



Inside China's IP Market: a Guide

2024

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The sixth edition in this series provides invaluable on-the-ground intelligence and analysis on a range of trademark and patent topics, covering every stage of the IP lifecycle and the unique challenges and opportunities facing rights holders in China .

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Protecting brands online in the wake of covid-19 and the surge in tech developments

Bob Zhang

HongFangLaw IP Consulting Firm

With the impact of the covid-19 pandemic over the past few years, people's travel and activities have been somewhat restricted. As a result, people have become more reliant on the Internet in various ways. For instance, students have opted more for remote online courses, and people have increasingly turned to e-commerce for their shopping needs. However, it is important to acknowledge that intellectual property infringement on the Internet remains widespread, particularly in the realm of e-commerce operations. This is primarily because e-commerce transactions are conducted through online platforms. Apart from the information provided by sellers on these platforms, buyers are unable to assess the authenticity and quality of the goods they purchase until they receive them. They can only rely on trust in the brand. In exploiting this situation, many infringers tend to use the influence of others' well-known trademarks or brands to confuse consumers.

Furthermore, in recent years, the e-commerce industry has witnessed new developments, with the widespread adoption of technologies such as artificial intelligence, big data and 5G communications. In addition to traditional e-commerce platforms such as Taobao and JD, people have become accustomed to purchasing goods and services through various channels such as social networking platforms, webcasts and short videos. These new e-commerce models have made intellectual property right (IPR) infringement even more insidious, presenting challenges in brand protection, evidence collection, enforcement models and legal applications.

However, before delving into brand protection, it is essential to establish that brands are entitled to protection. When foreign brands seek to enter the Chinese market through e-commerce, the first consideration is the layout of the trademark in China and mitigating potential infringement risks. A trademark only gains registered status and protection under the law of the country where it is registered. Trademark rights are territorial in nature. Although a foreign brand owner may hold registered trademark rights in their home country, those rights are not recognised under Chinese law unless registered in China. Without valid prior rights, protecting rights in China becomes challenging. Therefore, enhancing intellectual property rights is a fundamental approach to addressing the risk of intellectual property infringement in e-commerce. Brands should proactively strategise their intellectual property rights, based on market demand and business development, and seek early registration and protection.

During the trademark registration process, companies should also consider the influence of internet development to avoid gaps in their IP coverage. For instance, while the Oxford English Dictionary is traditionally published and sold as a book, if someone develops and uploads an Oxford Dictionary mobile application to the Apple Store, the business of the Oxford Dictionary expands beyond books. Therefore, during the trademark application process, the brand owner of the Oxford English Dictionary would need to cover goods such as mobile phone applications and computer programs in addition to books.

The decentralisation of the Internet enables business operators to easily operate across borders at a lower cost, especially in goods and services with similar characteristics. The platform-like character of the Internet also provides a market base for operators to cross borders. Therefore, enterprises involved in Internet business also need to consider the use of trademarks in traditional fields of classes of goods not previously registered by the trademark owner.

Simultaneously, while completing the layout of intellectual property rights, rights holders should make diligent efforts to identify and warn of intellectual property risks, minimising infringement in the production, procurement and marketing of products. Given the increasingly stringent measures being taken in China against malicious trademark applications, early detection of fraudulent trademark cases should prompt the initiation of appropriate procedures to protect rights.

In practice, various forms of trademark infringement exist in e-commerce, including registering shop names or website domain names with logos identical or similar to the trademarks of the right owners, using the same or similar mark to describe products, selling products labelled with another's registered trademark and selling counterfeit products. When faced with these infringement scenarios, rights holders typically resort to traditional IPR enforcement methods such as civil litigation, administrative complaints or legal letters, seeking the cessation of infringement. However, traditional enforcement methods have their limitations. Civil litigation, for instance, is time-consuming, often taking one to two years to yield results. Moreover, legal enforcement requires stringent evidence and entails relatively high costs. While cease-and-desist letters may be cheaper, their effectiveness is unpredictable and uncertain. Consequently, most brands currently opt to file complaints through the IPR protection platforms established by e-commerce platforms.

Under China's E-Commerce Law, an intellectual property right holder asserting that their intellectual property is being infringed upon shall have the right to notify the e-commerce platform operator to adopt measures such as deleting, shielding or removing the hyperlink, or terminating the transaction and services. The notice must include the preliminary evidence for the infringement. Upon being notified, the e-commerce platform operator must promptly adopt the requisite measures and must forward the notification to the business operators using the platform; where the e-commerce platform operator fails to adopt the requisite measures promptly, it shall bear joint and several liability with the business operator using the platform for the escalated portion of the damages. Therefore, for e-commerce platforms, it is their obligation to take the necessary measures upon receiving an infringement notice.

This rights protection approach offers notable advantages. First, the process is relatively shorter. For instance, on Alibaba Group's IPR protection platform, the average processing time for infringement complaints ranges from seven to 15 working days, and even in complex cases, the review period does not exceed one month. Moreover, once a complaint is substantiated, the e-commerce platform promptly removes the suspected infringing goods, thereby effectively safeguarding the legitimate rights of the rights holder. Second, the preparation of materials for rights protection is relatively straightforward. The rights holder needs to provide proof of ownership, reasons for the complaint, links to the complaint and evidence of infringement. Last, during the complaint processing, the e-commerce platform does not impose additional requirements regarding evidence format or content.

