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Lifang & Partners News

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Xie Guanbin, Senior Partner, Appointed as a Legal Expert for the Beijing Government Communist Party Committee

Xie Guanbin, Senior Partner, was appointed as a Legal Expert for the Beijing Government Communist Party Committee. An appointment ceremony was held on the afternoon of 4th September 2018.

In his role as Legal Expert, Mr Xie will be assisting the Committee to conduct their work in accordance with the law. The rule of law is an increasingly important thing in China and this can be observed by the increasingly important role of legal experts, such as Mr Xie, to support the work of public bodies.

Xie Guanbin Director/Senior Partner

Mr Xie's major practice areas include intellectual property disputes, antitrust and competition law. He acts as legal counsel for hi-tech and venture capital companies, regarding finance and insurance related issues. He has gained a high reputation in these areas with his solid academic back-

Lifang & Partners serves a wide range of high profile multinational clients and provides professional legal services in the areas of IP, corporate and commercial law, antitrust and competition law, and dispute resolution. Lifang & Partners can meet all your legal needs in China.

Lifang & Partners Represented China State Construction Engineering Corporation to Request the Recognition of Well-known Trademarks

Recently, Lifang & Partners successfully represented China State Construction Engineering Corporation (CSCEC) by winning an infringement and unfair competition dispute involving 2 trademarks. During the disputes, Beijing IP Court recognized that trademarks Nos. 895891 and 5640152 are well-known trademarks and granted damages as requested.

CSCEC is currently 23rd on the Fortune Global 500 and the largest construction on the Fortune Global 500. It has a good reputation and influence in the fields of domestic and overseas construction projects. It is also the frequent target of free-riders trying to pass themselves off as CSCEC subsidiaries or affiliates.

After discovering that their trademark was being infringed, CSCEC chose Lifang & Partners. After analyzing and evaluating matters, we made a litigation plan and conducted detailed investigations into the

defendant while collecting evidence of brand history, use, awards, income, profits, taxes and media propagation to provide solid evidence for litigation purposes.

This case includes several ex parte hearings, evidence exchanges and hearings. In its judgment, the Beijing IP Court recognized the 2 trademarks as well-known trademarks, granted an injunction against the infringer, ordered the infringer to change its name, and awarded damages as requested.

The legal points that led to our victory include the court recognizing the trademarks as well-known trademarks that were in use before the defendant company registered its name and the necessity of recognizing the well-known trademarks in this instance.

In China, the principle of recognizing well-known trademarks is “recognition in light of needs” and standards are becoming higher and higher, which makes recognizing well-known trademarks more and more difficult.

Lifang & Partners overcame many difficulties in this matter, demonstrated the reputation of the trademarks involved using various techniques and submitted opinions on the necessity of recognizing well-known trademarks in this case. Through our efforts, trademark nos. 895891 and 5640152, were successfully recognized as well-known trademarks, leading to the cessation of infringement and unfair competition, along with damages.

Lifang & Partners successfully provided high quality, professional legal services to one of the world’s leading companies. Perhaps we can assist you.



Lifang & Partners' View The New E-commerce Law: Handling Malicious Trade-mark Infringement Notices

Written By Ms. Zhang Bin, Senior Partner and Ms. Chen Qiuru, Paralegal of IP Department

The E-commerce Law of the People's Republic of China ("E-Commerce Law") was passed by the Fifth Session of the Standing Committee of the 13th National People's Congress on 31st August 2018. Article 42 of the E-commerce law obliges E-commerce platforms to respond promptly to infringement notices by taking down infringing goods or services from their platforms. Failure to comply will result in joint and several liabilities with infringing business operators.

However, where a takedown notice is wrongfully or maliciously made and causes serious losses to a business operator, the issuer of that notice shall bear double compensation civil liabilities. This mechanism for dealing with wrongful or malicious takedown notices helps prevent a chilling effect from distorting the market.

Article 42 in its draft and final forms can be seen below:

