A New Perspective on How to Combat Trademark Piracy ——Filing Civil Action

Featured Article

Introduction

How to combat trademark piracy has always been a key issue in improving the PRC trademark system. While according to the PRC's current trademark laws and regulations, brand owners can file trademark oppositions, trademark invalidations, or trademark cancellations to remove most of the piracy marks, many questions remain. For example, the costs paid by the trademark pirates (only including agency fees and official fees) are relatively low, and the most unfavorable result for trademark pirates is that the piracy marks will be canceled, refused for registration, or invalid. But if successful, trademark pirates will be able to obtain a high amount of illegal profits through trademark assignment or trademark license. In contrast, brand owners have to pay significant costs to protect their own rights (including notarized fees, attorney fees, litigation fees, etc.). As such, the costs for brand owners are substantially higher than the same of trademark pirates. Although the PRC authorities at all levels have taken effective measures to tackle the problems of trademark piracy, trademark piracy is still active in China and has resulted in the interference with the ordinary business operation of brand owners.

It is worth noting that several PRC local courts issued judgments, in which the courts held that brand owners can file civil actions against trademark piracy to claim damages. The precedents are milestones for the PRC courts on how to combat trademark piracy. They also provide brand owners a new perspective for their battles against trademark piracy, and it is a strong message delivered by the PRC courts regarding their determination on resolving trademark piracy. In particular, when the PRC National Intellectual Property Administration responded to the proposal of the members of the CPPCC National Committee on September 13, 2022, it clearly replied that "the civil action against trademark piracy" will be included in the new round of revision of *the PRC Trademark Law*. Based on the precedents, we will discuss the specific issues on applications of the civil action against piracy marks, so that brand owners can better initiate similar civil actions to safeguard their legitimate rights and interests.

Precedents to Support Civil Action against Trademark Piracy

Details of the two precedents follow below.

1. Emerson Electric v. Xiamen Anjier

Electric Co. ("Emerson") is the owner of "In-Sink-Erator" trademarks which were approved for registration on goods in Class 7 "Food Waste Disposer" and Class 11 "Water Purification Device". In-Sink-Erator trademarks had enjoyed a certain degree of fame in China as early as 2010 through Emerson's continuous and extensive use in commerce.

Starting from December 2010, Xiamen Anjier Water Angel Drinking Water Equipment Co., Ltd. ("Xiamen Anjier") filed to register trademarks that

were identical to the In-Sink-Erator trademarks on goods and services that were closely associated with those offered by Emerson in several classes.

Up to March 2020, Xiamen Anjier and Xiamen Hai Na Bai Chuan Network Technologies Co., Ltd. ("Xiamen HNBC"), which was registered by the legal representative of Xiamen Anjier – Wang Yiping –, had filed 48 trademarks that were identical or similar with the In-Sink-Erator Trademarks in 14 classes.

Emerson had to file oppositions, opposition appeals and even court appeals against decisions on opposition appeals to defeat these bad-faith filings, but Xiamen Anjier has not stopped its behaviors. Emerson then sued Xiamen Anjier, Xiamen HNBC, Wang Yiping, and Xiamen Xingjun for unfair competition with Xiamen Intermediate People's Court ("Xiamen Court") to claim damages.

The Xiamen Court ruled that the In-Sink-Erator Trademarks had already had a certain influence in the field of food waste disposers and water purification devices as early as 2005. Xiamen Anjier and Xiamen HNBC failed to provide a reasonable explanation for their intention for these filings and their "source" of the design related to register identical or similar trademarks on different classes, which obviously exceeded their needs in normal business operation. Xiamen Anjier's piracy forced Emerson to file oppositions, invalidations, administrative court appeals, and finally civil lawsuits to safeguard its legitimate rights and interests, which to a certain extent interfered with the normal business operation of Emerson.

