Goss IP

April - May 2020

INSIDE

Dear readers,

Two in One! This time we are here, despite the virus, to update you on recent decisions and new regulations in China with a selection of very interesting topics, in one issue of GossIP that covers both April and May.

We deal with the case of Bulgari in the first article, where we explain why the Guangdong High People's Court's judgment recognized the Italian luxury brand "BVLGARI/宝格丽" as well-known trademark, and enforced granted the cross-class protection on the service of *"sales of commercial real estate"*.

The second article examines why having your trademark registered in China is essential even if your company does not commercialize its product in the Chinese market, evaluating the recent decisions from the Supreme People's Court regarding OEM activities and trademark infringement.

Data is becoming not only the engine of economic innovation, but also an important resource for any enterprise to gain or maintain a competitive edge. Can IP mechanism protect big data?

The last article analyses the modifications to the Anti-monopoly Law proposed for the first time since it took effect in 2008. Find out what's new!

Don't stop reading then because you'll find 2 important notices, the first regarding the postponement of deadlines for trademark and patent procedures; the second informing about the online publication of trademark opposition decisions.

Practice social distance, stay safe and enjoy the reading with us!

Fabio Giacopello

HFG
LAW & INTELLECTUAL PROPERTY

NEWS

BVLGARI obtains well-known trademark in Guangzhou

Guangdong High People's Court issued a judgment regarding the trademark infringement and unfair competition lawsuit launched by BULGARI S.P.A. (hereafter *"BVLGARI"*) against 3 defendants - Hunan TASKIN Investment Co., Ltd., Shenzhen TASKIN Real Estate Co., Ltd. and Shenzhen TASKIN Industrial Co., Ltd. (hereafter *"TASKIN"*).

The judgment recognized the Italian luxury brand "*BVLGARI/ 宝 格 丽 " as well-known trademark and granted the cross-class protection the service of "sales of commercial real estate".*

According to the judgment, TASKIN is ordered to pay 3 million RMB in damages to BVLGARI and stop infringement immediately.

Overview of Decision and Ruling.

Founded in Rome in 1884 by the Greek silversmith Sotirio Bulgari, BVLGARI quickly established a reputation for Italian excellence with jewelry creations. Recalling the cupolas of Roman landscapes, the cabochon became a hallmark of the brand's gems.

From 2013 to 2014, according to the search made by BVLGARI, in its developed real estate located in Changsha, TASKIN prominently used the marks " 宝 格 丽 *(BVLGARI in Chinese)", "宝格丽公寓 (BVLGARI apartment in Chinese)", "Baogene"* etc. on the exterior walls, garage, sales office, brochures, etc.

Furthermore, TASKIN promoted its real estate under the title of 宝格丽 /BVLGARI on the website with pictures of high-end jewelry. In addition, hundreds of BVLGARI perfumes were displayed at the public sales event launched by TASKIN, as discovered by BVLGARI.

At the time of publication, we can still see the infringed real estate's information through several webpages.

Source: https://cs.focus.cn/loupan/181237.html

BVLGARI deemed that such behavior infringed their trademark right, and thus sued with Shenzhen Intermediate People's Court against TASKIN by compensation of 20.5 million RMB on October 31, 2014.

TM of BVLGARI in class 14	TM of BVLGARI in class 36	TM of TASKIN
BVLGARI *332078 *alloys of precious metal. *Registered from 1988-12-10 to 2028-12-9	BVLGARI 宝格丽 *15171023 *sales of commercial real estate etc. *Registered from 2015-11-28 to 2025-11-27	宝格丽 * 9008821 (class 36) *Entrusted management and hosting industry *Filed on 2010 but invalid now due to non-use cancellation
BVLGARI *332078 *Clock; watch; timer. *Registered from 1988-12-10 to 2028-12-9	宝格丽 *15171024 *sales of commercial real estate etc. *Registered from 2015-11-28 to 2025-11-27	宝格丽 * 9013166 (class 37) *Vehicle maintenance and repair *Filed on 2010 but invalid now due to non-use cancellation
BVLGARI *340247 *Gems and jewelry etc. *Registered from 1989-02-20 to 2029-02-19	BVLGARI 宝格丽 *14898598A *Management of real estate etc. *Registered from 2016-01-21 to 2026-01-20	宝格丽 * 9013375 (class 42) *measure *Filed on 2010 but invalid now due to non-use cancellation
BVLGARI 宝 格 丽 *3811212 *alloys of precious metal etc. *Registered from 2005-12-28 to 2025-12-28	宝格丽 *14898600A *Management of real estate etc. *Registered from 2016-01-21 to 2026-01-20	

First Instance

Shenzhen Intermediate Court decided TASKIN constituted trademark infringement against BVLGARI's 4 trademarks in class 36 on *"sales of commercial real estate",* company name infringement against BVLGARI Shanghai as well as unfair competition, by ordering TASKIN to pay 1 million RMB as damages.