1 st Draft	2 nd and 3 rd Drafts	Final Form
Paragraph 1, Article 54	Articles 36 and 41, respectively	Article 42
Upon being notified by an intellectual property right holder that their intellectual property is being infringed, the platform operator shall forward the notification to the business operators using the platform and adopt the requisite measures. Where a notification mistake causes the business operator using the platform to suffer damages, the intellectual property right holder shall bear civil liability.	<p>An intellectual property right holder asserting that their intellectual property is being infringed upon shall have the right to notify the platform operator to adopt measures such as deleting, shielding or removing the hyperlink, terminating transactions and services etc. The notification shall include preliminary evidence of infringement.</p> <p>Upon being notified, the platform operator shall promptly adopt the requisite measures and shall forward the notification to the business operators using the platform; where the platform operator fails to adopt the requisite measures promptly, it shall bear joint and several liabilities with the business operator using the platform for the escalated portion of the damages. Where a notification mistake causes the business operator using the platform to suffer damages, the intellectual property right holder shall bear civil liability.</p>	<p>An intellectual property right holder asserting that their intellectual property is being infringed upon shall have the right to notify the platform operator to adopt measures such as deleting, shielding or removing the hyperlink, terminating transactions and services etc. The notification shall include preliminary evidence of infringement.</p> <p>Upon being notified, the platform operator shall promptly adopt the requisite measures and shall forward the notification to the business operators using the platform; where the platform operator fails to adopt the requisite measures promptly, it shall bear joint and several liabilities with the business operator using the platform for the escalated portion of the damages.</p> <p>Where a notification mistake causes the business operator using the platform to suffer damages, the intellectual property right holder shall bear civil liability pursuant to the law. Where the notification mistake is made maliciously and the business operator using the platform suffers damages as a result thereto, the intellectual property right holder shall bear double compensation liability.</p>

Malicious notification is where a notifier has no justification for issuing an infringement notice and they seek unjustified interests by damaging the interests of others. Malicious notifiers disrupt the normal business activities of business operators along with the normal competition order within the markets of e-commerce platforms. The problem of malicious notifications is inconducive to the development of e-commerce credit systems.

In 2016, Alibaba found 5862 accounts on their platform which they suspected of belonging to malicious notifiers, and they received malicious takedown notices against almost 1.03 million business operators and 6 million products and services. The damage to business operators by these malicious actions was estimated to be over RMB100 million. Most of those notices involved accusations of trademark infringement.

Types of Malicious Notification

Notification is malicious if it is made with malicious intent. Malicious notifications are a distinct legal concept from maliciously registered trademarks though both often exist in a single situation.

If an intellectual property owner has a registered but malicious trademark, they might engage in 3 types of malicious notification. The first is where a notification is made after a malicious trademark registration, the second, after registering a trademark lacking distinctiveness, and the third, to squeeze out competitors.

1. Notification after a malicious trademark registration.

This is where a malicious right holder deliberately registers a prior user's unregistered trademark and subsequently notifies a relevant platform operator that the business operator is committing trademark infringement. The malicious right holder may also seek unjustified gains by selling or licensing those trademarks.

Notable case: Bayer - determination of non-infringement and unfair competition.

Li registered a trademark for sunscreen and other related products in 2015. After, he sent a takedown notice to Taobao that Bayer was infringing his trademark rights, which led to Bayer no longer being able to sell their sunscreen and other related products. In fact, Bayer had been using a design identical or similar to the trademark on their sunscreen products since 2011. Besides sending the notice to Taobao, Li tried to sell the trademark to Bayer for a high price. Eventually, the matter was litigated and a court determined that Li had committed unfair competition by maliciously registering the trademark and sending the takedown notice. Bayer was awarded RMB0.7 million by the Court based on Li's proposed sales price.

2. Notification after registering a trademark lacking distinctiveness.

The malicious right holder registered some generic or descriptive words as trademarks. It then notified the platform operator that some business operators were infringing its trademark rights because the business operators used those generic or descriptive words to market their products. However, the business operators' use of those words was purely descriptive. Accordingly, there was no trademark infringement.

Notable case: The notification on "ripped".

The trademark "ripped" (No. 11359308) was registered for clothing. The right holder has exhibited a certain pattern of malicious behaviours and owns other trademarks lacking distinctiveness such as clear, beggar, envelope, motorbike and others. After registration, the malicious right holder notified Taobao of 15,000 business operators who sold ripped jeans. Around that time, there were more than 2.14 million such products on Taobao but the notifications were aimed at only 110,000 products. The affected business operators collectively suffered millions of RMB in losses because of the said malicious behaviour.

3. Notifications to squeeze out competitors.

The similarity between the two types of malicious trademark infringement notices discussed above is that in those situations malicious right holders obtain trademark rights that they never intend to use before issuing takedown notices. However, some malicious right holders register trademarks intended for use and use these marks to squeeze their competitors from the market. In such circumstances, the issuance of a takedown notice is often triggered by a competitors' price is lower than the malicious right holders. Sometimes, upcoming consumer events will also trigger takedown notices. Once a triggering event has occurred, the malicious right holder will submit an appraisal report to the platform operator to show that these competing business operators sell fake products.

Notable case: Xie Yucheng v. Uni-Trend.

