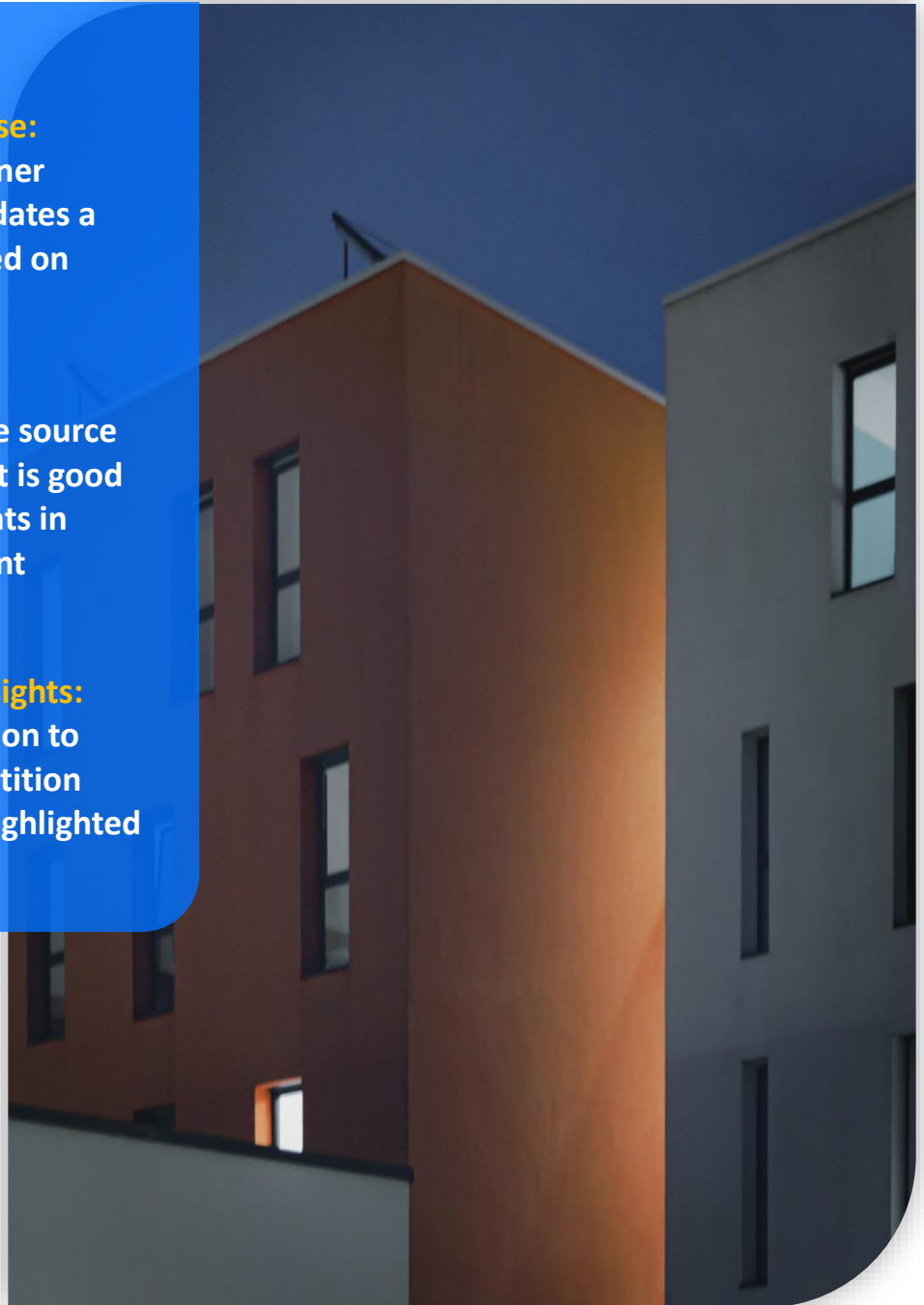


- **n° 43 WHD Case:**  
TM | French designer successfully invalidates a copycat mark based on prior name right
- **n° 17 Case:**  
PT | The legitimate source defence and why it is good news for defendants in patent infringement disputes
- **n° 36 WHD Insights:**  
AUCL | Draft revision to Anti-unfair Competition Law - key points highlighted



## n° 43 WHD Case: TM | French designer successfully invalidates a copycat mark based on prior name right

Ruirui Sun, 7 December 2022, first published by [IAM](#)

Ms. Constance Guisset is a famous French designer, whose works cover the fields of product, space and graphic design, and have been presented in many internationally renowned design exhibitions.

