

Legal Avenues of Handling Trademark Infringement Suspected of Criminal Crime

By Alisha Wang, P. C. & Associates, China  Silver Partner

Abstract:

Trademark crimes stipulated by the PRC Criminal Law are different from the general trademark infringement acts in terms of regulation scopes, degrees of severity, evidence requirements, etc. When the trademark infringement is suspected of a criminal crime, the trademark owner can directly report or make a complaint to the public security organ, or advise the civil tribunal to transfer relevant criminal clues and evidence to the public security organ to start public prosecution procedure. Alternatively, the trademark owner can initiate a private prosecution before the people's court to investigate the relevant people's criminal liability. After the criminal procedure is launched, since the civil case is not necessarily handled on the basis of the outcome of the criminal case, the civil case can continue. In the course of criminal trial, the trademark owner should actively participate in the litigation process, express opinions on conviction and sentencing, and realize benign interactions between criminal case and civil case by timely withdrawing private prosecution, mediation, understanding and other means, so as to protect their legitimate rights and interests to the maximum extent.

I. The difference between trademark crime and general infringement

According to the specific provisions of the PRC Criminal Law, there are three names of crimes involving the infringement of registered trademarks, namely the crime of counterfeiting registered trademarks in Article 213, the crime of selling goods branded counterfeit registered trademarks in Article 214, and the crime of illegally manufacturing or selling illegally manufactured signs of registered trademarks in Article 215. From the relationship between trademark crime and general infringement, trademark crime is essentially a kind of trademark infringement, but not all trademark infringement acts constitute crimes, the differences between the two are mainly reflected in the following aspects:

1. Different scopes of regulation. Due to the severity of punishment and the nature of last resort, when the PRC Criminal Law stipulates a crime, relevant factors such as the act and the object are strictly limited. Compared with the general trademark infringement, the scope of punishment is relatively small. For example, counterfeiting an unregistered trademark, using a similar trademark on identical goods or using an identical trademark on similar goods generally does not constitute a trademark crime. Of course, if the quality of these infringing goods per se is not up to standard, it may constitute a crime of producing and selling fake and inferior goods.

2. Different degrees of severity. When defining an act as a crime in the PRC Criminal Law, both qualitative and quantitative factors should be considered comprehensively. That is to say, only when a certain act meets certain requirements in terms of the degree of harm, then it constitutes a crime. Specific to the trademark crime, only when an infringement reaches the degree of "serious" and "large amount", it constitutes a crime. If it fails to meet the requirements of the corresponding degree, it is only a general trademark infringement.

3. Different evidence requirements. a) In terms of legitimacy of evidence, the criminal procedure demands higher standard, and clearly specifies the source of evidence, evidence collection means, evidence preservation process, etc. The evidence obtained through illegal means is likely to be excluded by the judicial organs as illegal evidence. However, the civil procedure for the judgment of general trademark infringement has relatively low requirements for the legitimacy of evidence. b) In terms of standard of proof, the determination of a criminal offense shall meet the standards of clear facts, reliable and sufficient evidence, and shall eliminate all reasonable doubts. Whereas the determination of trademark infringement only needs to meet the standard of preponderant evidence. c) In terms of proving method, in general trademark infringement cases, judges can comprehensively adopt indirect evidence, presumption, daily experience, etc., to determine the existence and severity of trademark infringement, with relatively greater freedom of subjective judgment. However, in trademark crime cases, judges should strictly follow the principle of evidentiary adjudication. The degree of freedom of subjective judgment is relatively less. For example, the amount of damages in a trademark infringement case can be determined at the discretion of a civil judge based on the evidence in the case. However, for the amount of sales and illegal income in a criminal case, there should be solid and sufficient evidence to prove, generally according to the value of the confiscated infringing goods, combined with sales invoices, receipts, financial information and other objective evidence to determine, and subjective judgment is less free.

