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Dear readers,

We are back after a long break with a selection of articles about new rules in the Chinese legislation and 2 cases that hit the news.

After the first articles about a huge punishment, which includes prison, for luxury watches' counterfeiters, we list a series of articles regarding the news on regulation for IP in China.

You can read about the new AI measures: in fact, the Chinese government approved the Interim Measures for the Management of Generative Artificial Intelligence Services. These AI Measures aim to promote the healthy development and standardized application of generative artificial intelligence.

Another big change is the issue of the Regulation on Trademark Review and Adjudication for examiners which finally allows the suspension of trademark procedures. This is a big deal, as foreign rightsholders have been frustrated for a long time by having to take care of bad faith trademarks, whilst wanting to register their own rights.

Right after, we talk about the evolution of Customs IP Protection in China, a crucial component in the battle against counterfeiting and other IP infringement.

The following article tries to answer the question whether the usage of trademarks for manufacturing goods in China for export only (OEM) shall be regarded as use of trademarks in China.

Just before the last article, where we talk about the great victory obtained in China by Mattel with Barbie, you can read some tips to follow when you discover that a company is infringing upon your Intellectual Property Right at a trade fair in China.

Read us, follow us, share us! And enjoy the new Autumn season.

IP CHINA

6.5 years
imprisonment for
300 million RMB Rolex
counterfeiting case



On 20 July 2023, the People's Court of Zhenjiang Economic Development Zone sentenced 15 people to fines, probation and imprisonment up to 6.5 years for manufacturing and selling counterfeit "Rolex" and other registered trademark protected products. The amount involved in the case exceeded 300 million RMB.

Six years of counterfeiting

For six years, (July 2015 to early April 2021), the defendants conspired to manufacture and sell counterfeit registered trademark brand watches, and successively invested and partnered in the production, assembly and sales of counterfeit "ROLEX" (Rolex) and other brand watches in Guangzhou.

They even made their own assembly factory for assembly, packaging, etc. Then they sold the finished counterfeit watches, and carried out such acts as collection of payment for goods and distribution of profits.

The People's Court of Zhenjiang Economic Development Zone held that the defendants used the same trademark as the registered trademark on the same product without the permission of the trademark owner, and their behaviour constituted the crime of counterfeiting a registered trademark.

Knowingly infringing

The judge mentioned that the defendants knew that making and selling counterfeit goods was an illegal and criminal act, but they still took chances and took risks, producing and selling counterfeit "ROLEX" (Rolex) and other brand watches.

The 15 defendants seriously infringed on the reputation of the trademark and the legitimate interests of the right holders, and disrupted the order of the market economy.

As such, by this judgement that includes fines, probation and imprisonment, the court encourages innovation and creation, and tries to severely crack down on such crimes of infringement of intellectual property rights.

How to use criminal prosecution?

This Rolex case is a typical criminal IP case in China.

In China, criminal prosecution can be started in severe cases of IP infringement. The People's Procuratorate can work together with rightsholders in order to finalize a case, and eventually bring it before the criminal court.

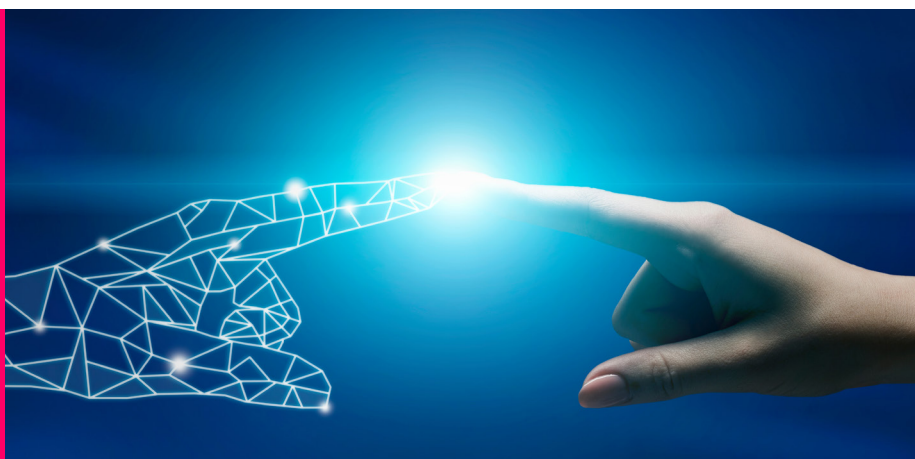
As such, imprisonment and fines can be obtained from the infringers. These kinds of criminal cases can then further be used, evidence wise, for the compensation of the rightsholder in a civil case.

It would be interesting to see how much compensation ROLEX would get in such a civil case, or whether the criminal case would be used, or already is used, in order to obtain compensation through a settlement agreement. Let's hope that information will be public!

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TECH LAW

China's first legal Measures on Artificial Intelligence (AI)



China is leading in the world regarding the regulation of AI. On 10 July 2023 the Chinese government announced that the Interim Measures for the Management of Generative Artificial Intelligence Services (AI Measures) has been reviewed and approved.

The AI Measures came into force on 15 August 2023 and stated that they aim to promote the healthy development and standardized application of generative artificial intelligence, safeguard national security and social public interests, and protect the legitimate rights and interests of citizens, legal persons, and other organizations.

