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Your source for legal insights and tools | July 31, 2020 | Issue No. 6



How Chinese AMRs Can Protect Your Intellectual Property Rights

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Expert Insight

How Chinese AMRs Can Protect Your Intellectual Property Rights

By Mr. Hong Zheng, Registered Counsel and Member of Quality Assurance Panel on Trustiics

Over a decade ago, Sika AG, a specialty chemicals company with global prominence in the building industry, was actively expanding its business into the Chinese markets; however, it was also troubled by emerging copycats and counterfeit products in the markets. It would have been costly and unrealistic to sue all the infringers before the courts. In this context, starting in 2009, Mr. Hong Zheng designed a series of feasible strategies to combat the counterfeits, i.e., resorting to the local AMRs (Administration for Market Regulation)¹ to enforce

¹ AMR is the short form for Administration for Market Regulation (市场监督管理局 in Chinese characters), which was formerly known as AIC (Administration for Industry and Commerce)(工商行政管理局 in Chinese characters) prior to 2018. The SAMR was created in March 2018 under the Chinese government restructuring initiatives. For details please see Part 1 below.



Sika's trademark rights against both the retailers distributing counterfeits in the markets and the factories which were the source manufacturers of the fake products. Through sustained AMR enforcement actions, Sika has finally removed most of the fake products from the markets.

When business entities find their IPRs (Intellectual Property Rights) being infringed upon in China, they may not necessarily file civil actions before the courts, since seeking protections from the Chinese AMRs may be an alternative means to have their IPRs enforced. Every year there are a considerable number of IPR owners removing a variety of infringing acts through AMR actions. The Chinese AMRs have been playing an important role in enforcing IPRs in China. Statistically, Chinese AMRs initiated around 31,900 trademark cases in 2019, up 2.24% over the previous

year; 709 of these cases were escalated into criminal cases.²

What are the AMRs, and how can they effectively protect your IPRs in China? This paper is intended to shed some light on this mechanism peculiar to China so that it might help save your resources in the protection of your IPRs in China.

1. The structure of the AMRs and their responsibilities

Chinese AMRs are institutionally divided into four levels from the top to the bottom, namely, state, province, municipal and district. Under each district AMR there are several AMR stations which are not independent but are the branches of the district AMRs. These AMR stations assist the district AMRs in regulating some specific markets in the name of the competent district AMRs.

² The data are sourced from 2019 China Intellectual Property Protection released by the China National Intellectual Property Administration (CNIPA).

The State Administration for Market Regulation (SAMR) is China's highest market regulating authority directly under the State Council. It undertakes a variety of responsibilities, including market entities registration, market competition, anti-monopoly, intellectual property, supervision of industrial products, food safety, drug safety, special equipment safety, product testing, certification and standards, etc. The SAMR was formed in March 2018 under the Chinese government restructuring initiatives, consolidating the State Administration for Industry and Commerce (SAIC), China Food and Drug Administration (CFDA) and General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ). The SAMR also oversees the National Medical Product Administration and China National Intellectual Property Administration (CNIPA).

Below the SAMR are provincial AMRs and municipal AMRs, which are responsible for market regulating in their respective provinces and cities. However, in practice, both the SAMR and the lower provincial AMRs and municipal AMRs are distanced from specific IPRs enforcement cases because they are generally responsible for market regulation from policy and administration perspectives and will not directly handle specific cases except those which are extremely influential at the national or local levels. It is the district AMRs and their branch stations that actually play a pivotal role in enforcing and protecting specific IPRs. When your IP rights are infringed, and if you wish to resort to administrative protection instead of civil action, your priority and feasible choices are to file complaints before the district AMRs where the infringers are located or the infringing activities take place.

2. Major types of IP cases that the AMRs handle

Among all the types of IP cases, the AMRs handle the largest number of trademark cases. If IPR owners wish to seek AMR actions against the acts infringing upon their registered trademarks in China, the AMRs can investigate and take raid actions against the manufacturers who produce the infringing products, the retailers distributing the infringing products in the markets, and the contributory infringers who help store and transport the infringing products. It will be relatively easy to seek AMR protection if the trademarks are granted registrations in China.

