

# VIVIEN CHAN & Co.

GREATER CHINA LAWYERS

HONG KONG | BEIJING

## NEWSLETTER

issue 2, March 2015

羊



## HAPPY CHINESE NEW YEAR

MAY THE YEAR OF GOAT  
bring you and your family health & happiness

### Hong Kong Office

57/F, Cheung Kong Center  
2 Queen's Road Central, Hong Kong

T : (852) 2522 9183  
F : (852) 2845 9205

E : vivchan@vcclawservices.com

### Beijing Office

Suite 508, Beijing Tower, 10 East Changan Street  
Beijing 100006, China

T : (8610) 6522 7072  
F : (8610) 6522 6967

E : beijing@vcclawservices.com

[www.vcclawservices.com](http://www.vcclawservices.com)

© Vivien Chan & Co., 2015. All Rights Reserved.



by Irene Liu PRC TRADEMARK ATTORNEY  
& Fandy Ip ASSOCIATE

## E-commerce Platforms: Pointers on Enforcement and Update on Alibaba's Takedown Policy Effective 1 April 2015

How to combat counterfeits on e-commerce platforms in China is a must-know for all IPR owners, since counterfeits sold via such e-commerce platforms can find their way through end buyers located in any country in the world. This article aims to provide a few pointers in enforcing in the e-commerce world and also cast light on the online complaint platform of Alibaba, owner of the most significant e-commerce platforms including Alibaba, Aliexpress, Taobao and Tmall.

### USING THE ONLINE COMPLAINT SYSTEM

Alibaba operates two complaint platforms, which have similar documentary requirements and assessment criteria. The online platform at <http://legal.alibaba.com/> (the "Alibaba Platform") covers alleged infringement activities on [www.alibaba.com](http://www.alibaba.com), [www.aliexpress.com](http://www.aliexpress.com), and [www.1688.com](http://www.1688.com), while the online platform at <http://qinquan.taobao.com> (the "Taobao Platform") covers alleged infringement activities on [www.taobao.com](http://www.taobao.com) and [www.tmall.com](http://www.tmall.com). Up till 2013, more than 36,000 IPR owners have registered for an account with Alibaba's online complaint platforms.

### How to File an Online Complaint

As a prerequisite to filing a complaint, the IPR owner has to submit documentary proof of its intellectual property rights, for example, by providing a trademark registration certificate, patent certificate or copyright certificate, etc. This is an important point to note, as often, the IPR owner does not have such rights evidenced in China. Generally speaking, the platforms require Chinese IPR rights to enforce in China, however, we have found that in certain instances, international IPR will suffice, especially in more internationally focused e-commerce platforms such as the Alibaba Platform. Regardless, it is advisable for clients to obtain IPR in China and have the relevant certificates in docket in case an enforcement action is sought. After Alibaba verifies the documentary proof of the intellectual property rights, the complainant may then rely on such intellectual property rights to file a complaint.

The complainant should specify the alleged infringing links as well as the reason for complaint. As many as 50 links or 300 links can be included in one complaint for the Alibaba or Taobao platforms respectively. The complainant may also provide documents or photos highlighting and comparing the infringing products and the genuine ones.

If Alibaba is satisfied that a preliminary case has been made, it will forward the complaint to the seller to seek their response. If the seller does not respond, Alibaba will impose relevant sanctions, most often deleting the infringing links in question. Otherwise, the seller may file a counter-notification or submit the dispute to Alibaba to make a decision, which would be delivered within a few business days.

This is the most cost-effective and expedient measure for dealing with counterfeits being sold on e-commerce platforms. However, there are occasions whereby the takedown mechanism will not be as effective or sufficient, e.g. for look-alike products, for obtaining further information of the root problem, i.e. the factories where counterfeits are produced, for parallel imports or for products sold out of license etc. In these cases, IPR owners must combine take-downs with additional enforcement activities and strategy.

### Taobao's New Priority Takedowns as of 1st April, 2015

As an attempt to give priority to good faith complainants, the online complaint platform of Taobao is proposing to adopt a "good-faith takedown mechanism". The mechanism is at its trial stage and would be formally implemented on 1st April this year.