Accordingly, the Xiamen Court rendered its first-instance judgment, finding that the defendant's trademark piracy violated Article 2 of *the PRC Anti-Unfair Competition Law*. The court issued an injunctive order against all the four defendants, forbidding them to file to register any trademarks that are identical or similar to the In-Sink-Erator Trademarks, granted an award of damages CNY 1.6 million to compensate Emerson for the losses of attorney fees and reasonable expenses incurred by stopping trademarks piracy and issued an order to the defendants to make a statement on a national-wide media to eliminate negative effects. Xiamen Anjier refused to accept the first-instance judgment and lodged an appeal. The Fujian High People's Court rejected the appeals filed by the defendants and sustained the first-instance judgment.

2. Bayer v. Li

Bayer Consumer Care Holding Co., Ltd. ("Bayer") is the manufacturer of "Coppertone" branded sunscreens products. "Coppertone" branded sunscreens products had enjoyed a high degree of fame in the world through Bayer's long-term and continuous advertising and promotion.

In 2017, Bayer, as the copyright owner, filed copyright registrations with the PRC State Copyright Administration for its packing designs "  " and "  " which were designed in 2011.

An individual Li is the owner of the figurative trademarks "  "(No. 16886091) and "  "(No. 16890535) covering goods in Class 3 "sunscreens". Once the said trademarks were approved for registration, Li repeatedly filed online complaints against Bayer with the Taobao platform, claiming that Bayer's use of the designs of Coppertone sunscreen products infringed his trademark rights, resulting in that a large number of Bayer's sunscreen products were removed by Taobao.

Li ever sent a C&D letter to Bayer, requesting Bayer to acquire his registered trademarks at a high price. Bayer then filed a civil action with Zhejiang Hangzhou Yuhang Court ("Yuhang Court"), requesting the court to order Li to cease committing unfair competition acts, such as malicious complaints and malicious warning against "Coppertone" branded sunscreen product, and compensate it for economic losses and reasonable expenses.

The Yuhang Court ruled that Li was fully aware that Bayer enjoyed the prior right of these patterns and had used them on its products, but still applied to register the main identifying part of the said designs as trademarks and lodged malicious complaints against the products by virtue of such maliciously registered trademark to

seek benefits. Li's way of obtaining profits was not based on honesty, but on seizing others' prior achievements and accumulated goodwill, which was a typical act of making profits without sowing. As such, Li's acts violated the principle of good faith and disrupts the fair competition order of the market. Accordingly, the Yuhang Court rendered its first-instance judgment, finding that the defendant's trademark piracy violated Article 2 of *the PRC Anti-Unfair Competition Law*. Li filed an appeal but withdrew the appeal because he failed to pay the court's official fees.

Analysis of Specific Issues in Civil Action against Trademark Piracy

In the aforesaid judicial cases, the PRC courts all applied Article 2 (principle article) of *the PRC Anti Unfair Competition Law* to regulate trademark piracy. Based on *the Provisions of the Supreme People's Court's Interpretation on Several Issues Concerning the Application of the PRC Anti Unfair Competition Law*, other relevant regulations and judicial practice, the following two criteria need to be met: 1. The legitimate rights and interests of operators are actually damaged due to competition acts; 2. The competition acts violate the principle of good faith and business ethics.

1. The legitimate rights and interests of brands are actually damaged due to trademark piracy

We classify the acts of trademark piracy into three categories:

1) Trademark pirates register the trademark which has been used but not registered by brand owners on the identical commodities.

2) Trademark pirates register the trademark or well-known trademark which has already been registered on the identical or non-identical commodities.

3) Trademark pirates register others' legal rights as a trademark.

Trademark piracy will not only undoubtedly restrict brand owners to apply and use the trademark but also force brand owners to file oppositions, invalidations, administrative court appeals, and finally civil lawsuits to safeguard its legitimate rights and interests, which to a certain extent interfered with the normal business operation of brand owners.