The Court deemed according to *"on-demand recognition"* principle for well-known trademarks, this case does not require the recognition of well-known trademarks.

Highlights of Cross-Protection in Second instance

During the second instance, BVLGARI appealed that BVLGARI/ 宝格丽 shall be well-known trademark and the amount of compensation in the first instance was significantly lower.

TASKIN argued that BVLGARI didn't obtain the prior trademark rights in class 36 when they used " 宝格丽 " as the name of real estate, and thus constituted as no infringement.

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According to the Judge, the key point in second instance is whether it is necessary to recognize BVLGARI/ 宝 格 丽 as well-known trademarks and apply the cross-protection, as well as how to determine compensation amount.

Recognition of well-known trademark

The recognition of well-known trademark shall obey the principle of "necessity", only if the other provisions of Trademark Law cannot provide the legitimate protection for right holder, the judge is allowed and requested to grant a well-known mark protection.

✔ Firstly, BVLGARI obtained the prior trademark rights in class 36 covering sales of commercial real estate since 2015, which cannot limit the prior infringement behavior generated before 2015.

In the case, the infringement apparently occurred before 2015, at least in 2013-2014, therefore, BVLGARI could only apply the cross-class protection of well-known trademarks on dissimilar goods and services.

✔ Secondly, through long-term use and widely promotion, BVLGARI/ 宝格丽 has achieved the well-known trademark status at the time of infringement. TASKIN used BVLGARI/ 宝格丽 as real estate for sales, which were easily mislead by the related public by special connection with BVLGARI and improperly made use of the well reputation of BVLGARI.

Therefore, it is necessary to recognize the well-known trademark of BVLGARI/ 宝 格 丽 and enforce the cross-protection to crack down the trademark infringement of TASKIN.

Compensation determination

According to the law, the amount of compensation could be determined through below steps.

Step 1	Step 2	Step 3	Step 4
Right owner's actual losses	Infringement profits	Trademark royalties	Statutory damage (lower than 5 mln RMB)

In the case, BVLGARI claimed that hundreds of units had been sold with a profit of 1 billion RMB. Step 1 to 4 is applicable in sequence, which means each step is applicable only if previous step(s) are inapplicable.

For seriously malicious infringement, the amount of compensation may be between 1 time to 5 times to the amount of step 1 or 2 or 3.

Nevertheless, it is failed to prove the direct relationship between the sales income and trademark infringement.

Therefore, after comprehensively considering the goodwill of BVLGARI/ 宝 格 丽 , subjective bad faith of infringer, the reasonable cost of defending the rights by a right holder, the profit contribution rate of well-known trademarks in the infringed real estate, the connection level of cross, and other factors, the Court determined the statutory maximum amount of 3 million as the compensation for the case.

According to previous trademark law, the amount of compensation for infringing trademark right is 3 million, but now it has been raised up to 5 million.

Ariel Huang
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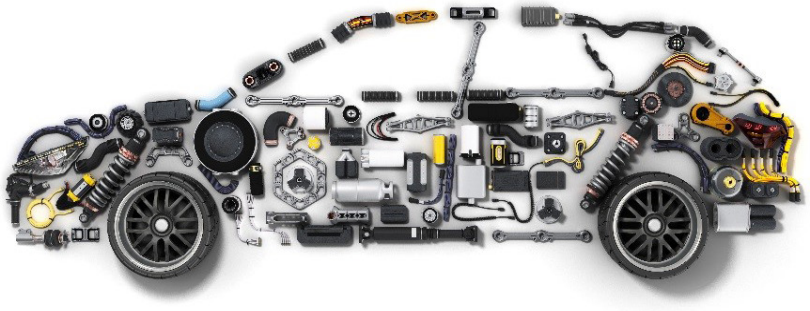
WATCH OUT

OEM Doctrine and Trademark Infringement in China



Why having your trademark registered in China is essential even if your company does not commercialize its product in the Chinese market?

For many foreign companies China keeps playing a crucial role on the production chain of their products.

