

# Goss IP

August 2017



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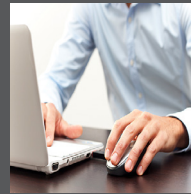
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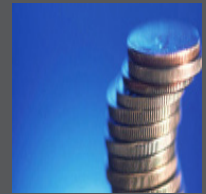
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## GossIP is back to the press!

For those of you who enjoy reading legal news – especially related to IP in China – this might come as a wonderful news.

In this edition we will touch the recent hot topics: first of all the newly issued Cyber Security Law. Cybercrimes, data protection, data storage and migration are super-hot topics everywhere in the world. The new Law has already attracted hundreds of

comments, anyway it still remains vague and uncertain. What seems out of any doubt is that the new regime will be stricter than the previous one.

We will review a few interesting cases from CTMO and TRAB in relation to bad faith registrations and trademark squatting (Wechat, Nuxe, Facebook, Jordan, Ferragamo, etc.). In short: the CTMO and TRAB are working better than in the past in respect to invalidating trademark registrations and applications filed in abuse of other people's rights.

Then we will spend a few words on food & wine and related legal issues. We will then spend some words on the new online registration system for companies which simplifies the recordation and modification process. Now it is easier than in the past to set up and maintain a company in China!

Last but not least we will tell you about our recent events in Spain and China.

Read carefully!

### Fabio Giacobello

Partner | Counsel

# HFG

LAW &  
INTELLECTUAL  
PROPERTY



## NEWS

Evicting  
the squatters

## Several high-profile cases show that trademark owners in China can succeed in removing squatters.

When it was introduced the new Chinese Trademark Law (TML) didn't seem tough enough against trademark squatting, but after three years of implementation we have found that the TML has many resources and provisions that can be used to stop malicious trademarks.

### 1 Facebook

On January 24, 2011, an individual called Hongqun Liu filed an application for registering 'face book' as a trademark before the Chinese Trademark Office (CTMO). It designated "vegetable canned food, potato chips" in class 29, "coffee beverage, tea beverage and candy" in class 30, and "fruit juice (beverage), iced (beverage), vegetable juice (beverage)" in class 32. The trademarks were preliminarily approved by the CTMO.

Social media platform Facebook later undertook legal action in order to invalidate the trademarks and succeeded at the Beijing No. 1 Intermediate Court. According to article 44 of China's TML, the Court stated: "If improper means are found in the examination stage of trademark application, it is detrimental to restrain such means by cancellation of a registered trademark instead of rejecting the registration at the approval stage".

In this case, Facebook succeeded in proving that Liu had filed multiple applications for 'face book' trademarks in many different classes. Besides, Liu has also registered reproductions and imitations of others trademarks with high reputation.

### 2 Jordan

In the early 2000s, Qiaodan Sports, a Chinese sportswear company, started using "乔丹" and 'Qiaodan' (transliteration in Chinese characters and pinyin [Mandarin Chinese written in the Latin alphabet] of 'Jordan') to market its products. The company filed trademark applications for "乔丹" representing a silhouette of a basketball player in mid-leap, a 'jumpman' pose made famous by

Michael Jordan in connection with the Air Jordan line of trainers made by Nike. In 2012, Jordan filed proceedings to cancel the registration of Qiaodan's trademark "乔丹".

On December 8, 2016, the Supreme People's Court invalidated three "Qiaodan in Chinese characters" trademarks, recognising Qiaodan Sports' bad faith and that the 'Jordan' name is well-known in China. Jordan established his fame in China starting around 1984, long before Qiaodan Sports filed its first disputed trademark application, and has an influence not just in sports but in other industries in China, which increases the likelihood that Qiaodan Sports' use of 'Jordan' in Chinese characters would mislead consumers into believing there is a connection between them.

However, the Supreme Court rejected Jordan's claim on the pinyin translation of his name 'Qiaodan'—since this version may not be closely linked with the former basketball player.

### 3 Salvatore Ferragamo

Salvatore Ferragamo is the owner of several trademarks in China including the words 'Salvatore Ferragamo', enjoying high fame and reputation worldwide in the luxury fashion industry. A Chinese company registered two trademarks covering lighting apparatus and other goods in class 11 in 2012 and 2011.

Ferragamo filed invalidation actions against these trademarks on the grounds that these marks constituted a wilful copy and imitation of its well-known marks in bad faith (article 13.2 of the TML).

The court recognised the 'Salvatore Ferragamo' trademarks as well known for "clothing" in class 25. The court further ruled that the contested marks were almost identical with Salvatore's well-known trademarks in terms of lettering and overall visual effect, and target consumers of clothing—popular consumer products—so they would overlap with those of lighting, cooking apparatus and other products designated by the contested trademarks.