The scope of the Measures

The AI Measures apply to the use of generative artificial intelligence technology to provide services for generating text, pictures, audio, video, and other content to the public within the territory of the People's Republic of China (hereinafter referred to as generative artificial intelligence services or AI).

AI with Chinese socialist characteristics

The AI Measures make it clear that AI in China must absolutely be in line with Chinese socialism. They state that generative artificial intelligence services must adhere to the core values of socialism, and must not generate incitement to subvert state power, overthrow the socialist system, endanger national security and interests, damage national image, incite secession, undermine national unity and social stability, promote terrorism, extremism, promote content prohibited by laws and administrative regulations such as ethnic hatred, ethnic discrimination, violence, obscenity, and false harmful information.

Furthermore, they state that in the process of algorithm design, training data selection, model generation and optimization, and service provision, AI must take effective measures to prevent discrimination based on ethnicity, belief, country, region, gender, age, occupation, health, etc.

Respect IP, trade secrets and personal data

The AI Measures state that AI must respect intellectual property rights, business ethics, keep business secrets, and not use algorithms, data, platforms, and other advantages to implement monopoly and unfair competition;

Legitimate rights and interests of others must be respected by AI, and AI must not endanger the physical and mental

health of others, and must not infringe on the portrait rights, reputation rights, privacy rights, and personal information rights of others.

Duties for service providers regarding IP, data and authenticity

Generative artificial intelligence service providers (hereinafter referred to as providers) shall in accordance with the AI Measures, law and regulations, carry out training data processing activities such as pre-training and optimization training in accordance with the law, and abide by the following provisions:

1. use data and basic models with legitimate sources;
2. where intellectual property rights are involved, the intellectual property rights enjoyed by others shall not be infringed;
3. where personal information is involved, the consent of the individual shall be obtained or other circumstances that comply with laws and administrative regulations;
4. take effective measures to improve the quality of training data, and enhance the authenticity, accuracy, objectivity, and diversity of training data.

Furthermore, Providers shall legally assume the responsibility of network information content producers and fulfil network information security obligations. Providers should sign service agreements with generative artificial intelligence service users (hereinafter referred to as users) who register their services, clarifying the rights and obligations of both parties.

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Finally, Providers shall mark pictures, videos, and other generated content in accordance with the "Regulations on the Administration of Deep Synthesis of Internet Information Services".

Reporting by users

In line with Chinese history, article 18 of the AI Measures writes out the reporting right of users in case they find that generative artificial intelligence services do not comply with laws, administrative regulations and the provisions of these measures. In such cases, the users have the right to complain and report to the relevant competent authorities.

Blocking of foreign AI

The AI Measures mention that when the provision of generative artificial intelligence services originating from outside the territory of the People's Republic of China does not comply with laws, administrative regulations, and the provisions of the Measures, the Chinese government shall notify relevant institutions to take technical measures and other necessary measures to deal with them.

What happens if the AI Measures are violated?

Where a provider violates the provisions of the AI Measures, the relevant competent authority shall, if there is no provision in the law or administrative regulations, give a warning, circulate a notice of criticism according to its duties, and order corrections within a time limit.

If it refuses to make corrections or the circumstances are serious, it shall be ordered to suspend the provision of related services.



If it constitutes a violation of public security management, it shall be punished according to law, and if it constitutes a crime, it shall be investigated for criminal responsibility according to law.

Future of AI in China?

For now, it is interesting to see that China is on the forefront having addressed AI by Measures in a time where other countries seem to be struggling with the question on how legally to deal with AI.

The frequent mentioning of IP rights and the fact that AI should respect IP and trade secrets, is very encouraging and positive. The Measures came in force on 15 August 2023. We will monitor how the Measures are applied, and report on any interesting cases.

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IP CHINA

Suspension of trademark procedures finally possible in China



CNIPA has issued the Regulation on Trademark Review and Adjudication for examiners (Regulation). The Regulation finally allows for suspension of trademark procedures. This is a big deal, as foreign rightsholders have been frustrated for a long time by having to take care of bad faith trademarks, whilst wanting to register their own rights.

The problem in practice is to reduce the burden on the legal right holder to repeatedly apply and exhaust the legal procedures in order to avoid the citation of trademark right obstacles, and to reduce the unnecessary institutional costs of obtaining the exclusive right to use a trademark. The suspension procedure will hopefully make this process less costly and faster.

The Regulation provides for seven specific circumstances where CNIPA should grant suspension requests. There are also three further situations in which CNIPA might grant a request for suspension.

Seven circumstances in which proceedings should be suspended

Among the circumstances that there should be suspension, there are five types that are generally applicable to re-examination of refusal, re-examination of non-registration and invalidation cases, namely:

1. The disputed trademark or reference trademark is in the process of changing or transferring the name of the registrant, and there is no conflict of rights between the disputed trademark or the reference trademark after the change or transfer.
2. The cited trademark has expired and is in the process of renewal or a grace period for renewal.
3. The cited trademark is in the process of cancelling or withdrawing the application.
4. Where the cited trademark has been revoked, declared invalid or not renewed upon expiry, and the date of revocation, declaration of invalidity or cancellation is less than one year when the case is heard.

5. The case involving the cited trademark has been concluded and is waiting for the conclusion to become effective, or the enforcement of the effective judgment is pending re-arbitration.

There is one situation that is specifically applicable to cases of non-registration re-examination and invalidation declaration, namely:

6. The prior rights involved must be based on the outcome of another case that is being tried by a people's court or that is being handled by an administrative organ.