The key features of the mechanism is that the history of past enforcement actions of each complainant would be docketed and analyzed by the platform. For complainants that have a good track record, i.e. if they have a success rate of 90% for their past complaints, their complaints would be given higher priority, i.e. to be processed within 1 to 3 working days. For complainants that have a history of bad faith, i.e. those who have been found to provide fake identification documents, or those who have been found to have abused the complaint system, or having a success rate of less than 45% in their past complaints, their complaints would be scrutinized more thoroughly by Taobao.



by Annamae Koo ASSOCIATE

## An Update on Specialized IP courts in China

Specialized courts for IP cases have been established and have been in operation in Beijing, Shanghai and Guangzhou since November and December, 2014. However, it is worth noting that even before the establishment of the IP courts, China has specialized IP tribunals in various levels of courts over the country. This begs the question, what changes do the specialized IP courts bring to the adjudication of IP cases as compared to the previous regime?

### Which Court to Sue?

After the establishment of the IP courts, the intermediate people's courts of Beijing, Shanghai and Guangdong no longer accepts IP-related civil and administrative cases.

The new IP courts now serve as the court of **first instance** for:

1. civil and administrative IP cases involving complex technology such as patents, new plant varieties, integrated circuit layout designs, technology secrets and computer software;
2. administrative review cases against decisions on copyright, trade mark and unfair competition made by government agencies at county level or above; and
3. civil cases involving the recognition of well-known trade marks.

IP-related civil cases aside from those mentioned above would be adjudicated by the basic people's courts.

The Beijing and Shanghai IP court has jurisdiction on cases on complex technology and well-known trademarks across the municipalities of the city while the Guangzhou IP court now has jurisdiction on all such cases throughout the Guangzhou province (except Shenzhen).

The IP Courts serve as the **appellate court** for civil and administrative decisions made by local basic people's courts relating to copyright, trade mark, technical contracts, unfair competition and other intellectual property rights.

The Beijing IP court has **exclusive jurisdiction** over first instance appeals against decisions of the IP administrative authorities such as the Patent Review Board and the Trade Mark Review and Adjudication Board.

**Appeals** of IP court's decision is handled by the higher court of the province or city in which the IP Court is located.

### Judges & Jurisdiction

One of the advantages of having specialized IP courts is to ensure that cases would be adjudicated effectively and efficiently by judges with relevant background and experience. The Beijing IP court has been empowered with respected judges with many years of experience in trying IP cases, including Judge Su Chi, who was the first ever IP judge in China. Further, the IP courts have a wider geographical jurisdiction to include the full municipality or province, the latter in the case of Guangzhou.

It is, however, worth noting that except for the specialized nature of cases, the powers of the IP courts are still in many ways similar to the powers of intermediate courts. Further, the IP courts do not have jurisdiction over criminal cases and there is no appellate IP court.

Appeals from the IP court will still be handled by the higher people's court.

### Cases involving foreign parties

Under the previous regime, first instance cases involving a foreign party or those having a claim for damages above a certain level would be adjudicated by the intermediate people's court instead of the basic people's court in the region.

However, after the establishment of IP courts, the intermediate people's court no longer accepts IP related cases. On the other hand, the IP courts would only act as court of first instance for IP cases involving complex technology and well-known trademarks. This raises the question of whether non-technical IP cases involving foreign parties or substantial damages previously falling within the jurisdiction of the Intermediate People's court may now be adjudicated by the basic people's courts.

The Guangzhou higher people's court has issued a notice indicating that the Guangzhou IP court has jurisdiction over IP civil and administration cases which used to be under the jurisdiction of the Guangdong intermediate people's court. This seems to imply that even non-technical complex IP cases involving foreign parties will now be under the jurisdiction of the Guangzhou IP court. The Beijing and Shanghai IP courts did not issue similar notices or clarify this point.

