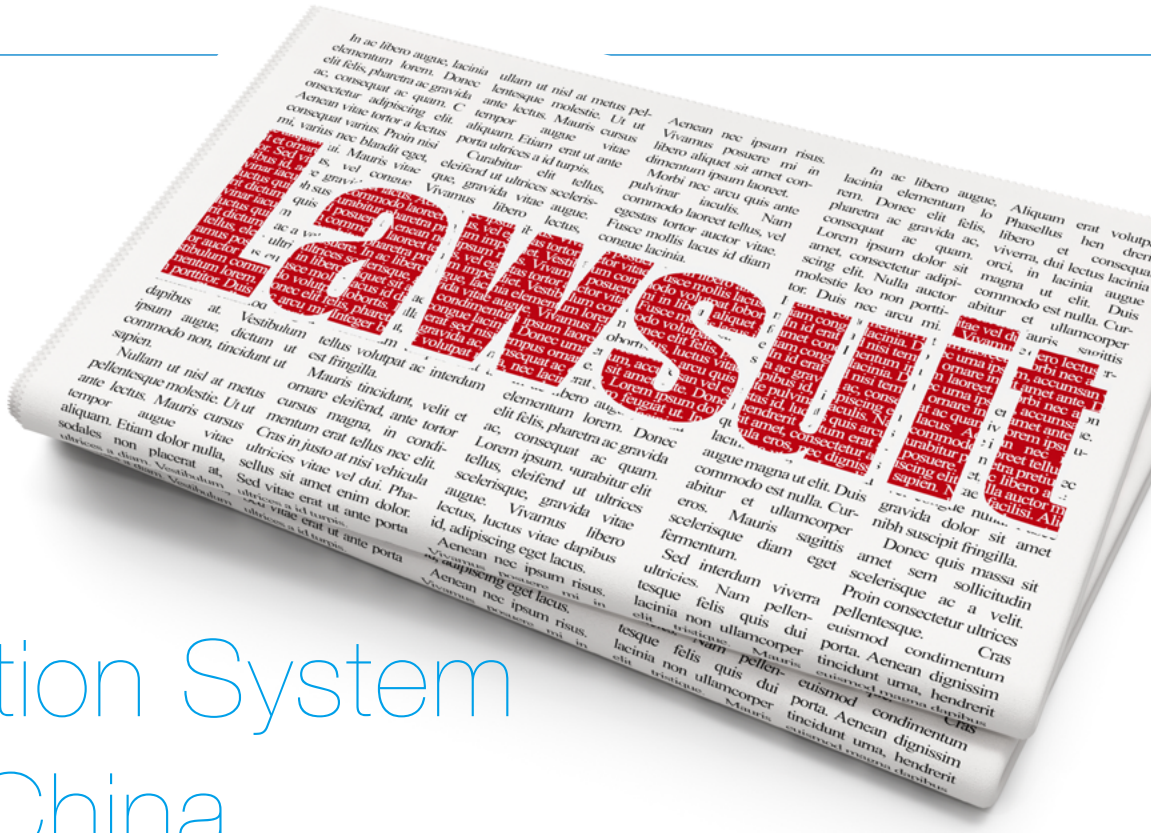
Intellectual Property Law Firm of the Year 2019 in China by Global Law Expert

The Legal 500 Asia Pacific Top Tier 2019

Recognized as a TOP-TIER FIRM in China in Intellectual Property

Top Ranked Chambers Asia Pacific 2019 CCPIT Patent and Trademark Law Office

Band 1 Intellectual Property Non-Litigation Chinese Firm by Chambers Asia-Pacific 2019



IP Litigation System in P.R. China

Judicial System

1. Chinese judicial system is generally divided into 4 tiers: Basic People's Courts, Intermediate People's Courts, High People's Courts, and the Supreme People's Court, corresponding with 4 levels of administrative divisions.

2. Basic People's Courts: Each county, county-level city, municipal district has its own people's court. Designated Internet Courts (Beijing, Hangzhou, Guangzhou) fall into the category of Basic People's Courts.

3. Intermediate People's Courts: Each municipal-level city has its own Intermediate People's Court. Designated Intellectual Property Courts (Beijing, Shanghai, Guangzhou) fall into the category of Intermediate People's Courts.

4. High People's Courts: Each province, autonomous region, direct-municipality (Beijing, Shanghai, Tianjin and Chongqing) as well as the Xinjiang Production and Construction Corps. has its own high people's court.

5. The PRC Supreme People's Court

6. "Three in One" Adjudication
The Chinese courts are undergoing a reform that combines IP-related administrative, civil and criminal adjudications into the responsibilities of IP-specialized judges if the given cases involve administrative, civil and criminal law so as to increase the efficiency of the legal proceedings.

7. Cross-Region Jurisdiction
Some Basic People's Courts and Intermediate People's Courts have cross-region jurisdiction over IP-related cases in accordance with the guidelines of the Supreme People's Court.