There is one that is specifically applicable to refusal review, namely:

7. The status of the reference trademark rights involved must be based on the result of another case that is being tried by the people's court or being handled by the administrative agency, and the applicant explicitly requests to suspend the trial.

Three circumstances in which CNIPA might suspend the proceedings

There are circumstances in which CNIPA might grant a request for suspension:

1. The cited trademark involved in the refusal review case has been requested for invalidation, and the registrant of the cited trademark has been found to acting in bad faith in other cases;
2. If it is necessary to wait for the case to be the same or the relevant case has been ruled or judged earlier, the trial may be suspended according to the needs of the individual case.
3. Other situations where the trial can be suspended.

For the cases that cannot be exhausted, the principle of necessity and benefit to the legal right holder shall be the principle, and the examiner may independently decide whether to suspend the trial according to the specific circumstances of the case with reference to the above circumstances.

Conclusion

Having now the possibility of suspension of cases with CNIPA, rightsholders can make it easier in practice to foresee the costs of legal proceedings in China. At the same time, it will also speed up the process to finally getting rights effectively registered.

The new system benefits the rightsholders, the courts and CNIPA itself. We are curious in following-up on the actual implementation with cases and we will write a follow-up article in which we will explain the process on how to deal and apply for the suspension.

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IP CHINA

Navigating China's Customs IP Protection Landscape



China's rise as a global manufacturing hub has been accompanied by concerns over IP rights violation and protection. As businesses increasingly engage with the Chinese market, especially with the fast development of e-commerce in recent years, understanding the intricacies of China's Customs IP protection becomes paramount.

In this article, we will shed some lights on the system, the features and trends of this topic.

The Evolution of Customs IP Protection in China

Over the past decades, Customs IP protection has become a crucial component in the combat against counterfeiting and other IP infringement in China.

One important thing to notice is that China Customs checks and seizes not only imported goods, but also products for export. In fact, as one of the largest sources of counterfeits in the world, seizing goods for export at the Chinese ports can be more efficient than seizing counterfeit for import at other ports worldwide.

China has specific regulations governing customs IP protection. The General Administration of Customs (GAC) is responsible for enforcing these regulations and has established dedicated IP protection units at major ports. In addition to trademarks, the Customs also protects other IP rights including patents and copyrights.

Key Features of China's Customs IP Protection System

✓ Recordation

China's Customs operates a recordation system, which allows rights holders to voluntarily register their IP rights with Customs authorities and enables the officials to proactively identify and seize suspected infringing goods during regular inspections. IP rights holders are strongly recommended to record their IP rights on this system. Once the rights are recorded, Customs can take various measures, such as detention, seizure, and investigation to enforce against infringements.

✓ Proceeding

A typical customs seizure proceeding consists of 4 steps: notification to a right holder – the right holder

applies for detention and pays the bond – investigation – punishment decision (if the goods are confirmed to be infringing).

Once a case is closed, the infringing goods are confiscated and destroyed. The Customs can impose a fine up to 30% of the declared value of the seized goods, and cases of significant values can also be transferred to police for criminal enforcement, which may act as an effective deterrent to other potential infringers.

✓ Information exchange

Chinese Customs authorities have taken proactive measures to enhance enforcement and collaboration with right holders. Hence, establishing close cooperation and communication channels with the authorities is vital. Right holders are also encouraged to provide intelligences on potential infringers to the Customs so that the potential infringing products can be intercepted effectively.

China Customs regularly conducts training programs for the officers to enhance their knowledge and skills in identifying infringing goods. These programs normally cover topics including product identification and detection techniques, which require support from the right holders.

✓ What's important

For right holders, it is crucial to regularly update and maintain the records as well as the authorized suppliers' whitelist on the GAC system. Sharing necessary identification information with the Customs officials can help them to have a better understanding of your brands and products. It is also extremely important to respond to the Customs' notification in a clear and timely manner.

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Recent Trends

- 1. E-commerce Focus:** the rapid growth of e-commerce has posed new challenges for Customs IP protection. Small shipments, which are of low values and shipped via many different ports, have become increasingly common the recent years. Accordingly, China Customs has been allocating extra resources to take actions against small parcels shipped via postal and courier channels.
- 2. Special operation:** GAC continues to carry out special campaigns, targeting new methods and channels of infringement in import and export goods. Targeted crackdowns are also conducted against illegal activities during Customs' activities.
- 3. China Customs aims to strengthen IP policy advocacy and cooperation with right holders.** It also strives to provide guidance for local small/medium-sized enterprises for their IP protection when doing business overseas.
- 4. Advanced technologies, such as big data analytics and artificial intelligence, are more and more utilized by the Customs to efficiently screen and identify suspicious shipments.**



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IP CHINA

Use of trademarks for export only (OEM)



Since China imposed itself as the ‘*factory of the world*’, companies from all over the globe have had their goods manufactured in the country by an original equipment manufacturer (OEM) and exported for their commercialisation overseas. While only a limited number of foreign companies sell their goods in China, a much larger number have their goods produced in China and shipped abroad.

There are opposing stances on whether the usage of trademarks for manufacturing goods in China for export only shall be regarded as use of trademarks in China. However, to find an explanation to this question, which often arises as a result of contracts, we should consider the ‘*anti-squatter*’ attitude that Chinese courts at all levels have – finally – adopted.