A Chinese company Shenzhen Shengshi Yicai Lighting Co., Ltd (“Yicai Lighting”) filed on August 23, 2019, an application for registration of trademark “Constance Guisset” No. 40561311 in Class 20, which was published on January 6, 2020. Ms. Guisset tried to block the registration of the trademark through opposition proceeding but failed. The trademark was approved for registration on May 13, 2021. Ms. Guisset then initiated an invalidation proceeding against the disputed trademark.

On June 27, 2022, the CNIPA ruled to invalidate the registration on all designated goods based on the reasoning that:

1. The evidence filed by the invalidation petitioner shows that before the application date of the disputed trademark, “Constance Guisset” has established a stable corresponding relationship with the petitioner and has gained high popularity and acquired influence in the furniture and home furnishing design industry, so the petitioner enjoys prior name right of “Constance Guisset”.
2. The adverse party, without authorization, registered “Constance Guisset” on “furniture, seat” and other goods that are highly relevant to the petitioner to exploit her reputation in the furniture and home furnishing design industry, which may mislead the relevant public to believe that the adverse party has certain business relationship with the petitioner, thus further prejudices the petitioner’s prior name right. The registration of the disputed trademark is in violation of Article 32 of the Trademark Law and shall be invalidated.


The CNIPA’s 2021 “*Trademark Examination and Adjudication Guidelines*” enumerate the circumstances where a prior name right could be cited to challenge a trademark:

1. The name has a certain degree of reputation. It has established a stable corresponding relationship with a natural person and is perceived to refer to such a person by the relevant public;
2. The registration of the disputed trademark may cause harm to the person’s name right.
3. The disputed trademark was filed without the authorization of the name right owner.

The CNIPA also explicitly notes that “The scope of protection of a prior name right shall be determined on a case-by-case basis by factoring in the degree of reputation of the name and the degree of association between the goods or services designated by the trademark and the domains where the name right owner is known. Any trademark applicant that knowingly attempts to register other’s name for the purpose of prejudicing the interests of such person, shall be deemed as a prejudice on the name right of that person.”

In order to build a strong case in the invalidation proceeding, evidence was furnished to prove the high reputation of the petitioner’s name “Constance Guisset”, the stable corresponding relationship between the name and Ms. Constance Guisset in the cognizance of the relevant public, as well as the fact that the adverse party knows or at least should have known the name “Constance Guisset”. The adverse party, which is a player engaged in the lighting, furniture, and import & export business, used to offer to sell a lamp that blatantly copies Ms. Constance Guisset’s design and specifically made a reference to her name in the product description. The adverse party’s filing dossier was also pulled to prove that it is not a first-time trademark squatter as it had also applied for several copycat lighting brands, like “oslo wood”.

The CNIPA found the arguments tenable and finally invalidated the registration of the disputed mark.

Over the years, the CNIPA has becoming increasingly flexible in attacking bad-faith trademark filings. Bad faith assessment is therefore pivotal in fighting against trademark squatters. Other than looking into the filing activities, brand owners are advised to keep an eye on the actual use of the copycat mark and the way how the filer promotes its business, as the combination of all these relevant facts may help establish the mala fide of the filer and build a stronger case. 



## n° 17 Case: PT | The legitimate source defence and why it is good news for defendants in patent infringement disputes

Huaiyu Wang & Johnson Li, 14 December 2022, first published by [IAM](#)

During patent infringement litigation in China, sellers often use the legitimate source defence to alleviate their liability for damages. Despite the principles set out in the relevant judicial interpretation, courts exercising judicial discretion in assessing this defence have yet to form stable jurisprudence. The Intellectual Property Court of the Supreme People's Court has therefore used *Renhengde v Huzhou Aixin & Huzhou MCHC Hospital* to clarify the criteria of the legitimate source defence.

Article 77 of the 2020 Patent Law defines the defence as such:

Where any person, for the purpose of production and operation, uses, offers to sell, or sells a patent infringing product without knowing that the product is produced and sold without permission of the patentee, he shall not be liable to compensate the damages of the patentee provided that the legitimate source of the product can be proved. Article 25 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Disputes over Infringement of Patent Rights(II) provides that:

Where a party, for the purpose of production and operation, uses, offers to sell or sell a patent infringing product without knowing that the product is made and sold without the permission of the patentee, and provides evidence showing the legitimate source of the product, the court shall support the claim of the patentee that the above using, offering to sell and selling shall be stopped, except for the user of the infringing product who can prove that it has paid a reasonable price for the product.

For the purpose of Paragraph 1 of this article, "without knowing" refers to circumstances where a party has no actual knowledge and should not have knowledge.

"Legitimate source" here means that the alleged infringing product is acquired through regular business methods such as lawful sales channels or usual sale and purchase contracts. Any party who engages in using, offering to sell or selling such product shall proffer relevant evidence that is consistent with trading habits to prove said legitimate source.

