

Intellectual Property & Technology Law Journal

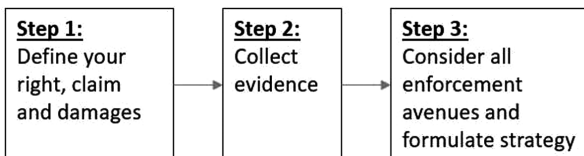
Edited by the Technology and Proprietary Rights Group of Weil, Gotshal & Manges LLP

VOLUME 34 • NUMBER 3 • MARCH 2022

How to Enforce Intellectual Property Rights in China

By Frank Voon and Edward Yao

This article sets out the actions to be taken upon discovering an infringement of an intellectual property right (“IPR”) in the People’s Republic of China (“China”). The IPRs addressed in this article include copyright, trademark, patent and unfair competition (including counterfeiting).



STEP 1: DEFINE YOUR RIGHT, CLAIM AND DAMAGES CAUSED BY THE INFRINGEMENT

If your IPR is registered in China, you may rely on the following statutes. In practice, it is possible

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that a certain right could be protected under more than one IPR:

- Trademark Law of China;
- Copyright Law of China;
- Patent Law of China;
- Regulations on Computers Software Protection;
- Regulations on Protection of New Varieties of Plants; and
- Regulations on Protection of Integrated Circuit Layout Design.

In most cases, an IPR that has not been registered in China may not be enforced in China. However, an owner of an unregistered IPR may claim against the infringer for unfair competition under the Anti-Unfair Competition Law of China (the “AUCL”) as unfair competition is not based on any registered IPRs.

STEP 2: COLLECT EVIDENCE

Unlike the United States, China does not have a system for conducting discovery. It is important that evidence is secured and notarized before

you start any official action. Once the infringer becomes aware of a potential claim, it may become difficult to collect evidence, as the infringer may destroy it.

You should collect three types of evidence:

1. Evidence that proves you are the IPR owner (i.e., certificates);
2. Evidence that proves the act of infringement by the infringer, including sale, manufacture, and so forth (e.g., suspected infringement samples, publicity materials); and
3. Evidence that supports the amount of compensation you request from the infringer.

We highly advise you to consult a law firm with a presence in China or a private investigator to assist in collecting evidence. You may consider cooperating with the administrative enforcement authorities in China (see below) or China Customs (see below) as additional means of collecting evidence.

STEP 3: CONSIDER ALL AVAILABLE ENFORCEMENT AVENUES AND FORMULATE ENFORCEMENT STRATEGY

It is important to formulate an intellectual property (“IP”) enforcement strategy before you take action. You may adopt one or more of the following options in your enforcement strategy.

1. Cease and Desist Letter and Negotiation

This is often the first action taken by IPR owners in most cases, as it puts the infringer on notice of your rights. If the letter is ignored and infringement continues, this can become evidence to prove willful infringement.

Letters in English often do not bring sufficient results, as infringers are usually Chinese companies or individuals.

2. Seize Shipments by China Customs

China Customs has the power to seize shipments on the basis that importing or exporting of goods infringes the IPRs recorded at China Customs. Certain procedures have to be complied with to secure help from China Customs seizing infringing goods.

IPR owners may consider including China Customs in their enforcement strategy to halt exports and gather evidence. Goods seized by customs are strong evidence of infringement.

This option is available to an owner of a Chinese-registered IPR.

3. Notice-and-Takedown Procedures

Under Chinese law, e-commerce platforms can be liable for IP infringement if they do not take down the links to the infringing websites after they have been notified of such infringement. Each e-commerce platform has their own notice-and-takedown procedures. In general, a platform will require proof of ownership, linkage to the infringing products, and the business license or certificate of the claimant.

This option is available to an owner of a Chinese-registered IPR.

4. Administrative Enforcement

The administrative enforcement authorities (see below) have the power to confiscate infringing goods, seize and destroy equipment used for producing infringing goods, levy fines on infringers, and conduct raid actions. However, administrative authorities do not have the power to award compensation to IPR owners.

