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### **Beijing High People's Court has produced new guidelines on IP punitive damages**

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To date, China has relatively complete legislation for IP punitive damages with the principle of punitive damages in the Civil Code of China at the core, and specific provisions of punitive damages for different types of IP in the Trademark Law, Patent Law, Copyright Law, Anti-Unfair Competition Law and Seed Law.

In practice, the volume of lawsuits involving punitive damages increased significantly in recent years. According to the Supreme People's Court's (SPC) statistics issued in April this year, the courts at different levels granted punitive damages in 895 cases in 2021. Accordingly, the courts became more experienced in applying punitive damages. On this basis, to standardize the application of punitive damages and provide a more specific and definite guide to the trial of IP cases, the SPC and some local courts have made judicial guidelines concerning IP punitive damages.

The latest one is the Beijing High People's Court Guidelines on the Application of Punitive Damages in the Trial of IP Infringement Civil Cases (hereinafter referred to as "the Guidelines") released on April 25, 2022. The Guidelines cover almost all issues relating to IP punitive damage, including applicable principles, important concepts (e.g., willful infringement and serious scenarios), methods of calculating base amount and multiples of damages, procedures, online infringement etc. We would like to draw attention to the following highlights:

1. The Guidelines affirm that punitive damages shall be applied subject to right holders' petitions. In other words, without right holders' petitions, punitive damages shall not be applied on the courts' own initiative. Right holders are also required to specify the base amount, its determination and calculation methods as well as the multiple thereof and the total of the damages and provide relevant evidence. The Guidelines also specify that claims for punitive damages shall be raised before the end of the court arguments in the first instance.
2. The Guidelines define "willful infringement" and "serious scenarios", namely, the two necessary conditions for punitive damages according to the Chinese laws.

3. The Guidelines provide the methods of calculating punitive damages in detail. The total amount of punitive damages shall be the base amount plus the product of the base amount and its multiple. However, determination of the base amount is a challenging problem in practice. Therefore, the Guidelines have elaborated on this issue. Relevant laws set out three figures, namely, the right holder's actual losses caused by the infringement, the infringer's profits gained from the infringement, or the reasonable multiple of the royalty. The Guidelines provides corresponding information on the calculation of these three figures.

As a matter of fact, adopting "infringer's profits gained from the infringement" as the base amount is normally the most conducive way for an IP holder to claim higher damages. The Guidelines provide regulations for calculating such profits as exhaustive as including how to work out the profit per unit of goods. Meanwhile, **the Guidelines also take into consideration the right holder's difficulty in collecting evidence for the "infringer's profits gained from the infringement" which is mainly under the infringer's control and have stressed the rule of spoliation of evidence to enhance the feasibility of claiming punitive damages. In a growing number of lawsuits, the rule of spoliation of evidence has been applied.**

Additionally, regarding the aforesaid issue of calculating the "infringer's profits", there once existed controversy and different approaches on considering the contribution of the IPRs or not. Correspondingly, the Guidelines have affirmed the necessity, and furthermore, listed the specific factors for consideration.

Another key issue is the determination of the multiple. The Guidelines have defined that the multiple shall be proportionate to the infringer's intention of infringement and the serious scenarios thereof. In addition to general key issues to consider, the Guidelines have specified factors respectively for patent, trademark, copyright, new varieties of plants and trade secret infringement, etc. for determination of the multiple.

4. The Guidelines include a separate chapter for Internet service providers' possible punitive damages, especially aiming at IP infringement on the Internet. According to the Guidelines, where an Internet service provider knows its user takes advantage of its network service to commit an infringement but fails to take or delays in taking necessary measures such as removing, blocking, or disconnecting a link, without justifiable reasons, which causes serious infringement of IPRs, the right holder's claim for punitive damages against the Internet service provider shall generally be supported. The Guidelines also specify the requirements for the Internet service provider's "undoubted knowledge", "failure to transfer notification" and "failure to terminate timely".

Particularly, the Guidelines further stipulate that on condition of prior undoubted knowledge of infringement and serious consequences, the live streamer and/or the purchasing agent shall be liable for punitive damages as per the right holder's claim.

The Internet service provider, with clear-cut knowledge of the said live streamer and/or the purchasing agent's infringement through its network service, if failing to take reasonable and effective measures to stop the infringement without justifiable grounds, shall be jointly liable for punitive damages with the live streamer and/or the purchasing agent.

The Guidelines also set restrictions to curb "malicious complaints" by requiring Internet service providers to timely terminate the measures taken. Otherwise, the Internet service provider may be jointly liable for punitive damages with other infringers upon the respondent's claim.

The Guidelines, though effective only in the Beijing municipality, are an important reference for other regions and are helpful for the SPC and the Congress to consider nationwide law or regulations in the future, to more effectively curb IP infringement.