II. The selection of criminal procedure for trademark crime

1. Criminal public prosecution procedure. The start of criminal public prosecution procedure is marked by the public security organ filing a criminal case. In trademark infringement cases, if the trademark owner finds that the infringement is suspected to be a crime, he may push the public security organ to file the case for investigation through the following channels: a) directly reporting to the public security organ or making a complaint; b) advising the civil tribunal to transfer relevant criminal clues and evidence to the public security organ. If the trademark infringement involves the trademark crime at the same time, it belongs to the typical cross-over situation of the criminal and the civil legal relations caused by the same legal fact. Therefore, in the process of civil trial, once a crime is suspected, in addition to the direct report or complaint to the public security organ with jurisdiction by the trademark owner, based on the Article 10 of Provisions of Some Issues on the Trial of Cases Involving Economic Crime Suspicion in the Economic Disputes issued by the Supreme People's Court in 1998, civil judges can also transfer relevant criminal clues and materials to the public security organs for investigation. After examination, the public security organ will initiate an investigation if they consider the conditions of placing a case on file are met. It should be noted that, whether the criminal clues and materials or the case per se is transferred by the civil tribunal to the public security organ has completely different legal effects. If only criminal clues and materials are transferred, civil case will continue to exist, and civil judge still needs to hold substantive trials. If the case per se is transferred, the civil case ceases to exist and a ruling shall be made to dismiss the action. The author thinks that, for the typical cross-over

situation of the criminal and the civil legal relations caused by the same legal fact, to transfer clues or the case per se shall be determined by whether the handling of civil dispute can exist independently of criminal case and the two can be procedurally independent. If yes, the civil tribunal transfers criminal clues and materials and continues to have jurisdiction over the civil case. If not, the civil tribunal shall transfer the case to the public security organ and dismiss the civil action. According to this standard, in trademark criminal case, the judge does not ex officio take the initiative to deal with the civil compensation issue in the judgment, nor does he accept the incidental civil action brought by the victim. The civil compensation issue can only be solved through an independent civil litigation, and the criminal and civil procedures are independent of each other. Therefore, if a civil tribunal discovers a suspected crime in trial course, it should transfer the criminal clues and relevant materials to the public security organ and continue to exercise its jurisdiction over civil case.

2. Criminal private prosecution procedure. In addition to the criminal public prosecution procedure, the PRC Criminal Procedure Law also provides the procedure of private prosecution. For certain types of criminal cases, the victim is allowed to bring a suit directly before a people's court, and the defendant is required to be investigated for criminal liability. According to Article 1 of Interpretation on the Application of the Criminal Procedure Law of the People's Republic of China issued by the Supreme People's Court, the case of intellectual property infringement is a minor criminal case that the victim has evidence to prove, and the victim may initiate a criminal private prosecution. For the criminal private prosecution, the victim should bring the case before the court located in the place where the crime was committed, and there should be a clear defendant, specific claims and evidence to prove the defendant's criminal facts.

3. Compare and choose. Where a trademark infringement is suspected of a crime, the trademark owner may choose either the criminal public prosecution procedure or the criminal private prosecution procedure. The two procedures have their own advantages and disadvantages, and the trademark owner should carefully choose according to the actual situation and specific claims. Selecting public prosecution procedure can fight against infringements with the help of special organs of the state. After a criminal case is filed, the relevant investigation and evidence collection, the capture of criminal suspects and the adoption of compulsory measures shall be carried out by the state organs on their own initiative according to their functions and powers. The trademark owner only needs to do a good job in the corresponding cooperation work with relatively small input of manpower, material resources and financial resources. However, the deficiency lies in that the conditions for starting public prosecution proceedings are relatively high, and the trademark owner should conduct a lot of investigation and evidence collection before filing a case so as to meet the conditions. After the case is filed, the relevant proceedings are all controlled by the state organs, and the trademark owner has no right to make reconciliation with the criminal suspect or withdraw the lawsuit, thus compared with the criminal private prosecution, the trademark owner has fewer bargaining chips in the negotiation for compensation. Whereas, at the stage of filing a case, the examination is relatively lenient and it is easier to start the procedure of private prosecution. In addition, the prosecution can be withdrawn in the course of the lawsuit, the reconciliation and mediation with the defendant is allowable, and it is more conducive to the negotiation of compensation. However, in the procedure of private prosecution, the trademark owner has a heavy burden of proof. The collection, preservation and submission of evidence mainly depend on the private prosecutor. Unless there is evidence which cannot be obtained for objective reasons, the private prosecutor may apply to the people's court for obtaining such evidence and explain the reasons, and at the same time provide relevant clues or materials.

