Goss IP

November 2021

INSIDE

Dear readers,

This November issue starts with an explanation of the case involving Elite Company, one of the most famous agencies for models, and Xing Kong Company, which used the same or similar Elite's logo in the publicity and promotion of a model competition held by Xing Kong Company.

The article explains the importance of having a clear contract and being rigorous in sticking to the rights and obligations under the agreement.

Trademark squatting is a serious issue in China, especially for foreign brands. Lately, China adopted several new measures to avoid fake trademarks, also providing severe punishments for people and companies that file trademarks in bad faith.

So, why MUJI, a well-known Japanese brand, lost a trademark infringement case and has been condemned for defamation?

And what happened to the squatters that tried to trademark the names of Chinese athletes after their victories during Olympic Games?

The following topic has two different points of view.

In fact, we discussed several times about the new legislation on data and privacy in China, and we analyze again this matter with two articles: from one side, it's interesting to read how China is moving a new step towards the implementation of the Personal Information Protection Law, and on the other side, how is using personal data to *"Name and Shame"* companies in order to denounce unfair business practices, and to discourage individuals from engaging in illegal activities.

Enjoy reading, stay warm and get ready for the festivities to come!

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Fashion Law

Elite model treads a trademark victory in Shanghai

In the fashion world usually wins who has personality, beauty and charisma. However, in the Intellectual property world wins who protects its own right and fights for them and this particular detail is stuck in the mindset of Elite licensing company SA (hereinafter referred to as *"elite company"*) and that characterize it as the most famous model agency company.

Elite company is the owner and Licensor of the relevant rights and interests of the world-famous *"Elite Model Look"* and *"Eliteworld model competition"*, and the owner of its most famous registered trademark " elite " (No. 10099486 in class 41, registered in 2014).

During 2016 and 2017, Elite Company found that the defendants Xing Kong Fashion Culture Communication (Shanghai) Co., Ltd. (hereinafter referred to as Xing Kong Company) and Chongqing Xing Yuan Culture MediaCo., Ltd. (hereinafter referred to as Xing Yuan Company) used the same or similar logo as the registered trademark involved in the publicity and promotion of a model competition held by Xing Kong Company: *"2016 Xing Kong Elite Model Competition (2016 星空精英模特大赛)"* and *"2017 Xing Kong Elite Model Competition (2017 星空精英模特大赛)"*.

Such an act constituted an infringement on the exclusive right to use Elite trademark, so it started a litigation to Shanghai City Xuhui Dist. People's Court, requiring the two companies to stop the infringement, eliminate the impact and compensate for the losses.

After the hearing, the court of first instance held that Xing Kong company and Xing Yuan company used the same or similar trademark as the registered trademark of Elite company on the same or similar services without the permission of the trademark registrant, which constituted an infringement on the exclusive right and ordered the two companies to stop the infringement.

Also, the Court ordered to Xing Kong company to eliminate the impact and compensate the Elite company for the economic loss of 3.5 million RMB and the reasonable expenditure of 122,302 RMB. While, the court considered Xing Yuan company to be jointly and severally liable for the above compensation within the range of 300,000 RMB.

However, Xing Kong company refused to accept the judgment of first instance and appealed to Shanghai Intellectual Property Court.

In his opinion, according to an *"Entrusted Agency Agreement"* between the outsider company T-Event and Elite Company, T-Event is the sole organizer of *"Elite Model Look China (EMLC)"* and *"Elite Model Look Asia Pacific (EMLAP)"*, within ten years after 2009, and has the right to use the logo involved in the dispute, as well as the right to assign all or part of the rights and obligations under the agreement to the affiliates directly or indirectly controlled by T-EVENT Company.

Xing Kong Company and T-Event Company are affiliated companies. Based on this affiliation, Xing Kong company argued that it has the right to hold the competitions involved in the case. The acts involved by Xing Kong Company do not constitute infringement.

During the second instance, in order to prove its claim, Xing Kong Company submitted 15 pieces of evidence to prove its right to hold the events involved.

Shanghai Intellectual Property Court found that:

a. The trademark by Elite company to T-Event is on class 9, 14, 18 and 25, service mark is not included. And therefore was not the trademark involved in the case.

b. Although the *"Entrusted Agency Agreement"* agreed that T-Event company could transfer its rights and obligations under the agreement to affiliated companies, the Agreement also provided that:

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"Upon prior written notice to the Principal, the Agent may assign all or part of its rights and/or obligations under this Agreement to an affiliate, subsidiary, holding company or subsidiary of a holding company over which it may have direct or indirect control",

"Notices or communications from either party to the other shall be sent by certified mail (return receipt requested) or facsimile (with subsequent confirmation by certified mail with return receipt of notice) to the parties at the following address: ..... and shall be deemed to have been received by the recipient on the day before the date of receipt of return receipt (if sent by certified mail) or the date of reply by the recipient's facsimile machine (if sent by facsimile).

