

Goss IP

March 2018



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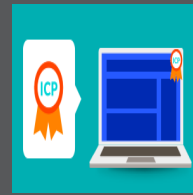
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Dear Readers,

Our Gossip this month dives into the e-commerce world telling the story of JD.com – one of the biggest platforms for online commerce in China – launching its first European office in Paris. The reason? Strengthening the relationship with brands and better understanding of the market.

The second news we bring to your attention is about the LEGO vs BELA case. We believe this decision proves that the new Anti-Unfair Competition Law enlarges the scope of the application of the provision in relation to the slavish imitation of shape/package of goods.

Another bad faith case hits the press in last month and it is about Victoria's Secret that in the last instance – in front of Beijing High Court – lost the battle for its trademark in class 42. Not a big thing losing the trademark in class 42, but still a parameter to understand what kind of protection a foreign brand can secure in relation to non-core classes in China.

We close our monthly appointment with some basic information in relation to the ICP License, a necessary administrative authorization to all the companies

that want to host a website in China and Letter of Consent, a possible remedy for enhancing the chances of successfully registering the trademark in China.

Don't forget to scan the QR code herein if you use Wechat.

Fabio Giacopello

Partner | Counsel

HFG

LAW &
INTELLECTUAL
PROPERTY



E-COMMERCE

Online giant JD.com opens a new office in Paris



As the world's second-largest luxury market, China represents new perspectives for the luxury brands to reach millions of potential consumers. According to the PwC Total Retail 2017 report, 93% of Chinese consumers have purchased luxury clothes, shoes or leather goods online which demonstrates the increased prominence of the e-commerce in the Chinese consumption process, now setting the benchmark for present and future global retailer.

After the deal concluded with Farfetch, the London-based fashion online retailer in June 2017, JD.com has been ramping up its efforts to secure the trust of both consumers and brands in the luxury sector.

The opening of its European headquarter in France is an "important milestone" for JD.com, as the e-commerce platform is enhancing its European presence.

The Paris office will help JD.com to strengthen its position, particularly in the fast growing sector of luxury, fashion, cosmetics, food, wine and spirits, but also to give to the company an in-depth understanding of the developments ambitions of its French partners, who are looking to access to the 266.3 million active Chinese consumers on JD.com.

This launch comes shortly after JD.com announced an ambitious agreement with Business France, the country's official trade promotion agency, to sell € 2 billion of French goods to Chinese consumers over the next 2 years. This partnership also includes the implementation of "one-stop shop" solution for French brands and retailers to get their products to Chinese consumers quickly and conveniently. In fact, the Chinese e-commerce shoppers are spoiled by the quality logistics services. On average Chinese e-consumers received their parcels on 2.6 days.

According to Florent Courau, the new managing director of JD.com in France: "Our Paris office will be committed to providing tailor-made support to our French partners who want to seize the immense opportunity that JD offers".

In this perspective, the French luxury brand Saint Laurent, which had no online presence before entering into the Chinese market, announced on last January 5 the opening

of its first online store through TOPLIFE, the new luxury e-commerce site for high-end consumers launched by JD.com for the Single Day in 2017, joining the ranks of La Perla, Tod's, Emporio Armani, and more recently, Derek Lam. This "exclusive full-price online shopping platform" allows brands to sell directly to consumers through a luxury eco-system that incorporates premium customers service, "white glove" delivery service, marketing, warehousing and inventorying.

The company has also recently announced a partnership with French industrial engineering giant FIVES, to purchase another € 100 million in French industrial products.

This flurry of development comes after China's domestic luxury market achieved an estimated growth rate of 4% in 2016, following 2 years of decline due to the country's anti-corruption campaign and the increase of the prices in the luxury sector compared to abroad. As the Government has encouraged a repatriation of luxury spending through tariff adjustments and a crackdown on smuggling, brands are catching on that e-commerce is the next frontier for growth in this crucial market.