Usually, these companies have their goods manufactured in this country by an Original Equipment Manufacturer (*"OEM"*) and then have them exported for its commercialization overseas only.

In this scenario, some of those companies may be tempted to think: why should I spend money protecting my brand or technology in China if the Chinese market is not relevant for my products?

To answer that question, we will evaluate the scenario in light of the past and the most recent decisions from the Supreme People's Court (*"SPC"*) regarding OEM activities and trademark infringement.

Indeed, when goods are manufactured in China by an OEM with the only intention to have those goods exported overseas, the foreign buyer is not always the owner in China of the trademark affixed to the goods.

In fact, usually that trademark or a very similar one is registered in China by a third party and such third party may be willing to sue the factory for trademark infringement and stop the exportation of the goods.

This is a long-debated question to which the courts have demonstrated different understandings in last years.

PRETUL CASE

In 2015 this case involved a customs seizure of certain goods manufactured in People's Republic of China (*"PRC"*) for a foreign company.

A local trademark owner in China claimed that the mark affixed to the subject goods infringed its rights in the PRETUL mark. The SPC concluded that OEM manufacture would not constitute trademark use that could form the basis of infringement if these three elements were present:

- ✔ The Chinese factory is duly authorized by the foreign brand owner to manufacture the goods (there should be a contract between the Foreign company and the manufacturer regulating the OEM activity, clearly specifying the kind of product to manufacture and which trademark will be used).
- ✔ The goods are entirely and solely intended for exporting purpose and they are not and will not be sold in China.
- ✔ The foreign company own a valid right to the subject trademark(s) in the country of destination.

DONGFENG CASE

Then, in 2017 the subsequent Dongfeng case affirmed the ruling in PRETUL, adding another element, namely, placing the burden on the OEM manufacturer of checking the foreign party's right to the trademark in the country of destination (duty of care).

As a practical matter, this duty would be discharged when the OEM manufacturer receives from the consignee copies of the foreign company's trademark certificates in the destination country.

LATEST HONDA CASE

In Honda case, however, the SPC did not follow its Pretul reasoning taking a radical departure from the SPC's earlier rulings in prior cases, such as the PRETUL and DONGFENG cases.

Indeed, in September of 2019, the SPC issued an *"attitude changing"* decision on OEM trademark infringement dispute, brought by Honda Giken Kogyo Kabushiki Kaisha (*"Honda"*) against Chongqing Heng Sheng Xin Tai Trading Co. Ltd and Chongqing Heng Sheng Group Co. Ltd. (*"Heng Sheng"*).

Continue reading

This is the latest decision from SPC in this matter and the SPC held that two defendant's activities – manufacturing and exporting 220 motorcycle bearing trademark *"HONDAKIT"* (distinctively displaying *"HONDA"* alone) to Myanmar company – constituted OEM manufacturing and infringed Honda's Chinese trademark right.

In fact, the SPC held that the *"act of [a] trademark use should be assessed as a whole"* and OEM activity could well constitute trademark infringement if the use of the trademark in this context could cause confusion among the relevant public in China.

The *"relevant public"* was deemed to include not just local consumers of the allegedly infringing goods, but also operators of businesses involved in the transportation of the goods.

It further 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",* and as a result it may cause confusion among relevant public.

Thus, the SPC did not affirm that affixing the mark to the goods in itself constitutes the use of the trademark. 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 Chinese Trademark Law).

One of the reasons for this possibility is that, after exportation, it is possible that the goods may re-enter Chinese territory in variety of different scenarios and then they are likely to cause confusion among relevant public.

The SPC concluded therefore that goods produced by OEM could still be accessed by the relevant public in the PRC and as a result cause likelihood of confusion with identical or similar trademarks duly registered in China.

Further, the court held the following with regards 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 defense against the infringement".

CONCLUSION

This may sound like bad news to those who have been using OEM manufacturers in China without owning the corresponding trademark as their activities may be now compromised in light of this new decision.

Obviously, a particular evaluation of each case will have to be conducted as not all scenarios will take us to the same conclusion, nor all OEM activities can be considered as trademark infringement.

However, at this point, it is highly advisable for companies manufacturing their products in China with exportation purposes only to conduct a risk assessment with regards to their activities and search and file an application to register the marks they expect to use, or are using, for this purpose.

And if a search discloses prior applications or registrations that could be considered obstacles to use the registration in China, steps should be taken to clear the registration of such marks by a diverse range of means such as invalidation, opposition, and/or acquisition.

