

China's Supreme People's Court Releases Typical Cases of Punitive Damages in Intellectual Property Infringement

Article By:

Aaron Winger

China's [Supreme People's Court](#) released the "[Interpretation of the Supreme People's Court on the Application of Punitive Damages in the Trial of Civil Cases of Infringement of Intellectual Property Rights](#)" on March 3, 2021. In order to apply the Interpretation consistently and fairly, on March 15, 2021, the Supreme People's Court released the "Typical cases of applying punitive damages in civil cases of infringement of intellectual property rights" (????????????????????). The Typical Cases contains five trademark infringement cases and one theft of trade secret cases with explanations. No patent cases were listed. One foreign company, Adidas, made the list winning punitive damages of over 1 Million RMB.



The Supreme

People's Court explains:

1. Guangzhou Tianci Company, etc., and Anhui Newman Company, etc., in a dispute over theft of trade secrets.

Guangzhou Tianci Company and Jiujiang Tianci Company claimed that Hua XX, Liu XX, Anhui Newman Company, Wu XX, Hu XX, Zhu XX and Peng infringed their "Kabo" manufacturing technology secrets and filed a lawsuit with Guangzhou Intellectual Property Court requesting an injunction, compensation for losses, and an apology. The Guangzhou Intellectual Property Court determined that the alleged infringement constituted theft of trade secrets and considering the intentional infringement and the circumstances of the infringement, applied 2.5 times the damages as

punitive damages. Guangzhou Tianci Company, Jiujiang Tianci Company, Anhui Newman Company, Hua XX and Liu XX all refused to accept the judgment of the first instance and appealed to the Supreme People's Court. The Supreme People's Court on appeal held that the alleged infringement constituted theft of trade secrets, but the first-instance judgment did not fully consider the contribution of the trade secrets involved in determining the amount of compensation, and did not fully consider the willfulness of the infringer when determining punitive damages. Serious circumstances such as the degree of malice and the use of infringement, large scale of infringement, long duration, and hindrance of proof, so on the basis of maintaining the first-instance judgment on cessation of infringement, the applicable punitive damages were increase to the maximum at five times. The company compensated Guangzhou Tianci Company and Jiujiang Tianci Company for economic losses of 30 million RMB and reasonable expenses of 400,000 RMB. Hua, Liu, Hu and Zhu paid the compensation of 5 million, 30 million, and 1 million RMB respectively.

Typical Significance: This case is the first punitive compensation case for intellectual property infringement that the Supreme People's Court has handed down. The judgment of the case fully considered the subjective malice of the accused infringer, the business of infringement, the hindrance of proof, the duration of the accused infringement, the scale of infringement, etc., applied punitive damages, and finally determined the punitive damages at the highest multiple (five times) of the amount of compensation, which clearly sends a strong signal to strengthen the judicial protection of intellectual property rights.

2. Case of trademark infringement dispute between Erdos Company and MiQi Company

Erdos (or Ordos) Company obtained

the exclusive right to use the registered trademark



on February 14, 2004 in class 25 for scarves, clothing, gloves and other commodities. In June 2015, Erdos Company discovered that Mi Qi Company's "cashmere thread" products sold on its Tmall website "Mi Qi Apparel Store" prominently used the distinctive elements of the trademark involved, that is, the Chinese text of "????". Erdos Company filed an infringement lawsuit. The Beijing Intellectual Property Court held that the profit of Mi Qi Company from the alleged infringement can be determined by the product of the total number of infringing products sold, the unit price of the product, and the reasonable profit rate of the product. The "Ordos" series of trademarks of Ordos Company are well-known, and the profit margins of products in "Tmall" stores are higher, and the implementation of the alleged infringement has caused more serious damage to the

trademark owner. As an operator of goods closely related to clothing such as “wool, scarf thread, cashmere thread”, Mi Qi Company should know the popularity of the trademark involved, and it prominently used the logo almost identical to the trademark involved in the case in its self-operated online store and the time of infringement was Long, maliciousness is obvious, and the infringement is serious. The amount of compensation is determined based on twice the profit of Mi Qi Company due to infringement.

Typical Significance: This case fully demonstrated the people’s court’s confidence and determination to correctly implement the punitive compensation system and severely sanction the malicious infringement of trademark rights. The reasoning part of the judgment document fully and clearly explained the factors that should be considered when determining “subjective malice” and determining the “base” and “multiples” of punitive damages, so that the process of judgment formation is more transparent and the judgment result is more persuasive. After the verdict of the case was pronounced, both parties did not appeal and achieved good social effects.