However, if the trade signs are not granted registrations in China, the owners may have to seek protection under *PRC Anti-Unfair Competition Law*. The commonly seen unfair competition acts include imitating trade signs such as commodity names, trade

dresses and company names, making misleading and deceiving representations in terms of quality, function, performance of the products, and the acts infringing upon trade secrets.

By and large, unfair competition cases are much more complicated than trademark infringement cases. For instance, in order to have the trade signs protected by *PRC Anti-Unfair Competition Law*, the owners have to collect and present a large volume of evidence to prove that the trade signs have been extensively used and promoted in China such that they have gained a high reputation among Chinese consumers. Without the reputation evidence in mainland China, it will be unlikely to have the trade signs protected by *PRC Anti-Unfair Competition Law* in that there is no likelihood of confusion with the trade signs with no or little reputation.

In addition to trademark infringement and unfair

competition acts which are the most common IP cases, the AMRs also enforce against the acts in violation of *PRC Product Quality Law* and *PRC Advertisement Law* such as false indication of a manufacturer's name, address, product qualification certificates and ingredients on the products, misleading and deceiving advertisement, etc.

3. Why choose AMR protection

Compared with civil actions before the courts, administrative enforcement by the AMRs has the following evident advantages:

First, the AMRs have very strong investigation and enforcement powers which are beyond the

capacities of either the courts or the IPR owners. While in civil actions the courts shall not collect infringing evidence under normal circumstances, the AMRs are entitled to take the initiative to inspect, investigate and collect infringing evidence in accordance with Article 62 of *PRC Trademark Law*. This Article gives the AMRs authority to question the suspected infringers, investigate the infringing acts, review and duplicate the financial books, inspect the sites where the reported infringing acts occur, and seize and seal up the articles in relation to the infringing acts.³ As you can see, these administrative powers conferred by the laws are strong and decisive to ensure that the AMRs can remove and punish the infringing acts.

³ In accordance with Article 62 of *PRC Trademark Law*, when taking raid actions on trademark infringement activities, the AMRs can exercise the following powers: (1) question the parties involved and investigate the circumstances surrounding the infringement of another party's trademark rights; (2) check, review and duplicate the parties' contracts, invoices, account books, and other materials pertaining to the trademark infringing activities; (3) conduct on-site inspection on the premises where the party has carried out infringing activities; and (4) inspect articles involved in trademark-infringing activities. Articles that are proven to have infringed upon another party's registered trademark may be sealed up and taken into custody.

Second, AMR actions are both time- and cost-efficient. There are no express provisions regarding the timeframe for AMR enforcement actions. In most cases the AMRs can handle and complete an IP complaint in around one to three months, except for those complicated cases involving time-consuming investigation. Some AMRs even can initiate raid actions against the infringers shortly after they receive a petition from an IPR owner. For instance, upon receipt of complaints from SIKA, the AMRs in Xi'an city can take raids against the infringers in less than a week on average from accepting the petitions to taking raid actions. AMR protection is also cost- friendly: IPR owners may spend around USD4000-7000 for an ordinary AMR case, while a common trademark civil lawsuit may involve several times the expenditure of an AMR action.

In spite of the attractive advantages, IPR owners cannot

directly claim damages in AMR actions, unless the infringers are willing to pay the compensation on their own in order to seek friendly and amicable settlements with the IPR owners. The AMRs can make penalty decisions and impose fines on the infringers, but the fines shall be turned over to the national treasury instead of to the IPR owners.

Strategically, if a trademark owner simply wishes to stop infringement as soon as possible, AMR action is highly recommended since it can stop the infringing acts in a time- and cost-efficient manner. However, if the trademark owner wishes to pursue damages, a civil lawsuit would be advisable since no compensation can be obtained via AMR actions. According to our experience, it is recommended to seek AMR protection against small infringers to solve the disputes quickly, but to file civil actions before the courts against large-scale infringers in order to claim damages.

4. How to initiate AMR actions

When IPR owners identify infringing acts, either on their own or having been reported by their distributors or business associates, they may have to take the following steps to initiate AMR actions:

1) Investigations

In spite of the strong investigation power of the AMRs as mentioned above, it is still necessary for the IPR owners to conduct preliminary or in-depth investigations before they file complaints before the AMRs, mostly because the AMRs have limited resources, including staff officers, for in-depth investigations especially into the manufacturers of the infringing products, and partly because the AMRs may have no knowledge as to how to recognize the infringing products.