### **Renhengde v Huzhou Aixin & Huzhou MCHC Hospital**

Beijing Renhengde Pharmaceutical Co (Renhengde) is the owner and licensor of an invention patent called "correction of ear deformities" (No 200990108740.X). Huzhou Aixin Mother & Baby Health Care Service Co and Huzhou Maternity and Child Health Care Hospital sold – and offered to sell – an ear-correcting device. Renhengde alleged that the device infringed its patent and sued both defendants.

The Hangzhou Intermediate Court of the Zhejiang Province affirmed that the defendants had indeed infringed the patent, based on the finding that the alleged infringing product incorporated all the technical features of claims 1, 2, 4, 6, 7, 8 and 12 of Renhengde's patent. While the court found that both defendants were engaged in the sale of the infringing products, it held that if the products were proven to have been obtained from a legitimate source and the defendants had exercised reasonable care, they should be exempt from damages liability.


Renhengde appealed to the Supreme People's Court, which upheld the trial court's verdict. The court clarified that the legitimate source defence is admissible when two conditions are met:

- the infringing product has a legitimate source; and
- the seller has not committed any subjective fault.

With regard to the first condition, the 'legitimate source' of the infringing product is three-pronged:

- the seller must procure the infringing product from a legitimate sale channel;
- the seller must procure the infringing product at normal market price and in normal transaction mode; and
- there is sufficient evidence to corroborate the above.

With regard to the second condition, the Supreme People's Court underlined the significance of allocation of the burden of proof and the balance of enforcing patent rights and maintaining market transaction order. The court opined that in general, if the seller can prove that it follows the legitimate and normal market transaction rules and obtains the products from legal channels and at reasonable prices, then it has fulfilled its duty of reasonable care as a good faith operator and can be presumed to be subjectively free of fault, unless the patentee can prove otherwise. If the patentee fails to provide contrary evidence to that presumption, the seller's legitimate source defence is established.

While in this case the plaintiff had sent a cease and desist letter before initiating the civil suit, the court ruled that the letter, which only serves as prima facie evidence in ascertaining the subjective fault of the seller, is insufficient to establish the seller's subjective fault immediately. Due to the technical nature of the patent and since the alleged infringing product had secured administrative approval of medical apparatus and instruments, the sellers paid reasonable care by conducting a formality review of the product. The Patent Law does not impose an excessive duty of care on the seller. If the patentee sends a cease and desist letter to the accused, courts still need to consider the facts of the case when determining whether the seller is at fault, rather than jump to conclusions purely based on one fact. 

## n° 36 WHD Insights: AUCL | Draft revision to Anti-unfair Competition Law - key points highlighted

He Wei, Zhu Zhigang & Paul Ranjard, 9 January 2023, first published by [WTR](#)

On 22 November 2022 the State Administration for Market Regulation (SAMR) published the revised draft of the Anti-unfair Competition Law of the People's Republic of China, with a call for comments.

A significant number of articles of the draft relate to the emergence of new forms of unfair practices in the digital economy. This concern is summarised by the new Article 4, which provides that “business operators shall not take advantage of data, algorithms, technologies, capital advantage, platform rules, etc, to carry out unfair competition practices”. Most of the new articles introduced by the draft describe and address various ways of misusing the technologies that are now available in the digital economy.

However, other noteworthy modifications of the law aim at strengthening the administrative and judicial supervision of “traditional” unfair behaviours. Some of these new provisions are presented below, according to the relevant articles of the draft.

### Principle of fairness - Articles 2 and 37

Article 2 of the Anti-unfair Competition Law provides for the general principle of fairness. This article has been progressively recognised by the People's courts as a powerful tool to deal with various kinds of unfair practices (that are not specifically described in other parts of the law). For example, it has been possible to deal with abusive trademark squatting by making use of Article 2 of the law. The draft emphasises the importance of the general principle of fairness by introducing the concept of ‘contributory act’ and extending liability to those who provide assistance.

Until now, all litigation based on Article 2 was to be initiated before the People's courts. Article 37 of the draft provides that the Administration for Market Regulation (AMR) shall have the power to investigate acts committed in violation of Article 2 and, therefore, to order cessation of the unfair acts and impose sanctions (confiscation of illegal income and fines up to Rmb5 million in serious cases).

### Confusion - Articles 7 and 28

A few welcome modifications are introduced in Article 7 of the draft (which corresponds to the current Article 6 of the Anti-unfair Competition Law):

- Article 7(1) specifies that the infringing item may be not only a mark, but also a packaging or decoration;
- Article 7(2) adds the word ‘similar’ to the (unauthorised) use of a name or trade name, among other things;

- Article 7(3) adds a few more types of web-related identifications (eg, self-media and icon of application software);
- Article 7(4) - which is new - introduces the concept of using the sign (with a certain influence) of another person as a search keyword in order to mislead the public.
- Finally, a last paragraph has been added which provides for a prohibition against selling products made in violation of Article 7(1), and also against the act of providing convenience (eg, warehousing, transporting, mailing, printing and concealing) to the infringers.

