GossIP

July 2020

INSIDE

Dear readers,

The rain season is hitting Shanghai, but the upside is that this gives us time to stay indoor and read more! Look what we have in the new GossIP issue.

Facial recognition is a form of biometric authentication, which uses face measurements to verify your identity. We know that face recognition is largely used in China, but can it be trademarked? In the first article, you can read the case of Apple's face ID trademark.

We talk then about the registrability of *"retailing"* and *"wholesaling"* as services in China: having been considered as ancillaries to the sale of goods, they were for long not protectable. What about now?

In the following article we explore how Big Data can benefit from copyright protection, from computer software applied in data collection and processing to the data sets, to the outcomes generated via Big Data technologies.

The last article deals with the *"Force Majeure clause"* issued by the International Chamber of Commerce to help companies to relieve or mitigate the obligation to perform a contract during the pandemic.

Finally, have a look to the news of the HFG office!

Stay dry and enjoy the reading

Fabio Giacopello

HFG
LAW & INTELLECTUAL PROPERTY

NEWS

Apple's FACE ID trademark (finally) granted!

Face ID is a facial recognition system designed and developed by Apple Inc. for their iPhone and iPad Pro. Apple announced Face ID during the unveiling of the iPhone X on September 12, 2017. It has since been updated and introduced to most new iPhone models, and all iPad Pro models. And what about the trademark registration? Has Apple succeeded in getting the trademark granted?

On September 12, 2017, Apple Inc. applied a new trademark application for No. 26351410 on in class 9 on *"computers, phones, 3D glasses etc."* for their new technology, the successor of Touch ID.

面容ID

The above trademark was preliminarily refused due to the lack of distinctiveness. The CNIPA deemed that " 面 容 ID" could be translated as "face identification", therefore, the use on its designated goods "computer" etc. exclusively indicates the function and usage of the goods, which constitutes the scenario of Article 11.2, thus rejecting Apple's appeal [Shang Ping Zi [2019] No.0000009467].

Article 11.2 of Trademark Law: None of the following marks may be registered as trademarks: (2) Where it only directly indicates the quality, principal raw materials, function, use, weight, quantity or other features of the goods;

Apple Inc. appealed to the Adjudication Board of CNIPA (prior "TRAB") and claimed that the apple device included in the Applied Trademark has strong distinctiveness and has been recognized as well-known trademark. It is the apple device that makes the Applied Trademark as a whole not directly indicate the characteristic and functions of designated goods, on the contrary, has originality and distinctiveness. Nevertheless, the Re-Examination Chamber of CNIPA uphold the prior decision and confirmed the rejection of the trademark.

Apple Inc. dissatisfied with the outcome and further appealed to Beijing IP Court that is in charge of the administrative litigations brought against CNIPA.

Beijing IP Court held that trademark as a whole consisted of apple device and word part, of which the apple device has been recognized as well-known trademark and has strong distinctiveness. The relate public will naturally associate Apple Inc. when they see the graphic logo.

With regard to the word part " 面 容 ID", " 面 容 " means facial appearance while *"ID"* means identification.

Firstly, the related public easily deem it has connections to Apple Inc's product regarding face or identity when noticing the trademark.

Furthermore, the defendant doesn't provide evidence to prove " 面容 ID" has been generalized among the same industry. On the contrary, Apple Inc. has provided evidence to prove " 面 容 ID" is original and already put into use, which is distinguished from others. Therefore, 面容ID has distinctiveness and does not constitute the scenario of Article 11.2. [(2019)Jing 73 Xing Chu No.7298]

Not surprisingly, CNIPA, dissatisfied the decision, appealed with Beijing High People's Court. Beijing High People's Court supported the first instance decision and confirmed the validity of the trademark. [(2019)Jing Xing Zhong No.9302]

What can we learn from this case?

Trademark distinctiveness is an important concept in the trademark law. When judging whether the mark belong to the scenario of Article 11.2, i.e. exclusively indicate the function or usage of goods, the key point is to determine if the mark at issues is *"descriptive mark"* or *"suggestive mark"*. The former one without distinctive characters is not eligible for registration, or registrable, such as *"WIFI"* or *"5G"*, on mobile phone, while the latter one has relatively weak distinvctiveness though, it is still able to perform the essential trademark function, thus it is presumed to be entitled to trademark protection.

