

Goss IP

01

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INSIDE



P2 NEWS

Need to know - New China Food Safety & Advertising Law



P4 HIGHLIGHTS

Protecting 3D Spaces and fighting counterfeits online



P5 SPOTLIGHT

An important lesson learned on evidence collection



P5 WATCH OUT

How to navigate China e-commerce laws



China's changing landscape continues to present a dynamic and changing environment of which we hope to shed some light with our new GossIP.

GossIP hopes to bring you the most relevant, interesting and engaging stories on IP in China. We are pleased to have given the publication a face lift and now presenting it to you as our first issue.

It has so far been a highly productive year for the team. Earlier this year we launched our new website bringing you legal resources, laws, news and within it we developed a new bilingual legal tool, XClass. XClass was developed by HFG professionals for use by other professionals to help navigate China's sub-classification system.

HFG was proud to host the HFG 5K fun run on the beautiful San Diego Harbour front at INTA 2015. With over 350 of the worlds best IP professionals taking part in the most energising event of the conference.

On the back of this event HFG was proud to have been awarded by our client, WD-40 Global Service Provider of the year award. Adding to humbling year of recognition from clients, Mary Kay Inc, for Brand Protection Excellence Award in recognition of the teams on going professionalism in protection

services; and from 3M China, for the teams outstanding contribution to the Quality of Service Team for 3M China brand protection 2014.

With the traditional Chinese Mid Autumn Festival holiday upon us we wish you all a happy holiday season with your family and friends.

