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Dear friends and colleagues,

Our summer issue will probably reach most of you, or at least the lucky ones, on your vacation. Indeed it is middle of August and the sun is shining in the north hemisphere ... and in the whole IP world.

In China the saga of the new Trademark Law has a new chapter. The National People’s Congress went through the second reading in June 2013 of the Draft Trademark law and few amendments to the December 2012 Draft were introduced.

The new Draft is published, and its content is revealed.

The main modifications in comparison with the previous Draft are the followings: the words “well-known trademark” shall not be used in promotion; single color trademarks are not anymore in the list of possible sign available for trademark registration; statutory damage compensation is raised to 2 million RMB; mandatory timeframes for CTMO and TRAB (6 and 9 months) are introduced; the deadline to renew a trademark is extended until one year after the expiration of the validity period.

This time CHINA GOSSIP offers you a comprehensive article about the protection of shape in China: design patent, trademark, copyright or unfair completion written by Eric Su and Alan Xu. Indeed our firm is dealing with several cases of imitation of shape of products and we try to summarize our findings in the regard.

Our team will join several conferences in the next months and particularly we wish to highlight Marques that will be held in Montecarlo from September 17<sup>th</sup> to 20<sup>th</sup>, PTMG in Vienna from October 2<sup>nd</sup> to 5<sup>th</sup> and FICPI in Sorrento from October 2<sup>nd</sup> to 5<sup>th</sup>.

Enjoy reading our CHINA GOSSIP and if any clarification is needed do not hesitate to contact us.

## NEWS

**US Company hit by 800,000 USD damage compensation for abusing of an invalid patent.**

Rohm and Haas Company, a large American company operating in the material and chemical sector, registered several patents for the technology of fruit and vegetable preservation in China in 2006. Under the trademark “Congmingxian”, it began to sell 1-MCP, a new plant preservative that it is considered as revolutionary in fruit and vegetable fresh-keeping technology.

Two years later, Rohm and Haas Company filed a lawsuit against two Shaanxi private enterprises, Shaanxi Liqun Xiqin Chemical Industry Co. Ltd. and Xianyang Xiqin Biotechnology Co. Ltd. Rohm and Haas Company argued that 1-MCP fruit and vegetable preservative, which the two companies offered for sale, had constituted the 1-MCP invention patent infringement.

Rohm and Haas Company asked to Xi'an Intermediate People's Court a preliminary injunction against the infringing products and a compensation of 500,000 RMB. In 2008 the Court granted the injunction and banned the Chinese Companies to sell products.

In 2010, the Patent Reexamination Board of the State Intellectual Property Office announced the invalidity of Rohm and Haas Company's patents on 1-MCP, which must be considered non-existent since the beginning, according to the patent law. After that, in 2011, the two Xiqin companies sued Rohm and Haas on the ground of improper preliminary injunction which had lasted for 847 days. They claimed over 49 million RMB in compensation for its loss.

In February 2013 the Court decided that Rohm and Haas Company should compensate for the damage 4,5 million Yuan. Both parties appealed about this ruling. On 24<sup>th</sup> June 2013, Shaanxi High People's Court took in consideration the case.

The judgments for this interesting instance will be coming soon.

(Source: [www.cipnews.com.cn](http://www.cipnews.com.cn))

**Fake pencils jeopardize college admission**

A curious case is the dispute that Shanghai pencil manufacturer has undertaken against several stationery stores and companies in Chengdu for the trade of fake pencils.

The pencil involved is Chung Hwa 2B, used for college entrance exams in China, for example in the test at the National College Entrance Examination and other important examinations.

The use of fake pen has a high impact. It happens, indeed, that the machine isn't able to read all the answers. The China Writing Instrument Association has conducted a research which proves that a sheet filled with fake pencil had 20 scores less than the one's written with authentic pencil.

As it is known, every single point is very important because even one could be a match point for standing the test. So, the fact could have significant consequences for the exam results.

(Source: [www.shanghaidaily.com](http://www.shanghaidaily.com))

**Diadora re-acquired the total control over its Chinese trademarks**

In July 2013 Diadora Sport Srl, supported by the holding company LIR, owner of the famous Geox Spa, has finalized the negotiation and purchasing of 100% of the Chinese trademarks for the costs \$ 9.2 million.

Before the deal, in 2008, Diadora SpA signed a joint venture with Win Hanverky Holdings Limited forming a company called Winor International Company Limited that owned and developed the brand "DIADORA" in China, Hong Kong, and Macau.

Upon successful conclusion of the above mentioned operation the Diadora brand is back to be wholly owned by an Italian company.

HFG Law Firm & IP Practice advised Diadora in relation to the Intellectual Property aspects of the deal.