III. To follow up the civil and criminal procedures for trademark infringement

1. Actively push the continued trial of civil case. It is worth studying whether to continue or suspend the trial of a civil case after the transfer of clues and relevant materials when a civil tribunal discovers a suspected crime, and the practice is not uniform. In some cases, according to the principle of criminal case prevailing over civil case, the trial of civil case is suspended, and the trial is resumed after the criminal case is closed, so as to maintain the consistency of the facts determined by the judgments. Some hold that civil and criminal proceedings are different in terms of rules of evidence, standards of proof, distribution of burden of proof, etc., and the substantive issues of both judgments are also different. Thus, a civil case can proceed without waiting for the outcome of a criminal case. The author thinks that through the analysis of "necessity" of the elements of suspending the trial, we can draw the conclusion that the trial should continue.

- a) For criminal and civil cross-over case, the legal basis for suspending the trial of civil case is mainly Article 150-1 (5) of the Civil Procedure Law "This case must be based on the trial results of the other case, and if the other case has not been concluded, the lawsuit shall be suspended." It can be seen that in judging whether to suspend the trial, the key is to see whether the civil case must be based on the trial results of the criminal case.¹ For example, according to Article 52 of Tort Liability Law, "Traffic accident caused by motor vehicles obtained by theft, robbery or forcible seizure brings damage, the subject conducting the theft, robbery or forcible seizure shall assume liability for compensation. Where an insurance company advances rescue expenses within the limits of compulsory motor vehicle insurance liability, it shall have the right to claim compensation from the subject responsible for the traffic accident. „According to this regulation, when a traffic accident occurs due to a motor vehicle obtained by theft, robbery or forcible seizure, the people conducting the theft, robbery or forcible seizure is the subject of responsibility. Whether the facts of theft, robbery or forcible seizure exist involves the criminal responsibility of the actor, they must be ascertained through criminal proceedings. Under the above circumstances, the civil tribunal may order to suspend the civil procedure and resume the trial of the civil case after the conclusion of the criminal case. Specifically in trademark infringement cases, there is no circumstance that civil case must be handled on the basis of the outcome of the criminal case, thus the civil tribunal can independently determine the existence and severity of the infringement on the basis of the documented evidence so as to safeguard the legitimate rights and interests of the trademark owner.
- b) Due to differences in judicial concepts, rules of evidence, and standards of proof, criminal cases and civil cases are allowed to differ in fact-finding, and there is no risk of misjudgement in the continued trial of civil case, which on the other hand indicates that there is no need for civil case to be heard based on the trial results of criminal case. For example, in the dispute of infringement of trademark rights, Domino Company v. Dugao Company, heard by the High People's Court of Guangdong Province (the case was included in the White Paper of Judicial Protection of Intellectual Property Rights of Guangdong Courts (2018))², Domino is the trademark owner for inkjet printer in class 9. The main board of A200 code spraying machine produced and sold by Domino was recycled by Dugao for assembling its own code spraying machine. The E50 code spraying machine

¹ Ji Gefei, On the Trial Sequence of Criminal and Civil Cross-over Case, Published on Jurists, Issue No.6 (2018).

² The High People's Court of Guangdong Province, White Paper of Judicial Protection of Intellectual Property Rights of Guangdong Courts (2018). Published on April 28th, 2019.

produced and sold by Domino was also recycled by Dugao company for refit of the internal ink road system and the whole machine was sold again. Domino considered that Dugao infringed upon its trademark right, which constituted both a criminal offence and a civil infringement. After the hearings, the criminal tribunal found that it did not constitute the crime of counterfeiting registered trademark for not belonging to "identical goods". However, the civil tribunal found that it was "similar goods", and Dugao was still liable for infringement.