If cases involving foreign parties can be adjudicated by the IP courts, foreign parties can benefit from more experienced judges and there would be less of a concern for local protectionism. However, it appears that under the current regime, except for the province of Guangdong, the basic people's courts would act as the court of first instance for copyright and trade mark infringement cases *aside from those involving well-known trademarks, regardless of whether a foreign party is involved*. Further guidelines are expected to be forthcoming to clarify this issue.

### Looking forward

The IP courts have already accepted cases and we look forward to seeing whether they live up to the expectations of the profession—i.e. to decide cases showing a consistent application of legal principles and to be more liberal in relation to award of damages and interim orders including preliminary injunction, preservation of property and evidence orders. As more decisions are delivered by IP courts, we would keep you updated of their practices and decisions. Stay tuned!

This shows how Taobao is seeking to keep up their efficiency in their system in creating priority layers for complaints. As Taobao and Tmall grows larger, it will be inevitable that the number of complaints will increase. This policy change will alleviate the strain on their internal resources while ensuring the efficiency of their IPR complaints mechanism.

#### **Sanctions to the Infringer and the Points System**

It is worth noting that in addition to having the infringing link deleted, the online complaint will result in relevant sanctions to the account of the seller in the e-commerce platform. Every seller will be allotted 48 points each year by Alibaba. These points can be deducted however, if rightfully processed complaints are made against them. Depending on the severity of these complaints, up to 12 points will be deducted from the seller for each complaint. If the seller has less than 36 points in any one year, the seller will be blocked in the Alibaba/ Taobao search engine for set number of days. If all the points were deducted, the seller's account will be frozen.

It is however worth noting that if at year end, the seller has more than 24 points, they will be allotted 48 points again the next year. This limitation illustrates the need for multiple complaints to combat counterfeiters, and also the need to deploy other anti-counterfeiting tactics in combination to takedowns.

#### **CLOSER COOPERATION WITH ALIBABA – ABILITY FOR IPR OWNERS TO SIGN MEMORANDUM OF UNDERSTANDING WITH ALIBABA**

Since 2013, Alibaba has begun to work closely with IPR owners to fight against online infringement activities. They have opened up an ability for IPR owners to cooperate more closely with Alibaba, and to provide additional services to IPR owners through the signing of a Memorandum of Understanding. Additional services that Alibaba provides to these selected IPR owners include:-

- i) Test buy (Alibaba will conduct test buy and send the products to the IPR owner's verification);
- ii) Liaison with IPR owners to co-operate joint in anti-counterfeiting operations targeting serious infringers;
- iii) Regular online intellectual property protection conference and webinar.

In general, Alibaba will consider factors like the fame of the brand and the amount of the counterfeits sold on Taobao and Alibaba in deciding whether to enter into the Memorandum of Understanding. Up till 2013, Alibaba has entered into a Memorandum of Understanding with more than 1,000 brands. This is an effective way of engaging Alibaba and also increases the ability of IPR owners to connect more directly for larger enforcement actions with Alibaba.



by Flora Ho PRC PATENT ATTORNEY

## Amendments to Judicial Interpretation Applicable to Patent Dispute Cases

On 29 January 2015, the Supreme People's Court announced the "Decision about Amendments to Several Provisions of the Supreme People's Court on Issues Relating to Application of Law to Adjudication of Cases of Patent Disputes (hereinafter referred to the "Amendments") which has come into effect on 1 February 2015.

The Amendments unify the previous judicial interpretation issued in 2001 and the stance expressed in the revision of the Patent Laws in 2008, and provide clarifications on determination of the scope of protection of patent right, calculation of the amount of compensation and submission of search/patent evaluation report in patent disputes.

### 1. Determination of scope of protection of patent right

Under the Amendments, in determining the scope of the protection of patent rights in infringement cases, all technical features as stated in the claims should be examined. This means that when determining whether an alleged infringing product infringed upon the claimed invention, the court should consider and examine if the alleged infringing product included all features of the claimed invention as stated in the claims.

