Goss IP

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INSIDE

Dear readers,

We're almost back to normal life here in China, but of course the new Corona Virus is still the main topic in the news.

For this reason, we talk about the consequences of the virus on contracts: can the outbreak of 2019-nCoV be considered Force Majeure? Force Majeure, as you maybe know, refers to unforeseeable, unavoidable and unconquerable objective circumstances that make impossible for the parties to performing their obligations.

In the second article we asked some questions to Cherry Zhou, HFG expert, about the patentability of virus, medicaments and vaccines.

But the world doesn't stop because of the virus! Under the new Anti-Unfair Competition Law the People's Court in Fujian Province issued a judicial decision recognizing the special design of the B. Duck shoes: the shoe's model constitutes decoration with a certain influence.

The news about MUJI case has been widely and alarmingly reported by many medias. Read what happened and why the Japanese brand MUJI lost a trademark infringement case in China.

Last but not least, we deal with the analysis of the recently released IPR 2019 Report from Alibaba Group.

We can learn, amongst others, the new measures taken by the Group against facilities manufacturing and selling fake products on its platforms.

Stay safe, cheer up and enjoy the reading!

Fabio Giacopello

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WATCH OUT

Corona virus and force majeure

On January 12, 2020, the World Health Organization named the outbreak Wuhan Viral Pneumonia as 2019 Novel Coronavirus (2019-nCoV).

The National Health Commission of People's Republic of China issued Notice No. 1 in 2020, which includes pneumonia infected by the Novel Coronavirus into the B class infectious disease stipulated in the Law of the People's Republic of China on the Prevention and Treatment of infectious diseases, and taking measures of A class infectious diseases to prevent and control.

Under these circumstances, can the current outbreak of Novel Coronavirus constitute Force Majeure?

We remember that, according to article 117 of the Contract Law and other relevant PRC regulations, Force Majeure refers to unforeseeable, unavoidable and unconquerable objective circumstances that make impossible for the parties to performing their obligations.

Under Article 117, as under article 180 of General provisions of Civil Law, civil liability shall not be borne for failure to perform civil obligations due to force majeure. If the law provides otherwise, such provisions shall prevail.

Moreover, under article 118 of the Contract law, if either Party is unable to perform the contract due to force majeure – it shall promptly notify the other party so as to mitigate the possible losses to the other Party and shall provide evidence within a reasonable time limit.

Occurrence of force majeure needs to be ascertained on a case by case basis.

In June 11, 2003 the PRC Supreme People's Court issued *"Notice of the Supreme People's Court on the trial and execution of the People's Court in accordance with the law during the prevention and treatment of SARS"* (the *"Supreme Court's Notice"*) in order to make clear with "SARS" epidemic prevention and control of the processing methods of civil cases.

According to the Supreme Court's Notice, the fact that (i) administrative measures taken by the government and relevant departments to prevent and cure the SARS epidemic directly cause impossibility to fulfill the contract obligations, or that (ii) "SARS" epidemic causes disputes between the Parties due to impossibility to perform contracts, constituted a force majeure event.

As stated above, even if the Supreme Court's Notice is specific to SARS, it is also an important reference to the current Novel Coronavirus.

Besides this, we shall consider that the China Council for the Promotion of International Trade ("CCPIT") issued a Notice (the "CCPIT Notice") on January 30, 2020, which clearly states that according to the articles of association of CCPIT approved by the state council, the CCPIT may issue a certificate of force majeure.

In case of failure to perform on international trade contract as scheduled due to the outbreak of pneumonia caused by the Novel Coronavirus, the enterprise may apply to CCPIT for proof of related to force majeure.

Please check http://www.ccpit.org/Contents/Channel_4256/2020/0130/1238885/content_1238885.htm for the "CCPIT Notice".

It appears that CCPIT evaluation is mainly based on the relevance between the outbreak and the performance of the contract signed by Parties.

In conclusion, although there is not (yet) any laws or regulations stating that Novel Coronavirus constitute force majeure, we can infer a high possibility that it will have a big impact on many existing agreements.

Companies outside China should communicate with their PRC counterparts to understand whether performance of contracts from them is at risk, and potentially activate insurance remedies.

Companies in China should ideally obtain CCPIT force majeure certification for disclaiming their duties with counterparts.

Nicola Aporti
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INTERVIEW

Virus and patentability: few questions to the expert

In this period when everyone is talking about viruses, but also about vaccines, medicaments and so on we have addressed a few (simple) questions to Cherry Zhou, patent attorney at HFG, in relation to patents and viruses.

