IPR infringement and unfair competition in advertising: China

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Practice notes | **Maintained** | China, International

An overview of the regime governing advertising infringement in China. It discusses the main types of intellectual property right (IPR) infringement and unfair competition activities arising from commercial advertising. It also addresses the actions to be taken and remedies to be expected if one's IPR is infringed and gives advice on how to avoid infringing others' IPR or unfair competition in advertising.

Scope of this note

As the landmark intellectual property right (IPR) infringement case in history, the contentious fights between Wanglaoji（王老吉）and Jiaduobao（加多宝）over misleading advertising slogans and similar packaging put advertising infringement under the spotlight. Wanglaoji was awarded with an exceptionally high award as infringement damages compensation in several related cases. The key issues of the litigations are trade mark infringement and unfair competition implemented in Jiaduobao's advertisements.

In addition, advertisement infringement cases were frequently listed as the intellectual property (IP) guiding cases published by the *Supreme People's Court* (SPC). Guiding cases are not binding as legal precedents, but they are considered to have strong persuasive value, and judges in China should consider and refer to the guiding cases when adjudicating similar cases (see *Practice note, Understanding Chinese legislation: Guiding cases*).

IPR infringement and unfair competition in advertising have become a common legal issue in business, which should be paid more attention to by legal practitioners.

This practice note sets out a regulatory roadmap of the regime governing advertising infringement in *China*. The note outlines the common types of IPR infringement, including copyright infringement, patent infringement, trade mark infringement, and unauthorised use of Olympic symbols and celebrity's personality rights. It also discusses unfair competition activities arising from commercial advertising, including issues related to false statement in advertising and comparative advertising. The note also provides helpful advice on how to avoid infringing others' rights in advertising.

Advertising and general requirements

In China, advertising activities are primarily governed by the *Advertising Law of the People's Republic of China 2015* (2015 Advertising Law), which came into force on 1 September 2015. The 2015 Advertising Law substantially amended the older version published in 1994 by expanding the scope of regulated advertising activities and enhancing the sanctions for breach.

An advertisement is a commercial advertising activity where "suppliers of goods or services introduce their goods or services, whether directly or indirectly, through the medium in all forms to the general public" (*Article 2, 2015 Advertising Law*). It is no longer required that the product or service providers pay advertising fees to the advertising operator or publisher to be qualified as a "commercial advertisement" as required under the 1994 version.

In practice, an advertisement typically includes:

- Promotion via traditional media, such as TV, radio, newspaper, brochure and so on.
- Packaging of products.
- Promotion on exhibitions.
- Promotion on the internet.
- Promotion on transaction documents.

An advertisement usually involves the following parties:

- **Advertiser** (广告主). An advertiser is any person, enterprise or organisation who designs, produces and publishes advertisements by itself or commissioning others to do so for the purpose of promoting the goods or services concerned.
- **Advertising operator** (广告经营者). An advertising operator is the entity engaged to provide advertisement design, production and agency services for another (typically for the advertiser).
- **Advertisement publisher** (广告发布者). An advertisement publisher is the entity engaged by an advertiser or advertising operator to publish advertisements.
- **Endorser** (广告代言人). This refers to an individual or legal entity (except for the advertiser itself) that recommends or certifies the goods or services of an advertiser by its own name or image.

(*Article 2*, *2015 Advertising Law*.)

The 2015 Advertising Law provides that the following general principles should be followed in an advertisement:

- **Authenticity.** This key principle requires that any advertising activity should introduce and promote a product or service objectively. There are two requirements under this principle:
  - the product or service promoted in an advertisement is real; and
  - the information delivered in the advertisement is true.

(*Articles 3-4*.)

- **Legality.** This principle requires that:
  - an advertising operator and publisher should obtain a proper qualification or licence to conduct the advertising business (*Article 32*);
  - any product and service promoted in an advertisement is permitted to be produced or provided by law (*Article 37*);
  - any content (including word, picture, music and so on) and format of an advertisement should comply with laws and regulations (*Chapter 2*); and
  - the procedure of publishing an advertisement should comply with laws and regulations. For example, an advertisement related to medical products should be reviewed and approved by the competent local medicine administration departments before being published (*Article 59, Drug Control Law of the People's Republic of China 2015*).

