Q279-SGL-G-2021

Questions

I. Current law and practice

Please answer the below questions with regard to your Group's current law and practice.

1) Do:

a. the objective or subjective knowledge of the infringer,

b. the beliefs/opinions of the infringer, and/or

c. the publication of the scope of the IP right in general or at a particular time (e.g. the publication of the claims of a patent amended in the course of litigation).

play a part in relation to the assessment of damages? If YES, please explain.

Answer：

(1) Relationship between Chinese IP laws and Article 45 of the TRIPs on compensation for infringement of IP rights

Before we answer this question, it is necessary to explain the relationship between Chinese IP laws and Article 45 of the TRIPs on compensation for infringement of IP rights.

Article 45 of TRIPs distinguishes between damages calculated according to the loss suffered by the right holder and damages calculated according to the profit obtained by the infringer or statutory damages. Article 45 (1) is about damages based on the injury the right holder has suffered, which should only be granted when an infringer knowingly, or with reasonable grounds to know, engaged in infringing activity, while Article 45 (2) is about damages based on infringer's profits and/or statutory damages, which can be granted even where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity.

Under Chinese IP laws, infringer's profit and statutory damages are deemed as methods to infer the loss of the right holder when the loss of the right holder cannot be ascertained. Specifically, right holder's loss is put at the first place and infringer's profit can be used to calculate damages when right holder's loss cannot be established (the "Copyright Law" does not expressly require such an order. Should infringer's profit be unavailable (neither is there any evidence of reasonable license fee for analogy), statutory compensation would apply.

Therefore, comparing with Articles 45 (1) and 45 (2) of TRIPs, current IP laws in China have a

unified and consistent standard for the role of “knowledge” in calculation of compensation. That is to say, under Chinese laws the role of “knowledge” doesn’t vary between the situation in TRIPs 45 (1) and 45 (2). In some cases, the “knowledge” is a prerequisite for compensation, no matter whether the damages are calculated based on the loss of right holder or infringer's profit or statutory damages; in other cases the "knowledge" is not a prerequisite, and compensation can be granted according to the loss of the right holder, or the infringer's profit, or statutory damages, only depending on evidence available and right holder’s choice.

(2) The influence of infringer’s knowledge in compensation

i. Patent and trademark

In case of direct infringement, "knowledge" is normally not a prerequisite for compensation, i.e, whether a court awards compensation to the plaintiff or not doesn’t depend on the fact that the infringer knows his act constitutes (or may constitute) an infringement.

However, “knowledge” may be one of the factors for the judges to consider when assessing the amount of compensation. In particularly,

- laws about punitive damages expressly require "deliberate intention" (knowing).
- “knowledge” is usually considered to be a factor in appraisal of the statutory damages.
- however, “knowledge” generally doesn’t affect the amount of the damages if the loss of the right holder or the profit obtained by the infringer can be explicitly proven (except for punitive damages).

Nevertheless, for an infringer that uses, offers for sale or sells products that infringe patent rights, or sells products that infringe trademark rights, “knowledge” is one of the elements in deciding whether the infringer should pay compensation. If the infringer lacks knowledge and provides legitimate source of the product, he/she can be exempted from compensation. Herein we exclude sellers or other downstream participants in the sales chain of infringing products from the scope of “direct infringers” discussed in paragraphs above just for convenience. There could be a lot of disagreements and different beliefs in China as to whether sellers or other downstream participants are direct infringers or indirect infringers, for which we will not discuss in this report.

In the case of indirect infringement/ secondary liability (when a person assists, induces or instigates someone else to do infringement), "knowledge" is a prerequisite of existence of liability. If the condition of “knowledge” is not met, it does not even constitute an indirect infringement, so there would certainly be no compensation.

ii. Copyright

Copyright is mainly used to stop "plagiarism". Independently created works are not regarded as infringing even if it is identical with or similar to others' by coincidence. Because the concept of "plagiarism" generally implies "knowledge" in itself, in practice Chinese courts usually take "knowledge" as a precondition for copyright infringers to pay compensation. In particular, laws about punitive damages clearly require "intention" (knowing) of the infringer.