Xie Yucheng, the plaintiff, opened three shops on Taobao. Uni-Trend, the defendant and the registered trademark owner, notified Taobao that Xie sold fakes and infringed its trademark rights. As a result, Taobao immediately blocked the three shops, deleted relevant products, restricted marketing activities, prevented Xie sending messages on the platform and opening new shops, forbade participation in sales events, and took other measures. Xie suffered heavy losses. Ultimately, he proved that all his goods were genuine, and their sources were legal. Uni-Trend issued the takedown notice because Xie did not sell these goods at a price that they liked. The matter was litigated and the court ruled that Uni-Trend had mistakenly issued a takedown notice that led to Xie to suffer losses. Accordingly, Uni-Trend was held liable for their mistake and ordered to pay RMB20,000 in compensation to Xie.

Why Malicious Notifications Occur More in E-Commerce

1. High standards of making complaints to administrative authorities.

Malicious notifications are made to e-commerce platforms more often than to administrative authorities. This is because complaints to administrative authorities require more evidence than complaints to e-commerce platforms. Administrative authorities will conduct on-site investigations to check the veracity of a complaint. Administrative authorities treat respondents as innocent until proven guilty and only issue punishments once relevant facts have been ascertained.

2. Low standards of review within e-commerce platforms.

According to Paragraph 2, Article 36 of the Tort Law and Article 42 of the E-Commerce Law, after receiving a takedown notification, platform operators shall promptly adopt requisite measures such as deleting, shielding or removing hyperlinks, terminating transactions and services. Where a platform operator fails to adopt the requisite measures promptly, it must bear joint and several liabilities with the accused infringer for any escalation in damages. Almost all platform operators will adopt the requisite measures to avoid liability, and as a result, they accept most notifications as true.

3. E-commerce platforms act fast.

In accordance with Annual Intellectual Property Protection Report by Alibaba in 2017, Alibaba took appropriate measures within 24 hours for 95% of notifications. The shortest period in which action was taken was 1 hour, 20 minutes and 15 seconds. The administrative authorities do not work as quickly. Moreover, e-commerce platforms delete relevant information completely with the effect that accused business operators cannot sell their products. While this is good news for legitimate registered trademark owners, it has the negative effect of encouraging malicious notifications because e-commerce platforms stop trade so effectively.

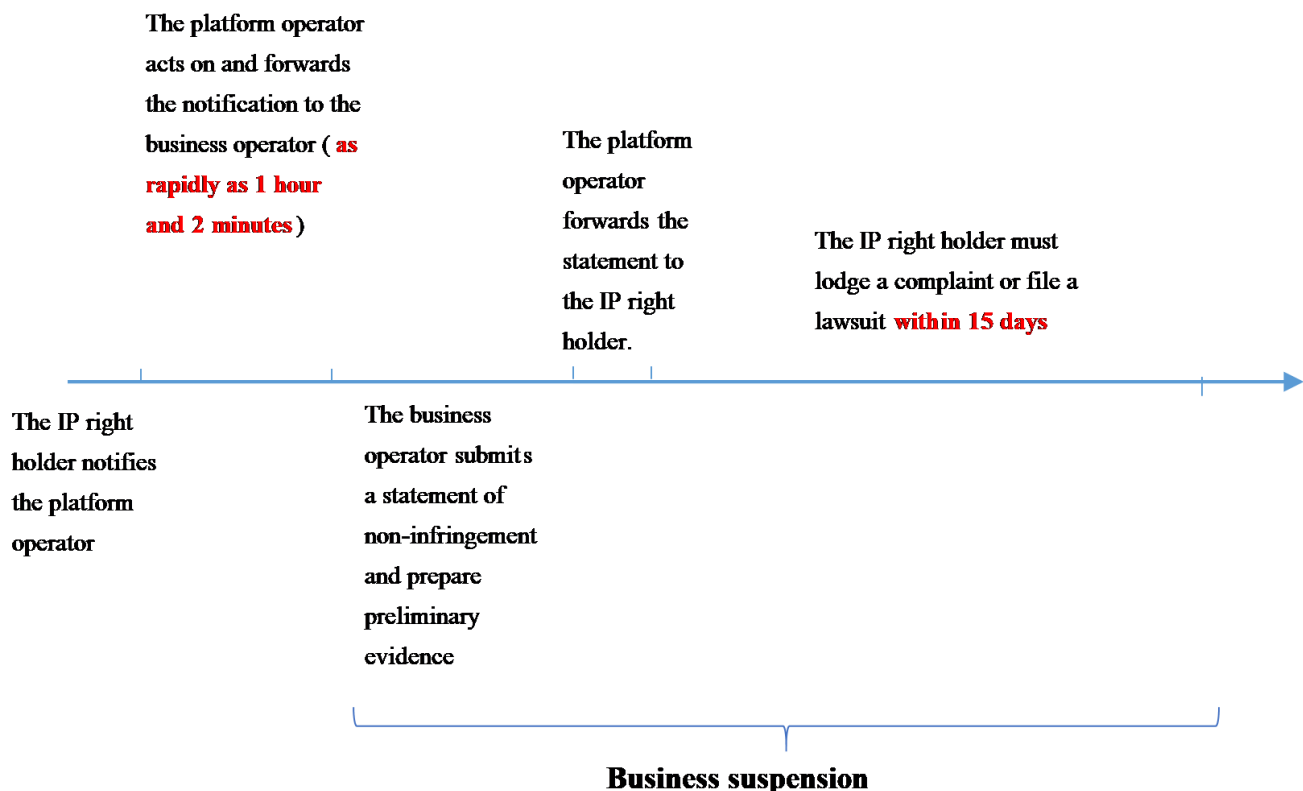
How to React to Malicious Trademark Infringement Notifications