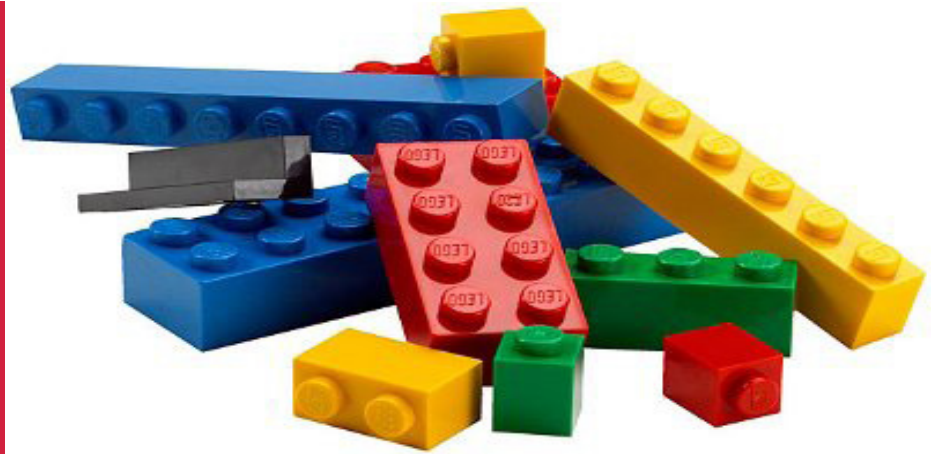
Then, after Alibaba (TMall, Taobao), WeChat, Huawei, Xiaomi and more recently the launch of the bike-shared Ofo and Mobike in several European capitals including Paris, JD.com is driving breakthrough growth opportunities to consolidate its presence of the European market and worldwide.



Marie Ferey - Foreign Legal Counsel
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HIGHLIGHT

Why the LEGO vs BELA decision is interesting to all of us



LEGO Group announced recently a favorable decision issued in September 2017 by the Shantou Intermediate People's Court, a second tier city in China. LEGO Group succeeded for the first time in China to win an anti-unfair competition case in relation to the packaging of the LEGO Friends series.

Despite not written in the several comments and congrats-articles I have read, I implied that the legal ground used by the Chinese Court was art. 5.2 Anti-Unfair Competition Law (AUCL 1993 version). And then I decided to write this note to clarify why LEGO vs BELA might be interesting to all of us (and not only to LEGO Group).

Art. 5.2 AUCL 1993 reads as following: *"An operator may not adopt the following unfair means to carry to transactions in the market and cause damage to competitors: (1) [. . .]; (2) using, without authorization, the name, packaging or decoration peculiar to famous goods or using a name, packaging or decoration similar to that of famous goods, so that his goods are confused with the famous goods of another person, causing buyers to mistake them for the well-known goods of the other person"*.

In short Art. 5.2 AUCL 1993 protects products and packaging against imitations only in the case that the product or the package is special and famous and there is likelihood of confusion with the imitative product. The path to protection designed by art.5.2 AUCL is narrow: special + famous + likelihood of confusion. And indeed very few had succeeded in the past.

See herein the previous foreign "winners". I am not using the word trademark on purpose. You might agree with me that those products shapes above are so famous (not only in China) that they do not need to be named.



2006



2014



2016

Almost at the same time when the Shantou judges were examining and deciding the LEGO vs BELA case – i.e. last quarter of 2017 - the Chinese National People Congress adopted the new Anti-Unfair Competition Law that entered in force on January 1st 2018.

Art. 6 AUCL2017 replaced and art.5 AUCL1993 and the wording of the new legislative formula is the following: "A business operator shall not perform any of the following confusing acts that will enable people to mistake its products for another business's products or believe certain relations exist between its products and any business's products: 1. unauthorized use of a mark that is identical or similar to the name, packaging or decoration of another business's commodity, which has influence to a certain extent;"

The words used are different: *"famous"* (知名) in the 1993 version and *"with certain influence"* (有一定影响) in the 2017 law. Expert commenters have said that despite the change in the wording there is not the real intention to open the room to shapes/packaging other than famous.

Herein you see the packaging at issue in the LEGO vs BELA case.



Is the LEGO Friends packaging famous as the previous Ferrero Rocher, Crocs and Rimova? Or shall we conclude that LEGO vs BELA is the first application of the criterion *"shape with certain influence"* (instead of famous shape)?

NEWS

The Angels fail to prove the bad faith in China



On November 13 2017 the Beijing High Court overturned the first instance judgment ruled in favor of Victoria's Secret Stores Brand Management Inc against the registration of the trademark “维多利亚的秘密 VICTORIA'S SECRET” Class 42 ruling that the evidence submitted by Victoria's Secret was insufficient to prove the opposed mark was applied in bad faith.

The opposed trademark was filed by a Taiwanese individual Hui-Chuan Chiang, founder of a tea house chain Chiang, on July 6 2009. It comprised both “VICTORIA'S SECRET” and its corresponding Chinese transliteration “维多利亚的秘密” in several classes (Classes 5, 8, 16, 21, 30, 32, 33, 38, 42 and 43).