- c) In judicial practice, a large number of cases continue to be tried, and through the positive interaction and mutual influence of criminal and civil cases, the legitimate rights and interests of the right holder can be better safeguarded on the whole. For example, in the criminal case heard by the Xiamen City Intermediate People's Court, in relation with De Lemeng Technology Company, Yang Mingfeng and Yang Maogan counterfeiting registered trademark and selling goods branded counterfeit registered trademarks (the case was voted by the High People's Court of Fujian Province as one of the Top Ten Cases of Judicial Protection of Intellectual Property Rights by Fujian Courts in 2019),³ the defendant De Lemeng Technology Company purchased bearings without any logo, printed the registered trademarks "SKF", "FAG", etc. on these bearings without the authorization of the right owner, and then sold the said bearings directly. The court found that the acts of the defendant constituted the crime of counterfeiting registered trademarks and selling goods branded counterfeit registered trademarks, meanwhile Yang Mingfeng and Yang Maogan as the persons directly in charge of the company shall bear the corresponding criminal responsibility according to law. Xiamen City Intermediate People's Court heard the case, but also accepted the civil case lodged by the victim company SKF (China) Co., Ltd. against Yang Mingfeng and Yang Maogan on the same infringement. In the course of the trial of the civil case, Yang Mingfeng and Yang Maogan reached a settlement agreement with the victim company and fulfilled the obligation of compensation. The victim company withdrew the civil action and expressed understanding for the acts of Yang Mingfeng and Yang Maogan in the criminal case. Xiamen City Intermediate People's Court held that the crime implemented by Yang Mingfeng and Yang Maogan was a violation of property rights and interests, their positive compensation of economic loss for victim company and obtaining their understanding reduced the social harmfulness of crime and was equipped with the discretionary circumstance of a lighter punishment, hence the defendants Yang Mingfeng and Yang Maogan light were punished more leniently.

2. Actively participate in the criminal trial process. In the procedure of criminal private prosecution, the trademark owner as the private prosecutor is in the position of the plaintiff. In the course of the trial, they should actively participate in the trial process, understand the progress of the case, actively perform the burden of proof, and timely carry out civil compensation negotiations with the defendant. In the criminal public prosecution procedure, the trademark owner is in the position of the victim, and enjoys the litigation rights such as entrusting the attorney-in-law, participating in the court hearing, presenting evidence and expressing opinions. The trademark owner shall take the initiative to exercise the above litigation rights and positively affect the process and result of the case.

3. Move criminal and civil cases forward as an entirety to maximize the protection of the legitimate rights and interests of the trademark owner. Although criminal case and civil case are independent from each other, they are after all derived from the same legal facts. In the process of

³ The High People's Court of Fujian Province, The Top Ten Cases of Judicial Protection of Intellectual Property Rights by Fujian Courts in 2019, Published on April 24th, 2020.

handling such cases, active communication and coordination should be made to form a benign interaction and push the cases settled as a whole. We should respect the independent will of the trademark owner and properly handle criminal and civil cases from the perspective of maximizing the protection of the legitimate rights and interests of the trademark owner. If the trademark owner wishes to play a warning role through criminal proceedings, he shall actively express his opinions in criminal case and put forward suggestion for heavier punishment. If the trademark owner wishes to obtain civil compensation through criminal proceedings, he should actively negotiate with the defendant in the process of handling criminal case, and make full use of such means as withdrawal of private prosecution, mediation and understanding to urge the defendant to actively perform civil compensation obligations. In addition, the verification ability of the parties in civil case is relatively weak, especially when the parties have greater controversy on such issues as the infringing acts, the infringement amount and the liability that should be borne by each defendant, through the trial of criminal case, the related basic facts can be found out, meanwhile it also can make the infringer have rational expectations to the handling of civil case and contribute to the mediation and reconciliation of the two parties.

For more information, please contact:



Alisha WANG
Partner, Trademark Attorney
P. C. & Associates, China
mail@pcassociates.cn
www.pcassociates.cn

Practice Areas

Trademark agent and legal affairs

Working Experience

2010-2013 Lung Tin Intellectual Property Agent Ltd

2013-2015 She joined P. C. & Associates

2015-2016 Lehman Intellectual Property Agent Ltd

2016 She joined P. C. & Associates again

Educational Background

Zhengzhou University, B.A.in English Language and Literature (2004)

Renmin University of China, LL.B in Intellectual Property Law (2009)

Qualification

Qualified as an Attorney-at-law in 2012.

Working Languages Chinese, English