Can genetic sequence of a new virus be patented in China?

CZ: The gene of a new virus itself, defined by its nucleotide sequence, cannot be patented in China, since the gene is merely found in the nature and existing in its natural state without providing any industrial utilization, so that it will fall into the unallowable category as recited in Article 25, i.e., *"scientific discovery"*.

However, a gene and the process to obtain it thereof, can be the subject matter of patent protection if it is isolated or extracted from the nature for the first time, and its sequence can be definitely characterized, and it can be exploited industrially.

For example, a DNA fragment that is designed by use of virus gene, synthetized and isolated, and aims for detecting the cases of the disease, can be patented.

Can the test to discover if a certain human being has been infected be patented?

CZ: The test method to detect whether a certain person is infected, cannot be patented in China, because the test method falls into *"methods for the diagnosis or for the treatment of disease"* as recited in Article 25, which is directly practiced on living human or animal body with immediate purpose to obtain the diagnostic result of a disease or health condition.

However, the method to obtain information form the living human or animal body as an intermediate result does not belong to diagnostic methods and can be patented.

In connection with 2019-nCov, the CT diagnostic method for detecting the cases, cannot be granted a patent right, while a diagnostic kit along with method for nucleotide detection that can provide the existing or non-existing result (below the threshold value) of virus gene by use of the sample from the patients, such as blood and saliva, can be grant a patent right.

Can the drug to cure the virus be patented?

CZ: The drug to cure the virus can be patented, and the subject matter of patents related to the drug, usually directs to a chemical compound or antibody, a composition, a formulation and a usage of existing compound.

Can be done a *"second-use"* patent for an existing drug which is proved to be very efficient on the new virus?

CZ: An existing drug that is proved to have excellent efficacy on the new virus, can be patented, and the subject matter of the patent directs to the new usage of the existing drug.

For example, the novel usage of compound of Remdesivir of Gilead Sciences (a US pharmaceutical company), that is proved to exhibit excellent therapeutic efficacy on this novel coronavirus, is patenting by a Chinese famous virus research institution.

The patent can be granted, if the novel usage is not obvious and cannot be anticipated by the ordinary person of the skill.

Can a patent be obtained on the cocktail of existing drugs to cure the new virus?

CZ: The cocktail of existing drugs to cure the new virus can be patented, which directs to a combination of two, three or more drugs.

The specification of the patent for the cocktail should record the improved therapy efficacy of the combination relative to the single drug.

The beginning of famous cocktail treatment firstly used against HIV is tracked back to 1990s, and it can be reasonably expected that the cocktail treatment can be successful to cure the disease of the new virus, because of same therapeutic mechanism.

Continue reading

Can a patent be transferred/licensed to another company if it is related to a drug that need to be produced in a moment like this (outbreak of new virus)?

CZ: There is a compulsory license system of medicine patents in Chinese patent law. As prescribed in Article 50 of Chinese Patent Law, for purposes of public health, the patent administration department under the State Council may grant a compulsory license to manufacture a pharmaceutical product which has been granted patent right, but the decision made by the patent administration department should be notified to the patentee, and shall be registered and announced.

In this moment (outbreak of new virus), the government appears to be capable of adopt a compulsory license, but two sides of the compulsory license system, particularly the disadvantage(s) should be also considered.

The system is helpful to relax the crisis of public health in short term, while on the other hand, it may be bad for the medicine development and social benefit in the long term.

By way of examples, the compulsory license might reduce the incentive to develop the novel drug, and then be averse to the long-term development of pharmaceuticals industry.

Because of the non-establishment of the strict legal procedure, the system might be possibly abused, amplifying the patentee's loss. Additionally, the system might negatively influence the investment and research, and attraction of foreign capital.

At present, most of countries around the world remain very cautious about the compulsory license, though they proposed implement of the compulsory license in treatment of HIV and malaria.

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NEWS

B. Duck gets class A rotection!

Recently Quanzhou Intermediate People's Court in Fujian Province issued a judicial decision recognizing protection under Anti-Unfair Competition Law to the special design of the B. Duck shoes.

The decision admitted that the overall appearance of three models B. Duck's shoes constitutes decoration with a certain influence.

The brand "B. Duck" has been created in 2005 by Sëmk Products Limited, a Hong-Kong company originally engaged in designing products for other companies.