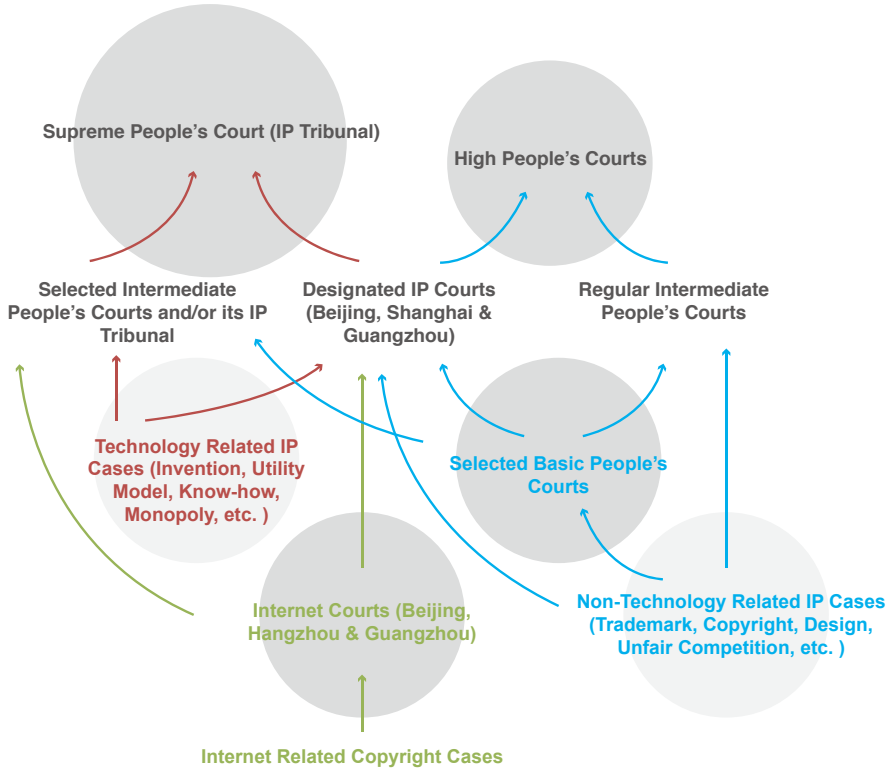
Jurisdiction

Basic People's Court:

• Unless designed by the local High People's Courts, Basic People's Courts does not have the jurisdiction over IP cases.
• Basic People's Courts selected by local High People's Court have jurisdiction over non-technology-related IP cases, i.e. trademark, copyright, design patent, unfair-competition, technology contracts-related disputes.
• Internet Courts (Beijing, Hangzhou, Guangzhou) have jurisdiction over Internet-related copyright/neighboring right cases.

Intermediate People's Court:

• General Intermediate People's Courts as well as the Intellectual Property Courts (Beijing, Shanghai, Guangzhou) have jurisdiction over non-technology-related IP cases, i.e. trademark, copyright, unfair-competition, technology contracts-related disputes, and appeals from lower courts regarding such disputes
• Intellectual Property Courts, Intermediate People's Courts and/or their IP Tribunals selected by the Supreme People's Court (43 in total) have jurisdiction over technology-related IP disputes, i.e. disputes related to invention, utility model, know-how, layout-design of integrated circuits, computer software copyright, new varieties of plants and monopoly etc.
• Beijing Intellectual Property Court has the exclusive jurisdiction over administrative lawsuits related to opposition/invalidation decisions made by the Trademark Review and Adjudication Board (TRAB)



High People's Courts:

• High People's Courts have jurisdiction over non-technology-related IP cases that have major impacts within their jurisdiction. They can hear appeals from aforesaid Intermediate People's Courts (or their IP Tribunals), Intellectual Property Courts with regard to non-technology-related IP cases, and have the discretion to reopen such IP cases first heard by Basic People's Court.

Supreme People's Court:

• The IP Tribunal of the Supreme People's Court has the exclusive jurisdiction over appeals from courts all over China regarding technology-related cases i.e. invention, utility model, know-how, layout-design of integrated circuits, computer software copyright, new varieties of plants, monopoly and etc. It also can exercise the discretion to reopen IP cases first heard by Intellectual Property Courts and Intermediate People's Courts.
• Supreme People's Court
• The IP division of the Supreme People's Court enjoys the exclusive jurisdiction over appeals from all over China for technology-related cases i.e. invention, utility model, know-how, layout-design of integrated circuits, computer software copyright, new varieties of plants, monopoly. It also enjoys the discretion to reopen IP cases first heard by intellectual property courts and intermediate people's courts.

IP Statistics of P.R. China

Chart 1: Patent Applications Accepted by SIPO

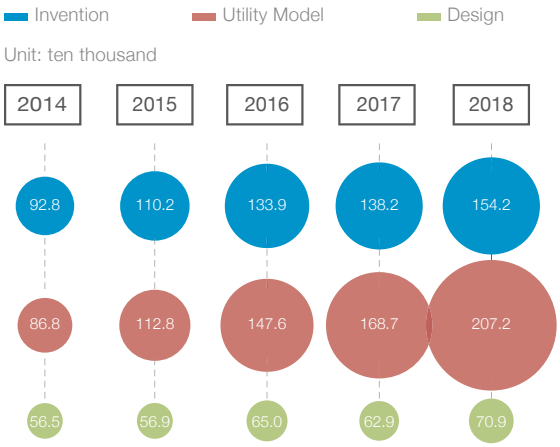


Chart 2: Trademark Applications Accepted by CTMO

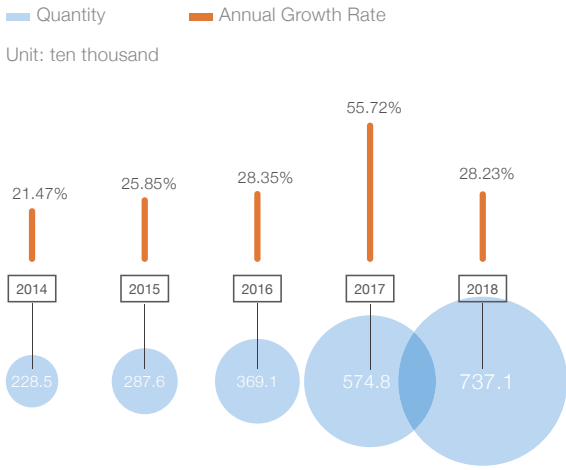


Chart 3: Copyright Registration by CPCC

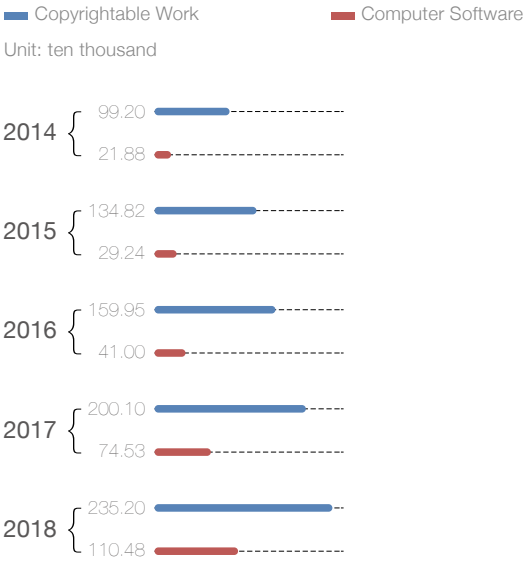
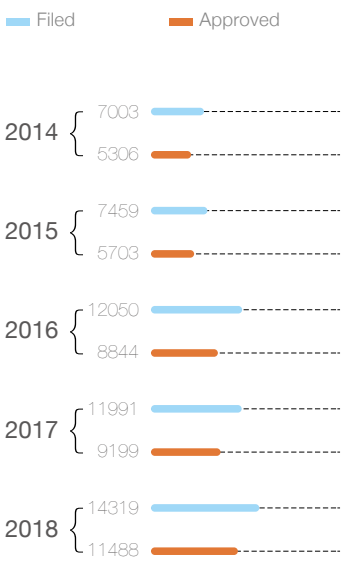