The business operators should use Law against Unfair Competition and E-Commerce Law to protect their legal rights. Business operators should have contingency plans for malicious trademark infringement notifications. Additionally, they should also be prepared to go on the offensive, both to recover losses and because the best defence is a good offence.

Prepare your defence.

1. Prepare non-infringement evidence in advance.

According to Articles 42 and 43 of the E-Commerce Law, upon being notified, the platform operator shall review the preliminary evidence of infringement. Once a notification is received with preliminary evidence, the platform operator shall promptly adopt requisite measures to stop the business operator selling relevant products. In such circumstances, the accused business operator can submit a statement of non-infringement to the platform operator with preliminary evidence. The platform operator shall forward that statement to the accuser. If within 15 days of the receiving the statement of non-infringement, the accuser has not lodged an administrative complaint or filed a lawsuit, the business operator can resume business.



It can be observed from the diagram that even if the malicious right holder does not lodge a complaint or file a lawsuit, business operators will be suspended from business for at least 15 days. If this occurs during a public holiday or major sales event, business operators may suffer major losses.

If the business operators want to mitigate their losses, they should prepare statements of non-infringement and preliminary evidence in advance. In this way, losses can be minimised. Preliminary evidence should include the ID of business operators, trademark certificates, license agreements and anything else of relevance. If the business operator is an authorised dealer, preliminary evidence should also include authorized certificates.

2. File a lawsuit for determination of non-infringement.

If the business operator has prior rights to the registered trademark or the registered trademark is not for actual use, the business operator may file a lawsuit for a declaration of non-infringement.

There are no specific laws on the requirements for obtaining a declaration of non-infringement.

Relevant provisions of the *Interpretations of the Supreme People's Court Concerning Certain Issues on the Application of Law for the Trial of Cases on Disputes over Infringement on Patent Rights* are often followed in practice. The criteria for filing such a lawsuit includes:

- 1) The right holder has given a warning to others regarding the infringement upon their trademark rights.
- 2) The warned or interested party gives a written notice.
- 3) The right holder neither withdraws the warning nor files a lawsuit within one month after receiving such written notice or within two months after the written notice has been given.

Infringement warnings are not limited to warning letters or lawyer's letters. In accordance with the Bayer case (see above), a takedown notification to a platform operator is also considered an infringement warning. Business operators can obtain identification information for the registered right holders after a takedown notice is received and can, if prepared, respond immediately.

By filing a lawsuit for a declaration of non-infringement, the business operator can avoid future malicious takedown notices. The business operator can also use the opportunity to prove the legality of their products, which will help to substantiate any claims for compensation that they may make.

Counterattack.

Submitting non-infringement evidence to an e-commerce platform, seeking a declaration of non-infringement or both will not enable a business operator to obtain compensation. Moreover, malicious right holders are rarely pursued in practice because, until the E-commerce Law is effective, there is a lack of clear legislation in this area. If compensation is pursued, business operators will usually base their claims on the Tort Law or Anti-Unfair Competition Law. Unfortunately, even if business operators succeed in their claims, compensation awards are presently rather low.

Conclusion

Article 42 of the E-commerce Law is a major step toward balancing the rights and responsibilities of those seeking to protect their IP and those being accused of infringement. Business operators who receive malicious notifications will soon be able to protect their legal rights and recover their losses. They can do this by keeping evidence to show that they have not committed infringement ready at all times and using that evidence to request double compensation.



Zhang Bin

Senior Partner

Ms Zhang has extensive experience in handling matters relating to trademarks, copyright, patents, unfair competition, trade secrets, domain names, technology contracts, corporate intellectual property arrangements, finance and insurance law, civil and commercial litigation, and arbitration. She has experience working with the scientific, cultural and creative industries.

IMPORTANT INFORMATION

This Newsletter has been prepared for clients and professional associates of Lifang & Partners. Whilst every effort has been made to ensure accuracy, no responsibility can be accepted for errors and omissions, however caused. The information contained in this publication should not be relied on as legal advice and should not be regarded as a substitute for detailed advice in individual cases.

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