"Suggestive mark" tends to indicate the nature, quality, or a characteristic of the goods or services in relation to which it is used, but does not describe this characteristic, and requires imagination on the part of the consumer to identify the characteristic.

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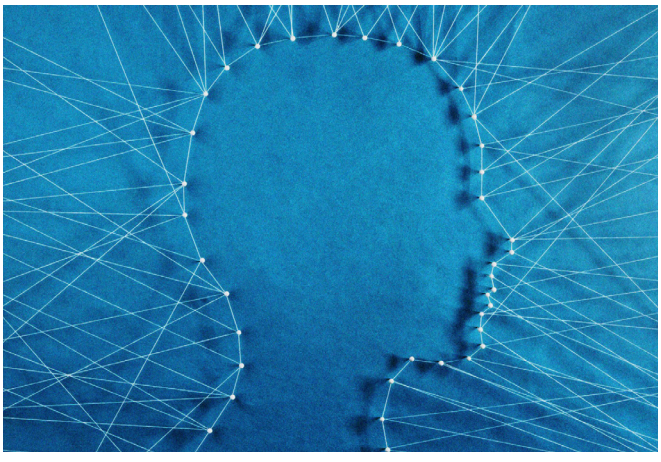
According to the judgement, " 面容ID" belong to the said *"suggestive mark"*. The judgement also highlighted the general assessment of *"suggestive mark":*

- ✔ Whether the consumers can directly identify the mark which is descriptive on characters of goods without imagination when noticing the mark;
- ✔ Whether the mark belongs to the common expression to describe such goods by the same industry involver.

In the case at issue the applicant Apple Inc. did the smart move to give a boost of distinctiveness to their trademark by including in the trademark specimen the famous apple device to give to the whole trademark a higher gradient of distinctiveness. This was probably a crucial factor in the determination of the judges to grant the trademark.

In general, the judgment on trademark distinctiveness is relatively arbitrary and complex. In this regard, the enterprise is better to select the distinctive and distinguished trademark at first.

If the trademark is refused due to the lack of distinctiveness, it is recommended to actively take follow-up actions when the trademark is confirmed to be distinctive.



If a trademark with no distinctive character (no inherent distinctiveness) and is *prima facie* unregistrable, the enterprise still could overcome and strive for through acquired distinctiveness, in the way of providing a large number of use evidence in order to demonstrate the essential distinguished function of a trademark.

Ariel Huang
HFG Law&Intellectual Property

BUSINESS

Registrability of retail and wholesale services in China

For a long time, *"retailing"* and *"wholesaling"* are not registrable under the Nice Classification (NCL). The rationale behind this is that *"retailing"* and *"wholesaling"* have been considered as ancillaries to the sale of goods and do not constitute services for the benefit of others, and thus not protectable.

Over the years, however, more and more countries are opening their doors for *"retailing"* and *"wholesaling"* services.

In the EU, the 2008 CJEU Decision in the Praktiker Case paved the way for registering the retailing of goods. The 2014 Netto Marken Decision even allowed the acceptance of retailing of services.

In Japan, retail and wholesale services became registrable in 2007.

In China, in 2013, the former China Trademark Office (CTMO, which has been renamed to CNIPA) opened a crack only wide enough to allow retail and wholesale services for pharmaceutical, veterinary and sanitary preparations and medical supplies.