Fabio Giacobello
Partner | Counsel

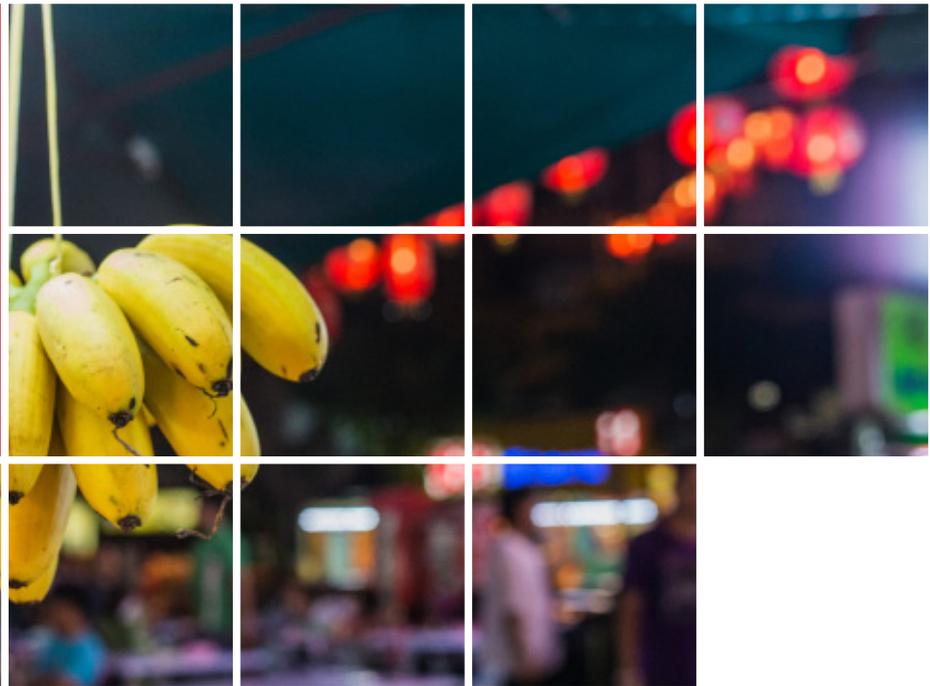
HFG

LAW & INTELLECTUAL PROPERTY



NEWS

What you Need to Know about the new China Food Safety Law



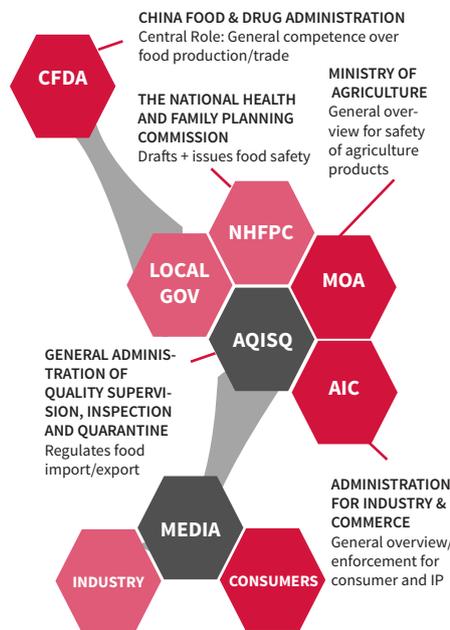
The year 2015 holds a lot of important news for the PRC food industry: new food safety law (in force from Oct 1, 2015), new advertising law (in force from Sept 1, 2015), CFDA Administrative Measures for Food Recall (in force from Sept 1, 2015) and several standards being revised – both vertical and horizontal.

General Principles

The new food safety law comes into force on the 1st October 2015 and China Food and Drug Administration (CFDA) becomes the main, central authority for food safety. Other ministries who also share regulatory competencies in this matter are The General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) which overview food import/export and The National Health and Family Planning Commission of Peoples Republic of China (NHFPFC) which is in charge of risk assessment.

“Traceability becomes a key principle as well as the so-called whole society approach, which aims to gather all players.”

Traceability becomes a key principle of the new law as well as the so-called whole society approach. This approach aims to gather all players (producers, traders, caterers, authorities, consumers, media) in the pursuit of food safety. Therefore it is important to note that the new law clearly outlines the obligations that producers and traders have to recall non-compliant or unsafe products.



Sanctions become very harsh: beside criminal liability, punitive damages or fines can be up to 20 or 30 times the value of the non-compliant products.

Impact on Import Food

When dealing with import food without a specific vertical standard - which is not so

rare - it is now possible to apply for ad hoc approval by submitting documents proving compliance with foreign and international safety standards.

Export of meat, aquatic and dairy products are only allowed by producers approved and listed on the specific pre-approved lists by AQSIQ.

Requirements are more relaxed for health food import: new Catalogues shall be issued for health food ingredients and for allowed claims (up to now, only 28 claims). Food supplements and health foods using ingredients in the Catalogue will not need to undergo the extenuating registration procedure with CFDA (up to two years), and will only need a simpler, shorter (and cheaper) record procedure.

Baby-formula

The new Food Safety Law includes specific provisions dedicated to this product – very likely the most sensitive: the new law expressly states it is forbidden to import in bulk and then repackage baby-formula. Baby-formula therefore shall need to be already imported in its minimum retail package – with a Chinese label directly printed (not pasted) on the package (such a requirement is de facto, often applied also

to UHT milk) – and with at least a 3 month shelf life from custom clearance.

Another provision, which prohibits baby formula producers from selling different brands from the same formula, appears aimed at targeting domestic producers (up to 30 brands per producer!) rather than foreigners – although the definition of “same formula” needs to be better sharpened. For the same reason, CFDA registration is required for baby formula (the law does not specify whether only domestic or also import).

“The new law expressly states it is forbidden to import in bulk and then repackage baby-formula”

Perhaps the biggest news for this product concerns claims: GB 13432/2013 - just entered into force on July 1, 2015 – bans any content and comparative claim for baby formula 0-6 months. Content and function claims may be executed for other kinds of foods for special dietary use, but to a narrower extent than ordinary food. Interestingly it will be possible to use nutrition claims without a pre-defined wording under PRC law: as long as supported by international or a foreign country’s regulations.

E-commerce

Today’s retail transactions are largely conducted through e-commerce platforms. The new regulation takes this into due consideration and finally requires e-platforms to: (i) implement a real name registration system for food traders, (ii) exclude food traders without the due legal qualifications, (iii) cooperate in a proactive way to take down such e-commerce platforms who’s case is a violation of food laws.

Labeling and Advertising: More Protection for Food Companies

In the case of non-compliant products, the new food safety law raises the amount of damages that can be claimed by the consumer (up to 10 times the price paid, or 3 times the damage suffered and in any case never less than 1000 RMB).

The (very) good news lies in the provision excluding such damages in the case of mislabeling which neither have a real impact on the product safety nor mislead the consumer. This is a very important provision, because as of today a huge number of complaints are filed by so-called “professional consumers” for mere typos (more and more similar to organisations pursuing profit from non-compliant products by exploiting provisions of the

law in bad faith). This problem exploded in December 2013, when the Supreme Court clearly stated that the consumer shall be protected in food and drug litigations even in cases of so-called bad faith purchase.