Another practice point is that marks used in connection with OEM should be identical in format and coverage to those for which the manufacturing entity has exclusive rights in the destination jurisdiction(s).

As it is not clear how aggressively this case will be applied going forward, it is important that trademark owners secure advice in particular cases.

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BUSINESS

Can the IP mechanism protect big data?

What is the most valuable resource in the world? For the past centuries, the majority would say oil. But with the advent of the information age, today's answer may be different: as they say, data is the new oil.

Big data is fueling and shaping the 21st century from all aspects. The volume of data generated in the past two years has exceeded those throughout human history.

On top of that, big data could be the key to a stunning future: self-driving vehicles, more effective medical treatment, and even precise crime prevention - a world of Person of Interest coming into reality!

It is foreseeable that future economic and social development will be built on the widespread application of big data technologies. Data is becoming not only the engine of economic innovation, but also an important resource for any enterprise to gain or maintain a competitive edge.

The July 2016 draft of the Civil Code of the People's Republic of China sought to make data a new type of intellectual property.

However, the final version of the law did not grant such protection. Legislators chose to take it more cautiously as to whether data is included in the intellectual property mechanism.

The intellectual property protection mechanism grants the right holders exclusive rights to commercialize the use of innovations within a prescribed period, with certain exceptions.

The objective of granting this temporary monopoly is to motivate creators to share their creations with the public and to stimulate creative activity.

On the contrary the inventor can choose to keep his invention secret and protect it as trade secret.

In a big data context, raw data is more of a factual record, and the collection and aggregation of data itself cannot substantially change the value of data. A large amount of data may be valueless if it is perishable, outdated, imprecise, or has other weaknesses or flaws.

Prior to realizing their value through transactions or services based on data products, individual pieces of data acquire their value through a series of screening, classification, processing, and consolidation.

It is uncertain whether the data in a specific case are the results of intellectual activities and whether the data are valuable. Therefore, there are doubts about whether data in general is eligible for intellectual property mechanisms.

Moreover, there are concerns that if the rights to data are awarded intellectual property protection, data collectors or data developers may manipulate users' personal information through data rights.

When considering the protection of data, we must make a distinction between raw data derived from individuals and processed data.

The former is closely associated with individuals and has obvious identity characteristics, and should be protected by privacy, whereas the latter is a creation of big data technologies, that requires not only labor but also economic investment.

In light of the definition of intellectual property, it seems feasible to incorporate certain types of processed data into the protection of intellectual property. This applies to data that has lost its identity element and formed the creation of intellectual activity through processing.

Granting such protection may provide incentives for data sharing and innovation of big data technologies, which goes in line with the purpose of intellectual property rights.

We can observe that big data technologies are advancing at an increasing speed. Now, suppose we all agree that data should be protected under the intellectual property mechanism, far more questions arise, such as whether the classical intellectual property system is still relevant for data.

Emma Qian
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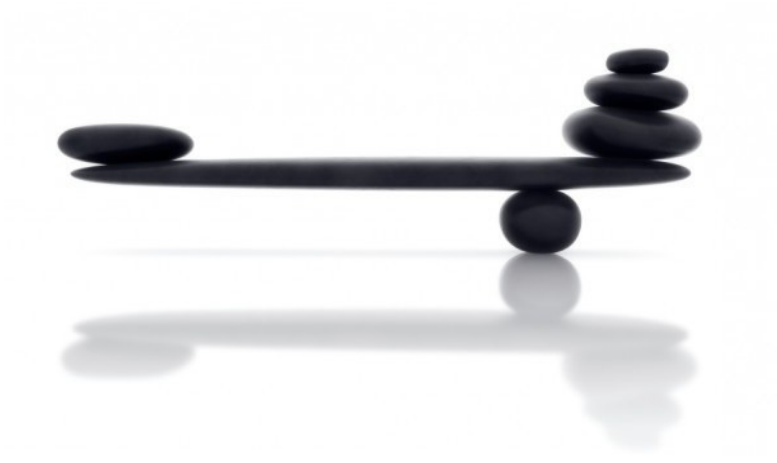
NEW LAW

Published Draft Anti-monopoly Law: what's new?



With the rapid development of China's economy in recent years, in order to better protect the rights and interests of various entities in the market economy, on January 2, 2020, the State Administration for Market Supervision issued a public notice soliciting opinions on the *"Amendment draft of the Anti-monopoly law"* (the *"Draft"*).