The notice shall be deemed to have been received by the addressee. In the event of a change of mailing address, the other party shall be notified in writing within thirty (30) days."

Such notice was never sent to Elite Company and thus, the competition held by Xing Kong Company is not the competition agreed in the Agreement between Elite Company and T-Event Company.

Shanghai Intellectual Property Court upheld the 1st instance decision that the use of logos made by Xing Kong Company constitute trademark infringement against Elite Company.

One thing to be noted is that in 1st instance trial, Xing Kong Company provided a confirmation letter dated June 18, 2009 sent by Alain Attia from Paris, as President of Elite, to David Lim and T-EVENT confirming the authorization of the trademark (original copy provided).

The letter reads: Alain Attia, on behalf of Elite, confirms that T-EVENT has the right to use the trademark *"Elite Model Look"* and the trademark *"Elite"* for the purpose of organizing and promoting the activities related to Elite Model Contest in China and the Asia-Pacific region.

The license fee is free of chargeand T-EVENT has the right to sublicense the above trademarks to any third party for the period from 2009 to 2019, in accordance with the proxy agreement.

Elite argued on this evidence, stating that:

- the confirmation letter is extraterritorial evidence and has not been certified by a notary, so its authenticity and legality are not recognized;
- from the handwriting of Alain Attia's signature, it is different from the handwriting on the Entrusted Agency Agreement signed only one month apart, with a number of pretensions, pauses and unnatural bends, and the order of strokes is also inconsistent, which is an obvious deliberate imitation;
- from the content of the letter, the confirmation letter is based on the Entrusted Agency Agreement, but the trademarks authorized in the letter are not reflected in the *"Entrusted Agency Agreement"* at all, and the trademark *"Elite"* was registered in 2014.

The letter of confirmation was submitted by Xing Kong Company after the first pre-trial meeting of thefirst instance, and its timing was suspicious and seemed to be *"tailor-made"* according to the trademark claimed by Elite.

1st Instance Court held that, according to Xing Kong's evidence and statements, the evidence was formed extraterritorially and originated from T-EVENT, a company established under English law and with its registered office in Hong Kong, and although Xing Kong Company provided the original copy, it did not fulfill the relevant certification procedures regarding the formation or origin of the evidence, so it had no evidentiary effect.

Also, Xing Kong Company did not give a convincing and reasonable explanation on the doubts raised by Plaintiff, therefore 1st Instance Court did not adopt this evidence.

Laura Batzella and Fredrick Xie
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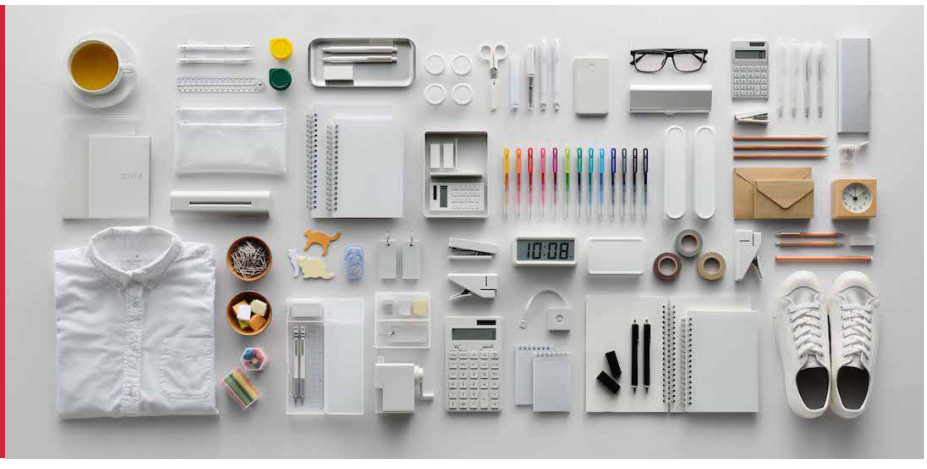
IP Law

MUJI lost a trademark and committed defamation



In 2020, we talked about the case where Japanese retail company MUJI lost the trademark infringement dispute against its Beijing Cottonfield Textile Corp that owns the trademark "无印良品" (MUJI in Chinese) in Class 24 in China. Link here.