Another interesting provision are punishing those – even from a criminal liability perspective – the media, consumers and anybody for spreading false news about food safety or food incidents and disturbing the public order. It will be very interesting to see if and how such provisions will be enforced – for instance in cases of rumors or boycott campaigns on social media.

“Another interesting provision are punishing those – even from a criminal liability perspective – the media, consumers and anybody for spreading false news about food safety or food incidents and disturbing the public order”

New Advertising Law

Finally, with the new advertising law in force as of September 1, 2015. In summary, below is an outline of the new provisions:

- e-advertisement (identity of sender shall be disclosed),
- limits to use of testimonials/endorsers (never under 10 years old, and they really have tried the product),
- for health food (mandatory CFDA pre-approval)
- infant food (which can never claim to be «totally or partially equivalent to breast milk).

Sanctions are harsh and it will be important to note that misleading advertising will lead to joint liability of food producer, distributor, advertising agent and publisher.

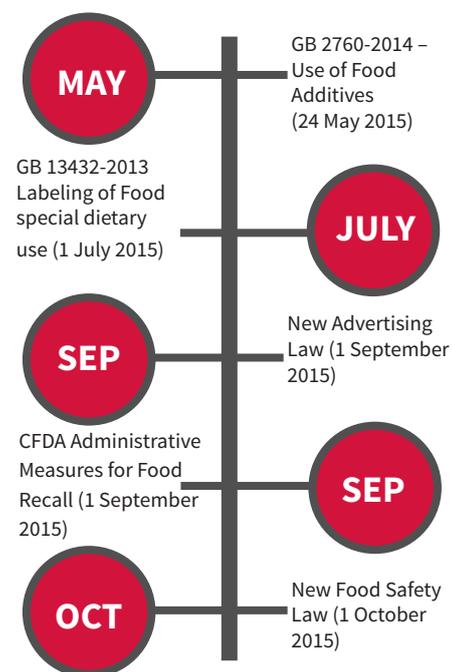
Sanctions

- Non compliant health food advertising: fines up to 1M RMB
- False food advertisement: liability of adv agent, publisher, designer, producer and trader; fines up to 2M RMB
- False propaganda: liability of civil organizations/individuals, producer and trader
- Endorsement by food authorities, industry/consumer associations: illegal gain confiscated
- Severe false advertisement: CFDA suspends sale + public announcement
- Spreading false food safety information disrupting public order: criminal liability
- Special liability for media, including reputation rehabilitation, loss compensation, apology, eliminating

influence, etc..

Health-food Advertising Shall not Contain the Following:

- Any assertions or assurances about efficiency or safety
- Prevention and treatment of disease
- Declaring or implying the goods are necessary to health
- Comparisons with other drugs or health care food
- Endorsements/testimonials; or
- Health-food advertisements shall declare “This product is not a substitute for drugs”
- Infant food advertising cannot claim as total/partial substitute of breast milk



FOR MORE INFORMATION CONTACT

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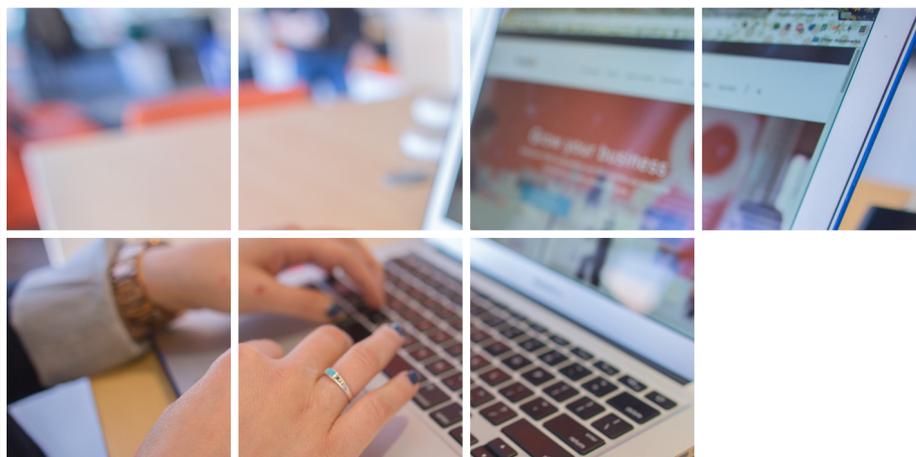
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HIGHLIGHTS

New milestones,
fighting counterfeits
online and how to
protect
3D-spaces



Alibaba Group chairman Jack Ma commented in a public forum that the greatest contribution e-commerce has made to society, is the possibility that it will help to solve counterfeiting and infringement in the next two decades.