For publishers, distributors, and renters, "knowledge" is explicitly defined by Copyright Law to be an element that a court needs to consider in deciding whether the infringer should pay compensation at all. The liability for compensation can be completely exempted if the infringer has paid reasonable attention and does not have knowledge or a reason to know about the infringement.

For network service providers or other persons who assist or incite a direct infringer to do infringement, "knowledge" is one of the factors in determining both existence of infringement and availability of compensation. There will be no infringement at all if they have paid reasonable attention and do not have knowledge or a reason to know about the infringement, and therefore no compensation either.

"Knowledge" is considered to be the prerequisite of existence of infringement by a person who has circumvented or destroyed right holder's technical measures to prevent infringement, or someone else who has provided said person with related devices, components or technical services for such a purpose, or people who deletes or changes right holder's copyright management information on the works, or who has provided the public with works with such copyright management information deleted or changed. There will be no infringement if said persons have paid reasonable attention and do not have knowledge or a reason to know about the infringement, and therefore no compensation either.

iii. Unfair competition

Violating the general principles of business ethics and good faith is a basis of establishing an unfair competition and the liability for compensation comes with it. Therefore, unfair competitors must have certain subjective malice, which can usually be equated with a requirement for "knowledge". In particular, punitive damages take "intention" as one of the prerequisite. When it comes to the unfair competition acts to cause market confusion, the *Interpretation of the Supreme Court on Some Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition* has said no unfair competition should be found if the accused party is proven to be in good faith (or "unaware" in most cases if not all), despite that the right holder can request the accused party to add some marks to distinguish the sources of the commodities.

As damages for unfair competition acts to cause market confusion and infringement upon trade secrets should be assessed by reference to the Trademark Law and the Patent Law respectively in light of the judicial interpretation, it is safe to say that "knowledge" is also a prerequisite for establishing both infringement and liability for compensation of sellers and indirect infringers under Anti-Unfair Competition Law.

iv. A different way of thinking

We have basically addressed how Chinese IP laws deal with the issue discussed in this Study Question, but interestingly it can also be read from a different angle: compensation for infringement of IP rights is all based on "knowledge" in China, and when information of the IP is accessible to the public for review and search, Chinese law assumes that all the people should have a reason to know (or so-called "objective knowledge") about any infringement upon such IPs. That can also give a plausible explanation for why Patent Law and Trademark Law give "knowledge" a different role in determining compensation than Copyright Law and Anti-unfair Competition Law do, since information of patent rights and trademark rights are accessible to the public, while copyrighted works and legal rights/interests protected under Anti-unfair Competition Law lack a uniform, complete and open avenue for public search.

We believe it makes sense either to read Chinese IP laws as described in i – iii above or use the alternative approach in iv to interpret the laws. Unfortunately no judicial precedent can be found shedding further light on this issue. According to our questionnaire survey and the opinions of our research team members, it is the majority who supports the former approach of interpretation. Therefore, this report mainly adopts the former interpretation.

(3) The distinction between "subjective knowledge" and "objective knowledge"

i. The definition of "subjective knowledge" and "objective knowledge"

There is no clear and uniform definition of "subjective knowledge" or "objective knowledge" so far. Taking the discussions among academy into account, we tend to define them as below to form the foundation of this research:

- "Subjective knowledge" is established when, under the evidence rules of the applicable law, evidence in a case can prove or justify an inference that the accused infringer actually knows about the infringement or at least the likelihood of infringement. For example, the accused infringer has received a C&D letter, had prior contact with the right holder or their IP, or engaged in pure piracy or counterfeiting where the possibility of coincidence can be reasonably ruled out, etc.