Followed by the ruling, MUJI announced on its online and offline retail stores that they indeed had infringed the trademark rights because *"another company"* was *"trademark squatting"* on some of its trademark rights in China.

Beijing Cottonfield Textile Corp (hereinafter referred to as Cottonfield) then filed another lawsuit against MUJI Shanghai Co., Ltd. and its Japanese parent company Ryohin Keikaku Co., Ltd. (hereinafter referred to as MUJI) on the ground of commercial defamation.

According to a court decision disclosed in early November, MUJI lost this case again and has been ruled to pay total of 400,000 RMB to Cottonfield as compensation to its economic losses and reasonable legal expenses.

Cottonfield alleged that MUJI has fabricated and disseminated false information about the plaintiff's *"squatting"* of its trademark, which caused the relevant public to misidentify Cottonfield's " 无印良品 " trademark, and thus some of their products, such as towels and quilts, were recognized as *"copycat"* products. It claimed that MUJI's statement had caused them economic losses and such behavior constituted commercial defamation, for which it requested a compensation of 3.1 million RMB.

According to the court decision, the court agreed that the public statement of MUJI was objectively contrary to the facts, which indeed has detracted the goodwill of Cottonfield and therefore constituted commercial slander. In addition to the compensation, MUJI has also been ordered to publish statements for a consecutive month on its physical and online stores to eliminate the negative impact cause by the commercial defamation.

Trademark squatting has been a serious problem in China especially for the foreign brands who want to enter the local market. In this case, whether the behavior of Cottonfield can be considered as *"trademark squatting"* and whether the term *"squatting"* has the connotation of commercial defamation are the key disputes between the two parties.

While the plaintiff sees *"squatting"* as a negative word, the defendant believes that it is an objective and truthful statement for preemptive registration. The court gave the plaintiff its support by ruling that the term *"squatting"* is misleading and using it has damaged the plaintiff's commercial and product reputations. The plaintiff's claim therefore has a factual and legal basis.

Again, this ruling shows that the key to tackle bad-faith trademark squatting is to file trademark applications as soon as possible and cover as many classes of goods and services as possible in order to prevent squatting from the beginning as well as extend the scope of protections.

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IP Law

Olympic Squatters: applications caught and stopped

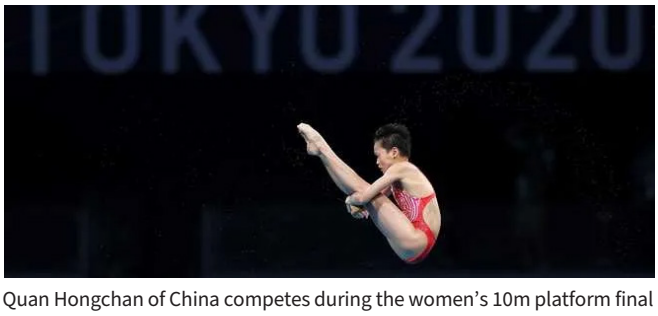
While the Games of the XXXII Olympiad has already ended in Tokyo on August 8, 2021, the trademark legal battles consequent to such mega-event have just started. On this HFG channel, we have already expressed several times that whatever happen in the world which is attracting media attention has a reflex into the CNIPA's register.

It is definitely true that Trademark system has greatly improved in recent years, however squatters are still in operation.

Thanks also to the fact that the Chinese delegation ranked second in the medal list with 38 gold medals, 32 silver medals and 18 bronze medals, many impressive athletes aroused attention thanks to their wonderful performance, such as Yang Qian, who won the first Olympic gold medal and studies in Tsinghua University and Chen Meng, the champion of women's table tennis singles.

At the same time, while the entire nation was literally glued on the screen to follow the athletes performances, squatters looked at the same screen with equal attention but very different intention.

They regarded it as a business opportunity and scrambled to file an application for trademark registration with the Chinese National Intellectual Property Administration (*"CNIPA"*).



Quan Hongchan of China competes during the women's 10m platform final of diving at the Tokyo 2020 Olympic Games in Tokyo, Japan, Aug. 5, 2021. (Ding Xu/Xinhua via Getty Images)

Taking Quan Hongchan as an example, it can be seen from the official website of the CNIPA that since August 5, there have been 34 registration applications to register Quan Hongchan as a trademark. Quan is the champion of women's 10m dive platform, who grabbed everyone's eyes by her full marks and childish language.

The discussion and popularity of the Olympic champions can save a large amount of marketing and publicity expenses for enterprises, while malicious registrants expect to obtain high payment by hoarding and then transferring these trademarks.