Celebrating Thirty Years of Patent Law in China

Authored by Kenneth Huang
April 2015

The evolution of Patent Law in China has led to ever-increasing numbers of patent application filings. Extending periods of protection, simplifying procedures and stipulating the legal basis for patent applications filed using the PCT system are only some of the early amendments to patent law in China.

In 2008 China implemented its National Intellectual Property Strategy, aiming to increase the standard of the grant of patents and stimulate innovation. What direction will China take next? Stronger, harsher enforcement of brand owners' rights appears to be high on the agenda, and rightly so.

How to take action against Trademark Squatters [Part 1]

Authored by Lanny Li
Sept / Oct 2015

Foreign Enterprises continue to be shocked by the fact that often, before they enter China, they find their trademarks are already being registered, not by them, but by an opportunist in China that now prohibits their own entry into the China market.

This three part series looks at how to take

action against Trademark Squatters in Part 1. Part 2 explores the importance of evidence collection, using a case study to highlight it's importance. Part three looks at how to prove "Bad Faith" when handling Trademark Squatters.

Fighting Counterfeits Online

Authored by Zhang Xu
May 2015

International rights owners are particularly concerned with China and infringing sales on e-commerce platforms. The current condition of Chinese law exacerbates the issue, placing little responsibility on e-commerce platforms. The draft transaction protocol rules may combat these problems, with encouragement for third party platforms to be more proactive in tackling infringement.

The future may look rosier, with various authorities pledging to clamp down on IP infringement on e-commerce platforms. However, if Alibaba Group chairman Jack Ma is right, the road to finding a solution may be painstakingly long.

Changes in the Practice of Trademark Examination by CTMO

Authored by Lanny Li
July 2015

Written after a Year of the Implementation of the New Trademark Law this article summarizes the major changes at the

initial stage of the implementation of the new Trademark Law in trademark application practices, after its launch.

With the implementation of the Trademark Law and Regulations for Implementation of the Trademark Law on May 1st, 2014, the implementation of the new trademark law has provided strong legal guarantee. This is further fortified with the release of Identification and Protection Regulations for Well-known Trademarks, Trademark Review and Adjudication Rules and Interpretations on Jurisdiction and Law Application of Trademark Examination by the Supreme Court, plus relevant laws and regulations.

Finding the Best Protection for Retail Spaces

Authored by Fabio Giacobello and Eric Su
China IP Focus 2015

This article considers the implications of three major cases in terms of how a 3D retail-space can be protected in China.

What tools are available for 3D design features? According to China's legislation and best practice, design patents, copyright, 3D marks and unfair competition are reliable legal grounds for claiming protection over a tri-dimensional design of a store. Among those, the 3D mark is available in theory but difficult in practice, while unfair competition is the most frequently used legal resort for protecting

SPOTLIGHT

A Lesson Learned: The Importance of Evidence Collection

By Elena Li
Trademark Attorney



Evidence Collection is the first step.

The aim is to collect relevant facts, evidence and prepare the rights holder for right protection actions. Trademark evidence collection is the investigation on the status of a specific trademark for the needs of counterfeit crackdowns or administrative procedures (including but not limited to trademark dispute, opposition review, 3-year non-use cancellation and invalidation).

Changzhou RJ Wood Company (hereinafter referred to as “RJ Wood”) applied the registration of a trademark (hereinafter referred to as “the disputed mark”) in 2004, designated to the goods of “wood, plywood, three-ply board, floor, fiberboard, resin compound board and wood floor” under Class 19. The disputed

mark passed the preliminary examination and was announced in 2006. The disputed mark is identical with the well-known mark in Chinese (hereinafter referred to as “the cited mark”) owned by a famous cosmetic brand (hereinafter referred to as “FCB”), though designated to goods completely different from cosmetics FCB is famous for.

Besides, having entered the Chinese market in the 1980’s, FCB had developed their business in China for 20 years up to the time the disputed mark was applied. Making the cited trademark and the trade name of the FCB reach a well-known status. Given the uniqueness and high reputation of the cited trademark of FCB, RJ Wood obviously applied the disputed mark to take advantage of the well-known trademark.

