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IP UPDATE



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2016-2017 QBPC Top Cases in IP Protection

The Quality Brands Protection Committee (QBPC) announced its selected Top Cases in IP Protection and Model Cases Harmonizing Administrative and Judicial IP Enforcement for 2016 to 2017 earlier this year.

QBPC is a 17-year-old committee with around 200 members comprising foreign brands from around the world. QBPC is a member-driven industry organization focusing on improving IPR legal framework and enforcement. It selected top cases in IP protection annually. For 2016-2017, 12 criminal cases in IP protection, 11 non-criminal cases in IP protection and 5 model cases harmonizing administrative and judicial IP enforcement are selected. This article discusses some selected cases under the criminal and non-criminal categories.

CRIMINAL CASES

Taking down the whole counterfeit supply chain from online to offline

With the fast development of e-commerce sites, it creates a convenient platform for counterfeiters to distribute their products. For the counterfeits sold through the internet, it is usually difficult to trace and take down the source. This poses significant threat to consumer safety and cause significant damage to IP owners. The selected cases demonstrate successful stories of brand owners working with the authorities to take down the whole counterfeit supply chain.

Brand owners may take actions to take down links of counterfeits on e-commerce site or even force a closure of

the infringing online shops. However, it is quite usual that they may find other similar counterfeiting links re-appearing again.

In one of the selected cases, instead of simply removing the links, Philips carried out thorough investigations on the counterfeiting links selling the counterfeit Philips Breast Pump Products to track the major sellers, and finally managed to traced the wholesalers and manufacturers located across different provinces. Through the coordinated investigative and enforcement actions of the PSB of five different regions, the whole supply chain was effectively uprooted.

Stricter Test against the No Knowledge Defense

In another selected case involving sales of counterfeit New Balance and Converse sport shoes, the Defendants were accused of "knowingly selling merchandise under a faked trademark with a relatively large sales volume". The defendants raised a defense that they did not do so knowingly, claiming that they believed the goods supplied by the manufacturers were genuine. Such defense was rejected by the Court.

The Court interpreted "knowledge" to include "actual knowledge" and "constructive knowledge". When there is insufficient evidence to prove actual knowledge, constructive knowledge can still be imputed if an honest and reasonable person ought to know so. In this case, the Court held that the defendants ought to know the sports shoes were counterfeits and they had a duty to obtain the authorization from the IP right holders to sell the sport shoes. Further, given the prevalence of counterfeits of those brands, they owed a duty to conduct due diligence to ascertain if the shoes were genuine.

Heavy Penalty & Cooperation from Brand owners

The selected cases also show that the Court is prepared to impose severe penalties on the counterfeiters who manufactured and sold the counterfeited products. For counterfeiting involving food, medicine or other products which relate to the national economy and people's livelihood, the cases show that the defendants can be sentenced more than 10 years imprisonment and other fine penalty of several millions RMB.

In deciding the penalties, the monetary amount involved in the crime is often a core factor to be taken into account and this is where the IP owners may play a key role. The brand owners can assist in verifying if the products are counterfeits and providing information to ascertain the product prices. The IP owners may also appear in court to support the public prosecution.

NON-CRIMINAL CASES

The Fight against Malicious Registration

Malicious registration and use of similar or identical marks by infringers is another common problem faced by the brand owners in China. The use of the similar marks cause confusion to the market and damage the rights and interest of the

brand owners. However, because of the ownership of the registrations by the infringers, the brand owners usually find it difficult to enforce their rights. There is also an increasing trend for the infringers to rely on their registrations to actively enforce their rights against the brand owners.

In one of the selected cases, Santak Electronic (Shenzhen) Co. Ltd. ("Santak") demonstrated the importance of right owners to actively participate in the relevant administrative proceedings to secure its victory.

Santak is a manufacturer specialized in uninterrupted power supply (UPS) development. Santak discovered that there is another company, Guangzhou Santakups Technology Co., Ltd. ("Santakups"), which registered "Santakups" mark and used it in connection with the UPS. When using its mark, Santakups highlighted "Santak" through showing "ups" in different colour. Santak therefore filed an administrative complaint against Santakups and succeeded.

Santakups then filed administrative proceedings against the local AIC and joined Santak as a third party. Although it is a third party only, Santak actively participated in the proceedings. With its knowledge on the brand and the product features, Santak adduced evidence which could not have been secured by the local AIC in defending the case, and secured a final victory.

The Fight against Scattered and Small Infringers

Brand owners may often encounter the difficult decision of whether to expend resources to pursue against small scale infringers. One of the selected cases may provide insight on how to deal with situation. In the case of MCM vs Hongqiao Market Management, the Court ruled that the operator was obliged to actively restrain infringement activities in the shopping center under their management. By failing to respond to the pre-action notice issued by the Plaintiff and to effectively discharge their duty of managing the rightful operation of the shops, it was held that the operator created convenient opportunities for the infringement activities and directly caused the loss suffered by the brand owner.

Takeaways

The selected cases demonstrate the recent trend of IP rights infringement in China, and how the authorities and the Court work with the brand owners to deal with the same. The cases provide useful references for brand owners in formulating their strategy to deal with infringement issues in China.