It is the first time that China has proposed changes to the Anti-monopoly Law (*"AML"*) since it took effect in 2008. The changes include more clear definition of a system of fair competition review, and tougher penalties for violations.

First of all, Fair Competition Review Mechanism.

In order to compress the space of administrative monopoly, the fair competition review mechanism is written into the Draft which stipulates that the State establishes and implements a fair competition review system to standardize government administrative actions, and prevents policies and measures to eliminate or restrict competition.

Under the current AML, the administrative authorities shall not abuse their administrative power to formulate provisions that exclude or restrict competition. Although this provision is significant, the operability is weak.

This time, the Draft stipulates that administrative organs and organizations authorized by laws and regulations to manage public affairs should conduct fair competition review in accordance with relevant state regulations when formulating economic activities involving market entities.

The *"organizations authorized by laws and regulations with the function of managing public affairs"* were added on the basis of the original *"administrative organs"* , which has more directional significance.

Secondly, Market Dominance of Internet.

Considering the traditional market dominance standards might have been unable to meet the Internet form of financial industry particularity, the Draft adds more factors to consider in determining the dominance of Internet market, in addition to the traditional factors, such as market shares, competition situation, financial and technical conditions, the network effect, scale economy, the locking effect, the ability to control and deal with the related data should also be considered to further confirm the dominance market in the field of the Internet.

It is believed that in the near future this will be combined with the *"E-commerce Law"* for more detailed provisions.

Thirdly, Stopping the Clock.

The Draft remains the current review period for concentration of operators, which is no more than 180 days. Meanwhile the new added *"Stopping the Clock"* for procedural flexibility in case processing, in which the review process is suspended under the following circumstances:

- ✔ the examination period shall be suspended upon the application or consent of the applicant;
- ✔ the documents and materials submitted by the operator are inaccurate and need to be further verified;
- ✔ the AML enforcement authority (the *"Enforcement Authority"*) under the state council and the operators need to consult on the proposal of attaching restrictive conditions.

This provision also provides that the period for stopping the calculation and review shall be separately determined by the AML enforcement authority under the state council.

At the same time, it also reflects that the AML enforcement authority of the state council will have the discretion to decide on the suspension system, so it should make clear provisions on the specific application conditions and methods of the suspension system in the future, so as to prevent the unreasonable abuse of such discretion and extend the review period.

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Fourthly, More severe punishment.

Illegal act	Current penalties	Proposed penalties
Operators violate the law and reach and implement monopoly agreements	Order to cease illegal act + Confiscation of illegal earnings + fine of more than one percent and less than ten percent of the previous year's sales	Order to cease illegal act + Confiscation of illegal earnings + fine of more than one percent and less than ten percent of the previous year's sales. If there is no sales volume last year, the fine shall be less than 50 million yuan.
Operators violate the law and has not implemented the monopoly agreement reached	Less than 500,000 yuan	Less than 50 million yuan.
Organize and help operators to reach monopoly agreements	N/A	The above penalty provisions shall apply.
Trade associations shall, in violation of the law, organize operators to reach monopoly agreements	Less than 500,000 yuan	Less than 5 million yuan.
Refusing to provide relevant material information, providing false material information, destroying evidence and other acts hindering the investigation	Order to correct + Individual: Less than 20,000, if the circumstances are serious, more than 20,000 but less than 100,000 yuan Working Unit: Less than 200,000 yuan, if the circumstances are serious, more than 200,000 yuan and less than 1 million yuan	Order to correct + Administrative organs and organizations authorized by laws and regulations to manage public affairs may make suggestions to relevant organs at higher levels and supervisory organs on imposing sanctions according to law. Other working unit: fine of less than one percent of the previous year's sales, or a fine of less than five million yuan if there was no sales or the sales were difficult to calculate, shall be imposed. Individual: less than 200,000 yuan but not more than 1 million yuan.

In conclusion, we can see that the contents reflected in the Draft has kept pace with the times, and we will continue to pay close attention to the revision process of the Draft and keep it updated in a timely manner.

Karen Wang
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UPDATE

Notice of China National Intellectual Property Administration

Notice of China National Intellectual Property Administration on the Applicable Scope of Remedies for the Term of Patent and Trademark and Integrated Circuit Layout Design during the Period of the Novel Coronavirus.

On March 27 2020 CNIPA extended also to foreign countries affected by the Coronavirus the possibility to ask suspension of the terms or the *restitutio in integrum* in reference to trademarks, patent and integrated circuits. It is definitely a good news for foreign IP owners. Operational details shall be yet understood and clarified later.