- "Objective knowledge" can be established when, based on facts and the applicable law, the accused infringer assumes a duty of care to know about the infringement or at least the likelihood of infringement, whether or not actual knowledge can be proven or inferred from the evidence of the case. For example, the IP is publicly available for search and the accused infringer is obliged to search relevant IP information, in view of their abilities and social responsibilities, or the accused infringer is even obliged to obtain a legal assessment from a lawyer under certain circumstances. Moreover, internet service providers are obliged to take appropriate measures to prevent infringements in accordance with their technology and management capabilities and their social responsibilities, and also obliged to pay attention to the fact that their internet services are obviously being used to commit infringement.

ii. The influence of "subjective knowledge" and "objective knowledge" on compensation

As mentioned above, according to China's current IP laws and judicial practice, "knowledge" may have influence on compensation in the following aspects: punitive damages, seller' s liability for compensation, indirect infringement, general direct infringement under Copyright Law and Anti-Unfair Competition Law, and appraisal of statutory damages. Under these circumstances, "subjective knowledge" and "objective knowledge" may play different roles:

- Punitive damages: Usually requires "subjective knowledge". For example, the *Supreme Court's Judicial Interpretation on Application of Punitive Damages in IP Civil Infringement Cases* lists factors a court should consider in determining whether the infringement is "willful" and basically all the factors are about "subjective knowledge".

- Seller's liability for compensation: Looking at the "knowledge" element alone, Chinese IP laws seem to require the right holder to prove "subjective knowledge" of a seller of infringing products in order to be awarded damages paid by the seller. However, in combination with the other element for sellers to be exempted from compensation, "providing legitimate source of infringing products", we believe a more appropriate reading of the law is that there is an implicit requirement for "objective knowledge", namely, the seller will be regarded as having an "objective knowledge" if he/she fails to fulfill his/her duty of care to ensure the legitimate source of the goods.

- Indirect infringement: For those accused of indirect infringement, Chinese laws and judicial practice pay more attention to "objective knowledge". For example, "*Provisions of the Supreme Court on Several Issues Concerning the Application of Law in the Trial of Civil Disputes concerning the Infringement of Information Network Dissemination Rights"* directs judges to determine whether a network service provider "should have known" of happening of infringement from the following factors only: what kind of network service

it is, how the service is provided and how likely infringement will happen, the management capabilities that the service provider should have; the type and popularity of the work disseminated; whether the network service provider actively selects, edits, modifies or recommends the work by, for example, setting lists, directories, indexes, or adding descriptive paragraphs, and content introduction, etc.; whether the popular film and television works are placed on the homepage or other main pages that can be clearly perceived by the network service provider; whether reasonable measures have been taken to prevent infringement and receive notice of infringement; whether reasonable measures have been taken in reaction to the repeated infringement by the same network user, etc.

- General direct infringement under Copyright Law and Anti-Unfair Competition Law, appraisal of statutory damages: Chinese laws do not clearly tell us whether "subjective knowledge" or "objective knowledge" should be applied as the criterion in these situations. In judicial practice, you may see expressions like “willful” or “malicious” (subjective knowledge) in some cases, and "negligence" or "duty of care" (objective knowledge) in others.

（4） Influence on "knowledge" by infringer’s beliefs/opinions

There was no clear laws about this issue in China. The *"Guidelines on Rules of Evidence in Intellectual Property Civil Litigation"* issued by Beijing High Court in April 2021 stipulates that the defendant’s receipt of a warning letter can be used as evidence of “actual knowledge”, except that the defendant can prove that it has raised an objection in a clear and detailed reply to the right holder on the ownership of the IP right, the conclusion of the infringement comparison, etc. within a reasonable period of time.

We don’t think that the accused infringer’s belief/opinion should be given such a weight as to countervail the right holder’s warning letter or infringement notice, or otherwise a right holder cannot get any compensation only if the accused infringer keeps denying their liability as every infringer does. It is obviously too harsh for the right holder. In addition, it is almost impossible to examine the true psychological state of the accused infringer, which will only increase difficulty and uncertainty of trial of IP cases. As long as the accused infringer receives a clear warning letter or notification, he/she should have realized the possibility of infringement, which in our view is a sufficient proof of "knowledge".