**Counterfeiter of "DIESEL" sentenced to 3 years and 4 months**

In July 2013 the Huadu People's Court of Guangzhou City has sentenced against Ms. Zeng Fengjun to imprisonment of 3 years and 4 months, plus 50,000 RMB and the seizure of 10,100 pieces "DIESEL" branded bags and 11 pieces of sewing machines.

The items were produced by Ms. Zeng during February to April 2012, and they were illegally marked with DIESEL trademark. More than 10,000 products were seized and then confiscated by the Public Security Bureau.

The attorney of defendant argued that there was

not the purpose to commit the trademark violation. He explained that the manufacturer was entrusted by an unknown man from Syria that ordered to her, via call, ten thousand bags. However, the Court recognized as existent the subject intent of the counterfeiter.

HFG Law Firm & IP Practice assisted DIESEL Spa in this case.

#### Pirelli hits hard counterfeiters of fashion items

Over ten thousands items have been seized as a result of a combined action by the Hangzhou Administration of Industry and Commerce (“AIC”) and the Public Security Bureau (“PSB”) against trademark counterfeiters. The two business operators of the business are currently detained by the PSB which has initiated a criminal investigation under artt.213-214 Criminal Law.

The fake shoes and belts all marked with the famous stretched “P.” logo were sold in shopping mall of first and second tier cities in China. The investigation started after discovering a shop in Suzhou named (stretched) “P.” “PIELSA RODOLFO” selling articles with the same (stretched) “P.” mark of Pirelli.

HFG Law Firm & IP Practice assisted Pirelli and coordinated the action.

#### MINICONF and SEMIR inked a deal for children fashion distribution

MINICONF S.p.a., owner of MINIBANDA and SARABANDA brands and leading Italian company in the children fashion, signed a distribution agreement with Zhejiang Semir Garment Co. Ltd. (Semir).

Semir is a PRC company listed on Shenzhen’s stock exchange, whose children fashion brand BALABALA operates around 4,000 shops in China.

The partnership is strategic for both. Miniconf will leverage on the strong experience of Semir to enter the very promising PRC market. Semir will enter a higher level market-segment.

Miniconf has also started-up a subsidiary in China with headquarters in Shanghai to further enhance its presence in this new market.

HFG Law Firm & IP Practice has assisted Miniconf in this complex and successful transaction.

#### MONTANARI acquires strategic target in China

MONTANARI GIULIO & Co. S.r.l., a company based in Modena (Italy) and operative in the elevators’ equipment, has acquired a majority stake in Shanghai FAXI Drive Technology Co. Ltd., a

China-based manufacturer of gearless motors for lifts.

The deal was inked in early 2013 after a yearlong negotiation. Upon scrutiny and approval from Ministry of Commerce, the Administration for Industry and Commerce has recently issued the new business license. The new company is named Montanari Faxi Drive Technology (Shanghai) Co. Ltd. and is headquartered in Shanghai.

The new joint-venture company is directly controlled by Montanari Far-East Ltd. (HK) which is the operator of the business in Asia. By this acquisition Montanari expands its presence in Asia, where a few years ago a wholly owned company was established in India (Montanari Lift Components Pvt Ltd, Chackan, Pune) to serve the local market.

HFG Law Firm, coordinated by Teikos Lab, advised Montanari in the deal in China.

Product design is playing an increasingly important role in commercial competition

#### SPECIAL SECTIONS

##### PRACTICAL TIPS: Register as copyright the device trademark

This is an effective way to claim the Ownership of the device trademark and an important way to certify the prior rights when a company has no registered trademarks. The higher degree of originality and aesthetic the device trademark has, the more favorable IP protection a company will get in legal disputes. The date and place of completion and first publication claimed for the application are important for later IPR protection. It usually takes 2-3 months to obtain the certificate with a favorable official fee, which is faster and cheaper than trademark registration and it is always recommended to file at the time of completion, even before getting a registered trademark, since it is an ideal supplement in the company’s whole IPR pool.

##### IP SCHOOL: The Anti-unfair Competition Law

Following acts are defined by Chinese law as unfair competition: counterfeiting other’s registered trademark; using famous product’s name, dress, decoration, or similarity of the above without prior permission, and cause public confusion; using other’s trade name without prior permission and cause public confusion; forging signs of authentication, geographic indication and source of origin (art. 5<sup>th</sup> Anti-Unfair Competition Law). Any infringer shall be ordered to stop the infringement act and confiscated the unlawful income, and administrative authority is entitled to impose a fine 1-3 times of the unlawful income; for those constitutes crime, shall be pursued criminal liability (Art. 21<sup>st</sup> Anti-unfair Competition Law).