Prior to filing complaints before the AMRs, the IPR owners should make a preliminary investigation so as to find out where the infringing acts are actually taking place. This is essential for AMR complaints because in many cases the addresses alleged by the infringers are quite different from the actual business premises. If the AMR officers inspect the alleged premises but fail to locate the infringing acts, this may alert the infringers, making the subsequent AMR investigation much more difficult since the infringers may have destroyed or hidden the evidence. Therefore, accurate infringement clues will greatly facilitate the AMR enforcement actions. With respect to the manufacturers of infringing products, it will be essential for IPR owners to conduct in-depth investigations to ascertain the production sites, location of warehouses, quantity of inventory, rules for transporting fake products, etc. so that the

AMR officers can effectively and accurately arrange raid actions in accordance with the infringement clues from the IPR owners.

2) Filing complaints before the AMRs

With accurate infringement clues from the investigations, the IPR owners should prepare a complaint together with the certificates of the IPRs, procedural documents and preliminary infringing evidence, and file the complaint before the AMRs where the infringers are located or the infringing acts occur. For complicated cases, the IPR owners or the attorneys may have to travel to the AMRs and have face-to-face meetings with the AMR officers in charge. Under many circumstances, face-to-face communications with the AMR officers in charge would help expedite the complaints.

3) AMR raid actions

After the AMR officers in charge review the complaints and determine that the reported acts infringe upon the claimed IPRs, they will decide on a date, depending on their internal schedule, on which to raid on the infringers. A crew of AMR officers will go to the sites where the infringers are located or infringing acts are taking place to conduct inquiries on the infringers, inspect the sites, review, check and duplicate financial books, calculate the quantity of infringing products, seize the infringing products including the equipment earmarked for the infringing acts, and make inquiry records and issue seizure lists. This infringing evidence, financial books in particular, collected by the AMR officers on the spot, can become very important and convincing evidence in the subsequent civil lawsuits if the IPR owners opt to further pursue damages before the courts after the AMR actions.

In around three months following the raid actions, the AMRs will issue written penalty decisions ordering the infringers to stop infringing acts and will impose fines on them, though in most circumstances the infringers may have stopped their infringing acts at the moment the AMR officers inspected the sites.

5. Conclusion

The merits of AMR actions have made this peculiar mechanism the prime choice for many IPR owners

in combating infringing acts in China. Over the years, the team of Tee & Howe, headed by Mr. Hong Zheng, has successfully handled over one hundred AMR cases, not only helping settle a large number of IP disputes in a timely manner, but also saving a considerable amount of financial resources for its clients. If you run across IPR infringement issues in China or have any questions regarding AMR protection, please feel free to contact Mr. Hong Zheng on trustiics.com.

The author

Hong Zheng, Registered Counsel and Member of Quality Assurance Panel on Trustiics

Mr. Zheng is a PRC attorney-at-law specializing in the field of IPRs prosecution and enforcement. Mr. Zheng started his career as an IP lawyer in the leading law firm King & Wood Mallesons in 2003, and joined Tee & Howe Intellectual Property Attorneys in 2007.



Mr. Zheng's areas of practice cover counseling on trademark, domain name, copyright, unfair competition law and patent infringement, including advising on securing and defending IP rights, taking legal actions against bad faith applications, counterfeits and infringing acts, negotiating for acquisition of trademarks, licensing and handling UDRP actions. Mr. Zheng is particularly experienced in the areas of trademark enforcement and litigations, and has been representing many well-known brand owners and MNCs in developing their branding strategy and protecting their IPRs in China.