3. Case of trademark infringement and unfair competition disputes between Xiaomi Technology Company, etc. and Zhongshan Ben Teng Company, etc.

In April 2011, Xiaomi Technology Co., Ltd. registered the “Xiaomi” trademark, and the approved products include mobile phones and video phones. Since then, it has successively applied for registration of a

series of trademarks such as “” and “??.” Since 2010, Xiaomi Technology Company and Xiaomi Communication Company have successively won a number of national honors in the industry. Major media have carried out continuous and extensive publicity reports on Xiaomi Technology Company, Xiaomi Communication Company and their Xiaomi mobile phones.

In November 2011, Zhongshan Ben Teng applied for the registration of the “????” trademark, which was approved for registration in 2015. The approved products include electric cookers, water heaters, electric pressure cookers, etc. In 2018, the registered trademark of “????” was declared invalid because it was “registered through improper means.” In addition, among the more than 90

trademarks registered by Zhongshan Ben Teng, not only are many are similar to the “Xiaomi” and “??” marks of Xiaomi Technology Company, but also many are similar to other well known brands.


The Higher People’s Court of Jiangsu Province held that the number of comments on online store products (reviews on e-commerce platforms) can be used as a reference for determining the volume of commodity transactions. The sales of the 23 stores involved can be included in the calculation of the infringement profits in this case. At the same time, it is believed that 1. Until the second instance, Zhongshan Ben Teng Co., Ltd. continued to promote and sell the alleged infringing goods, which had obvious malicious infringement. 2. Zhongshan Ben Teng Company, etc. sells online through multiple e-commerce platforms and many shops. The infringing goods displayed on the webpage are diverse, large in quantity, and large in infringement. This scenario should also be used as a factor in determining the amount of punishment. 3. The “Xiaomi” trademark is a well-known trademark with high visibility, reputation and market influence. 4. The alleged infringing goods were identified as substandard products by the Shanghai Municipal Market Supervision and Administration Bureau, and some users also reported that the alleged infringing goods had certain quality problems. The alleged infringements by Zhongshan Ben Teng Company and others have caused damage to the good reputation of Xiaomi Technology Company and Xiaomi Communication Company. Punishments should be increased. The infringement profits shall be used as the base of compensation, and the compensation amount shall be increased by three times. The 50 million RMB compensation claimed by Xiaomi Communication Company shall be fully supported.

Typical Significance: The judgment comprehensively analyzed and elaborated the “malicious” and “serious circumstances” elements of punitive damages and the method of determining the base and multiples. It not only took into account the characteristics of the sales of the alleged infringing goods, but also comprehensively analyzed the relevant factors affecting the penalty multiple. The multiples that are compatible with the subjective degree of malicious infringement, the severity of the circumstances, and the severity of the consequences of the infringement provide a practical example for the application of the punitive compensation system and reflect the orientation of severely cracking down on serious infringements of intellectual property rights.

4. Trademark infringement dispute between Wuliangye Company and Xu Zhonghua

With the permission of the trademark registrant, Wuliangye Company exclusively uses the

registered

trademark . The stores actually controlled by Xu Zhonghua have been punished by administrative penalties for selling counterfeit Wuliangye liquor and using the word “Wuliangye” without authorization. Xu Zhonghua and others were sentenced to fixed-term imprisonment and other penalties for selling counterfeit “Wuliangye” and other liquors, which constituted the crime of selling products with counterfeit registered trademarks. When Xu Zhonghua and others were given administrative and criminal penalties for selling counterfeit “Wuliangye” products, the courts of first instance and second instance considered factors such as the mode and duration of the alleged infringement, determined that they were basically engaged in infringement, and ordered to bear twice

the punitive damages liability.

Typical Significance: After Xu Zhonghua was administratively punished for infringement, he committed the same or similar infringement again, and was later judged by the people's court to bear criminal responsibility. Under this circumstance, the courts of first instance and second instance fully considered factors such as the duration of the alleged infringement, reasonably determined the base and multiple of punitive damages, accurately defined "serious circumstances" of "infringement of intellectual property rights," and severely punished him in accordance with the law and effectively protect the lawful rights and interests of intellectual property rights holders, which are of exemplary significance.

