

# Using China's Three-tiered IP Enforcement System

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# Administrative Complaint

# Administrative Complaint

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## ■ Good Features

- Chinese-characteristic enforcement system (e.g. joint specialized enforcement action against infringers in the market)
- Wide coverage: copyright piracy, trademark/tradename infringement, unfair-competition, patent infringement (as the case may be)
- Raid action and evidence collection
- Penalties: Confiscation and destruction of infringing articles, ordering the cessation of infringement, fines, revocation of relevant licenses, etc.

# Administrative Complaint

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## ■ Pros

- Straightforward
- Time- and cost-efficient
- Lower document requirement for complaint filing
- Feasible approach of evidence collection

## ■ Cons

- Monetary Penalties subject to statutory high-end limitation
- No damages to be awarded to IP right holder
- Authorities may have difficulties in handling and deciding complicated IP cases
- Authority's practices may vary from one to another, one place to another

# Criminal Petition

# Criminal Petition

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## ■ Coverage

### ● Trademark Counterfeiting

- Counterfeiting registered trademark
- Selling goods bearing counterfeit registered trademark
- Forging representations of registered trademark

### ● Trade Secret Infringement

### ● Defamation

### ● Patent Passing-off

- Misuse of patent mark or patent registration numbers, through which the consumers will be misled into thinking higher of the product as being patented

### ● Copyright Infringement

- Reproduction
- Distribution
- Transmission through information network

# Criminal Petition

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## ■ Building up a criminal case

- Petition to the Public Security Bureau (the “PSB”)
- Case transfer from an administrative organ to the competent criminal agency
- If the petition is accepted by the PSB, the petitioner would have few control over the investigation and case development

## ■ Key features

- Powerful blow to infringement
- Dual punishment system: imposed on both the entity and the persons directly responsible for the crime
- Top-down specialized campaign against specific crime offence: easier to be accepted and handled by the PSB in a more efficient way

# Criminal Petition

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- **Symantec Corporation v. Ma Jingyi, et al.**
  - Reproducing and distributing pirated software
  - Raid in the US-China joint enforcement action code-named Winter Solstice
  - Heralded as the largest computer software anti-piracy case in the world
  - Ma Jingyi, as the ringleader, was sentenced to seven years imprisonment, and a fine of RMB 8,600,000 (approximately USD1,250,000 dollars)



# Civil Litigation

# Civil Litigation

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## ■ Four-tier court system

- District Courts (at county or district level);
- Intermediate Courts;
- High Courts (at provincial level);
- The Supreme Court (the “**SPC**”).

