
Kevin Xu


Karen Hao

Can voluntary administrative action be deemed as a clear notice of infringement in a non-infringement declaration lawsuit?

Kevin Xu & Karen Hao, HongFangLaw, explore non-infringement declarations and specifically examine an instance where a non-infringement declaration was made due to voluntary administrative investigations, thinking about how this impacts the parties involved.

A declaration of non-infringement is a unique type of lawsuit, which can be filed in the boundaries of the intellectual property law. Article 18 of the "Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases" is the main legal basis for the filing of non-infringement declarations.

The Article initially applied only to non-patent-infringement declaration, but was later referred also to non-infringement declarations of other intellectual property rights, after being clarified by the Supreme Court. The purpose of filing a non-infringement declaration by the alleged infringer is to resolve the uncertainty of whether the act of the alleged infringer has constituted intellectual property infringement, and in the meantime to prevent the abuse of the intellectual property right. According to Article 18, the preconditions for acceptance of a non-infringement declaration include:

1. The notice of infringement has reached the alleged infringer;
2. The right holder fails to withdraw the prior notice of infringement or to file a lawsuit against the alleged infringer within a reasonable time limit.

Therefore, whether or not a clear notice of infringement has reached the alleged infringer is one of the key preconditions for courts to decide whether to accept a declaration of non-infringement case.

In legal practice, a situation may arise where the alleged infringer files a non-infringement declaration when the administrative authorities voluntarily take actions to challenge the legitimacy of the alleged infringer's activity.

In this article, the authors intend to present a similar case handled by one of the associates at HongFangLaw as to take into account whether a voluntary administrative action can be deemed as a clear notice of infringement, which would allow the alleged infringer to file a declaration of non-trademark-infringement lawsuit.

Résumés

Kevin Xu

Kevin became founding partner at HongFangLaw after studying law at the East China University of Political Science and Law. He has rich experience and practices in the areas of civil litigation, brand protection, trademark service, copyright, unfair competition, dispute resolution, domain name, and anti-counterfeiting law.

Kevin has written multiple articles for the *China Business Law Journal* and others.

Karen Hao

Karen is an attorney at HongFangLaw, graduating from the University of Glasgow (LL.M) and East China University of Political Science and Law (LL.B). Karen has extensive experience in the areas of trademark law, copyright law, civil litigation and other Intellectual Property related matters.

> *"Whether or not a clear notice of infringement has reached the alleged infringer is one of the key preconditions for courts to decide whether to accept a declaration of non-infringement."*

Case background: The trademark right holder in question, made a complaint to Nanjing AIC (Administration for Industry & Commerce) sub-bureau about the trademark infringement of one garment company in Shanghai, and later withdrew the same complaint. The Nanjing AIC sub-bureau, however, did not take the withdrawal into consideration but decided to investigate the trademark infringement case voluntarily. In this situation, the alleged infringer has no choice but wait for the final administrative decision to issue before it can actually file an administrative review or administrative lawsuit against the same administrative decision. This would definitely occupy a long time, which not only affects the alleged infringer's normal business activity, but also leaves the nature of the act of the alleged infringer uncertain. In such scenario, does the alleged infringer obtain the right to directly file a non-infringement declaration claim to the court?

In the first instance case *Suzhou Xie An Trading Co., Ltd. vs. E Yu Xu Co., Ltd.* on declaration of non-trademark-infringement dispute, Shanghai Pudong New District People's Court gave a clear "Yes" answer. In the case at hand, the exporting garment of the Plaintiff Suzhou Xie An Tradming Co., Ltd. was suspected to have infringed the trademark right of the Defendant E Yu Xu Co., Ltd and as such was detained by the customs office. Customs issued a written detention notice to the Plaintiff and informed, in the meantime, the Defendant. The Plaintiff subsequently filed a declaration of non-infringement claim to the Shanghai Pudong New District People's Court. The court held the following:

"*[T]he written notice of detention issued by the customs is a clear notice of infringement sent to the Plaintiff for its alleged trademark infringement, because the detention notice was directly sent to the Plaintiff, and in it, the possible trademark infringement of the Plaintiff, was clearly stated. As the Defendant failed to file a lawsuit or to request for the property preservation to the court after being informed by the customs, the Plaintiff filed a declaration of non-infringement claim to the court to eliminate the uncertainty of the nature of the Plaintiff's act, as well as to make sure of the smooth continuation of Plaintiff's business activities. Therefore, the Plaintiff does meet the requirements to file a declaration of non-infringement.*"

As aforementioned, one of the preconditions for the alleged infringer to file a declaration of non-infringement is "the receipt of the right holder's notice of infringement". In the previous case, according to the judgment, the court did not challenge the Plaintiff's grounds to file the non-infringement declaration because the court had treated the custom's "written detention notice" as a form of "notice of infringement". As can be witnessed in this case, in today's legal practice when it comes to "the receipt of the right holder's notice of infringement", more and more courts tend to interpret such precondition beyond its literal meaning by implementing extensive interpretation. The right holder's administrative complaint, the voluntary action made by the administrative authorities and the right holder's declaration of right (open declaration with no specific object),

> *"One of the preconditions for the alleged infringer to file a declaration of non-infringement is "the receipt of the right holder's notice of infringement."*

etc. are now often deemed as the "notice of infringement" in a declaration of non-infringement cases.

As such, in the authors' opinion, Shanghai Pudong New District People's Court's extensive interpretation on "the receipt of right holder's notice of infringement" which allows the alleged infringer to file declaration of non-infringement suit is a very good approach. The legality and rationality behind the trending extensive interpretation of "the receipt of notice of infringement" can be explained by looking at the legislative intent of the intellectual property law. First, the intellectual property right is a private right, which protects the monopoly of the right holder's intellectual property. As a private right, the intellectual property right allows the right holder to use its intellectual property in a monopolistic way by generating certain restrictions upon the public. Therefore, when a right holder makes a declaration of its intellectual property right – as long as there's someone who believes such declaration of right has hinders the person himself/herself from exercising his/her own rights – such declaration of right can be deemed as a "notice of infringement". It does not matter if the declaration was made to the public or merely to the person himself/herself. However, not every registered intellectual property right is rightfully registered 100% (e.g., trademark squatters register many trademarks in bad faith, etc.). Therefore, the exercise of the intellectual property right shall not impair the public interest in the first place. That is why it is of opinion that people shall be allowed to file declaration of non-infringement to eliminate risk of infringement and to stabilize the market when the nature of their act remains uncertain, as one of the main purposes of the declaration of non-infringement is to prevent the right holder from abusing its intellectual property rights.

In the above case *Suzhou Xie An Trading Co., Ltd. vs. E Yu Xu Co., Ltd.*, the customs voluntarily detained the Plaintiff's exporting garment, which not only hindered the Plaintiff from exercising its legitimate right, but also affected the running of the Plaintiff's own business activity. Meanwhile, considering the right holder in this case failed to claim proactively its prior legitimate intellectual property right during the entire voluntary custom action, the Plaintiff's declaration of non-infringement should be sustained.