（5） Influence on “knowledge” by the publication of the scope of the IP right in general or at a particular time

There is no specific legal provisions for this in China either. Under our law, the claims of a patent or the scope of designated goods or services of a registered trademark can only be narrowed not broadened, so the chance of this issue arising in China is really low.

However, in the case of Langjin v.s. Nanbang, a utility model patent infringement dispute decided by the Supreme Court in February 2021, part of the claims of the patentee's patent might have been invalidated, but survived after an amendment of the claims. The patentee amended the claims in accordance with the new Patent Examination Guidelines issued in 2017. The Supreme Court found that the Patent Examination Guidelines was revised in 2017 regarding the manner of amendment of patent claims, the technical solution of the amended claims according to the new guidelines did not appear in the original patent claims, and was not foreseeable according to the old guidelines. Under such circumstances, the court held that on the consideration of balancing the protection of patent rights and the interests of public reliance, the amount of compensation for the infringement before the claims were amended by the administrative decision could be reduced to a proper extent.

2) Are punitive damages awarded and if YES, in what circumstances?

Answer

According to the *Supreme Court's Judicial Interpretation on Application of Punitive Damages in IP Civil Infringement Cases*, to award punitive damages, there are usually two conditions that need to be met, intentional infringement and gravity of the circumstances.

Intentional infringement will often be found: (1) where the defendant continues to commit the infringement after being notified or warned by the plaintiff or the interested party; (2) where the defendant has work, labor, cooperation, licensing, distribution, agency, representation or any other relationship with the plaintiff or the interested party, and has had contacts with the infringed IPRs; or (3) where the defendant has committed pure piracy or counterfeiting against an IP and etc.

The circumstances are usually regarded to be grave enough when: (1) the defendant engages in repeated infringement; (2) the defendant relies on IPR infringement as their entire business earnings; (3) the defendant forges, destroys or conceals evidence of infringement; (4) the defendant refuses to perform the court's ruling on preservation; (5) the defendant has made huge gains from infringement or caused big amount of losses to the rights holder; or (6) the defendant's infringing acts may endanger national security, public interests or personal health and etc.

3) Are damages reduced below the level required to compensate the loss suffered by the right holder, and if YES, in what circumstances?

Answer

As for compensation liability of direct infringers, all branch IP laws in China stipulate that the damages shall be calculated based on the actual loss suffered by the right holder (or higher punitive

damages) at first, only if the actual loss of the right holder can be established. There is no clear law or judicial interpretation stating that damages paid by direct infringers can be reduced below the actual loss of the right holder.

In practice, however, the vast majority of Chinese IPR cases are decided with the damages calculated based on statutory damages. For example, statistics from 2012-2015 showed that statutory damages had been awarded in more than 95% of the 11,984 cases included in the survey [see Ying Zhan: *Reinvestigation and Rethinking about the Judicial Status Quo of Damages for IP Infringement in China: A Deep Analysis Based on 11984 IP Infringement Judicial Precedents in China*, published on issue No.1 of 2020 of *Law and Science (Proceedings of Northwest University)*]. Though the proportion has decreased in recent years, it presumably still accounts for the majority. The reason why statutory damages are applied is mainly that the right holder can not provide evidence or the evidence is not sufficient to prove the actual loss of the right holder or the profit of the infringer, so there is a possibility that the compensation received by the right holder is in fact lower than his/her loss. Moreover, as mentioned above, in the case that statutory damages are awarded, judges have the discretion to reduce the amount of damages according to the circumstances, and "knowledge" is one of the factors that judges take into consideration when making the assessment. As a corollary, in such cases where statutory damages are applied, the judge may determine the amount of damages below the level that is closest to the actual loss of the right holder in the judge's belief.