5. Adidas and Ruan Guoqiang and others in the trademark infringement dispute case



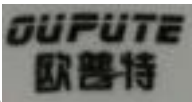

Adidas owns the "adidas" series of trademark rights and is well-known. Zhengbang Company, funded and registered by Ruan Guoqiang and others, was subject to seizures by the administrative department three times from 2015 to 2017 for infringing on Adidas's "adidas" series trademark rights, and was punished with administrative penalties. The cumulative number of infringing products reached more than 17,000 pairs. Adidas filed a civil lawsuit, requesting the application of punitive damages and that Ruan Guoqiang and others to compensate Adidas for economic losses of 2,641,695.89 yuan.

The Intermediate People's Court of Wenzhou City, Zhejiang Province held that Zhengbang Company's subjective malice was very obvious, and the alleged infringement lasted a long time and the consequences were severe, which belonged to a serious situation. The court selected 189 RMB/pair of genuine shoes as the basis for calculation, and adopted the 50.4% gross profit rate shown in the 2017 financial statements provided by Adidas, and calculated the 6,050 pairs of shoe uppers seized from Zhengbang as the sales volume. In addition, considering that the accused infringing products are all shoe upper products, not finished shoes, and cannot be directly used in the consumer field, a 40% deduction is made as appropriate. Finally, the amount of punitive compensation of RMB 1,037,337.84 is determined by three times the economic loss of Adidas of RMB 345,779.28.

Typical Significance: The accurate calculation of the basis for punitive damages is an important prerequisite for the application of the punitive damages system. The court of second instance did not easily deny the evidence as the right holder had made the best efforts, but insisted on a standard of superior evidence, reasonably determined the basis for punitive damages, and at the same time, it also had exemplary significance in applying the "principle of upon request" and determining "serious circumstances".

6. Case of Trademark Infringement Dispute between Oupu Company and Huasheng Company

Oupu Company is the right holder of the registered trademark of "Oupu" and , and the commodities approved for use are lamps and fluorescent lamps, etc. In particular, registered trademarks have been selected many times as famous trademarks of Guangdong Province, and was determined as a well known trademark of China in 2007. Huasheng Company used such marks such

as , , , and  on its lamp products such as desk lamps and night lamps and other relevant publicity pages, and sold them and promised

to sell them on websites such as large physical supermarkets and Tmall. The lamps produced by Huasheng Company were subject to punishment by the administrative organ due to their substandard quality.

Oupu Company filed a lawsuit with the court, requesting the court to determine that Huasheng Company infringed and requested the application of punitive damages, compensate for its economic losses and reasonable expenses of 3 million RMB. Both the court of first instance and the court of second instance held that Huasheng Company did not infringe. The Higher People's Court of Guangdong Province held in the retrial that: The trademark for which Oupu Company requested protection has a relatively strong distinctiveness and has reached a degree of being well known, and the alleged mark used by Huasheng Company in the lamps products is similar to the trademark in question of Oupu Company, and is easy to be confused, it shall be determined as trademark infringement. As a business operator in the same industry, Huasheng Company, knowing that Oupu Company and its trademark enjoyed a relatively high popularity and prestige, and that the application for the registration of "Oupute" trademark for lamp goods was rejected, intentionally registered the "Oupute" trademark in other categories and used it on lamp goods to produce and sell infringing products in large quantities, and the product quality was poor, and its subjective malice in the infringement upon Oupu Company's trademark was obvious, the circumstances were serious, and punitive damages should be applied. Therefore, the base amount of compensation shall be 1,277,500 RMB on the basis of the license royalties of the trademark involved in this case and the duration of the infringement, and the amount of punitive damages shall be determined on the basis of three times of the base amount of compensation by taking into full consideration the subjective maliciousness of Huasheng Company and the nature, circumstances and consequences of the infringement.

Typical Significance: The judgment in the retrial of this case clarified the rules boundary and standards of proof in the application of punitive damages for intellectual property rights such as "the principle of request" "subjective malice" and "serious circumstances", and put forward the methods and paths for accurately calculating and determining the "base" and "multiple" of the amount of compensation, which have important guiding values for the application of law. This case was awarded the first grade award of the "Excellent Case Analysis and Selection of the National Court System in 2020" and the second grade award of the "Fourth National Excellent Intellectual Property Judgment."

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