## DILEMMA AND OPTIONS FOR THE INTELLECTUAL PROPERTY PROTECTION OF PRODUCT DESIGN

Product design is playing an increasingly important role in commercial competition nowadays. Other than product quality, it is the design of a product that draws consumer's attention. A well designed product is more likely to impress consumers with its fashion appearance. This is witnessed by intellectual property litigations between Apple and Samsung. Recently, the author was made attorney in several intellectual property license or infringement cases concerning product shape or packaging. This sort of cases is more comprehensive due to the legal issues involved such as patent, copyright, trademark and unfair competition. In this article, the intellectual property protection over the above mentioned industry marks will be discussed, followed by a description of legal practice from domestic and abroad as well as Chinese relative laws and regulations, in order to offer a few commonplace remarks by way of introduction so that others may come up with valuable opinions.

### 1. Protection of designs

It is common for an enterprise to protect its dimensional design and packaging through designs registries. On the other hand, some packaging that bears history and trade reputations, designs only offer 10 years of protection and at the same time might be cancelled due to defections in novelty and creativity. After the expiry of the design, it would be easily imitated and become ordinary. One can argue that there are other ways to protect it, but it is difficult to submit evidence to prove the prior rights. Regarding this issue, other protection methods will be discussed in the following sections.

### 2. Problems of dimensional trademark protection

Comparing to patent, trademark could enjoy eternal protection by extension without the precondition of novelty and creativity. Therefore, more enterprises are seeking answers from trademark protection.



Although it is not explicitly stated in Trademark Law that dimensional marks could be registered, it only requires the marks could "serve to distinguish the goods of a natural person,

legal person, or other organization from those of another", or "has acquired distinctive features through use and is readily distinguishable". Article 12 of Trademark Law states that no application for registration of a three-dimensional sign as a trademark may be granted, where the sign merely indicates the shape inherent in the nature of the goods concerned, or it is only dictated by the need to achieve technical effects or the need to give the goods substantive value.

There is no ground to blame this regulation because the purpose of trademark is to distinguish the origins of goods or services while simultaneously concerning the reputation of the enterprise and the products. However, if the three-dimensional trademark is the original shape of the goods (i.e. lighters, chocolates), or is the packaging of the goods (i.e. wine bottles), consumers will not regard it as trademark. Even huge amount is invested in the development and design of the goods, which gives beauty to the product, these features are not the objects that will be concerned when considering trademark distinctiveness, because it is unlikely for consumers to distinguish origins according to shape and packaging. Therefore, there are few three-dimensional trademarks approved in China, and most of them are supplemented by relative characters or logos to enhance the distinctiveness of the overall appearance of the trademark. The allegedly infringing enterprises usually own their graphic trademark. They indicate their own information such as factory name, address, product name and trademark in words or graphics when using other's packaging or design. It is hard to prove confusion or misleading under this scenario, thus unlikely to be convicted trademark infringement according to China's law-enforcement and administration of justice. Taking wine bottles for instance, when imitating similar bottle shapes, the design and aesthetic of the bottle only plays a role of drawing attention and promoting sales. It is the bottle label that carries the origin of the goods. Average consumer would not mistake two type of wine with different names or functions (i.e. medicinal liquor, brandy and wine) just by looking at similar bottles.

These reasons lead dimensional trademark protection to a predicament. That is also why lots of enterprises and scholars believe dimensional trademark protection has entered into a bottleneck, and successful cases are hard to find from the record of legal practice.

### 3. Protection over package and decoration of famous commodities

Article 5 of Anti-Unfair Competition Law states that

one shall not use the specific name, package, decoration of the famous or noted commodities, or use a similar name, package, decoration of the famous or noted commodities, which may confuse consumers distinguishing the commodities to the famous or noted commodities. Compared to decorations of words or graphics, product shape is integrated with product itself, where no law explicitly rules the protection over “decoration of the famous or noted commodities”. It is also controversial in legal theory. In the next section, relative rules of America will be examined and be used to compare with domestic cases in order to illustrate the issue.

In American law, “Trade Dress” refers to the overall appearance of the commodity, including packaging and configuration. In *Two Pesos, Inc. v Taco Cabana, Inc.*, the Supreme Court of United States held that an inherently distinctive decoration (in this case refers to the outer and inner decoration and design of a restaurant) shall be protected by Article 43(a) of Trademark Law. It is not necessary to prove the design has acquired second meaning, which decides whether or not consumers consider it as origin of the commodity. However, in *Wal-Mart Stores, Inc. v Samara Brothers, Inc.*, the Supreme Court of the United States changed its holding and emphasized the difference between the protection over product packaging and product shape. Firstly, the Supreme Court believed the profile and shape of a product is lack of distinctiveness. For some of the word trademarks or packaging, the inherent distinctiveness resources from the fact that words and packaging are solely used to distinguish the origin. Consumers tend to use words and package as the mark distinguishing origin. Speaking of commodity’s profile, it’s more practical and artistic rather than a utility indicating the origin. Therefore, for the profile to acquire trademark protection, one of the preconditions is to acquire second meaning and be capable of distinguishing product’s origin.