On August 18, the Chinese Olympic Committee published important tips on its microblog, and issued important news on the recent malicious application for trademark registration of the names of Olympic athletes.

In the notification it is mentioned that

> *"Every subjects shall be rational in carrying relevant business activities, respect the legitimate rights and interests of athletes and abide by relevant laws and regulations such as the "Civil Code of the People's Republic of China", "Trademark Law of the People's Republic of China" and "Anti-Unfair Competition Law of the People's Republic of China".*
>
> *People who is not authorized by the athletes themselves or the guardians of minor athletes shall not maliciously registered trademarks about Olympic athletes' names or infringe athletes' name rights and other legitimate rights and interests.*
>
> *Those who have the above acts shall withdraw and stop the application for trademark registration in time."*

Then on August 19, China National Intellectual Property Administration issued a notice to reject 109 trademark registration applications such as Yang Qian, Chen Meng and Quan Hongchan, according to law.

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Culture & Law

Name and Shame as a popular practice in China

The *"Name and Shame"* for public humiliation of companies and individuals is a method that has long been used to denounce unfair business practices and, basically, as a deterrence mechanism.

The idea is that exposing the identities of these individuals or companies will discourage others from engaging in similar activity for fear of also being exposed.

As reported by Caixin Global, on November 3rd, 2021, China's government has named and shamed 38 apps for misdeeds, such as excessively collecting users' data or publishing misleading information, in its first rectification notice since the new Personal Information Protection Law came into force.

This is not the first time though: every year around November, the information and communications authority of the Ministry of Industry and Information Technology (MIIT) send out a notice with a list of the app that infringe on users' privacy.

This year household names, including Tencent's QQ Music streaming service, social media platform Xiaohongshu, online learning app Zuoyebang, dating app Tantan and film-scoring site Douban, were found to have collected personal information beyond what's necessary to offer their services.

Tencent News and the *"lite"* version of Alibaba's mobile UC Browser were also found have committed violations including misleading their users, the announcement said.

The practice of Naming and Shaming is used also against individuals: in fact, local courts are increasingly turning to public shaming to recoup funds from citizens. One of the most famous was the naming and shaming of individuals on the screen of a cinema before the projection of Avengers, in 2019: a 30-second clip accompanied by dramatic background music included images of 60 people and the amounts they owed.

The clip showed that there is *"zero tolerance"* for people who do not pay their debts, saying they risked being barred from taking China's high-speed trains and staying in hotels, as well as having their bank accounts frozen.

And, according to ABC News, people who defaulted on paying court-ordered fines would also have their image displayed on screens in more than 300 locations across shopping malls, railway stations and markets *"in order to give the dishonest people nowhere to hide".*

In eastern China's Anhui province, debtors' photographs, names, ID numbers and the amount they owed flashed across billboards and giant screens in public squares on 2018 International Workers'Day.

The Name and Shame method is also used daily on the streets in big cities, such as Beijing, Shanghai and Shenzhen, where, thanks to facial recognition and artificial intelligence, photographs of pedestrians caught in the act of crossing with red light, along with their names and social identification numbers, are instantly displayed on LED screens.

Many people are reported to go to the police stations to ask for the deletion of the images, paying their debts in exchange: then apparently the method is working.

Not sure it's the same for the companies: some of the names in the 2021 list were also in several previous lists, mainly for infringing on users' privacy.

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Tech Law

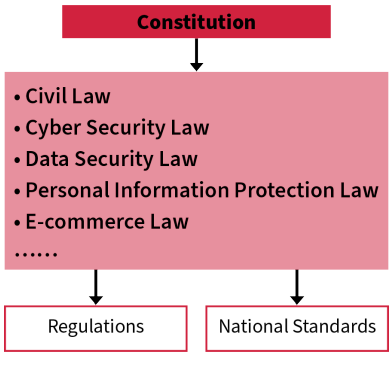
Personal information: another brick in the wall

In very few and very recent years Chinese legislators have caught up with the development of a modern framework of laws, regulations authorities and practices to protect data and privacy.
Here comes the last *"member of the family"*: The Personal Information Protection Law of the People's Republic of China (the *"Personal Information Protection Law"* or *"PIPL"*).

PIPL was deliberated and adopted at the 30th meeting of the Standing Committee of the 13th National People's Congress on August 20, 2021, and it will come into force on November 1, 2021.

The Personal Information Protection Law has 8 chapters and 74 articles. The law establishes the rules for personal information protection from the aspects of personal information processing, and the rights and obligations of individuals and processors, legal responsibilities in personal information processing.

