

# How to deal with trademark infringement in China

**Zhang Bin and Yang Yifan of CCPIT Patent and Trademark Law Office explain the four pathways available for tackling trademark infringement in China.**

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 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 rights can be protected by several laws in China. But as a special legal norm in the field of trademarks, 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?



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According to Article 57 of Trademark Law, there are mainly six situations:

1. Using a trademark identical to 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' rights 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 a 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 a registered trademark cannot 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 a registered trademark.
3. The trademark accused of infringement shall be compared with the registered trademark to determine whether the trademark accused of infringement is

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## Résumés

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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 step is to choose the path to solve the trademark infringement, which is the main focus of this article. In accordance with Article 60 of the Trademark Law, where any dispute arises from any 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 conversations and sending letters to the



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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 the 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 establish 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 characteristics, 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 they wish to recover losses resulting from the infringement.

When a trademark owner (or a relevant party) suspects their rights are being infringed upon, they 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 to take 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 a 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 of 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 of 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 the amount of 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 criminally responsible, they 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

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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 the 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 list 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 three years or fixed-term imprisonment of not less than three years but not more than 10 years and also a fine.

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