However, it is advisable to use this method for small-scale infringement cases. In instances of larger-scale infringements, complaints can be combined with other rights protection methods through the e-commerce platform to effectively safeguard the rights and interests of the rights holder while promptly curbing the expansion of the infringing party's activities. Alibaba, as one of China's earliest e-commerce platforms, has developed a relatively mature governance experience, including leveraging big data retrieval and collaborating with multiple parties. Several other e-commerce platforms have also adopted a collaborative approach between the platform and brands to protect rights, providing strong big data clues to


assist administrative law enforcement departments and public security authorities, thereby enhancing the accuracy of law enforcement crackdowns.

Before a rights holder can file a complaint against an infringing product or a link to the sale of an infringing product on an e-commerce platform, they must register an account on the IPR protection platform built by each e-commerce company, which is used exclusively for the purpose of defending rights on that platform. After completing the uploading of identification documents and filling in information, the platform will review the identity information. If the identity verification is successful, the right holder can upload the appropriate ownership materials to prove that they are the right holder or the agent of the right holder. Once the rights certification is approved, complaints can be initiated by clicking on "Product Complaints", "Shop Complaints" or "E-commerce Content Complaints". It is also important to note that, for example, if the success rate of a complaint is up to the standard for several months, the complaining account will be listed on the platform's Integrity Complaint List, which will help expedite the review process and enable the right holder to better protect their rights.

Also, the preservation of evidence against infringement is important. If the evidence is not fully completed, it will also lead to difficulties in the subsequent protection of rights. In the process of evidence collection against the infringer on the electronic platform, apart from paying attention to the shop homepage, the business entity and the pictures of the products sold, it is also necessary to notarise the manufacturer marked on the product itself, the product packaging, the product manual or the product description on the webpage. In the absence of evidence to the contrary, the manufacturer marked on the above carrier is presumed to be the actual manufacturer of the product. At the same time, the monthly sales, cumulative sales and user reviews of the infringing product can be notarised during the notarisation process, where the monthly sales and cumulative sales have some positive reference significance in determining the amount of compensation. Meanwhile, if the infringing company has an official website, the website can also be notarised to reflect the scale of operation, brand influence and profitability of the company.

Despite the various measures e-commerce platforms have adopted to protect brands, IPR infringement and counterfeit products are still prevalent on e-commerce platforms, and rights holders may consider holding e-platforms liable when shop operators commit infringement and then evade liability for the infringement. However, as mentioned earlier, the Chinese Civil Code and the E-commerce Law have already made provisions for e-commerce platforms to avoid liability when they have fulfilled their obligations to remove infringing links after being notified of the infringement unless the e-commerce platform has been negligent in fulfilling that obligation. There is, however, an exception to this rule. If the e-commerce platform operator knows or should know that the goods sold or services provided by the platform operator do not meet the requirements for the safety of persons or property or otherwise infringe the legitimate rights and interests of consumers and fails to take the necessary measures, it shall be jointly and severally liable with the platform operator in accordance with the law. If an e-commerce platform operator fails to fulfil its obligation to examine the qualifications of the operators on the platform or fails to fulfil its obligation to ensure the safety of consumers, causing damage to consumers, it shall bear the corresponding responsibility in accordance with the law.

However, it is important to mention algorithmic recommendations when discussing this issue. Based on data information, such as consumers' browsing records and purchase history, e-commerce platforms calculate users' preferences through specific



programs and proactively recommend corresponding products to them. While algorithmic recommendations achieve an accurate match between online services and user needs, providing users with a better online experience, they also have hidden risks. If platforms do not properly control the legitimacy of infringing products, algorithmic recommendations can easily contribute to or reinforce the influence of infringement. Although e-commerce platforms do not directly sell goods, the consideration and design of the weighting of various goods are reflected in the algorithms. Users could see either the shopping search keywords or the product pages under the comprehensive ranking as the platform's algorithmic recommendations. If the recommended product happens to be an infringing product, this recommendation may also be considered as providing assistance or facilitating the infringement.

In addition to the aforementioned challenges, brand protection in e-commerce requires a comprehensive strategy that encompasses not only proactive registration and enforcement but also the establishment of robust monitoring and surveillance mechanisms. With the rise of social media platforms and the increasing popularity of AI, it has become crucial for brands to stay vigilant and proactive in identifying potential infringements and unauthorised use of their intellectual property.

One effective method of monitoring and surveillance is the use of advanced technologies such as artificial intelligence and machine learning algorithms. These technologies can scan vast amounts of online content and detect instances of brand infringement or counterfeiting. By analysing product descriptions, images, reviews and user-generated content, these algorithms can quickly identify potential trademark violations and alert brand owners. This proactive approach enables brands to take swift action and protect their rights before significant damage occurs.

With the development of digital technology, new models and businesses based on big data and algorithms are bound to emerge, posing challenges not only to legislators, law administrators and e-commerce platforms but also to brand rights holders. Brands need to adopt new strategies to meet these challenges and become more proactive in their brand protection efforts. By strategically registering trademarks, leveraging advanced technologies for monitoring, fostering collaboration between stakeholders and promoting awareness among consumers, brands can effectively combat intellectual property infringement in the e-commerce space. Through these efforts, they can secure their market position, preserve consumer trust and foster a healthier and more sustainable digital economy.

HONGFANG^{LEGAL & IP}LAW

Bob Zhang

bob.zhang@hongfanglaw.com

No. 2104A, 21/F, United Power International Plaza, No.1158 Jiangning Road, Shanghai
200060, China

Tel: +86 21 6258 1929

<https://www.hongfanglaw.com/en/>

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