The FCB filed an opposition and an opposition review against the disputed mark, but due to a lack of evidence, the claims of the FCB were not supported by CTMO and TRAB, and the disputed mark received approval for registration.

In the period of administrative litigation, the FCB instructed HFG to perform a trademark investigation into RJ Wood. It was found that RJ Wood’s business license was cancelled as early as March, 2006. The cancellation date was 6 months’ earlier than the announcement date (Sep, 2006) when the disputed mark passed preliminary examination. HFG acquired

documents on the basic information of RJ Wood from the local AIC, and submitted them to the court (the case is still in trial).

In fact, if the investigation was carried out earlier and evidence on the cancellation of RJ Wood’s business license was submitted in the opposition period, CTMO would have had supported FCB’s claim. Given the cancellation of RJ Wood’s business license and its failing to appoint other civil entities to perform inherited reply in the due period (RJ Wood didn’t reply either in the opposition period or in the opposition review period), it could be deduced that the opposed party terminated or relinquished the right to the disputed mark, which could be further concluded that the right holder of the disputed mark no longer existed.

Therefore, CTMO would have supported FCB’s claim. To acquire cross-class protection, the opposer has to prove that its owned mark has reached the well-known status before the application of the disputed mark, this is very difficult.

By comparison, it is quite easy to find and prove that the opposed party no longer has operation qualifications. With strong evidence, there is no need to proceed with an opposition review or administrative litigation, and in this case the right-protection expenses could have been greatly reduced.



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TRADEMARK TEAM

From chemical to luxury goods HFG’s Trademark team has more than 50 staff with expertise in trademark filing and clearance, administrative disputes, renewal and recordation, and related transactions and litigations.

Since 2003, HFG is registered with the Trademark Office for filing and procedures in front of Trademark Office.

REMEMBER:

1. China is a first to file Country meaning unregistered (de facto) trademarks have very limited recognition within the legal system.
2. Obtain clearance before starting a business to check if your trademark can be used and registered.
3. Register your trademark in Chinese.

Client quote: **“What we found most valuable from working with HFG was their investigation capacity, ability to locate key stakeholders and move in a timely fashion. Without their understanding of the local enforcement agencies and solid relationships with local PSB it would have been a lot more difficult to have enabled the timely and thorough results that have been achieved so far”**

HYPERTHERM spokesperson

WATCH OUT

Prevention is better than cure: avoid China e-commerce headaches



1 How to navigate the laws applied to e-commerce in China.

Today more than ever, e-commerce plays an important role in penetrating the Chinese market. Companies choosing this business model shall take care ensuring they comply with PRC law at various levels.

First of all, can your product be legally imported into China? This is not always the case. Drugs, cosmetics, some food products, electronics all need – at various extensions – governmental qualifications to enter PRC. Goods entering China through cross-border e-commerce (i.e. sold through e-commerce directly by overseas suppliers to PRC end-users) are de facto and not subject to inspection by CIQ and customs. However, it is thought that soon this policy might change, and non-qualified products may become blocked.

Secondly, e-commerce is indeed focused on direct communications and engagement with end-users. Sales are conducted online, meaning that the seller's web-site needs to outline clear terms and conditions applicable to such sales contracts, (applicable law, jurisdiction, delivery, etc..) as well as an appropriate procedure for the customer to confirm its consent.

Operators need also to make sure that their privacy policy and general terms and conditions comply with PRC regulations. The commercial content of the websites must comply with provisions concerning

consumer protection, advertising and unfair-competition. For instance, under the new Consumer Protection Law, a consumer has the right to return the purchased product within 7-days. Such right is and currently can be excluded for some specific kinds of product;

- Under the new Consumer Protection Law, on-line sellers must clearly disclose to consumers key information such as their contact details as well as quality/quantity/price of products and services.
- Under the new Advertising Law, specific provisions concern on-line advertising. Moreover, most provisions on off-line advertising apply to on-line advertising as well.

2 E-commerce, trademark and authorization letters.

Several new platforms have been launched recently that we'd like to bring to your attention.



One we outline, and that our team has only recently become aware of was launched by Netease, the Chinese Internet giant listed in New York and famous for the email @163.cn. They are launching a new e-commerce platform (XIUPIN.COM) dedicated to fashion and lifestyle, with wide space offered to foreign brands. It is interesting to

note that, compared to T-Mall and Alibaba, the competitors, XIUPIN offer consumers and brands a strict "no fake" policy.