The latest Nice Classification (the NCL11-2020 edition) provides limited items of retail and wholesale services, which includes

- ✔ 350148 wholesale services for pharmaceutical, veterinary and sanitary preparations and medical supplies
- ✔ **350147 online retail services for downloadable and pre-recorded music and movies**
- ✔ **350145 online retail services for downloadable digital music**
- ✔ **350146 online retail services for downloadable ring tones**
- ✔ 350092 presentation of goods on communication media, for retail purposes
- ✔ 350108 retail services for pharmaceutical, veterinary and sanitary preparations and medical supplies
- ✔ **350153 retail services for works of art provided by art galleries**
- ✔ **350163 retail services relating to bakery products**

Besides, an explanatory note also suggests that Class 35 includes, in particular, *"the bringing together, for the benefit of others, of a variety of goods (excluding the transport thereof), enabling customers to conveniently view and purchase those goods; such services may be provided by retail stores, wholesale outlets, through vending machines, mail order catalogues or by means of electronic media, for example, through web sites or television shopping programmes".*

Although the Chinese Classification does include the above explanatory note, it differs from the Nice Classification by precluding the items in bold of the above list and it also added a few items relating to retailing or wholesaling for pharmaceutical, veterinary and sanitary preparations and medical supplies.

In its current practice, the CNIPA does not accept a generic expression of *"retail"* or *"wholesale"* services, nor does it accept retail or wholesale services for specific goods except for those mentioned above,

For international registrations designating China, *"retail"* and *"wholesale"* are the two sensitive words that will easily trigger a refusal. Unless the wording limits the services to the scope of pharmaceutical, veterinary and sanitary preparations and medical supplies, a refusal is inevitable and an appeal is hopeless.

So, what to do under this circumstance?

We advise clients in this situation not to fight hopeless reviews, but to have practical approach to the problem: filing a national trademark registration application covering all sub-classes in Class 35. If the new application is granted, their trademark will enjoy maximum protection in Class 35 from possible infringement.

Despite the CNIPA's current stance against retail and wholesale services, there are signs that it will gradually shift and become more in line with the international practice.

By then, owners of Class 35 trademarks can choose to expand coverage to new service items based on their scope of business.

Emma Qian
HFG Law&Intellectual Property

HIGHLIGHTS

Big Data and copyright (Part I)

Copyright interfaces with Big Data in several aspects. From the computer software applied in data collection and processing to the data sets (collections of data), to the outcomes generated via Big Data technologies, we will explore in this article how Big Data can benefit from copyright protection.

According to the Berne Convention, copyright protects literary and artistic works that must first fulfil the *"originality"* requirement. Depending on the jurisdiction, such works may also have to fulfil the requirement of *"fixation"* and/or *"human intellectual creations"*.

An original work, in contrast to copies, reproductions, plagiarism, or derivative works, refers to a work created by the author and reflects the author's own intellectual creation.

Works, as the object of copyright, are expressions of the author's certain ideas and emotions. The intangibility of the object is the essential characteristic that distinguishes intellectual property rights from other property rights,as does the object of copyright. However, such intangible objects can usually be fixed in a tangible form.

Article 2.2 of the Berne Convention provides that *"it shall, however, be a matter for legislation in the countries of the Union to prescribe that works in general or any specified categories of works shall not be protected unless they have been fixed in some material form."*

Let us take China as an example. Article 2 of Regulation for the Implementation of the Copyright Law defines *"works"* as *"intellectual creations with originality in the literary, artistic or scientific domain, insofar as they can be reproduced in a tangible form"*, which puts forward the requirement of *"originality"* and *"fixation"*.

Further, the mainstream view of Chinese scholars is that only results of human intellectual activities can be called *"creation"*.

Software

The TRIPS Agreement recognizes computer software as *"literary work"* under the Berne Convention.

In China, the protection of software is regulated by the Copyright Law and specific regulations such as Regulations on Computer Software Protection.

The protection of software applies to both computer programs and relevant documents, but does not extend to the ideas, processing, operating methods, mathematical concepts, etc. used in software development.

Needless to say, software applied in data collection and processing can receive copyright protection in China if they meet the aforementioned requirements.

Data sets

The databases in the Big Data context are typically unstructured and non-relational (NoSQL). Compared to traditional relational (SQL) databases, which store data in structured tabular form, NoSQL databases are generally table-less, highly flexible and usually come with larger scales.

Structured and relational databases may meet the originality criterion for compilations, which require originality in the selection or arrangement of its content, and thus trigger copyright protection.

NoSQL databases, given their nature, are hardly selected or arranged in a way that sufficiently meets the threshold of originality.