## 4 Nuxe

A Chinese individual filed a registration for the trademark 'Nuxe' in China. Laboratoire Nuxe filed an opposition against this application. The court explained that Chinese consumers can usually access relevant advertisements posted from abroad. Moreover, in order to characterise the malicious intention, the court pointed out that the contested trademark 'Nuxe' has gained a good reputation in its industry in China and the trademarks were highly similar with the same combination of a tree design. The court rejected the application according to article 31 of the prior trademark law (article 32 in the new TML).

## 5 WeChat

Trunkbow Asia Pacific, a Chinese company, applied for registration of “ 微信 ” (Weixin) as a trademark on November 12, 2010, about two months before the launch of the Weixin instant messaging service by Tencent.

Tencent has extensively used the mark “ 微信 ” (Weixin) for its instant messaging services, known as 'WeChat' in English, and the trademark is highly recognised throughout China.

However, despite Trunkbow's application being filed before Tencent itself applied to register the “ 微信 ” mark on January 24, 2011, and also before Tencent had commenced use of the mark, the Beijing IP Court invalidated Trunkbow's trademark based on article 10(1)(8) of China's TML, which prohibits trademark protection of any words that would be “detrimental to socialist morals or customs, or have other unhealthy influences”.

In other words, the potential confusion to many WeChat users would negatively impact the public interest and “stability of the market order”, thereby resulting in an “unhealthy influence” to society. The decision is unique, not followed by others and is highly criticised by some scholars.

## 6 iPhone

Apple applied to register 'iPhone' as a trademark in China in 2002 in class 9 for “electronics”. The iPhone products were announced in January 2007 and launched in the US market in June 2007. The iPhone was launched in China only in 2009. Xintong Tiandi Technology filed a trademark application for 'iPhone' in September 2007.

In 2012, Apple brought a case before the Chinese courts for removal of Xintong's trademarks based on article 13.2 (well-known trademark) and article 10(1)(8) (“unhealthy influence”) of the TML. In the last decision rendered, the Beijing Higher People's Court rejected all of Apple's claims based on the fact that most of the evidence of use of the word 'iPhone' submitted by Apple was taken after the date of filing of the opposed trademark.

Therefore, the evidence presented was insufficient to show that the

word 'iPhone' had attained well-known status before the application date of the opposed mark. In fact, at the filing date, Apple's iPhone products had only been launched for three months in US market.

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**Fabio Giacopello** is a managing partner at HFG and is also a managing director at the firm. He has substantial experience in technology transfer, patent and trade secret litigations, and anti-counterfeiting. Giacopello is also a member of the anti-counterfeiting committee at INTA. He can be contacted at: [giacopello@hfgip.com](mailto:giacopello@hfgip.com)

**HIGHLIGHT****China New Cyber Security Law Implemented**

## On June 1st, 2017 the Cyber Security Law of the People's Republic of China ("CSL") has finally come into force.

The new CSL aims to "safeguard sovereignty and security of cyberspace in the state", according to the Chinese government. To achieve that aim the regulation implemented affects and highlights the rights and obligations of both companies and citizens within the People's Republic of China by strengthening the protection and security of important information and key information infrastructure as well as regulating more precisely the treatment of personal data.

However, one of the points that concerns foreign entities and international organizations is that it might also affect the interests of multinational businesses in field in China due to the potential of this law for discriminatory application to foreign technologies and equipment.

### How the CSL will affect the companies?



Obligations under the Cyber Security Law attach to two main classes of business: "network operators" and operators of "critical information infrastructure". Neither of these terms are defined in any detail under the new law, which therefore will be subject for speculation and interpretation.

At the same time, another question remains in the air after the promulgation of the law and it basically involves to small companies who wonder whether the CSL may apply to their businesses. At a first sight the answer should be yes, although it is unclear that regulators will want information or demand compliance from every small business in China, much less be able to handle that workload.

### How the CSL will affect citizens or the relation of companies with citizens when treating personal information?



The new CSL, assuming a definition already implemented in western data protection regulations, refers to "personal data" as all kinds of information, stored in electronic or other forms, which individually or in combination with other information allows the identification of a natural person's identity.

In this regard, network operator's activities involving personal data handling should be framed by principles of legality, propriety and necessity. They may only collect, use and store personal information which is necessary for business purposes and with the consent of the user. This consent should be obtained before transmitting that information to any third party. They also should make publicly available data privacy notices (explicitly stating purposes, means and scope of personal information to be collected and used).