Chart 4: Intellectual Property Rights Registration for Customs Protection



Above four chart data sources: The Annual White Paper on IP Protection in China Released by SIPO

Chart 5: IP-related Civil Lawsuits at Trial Courts

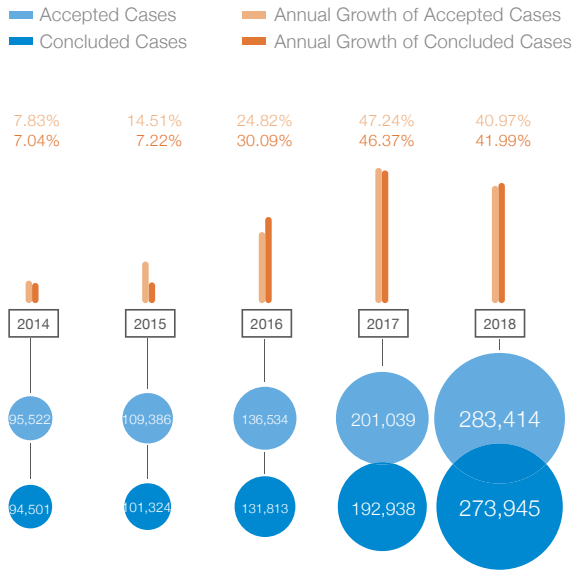


Chart 6: IP-related Civil Lawsuits at Appellate Courts

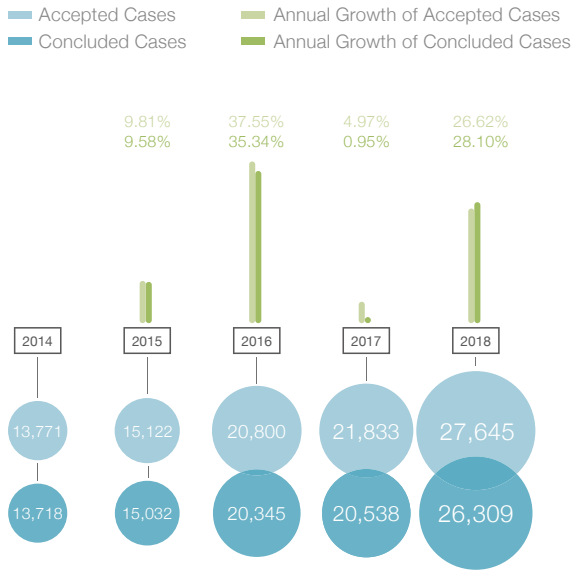


Chart 7: Retrial of IP-related Civil Lawsuits

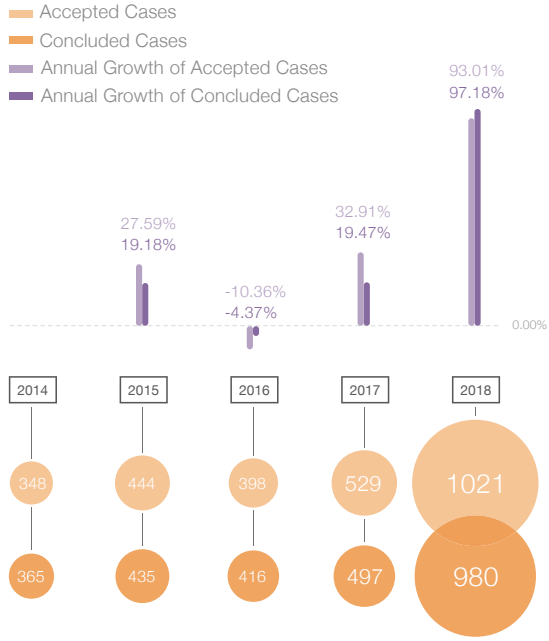
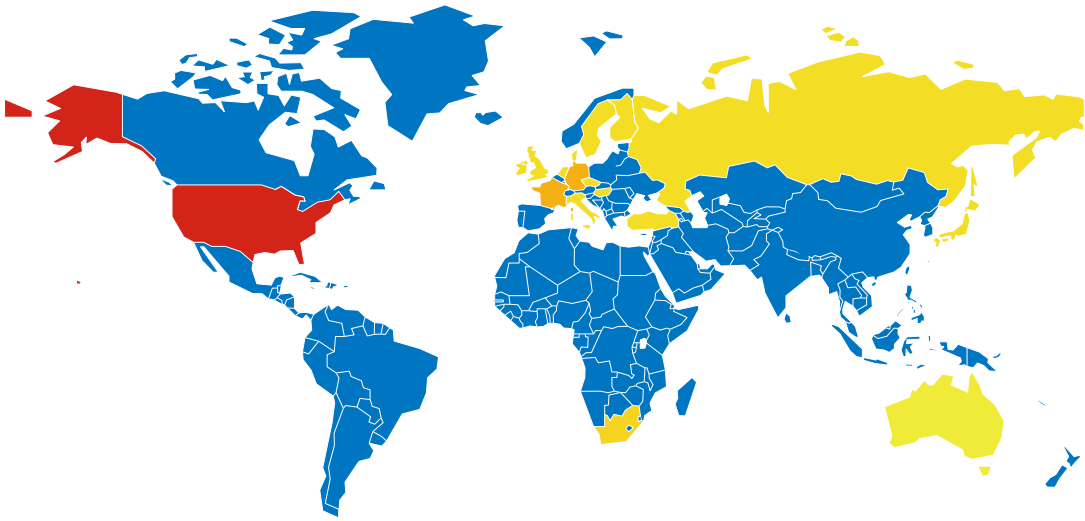