Article 28 of the draft provides for the sanctions. In the current law, administrative sanctions are limited to ordering the cessation of the acts, confiscating the illegal products and imposing a fine (up to five times the illegal turnover, or from Rmb50,000 to 250,000 in case there is no turnover). The new Article 28 adds that the AMR may also confiscate the illegal income and the manufacturing tools (without specifying whether they are exclusively used to manufacture the illegal products). Further, the seller of such products, if it knew of or should have known that they are infringing, is subject to the same sanctions. However, a seller who can prove that it did not know this, and provides information concerning the supplier, is exonerated of any liability (apart from the order not to sell the products).

#### **False advertising - Articles 9 and 30**

Article 9 of the draft, which concerns the various acts of misleading promotion, adds a new paragraph in order to make a distinction between promotion and advertising, and specifies that advertising is not covered by this law. However, the distinction is not very clear. It seems that the term 'promotion' would include all activities that aim to direct the attention of the public to the qualities or reputation of the product, whereas 'advertising' merely consists of displaying, explaining, describing the products and activities on the business premises and in exhibitions (the relevance of this explanation is not guaranteed).

An example based on practice might help: an infringer is spotted on the Internet, identified, located and sued in court, with a compensation claim calculated on the basis of the infringer's own allegations concerning the number of its sales (as advertised on its website). The defendant argues that these sales numbers are displayed on the website only to attract consumers but are not real sales and should not be taken into account for calculating the illegal profits and damages. Such a defence establishes the violation of Article 8 of the Anti-unfair Competition Law (Article 9 of the draft) and triggers the sanctions provided in Article 20 of the law (essentially fines).

Article 30 of the draft, which corresponds to Article 20 of the Anti-unfair Competition Law, adds that, in addition to the fines, the AMR may also confiscate the illegal income. Further, the draft provides that any person who knowingly provides assistance to the operator may also be sanctioned.

#### **Traffic hijacking - Articles 15, 16, 36 and 38**

The expression 'traffic hijacking' should be construed as encompassing all the ways

in which a business operator may influence, in an unfair manner, the choice of consumers when they navigate the Internet, thus disrupting the fair competition order.

Article 15 of the draft provides some examples: “use of data, algorithms, technologies and platform rules”. Article 16(2) of the draft is more specific: “embedding links to their own products or services by means of keyword association, setting false operation options, etc, so as to cheat or mislead users to click”.

These unfair practices are sanctioned by Article 36 of the draft, which increases the penalties provided in Article 24 of the Anti-unfair Competition Law: for “ordinary cases”, the maximum fine (currently Rmb500,000) is raised to Rmb1 million and, for serious cases, the maximum fine (currently Rmb3 million) is raised to Rmb5 million.

In addition, Article 38 of the draft creates a new category of “extremely serious” cases of an “extremely malicious” nature where a fine, equal to between 1% and 5% of the sales of the previous year, can be imposed. Further, the operator may be ordered to cease business and the legal representatives may also be held liable, with fines ranging from Rmb100,000 to Rmb1 million.

#### Civil liability - Article 28

Article 17 of the Anti-unfair Competition Law, replaced by Article 28 of the draft, has been significantly modified.

The method of calculation of the prejudice is unchanged: firstly, the amount is determined in consideration of the actual losses suffered by the victim of the unfair competition acts; secondly, if such losses are difficult to ascertain, the amount may be determined by reference to the profits obtained by the infringer. Further, Article 17 of the Anti-unfair Competition Law provides that, for serious trade secrets infringement cases, the amount of compensation calculated according to one of the above methods may be multiplied up to five times (which is the equivalent of the “punitive damages” provided in other IP laws). Finally, when it is difficult to estimate the amount of the prejudice in confusion cases (current Article 6) and in trade secrets cases (current article 9), Article 17 of the Anti-unfair Competition Law provides that the court may award “statutory damages” with a maximum of Rmb5 million.

The new Article 28 of the draft extends the concept of punitive damages from serious trade secret infringement cases to all “serious violations of this law”, and provides that statutory damages can be applied in all cases, and not only in confusion and trade secrets cases.

#### Comment

These changes introduced in the Anti-unfair Competition Law by the draft are welcome. They show the efforts of the SAMR to keep up with the fast evolution of the technologies used in the digital economy. Unfair competition behaviours are becoming increasingly sophisticated and knowing that the administration and the People’s courts are keeping up-to-date with this evolution is heartening. 