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Gathering evidence to pursue TM damages in China

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As China continues to strengthen the protection of intellectual property, the competent courts grant increasingly high damages to the legitimate right holders and the interested parties. Under Article 63 of the Chinese Trademark Law, calculation of trademark infringement damages can be based on the infringers' loss, the infringers' profit, the multiples of royalty, or the statutory damage in sequence.

The most frequently used bases are the infringers' profit and the statutory damage, with punitive damage increasingly considered. We have studied some typical cases and summarized the practical methods of collecting supportive evidence with our own advice.

- **To prove the infringers' profit**

To claim damage based on the profit, a plaintiff needs to prove the sales quantity and unit profit of the infringing goods. If the unit profit is uncertain, the plaintiff's authentic products can be referred to. The evidence usually can be collected in the following ways.

- a) Court's investigation

If the infringing products are sold through online platforms, the plaintiff can request the court for an order of investigation to obtain relevant information from the platform(s). In the civil lawsuit No. (2021) ZheMinChu1866, under the court order, the plaintiff Vans. successfully obtained the sales figure of the defendant's online shops from the platforms Pinduoduo and Alibaba, which strongly supported the damage of more than CNY16 million (\$2.3 million).

- b) Reference to plaintiff's evidence in case of uncooperative infringer

Where the plaintiff's loss is uncertain, but the plaintiff has provided preliminary evidence on the infringer's profit, the court may order the infringer to provide the relevant account books

and data mainly in its control. If the infringer refuses without justifiable reasons, the damage may be determined according to the plaintiff's petitions and evidence. In the case No. (2020) Jing73MinZhong1557 between the plaintiff The British Broadcasting Corporation (BBC) and the defendant Aiyuba on trademark infringement and unfair competition, the defendant refused the court's order to submit the account book and materials, though the court clearly and repeatedly so ordered it. As a result, the court took all the other evidence into consideration and fully sustained the plaintiff's claim of damages.

c) Using the infringer's own information

All such information as the figures stated in the infringer's homepage and the advertisement can be based on for calculating the infringing profit. In the trademark infringement lawsuit No. (2018) Hu0115MinChu53351, the defendant stated through WeChat Moments that it had sold more than 1,500 pieces of infringing products.

During the trial, although the defendant claimed that the foregoing figure was exaggerated propaganda, it failed to provide other reasonable calculation or submit effective rebuttal evidence. Finally, the court still calculated the sales based on the defendant's own figures in WeChat Moments.

d) Using public or other third-party information

Strong evidence might also come from the relevant authorities' public information, such as the official documents, the certified files, publications and registration materials issued by the administrative supervision organs, registration agencies and industrial associations. In the aforesaid VANS case No. (2021) Zhe02MinChu1866, to prove the profit of the counterfeit goods, the plaintiff submitted the audited profit of its Chinese licensee in recent three years, the facts verified by the Administration for Market Regulation, and the gross profit of listed companies in the same industry. Such strong evidence finally convinced the court to calculate the damage at the plaintiff's proposed 50% profit rate.

● **Punitive damage**

If a defendant commits willful infringement seriously and possibly only part of the infringing profit can be accurately calculated, the plaintiff can seek punitive damage based on the calculable profit and request for the application of the statutory damage to the remaining part. In the lawsuit No. (2022) SuMinZhong842 filed by the plaintiff Winner Medical for trademark infringement and unfair competition, the court adopted a comprehensive calculation model to calculate the damage. Firstly, through the verified data, the court concluded the calculable infringing profit was CNY24,331. Secondly, based on the

comprehensive circumstances of the case, the court decided quadruple punitive damage should be applied with the calculating basis of CNY24,331. Thirdly, for the remaining obvious but incalculable profit, the court fully considered such factors as the types, scope, scale, duration, damage consequence of the infringement, and decided a statutory damage of CNY0.9 million, with the reasonable legal expense included.

- **Statutory damages**

If the loss, profit, royalties cannot be based on for calculating the damage, the courts may use their discretion to grant a statutory damage of CNY5 million in maximum and will usually consider the following factors.

- a) Distinctiveness and fame of the trademark in question, the reputation of the right holder, and market share of the branded goods, etc.;
- b) Subjective state, including the infringer's possible prior knowledge of the right holder and mark, industrial relevance, and the infringer's reaction to the warning letter(s) from the right holder, etc.;
- c) Scope and scale of infringement;
- d) Type of infringement, namely multiple types of infringement (e.g., trademark infringement and unfair competition) or pure trademark infringement;
- e) Duration of infringement; and/or
- f) Consequences of damage, particularly whether the infringement is related to the consumers' personal safety or health, and whether it will seriously damage the goodwill of the right holder, etc.

Even if the defendant's profit from infringement cannot be found out or accurately calculated, the right holder or plaintiff should still do its utmost to collect as much evidence as possible to prove the abovementioned factors. The plaintiff's efforts may also favorably influence the courts' decisions.

Last but not the least, although the Chinese courts are more and more friendly to the legitimate trademark holders and the interested parties, a lawsuit is not always a good strategy. In some cases, it is perhaps more advisable to stop trademark infringement through administrative enforcement, C&D letters, and/or negotiation.