They will limit the access to the platform to one or few sellers and provide direct connection with the brand and supporting authorization letters.

3 Legal Compliance for e-commerce in China: your checklist.



When starting an e-commerce project in China, legal compliance is an important factor to take into consideration. We list herein a few aspects that shall be dealt with:

- Domain name registration;
- Trademark registration;
- ICP registration;
- Contractual Compliance (supplier, customer, platform);
- Privacy Compliance;
- 7dd right of refund/restoration;
- Copyright protection for the web page or app design;

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MEET THE TEAM

Nicola Aporti China expert in Food and Corporate



“China’s a place that demands flexibility, when thinking about entering the China market ensure you have the energy and budget to support the training & knowledge required to succeed”

Q: What’s the most astonishing counterfeit you’ve seen in China?

Nicola: The lengths to which something can be copied is sometimes unbelievable and this was the case when I saw a complete copy of a retail store and fit out.

Q: What is your top advice to any company thinking of entering the China market?

Nicola: Think about whether you really need to be here. What I mean by this, is there are a lot of emerging markets at the moment not just China. Make sure you have a the budget and energy to train yourself and your team on the market you’re entering. China is extremely different to your own so try and ensure you build a team who are china based or have china based experience.

Q: What is the most memorable or thought provoking case you’ve worked on in China?

Nicola: A while ago we had a credit collection case of around 2 million euro against one of China’s largest private companies. Usually chances are slim of winning, against this type of company. We collected a lot of evidence and ended up winning which really highlighted the China litigation system and how well it can work based on a thorough evidence collection. It was also very efficient and within 4-5 months the case was closed and the client received their claim.

Q: Developing trust seems to be a key factor for success in China. What would you recommend as a good way to build trust?

Nicola: China’s a place that demands flexibility. To gain trust you have to be

flexible and give trust.

Q: Do you see technological developments as playing a key role in improving the protection of IP?

Nicola: Food traceability technology will be instrumental in helping reduce the counterfeiting and quality of products for sure, especially as China have recently declared to greatly improve food safety in china they will be focussing on traceability from production to sale.

Q: What industries do you think we’ll see the most growth and opportunity from in China, in the next 5 years?

Nicola: Food, Automation (robotics, machinery that aids in efficiency), water/air pollutant tech, pharmaceuticals and service industries.

Q: What inspired you to work in China and IP law?

Nicola: I have been in China now for 10 years and before I left Italy to come to China, I began to notice a major shift in European business, from industry being the major asset to IP. This I saw as an interesting challenge and growing opportunity of which I wanted to be a part of.

Q: For a newcomer to Shanghai what’s your must see tourist attraction?

Nicola: Yong Foo Elite, once a private residence to officials, Consulate to Britain and now an open restaurant and bar. This 1920’s building in the French Concession is the perfect spot to relax and enjoy a spot of history and great architecture.

Nicola Aporti, Head of Food Regulatory and Corporate at HFG naporti@hfgip.com



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

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

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

regulation from SAIC.

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



HFG INITIATIVES



Helping Educate the Future Professionals of IP in China

Recently HFG was honored to be able to award six young masters students three male, three female with a financial scholarship put toward their further studies and development in Law and IP. Each student is completing their studies at East China University of Political Science (ECUPL) which holds the number one position in IP Law in China.

ECUPL is known for their caliber in students and professors who keep up with the latest research and developments not only in China but globally. HFG has been providing this scholarship since 2013 and sees it as part of the organisations fundamental values towards contributing to our community and furthering the legal education of youth in China.

[Find out more about HFG's Community activities.](#)



Awarded China IP Rising Star Award [ILASA Summit 2015]

On June 24, 2015 the International Legal Alliance Summit & Awards gathered more than 450 In-House counsel and Law Firms from all around the world at the prestigious Crowne Plaza Times Square Manhattan, New York.

During the prestigious Gala Dinner, the International Law Firm Awards recognized the best Law Firms and IP Firms in their domestic market for their excellent annual results and lasting performance in management and leadership. The ceremony also recognized the Rising Stars & Special Distinctions. Fabio Giacopello, Partner at HFG was proud to have received the award *China IP Rising Star* on behalf of the team at HFG. This award is designed to recognise International firms full of promises and expected to become the future leaders in their field.



About HFG

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, Beijing and Guangzhou. 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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