Let 's take look the main spotlights of this brand-new law together.



Regulations

- Guide to Internet Personal Information Protection
- Methods for Identifying Unlawful Acts of Applications (Apps) to Collect and Use Personal Information
- Self assessment guide for APP illegal collection and use of personal information
- Scope of Necessary Personal Information for Common Types of Mobile Internet Applications
- Measures for Security Assessment for Cross-border Transfer of Personal Information (Draft for Comment)

National Standards

- Information security technology – Personal information security specification
- Information security technology – Guidance for personal information security impact Assessment
- Information security technology – Guide for de-identifying personal information
- Information security technology – Technology requirements for personal information protection of smart mobile terminal
- Information security technology – Basic specification for collecting personal
- Information in mobile internet applications

Rules of *"Notice and Consent"*

Based on the principles of lawfulness, legitimacy, necessity and good faith that is clearly stressed by the Personal Information Protection Law, the Law requires that personal consent shall be obtained on the premise of full notification in advance for the processing of personal information.

In case of any change in important items of personal information processing, the individual shall be informed and consent shall be obtained again.

Furthermore, the Law also points out that the personal information processors shall obtain a separate consent especially in processing sensitive personal information, including but not limited to biometric recognition, religious belief, specific identity, medical and health, financial account, etc.

Continue reading

It is worth mentioning that the Supreme People's Court stressed that face recognition is the personal information with the strongest sociability and the easiest to collect in biometric information, which is unique and unchangeable. If the data of face recognition is leaked, it will cause great harm to individual and property, and may even threaten public safety.

This is consistent with the Personal Information Protection law that clearly classifies biometric information as sensitive personal information and the processors shall obtain individual consent when processing such information.

Prohibit *"Big data-enabled price discrimination against existing customers"*

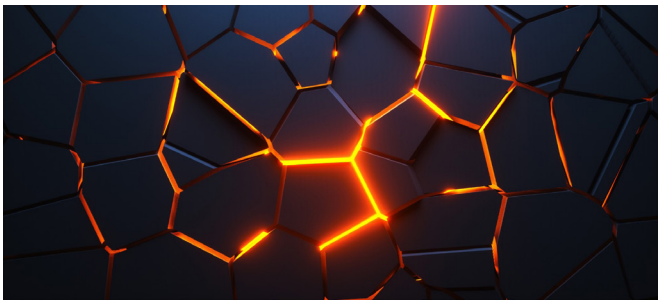
Online shopping has become the daily necessity in our life. However, some e-commerce companies implement discrimination on consumers in terms of transaction prices by mastering consumers' economic status, consumption habits, price sensitivity and other information to mislead and fraud the consumers.

In regard of this, the Personal Information Protection Law imposes special restrictions on *"automatic decision-making"* (that is, an activity of conducting any analysis or assessment of the behavior and habits, interests and hobbies, financial, health or credit status or other information of an individual, as well as any decision-making automatically through a computer program) to restrict *"big data-enabled price discrimination against existing customers"*, and makes clear that the impact of personal information protection should be evaluated before using personal information for automatic decision-making.

Meanwhile, it is clearly prohibited for companies to impose unreasonable differential treatment on consumers on transaction conditions such as transaction prices through automatic decision-making.

Strengthen the obligation of personal information processors

One of the members of Legislative Affairs Committee of the National People's Congress states that the personal information processor is the first-hand responsible person for personal information protection.



In addition, the Personal Information Protection Law sets up an independent chapter to clarify the compliance management and personal information security obligations of personal information processors that requiring such processors to formulate internal management systems and operating procedures, take security technical measures, designate a person in charge to supervise their personal information processing activities, and regularly conduct compliance audit on their personal information activities, etc.

Increasing the punishment

Firstly, the Personal Information Protection Law specifically stipulates the measures of *"ordering to suspend or terminate the services"* for the APP that illegally processes personal information.

Moreover, for *"severe"* violations, the illegal income will be confiscated and a fine of less than 50 million yuan or less than 5% of the turnover of the previous year will be imposed. At the same time, the first-hand person in charge will be fined up to one million yuan, and will be prohibited from serving as senior executive and person in charge of personal information protection for a certain time.

It is not hard to see that this punishment measure is obviously to remind companies that personal information compliance will become the top priority in the process of company operation in the future.

At this point, we want to give you a warm remind that the establishment and improvement of the compliance system for personal information processing is an urgent task for all the companies, otherwise it will eventually be eliminated by this digital world.

Karen Wang
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HFG Social

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