The relevant administrative bodies are:

Rights	Administrative Bodies
Patent & Trademark	<ul style="list-style-type: none">• China National Intellectual Property Administration• Market Supervision Bureau (“MSB”)• State Administration for Market Regulation (“SAMR”)• Quality Technical and Supervision Bureau (“QTSB”)
Copyright	<ul style="list-style-type: none">• National Copyright Administration of China• Copyright administrative authorities• MSB
Unfair Competition	<ul style="list-style-type: none">• SAMR

Administrative enforcement can also be used to secure evidence for judicial enforcement.

This option is available to an owner of a Chinese registered IPR. If the IPR is not registered, an IPR

owner may claim against the infringer for unfair competition under the AUCL.

5. Judicial Enforcement

Judicial enforcement can include civil proceedings and criminal sanction.

Civil Proceedings

The remedies sought in civil proceedings include injunctions, damages, delivery-up or destruction of infringing goods, recall order and declaration of infringement, and validity. Civil proceedings will generally take six to 12 months. Plaintiffs in infringement cases may consider applying for an Evidence Preservation Order or an Asset Prevention Order.

It is important to commence the civil proceedings in a city with specialized IP courts. The rule is that the defendant (i.e., infringer) must be sued either in the place where the tort was committed (i.e., place of infringement) or in its home city or province. If the defendant's home province has an inexperienced court system, then you may want to ensure that the sample purchase is completed in another jurisdiction with IP courts. There are currently four IP courts in China (Beijing, Guangzhou, Hainan Free Trade Port, and Shanghai) and 21 IP tribunals.

This option is available to an owner of a Chinese-registered IPR. If not registered, an IPR owner may claim against the infringer for unfair competition under the AUCL.

Criminal Sanction

The administrative enforcement authorities, QTSB, and China Customs may transfer IP infringement cases to the Public Security Bureaus ("PSB") for criminal investigation. An IPR owner may also report infringement to the PSB. Note that, to be considered a crime, the illegal profits or illegal operational revenue must exceed certain thresholds.

The PSB has sole discretion to decide whether to accept a criminal case.

The PSB has sole discretion to decide whether to accept a criminal case. If the PSB accepts the case and there is sufficient evidence, then the PSB will pass the case to the prosecution agency. The

prosecution agency will then assess whether the case may proceed to trial.

Punishment may include imprisonment of up to 10 years and penalties.

Unfair Competition

Anti-unfair competition under AUCL offers supplementary protection to IPR owners and is often pleaded with claims arising from other IP laws as an alternative or back-up position. Claims under the AUCL can be made against unauthorized use of brands, product packaging, store design, and trade secrets.

In addition, an owner of an unregistered IPR may have an unfair competition claim against the infringer, as unfair competition claims do not have to be based on registered IPRs.

As an example, consider Jaguar Land Rover Limited's Range Rover Evoque and Jiangling's Lvfeng X7.

Jaguar Land Rover Limited ("JLR") launched its Range Rover Evoque in 2009, and Jiangling launched its Lvfeng X7 in 2014. JLR took legal action against Jiangling based on unfair competition and copyright infringement as Lvfeng X7 is highly similar to Range Rover Evoque.

A court in Beijing ruled that Jiangling's unauthorized use of the design caused confusion among the public and damaged JLR's legitimate interests and business reputation in China in a breach of Article 6 of the AUCL. However, JLR lost on its claim of copyright infringement as JLR failed to show that Range Rover Evoque's exterior design meets the required degree of originality and artistic creation under the copyright law. The court awarded damages totaling RMB1.5 million to compensate JLR for its economic losses and ordered Jiangling to cease all acts of unfair competition against JLR in relation to the Range Rover Evoque (including manufacturing, displaying, offering for sale and selling).

Collaboration with China

The U.S. Patent and Trademark Office has established IP offices in China to advise and assist U.S. companies in protecting their IPRs, initiating bilateral dialogues with Chinese authorities, and conducting diplomacy in China.

CONCLUSION

As this article has indicated, there are a number of avenues to protect IPR in China. However, this is an area that should be closely monitored

as China has indicated an interest in enhancing its IPR protection regime and further enhancements to the current avenues may be enacted.

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