Chart 8: Breakdown of IP-Related Civil Lawsuits at Trial Courts

	2014	2015	2016	2017	2018
Total	95522	109386	136534	201039	283414
Patent	9648	11607	12357	16010	21699
Trademark	21362	24168	27185	37946	51998
Copyright	59493	66690	86989	137267	195408
Technology Contract	1071	1480	2401	2098	2680
Competition/Monnopoly	1422	2181	2286	2543	4146
Others	2526	3093	5316	5175	7483

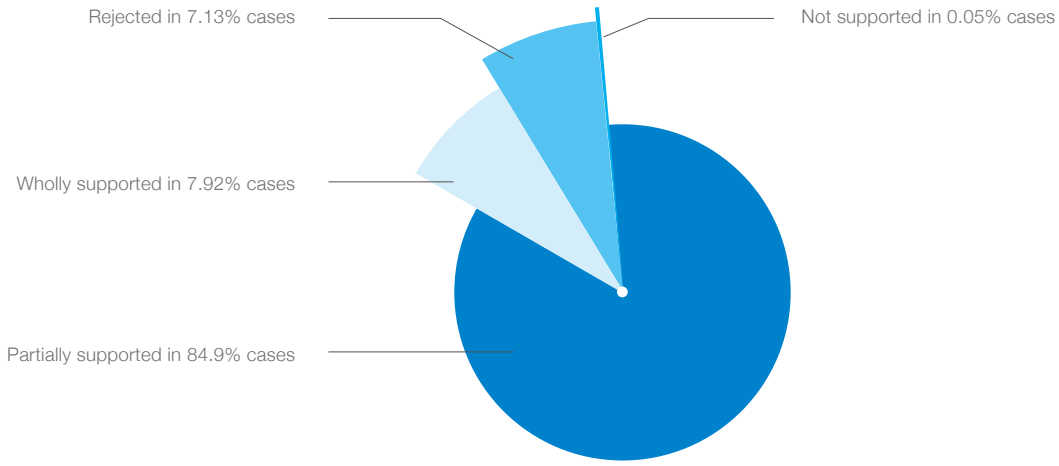
Above four chart data sources: The Annual White Paper on IP Protection in China Released by the PRC People's Supreme Court

Chart 9: Foreign countries involved in IP-related Infringement Lawsuits at Trial Courts (2015-2016)



28 countries were involved in IP infringement cases during 2015-2016.
United State, France, and Germany topped the list in respect of quantity.

Chart 10: Claims Supported by the Courts in IP-related Infringement Lawsuits (2015-2016)



Above two chart data sources: PRC People's Supreme Court: http://www.court.gov.cn/fabu-xiangqing-63192.html

Selected Guiding Cases



Guiding Cases

Guiding Cases

• China is traditionally aligned with civil law system, but in recent years the Supreme People's Courts (SPC) have complied and published over a hundred guiding cases aimed at standardizing legal practice and forming a uniform criterion in adjudication.
• Of all 112 guiding cases issued by SPC, 20 are IP cases.

Definition of Guiding Case

• Guiding Cases in China refer to the cases compiled and published as Guiding Cases by SPC and the rulings or judgments in these cases have already come into legal effect. The Guiding cases have tackled complicated legal issues and can be cited in similar cases.

Legal effect of Guiding Cases

• According to Implementing Rules of the "Provisions on Guiding Cases issued by the SPC,
◎ Where a case being adjudicated is, in terms of the basic facts and application of law, similar to a Guiding Case released by the Supreme People's Court, the People's Courts at any level should refer to the relevant Guiding Case to render its rulings or judgments.
◎ Where the People's Courts at any level cite a Guiding Case when adjudicating a similar case, it should explain the reason for citing the Guiding Case in its adjudication.

Typical Cases and Reference Cases

• Other than Guiding Cases, the SPC and the Courts at all levels regularly issues Typical Cases or Reference Cases. Unlike the Guiding Cases, the rulings and judgments in the Typical Cases or Reference Cases are not binding and they are supposed to provide reference.

Interpretation of “well-known commodity” in PRC Anti-Unfair Competition Law

Guiding Case No. 47

Ferrero International S.A., Italy (意大利费列罗公司) v. Montresor (Zhangjiagang) Food Co., Ltd. (蒙特莎（张家港）食品有限公司) and Zhengyuan Marketing Co., Ltd., Tianjin Economic-Technological Development Area (天津经济技术开发区正元行销有限公司), An Unfair Competition Dispute



FERRERO ROCHER



金莎 TRESOR DORE

1. The term “well-known commodity/service” as used in the Anti-Unfair Competition Law refers to a commodity/service that has a certain degree of reputation in the market within the territory of China and is known to the relevant public. China protects the distinctive product name, packaging or decoration of the well-known commodity according to the Anti-Unfair Competition Law, provided that the commodity is well-known to the relevant public within the territory of China. Therefore, in order to determine whether an internationally known commodity is a well-known commodity and can be protected in the Anti-Unfair Competition Law, the court should take various factors into consideration, such as the sales period, sales regions, sales volume, and sales targets of that commodity within the territory of China, as well as the duration, extent and geographical scope of advertisement and promotion that has been carried out for the commodity/services in dispute and the Court should also give appropriate consideration to the reputation of the commodity outside China.

2. The distinctive product name, packaging or decoration of the well-known commodity protected by the Anti-Unfair Competition Law are product name, packaging or decoration of the well-known commodity distinctive enough to distinguish the origin of the commodity.

While it is common practice that one can resort to unfair-competition law for legal protection against copycats when trademark registration was absent, it remains a legal obstacle for foreign IP right holder as to how to meet the criteria set out by the Chinese Unfair-Competition Law for such protection, particularly when facing an adversary which has achieved certain market influence.