In China’s legal practice, shape of the product is seldom mentioned in decoration protection. Recently, in the case of “distinctive decoration of M&G stationery” [(2010) MIN-TI-ZI No.16], the Supreme Court explicitly held that shape, once acquired distinctiveness and second meaning, should be protected by Article 5(2) of Anti Unfair Competition Law. According to this, China’s protection over product’s shape is actually identical with that of the United States.

The protection over “decoration of famous commodities” is subject to “confusion”. In real life,

the allegedly infringing enterprises would indicate their trade name or trademark, thus lead the protection to the same dilemma dimensional trademark once entered into. The infringement is likely to be denied because of the indication of trade name and trademark on the package.

#### 4. Copyright protection

For the moment, the dimensional shape of product’s packaging and design is treated as graphic work (same as blue print) or artistic work while applying for copyright registration and certificate. The work of applied art protected by copyright usually are required by most courts to acquire certain level of artistic and aesthetic since they are categorized as artistic work. For instance, the costume of Beijing opera is protected as work of applied art while ordinary clothes will not enjoy same protection.

In terms of graphic work, they have to conquer the threshold of “copy” because the production process is a process of copying from the blue print. In Chinese legal practice, it is widely accepted that when conversing graphic work to dimensional objects, it’s a reproduction process of the original design only to make it dimensional without changing its pattern. The origin of the dimensional object could be easily identified thus copyright protection could be realized. When faced with ordinary industrial design, a layman might not distinguish whether the dimensional object comes from graphic design or not. Therefore, making a dimensional object out of a graphic design shall not considered imitation subjected to copyright law.

Comparing to several above mentioned protection, copyright protection has its own advantage. For example, copyright infringement does not require confusion; the protection term is longer; and the protection is not limited by territory. Thus, since packaging design belongs to industrial production as well as art, copyright protection might be a good option for dimensional work.

#### 5. Principled protection of Anti-Unfair Competition Law

As stated in Intellectual Property Judicial Protection of Chinese Court (2011) published by Supreme Court in 2012, “as the competition become fierce and business model become various, the amount of illegal action is rising and more cases are seeking application of Anti-Unfair Competition Law principle.” Currently more and more cases claim to apply Article 2 of Anti-Unfair Competition Law which states “managers shall abide by the principle of voluntariness, equality, impartiality, honesty and good faith, and also adhere to public commercial

IP Law  
Protection  
is a  
balance  
between  
individual  
privilege  
and public  
interest

moral in their business transactions. ‘Unfair competition’, in this law, means activities made by managers who damage the others’ legal rights and interests, disturb the order of social economy and violate the provisions of this law.”

Speaking of the design and package of industrial products (or at the same time with artistic), the right owner invests in all means including hiring designers, exhibiting and advertising the packaging, the uniqueness of the design, artistic, level, history of the product. It is obviously against the principle of impartiality and honesty if others take advantage of this investment. Other than that, the duplication and imitation is likely to communize the design thus damage the right owner.

Therefore, when it is impossible to prove the confusion caused to dimensional trademark or unique decoration of a famous commodity, or when designs expires in 10 years and copyright expires in 50 years, or when the requirement of artistic is not met, it’s reasonable to use this principle for protection.

To sum up, intellectual property law protection is a balance between individual privilege and public interest. In order to develop technology, improve social creativity, promote culture diffusion, maintain market order and protect consumer’s right, laws protect individual’s rights as well as taking care of public interest. That leads to differences in protection period, strength, requirement and defense. It will always been the goal of intellectual property legislation, administration and enforcement to protect the enterprises and public interest at the same time.

*written by Eric Su and Alan Xu*

## HFG NEWS

### HFG delegation will attend MARQUES, PTMG and FICPI conferences in Europe

We’d like to inform you that HFG delegation will attend the three conferences to be held in Europe in the next months. In details, MARQUES to be held in Montecarlo from 17<sup>th</sup> to 20<sup>th</sup> September; PTMG 87<sup>th</sup> Conference to be held in Vienna from 2<sup>nd</sup> to 5<sup>th</sup> October 2013; FICPI 14<sup>th</sup> Forum to be held in Sorrento from 2<sup>nd</sup> to 5<sup>th</sup> October.

If you want to meet us, please feel free to write an e-mail to [hfg\\_china@hfgip.com](mailto:hfg_china@hfgip.com).

## HFG PUBLICATIONS

All Change: a big year for IP legislation by Eric Su & Zhang Xu

The Chinese Trademark Conundrum: will a new law solve the current problems? by Fabio Giacobello  
IP issues with R&D Centres by Nicola Aporti

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