- **Acting in good faith.** This basic legal principle under Chinese law requires that the parties involved in an advertisement should act in good faith and cannot advertise false information to mislead consumers (*Article 5*).
- **Fair Competition.** This principle prohibits an advertiser, advertising operator and advertisement publisher from infringing on any third parties' rights and interests or disrupt the market order (*Articles 5 and 31*).

For more information on the 2015 Advertising Law, see *Practice note, Advertising law in China*.

Regulatory roadmap of advertising infringement

The laws and regulations governing IPR infringement in advertising consist of two significant parts:

- The laws regulating IPR. These mainly stipulate what kinds of civil rights should be protected in an advertisement and what kinds of action could be taken if the rights are infringed.
- The laws regulating advertising.

2010 Copyright Law

The *Copyright Law of the People's Republic of China 2010* (2010 Copyright Law) provides legal protection for the copyright of authors of literary, artistic and scientific works and for the copyright-related rights and interests (*Article 3*) (see *Practice note, Copyright (China): Overview: Protectable works*). The literary and artistic creations by advertisers or advertising operators should fall under the protection of the 2010 Copyright Law.

Key administrative regulations and judicial interpretations include:

- *Interpretation of the Supreme People's Court on Certain Issues Concerning the Application of Law in the Trial of Civil Cases Involving Copyright Disputes 2002*.
- *Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks 2012*.
- *Regulations for the Implementation of Copyright Law of the People's Republic of China 2013*.

For an overview of Chinese copyright law, see *Practice note, Copyright (China): Overview*.

2008 Patent Law

The protection of patents are subject to the *Patent Law of People's Republic of China 2008* (2008 Patent Law) and various administrative regulations and judicial interpretations including the *Rules for the Implementation of the Patent Law of the People's Republic of China 2010*.

For an overview of Chinese patent law, see *Practice note, Patents (China): Overview*.

2013 Trademark Law

In general, only registered trade marks are protected under Article 2 of the *Trademark Law of the People's Republic of China 2013* (2013 Trademark Law), except for well-known trade marks (*Article 13*).

Key administrative regulations and judicial interpretations include:

- *Implementing Regulations of the Trademark Law of the People's Republic of China 2014*.
- *Interpretation of the Supreme People's Court on Certain Issues Concerning the Application of Law in the Trial of Civil Cases Involving Trademark Disputes 2002* (2002 SPC Interpretation on Trade mark Disputes).
- *Opinions of the Supreme Court on Certain Issues concerning the Trial of Administrative Cases of Trademark Authorization Confirmation 2010*.
- *Provisions of the Supreme People's Court on Several Issues Concerning the Adjudication of Administrative Cases on Granting and Affirming Trademark-related Rights 2017*.

For an overview of Chinese trade mark law, *Practice note, Trade marks (China): Overview*.

1993 Unfair Competition Law

The *Law of the People's Republic of China against Unfair Competition 1993* (1993 Unfair Competition Law) regulates business activities that cause confusion (by imitating the unique packages and decorations of another's products, using another's trade name and so on), infringements on trade secrets, false advertisements, business defamation and other infringing activities closely connected with IPR protection, and provides effective supplements to certain fields that the specific IP laws fail to adjudicate.

Key administrative regulations and judicial interpretations include:

- *Certain Provisions on Prohibition of Unfair Competition Acts of Counterfeiting Names, Packaging, or Decoration Peculiar to Well-Known Products 1995*.
- *Interpretation of the Supreme People's Court on Certain Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition 2007* (2007 SPC Interpretation on Unfair Competition).

The ***Legislative Affairs Office of State Council*** (LAOSC) circulated a revised draft of the 1993 Unfair Competition Law for public comment in February 2016 and September 2017 respectively. Among other changes in the fields of commercial bribery, anti-monopoly and advertising, the revised draft has significant implications for intellectual property protection (see *Legal update, Draft Anti-unfair competition law: Intellectual property implications*).

For more information on the 1993 Unfair Competition Law, see *Practice note, Passing off and unfair competition (China): Overview*.