Among data subject rights any person has the right to demand deletion upon discovery of improper collection or use of its personal data and can demand correction of data if the collected information contains errors.

As a result, these facts lead to the conclusion that we are moving towards a much more heavily regulated Chinese internet and technology sector. However, the main features of this regulation appear to leave much to discretionary decisions by public authorities in many significant and relevant questions.

Altogether this invites to think that the question of a Chinese cyberspace truly open does not seem to be nearer. Quite the contrary, the state control over media and communications infrastructure appear to grow with the implementation of the new CSL and restrictions to foreign participation seem to remain even harder.



## CULTURE

### Chinese people drink more wine: look the numbers



**In the last three years, China has doubled its wine imports and thus surpassed Canada in fourth place in the ranking of total consumers with a current population of 38 million wine lovers.**

According to the statistics from the China Association for Imports&Exports of Wines&Spirits, China imported US\$ 1.77 billion worth of wines during the first nine months of 2016, representing a 19.1% year-on-year increase. China's total volume of wine imports also jumped 14.42% to over 464 million liters from January to September.

Among the most important wine importing countries in China, Italian wines ranked the fifth position in the first eight months of 2016. Italian wine exports to China grew by 24% in value and outperformed the overall market by more than 6 points according

to the data from Nomisma's Wine Monitor. This increase is the result of "the positive effects of the promotion policies set in place in China by the Italian Government", as reported by Mr. Giovanni Mantonavi, the CEO of Veronafiere trade fair. Nonetheless, it lags far behind the top four: France followed by Chile, and Spain just ahead of Australia.

In fact, French wines remain in first place with the biggest share of imported bottles wines in China, accounting the 78% year-on-year increase on value. Compared to Italian wine exports, this increase of French and Spanish wine exports is partially prompted by the investments of Chinese vine yards, such as Changyu Pioneer, who already owns two wineries in France and one bodega in Spain, and foresees the acquisition of two wineries in Bordeaux region in France. These acquisitions allow the Chinese wine and spirit group to ship approximately one million of wine bottles from France per year and three million bottles from its Spanish property.

Another factor which can explain the huge increase of wine imports in China is the Free Trade Agreement concluded in recent years. Since signing the China-Australian Free Trade Agreement (ChAFTA, 2015), which was set to abolish the import tariff on Australian wines by 2019, imports of Australian wines to China surged more than 50% from January to September 2016. Furthermore, when the Free Trade Agreement came into force,

the Australian wine agency's regulatory services saw a rise of 48% of applications for wine export certificates to China. Similarly, in 2015, Chilean wine exports to China rose by 41% in value over 2014, after China abolished all tariffs on Chilean wines in the same year.

Surprisingly, the American wine importation captures a comparatively tiny fraction of the China's overall wine imports despite the fact that the United States wine industry is one of the largest in the world. In 2015, U.S. wine exports reached an increase of 7.4% from 2014 and a rate of 4.1% growth in volume in the same period. However, America's imports of wines in China remained largely inferior compared to the top 5.

It is undeniable that the Chinese market represents an attractive market for wines exporting countries since the number of wine consumers will increase in the next few years. It is of the utmost importance to obtain the registration the trademark in China and have the label compliant with Food Law regulations. You can contact HFG in case you need any clarification on regulations of importation and commercialization of wine in China.



## HFG News

### HFG was ranked as a top law firm in China



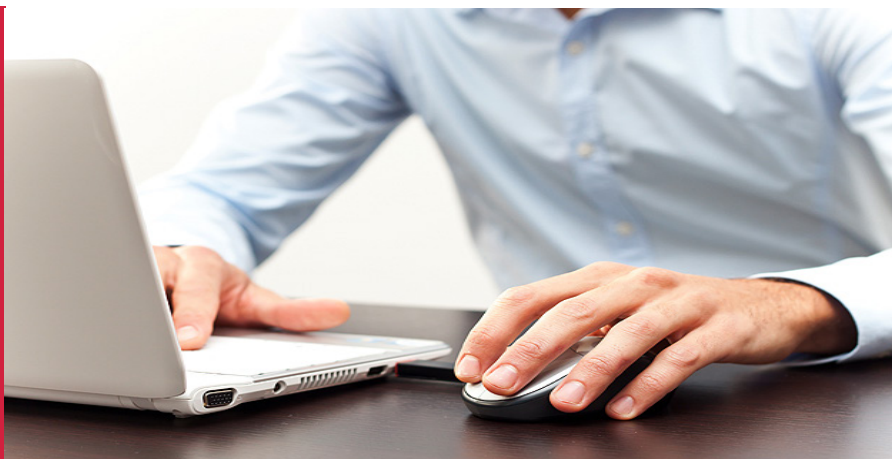
We are happy to acknowledge that HFG Law & Intellectual Property was ranked as a top tier law firm in China by Legal 500 Asia-Pacific 2017.