Due to the impact of the new coronavirus epidemic, in order to effectively protect the legitimate rights and interests of the parties to the patent, trademark, and integrated circuit layout design, China National Intellectual Property Administration of China Mainland issued Announcement No. 350 on January 28, 2020, clarifying the relief procedure for which the parties delayed to proceed with patents, trademarks, integrated circuit layout design due to the impact of the epidemic.

This announcement also applies to all countries and regions affected by the epidemic. Any parties affected by the epidemic can go through the procedure in accordance with the requirements of Announcement No. 350.

Announcement about the Period Limit of Patents, Trademarks, and Integrated Circuit Layout Designs affected by the Epidemic (No. 350)

In order to implement the decision-making and deployment of the CPC Central Committee and the State Council to prevent and control the epidemic of new coronavirus, and effectively safeguard the legitimate rights and interests of parties affected by the epidemic in handling patents, trademarks, and integrated circuit layout design, according to the Emergency Response Law of the People's Republic of China and the Patent Law and its relevant implementing regulations, Trademark Law and its implementing regulations, Regulations on the Protection of Layout-designs of Integrated Circuits and its implementing regulations, etc., the relevant deadlines for handling patent, trademark, and integrated circuit layout design and other matters are hereby announced as follows:

1. If a party misses the deadline stipulated in the Patent Law and its implementing rules or the time limit appointed by the National Intellectual Property Administration due to epidemic, resulting in the loss of his or her rights, it shall apply Article 6, Section 1 of Rules for the Implementation of the Patent Law.

He or she may within two months from the date on which the impediment is removed, at the latest within two years immediately following the expiration of that time limit, request to restore his or her rights.

A party who requests to restore his or her rights shall submit the request form for restoration of rights, state the reasons, attach relevant supporting documents where necessary, without the fee for requesting restoration of rights, and go through the corresponding procedures that should have been undergone before his/her patent rights are lost.

2. If a party misses the deadline stipulated in the Trademark Law and its implementing regulations or the time limit appointed by the National Intellectual Property Administration due to epidemic, preventing him or her from handling related trademark affairs normally, the relevant time limit will be suspended from the date when the obstacle arises, and will continue to be counted on the day when the obstacle is eliminated, except as otherwise stipulated by law; if the trademark right is lost due to the obstacle to the exercise of rights, a party will submit a written application, along with the reason and relevant supporting documents, and request the restoration of rights, within 2 months from the date on which the obstacle to the exercise of rights is removed.

3. If a party misses the deadline stipulated in Regulations on the Protection of Layout-designs of Integrated Circuits and its implementing rules or the time limit appointed by the National Intellectual Property Administration due to epidemic, resulting in the loss of his or her rights, it shall apply Article 9, Section 1 of Implementing Rules of the Regulations on the Protection the Lay-out Designs for Integrate Circuits.

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He or she may within two months from the date on which the impediment is removed, at the latest within two years immediately following the expiration of that time limit, request to restore his or her rights.

A party who requests to restore his or her rights shall submit the request form for restoration of rights, state the reasons, attach relevant supporting documents where necessary, without the fee for requesting restoration of rights, and go through the corresponding procedures that should have been undergone before his/her exclusive rights of layout-designs of integrated circuits are lost.

4 The expiration date of various deadlines for handling patents, trademarks, layout design of integrated circuits, etc., are during the Spring Festival holiday in 2020, the expiration date will be extended to the first working day after the end of the holiday according to the arrangements for the Spring Festival holiday by the General Office of the State Council.

This Announcement is hereby given.

January 28, 2020

HFG Law&Intellectual Property

UPDATE

Trademark Opposition Decisions Published Online

With a notice published on February 18, 2020 Trademark Office of National Intellectual Property Administration of the People's Republic of China (CNIPA) has announced that, starting from January 1, 2020, trademark opposition decisions will be published on its official website (http://sbj.cnipa.gov.cn/).

The decisions will be published within 20 working days from the date on which the decision was issued.

The parties can request in writing not to disclose the decision. Also the CNIPA might decide not to publish in cases involving commercial secrets or personal privacy or when the disclosure looks inappropriate.

The Trademark Office has made trademark review and adjudication decisions available online since December 2016.

The publication of trademark opposition decisions aims at further increasing the transparency of trademark examination and at strengthening public oversight.

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