The origin: OEMs before 2009

Decisions in the early 2000s strictly implemented the general principles of trademark protection. The use of a trademark without the owner's consent is an act of infringement; whether the goods were to be sold in China or exported made no difference.

In *Nike v Spanish Side (2001)* and *Guangzhou Hong Xin Co, Ltd v Guangzhou Customs (2005)*, the Guangdong High Court declared that using a trademark registered by another person, even when the products are exported, is infringement.

In *Ningbo Ruibao International Trade Co, Ltd v Cixi Yongsheng Bearing Co, Ltd (2005)*, the Ningbo Intermediate People's Court and the Zhejiang High People's Court held that “*territoriality is the basic characteristic of the trademark right... The defendant used a mark identical to the plaintiff's mark without authorisation, which constitutes trademark infringement.*”

Even though this opinion was generally accepted and implemented, some courts dissented and recognised the OEM exception. The Answer to Several Issues Concerning Trial on Trademark Civil Disputes issued in 2004 by the Beijing High People's Court states in Article 13 that “*products made by [an] OEM [that] are not distributed in China... cannot cause confusion and misunderstanding among consumers [and] thus cannot be found [to be] infringing.*”

2009 marked the beginning of a new case trend opposite to the position taken by most of the courts in China until that point, with the decision of the case *Jolida v Shanghai Shenda*.

The Shanghai No. 1 Intermediate People's Court and the Shanghai High People's Court held that because the OEM products were exclusively exported to the US market without distribution in the Chinese market, Chinese consumers would not be confused as regards the origin of the goods.

The judges considered that since the primary function of a mark is to indicate the origin of the goods to avoid confusion, if the goods are not marketed in China, the mark does not fulfil such primary function in China (i.e., there is no confusion in China and therefore no infringement).

The middle age: OEM case law 2010–19

Two major cases during this period defined the case-law line followed by most of the people's courts and established a clear understanding of what was considered trademark infringement in China within OEM activities: the Pretul and the DongFeng decisions.

✓ The Pretul case

In *Cocker Security Products Inter. Ltd. v Pujiang Yahuan Lock Co, Ltd. (the Pretul case)*, the owner of the registered trademark in China claimed that the mark affixed to the goods in question infringed its rights over the ‘Pretul’ mark and Chinese Customs detained the goods.

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This case attracted widespread attention and in November 2015 the Supreme People's Court (SPC) reversed the Zhejiang High People's Court's decision. The SPC ruled that *"since the mark attached to the goods produced by the OEM did not have the meaning of distinguishing the origins of the produced goods as the products are not for distribution in the Chinese market, the act of attaching the mark to the products shall not be considered as the use of a trademark in the sense of the Trademark Law (Article 48 of the Trademark Law) and therefore such use cannot constitute an infringement of the trademark rights."*

The SPC also clarified that three conditions shall be present:

- ▶ The Chinese factory is duly authorised by the foreign brand owner to manufacture the goods;
- ▶ The goods are entirely and solely intended for exportation purposes; and
- ▶ The foreign company owns a valid right to the trademark(s) in the country of destination.

✓ The DongFeng case

Still in 2015, a few months after Pretul, the Jiangsu High People's Court issued a decision in Changjia Company v Shanghai Company (the DongFeng case) that diverged from the SPC's views in Pretul and found that an OEM's activities constituted trademark infringement when the issue was examined in light of general principles such as good faith and the duty of care.

In this case, according to the judge, *"the exporter should have known that there was a conflict between the trademark owner in China and the buyer of the goods in the destination country; thus, it did not perform a reasonable duty of care."*

Two years later, on December 28 2017, the SPC, in a retrial procedure on the DongFeng case, reversed the Jiangsu High People's Court's trademark infringement finding.

The SPC started by reiterating its reasoning in the Pretul case: *"Trademark use refers to the act of affixing a trademark to a product so as to function as a source identifier... In principle, trademark use that is not purported for source identifying or distinguishing functions does not constitute trademark infringement in the sense of the Trademark Law."*

The SPC further clarified that the exporter had fulfilled its reasonable duty of care and therefore committed no infringement. This duty would be discharged when the OEM receives from the consignee copies of the foreign company's trademark certificates in the destination country of the goods.

The SPC clarified the requirements to comply with such duty of care and added this duty of care as the fourth

requirement for an OEM to comply with in order not to infringe the trademark rights of third parties in China.

The recent times: 2019 onwards

In *Honda Technology Research Industry Co., Ltd. v Hengsheng Xin Tai Trading Co., Ltd. (the Honda case, in September 2019)*, the SPC held that manufacturing and exporting 220 motorcycles under the trademarks "Hondakit" and "Honda" to a company in Myanmar infringed Honda's Chinese trademark right.

What is surprising in this decision is that the exporter had fulfilled the three requirements of the Pretul case and the duty of care of the DongFeng case; however, the SPC held that the "act of [a] trademark use should be assessed as a whole", therefore OEM activity could well constitute trademark infringement if the use of the trademark in this context could cause confusion among the public in China.

Use of trademarks

As stated in Article 48 of the Trademark Law, the purpose of trademark use is to identify the origin of goods, including any potential or actual identification of its origin. The SPC has affirmed that *"as long as there is a possibility of distinguishing the source of the goods, there is 'use of a trademark' under the Trademark Law."*

The court explained that even if the goods are exported, there is still a possibility that the mark affixed to the goods indicates the origin of the goods (hence the use of the mark according to the Chinese Trademark Law).