Mr. Zheng has acted for many multinationals in managing and protecting trademark portfolios in China and has handled hundreds of trademark prosecution cases. Mr. Zheng has also represented many leading companies in over 170 civil and administrative litigations in China, some of which were widely recognized as landmark cases in the IP field. For instance, the trademark dispute between Shandong Qiluzhonghe Technology Co., Ltd. and Qilu Securities before PRC Supreme Court was selected among guiding trademark cases in 2012 PRC Supreme Court IP Case Trial Guidance (Volume 4) and 2018 Selections of PRC Supreme Court Judicial Perspectives. The Short Video UI Design Unfair Competition Case between Beijing Yixiao Technology Co., Ltd. and Leyu Interaction (Beijing) Cultural Communication Co., Ltd. was ranked among the Top 10 Internet Unfair Competition Cases of Beijing Haidian District People's Court and 2017 Beijing Top 10 Creative IP Cases. The latest notable cases were 29 AmCham trademark series disputes between American Chamber of Commerce in Beijing (AmCham) and American Club, in which Mr. Zheng acted for AmCham and successfully secured all its AmCham trademarks. In view of the great importance of AmCham trademarks, the Embassy of The United States in Beijing expressed great concern over the disputes and delivered a letter to Beijing High People's Court. The case series attracted significant attention in the IP circle, for which Mr. Hong Zheng specifically published an article elaborating on the application of Article 44 of PRC Trademark Law in *China Intellectual Property News* on October 19, 2018, which was also cited by *People's Daily* and some other media.



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Intellectual property rights and dispute resolution in China

Intellectual property protection is necessary for any type of business or entrepreneur that deals with creative concepts. Unfortunately, IP protection laws are a little bit messy in China. In the final installment of the Dispute Resolution Series, you'll learn about intellectual property rights, intellectual property disputes, and how to protect your intellectual property in China. It all comes down to some know-how and having an experienced IP lawyer on your team.

What are intellectual property rights?

Intellectual property rights are specific rights over conceptual creations given to individuals or companies. Typically, these rights will give the creator of a product, brand image, name, or other concept the right to use their creation exclusively for a period of time.

Types of intellectual property rights

Patents, trademarks, copyrights, and trade secrets all fall under the umbrella of intellectual property.

- **Patent.** A document that gives exclusive rights to the use of your invention for a specific period of time.
- **Trademark.** A symbol, words, or design used to represent a brand, company, product, or individual.
- **Copyright.** An exclusive right to print, perform, record, or otherwise reproduce intellectual property.
- **Trade secret.** A type of intellectual property that includes concepts like formulas, processes, patterns, or other types of information that have economic value but aren't exactly a "product" in the traditional sense.

Why are intellectual property rights important?

Intellectual property rights are vital because they protect a wide range of business-related concepts that can easily be stolen, especially in a global context. IP protection helps promote innovation and fair competition, allowing businesses to use their original concepts to generate revenue, gain market share, and more. Without protection, your intellectual property could be at risk and you may not be able to take advantage of your possibly disruptive and groundbreaking inventions. Intellectual property agreements should be a part of every business' research and development.

Thinking about going to China with your brand? IP disputes, especially infringement violations in China are more common than you think. The Chinese government has agreed to pay more attention to IP infringements that involve trade

secrets, counterfeiting, branding, and piracy in the recent Economic and Trade Agreement between the United States and China. While this is a step in the right direction, it's important to understand how intellectual property rights and disputes work in China before entering this market with your intellectual property.

Challenges for intellectual property rights in China

One famous example of trademark hijacking in China is the case of the clothing brand Zara. The Spanish clothing brand became very successful in China in the late 2000s and operates quite a few stores in the country. They secured trademark registration for their brand name in order to ensure that their trademark wouldn't be stolen. However, the company only filed for the Latin letter word and not its Chinese equivalent. A hair salon

in Fuzhou submitted a trademark for the Chinese equivalent. Despite numerous attempts from Zara to issue cease and desist letters, the application was approved and the hair salon was legally allowed to use the name.

This unfolded because China follows a first-to-file principle. Most other countries base intellectual property rights around who came up with the concept first. However, applications for trademark protection in China are approved on a first-come, first-serve basis.

The Zara incident is not an isolated one, either. China is listed as one of thirty-six chronic IP theft violators, a Special 301 Report in 2019 found. Entering this market has its own set of risks and a well-rounded knowledge of how intellectual property disputes in China work.

How are IP disputes resolved in China?

To be clear, brands shouldn't be completely put off of entering the Chinese market because of their differing IP laws. The use of well-drafted contracts can help protect your brand against possible IP disputes in China, as can legal representation with IP-specific experience. Knowing the laws and the type of IP registration to apply for in China is also important.

IP contracts or intellectual property agreements in China can ensure that your business' intellectual property assets are protected. IP agreements can be used between your business and a Chinese supplier or other third-party entity. Such contracts will outline the details, rules, expectations, and dispute resolution mechanisms, helping to protect you and your business.