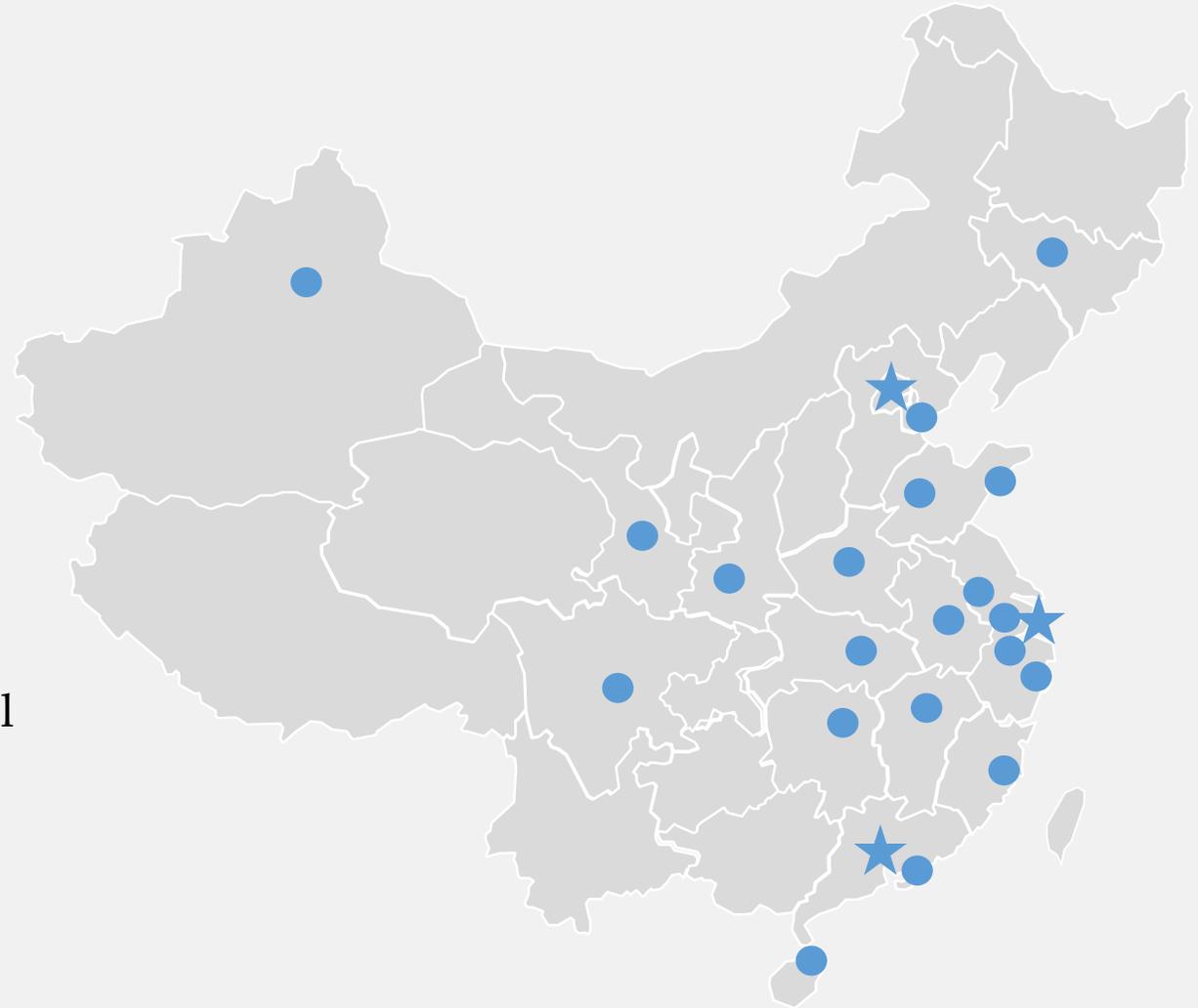
## ■ Two-tier trial system

- Either party has the right to appeal once unless the case is heard by SPC
- During the appeal period, the first instance judgement is not binding and does not come into effective
- As a supplement to two-tier trial system, re-trial is an unusual proceeding for rectifying a wrongful but effective judgment/decision

# Civil Litigation

## ■ Jurisdiction complex for IP cases

- “Technical IP” case: 1+3+20
  - 1 specialized IP Tribunal of the SPC
  - 3 specialized IP courts in Beijing, Shanghai and Guangzhou
  - 20 specialized IP tribunals of the courts at intermediate level
- “Soft IP” case
  - Mostly handled by courts at district level
  - Determining factors: claimed amount, merits, whether the recognition of well-known TM is sought, etc.



# Civil Litigation

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## ■ Valeo v. Lukasi, et al.

- Lukasi manufactured, sold and offered for sale infringing auto-wiper products.
- THE FIRST CASE heard and tried by the very newly born specialized IP Tribunal of the SPC since its establishment on January 1, 2019.
- The case relates to an appeal of the FIRST-EVER INTERIM JUDGMENT issued in IP areas by Shanghai IP Court.
- The SPC rendered a judgment in favour of Valeo on the spot before the end of the hearing, which was a historic occasion in Chinese IP litigation.



