

## Enforcing IP Rights in the Chinese E-Commerce Marketplace

In the last few years, China has become the world's the largest e-commerce marketplace. On November 11, 2017 alone — a shopping holiday known as “single day” created by Chinese e-commerce giant Alibaba — Alibaba subsidiary taobao.com sold more than \$25 billion worth of products. Given the enormity of the Chinese online market, foreign companies often find products selling on Chinese websites like Alibaba and JD.com that are (1) genuine products sold without authorization (*e.g.*, grey market imports) and/or (2) counterfeits or copycat products. While the extent of harm caused by the former is debatable, all can agree that the latter is undesirable and prohibitively expensive to litigate. As such, this article will describe mechanisms, while imperfect, that can provide alternatives to Chinese litigation for enforcing trademark and design patent IP rights against counterfeit and copycat sellers.

### Product Removal by Online Shopping Sites

As a general rule, seeking product removal by Alibaba or JD.com is only effective in clear-cut cases. Because both sites make money by hosting sellers, they naturally sympathize with them. Also, since JD.com generally certifies products that they sell, it typically gives deference to its certification team and is less receptive to contrary allegations and arguments from IP rights owners.

**Counterfeiting & Trademark Infringement.** Requesting Alibaba and JD.com product removal based on counterfeiting or trademark infringement is relatively straightforward. But it may require multiple actions if more than one seller is selling the infringing product since the removal process is personal to the seller and not linked to the product. Steps include:

1. Obtain relevant information and evidence, including the product link, product ID, and photos
2. Submit full documentation demonstrating rightful ownership, such as business registration, product information, and trademark registration (if any)
3. Provide infringement explanation and/or analysis
4. File removal request(s) using the above information
5. Provide additional information if necessary

Typically, Alibaba or JD.com will make a decision within two to three weeks after receiving the applicant's request, and if favorable, they will often remove the infringed product at the same time they render their response. In rare cases, the sites may decide not to remove the counterfeit product due to submission of false documentation identifying the counterfeiter as an authorized seller or based on minor product differences allegedly refuting infringement. In such instances, applicants may appeal the decision. This typically involves obtaining additional evidence. Given that online sellers generally do not have physical stores, gathering the necessary evidence may require a bit of ingenuity, such as determining physical locations by ordering and returning products using a return address.

**Design Patent Infringement.** As Chinese sellers and manufacturers become more sophisticated, we are seeing fewer instances of counterfeiting and trademark infringement and more copycat products with minor differences from the originals, selling under different brand names. In these situations, design patents are particularly useful. The process to remove products from online sites based on design patent infringement, however, involves more effort and takes longer (often several months) than trademark enforcement (usually less than a month). Removal steps include:

1. Obtain information on infringing products, including the product link and description
2. Perform infringement analysis
3. Request an evaluation report from State Intellectual Property Office (SIPO) to determine the likelihood of design patent validity. Each report costs several hundreds of dollars and takes about three months to process. Since design patents are not substantively examined, online sellers frequently refuse to honor patent owner rights unless the report provides “certainty” of the claim. Unfavorable reports typically yield a much lower likelihood of success, but do not invalidate the claim
4. Request product removal using the information above

Within two weeks after completing the above steps, Taobao or JD.com will either forward the seller’s response to the patent owner or make its decision. If applicable, the online shopping sites may conduct another round of analysis, which can take up to two additional weeks for a decision.

### **IP Enforcement at AIC & Local IP Offices**

**Counterfeiting & Trademark Infringement.** If Alibaba or JD.com rejects your counterfeiting or trademark infringement claim, another cost-effective litigation alternative is to pursue action at the Administration for Industry and Commerce (AIC). To take action, you must first locate the seller since the AIC enforces at a local (city) level. After reviewing evidence against a seller, a local AIC may confiscate the counterfeiting/infringing products and issue a fine.

**Design Patent Infringement.** If Alibaba or JD.com issues an unfavorable decision, patent owners can pursue action at a local intellectual property office. While SIPO oversees patent examinations and general IP polices, local IP offices handle IP enforcement — including stopping alleged infringements and registering potentially infringing products — but lack the authority to confiscate infringing products.

To take action, patent owners must present evidence and analysis to a local IP office, which will make its decision after at least a week. Unless the case is easily determined, local IP offices rarely take enforcement action, but instead attempt to facilitate settlement. Even if unsuccessful, filing a claim at a local IP office provides a way to effectively preserve evidence for subsequent IP litigation.

### **Conclusion**

As the largest global consumer market, online Chinese shopping sites are frequent venues for IP infringement. Before going to court, IP owners should consider the various alternative remedies described in this article — online shopping site product removal requests and AIC and local IP offices claims — as cost-effective alternatives. That said, while the processes outlined above may seem simple, moving through the various administrative hurdles can be both challenging and frustrating. Thus, having an experienced local team is often the key to success.