In the case of indirect infringement, the amount of damages is determined according to the degree of fault of the infringer, and therefore may be lower than the actual loss of the right holder. Although in theory the right holder can still sue the direct infringer to seek for further compensation, in a lot of cases it is either unrealistic or uneconomic to do so (for example when the direct infringers are massive and extremely scattered internet users). Thus, the compensation the right holder can really receive may be less than his/her actual loss.

II. Policy considerations and proposals for improvements of your Group's current law

4) Could your Group's current law or practice relating to the role of knowledge in relation to damages be improved? If YES, please explain.

Answer：

First, the role of infringers' "knowledge" in calculation of damages needs to be clarified and elaborated, and in the meanwhile the harmonization with Article 45 of the TRIPS should be improved. We propose, for example, different basis can be set up for calculating damages when the infringer has "knowledge" or does not have "knowledge":

1. If the infringer has "knowledge" of the infringement, the damages are calculated according to

the right holder's loss; if the right holder's loss is difficult to determine, the right holder's loss is presumed to be a reasonable multiple of the license fee or be equal to the infringer's profit; if the infringer's profit or license fee is unavailable either, the judge should make his/her best inference of the right holder's loss within the scope of statutory damages;

2. If the infringer does not have "knowledge" of the infringement, the damages are calculated on the basis of the infringer's profit or the license fee that should have been paid, in accordance with the doctrine of unjust enrichment;

3. Where the infringer does not have "knowledge" of the infringement, if neither the infringer's profit nor the license fee is available, neither will we recommend that statutory damages should be awarded, for the following reasons.

- If the infringer does not have "knowledge" of the infringement, his conduct is barely culpable and it is more appropriate to require the plaintiff to bear the burden of proving unjust enrichment. If the right holder cannot prove it, the infringer should not be imposed with additional liability.

- One of the main considerations of assessment of statutory damages is the infringer's degree of fault. If the infringer does not "know" of the infringement, that is, has no fault, the judge will lack the main basis to decide how much statutory damages should be awarded.

Second, the standard to determine whether there is "knowledge" or not needs to be clarified and elaborated.

1, Blank of definitions of "subjective knowledge" and "objective knowledge" (or "know" and "should have known") needs to be filled up. Our proposed definition is as described above.

2. The criteria and factors to be considered for determining "subjective knowledge" and "objective knowledge" need to be clarified and elaborated. The factors for determining "intentional" as stipulated in the *Supreme Court's Judicial Interpretation on Application of Punitive Damages in IP Civil Infringement Cases* (see the answer to question 2) can be used as general factors for consideration of "subjective knowledge". In addition, *Several Provisions of the Supreme People's Court on Evidence in Civil Litigation involving Intellectual Property Rights* stipulates that the standard for determining the duty of care of a seller includes "the scale of the defendant's business, degree of expertise, market trading habits and etc.". Such a provision, together with the aforementioned criteria for determining whether an indirect infringer "should have known" of the infringement [see paragraph (3) ii of the answer to question 1) above], have formed a base on which we can continue improving and refining the general factors for judges to consider in determining "objective knowledge".

3. It also needs to be clarified and addressed adequately under what circumstances only

"subjective knowledge" should be applicable and when "objective knowledge" should also be applied. Speaking of determination of amount of damages only, we believe that "subjective knowledge" alone is most suited for determining punitive damages, while "objective knowledge" should also be taken into considerations in all other situations without regard to punitive damages.

5) Should the recovery of damages depend, or not depend, on the knowledge (subjective or objective) of the infringer? Please explain.

Answer：

As aforementioned, we believe that the “knowledge” is a prerequisite of recovery of damages based on right holder’s loss. But without “knowledge”, the infringer can still be ordered to return his profits or the proper license fee to the right holder in accordance with the doctrine of unjust enrichment.