'Relevant public' and exposure

The SPC considered Chinese consumers, who could be confused when exposed to the goods in foreign markets, as well as those transporting the goods, as the 'relevant public'. The SPC added that *"with the development of e-commerce and the internet, products exported overseas may re-enter Chinese territory in a variety of different scenarios and then they are likely to cause confusion among the relevant public."*

Requirements for infringement

The expression *"is likely to cause confusion"* means that if the relevant public may access the infringing goods, there is likelihood of confusion. It does not require the relevant public to have actual access to the allegedly infringing goods, nor does it require the fact of confusion to be confirmed.

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Finally, the court held the following with regard to the rights owned by the foreign company in the destination country: *“The trademark right is a regional right applicable to a certain territory. A trademark registered outside China cannot enjoy the exclusive right of a registered trademark in China. Correspondingly, the licensee of such a foreign registered trademark cannot use the right to use the trademark as a defence against the infringement.”*

After the Honda decision in 2019, the SPC has not addressed the topic of OEM activities from a trademark use perspective. The lower courts in 2021 and 2022 seemed cautious to evaluate OEM activities directly related to infringement; for example, the right of use of a trademark whose registration in China may belong to a third party.

This is one of the conclusions that can be taken from the decisions of the Zhejiang High People’s Court in two recent OEM cases (the Stahlwerk and Juratek cases).

✓ The Stahlwerk and Juratek cases

In the Stahlwerk case, it was proved that the plaintiff (Yiwu Bailian Import & Export Co., Ltd) had a business relationship before the trademark application date with the foreign company (Schweissgeräte GmbH), the owner of the trademark in Germany, which had appointed the defendant and authorised it to use the mark in the products manufactured by this one.

That led the court to conclude that the plaintiff acted in bad faith, as it applied for the registration of the trademark in China while acknowledging that the trademark belonged to the German company that had created and developed the brand many years before its registration in China by the Chinese company.

In the Juratek case, on the other hand, the plaintiff (Laizhou Baoyi Machinery Co., Ltd.) had no prior business relationship with the foreign company (the UK company Unitec) that created the trademark "Juratek" and appointed the defendant to manufacture products using it affixed to them.

However, the court considered that *“the registered trademark of Baoyi Company involved in the case is not only the same as the English letters of the company's business name and its "Juratek" series trademarks, but also uses the same font and oval outer frame combination design as the logo previously used by the company. It cannot be a coincidence that the above logo components and composition methods are identical. Baoyi Company is also unable to provide reasonable explanations, and explanations on the origin of the trademark involved.”*

It could also be proved that the foreign company Unitec had applied for registration of the same trademark in the UK and protected the copyright over that sign years before.

Moreover, the court clarified that the plaintiff had also applied for the registration of other popular foreign brands in the same field of commercial activity, which deepens the assumption of bad faith in its behaviour. And based on the above factors, the court recognised the bad faith of the plaintiff and considered that *“the way Baoyi Company exercised the trademark rights involved in the case violates the principle of good faith.”*

In both cases, the allegedly infringing acts of the alleged infringers were the production of goods with an affixed trademark for exportation purposes only performed within a regulated commercial relationship with a foreign company owner of the trademark in the country of destination. Those acts were conducted within the scope of the authorisation given by the foreign company, and so in line with the premises and requirements established by the jurisprudence of the SPC in the Pretul and DongFeng cases.

What seems very relevant in both cases is that the Zhejiang High People’s Court recognised that both of them acted in bad faith when applying for the registration of those two trademarks in China (despite the trademarks being registered and not having suffered a favourable invalidation) and rejected their claims considering there could not be infringement of trademarks acquired in bad faith.

Final thoughts

In the Honda case, there is a suspicious trademark registration for ‘Honda’ in Myanmar which is used as a shield for the exportation of Honda motorcycles from China to Myanmar. In the Stahlwerk and Juratek cases, the suspicious trademark registrations are in China. In the Honda case, the Chinese judges confirmed the infringement of the Chinese trademark and blocked the exportation of goods to Myanmar. The opposite happened in Stahlwerk and Juratek: the Chinese judges did not confirm the infringement and let the good be exported.

In the Juratek case, the court considered that *“as an important way of China's foreign trade, the way of processing trade involving foreign brands is changing and deepening with the transformation of the economic development mode. Therefore, it is necessary to fully consider the overall situation of domestic and international economic development, conduct a specific analysis of trademark infringement disputes in specific periods, specific markets, and specific transaction forms, and accurately apply the law.”*

“Properly balancing the interests of trademark owners and licensees cannot simply solidify this trade method as an exception to infringement of trademark rights, nor can it be considered that the use of trademarks under this trade method constitutes infringement.”

Although not without hazard, we can conclude that the approach to OEM-related decisions in China denotes a clear anti-squatter attitude, not only when the suspicious trademark registration happens in China but also abroad (in Indonesia for DongFeng, and Myanmar for Honda).

However, it is highly advisable for companies that manufacture products in China for exportation purposes only to register the trademark in China and conduct a risk assessment or freedom to operate check in advance.

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*This article has been firstly published on ManagingIP: China Focus 2023.

IP CHINA

IP Rights Infringement at Trade Fair in China: What to do?