It can be observed that the pursuit of *"volume"* and *"variety"* will inevitably deviate from the orientation set by *"originally"*. For databases that purse data integrity, it is difficult to meet the originality requirement and thus obtain copyright protection.

On the other hand, Big Data tends to rely on cloud computing and involves dynamic data sets, which will be almost impossible to *"fix in a tangible form"*. Therefore, in jurisdictions like China, such data sets may fail the *"fixation"* test.

Continue reading

Applications of Big Data

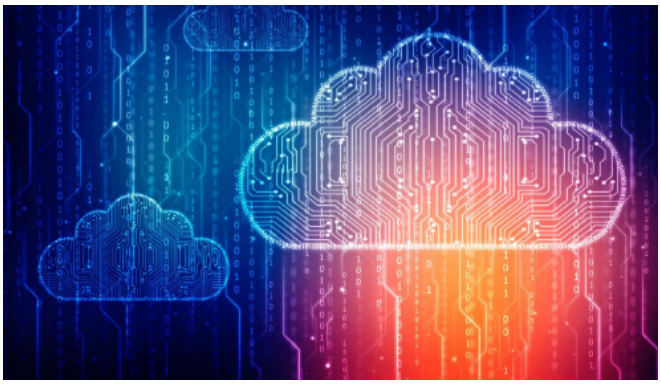
As we dive deeper into this topic, we may touch upon data-driven technologies such as data mining (TDM), machine learning and artificial intelligence (AI).

Big Data resources can usually produce visual outputs generated through data-driven technologies. These final products can be presented in a factual manner with raw data, or as more *"creative"* outputs through the further implementation of AI technologies.

So, will these final products qualify for copyright protection?

First, since these outputs are visualisations of data processing, they can be expressed in a material form. Thus, it is easy to say that they will meet the *"fixation"* requirement.

Second, it appears that these outputs will possess originality – either as compilations (outcomes of selection and arrangement of raw data according to an algorithm), or as a work of more creativity (articles, poems, painting, etc).



That being said, legislators are more cautious regarding whether machine-generated content can be copyright protected, as most jurisdictions require the creative process to involve at least a certain human intervention.

In our next article, we will elaborate on copyright protection for the final products generated by the application of Big Data technologies and the copyright issues in the application of TDM.

Emma Qian
HFG Law&Intellectual Property

WATCH OUT

2020-ICC Force Majeure Clause

Covid-19 is sweeping the world, countries are actively taking epidemic prevention measures, meanwhile many companies have difficulties to fulfill duly and timely contractual obligations. In some cases, invoking a force majeure clause (the *"FM Clause"*) may relieve or mitigate the obligation to perform a contract during the pandemic.

In this regard, International Chamber of Commerce (the "ICC") issued the *"General considerations: Force Majeure clauses in commercial contracts"* and *"ICC Force Majeure and Hardship Clauses"* to consider Parties involved in commercial contractual relationships.

These are suggested clauses – i.e. are not mandatory provisions – that parties to a contract can refer to.

ICC indicates that the different legal systems provide different solutions in cases where force majeure prevents the performance of a commercial contract, and therefore the Parties to the contract need to apply laws that comply with the terms of the contract.

Resource: https://iccwbo.org/publication/general-considerations-force-majeure-clauses-in-commercial-contracts/

Generally, when applying the FM clause, the following facts shall be proved:

- ✔ the impediment is beyond the Party's control;
- ✔ the impediment could not reasonably have been foreseen when the contract was concluded; and
- ✔ the effects of the impediment could not have been avoided or overcome by the Party.

In these cases, if a Party to a commercial contract successfully invokes the FM clause after giving timely notification of the event of force majeure, the Party may be exempted from its original contractual obligations and the liability for damages for breach of contract. Meanwhile, the other Party to the contract may suspend the performance of the contract upon receipt of the notice invoking the FM clause.

For FM clause in commercial contracts, the provisions of ICC version 2020 apply to any jurisdiction and avoid material differences in their application in different countries, which includes the following Extended Version and Short Version.