2002 Regulations on Protection of Olympic Symbols

In addition to the protection afforded under the above legislation, the *Regulations on Protection of Olympic Symbols 2002* (2002 Regulations on Olympic Symbols Protection) were released by the ***State Council*** before the 2008 Beijing Olympic Games to protect Olympic symbols, which include (among others):

- The five Olympic rings, flag, motto, emblem of the International Olympic Committee (IOC).
- Terminologies such as "Olympic", "Olympiad", "Olympic Games" and their abbreviations.
- The name, emblem and symbol of the Chinese Olympic Committee and other related symbols.

(*Articles 2 and 4*.)

2015 Advertising Law
The main purpose of the *2015 Advertising Law* is to regulate the production and publication of advertisements (*Article 1*).

For more information, see *Practice note, Advertising law in China: Legal framework*.

Common types of advertising infringements
Typical types of advertising infringements include one or more of the following:

- Infringements on copyright, patents and trade marks.
- Unfair competition.
- Unauthorised use of Olympic symbols.

Copyright infringement
There are two typical forms of copyright infringement commonly seen in advertising.

One is the unauthorised use of copyrighted pictures, audio and video clips and slogans. The internet becomes a tool for advertising producers to copy the copyrighted elements from the internet, and when the advertising producers paste them in their advertisements without obtaining proper authorisation, copyright infringement is constituted.

There are two defences that may be supported by the courts:

- A proper authorisation has been granted by the agent or licensee of the copyright owner. In practice, a copyright owner may license its copyright to lots of agents or licensees. Where a proper authorisation from those agents or licensees has been obtained, the use will not constitute a copyright infringement.
- The plaintiff fails to provide convincing evidence to prove that it is the copyright owner of a copyrightable product.

The other type of advertising copyright infringement is advertisement plagiarising. In practice, only when all or most of the factors involved in two advertisements are the same, may copyright infringement be constituted.

The *2010 Copyright Law* protects the format (that is, the audio, visual, literal and dramatic elements) instead of the idea of an advertisement. In other words, the unidentifiable similarity in an advertisement that arouses the audiences' sense of familiarity is not enough to establish advertisement plagiarising.

For more information on copyright infringement, see *Practice note: overview, Copyright (China): Overview: Acts of infringement*.

Patent infringement

The exploitation of a patent without the authorisation of the patentee constitutes a patent infringement (*Article 60, 2008 Patent Law*). The most typical patent infringement in advertising is initiating a patent (such as the name and the registration number of the patent) in an advertisement to promote a product, without authorisation from the patent owner.

In addition, there are some other types of patent infringement, including:

- Where an advertisement promotes a product that infringes another's patent right, in which case, the advertisement will be deemed as part of the patent infringement.
- Where the way of advertising itself is protected as a patent. For example, an advertising publisher uses certain patented technology to cast an advertisement on the building. If others use the same technology to publish their advertisements without proper authorisation, it may constitute a patent infringement.

The *2015 Advertising Law* specifically provides that:

- An advertisement involving patented goods or methods should clearly indicate the patent number and type of patent.
- Products not yet patented should not be alleged as being patented.
- The use of unsuccessful patent applications or those which were terminated, nullified or invalidated in an advertisement should be prohibited.

(*Article 12*.)

Trade mark infringement

A typical trade mark infringement in advertising is the unauthorised use of a registered trade mark or similar mark with respect to an identical or a similar product or service.

Each of the following constitutes an infringement:

- Using an identical trade mark on the same goods or services without authorisation.
- Using a similar trade mark on the same goods or services without authorisation, where the use is likely to cause confusion.
- Using an identical or similar trade mark on similar goods or services without authorisation, where the use is likely to cause confusion.

(*Article 57(1)-(2), 2013 Trademark Law*.)

For other grounds of trade mark infringement, see *Practice note, Trade marks (China): Overview: Grounds for an infringement action*.

How to identify identical or similar trade marks?

A trade mark is identical to another trade mark where, through comparison between the accused infringing trade mark and the plaintiff's registered trade mark, the two marks basically bear no difference from a visual perspective.

A similar trade mark means, when compared with the plaintiff's registered mark, the accused infringing mark is similar in any of the following aspects that will cause the relevant public to mistake the source of the goods concerned or believe that the source is related to the goods bearing the plaintiff's mark:

- Appearance, pronunciation or meaning of words.
- Composition and colour of design, or the overall appearance of the combination of the above elements.
- Three-dimensional shape or combination of colours.