Victoria's Secret filed opposition against the applied trademark on December 21 2010. At the initial level, the China Trademark Office (CTMO) rejected Victoria's Secret's claims and approved for registration of the opposed trademark on May 2 2012. In appeal, the Trademark Review and Adjudication Board (TRAB) upheld the CTMO's decision. Notwithstanding “Victoria's Secret” trademarks had obtained a certain reputation in relation to underwear, they failed to prove that their trademarks “VICTORIA'S SECRET” and its corresponding Chinese transliteration “维多利亚的秘密” had also secured a certain level of reputation regarding the industrial design-related services in Class 42 before the filing date of the opposed trademark.

The Beijing No 1 Intermediate Court overthrew the prior decisions, considering that Chiang multiple applications for “维多利亚的秘密 VICTORIA'S SECRET” should be deemed as filed in bad faith in violation of the principle to prohibit registrations through fraud or other unfair means according to the Article 44.1 of the Trademark Law.

The Beijing High Court overturned the first instance judgment based on the lack of evidence to support the applicant's bad faith and the opponent's inability to prove that the trademarks “VICTORIA'S SECRET” and “维多利亚的秘密” reached the status of “well known trademark” before 2009 in China.



According to the High Court's decision, the number of applications was few and then glimpses the possibility that Chiang would use the marks.

Following up the recent regulations taken by the Chinese institutions against the long-standing problems of bad faith and preemptive trademark registrations in China, the Beijing High Court clarified the Trademark examination Standards previously issued by the CTMO in December 2016, and particularly props up the definition of “trademark mass filing”.

According to the High Court's appraisal's, the “trademark mass filing” should meet certain requirements, such as plenty of trademarks filings with no genuine intention to use, or registering many prior trademarks from different entities with certain reputation. Based on these considerations, the Beijing High Court held that filing 10 copies of prior trademarks did not encounter the threshold of either mass filing or bad faith in this case.

This case also stresses the hurdle to reach the status of “well-known trademark” in China which is appreciated on a case-by-case basis and required the sufficiency of evidence especially regarding the use and reputation of the mark in China for each year in each geographic area related to each type of goods and services designated under the mark.

WEB

Hosting the website in Mainland China: the ICP license



All websites with their own domain name that are hosted on the Chinese mainland territory are required to obtain such ICP license. Websites that are hosted outside of the Chinese mainland territory do not need to obtain an ICP license. Interestingly also websites hosted on the Hong-Kong SAR territory do not need to obtain an ICP license.

Therefore obtaining an ICP license is an additional step that shall be taken before launching a website hosted on Chinese server.

The so called ICP license is a registration number and a permit issued by the Chinese Ministry of Industry and Information Technology (MIIT) to operate websites in China. ICP stands for Internet Content Provider and it is also known as ICP 备案 or ICP Bei An (that literally means "ICP registration/filing"). The license regime was set for by the Telecommunications Regulations of the People's Republic of China (中华人民共和国电信条例) in September 2000.

The ICP license numbers for Chinese websites can often be found on the footer of the homepage of the website. The ICP license number includes also a single Chinese character indicating the Chinese province in which the license was issued. See herein for example.

经典案例	设计师	友情链接	网站地图
浙江宁波长岛花里项目配送安装...	预约设计师	进口家具	留学网
杭州某高档会所配送安装成功案例	长沙装修	家装网	美国移民
上海某地别墅配送安装成功案例	上海装修设计	家具网上商城	打折扣票
北京某金茂府配送安装成功案例	装修价格	木工爱好者论坛	九江房地产
武汉某集团公司董事长办公室配...	上海二手房	绵阳装修公司	集成吊顶
深圳某业上榻配送安装成功案例			

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Chinese Internet service providers are required to block the site if a license is not acquired within a grace period. Therefore in the practice without an ICP, the website operator is unable to purchase hosting in mainland China, because all hosts will ask for the ICP license before providing the service.

The Ministry of Industry and Information Technology issues two different types of ICP numbers, which are managed at the provincial level:

- **ICP filing for non-commercial websites** which are purely informational and are not involved in direct sales. These numbers follow the format 京 ICP 备 12345678 号 (in this example, "京" represents Beijing).
- **ICP license for commercial websites** is required for websites that sells information or data behind a paywall (contrary to popular beliefs an e-commerce website does not need a Commercial ICP License). These numbers follow the format 京 ICP 证 12345678 号 (in this example, "京" represents Beijing).