Such a problem was addressed and showcased in the Guiding Case No. 47, where the Ferrero chocolates were subject to a controversy between different courts as to how to define “well-known commodity” (知名商品 , revised to “commodity with certain influence”(有一定影响的商品) in Chinese Anti-Unfair Competition Law, 2018).

In this case, the plaintiff Ferrero Company encountered the problem of imitation of its Ferrero Rocher chocolate (Chinese name JIN SHA (金莎) in Hongkong and Taiwan).

The Plaintiff obtained the registration of the trademark “FERRERO ROCHER” in Latin in 1986, but it did not file the

trademark “FERRERO ROCHER” in Chinese “ 金莎 ” (pronounced as JIN SHA in Chinese). In 1991, a dairy factory in Zhangjiagang City, Jiangsu Province, China registered the Chinese trademark “ 金莎 ” on chocolate etc. and transferred the Chinese trademark “ 金莎 ” to the defendant Montresor Company in 2002. The dairy factory and the Defendant had been producing and selling chocolates named as “ 金莎 ” (JIN SHA) / “ 金莎 TRESOR DORE” with the trade dress similar to that of the Plaintiff.

In absence of trademark registration for the word “ 金莎 ” (JIN SHA), the Plaintiff sued the defendants on the ground of unfair competition, claiming that the acts of the defendants had constituted “passing off” under Article 5 of Chinese Anti-Unfair Competition Law (1993). The court of first instance determined that Ferrero chocolates entered into China in 1984 through China National Cereals, Oils & Foodstuffs Import & Export Corporation who sold the chocolates by consignment, the Ferrero chocolates were sold primarily at duty-free stores, airport stores, and other locations permitted by the policies at that time. Such a practice continued until slightly before 1993. On the other hand, the Defendant had obtained relatively high degree of fame amongst Chinese consumers evidenced by submitted by the Defendant to the court such as publicities, award records, market surveys etc. submitted by the Defendant to the court. Therefore, the court of first instance held that Ferrero chocolates was not “well-known commodity” back in 1990s when the allegedly passing off was started, even though it had met the criteria of “well-known commodity” by the time of hearings at the court of first instance. As a result, the court held that the acts of the Defendant could not cause confusion among consumers and thus, did not constitute unfair competition.

The court of second instance overruled the ruling of the first instance court, stating that comprehensive assessment should be carried out to decide whether or not the commodity in dispute was “well-known commodity” and the reputation of the commodity in dispute inside and outside China should be taken into consideration. And the term “well-known commodity” could not be understood as merely referring to a commodity being known within the territory of China. Based on such reasoning, among other things, the court of second instance revoked the first instance judgment.

However, in the retrial proceedings, the SPC pointed out that “well-known commodity” in the Chinese Anti-Unfair Competition Law refers to commodities that have a certain degree of being known in the market within the territory of China and are known to the relevant public. For a commodity that is already known internationally, the protection of the trade dress of such a commodity should still be premised upon its being known to the relevant public within the territory of China. Nevertheless, the SPC held that the Ferrero chocolates acquired reputation amongst Chinese consumers after its entry into China in 1980s, prior to the existence of JIN SHA chocolates and rendered the retrial verdict in favor of the Plaintiff.

With the retrial verdict in the Ferrero case, the SPC had given the foreign IP right holders, who did not have trademark registration in China, a clear message that in order to get their trade dress protected in China according to the Chinese Anti-Unfair Competition Law, they have to submit evidence to prove the reputation of the commodity in dispute within the territory of China. The reputation of the commodity in dispute outside China will not suffice to establish “well-known commodity” (知名商品 , revised to “commodity with certain influence”(有一定影响的商品) in Chinese Anti-Unfair Competition Law, 2018).

SPC dismisses trademark Infringement Litigation Filed in Bad Faith

Guiding Case No. 82

WANG Suiyong (王碎永) v. Shenzhen Ellassay Fashion Co., Ltd. (深圳歌力思服饰股份有限公司) and Hangzhou Intime Century Department Store Co., Ltd. (杭州银泰世纪百货有限公司), A Trademark Infringement Dispute

	Trademark	Trademark No.	Int'l Cl.	App. Date	Registered Date
WANG Suiyong	歌力思 GLEAS	4157840	18	2004-7-7	2012-5-14
	歌力思	7925873	18	2009-12-18	2011-6-21
Shenzhen Gelisi	歌力思	1348583	25	1998-9-15	1999-12-28
	ELLASSAY	4225104	18	2004-8-17	2008-4-14

Where a plaintiff violates the principle of good faith, adversely affects the legal rights and interests of others, disrupts the fair competition order of the market, maliciously obtains and exercises trademark rights, and claims that others have infringed on his rights, the People's Court should not support such trademark infringement litigation on the grounds that the plaintiff has abused its rights and filed the trademark litigation in bad faith.

Trademark squatting has been a problem, haunting brand owners. Some trademark squatters have even sued the legitimate trademark owners, who have filed to register their trademarks adequately or in time, for trademark infringement. The SPC issued the Guiding Case No. 82, giving the red light to such trademark squatters and stopping them from harassing legitimate trademark owners.

Shenzhen Gelisi Garments Industrial Co., Ltd. (深圳歌力思服饰股份有限公司 , later changed its English name to Shenzhen Ellassay Fashion Co., Ltd.), the legitimate brand owner in this case was established in 1999. Shenzhen Gelisi registered the trademark "ELLASSAY" on goods in Class 25 and Class 18. With respect to the trade name and trademark " 歌力思 " (GE LI SI), they only registered the trademark " 歌力思 " (GE LI SI) in Class 25.

The plaintiff and trademark squatter, WANG Suiyong, registered the trademarks " 歌力思 " (GE LI SI), " 歌力思 GLEAS " (GE LI SI and graphic) in Class 18, and subsequently sued Shenzhen Gelisi, claiming that Shenzhen Gelisi had infringed upon his trademark rights for using the Chinese trademark " 歌力思 " (GE LI SI) on leather bags etc. in Class 18.