Legal 500 write about us "HFG Law & Intellectual Property was ranked as tier 1 intellectual property law firm, as the company has noted a significant increase in patent litigation work. Fabio Giacobello is experienced in handling contentious and non-contentious trade mark matters for domestic and international clients. The team includes Shirley Chang, Lanny Li and Daisy Yao".

The Legal 500 is the well-known and reliable global listing of law firms. Each year the Legal 500 analyzes the capabilities of law firms across the world with a comprehensive research program, revises and updates to bring the most up-to-date vision of the global legal market.

The rankings is based on feedback from 250,000 clients worldwide, submissions from law firms and interviews with leading private practice lawyers, and research from a team of researchers who have unrivalled experience in the legal market.

We are honored to accept this high recognition and will continue provide the highest standard quality service with a unique approach to the clients' needs.

**WATCH OUT****New online corporate registration platform: what to expect?**

**In April 2017, the State Administration for Industry and Commerce (“SAIC”) released three opinions to boost the reform on company registration: the Opinions on Promoting the Full Electronic Process for Enterprise Registration, the Opinions on Pushing Forward the Electronic Corporate Business License in All Aspects and the Opinions on Promoting the Administrative Reform of Corporate Name Registration.**

This process has already been initiated in 2013, when the Chinese central government simplified certain company registration formalities. Thereafter, last year, the SAIC released some guidelines instructing the local registration authorities to step-by-step open the corporate name databases (“2016 Guidelines”). Now, the Draft Opinions further push this corporate registration reform with the aim of optimizing the transparency and the time-consuming to proceed for companies which file for registration in China.

**When registering a company, the applicant currently used to go through many steps of online registration and in-person application material submission at the local AIC counter.**

The current online registration system does not accept scanned supporting documents. The corporate name recordal is also subjected to a pre-registration process with local AIC counter. Applicants are often required to provide 2-3 corporate names proposals to the SAIC without having any official channel to make sure in advance whether the names they intend to use might wholly or partially in conflict with any existing registered company names or prior rights.

In light of the existing issues, the goal pursued by the SAIC’s reform would be to improve the turn around-time and streamline the registration workflow for all types of companies. According to the Opinion, the SAIC work to upgrade the online registration process which would allow applicants to register an account online, upload scanned supporting documents and authorize e-signatures when submitting the application.

The SAIC foresees to establish a national unified administrative system for obtaining electronic business licenses and generate such electronic business licenses, regardless of whether registration is carried out online or in person. Hardcopies will be still available if requested.

**The Opinion also plans to simplify the application process by combining enterprise registration and enterprise name registration and by removing the requirement to submit the enterprise name pre-approval certificate if the competent authorities are the same.**

This reform also optimizes the transparency and the efficiency of the company name registration process by establishing online name query platform which providing screening tips on applying for a new enterprise name: (i) if an enterprise name is prohibited or already exists, the tips will explain the grounds for prohibition or give a list of existing enterprise names; (ii) if an enterprise name is restricted, they will identify the restricted terms and specify which certificate or authorization document is required to complete the application; or (iii) in case of a similar enterprise name, they will list the similar names and draw attention to the risk of rejection and possible infringement.

Starting from last April, company name pre-registration can already be handled via a non-line process in some AIC such as Beijing, Shenzhen, Shanghai Pudong New District. The Beijing AIC online system is currently the only platform that allows foreign invested companies (FIEs) to register their business online.

Nonetheless, even if this nationwide digitized corporate and company name registration systems - expected to be efficient within October 2017 - would ease the registration of companies - especially foreign companies - since some AIC does not have the adequate technology or resources to verify the identity of all applicants, it will be recommended for a company which would proceed to registration in China to entrust a lawyer or local agent to endorse its online business registration application.

## ACHIEVEMENT

The highest ever damage compensation for trademark infringement



Since recent years, the damages granted in intellectual property law suits, especially in trademark infringement cases, have been increasing remarkably in China.

In a trademark infringement dispute opposing Meichao Group to Beijing Xiujie Xinxing Building Materials, the Beijing Intellectual Property (“IP”) Court has tried the highest amount of damages ever awarded among the civil trademark infringement cases since its inception two years ago.

Meichao Group is the owner of the trademark “墙锢” registered in class 1. This trademark is well-known on the Chinese market for adhesives and glue products for industrial purposes. Meichao Group filed a lawsuit against Beijing Xiujie with the Beijing IP Court on the grounds of trademark infringement and unfair competition.