(*Article 9*, *2002 SPC Interpretation on Trade mark Disputes*.)

The courts will apply the following principles to determine whether two marks are identical or similar:

- Use the ordinary attention of the relevant public as the criterion.
- Compare the marks in overall appearance as well as their essential parts, with the objects viewed separately.
- When judging whether the marks are similar, consider the distinctiveness and reputation of the prior mark.

(*Article 10*, *2002 SPC on Trade mark Disputes*.)

How to identify similar products or services

The *2002 SPC Interpretation on Trade mark Disputes* provides that:

- Similar products are products that are identical in their function, purpose, production, sales channel and target consumers and so on, or goods that are likely to lead the relevant public to believe they are associated with each other and cause confusion.
- Similar services are services that are identical with each other in purpose, content, way of serving and target consumers and so on, or services that are likely to lead the relevant public to believe they are associated with each other and cause confusion.
- Goods and services are similar where they are associated with each other and are likely to cause confusion to the relevant public.

(*Article 11*.)

The courts will determine whether products or services are similar on the basis of the relevant public's average knowledge of the products or services and will also refer to:

- International Classification Table of Goods and Services for Trademark Registration (商标注册用商品和服务国际分类表).
- Specification Table of Similar Goods and Services (类似商品和服务区分表).

(*Article 12, 2002 SPC Interpretation on Trade mark Disputes.*)

Exception: description of function and quality

The main purpose of a trade mark is to identify the source of a product or service, and to distinguish that product or service from those of others (*Article 8, 2013 Trademark Law*). If the use of another's registered trade mark in advertising is to describe the function and quality of a product or service without causing public confusion, the use may not constitute a trade mark infringement.

For example, "OTIS" is a registered trade mark covering elevator, elevator parts and relevant products and services. The unauthorised use of the OTIS mark in an advertisement related to the elevator parts may constitute a trade mark infringement. However, an advertisement stating that a product can be used for OTIS elevators may not constitute a trademark infringement. From this advertisement, the relevant public is unlikely to believe that the product is manufactured by or has certain connection with the trade mark owner of "OTIS". That is to say, the use of the OTIS mark in such advertisement is not to describe the source of the product but to describe the function of the product.

Unfair competition

Main types of unfair competition in advertising include any:

- False statement in advertising.
- Unauthorised use of another's name on one's own products.
- Prohibited comparative advertising.

False statement in advertising

The infringer often takes a free ride by making false statements regarding the connection between itself and other famous companies, or spreads rumours, uncorroborated news or information, or slanders in advertising.

Business operators should not, by advertising or any other means, make false representations of their products that are misleading as to their quality, ingredients, functions, usage, producers, duration of validity or origin (*Article 9, 1993 Unfair Competition Law*).

Certain types of advertisements are listed to be "false" where:

- Advertisements are created for goods or services that do not exist.

- Information provided on goods or services is inconsistent with the facts and there is a substantive impact on the consumers' purchasing decision. This covers representations in relation to various aspects of the goods or services, for example, function, geographic origin, composition, pricing and quality.
- Advertisements cite experimental results, statistics, and surveys and so on, which are fabricated or cannot be substantiated.
- Advertisements fabricate the effect of using the advertised goods or services.

(*Article 28, 2015 Advertising Law*.)

Unauthorised use of another's name on products

A business entity is prohibited from committing unfair competition through any of the following means that will cause buyers to mistake its products for another party's products:

- Unauthorised use of the business name of another on its own products.
- Unauthorised use of the personal name of another on its own products.

(*Article 5(3), 1993 Unfair Competition Law*.)

Note that what is prohibited is unauthorised use. Therefore, to rely on Article 5(3), the aggrieved party must demonstrate that it had not given the alleged infringer any authorisation to use the aggrieved party's business or personal name.

Business name covers the following:

- An enterprise name registered under the competent local office of the *State Administration for Industry and Commerce* (SAIC).
- A foreign enterprise name used within the territory of China for commercial use.
- A trade name forming part of an enterprise name that has gained certain amount of market popularity and is known by the relevant public.