Intellectual property agreements in China will often contain specific clauses that state that the brand can monitor and inspect the supplier or licensee's business activities to ensure no illegal use of the brand's intellectual property occurs. The best way to avoid intellectual property disputes in your future business dealings is to have a contract drafted right away, with assistance from a lawyer who is familiar with Chinese business, language, and intellectual property laws.

The bottom line

The need for clearly defined intellectual property rights and knowledge of IP disputes is necessary for conducting business in China. However, this can be overwhelming as you enter a foreign market, especially if you don't have a background in law. The best solution is to have a

lawyer with extensive knowledge of intellectual property disputes represent you.

Ready to learn more? Sign up for our upcoming webinar to learn more about IP protection in China. We'll be speaking with some of China's top legal experts in the space and hosting an interactive Q&A session to help you get answers to your IP-related questions. If you have more

specific questions, you can sign up for a free Trustiics account to get quotes from top-rated lawyers. If you're looking to learn more about dispute resolution in China post Covid-19, [**register for a free Trustiics account**](#) to start working with some of the top English-speaking lawyers in China. You are also welcomed to view video recordings of our recent webinar on Dispute Resolution available only to our registered users.

Led by a Trustiics registered counsel, UK-based BICKIEPEGS scored crucial victories against trademark squatters

BICKIEPEGS is a reputed teething brand that is extremely popular among Chinese consumers. Recently, a Chinese individual set up a company in New Zealand and filed two trademark applications for BICKIEPEGS in respect of infant food, biscuits, etc. in Classes 5 and 30 under the disguise of the New Zealand entity. Due to lack of extensive use and promotion evidences in China, the CNIPA adjudicated that the two registrations shall not harm any prior rights of BICKIEPEGS Limited and allowed the individual to maintain their registrations. BICKIEPEGS was unsatisfied with this decision and filed lawsuits with Beijing IP Court.

In addition to exploring more evidence on the reputation of BICKIEPEGS in China, Mr. Hong Zheng, senior attorney at law with Tee & Howe, emphasized the bad faith aspects of the registrations during the lawsuits. Mr. Zheng then argued that the registrant concealed and changed



The favorable judgments will be of vital importance for BICKIEPEGS, removing the obstacles for its embark on the Chinese market.

their identity several times to avoid services of court documents, had no actual business operation in New Zealand, and filed multiple applications stretching over a variety industries under different classes, all of which strongly demonstrated bad faith and lack of “*real intention of use*” on the part of the registrant. The panel fully adopted Mr. Zheng’s arguments holding that the bad faith registrations had eroded China’s trademark registration mechanism and undermined the public interests. With that, Beijing IP Court ruled to cancel the CNIPA decisions and order the review board to re-issue decisions.

The favorable judgments will be of vital importance for BICKIEPEGS, removing the obstacles for its embark on the Chinese market. Meanwhile, the judgments in favor of the true owner also suggest that the Chinese government is stepping up its efforts to combat bad faith applications.

Your Free Template

In this issue we are providing a template of Transfer Agreement on Patent Application Rights which may be adopted when the inventor employees of the company in China transfer rights to the foreign affiliate company to make patent applications worldwide. If you intend to use this agreement in a different situation or under different applicable laws, certain clauses may need to be revised, added or deleted.



Please note that this document is for your reference only. You should always consult an experienced lawyer in the areas of intellectual property law, before entering into such agreements. In addition, you are advised to have a professional legal translator review the consistency if you need to sign such agreement in bilingual versions because legal translation is a very special type of translation, requiring years of training and practice. Counsel registered on Trustiics are among the best English-speaking lawyers, legal translators and other professionals you can possibly find in China. They have worked at the most reputable legal service firms and IP firms in China and around the world and are ready to help you throughout the process.



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Trustiics.com is an online platform where international businesses and individuals such as expats can access direct, convenient and affordable legal services provided by well-trained English-speaking legal professionals from China.

We seek to improve, through the use of information technology and the Internet, the efficiency of the legal services market for the benefit of international SMEs doing business in China and elsewhere. We want to break down geographic, linguistic and financial barriers for businesses looking for top-notch legal counsel.

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