6) Should damages be elevated so as to discourage future infringement by:

a. an infringer, when a court has established infringement and awarded an injunction against that infringer,

b. an infringer, when a court has established infringement but not awarded an injunction against that infringer,

c. third parties, when a court has not yet established infringement by such third parties or the existence of any potentially relevant third parties.

Answer:

We believe damages should be elevated due to all the three reasons/ motives.

In the first situation, even though the court has awarded an injunction, it is still insufficient to deter future infringement. Despite of a series of new measures adopted by Chinese courts lately to better ensure successful enforcement of judgments, there are still defendants who disrespect judicial judgments and refuse to implement them in practice. In addition, some infringers continue to do infringement and circumvent the constraint of effective judgments by setting up a new company or doing things under the cover of another identity, etc. Therefore, only by elevating the amount of damages can the infringers be truly deterred.

In the second situation, as the court does not award an injunction, it is even more necessary to elevate damages to deter the infringers from continuing infringement. The reason is not repeated here.

The third situation is also an essential to elevating damages. In fact, judiciary of China has been fully aware of it and making endeavor on the right track. Courts of all levels are focusing on strengthening protection of intellectual property rights and increasing the amount of damages, hence raising infringers' cost for IP violations. These measures are a powerful response to the generally low amount of compensation awarded for intellectual property infringement in previous years, which had made the efforts to stop IP infringements ineffective. In recent years, the amount of damages awarded in intellectual property cases has increased significantly, but compared with the level of compensation in developed countries and the expectations of intellectual property rights holders, there is still a gap. Besides, we have to say that there are still many intellectual property infringements happening in China. Therefore, it is necessary to continue increasing the amount of compensation and strengthening IP protection to create strong deterrence against potential infringers and form a healthy market environment.

7) Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?

Answer：

The measures proposed above cannot be implemented in isolation, but need to be combined with a series of supporting safeguard measures to get a positive result. The supporting measures we would propose include:

1. Introducing a stronger evidence discovery system. If the right holder is required to prove the infringer's "knowledge" in order to obtain compensation, a strong evidence discovery system needs to be in place. Such a system will also play an important role for the purpose of changing the unreasonably high percentage of cases applying statutory damages, making it more realistic and practical to calculate compensation based on the right holder's loss, and easier to apply punitive damages. Current Chinese intellectual property law has introduced a preliminary evidence discovery system, that is, the right holder, after trying his best to collect evidence, can request the court to order the accused infringer to provide account books or materials under his/her control pertinent to the infringement.

2. Improving the people's jury system. At present, in intellectual property cases, Chinese judges, like judges from any other countries, have to answer many vague questions involving subjective factors, so it has become so difficult to ensure every case is decided under completely objective criteria. If the factor of "knowledge", especially the highly

subjective and blurry elements like “objective knowledge”, is introduced, it is likely to aggravate the problem. Only if the people’s jurors play their roles better, can the identification of “knowledge” be closer to the “reasonable person” test, and the objectivity and procedural legitimacy of IP trials can be better accomplished.

III. Proposals for harmonisation

Please consult with relevant in-house / industry members of your Group in responding to Part III.

8) Do you believe that there should be harmonisation in relation to the role of knowledge in relation to damages? Please answer YES or NO.

If YES, please respond to the following questions without regard to your Group's current law or practice.

Even if NO, please address the following questions to the extent your Group considers your Group's current law or practice could be improved.

Answer：

(1) Survey by questionnaire

With respect to the questions in Part III, we conduct a survey by questionnaires to people from different industries who possess professional IP knowledge. For details please refer to the answer to the question 15).

To make the survey easier and to the point, in the questionnaire we define the scope of “damages” as the damages stipulated in 45 (1) of TRIPs, i.e., the damages calculated by the loss suffered by the right holder. We further exclude the scenarios such as the indirect infringement and seller/distributor who can prove the legitimate source.

(2) Survey results

The results of the survey of questionnaire show that 90% of the interviewees believe that there should be harmonization amid the laws of different countries.