# Civil Litigation

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## ■ Improvement on Interim Measures

### ■ SPC issued judicial interpretation on Preliminary Injunction (the “PI”) for IP cases

- Came into effect on January 1, 2019;
- Main Coverage
  - Factors for evaluating the necessity of issuance of a PI
  - Urgency
  - Deposit for PI
  - PI will not be lifted by counter-bond
  - No appeal available for PI decision
  - Pre-hearing to be held before court’s decision on whether to issue a PI

### ■ Novartis v. former employee

- The FIRST PI RULING rendered in 2014 before the filing of the civil lawsuit since the introduction of the PI system into the PRC Civil Procedure Law

### ■ Qualcomm v. Apple

- Two PIs against Apple rendered in Nov 2018

### ■ Huya v. Douyu

- The FIRST PI RULING involving stopping the filing of complaints by Douyu with App Store against Huya, a NYSE listed company, rendered in Feb 2019

- **Borrowing Ideas from Other Countries**
  - **taking InterDigital v. Huawei as an example**
- Highlights
  - The FIRST FRAND/SEP case ruled by Chinese court (from 2014 till 2018), the second FRAND/SEP case in the world
  - The ONLY FRAND/SEP case that has been ruled by court in the telecom industry in China, where the court adopted FRAND principal in deciding royalty rate of SEPs
  - Selected as One of The ANNUAL TOP 10 IP CASES OF THE SPC, and one of The ALL-TIME TOP 10 ANTI-MONOPOLY CIVIL CASES OF THE SPC

## ■ Trends in awarding high/punitive damages in IP cases

### ● New Amendments to Trademark Law and Anti-unfair Competition Law

- Under circumstance where the vicious infringement is found, the damages will be raised from “up to three times” to “**up to five times**” the amount determined.
- when neither loss of the right holder nor the illegal gains of the infringer can be ascertained, the statutory high-end limitation of the damages to be discretionarily determined by court will be raised from RMB 3 million to **RMB 5 million**.

### ● Draft Fourth Amendment to Patent Law

- when neither loss of the right holder nor the illegal gains of the infringer can be ascertained, the statutory high-end limitation of the damages to be discretionarily determined by court will be increased to **RMB 5 million** from RMB 1 million.

### ● Draft Third Amendment to Copyright Law

- the statutory high-end limitation of the damages to be discretionarily determined by court will be raised from RMB 0.5 million to **RMB 1 million**.
- for repeated willingly infringement, the damages will be raised to “**up to three times**” the amount determined.

# Civil Litigation

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## ■ Other important amendments to the PRC Trademark Law and the PRC Anti-Unfair Competition Law

### ● Trademark Law

- Tighten restrictions on bad-faith filing and trademark hoarding
- Trademark Office shall reject bad faith filing, which has also been added as an absolute ground for opposition and invalidation that could be filed by any party without time limits.

### ● Anti-Unfair Competition Law

- Burden-of-proof shifting provision that favors trade secret rightholders
- The burden on the plaintiff is lowered to require only prima facie evidence on existence of trade secret and misappropriation, after which the burden shifts to the defendant to disprove the two elements.

# Civil Litigation

- **Entertainment IP practice trend: friendly to foreign IP right holder**
  - **Disney-Pixar v. Blue MTV (2017)**
    - Ordered cessation of the infringement and decided damages more than RMB1million
  - **ActiVision v. Huaxia Films, et al. (2018)**
    - Recognized Chinese counterpart of *Call of Duty* as a unique name of influential video game
  - **Blizzard v. Youyi Network (2015)**
    - Ordered that copy of the gameplay, interface, and logos constituted unfair competition



# Speaker Profile

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Excellent in IP litigation with rich experience in handling contentious IP cases and other IP issues. Rendered services for years to the companies in the entertainment industries, covering film and television, game, sport, and other sectors. Gained a great insight into the entertainment law issues.

*Thank You!*