Resource: https://iccwbo.org/content/uploads/sites/3/2020/03/icc-forcemajeure-hardship-clauses-march2020.pdf

Extended version - *"Tailor Made"* clause

The Extended version includes the definition of Force Majeure, Non-performance by third Parties, Presumed Force Majeure Events, Notification, Consequences of Force Majeure, Temporary impediment, Duty to mitigate, Contract termination and Unjustified enrichment.

1 **Definition.** *"Force Majeure"* means the occurrence of an event or circumstance (*"Force Majeure Event"*) that prevents or impedes a Party from performing one or more of its contractual obligations under the contract, if and to the extent that the

Party affected by the impediment (*"the Affected Party"*) proves:

- ✔ that such impediment is beyond its reasonable control; and
- ✔ that it could not reasonably have been foreseen at the time of the conclusion of the contract; and
- ✔ that the effects of the impediment could not reasonably have been avoided or overcome by the Affected Party.

Our comment: The definition of Force Majeure requires *"reasonable"* - i.e. not absolute - impossibility/unforseeability/ unavoidability.

2 **Non-performance by third Parties.** Where a contracting Party fails to perform one or more of its contractual obligations because of default by a third Party whom it has engaged to perform the whole or part of the contract, the contracting Party may invoke Force Majeure only to the extent that the requirements under paragraph 1 of this Clause are established both for the contracting Party and for the third Party.

Continue reading

Our comment: This paragraph intends to exclude that non-performance by a third Party or sub-contractor can be considered as such as Force Majeure.

The Affected Party must prove that the Force Majeure conditions are as well met for the non-performance of the third Party, to which also the presumption of paragraph 3 of this Clause will apply.

3 **Presumed Force Majeure Events.** In the absence of proof to the contrary, the following events affecting a Party shall be presumed to fulfil conditions (a) and (b) under paragraph 1 of this Clause, and the Affected Party only needs to prove that condition (c) of paragraph 1 is satisfied:


war (whether declared or not), hostilities, invasion, act of foreign enemies, extensive military mobilisation;


civil war, riot, rebellion and revolution, military or usurped power, insurrection, act of terrorism, sabotage or piracy;


currency and trade restriction, embargo, sanction;


act of authority whether lawful or unlawful, compliance with any law or governmental order, expropriation, seizure of works, requisition, nationalisation;


plague, epidemic, natural disaster or extreme natural event;


explosion, fire, destruction of equipment, prolonged break-down of transport, telecommunication, information system or energy;


general labour disturbance such as boycott, strike and lock-out, go-slow, occupation of factories and premises.

Our comment: The Presumed Force Majeure Events exempts parties from proving that the event was out of its control and unforeseeable, leaving to the other Party the burden of proving the contrary. The Party invoking Force Majeure must in any case prove that the effects of the impediment could not reasonably have been avoided or overcome.

Parties may add or delete events from the list, according to particular situations, e.g. by excluding acts of authority or export restrictions, or by including labour disturbances affecting only their own enterprise.

Parties are reminded that adding new events to the list does not relieve them from proving that condition (c) of paragraph 1 is satisfied.

4 **Notification.** The Affected Party shall give notice of the event without delay to the other Party.

5 **Consequences of Force Majeure.** A Party successfully invoking this Clause is relieved from its duty to perform its obligations under the Contract and from any liability in damages or from any other contractual remedy for breach of contract, from the time at which the impediment causes inability to perform, provided that the notice thereof is given without delay. If notice thereof is not given without delay, the relief is effective from the time at which notice thereof reaches the other Party. The other Party may suspend the performance of its obligations, if applicable, from the date of the notice.

Our comment: The main purpose of this paragraph is to clarify that the Affected Party is relieved from the performance of the obligations subject to Force Majeure from the occurrence of the impediment, provided that a timely notice is given.

In order to avoid the Affected Party invoking Force Majeure only at a later stage (e.g. when the other Party claims non-performance) where a timely notice is not given, the effects of the Force Majeure are delayed until the receipt of the notice.