(2) Our answer

We agree with the majority of the interviewee and opine that harmonization should be the goal for the laws of different countries.

9) a) Should the knowledge (subjective or objective) of the infringer affect the recovery of damages? Please answer YES or NO.

Answer：

As mentioned above, we believe "knowledge" should affect recovery of damages.

The result of our survey shows an interesting split among the interviewees. 30% of the interviewees believe that "knowledge" should not affect the amount of damages, i.e., the infringers should be ruled to compensate the right holders for the loss suffered, even the infringers have no knowledge about the infringement, and, the compensation should not even be reduced in such a case.

70% of interviewees believe that knowledge should affect the amount of the damages. More specifically, 30% of the interviewees believe that only the infringers with the knowledge of the infringement should be obliged to compensate the right holders for the actual loss suffered by them. And, 40% of the interviewees believe that infringers should be ruled to compensate the right holders for the loss suffered even the infringers have no knowledge about the infringement, but the compensation should be reduced in such situation.

b) If the answer to 9)a) is YES, should the knowledge be (you may tick one or, if you think either suffices, both boxes):

☑ subjective

☑ objective

Answer

As mentioned above, we believe only subjective knowledge should be considered in determining punitive damages, while both subjective and objective knowledge should be taken into account for determining damages in cases without regard to punitive damages.

From the result of the survey, 50% of the interviewees believe that either suffices;

30% of the interviewees believe that both are necessary;

10% of the interviewees believe that the subjective knowledge suffices;

10% of the interviewees believe that the objective knowledge suffices.

c) How should such knowledge (for example) be established? Please tick all that apply:

Answer:

☑60% believe it should be established by the right holder. We believe the right holder shall bear the burden of proof in the first place.

□20% believe it should be established by the infringer. We believe after the right holder produce prima facie evidence, the burden of proof shall be shifted to the defendant.

☑80% believe it should be established by evidence of the circumstances of the infringement. We agree.

☑80% believe it should be established by evidence of the state of mind of the infringer. We agree.

□30% believe it should be established referring only to facts available to any person. We don't think so.

□20% believe it should be established referring to information available only to the infringer. We don't think so.

d) How should such knowledge affect the recovery of damages?

Answer：Please refer to 9）a)

10) Can or should damages to compensate the right holder:

a. only be awarded where the infringer has the level of knowledge specified in Article 45(1) TRIPs

b. nevertheless be awarded if the infringer did not have the level of knowledge specified in Article 45(1) TRIPs.

Answer：

Please refer to 9）a)

11) What, if any, change in the level of damages or the assessment of damages is appropriate, if the infringer:

a. had no subjective knowledge, prior to the litigation, of the existence of the IP rights that were found infringed,

b. had no subjective knowledge, prior to the litigation, of the scope of the IP rights that were found infringed because the IP right was not published in a language which is (or should be) understood by the infringer,

c. had no subjective knowledge, prior to the litigation, of the scope of the IP rights that were found infringed because the IP right was

amended in the course of litigation resulting in its scope changing,

d. had a subjective belief prior to the litigation (whether gained through legal advice or otherwise) that the IP rights in question would or would not be infringed,

e. had not undertaken searches prior to launching a new product, to determine if the new product would or might infringe,

f. had undertaken searches prior to launching a new product, to determine if the new product would or might infringe, and those searches erroneously indicated no infringement.

Answer：

(1) Our answer

The scenario b does not apply in China since there are public avenues for checking both patent and trademark information in Chinese.

The scenario c barely happens in China, and is limited to the scenario mentioned in the answer (5) of the question 1).

Given this the above two questions are removed from the questionnaire.

The rest four scenarios (a, d, e and f) do not constitute "subjective knowledge" and can rule out application of punitive damages, we believe.

However under some circumstances "objective knowledge" may be found in scenarios a and e, for example when the accused infringer has sufficient capability to do a search, and their products may cause huge loss to others or the public if they are found infringing, or their products are the same or highly similar to the IP of the right holder, or they have born a legal or contractual duty to ensure their products will not infringe upon others' IP.