Sëmk created the B. Duck brand with a duck as its theme, gaining popularity among fans in Hong Kong, the mainland and overseas. Sëmk offers a wide range of product types from electronics, home products, sanitaryware, gifts, kitchenware, stationery items to travel goods that nearly cover all aspects of daily lives.

New product collections and designs are introduced onto the market very often.

In 2018, a company named Deying Trade Shenzhen Co. Ltd., the licensee in mainland China for footwear products detected that Fujian Miffy Rabbit Sporting Goods Co., Ltd. (The Defendant), had set-up a Wechat public account which promotes three following shoes' that look very similar with theirs.

The Plaintiff's Shoes	The Defendant's Shoes
	
	
	

The judge firstly held that, thanks to the evidence from the plaintiff that three above-mentioned shoes were proved to be on sale on Taobao before the defendants' shoes and that a large amount of consumers had purchased and had known them, so to be considered a decoration with a certain influence.

Secondly, the judge recognized that the defendant's three shoes were highly similar to plaintiff's in terms of shoes shape, line, coloring and layout, representing an imitation of the decoration of the plaintiff's shoes.

Thus, such act constitutes unfair competition conduct in violation of Article 6.1 of Unfair Competition Law.

Namely, it's prohibited to use logos identical or similar to others' decoration with certain influence.

On a different page, the judge also declared that the overall appearance of three above-mentioned shoes cannot be determined as the object of the protection of Copyright Law such as literature, art and natural sciences, social sciences, engineering technology and can't constitute the work specified in Copyright Law, so the defendant didn't violate Copyright Law.

Peggy Wang
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BUSINESS

MUJI CASE: the dilemma of Chinese trademark filings

Japanese retail company MUJI (Mujirushi Ryohin) has recently lost a trademark infringement case in China. Even if the judgment is limited to the trademark 无印良品 (MUJI in Chinese) and only relates to products in class 24 – such as fabric products, towels, sheets, pillow cases, bed covers and similar stuff – the news has been widely and alarmingly reported by many medias.

Some of them has also said that MUJI had been beaten by the *"copycat company"* in China. And -in general- the case has raised doubts over Chinese courts treating foreign companies fairly in the country. The doubts are understandable, let us review the details of the case so that everyone can have his/her own view on the case.

According to the judgment issued by the Beijing High People's Court on November 4th, 2019, MUJI is ordered to pay CNY 626,000 in damages to the Chinese company owner of the trademark 无印良品 (MUJI in Chinese) in class 24 and issue a public apology.

Why did MUJI lost trademark infringement for 无印良品 in class 24?

The "MUJI" brand was born in Japan in 1980. From 1990 it also started expanding outside Japan in many countries of the world. Coupled with the business expansion outside Japan, MUJI also extended its trademark portfolio internationally. MUJI filed trademarks for MUJI in Chinese "無印良品" in China since 1999 designating the classes 16, 20, 21, 35, 41.

Hainan Nanhua filed trademark No.1561046 MUJI in Chinese 无 印 良 品 in class 24 on April 6th 2000 and then transferred to Beijing Cottonfield Textile Corp. Before that date MUJI didn't file trademark for 无印良品 in class 24 in China. Hainan Nanhua was the first to file trademark MUJI in Chinese 无印良品 in class 24 in China.

MUJI tried to stop the registration of the trademark by Hainan Nanhua filing opposition and prosecuting the procedure until the highest possible level of jurisdiction, the Supreme People's Court ("SPC").

On June 29, 2012 the SPC ruled against the Japanese company and dismissed with final judgement an opposition appeal against aforesaid trademark filed by MUJI staring from 2001.

Within this procedure MUJI could only prove the use and reputation of 无 印 良 品 on towels etc. before April 6, 2000 in Japan and Hong Kong, but not in Mainland China. No prior trademark registration and no prior use in Mainland China of 无印良品 by MUJI became the key to the failure of this lawsuit.

According to art. 13.2 of the Chinese Trademark Law, a trademark that is well-known in China shall be protected (both against unfair registrations by others and from infringements) also in respect to goods and classes which are not directly and explicitly designated in the trademark application.

The requirement for the application of this exceptional cross-class protection is the necessity to be well-known. In the present case the Court did not protect MUJI trademark because it recognized that in the 2000 (when Hainan Nanhua filed trademark) MUJI was not well-known in China.

Brand Management in China

For many foreign companies, China is one of the most attractive markets in which to conduct business. But MUJI's case highlights the dilemma that foreign enterprises face in the country.