It is worth noting that in the case Emerson Electric v. Xiamen Anjier, the trademark pirate did not substantially use the pirate trademarks, however, the Xiamen Court still applied Article 2 of *the PRC Anti Unfair Competition Law* to forbid its acts. The reason is that the legislative purpose of *the PRC Anti Unfair Competition Law* is to maintain the market order of fair competition. The understanding of business operations and activities should not be confined to the actual acts of production and business activities. Operators who disrupt the market competition order and interfere with business operations and activities of other operators should also be regulated by Article 2 of *the PRC Anti Unfair Competition Law*. Trademark piracy interferes with the normal business operation of brand owners, so it should be evaluated as an independent act of unfair competition.

In the meanwhile, Article 2 of *the PRC Anti Unfair Competition Law* is supplemental to the competition law and different legal interests will be comprehensively considered when it is applied. Therefore, when discussing the harm caused by trademark piracy, we suggest brand owner can also conduct a comprehensive demonstration from multi-dimensional perspectives, including the destruction of the legitimate rights and interests of consumers, the order of trademark application, and the waste of public resources.

2. Trademark piracy is illegal for violating the principle of good faith and business ethics

Based on the previous judicial cases, we sort out the following factors that need to be considered when determining the illegitimacy of trademark piracy:

1) Quantity and classification of pirated trademarks.

2) Degree of similarity between pirated trademarks and prior trademarks.

3) The distinctiveness and popularity of prior trademarks.

4) Whether there are reasonable sources and explanations for pirated trademarks.

5) Whether trademark pirates are aware of the PRC trademark system.

6) Other trademarks pirated by trademark pirates.

7) Rejection of pirated trademarks.

8) Whether trademark piracy disrupts the order of fair competition, interferes with normal business operation of other business owners, and damages legitimate interests of consumers.

The court will not only review the number of pirated trademarks, but also investigate subjective malicious violation of the principle of good faith and other factors. Therefore, brand owners should provide a comprehensive analysis based on the consider the above factors.

3. Analysis of Actionable Reasons of Trademark Piracy

In addition to the above issues, the problem to be solved in such cases is whether trademark piracy is actionable. Article 3 of *the PRC Civil Procedure Law* clearly stipulates that "The provisions of this Law shall apply to civil actions brought between citizens, legal entities, other organizations for property and personal relations." A civil lawsuit for recovery of attorney fees against trademark piracy is a lawsuit for civil liability arising from property relations as the result of trademark piracy, and can be adjudicated in a civil court. Furthermore, the trial of such civil disputes does not interfere with administrative authority over managing trademarks registration system, and civil liability to be borne does not conflict with administrative or criminal liability to be borne by trademark pirates.

It should also be noted that under the Chinese legal system, civil litigation can also be filed against company name registration and domain name registration. Therefore, civil litigation against trademark piracy will not conflict with the current legal system.

Based on the above reasons, we believe that brand owners have legal basis to file civil actions against trademark piracy.

Conclusion

The precedents give brand owners a new perspective for their battles against trademark piracy. It is noteworthy that although both the Xiamen Court and the Yuhang Court have made exploration on the civil action against trademark piracy, we have not located any other precedents issued by the PRC courts. As such. there is controversy in this regard. Moreover, Article 2 of *the PRC Anti-Unfair Competition Law*, as a principle clause of the law, should be strictly restricted to its criteria. In the meanwhile, Article 2 of *the PRC Anti-Unfair Competition Law* pays more attention to the protection of market competition order, and thus more detailed analysis needs to be given in the judgments on the specific impact of trademark piracy on the market competition order. We expect that more brand owners can actively file civil actions to combat trademark piracy, which enriches judicial practice, and provides more judicial cases as references for the improvement of the laws.

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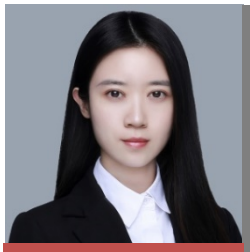

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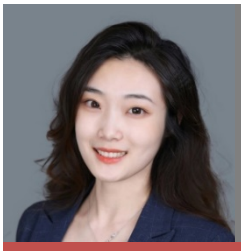

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