Therefore, a business name may consist in the name of the business as registered under the relevant local office of the SAIC (local AIC) (enterprise name), for instance, "Beijing ABC Software Technology Ltd Co", or a mere part of the enterprise name that has attained market popularity and is known by the relevant public (that is, the trade name), for instance, "ABC Soft". For more information on business names, see *Practice note, Chinese company names*.

Prohibited comparative advertising

The *2015 Advertising Law* expressly prohibits:

- Comparing the effect and safety of a medicine or medical device, or medical institution with other pharmaceuticals, medical devices or medical institutions in an advertisement (*Article 16(3)*).
- Comparing a health product with medicines or other health products in an advertisement (*Article 18(4)*).

Some other comparative advertisements may be deemed as false statements if an advertiser cannot provide convincing evidence to support the conclusion in the comparative advertisement (*Article 8, 2007 SPC Interpretation on Unfair Competition*).

Unauthorised use of Olympic symbols

Any commercial use of Olympic symbols without proper authorisation constitutes an IPR infringement (*Article 4, 2002 Regulations on Olympic Symbols Protection*).

A commercial use is established where Olympic symbols are used in the following ways to make profits:

- On goods, packages or containers of goods and the related trade documents.
- In service items.
- In advertising, commercial exhibitions, commercial performance and other commercial activities.
- To sell, import or export goods bearing Olympic symbols.
- To produce or sell Olympic symbols.
- Any other activities that may make the third parties believe that there are sponsorship or other support relationships between the users and the right owners of Olympic symbols.

(*Article 5, 2002 Regulations on Protection of Olympic Symbols*.)

Olympic symbols are also protected by IP laws including the *2013 Trademark Law* and *2010 Copyright Law* (*Article 14, 2002 Regulations on Protection of Olympic Symbols*). The unauthorised use of Olympic symbols of other Olympic games such as London and Rio also constitutes an IPR infringement.

Unauthorised use of celebrity's image or portrait

An advertiser or advertising operator should obtain a written approval from the right owner before the use of a third party's image or portrait (*Article 33, 2015 Advertising Law*).

In some cases, the unauthorised commercial use of a celebrity's image or portrait in an advertisement may also constitute an unfair competition. In *Yao Ming v Wuhan Yunhe Shark Sport Company [2012] Hubei High People's Court (E Min San Zhong Zi No.137)* (姚明与武汉云鹤大鲨鱼体育用品有限公司侵犯人格权及不正当竞争纠纷上诉案（湖北省高级人民法院[2012]鄂民三终字第137号), the Hubei High Court held that the unauthorised use of Yao Ming's image not only infringed Yao Ming's portraiture right but also constituted an unfair competition given the high reputation of Yao Ming in the sport-related market.

For more information on protecting celebrity personal rights, see *Article, Protecting celebrity personality rights: what can you do in China?*.

Compound infringement
Trade mark infringement, trade name infringement, copyright infringement and unfair competition are frequently involved in one dispute.

This is especially the case where the trade name is also a registered trade mark. If an advertisement mentions another's trade name (which is a registered trade mark) without authorisation, it may constitute a trade mark infringement and unfair competition at the same time (see *Trade mark infringement* and *Unauthorised use of another's name on products*).

How to deal with advertising infringement

Key steps to deal with an advertisement infringement include:

- **Investigation.** The purpose of an investigation is to collect and preserve evidence for future legal actions. The investigation can be done through:
  - searching the infringer on the internet;
  - searching the infringer's record in the relevant local AIC where it is incorporated;
  - site visits (if possible); and
  - asking for more information from business departments.

- **Assessment.** This is to determine whether the infringement is due to the infringer's negligence. If it is, a cease and desist letter will be an efficient way to stop the infringement. For standard cease and desist letters, see standard documents:
  - *Cease and desist letter (copyright infringement): China*;
  - *Cease and desist letter (unfair competition): China*;
  - *Cease and desist letter (trade mark infringement): China*;
  - *Cease and desist letter (utility model and invention patent infringement): China*; and
  - *Cease and desist letter (design patent infringement): China*.