Requirements for ICP filing in Beijing

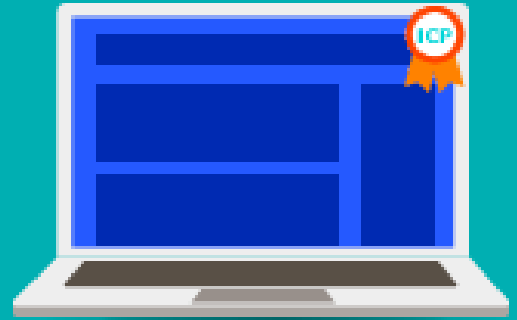
ICP filing is regulated by local regulations in each province. In general requirements are similar in very province and – as example – we report herein the ones fixed by Beijing municipality.

The core requirement for obtaining either type of ICP registration is that your website abides by the content laws in China and - in short - "should not contain materials related to terrorism, explosives, drugs, jurisprudence, gambling, and other illegal acts".

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WEB

Hosting the website in Mainland China: the ICP license



In addition the following requirements and documents shall be prepared and provided:

- The domain name must be registered from a China-based domain name provider.
- The ICP Filing subject must be the domain name owner.
- For personal, a scanned copy or photo of the front and back of the ID card is required.
- For company, a scanned copy or photo of the company's registration certificate, and scanned copies or photos of the front and back of the ID cards of the persons in charge of ICP Filing and the website.
- Other documents required by the local communications administration, such as a domain name certificate.

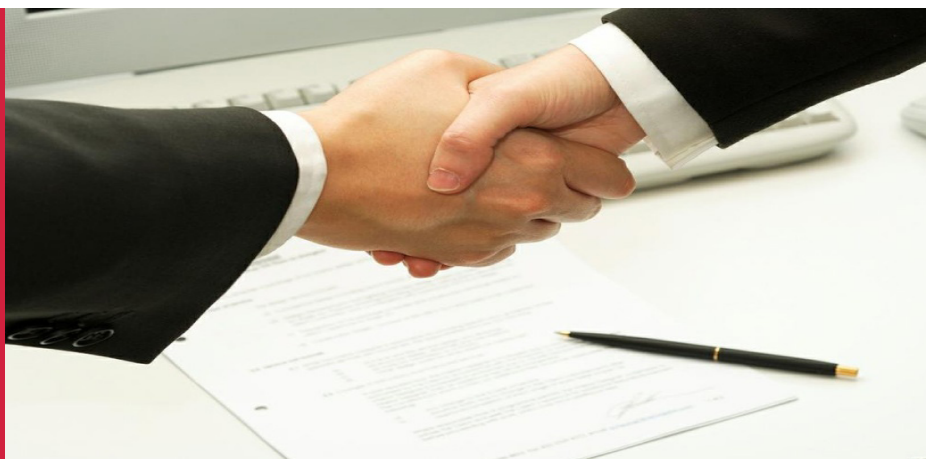
It is important to highlight that the information provided to MIIT might change from time to time and therefore the ICP license shall be updated. If by a random check the MIIT will find not updated information a notice for rectification will be issued. In the lack of rectification the website will be shut down and the company might be blacklisted by the Chinese Ministry of Industry and Information Technology (MIIT).

PSB Filing

In addition from 2016, all website operators with an ICP number are also required to log on to the Public Security Bureau (PSB) Filing website (only available in Chinese) to complete a PSB Filing. Applicants must submit a PSB ICP Filing application after their ICP Filing or ICP Commercial License is approved by MIIT and within 30 days of their website going live.

WATCH OUT

A remedy for trademark application refusal: letter of consent



In trademark application practice, many applications are rejected by the China Trademark Office (CTMO) due to similarity with a registered or applied trademark holding earlier priority. When refusal happens, it is common that trademark applicants take different paths or approaches to protect its interest.

The most common remedies followed by these trademark applicants are the following:

- **Filing appeal to the Trademark Review and Adjudication Board (TRAB)** arguing the significant differences between the trademark of application and the cited trademark, which will not cause public confusion; or
- **Filing opposition**, if still doable, invalidation application or non-use cancellation against the cited trademark.

However, in addition to the above remedies, there is another option available which may help to overcome the refusal by the CTMO. Some trademark applicants may consider submitting a letter of consent if the examiner issues an unfavorable decision due to a trademark with earlier priority.

A letter of consent is a written document which takes the form of a contract or —more often— unilateral declaration between the trademark applicant and the owner of the trademark with earlier priority. By means of this document, the owner of the prior trademark should consent the registration and use of the similar trademark filed by the applicant on the same or similar goods or services.