Scenarios d and f usually will not constitute "objective knowledge". However thoroughness and objectivity of the legal opinion should be strictly examined to avoid the possibility that the accused infringer had prepared a favorable legal opinion in advance in order to get away with liabilities. In the meantime, as mentioned before, if there is evidence of "subjective knowledge", for example the right holder has sent a clear warning letter or notice to the accused infringer, the accused infringer shall be held having done the infringement with "subject knowledge", despite of any legal opinions he/she had obtained.

(2) Results of the survey of questionnaire

60% of the interviewees believe that all the four scenarios listed in our questionnaire (i.e., a, b, e and f of the above scenarios) have no effect to assessment of the damages;

40% of the interviewees choose the scenario a and believe that amount of compensation should be affected if the infringer had no subjective knowledge, prior to the litigation, of the existence of the IP rights that were found infringed.

30% of the interviewees choose the scenario e and believe that amount of compensation should be affected if the infringer had not undertaken searches prior to launching a new product, to determine if the new product would or might infringe.

20% of the interviewees choose the scenario d and believe that amount of compensation should be affected if the infringer had a subjective belief prior to the litigation (whether gained through legal advice or otherwise) that the IP rights in question would or would not be infringed.

20% of the interviewees choose the scenario f and believe that amount of compensation should be affected if the infringer had undertaken searches prior to launching a new product, to determine if the new product would or might infringe, and those searches erroneously indicated no infringement.

12) If the grant of punitive or exemplary damages (being damages greater than those required to compensate the right holder) is permitted, please indicate whether such damages should depend on the knowledge of the infringer, and if so, what objective or subjective knowledge should be required?

Answer:

Yes. As mentioned before, punitive damages should depend on the infringer's subjective knowledge.

90% of the interviewees think the grant of punitive or exemplary damages depends on the knowledge of the infringer; among whom, 50% of the interviewees think the knowledge should be either subjective or objective, 20% of the interviewees think the knowledge should include both subjective and objective at the same time, 20% of the interviewees think the knowledge should be subjective.

10% of the interviewees think the grant of punitive or exemplary damages doesn't depend on the knowledge of the infringer.

13) Should the conduct of the infringer, e.g. setting out to make profit from infringement which exceeds the compensatory damages payable to the

right holder, justify punitive/exemplary damages greater than those required to compensate the right holder:

a. when the infringer had some intention/knowledge of the objective of making the profit?

b. when the infringer had no intention/knowledge of making the profit, and the profit was made "accidentally"?

c. regardless of the knowledge of the infringer?

(This question does not concern compensation based on the unlawful profits of the infringer)

Answer:

We choose c. We don't think infringer's intention or knowledge about profit is relevant to the issue of punitive damages. Making profit is the common goal of all the business entities and is not culpable in itself. It would be enough to consider infringer's intention and knowledge about infringement when assessing damages. Expectation for profit will neither increase or decrease the culpability of the infringer.

The result of the survey is as follows: All interviewees believed that punitive/exemplary damages can be justified when the infringer had some intention/knowledge of the objective of making the profit (option a).

10% of the interviewees also believe that punitive/exemplary damages can be justified when the infringer had no intention/knowledge of making the profit, and the profit was made "accidentally" (option b), or regardless of the knowledge of the infringer (option c).

14) Please comment on any additional issues concerning any aspect of the role of knowledge in relation to damages you consider relevant to this Study Question.

Answer:

No.

15) Please indicate which industry sector views provided by in-house counsel are included in your Group's answers to Part III.

Answer:

The industries include:

- Food and beverage industry
- Chemical industry
- Administrative authorities
- Cosmetics industry
- Toys, entertainment industry
- Medical equipment, medicine industry
- Scientific research institutions, scholars
- Law firms, intellectual property agency companies