- **Complaints to platform operators.** If the infringing advertisement is found on an online trading platform, such as Alibaba.com and Taobao.com, the company may file a complaint on the platform via its redress system, requiring the removal of the infringing advertisement. The advantages for doing so are:
  - to allow the obligor to take down the infringing advertisement efficiently and cost effectively;
  - to affect the infringer's ranking (through the credit deduction mechanism of the platform), which in turn impacts the infringer's business, and poses a great deterrence to the infringer; and
  - where the platform refuses to remove the infringing advertisement, to bring the platform into joint and several liabilities with the advertiser or advertising operator (or both).

- **Complaints to advertisement publishers.** If the infringing advertisement is found on a traditional media, such as TV, radio or newspaper, the company may send a cease and desist letter to that media to remove the advertisement. If the media refuses to remove the infringing advertisement, the media may bear joint and several liabilities with the advertiser or advertising operator (or both).
- **Complaints to regulators.** The relevant competent authorities include competent local offices of:
  - SAIC: where there is any IPR infringement or illegal advertising activity involved in an advertisement, the infringed may file a complaint with the local AIC where the infringer is located;
  - ***State Intellectual Property Office*** (SIPO): where there is any patent infringement involved in an advertisement, the infringed may file a complaint with competent local offices of SIPO where the infringer is located; and
  - ***National Copyright Administration*** (NCA): where there is any copyright infringement involved in the advertisement, the infringed may file a complaint with the competent local office of the NCA where the infringer is located.

- **Court proceedings.** The infringed may bring a court action against the advertiser, advertising operator or advertisement publisher of an infringing advertisement. Possible claims include:
  - ceasing the publishing or distribution of the advertisement;
  - monetary compensation;
  - destroying the advertisement materials;
  - public apologies; and
  - court injunctions.

How to avoid infringing others' rights in advertising

General advice on how to avoid infringing others' rights in advertising is for companies to:

- **Review and check the key factors before publishing.** This includes to check:
  - whether the picture or music is taken or made by the company and if not, whether an authorisation from the copyright owner has been obtained;
  - whether the wording is cited from a copyrighted work and if so, whether an authorisation from the copyright owner has been obtained; and whether the wording includes another's trade mark or trade name and if so, whether it would cause the relevant public's confusion or misunderstanding; and
  - whether the logo in the advertisement is similar to another's registered trade mark and if so, whether it will cause the relevant public's confusion or misunderstanding.

- **Manage suppliers.** In practice, a company usually contracts out its advertising production to a professional advertising company or other suppliers. Sometimes the company does not know that it has infringed a third party's rights until it receives the complaints or summons. The management of advertising suppliers is critical to avoid infringing others' IPR. The company should:

- insert an IP warranty clause in supplier contracts and where the sources of the advertisement are provided by a supplier, the supplier should guarantee that the sources will not infringe others' interests and rights; and
- review the advertisement produced by the supplier carefully before publishing.

How to handle comparative advertising

Generally, when a company or its legal department reviews a comparative advertisement (see *Prohibited comparative advertising*), it should:

- Consider whether the product or service is prohibited to be advertised via a comparative advertisement.
- Discuss with the business department to find out whether it is necessary to compare its product with others given the high legal risk involved in a comparative advertisement.
- Make sure that the comparative advertisement complies with laws.

If it is necessary to make a comparative advertisement, the company should:

- Consider whether the advertising may be unfair or misleading. Objective and neutral wording is preferred.
- Assess how the relevant public may interpret the advertisement. Ambiguous wording should be averted.
- Think carefully about identifying a competitor, or a competitor's product in the advertisement. In practice, even if the competitor's name or the name of the competitor's product or service may not appear on the advertisement, if the relevant public could identify certain competitors or competitor's products based on the information provided in the advertisement, that advertisement may still constitute a comparative advertisement.
- Double check the data, statistics, and sources cited in the advertisement (cited information) and ensure that:
  - the cited information is accurate and true;
  - the source of the cited information is mentioned in the advertisement; and
  - the scope or valid term of the cited information (if any) is mentioned in the advertisement.
- Do not outstand the comparison of certain particularities without giving the audience the whole picture of the advertised products or services.
- Ensure the advertising is not confusing and it is clear who the advertiser is.

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