The approach of letter of consent is not stipulated explicitly in China Trademark Law, nor has been formally admitted in China. In practice, however, the TRAB has been maintaining this pragmatic approach to the extent of admitting the validity of the letter when reviewing a trademark application after rejection, provided that the following requirements are met:

1. The involved trademarks are still distinguishable even if the difference between them is slim;
2. None of the trademarks are contrary or detrimental to public policies, specifically to socialist morals or customs;
3. The conflict parts in the involved trademarks are consisted of English words or characters; in most cases, the conflict English words or characters are not identical, but in rare cases the TRAB supports the co-existence of the trademarks with identical English words and characters;
4. If the involved trademarks are both used in the Chinese market, they should not cause confusion about the source of the goods; in order to provide some evidences to the TRAB, the parties may:
 - Indicate that the owners of both trademarks are affiliated entities, if that is the case; or
 - Find another solution to make the trademarks distinguishable to the consumers and show the TRAB that the involved trademarks will not incur any possible risk of confusion or association; that can be reached by means of including some provisions in the Letter of Consent that define specific limits to the use of the involved trademarks to avoid confusion or association; for example, the provisions could be agreements on different areas for the products protected under each involved trademark, agreements on use of different products, etc.; and
5. The letter has to be notarized and properly legalized if it is signed out of the mainland of China, or otherwise the TRAB will not accept it.

Got
Consent?

Continue reading on the next page

WATCH OUT

A remedy for trademark application refusal: letter of consent



Therefore, if the letter of consent can be successfully signed, it may be helpful to convince the review examiner that both the applicant and prior registrant believe that the applicant's trademark will not result in consumer confusion if it is registered. Thus, the success rate of the review will be enhanced.

The letter of consent enjoys great deference in the procedure because the CTMO may assume that the parties to the agreement will be in the best position to determine whether consumer confusion will occur. This leads us to the conclusion that the letter of consent can be generally accepted in the review practice and a number of refused trademarks may be successfully approved for registration after submitting a letter of consent signed by the owner of the cited trademark.

In regards to comparative law and taking a look how this topic is managed by intellectual property practice overseas, it is worth keeping in mind that the letter of consent is a useful approach broadly accepted by many intellectual property offices worldwide, such as the USPTO and UKIPO. Moreover, its use has rose in recent years and international intellectual property offices tend to generally accept such a document because they consider that the parties, as the subjects involved in a certain market, are in the best position to determine that no risk of confusion or association for the consumers is foreseeable.

Daniel de Prado Escudero - Foreign Legal Counsel
HFG Law&Intellectual Property

Recently President Xi Jinping met with Dutch King Willem-Alexander and Queen Maxima in Beijing. During the meeting they agreed to carry out more mutually beneficial cooperation through joint implementation of the Belt and Road Initiative in 2018.

Chinese Premier Li Keqiang also met with the Dutch monarch.

China is willing to enhance cooperation with the Netherlands in the aforementioned areas, expand bilateral trade, strengthen the exchange of technology, facilitate customs clearance, and better dovetail the Belt and Road Initiative with Dutch development plans, Li said. This is the Dutch king's second visit to China since he ascended the throne in April 2013.

Reinout van Malenstein - Senior Counsel at HFG Law & Intellectual Property - was honoured to meet with H.M. Queen Maxima, H.E. Halbe Zijlstra Minister of Foreign Affairs and H.E. Ed Kronenburg Ambassador of the Netherlands in China. He had a fruitful conversation on the intellectual property environment in China.





HFG INITIATIVES



HFG welcomes new Senior Counsel

We are very pleased to announce that Reinout van Malenstein has joined HFG as Senior Counsel. Reinout is an expert in intellectual property rights in China.

For the past four years Reinout has worked on intellectual property for the European Commission in Greater China and has successfully advised the European Union, the 28 Member States and more than two thousand European companies with regard to intellectual property rights in China. He was also actively involved in the intellectual property negotiations between the European Union and the Chinese government. Having worked at leading law firms in Europe, and having graduated with honours in the Netherlands (Bachelor/Master of Laws in Dutch/EU law from Utrecht University) as well as summa cum laude in China (Master of laws in Chinese law from Peking University).

Reinout is well positioned to advise clients on intellectual property cases with a European/Chinese dimension. We strongly believe that his knowledge of both the Chinese legal system and the EU legal system will make an excellent fit for our clients' needs in the upcoming years. Reinout is fluent in Chinese (Mandarin), Dutch, English and conversational in German.



Meet HFG Team at INTA'S Annual Meeting at Seattle May 19-23, 2018

INTA is just two months away and we are ready to meet old friends and partners and foster new friendships.

More than 10,000 trademark lawyers and IP counsels from around the world will gather together to discuss IP news and updates, share experience and just make new connections.

This year HFG will host a booth and we prepare something extraordinary and exciting that you cannot miss. You might like our booth that much and find it so relaxing, so perhaps want to spend the whole day there.



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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