Accordingly, there is no longer a need for the court to ascertain what the essential technical features of a claimed invention are in determining patent infringement case. The exercise to determine the scope of protection of patent right will become more straight forward. However, from the perspective of a plaintiff, it may be said that it is now facing a higher burden to establish infringement as they will have to prove that the infringing product comprises all technical features (instead of simply the essential technical features).

In applying the doctrine of equivalents, the equivalent features of the claim concerned refer to features which can be associated by an ordinarily skilled person in the art to the claimed feature without inventive activities at a relevant time. The Amendments now explicitly provide that the relevant time is at the time when the patent infringement acts happen. This serves to unify the practices as may be adopted by different judges and reduce the controversy arose from arguing the relevant time in an infringement case.

### 2. Determination of amount of compensation

As for compensation in patent infringement case, the Amendments no longer offer the right owner an option to choose if the compensation should be determined based on the actual loss of the right owner or the gains of the infringer. Instead, it is now provided that the Court will first consider the actual loss suffered by the right

owner due to the infringement in deciding the compensation to be awarded. Only in cases where it is difficult to ascertain the actual loss of the right owner will the Court consider the gains obtained by the infringer in determining the compensation.

On the other hand, a wider discretion has been given to the Court in determining the compensation when it is difficult to ascertain both the actual loss suffered by the right owners and the profits obtained by the infringer. The Court may now adopt a figure equivalent to a multiple of the licensing fees in deciding the reasonable amount of compensation, and the previous restriction to determine the same based on 1-3 times of the patent licensing fees has been removed. It is expected that the Court is now equipped with a wider discretion to award a larger compensation.

In addition, the plaintiff may now recover expenses incurred during investigation and/or stopping the infringement on top of the statutory compensation limit, as the same will now be separately awarded instead of forming part of the statutory compensation. The Amendments tend to increase the possible monetary award that a plaintiff may receive in patent infringement case.

### 3. Submission of search/patent evaluation report

Finally, for actions against an infringement of patent right for utility model/design patent, the Amendments provide the possibility of shortening the time required for an infringement suit. It is no longer mandatory for plaintiff to provide a search report or patent right evaluation report in order to file a law suit for utility model/design patent, while the Court reserves the discretion to order provision of the same by the plaintiff when it considers necessary. This amendment simplifies the preparation works of right owners in commencing legal action and it is expected that the time taken to conclude this type of cases could be shortened.

## Fee Revisions on Hong Kong Trademark and Design Applications and Registrations to be effective on 30 March 2015

Based on the costing exercises conducted by the Intellectual Property Department to review the costs and the fees of services provided by its various registries and in line with the “user pays” principle, the Hong Kong Special Administrative Region Government proposes fee revisions to achieve full cost recovery for the Trade Marks Registry and Designs Registry which will come into operation on 30 March 2015.

### FEE REVISIONS ON TRADEMARK APPLICATIONS AND REGISTRATIONS

Several fees in relation to trade mark applications and registrations will be amended as follows:

Matter or proceeding	Amount before revision (HKD)	Amount after revision (HKD)
Application for registration of trade mark		
- For first class of goods or services	1300	2000
- For each additional class of goods or services	650	1000
Amendment of application		
- For each class of goods or services added to the specification	650	1000
Application for registration of a series of trade marks		
- For first class of goods or services		2000
- For each additional class of goods or services		1000
Application for registration of a trade mark as a defensive trade mark		
- For first class of goods or services	1500	2300
- For each additional class of goods or services	750	1150
Renewal of trade mark registration		
- For first class of goods or services	3000	2670
- For each additional class of goods or services	1500	1340
Request for search of records		
- For first class of goods or services	200	400
- For each additional class of goods or services	200	200

### FEE REVISIONS ON DESIGN APPLICATIONS AND REGISTRATIONS

Unlike trade mark applications, the application fee for registered design in Hong Kong remains unchanged. The renewal fees, however, will have a decrease as follows:

Matter or Proceeding	Amount before revision (HKD)	Amount after revision (HKD)
For 1st 5-year extension	1230	790
For 2nd 5-year extension	1860	1200
For 3rd 5-year extension	2740	1760
For 4th 5-year extension	4170	2690