The Beijing IP Court deemed that Beijing Xiujie's unauthorised and conspicuous use of the trademark “墙锢” (identical to the one of the plaintiff) on its products (which are concrete interface treating agent) had infringed the rights of Meichao Group. Beijing Xiujie was sentenced to immediately stop its illegal use of the trademark “墙锢” and was ordered to pay damage of RMB 10 million to Meichao Group for its economic loss and the reasonable expenses for safeguarding its right.

In this ruling, the high amount of the damages was substantially determined due to the fact that the infringer refused to provide the required evidence. This refusal was found unjustifiable by the Court given that the plaintiff had duly performed its burden of proof. In fact, according to the Article 63 of the revised China Trademark Law, if the trademark

owner has made reasonable efforts to prove the amount of the actual damages, the burden of proof will be shifted to the infringer. Where the infringer fails to provide the relevant financial documents or provides false account books or financial materials, the Court may determine the amount of damages on the damages claimed by the trademark owner and the evidence furnished thereby.

This ruling featured the application of rules of evidence and determination of damages by reference to the market value of the IP asset concerned, which reflected the Court's attempt to reinforce the protection of intellectual property rights under legal provisions and evidence-based framework. This decision follows the case law recently applied by the IP Courts. In the Moncler case, Beijing IP Court issued the final compensation for trademark infringement at RMB 3 million, which was the highest amount of legal compensation provided in the revised Trademark Law that came into force in May 2014.

In short, this decision reaffirms that the Beijing IP Court acts towards enabling trademark owners to obtain more compensation for the infringement of their trademark rights. In fact, statistics show that the average compensation granted by China IP Court before 2014 was around 80,000 RMB. According to insider sources from Beijing IP Court, the average of statutory damages granted by Beijing IP Court reached 450,000 RMB in 2015. This increase has greatly promoted judicial protection and recognition of IP values.



**XCLASS**

### The first bi-lingual online IP tool to navigate the Chinese (Sub-) Classification of goods and services

XClass was designed by HFG professionals as a guide to the Chinese classification of similar goods and services released and updated by SAIC CTMO based on the International NICE classification.

XClass is a database which contains all the goods and services that can be validly designated in a trademark application in China according to the relevant regulation from SAIC.

*“Foreign companies entering the Chinese market are generally not aware of the sub-class system and it frequently causes misunderstanding and incorrect trade mark filings. XClass is a great tool to very simply check what sub-classes need to be included in a trade mark application and ensure your product range is fully protected.”*  
China IPR SME Helpdesk



## HFG INITIATIVES

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### Sponsoring Celebrating social innovation

Recently HFG was honored to be a strategic sponsor of Doo+ Vibe social event and support society's contributors. The organizers describe Doo+ Vibe as a one-of-a-kind event and it is the well-matched definition. Nothing like this has ever been hosted in China before.

The purpose of the event is to celebrate social innovation and everything with a social purpose, raise awareness towards social innovation, social responsibility and environmental sustainability.

Doo+ Vibe is the platform that brings together the major players in our society: social enterprises and startups, institutional investors, international organizations, global corporations, academic institutions, research and development centers, government institutions and the media.



### Educating Breaking the myth of IP in China (Spain, Madrid)

HFG lawyers Fabio Giacopello, Daniel De Prado Escudero and Molly Li had the special mission to break the myth of IP and ecommerce in China.

Jointly with The Madrid Chamber of Commerce and ANDEMA, HFG held the seminar talking about the main issues regarding IP matters that foreign companies usually face when developing their business in China. HFG lawyers introduced useful and preventive steps for the companies to take in order to protect their IP rights linked to their products or services.

They also touched the topic how to develop trading activities in China, talking about common legal disputes that usually arise in business, litigation cases and the best approach to face a negotiation of contracts in China. companies.



### About HFG Law&Intellectual Property

HFG is a leading China focused Law Firm and IP Practice uniquely integrated and co-managed by a team of multinational professionals based in Shanghai and Beijing. Since 2003, HFG is proud of delivering the highest standard of quality service rendered with uncompromised understanding of the business interest of clients, from a range of industries all over the world.

Collectively the firm commands a profound and diversified knowledge base and represents clients at various levels before all state-level agencies and administrative and judicial authorities. Going beyond traditional areas of practice, HFG integrates commercial and corporate law services providing a one stop station to companies whose intangible assets out value the tangibles.

HFG services have a special focus on IT and telecom, petrochemical, wine and liquors, fashion, cosmetics, retail and e-commerce, food and pharma regulatory, licensing and monetization of patented technology.

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