In 2013, the Intermediate People's Court in Hangzhou City, Zhejiang Province, rendered the first instance judgment, ruling that Shenzhen Gelisi

had infringed on WANG Suiyong's trademark rights in Class 18 and ordering Shenzhen Gelisi to cease the trademark infringing acts pay WANG Suiyong RMB 100,000 as damages and reasonable expenses spent by him on the litigation.

Shenzhen Gelisi filed an appeal to the Zhenjiang High People's Court, arguing that WANG Suiyong obtained trademark registration in bad faith and filed trademark infringement lawsuit in bad faith. In October 2013, the Zhejaing High People's Court of Zhejiang Province rendered the second instance judgement, rejecting the appeal and upholding the first instance judgment.

Both Shenzhen Gelisi and WANG Suiyong filed request to the SPC for a retrial of the second instance judgment. On August 14, 2014, The SPC rendered retrial verdict (2014 Min Ti Zi No. 24 Civil Judgment), revoking the first-instance and the second-instance judgments and rejecting all of the litigation requests raised by the Plaintiff.

In the retrial verdict, the SPC held that WANG Suiyong had engaged in act obtaining the trademark " 歌力思 " (GE LI SI) in Class 18 in bad faith and his acts of suing Shenzhen Gelisi for trademark infringement constituted abuse of rights.



It is worth noting that shortly after being sued by WANG Suiyong, Shenzhen Gelisi filed a separate lawsuit against WANG Suiyong in Shenzhen on the ground of trademark infringement and unfair competition for selling goods in Class 18. In May, 2014, the Shenzhen Intermediate People's Court rendered its judgment, in which the court put aside the conflict between the two parties' registered trademarks and focused their analysis on use of trademark/ trade name " 歌力思 " (GE LI SI) by WANG Suiyong. The court pointed out that the legal formality of trademarks filed and registered by WANG Suiyong could not conceal the nature of the unfair competition acts on the part of WANG Suiyong, and could not be the "legal" basis for the unfair competition acts committed by WANG Suiyong. The court then came to the conclusion that WANG Suiong's acts constituted unfair competition, and ordered WANG Suiyong to stop selling goods in Class 18 bearing the trademark " 歌力思 " (GE LI SI) .

WANG Suiyong appealed but his appeal was rejected by the Guangdong High People's Court and his request filed to the SPC for retrial was also refuse by the SPC.

Time	Hangzhou Lawsuit	Shenzhen Lawsuit
March 2012	Complaint filed by WANG Suiyong against the Gelisi Company	
August 2012		Complaint filed by the Gelisi Company against WANG Suiyong
November 2012	The Gelisi Company withdrew their counter claim	
December 2012	First instance judgement rendered, supporting the claim of WANG Suiyong	
June 2013	Second instance judgement rendered, upholding the first instance judgement	
November 2013	The SPC decided to retry the case	
May 2014		First instance judgement rendered, supporting the claim of the Gelisi Company, forbidding WANG Suiyong to use the "歌力思" (GE LI SI) trademark
August 2014	Final judgement rendered, revoking the first instance and the second instance judgments and rejecting all of the litigation requests made by WANG Suiyong	
November 2015		Second instance judgement rendered, upholding the first instance judgement
June 2016		Appeal for retrial rejected by the SPC



The Revised PRC Anti-Unfair Competition Law Took Effect on April 23, 2019

On April 23, 2019, the Standing Committee of the National People's Congress (NPCSC) passed the amendments to the PRC Anti-Unfair Competition Law, the second amendments since the implementation of the PRC Anti-Unfair Competition Law in 1993 and the first amendments in 2017. The revised PRC Anti-Unfair Competition Law became effective on April 23, 2019.

The new PRC Anti-Unfair Competition Law featured trade secret protection and raised fines and damages for unfair competition acts. These new revisions address international concerns, enhance trade secret protection and show that China is giving priority to building an environment conducive to trade and investment.

The revisions are summarized in the underlined texts in the charts as follows:

Trade Secrets

Before the amendments

Article 9:

The operator shall not commit the following violations of trade secrets:

After the amendments

Article 9:

The operator shall not commit the following infringement of trade secrets:



Before the amendments

(1) Obtaining the trade secrets of the right holder by theft, bribery, fraud, coercion or other improper means;

After the amendments

(1) Obtaining the trade secrets of the right holder by theft, bribery, fraud, coercion electronic intrusion or other improper means;

Before the amendments

(2) Disclosing, using or allowing others to use the trade secrets obtained by the previous means;

After the amendments

(2) Disclosing, using or allowing others to use the trade secrets obtained by the previous means;

Before the amendments

(3) Disclosing, using or allowing others to use the trade secrets in violation of the agreement or in violation of the rights holder's requirements for keeping the confidentiality of trade secrets

After the amendments

(3) Disclosing, using or allowing others to use the trade secrets in violation of the confidentiality obligations or in violation of the rights holder's requirements for keeping the confidentiality of trade secrets.

(4) Instigating, tempting, and helping others to violate confidentiality obligations or to violate the rights holder's requirements for conservative trade secrets, to acquire, disclose, use or allow others to use the rights holder's trade secrets.

Other natural persons, legal persons and unincorporated organizations other than the operator who commit the illegal acts listed in the preceding paragraph shall be



deemed to have infringed on trade secrets.

Before the amendments

If a third person knows or knows that the employee, former employee or other unit or individual of the trade secret right holder has implemented the illegal acts listed in the preceding paragraph and still obtains, discloses, uses or allows others to use the trade secret, it shall be deemed to infringe the trade secret.

After the amendments

If a third person knows or should know that the employee, former employee or other unit or individual of the trade secret right holder has implemented the illegal acts listed in the paragraph 1 of this Article and still obtains, discloses, uses or allows others to use the trade secret, it shall be deemed to infringe the trade secret.

Before the amendments

The term "trade secrets" as used in this Law refers to technical information and operation information that are not known to the public, have commercial value, and are subject to appropriate secrecy measures by the right holder.

After the amendments

The term "trade secrets" as used in this Law refers to business information such as technical information, operation information and commercial information that are not known to the public, have commercial value, and are subject to appropriate secrecy measures by the right holder.