According to Satoru Matsuzaki, president of Ryohin Keikaku, *"The lesson that I have learned from this case is: secure your own rights first when you are considering expanding your business overseas"* at a press conference. *"It is also important to assert your rights and make people understand them".*

MUJI's case undoubtedly has highlighted the importance of brand management in China.

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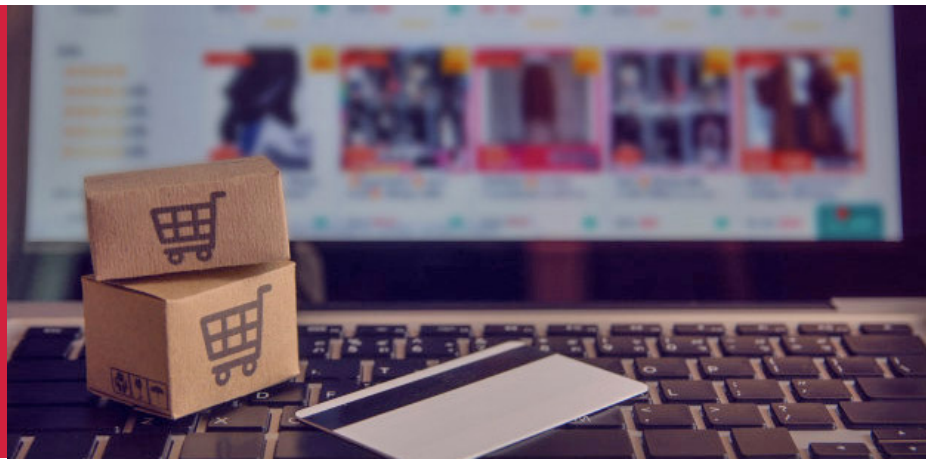
HIGHLIGHT

Alibaba Group published 2019 IPR Report



Alibaba Group's intellectual property rights-protection efforts showed continued improvements last year, according to the 2019 IPR Report.

The Report noted that these improvements are the result of a combination of ever-improving technologies and close partnerships with brands and other external stakeholders.

With reference to the report, the most significant results achieved are the following:

- ✔ 96% of proactively removed listings having been eliminated before a single sale took place.
- ✔ 96% of removal requests submitted through Alibaba's online Intellectual Property Protection Platform (IPP Platform) were processed within 24 hours.
- ✔ There was a 20% year-on-year increase in the number of registered users on the IPP Platform.
- ✔ There was a 57% YoY decrease in the number of listings removed in response to consumer reports of suspected counterfeits, showing increased effectiveness of Alibaba's IP-protection technology.
- ✔ 170 global brand right-holders such as Nestle and Apple joined into Alibaba Anti-counterfeit Alliance (AACA).

In 2019, AACA assisted PSB destroy 1314 facilities manufacturing and selling fake products, arrest 776 criminals. The total value of these cases was more than RMB 37 billion.

The company continued to strengthen its offline investigation initiatives, engaging with 439 law enforcement teams from 31 provinces across China and providing 1,045 IP-related leads.

This contributed to the arrest of 4,125 criminal suspects and the closure of 2,029 facilities involved in the manufacturing and distribution of illicit goods. The total value of these cases was estimated at RMB 8.4 billion (US$1.2 billion).

In its annual IP protection report, Alibaba also attributed the results to a number of IP-protection initiatives put in place by the company during 2019.

Establishment of AACA Advisory Committee Rotation System

Since 2019, the AACA has introduced a rotating committee of advisory committees. Over 20 brands have been elected as rotating chairman. In 2019, the AACA held a seminar on intellectual property laws and regulations in response to industry hot topics.

A number of AACA brand right-holders are exploring with Alibaba about the application of blockchain for the preservation of evidences in civil proceedings.

First disclosure of *"Intellectual Property Protection Technology Brain"*

Last year, Alibaba disclosed for the first time its core technology *"Intellectual Property Protection Technology Brain"* against counterfeits, which won many awards worldwide and received praises from luxury brands such as LV and Gucci.

Alibaba supervises operators' shop opening, product release, marketing activities, consumer and rights holder evaluation, and other commercial links to eliminate counterfeits in the bud.

Support center on Intellectual Property Protection

Alibaba launched a dedicated support center on IPP to improve the user experience for overseas Small and Medium-sized Businesses (SMBs). Thanks to the IPP Platform, brands can submit online requests to protect their IP rights. It has already served thousands of SMBs.

Alibaba promised in the annual report that the company will continue to cooperate with all authorities and stakeholders to fight counterfeiters in 2020.

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