If you discover that a company is infringing upon your trademark, design, patent, copyright, or any other Intellectual Property Right (IPR) at a trade fair in China, you can take action.

Herein a practical guidance that might help to prepare the action.

While typically a dispute at Court lasts years, in the case of trade fair, the action begins and ends in few days (if not hours). Good preparation is the key!

The most common way to take action is filing a complaint with the trade fair organizer, who usually has put in place an IP Desk to receive and manage such complaints against violations of IPRs.

The IP Desk has the power to take down and remove the infringing products from the trade fair booth. Such power is given by the contract signed between the exhibitor and the trade fair organizer in which the former has authorized the latter to take certain actions if there are ascertained IPR violations.

In the light of the possibility to take action, during the fair the first task for IPR owners is to monitor the trade fair to spot any actual and potential threat in the shortest time possible. To this extent, the trade fair surveillance can be done by the company internal team or using the local distributor's staff or via external consultants.

During the monitoring and research, it is important to act silently/under cover in order not to be discovered. Indeed, if the infringer is made aware of the possible action, it will put in place some defensive strategy which will reduce the efficacy of the complaint with the trade fair organizer.

If the surveillance produces a positive result and an infringement is spot, the IPR owner can chose to contact an IP consultant (law firm or IP agency) to obtain assistance to attack the infringer and have the IP threat removed from the fair. However, IP desk accepts complaint filed directly by the IP owner without the support of an attorney or IP agent.

The procedure from the discovery of the infringement to the take down action is not complex, but it needs some knowledge and experience.

Despite the IP Desk is set up for receiving and processing complaints, very often the attitude of the professionals in charge of the IP Desk is "cautious" with a tendency to reject the complaints which are not well substantiated with facts, supporting document and evidence.

Done the monitoring, identified the infringement phenomenon, it is necessary to make an assessment to proceed with further steps.

Herein the most typical questions to tackle in this phase:

- ▶ **What kind of IPR is infringed?** Trademark, patent, design (patent), copyright, other IPRs? Certificates shall be available possibly in original. Tax shall be paid for patents and trademark shall be renewed.
- ▶ **Is the infringement clear or arguable?** The IP Desk tends to act only in case the infringement is very clear and to refrain from actions where the infringement is not certain.
- ▶ **Is the IPR valid and stable?** Whenever a company activate an IPR shall always consider possible negative consequences on the validity of the activated IPR. For example: is the activated trademark exposed to non-use cancellation? Is the patent exposed to a possibly grounded invalidation procedure?
- ▶ **Is the evidence of infringement clear and formalized?** IPR enforcement in China often suffers the difficulty of obtaining proper evidence of infringement. The trade fair is a good occasion to collect evidence of infringement that can be used even after the trade fair to initiate further legal actions.
- ▶ **Are the supporting documents available in the right format?** To initiate legal actions in China the Power of Attorney as well as Company Registration Certificate must be notarized and legalized in the country where the IPR owner has its residence.

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Before approaching the IP Desk it is important to evaluate if it is worth to contact a notary officer to obtain a formalization of the infringement. Indeed, before declaring the attack, it might be wise to upgrade the evidence collection and formalize the existence of the infringement in a way that it would be possible to take further action after the trade fair.

A very important step in the preparation of the trade fair IPRs enforcement is the preparation of the supporting documents. The IPR owner needs at least two batches of documents: the documents proving the right(s) and the legitimacy of the “complainant”, the documents proving the existence of the infringement.

As mentioned above it is important to have a clear picture on the IP portfolio of the complainant and – even better – to have IPRs certificates in original at hand when filing the complaint with the IP Desk. Also, the individual in charge of the actual filing of the complaint shall prove the authorization (powers) to represent the IPR owner.

To this extent IP Desk usually requires the Power of Attorney to be notarized and legalized and company registration certificate to be legalized as well.

It happens that the IP Desk rejects the request of protection filed by the IPR owner either for formal reasons relating to certificates, POA, company registration document, tax payment receipts, etc. or for substantial reasons, the IPR does not look infringed or the IPR might not be valid.

For such cases the IPR owner can still try some action during the fair or after it.

✓ Lawyer letter served at the trade fair.

In case the IP Desk refuses to take action, it is possible to appoint an attorney to serve a cease-and-desist letter to the staff of the infringer operating in the booth. The staff of the IP Desk might be present in this moment to make sure no accident happen during the delivery and the subsequent oral dispute.

✓ The provisional injunction by a Court.

In theory it is possible to apply the People’s Court to obtain a provisional judicial injunction, however the short time and the set of documents needed make extremely difficult in the practice to request and obtain the provisional injunction during the trade fair.

✓ The seizure from MSA.

Another available tool in case of trademark infringement is the complaint to the Market Supervision Administration. If this authority recognizes the existence of the infringement, it can execute – even during a trade fair - a seizure of the infringing product(s).



Also, in this case the time is the key, usually 2-3 days are not enough for preparing, filing, discussing, and executing the seizure.

Last but not least, attention shall be given to the notarization of the infringement. The trade fair could be a good occasion to acquire notarized evidence of infringement, especially when it is not easy to access the premises of the infringer (think only to the B2B products).

The notarization of the infringement is essential for the civil procedure and therefore for the launching of a civil litigation.

What kind of action can be initiated after the trade fair?

In addition, or in alternative, to the enforcement at the trade fair, it is possible consider all the standard tools available in China.