Article 32:

In the civil trial procedure for infringement of trade secrets, if the trade secret right holder provides prima facie evidence showing that he has taken confidential measures against the claimed trade secrets and reasonably indicates that the trade secrets have been infringed, the alleged infringer should prove that the trade secrets claimed by the right holder are not trade secrets under this law.

"If the trade secret right holder provides prima facie evidence showing that the trade secret is infringed and provides one of the following evidence: the alleged infringer shall prove that there is no infringement of trade secrets:

(1) There is evidence showing that that the alleged infringer has access with channel or chance to obtain the trade secrets and that the information used by the infringer is substantially the same as the trade secrets;

(2) There is evidence showing that the trade secret has been disclosed, used or suspected of being infringed by the infringer;

(3) There is other evidence showing that trade secrets have been infringed by the alleged infringer."

The revisions in Article 9 are all about trade secret protection, including the definition of trade secrets and acts of trade secret infringement. The newly added Article 32 allocates the burden of proof in trade secret civil lawsuits.

Damages

Before the amendments

Article 17:

If the operator violates the provisions of this Law and causes damage to others, he shall bear civil liability according to law.

After the amendments

Article 17:

If the operator violates the provisions of this Law and causes damage to others, he shall bear civil liability according to law.

Before the amendments

If the legitimate rights and interests of the operator are damaged by unfair competition, he may file a lawsuit in the people's court.

After the amendments

If the legitimate rights and interests of the operator are damaged by unfair competition, he may file a lawsuit in the people's court.

Before the amendments

The amount of compensation for an operator who is harmed by unfair competition is determined according to the actual loss suffered by the infringement; if the actual loss is difficult to calculate, it shall be determined according to the benefit obtained by the infringer due to the infringement. The amount of compensation should also include reasonable expenses paid by the operator to stop the infringement.

After the amendments

The amount of compensation for an operator who has been harmed by unfair competition is determined according to the actual loss suffered by the infringement; if the actual loss is difficult to calculate, it shall be determined according to the benefit obtained by the infringer for the infringement. Where an operator maliciously infringes the trade secrets and in case of serious acts, the amount of compensation may be determined within more than one time to five times the amount determined according to the above method. The amount of compensation shall also include the reasonable expenses paid by the operator to stop the infringement.

Before the amendments

If the operator violates the provisions of Articles 6 and 9 of this Law, if the actual loss suffered by the right holder due to the infringement and the benefit obtained by the infringer due to the infringement are difficult to determine, the people's court shall award the right holder compensation of less than three million yuan (around 444,985 USD) in light of the circumstances of the trade secret infringement.

After the amendments

If the operator violates the provisions of Articles 6 and 9 of this Law, if the actual loss suffered by the right holder due to the infringement and the benefit obtained by the infringer due to the infringement are difficult to determine, the people's court shall award the right holder compensation of less than five million yuan (around 741,641 USD) in light of the circumstances of the trade secret infringement.

The revisions in Article 17 introduce the one to five times punitive damages for malicious infringement of trade secrets and increases the maximum statutory damages from the previous 3 million yuan (around 444,985 USD) to 5 million yuan (around 741,641 USD).

Fines

Before the amendments

Article 21:

If the operator violates the provisions of Article 9 of this Law and infringes on trade secrets, the supervision and inspection department shall order it to stop the illegal act, and impose a fine of not less than 100,000 yuan (around 14,832 USD) but not more than 500,000 yuan (around 74,164 USD); if the circumstances are serious, the fine shall be more than 500,000 yuan (around 74,164 USD) and less than three million yuan (around 444,985 USD).

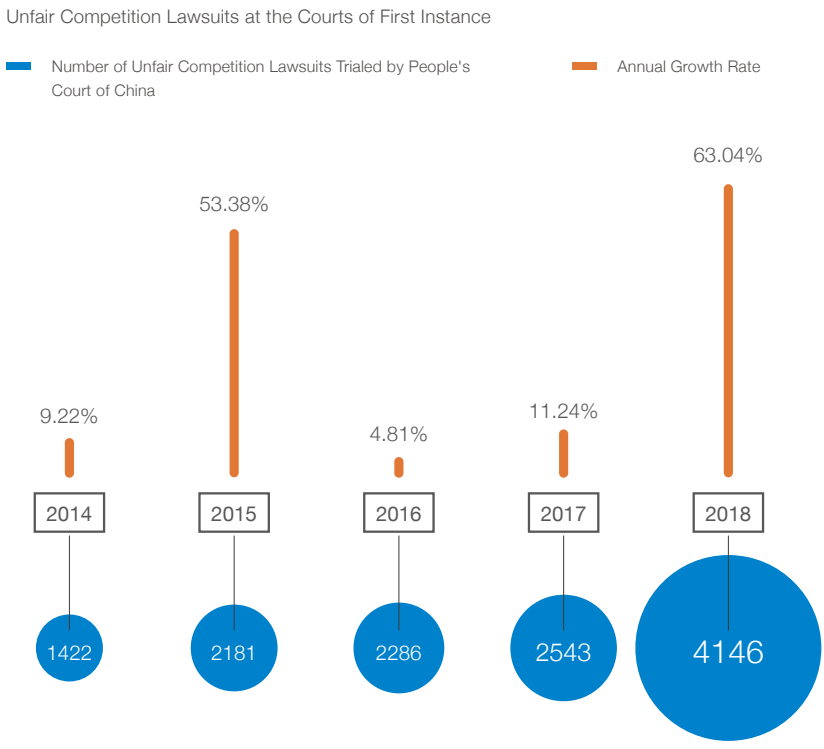
After the amendments

Article 21:

If the operator and other natural persons, legal persons and unincorporated organizations violates the provisions of Article 9 of this Law and infringes on trade secrets, the market supervision and administration authorities shall order it to stop the illegal act, confiscate illegal gains and impose a fine of not less than 100,000 yuan (around 14,832 USD) but not more than 1,000,000 yuan (around 148,328 USD); if the circumstances are serious, the fine shall be more than 500,000 yuan (around 74,164 USD) and less than five million yuan (around 741,641 USD).