The other Party may suspend the performance of its obligations upon the receipt of the notice to the extent these obligations result from the obligations impeded by Force Majeure and they are suspendable.

6 **Temporary impediment.** Where the effect of the impediment or event invoked is temporary, the consequences set out under paragraph 5 above shall apply only as long as the impediment invoked prevents performance by the Affected Party of its contractual obligations. The Affected Party must notify the other Party as soon as the impediment ceases to impede performance of its contractual obligations.

7 **Duty to mitigate.** The Affected Party is under an obligation to take all reasonable measures to limit the effect of the event invoked upon performance of the contract.

8 **Contract termination.** Where the duration of the impediment invoked has the effect of substantially depriving the contracting Parties of what they were reasonably entitled to expect under the contract, either Party has the right to terminate the contract by notification within a reasonable period to the other Party. Unless otherwise agreed, the Parties expressly agree that the contract may be terminated by either Party if the duration of the impediment exceeds 120 days.

Our comment: This paragraph 8 establishes a general rule for determining in each particular case when the duration of the impediment is unsustainable and entitles the Parties to terminate the contract.

In order to increase certainty and foreseeability, a maximum duration of 120 days has been provided, which can of course be changed by agreement of the Parties at any time according to their needs.

Continue reading

9 **Unjustified enrichment.** Where paragraph 8 above applies and where either contracting Party has, by reason of anything done by another contracting Party in the performance of the contract, derived a benefit before the termination of the contract, the Party deriving such a benefit shall pay to the other Party a sum of money equivalent to the value of such benefit.

Short Version - Applicable to users who need to cover standard terms in order to balance the contract, including the following three terms:

✓ **Definition** (same as 1 stated above).

✓ **Presumed Force Majeure Events** (same as 3 stated above).

✓ A Party successfully invoking this Clause is relieved from its duty to perform its obligations under the Contract and from any liability in damages or from any other contractual remedy for breach of contract, from the time at which the impediment causes inability to perform, provided that the notice thereof is given without delay.

If notice thereof is not given without delay, the relief is effective from the time at which notice thereof reaches the other Party. Where the effect of the impediment or event invoked is temporary, the consequences set out stated above shall apply only as long as the impediment invoked prevents performance by the Affected Party of its contractual obligations.

Where the duration of the impediment invoked has the effect of substantially depriving the contracting Parties of what they were reasonably entitled to expect under the contract, either Party has the right to terminate the contract by notification within a reasonable period to the other Party.

Unless otherwise agreed, the Parties expressly agree that the contract may be terminated by either Party if the duration of the impediment exceeds 120 days.

The above documents issued by the ICC provide clear guidelines for the future drafting of FM clauses in the contract, which is easier to understand and apply.

Karen Wang
HFG Law&Intellectual Property

UPDATE

Leon Zheng joins HFG

We are proud to announce that starting from 2020, June 15th Leon Zheng has joined HFG as Of Counsel – Head of Food Practice. Mr. Zheng is one of the major expert in China of food legislation and safety regulations.

He has served as Director of Regulatory and Scientific Affairs at Starbucks China and as Director of Scientific and Regulatory Affairs for the AEMEA Region at The Hershey Company.

Mr. Zheng also provides professional consultancy for World Bank, China Food Safety Improvement Project, and he also was appointed as food safety expert for Global Food Safety Initiative (GFSI).

Welcome on board!

UPDATE

Spain & LATAM: Daniel de Prado takes the lead

Starting from July 1st, 2020 Daniel de Prado Escudero will take the lead of HFG's Spanish and Latin American Desk.

Since the new position will require Daniel to travel often, to keep communications efficient please be aware of possible different time zones.

While his email address will remain unchanged (descudero@hfgip.com) , you can also reach the Desk at latam@hfgip.com.

UPDATE

Good luck Nicola!

We wish to express our congratulations to Nicola Aporti for accepting a new challenge with a Multinational Food Company.

We are sad that you are leaving HFG, but we are happy for the incredible time you have spent with us.

You have shared your knowledge with passion and energy, always with a smile on your face.

We wish you a brilliant career in your new position!

Good Luck, Nicola!