- ▶ Civil litigation. All IPRs can be enforced in front of civil courts in China.
- ▶ Administrative enforcement. This tool is also available for all IPRs, but might be sophisticated when it comes to copyright, complicated patents, or even unregistered rights.
- ▶ Extra-judicial letter.

Fabio Giacopello
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TECH LAW

Generative AI in China with socialist characteristics: draft measures



ChatGPT is blocked in China. It had the same destiny as Facebook, Instagram, Twitter, Snapchat and other Western social media platforms.

WeChat was the company that filled the gap in China in the absence of these Western apps. It even developed further in an APP that most Chinese people use for everyday tasks and communication. Such an APP does not exist yet in the West, and has even inspired Elon Musk's Twitter take-over and aspiration proclaimed in a BBC interview to potentially copy Wechat in an APP in the West.

This brings us to the question what will happen to China's generative AI programs now that ChatGPT is blocked. Which Chinese company or companies will make the generative AI app(s) that will be massively used by the Chinese people?

In any way, it will be a company that in the future needs to adhere to potential new regulations on generative AI, as the Cyberspace Administration of China (CAC) has published draft Administrative Measures for Generative Artificial Intelligence Services (Measures) for public consultation. Stakeholders could give comments to the Measures until 10 May 2023.

As the Measures are in draft form at the moment, we will below give an overview of the content of the Measures.

Principles

The Measures have requirements on the providers of generative AI, which lists principles they have to adhere to:

- ▶ Content needs to be consistent with the socialist order and socialist morals.
- ▶ Should avoid discrimination;
- ▶ Content must be true, accurate and not fraudulent;
- ▶ Respect intellectual property and other law and regulations.
- ▶ Security Assessment by CAC

Generative AI can only be offered to the public, if it is approved by CAC in the form of having passed CAC's security assessment in accordance with the Provisions on the Security Assessment of Internet Information Services with Characteristics of Opinions or Capable of Social Mobilization.

Furthermore, providers need to provide algorithm information in accordance with the Provisions on the Management of Algorithm recommendation of Internet Information Services.

Real-identity information

End-users will also need to provide real identity information. The providers will have to ask this. End-users may not become addicted to the services, as similar with Chinese gaming rules.

The providers will have to protect the data input of the end-users and may not share this information with third parties.

Research and development of AI

For research and development of generative AI, the providers must ensure that data used is legal and is handled in compliance with the Cybersecurity law, IP laws, has obtained the proper consent, be accurate, objective, sufficiently diverse and comply with further laws and regulations, especially by CAC.

Fines and criminal liability

Any forms of penalties for not being compliant, will be handled in accordance with the Personal Information Protection Law, Cybersecurity Law, Data Security Law or other applicable laws and regulations. Fines and criminal liability are part of the potential consequences of not being in compliance.

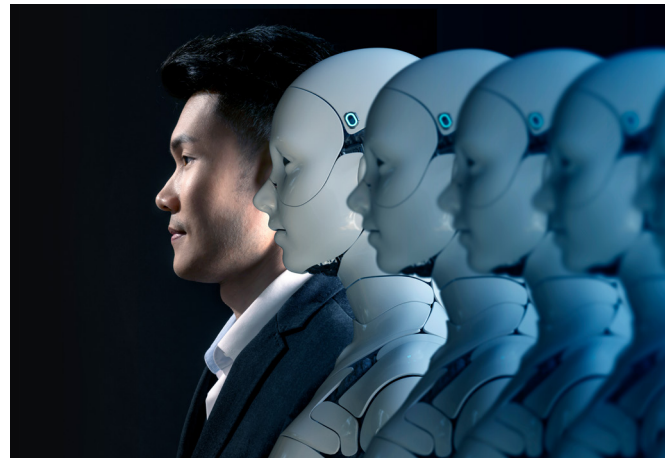
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From the above Measures, it is thus clear that China intends to control the generative AI environment. Companies that in the future, once these measures are in force, will violate the above principles, will risk fines and criminal liability.

Companies are warned, if you want to be in the generative AI industry in China, you need to play by the Chinese rules.

We will keep you posted on the further developments regarding the draft Measures on generative AI.

Reinout van Malenstein
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IP CHINA

Mattel wins trademark infringement dispute for Barbie in class 44



On February 17th, 2023, the iconic toy manufacture MATTEL, INC. (herein as Mattel), creator of the famous doll Barbie, won a trademark infringement against a Chinese company named Yunchong (Beijing) Animal Medical Technology Co., Ltd. (hereinafter as Yunchong).

Everybody knows what Mattel and Barbie are around the world and their high popular status in the toys scenario.

On the other side, Yunchong (Beijing) Animal Medical Technology Co., Ltd. is a renowned Chinese animal hospital chain, founded in 2015, focusing on the field of pet medicine in China. With the help of doctors and operation teams with professional experience in China's pet medicine, it has built a brand and operation system of pet chain hospitals trusted by consumers in China through self-built hospitals and holding acquisitions of existing pet hospitals.

The company currently operates more than 90 animal hospitals around China.

The dispute started on October 28, 2015, when Yunchong applied for the registration of the trademark "Barbitan" (referred to as the contentious trademark) with the number of 18179646A, in class 44 for animal breeding, artificial insemination (for animals), in vitro fertilization (for animals), pet cleaning, and veterinary assistance.