The revisions in Article 21 have prescribed confiscation of illegal gains and higher fines for infringement upon trade secrets than before. In severe trade secret cases, the maximum fines have been increased to five million yuan (around 741,641 USD) from the previous fines at the amount of three million yuan (around 444,985 USD).

Trade secret is important asset and critical infrastructure of incredible value to IP right holders and in some cases, is vital to business survival and sustained success in the cold-blooded cut-throat market competition. “That's why the formula for Coca-Cola was never patented. They kept it as a trade secret, and they've outlasted patent laws by 80 years or more.” as it is explained by Mr. Craig Venter, American biotechnologist, biochemist, geneticist, and businessman. The statistics in the annual White Paper on IP Protection released by the PRC People’s Supreme Court shows the steady growth of unfair competition lawsuits in China and a drastic surge at 63.04% in 2018 compared to those in 2018. The revisions to the PRC Anti-Unfair Competition Law focus primarily on trade secret protection with more heavy-handed penalties for the violators and increased damages for the IP right holders.





Amendments to China's Trademark Law will be implemented on November 1, 2019



On April 23, 2019, the Tenth Session of the Standing Committee of the 13th National People's Congress passed a decision to amend the Trademark Law of the People's Republic of China. The detailed content of the amendment to the "Trademark Law of the People's Republic of China" is listed below for reference. The words in red letter refer to the amended or added contents.

1. Article 4 paragraph 1:

"Where any natural person, legal entity or other organization, in the course of his or its production or business operations, intends to acquire the exclusive right to use a trademark for his or its goods or services, an application should be filed with the Trademark Office for registration of the goods trademark. Applications for trademark registrations in bad faith which are not intended for use shall be refused."

2. Article 19 paragraph 3:

"Trademark agency is forbidden to represent the client where it knows or should know the trademark to be filed for registration by such client falls under the circumstances prescribed in Article 4, Article 15 and Article 32 of this Law."

3. Article 33:

The prior right owner or any interested party may, within three months from the date of publication, files an opposition against an accepted and published application for registration of a trademark, if he finds that the application stands in violation of the provisions of Article 13, paragraph two or three, Article 15, Article 16, paragraph one, Article 30, Article 31, Article 32 of this law, or any person finds that the application stands in violation with the provisions of Article 4, Article 10, Article 11, Article 12, Article 19 paragraph four of this law. If no opposition is filed within the specified period, the trademark shall be registered, a certificate of registration shall be issued, and the registration shall be published.

4. Article 44 paragraph 1:

Where a registered trademark stands in violation of the provisions of Article 4, Article 10, Article 11, Article 12, Article 19 paragraph four of this Law, or the registration of a trademark has been acquired by fraud or any other unfair means, the Trademark Office shall declare the registered trademark invalid; any other organization or individual may request the Trademark Review and Adjudication Board to declare such a registered trademark invalid.

5. Article 63:

The amount of damage for infringement of the exclusive right to use a registered trademark shall be assessed on the basis of the actual losses suffered by the right holder because of the infringement; where it is difficult to determine the actual losses, the amount may be assessed on the basis of the profits the infringer has earned because of the infringement. Where it is difficult to determine the losses the right holder has suffered or the profits the infringer has earned, the amount may be assessed by reference to the appropriate multiple of the amount of using the registered trademark under a contractual license. Where the infringement of the exclusive right to use a registered

trademark is committed in bad faith and the circumstance is serious, the amount of damage shall be more than one time but less than five times of the amount assessed by referring to the above calculation. The amount of the damage shall also include the reasonable expenses of the right holder incurred for stopping the infringing act.

When the right holder has tried his best to provide the evidence, but account books and materials relating to the infringement act are mainly under the control of the infringer, to determine the amount of damage, the People's court may order the infringer to provide the account books, materials relating to the infringement act. Where the infringer refuses to provide or provides false account books and materials, the People's court may determine the amount of damage by reference to the claim and evidences provided by the right holder.

Where it is difficult to determine the losses suffered by the right holder, the profits the infringer has earned and the fees of licensing a registered trademark, the People's court shall grant a compensation not exceeding RMB5,000,000 yuan, according to the circumstances of the act of infringement.

In examining trademark dispute cases, the people's court shall, at the request of the rights holder, order the destruction of commodities bearing counterfeit registered trademarks, except in special circumstances; order the destruction of materials and tools mainly used to manufacture commodities bearing counterfeit registered trademarks, without compensation; or, in special circumstances, order the prohibition of the aforementioned materials and tools from entering commercial channels, without compensation.

Commodities bearing counterfeit registered trademarks shall not enter commercial channels after only removing counterfeit registered trademarks.

6. Article 68 paragraph one item three:

(3) To violate the provisions of Article 4, Article 19 paragraph three or four.

(4) To file trademark application for registration in bad faith, which shall be imposed, according to circumstances, administrative penalties such as a warning or a fine; to file trademark lawsuit in bad faith, which shall be imposed punishment according to law by the people's court.

It can be seen that the Amendments to the Trademark Law involve six Articles in total, the purpose of which is to more effectively crack down on malicious applications that are not for use purpose, and to impose more powerful penalties on trademark infringements in order to create more optimized convenience, fair market atmosphere and business environment.



References

Please visit the following website for information on IP-related litigation and enforcement in China

http://zscq.court.gov.cn/ - IPR Adjudication of the SPC

http://www.chinaiprlaw.cn/ - Judicial Protection for IPR

http://www.sipo.gov.cn/ - National Intellectual Property Administration

http://sbj.cnipa.gov.cn/ - Trademark Office of China

http://www.cgi.gov.cn/Home/Default/ - China Protected Geographical Indication Products

http://www.ncac.gov.cn/ - National Copyright Administration of China

http://ipr.mofcom.gov.cn/, http://chinaipr.mofcom.gov.cn/ - Intellectual Property Protection in China

http://dndrc.cietac.org/ - China International Economic and Trade Arbitration Commission Online Dispute Resolution Center

https://www.adndrc.org/office/bj - Asian Domain Name Dispute Resolution Center Beijing Office

https://www.ccpit-patent.com.cn/ - CCPIT Patent and Trademark Law Office

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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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