芭比堂

Yunchong trademark No. 18179646A "Barbitan" in class 44

As soon as the cited trademark has been published, Mattel filed an opposition action against it due the high similarity with the trademark No. 4532735 "BARBIE" in class 44.

BARBIE

Mattel trademark No. 4532735 in class 44.

Mattel's "Barbie" and "芭比" trademarks were included in the National Key Trademark Protection List as early as 1999 and 2000 and were recognized as a well-known trademark in 2004.

On January 22, 2020, the CNIPA made the decision that the trademark No. 18179646A "Barbitan" constitute similar trademarks used in the same or similar services, and Yunchong trademark should not be registered.

Yunchong was not satisfied and filed the appeal at the Beijing Intellectual Property Court.

The Beijing Intellectual Property Court held that Article 30 of the Trademark Law, as amended in 2013, stipulates: "Where the trademark applied for registration does not conform to the relevant provisions of this Law or is identical or similar to the trademark already registered or preliminarily approved by others on the same or similar goods, the Trademark Office shall reject the application and shall not publish it."

The application of Article 30 of the Trademark Law considers the similarity of trademark marks, the similarity of goods, the significance and popularity of the quoted trademark, the attention of the relevant public and the subjective intention of the applicant for the trademark in dispute, as well as the interaction between the above factors, so as to determine whether it is easy to cause confusion among the relevant public.

In this case, based on the following factors, the court held that the application for registration of the trademark in dispute constituted the situation specified in Article 30 of the Trademark Law:

1. The services designated for use by the trademark in dispute and the services approved for use by the cited trademark are both animal breeding in Class 44.

Continue reading

2. The cited trademark is composed of the Chinese character " 巴比堂 ", and the first two characters is " 巴比 " corresponds to the cited trademark "Barbie".
3. The evidence Mattel can prove that "Barbie" and " 巴比 " have been widely publicized and used for a long time before the application date of the disputed trademark and have a relatively high reputation.
4. Although the evidence submitted by Mattel is mainly focused on class 28 (toys) and not class 44, the two even if not completely connected, there is still some relevance that can lead to confusion and misleading by the consumers.
5. Although the plaintiff submitted numerous evidence of use, it was mostly reflected in the name of the enterprise "Barbie Tang Animal Hospital", the scope of protection of the right to the name of the enterprise is different, the use of the name of the enterprise cannot be equated with the use of the trademark in dispute, and the plaintiff still has other trademarks containing the words "Barbie Tang".



Eventually, Beijing IP Court ruled in Mattel's favor against Yunchong declaring that the cited trademark should not be registered.

Currently, Yunchong has appealed.

Laura Batzella
HFG Law & Intellectual Property

HFG NOTICE

HFG Shanghai office
has been relocated



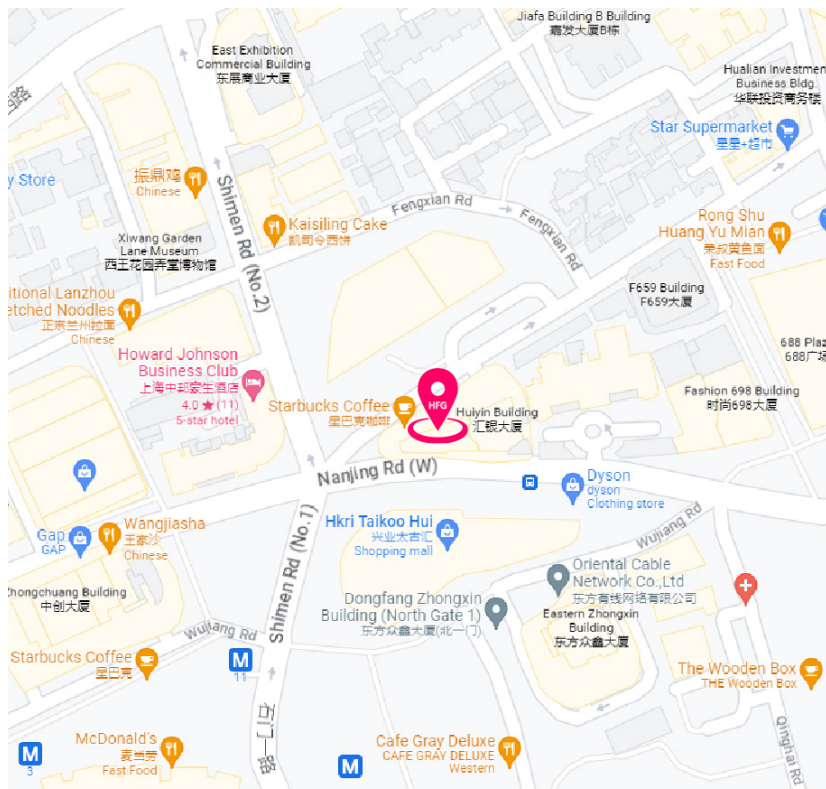
WE HAVE MOVED!

Starting from September 18th, 2023, our Shanghai office has changed address. Please take note of the new address:

Room 1801-1802, 18F, KYMS building, No. 758 West Nanjing Road, Shanghai 200041

Telephone numbers remain the same.

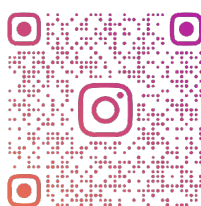
We welcome you to our new site in one of the coolest areas of Shanghai!



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