

# Goss IP

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Dear readers,

October started with a week of celebrations for the 70th anniversary of People's Republic of China and a new GossIP number!

You might have heard that Land Rover hit the news on March this year: the automaker won an anti-unfair competition case in China for the first time ever, and we go deep into that case.

The second article explores the complex world of Parallel Import, which is the import of original products without the authorization of the IP owner: it analyzes some cases and general issues and gives some advises from IP perspective.

What happens if I am an artist and discover my work to be copied by another artist who declares he just took inspiration from my art and that I'm like a mentor? How can I protect my work from being copied? Discover a case that involved two artists, one French and one Chinese.

Recently we can see many little shops selling food products with a great discount: looking carefully, you can tell that lots of them are nearly expired. How is this sale regulated? And what does really mean "nearly expired" for food? Discover it in the next article!

Finally, a contribution regarding the presence of religious signs in trademarks: in China they are usually excluded from trademark registration, but there are some exceptions.

Enjoy the reading and let us know your opinion!

Fabio Giacopello

# HFG

LAW &  
INTELLECTUAL  
PROPERTY



## HIGHLIGHT

### Land Rover wins against copycat Evoque



**With decision issued on March 13, 2019, Beijing Chaoyang District Court ordered Jiangling Motors Corporation (“Jiangling”) and Land Wind Corporation (“Land Wind”) to cease the production, sales and marketing of its X7 model cars and compensate 1.5 million RMB for damages and reasonable expenses to Jaguar Land Rover Corporate (“Land Rover”) in the unfair competition case.**

The decision represents a milestone in the protection for western automakers since none has ever won an anti-unfair competition case in China before. The case obviously hits the news. Let's have a deeper sight of what really happened.

Despite the present case is decided on the base of Art 6.1 of Anti-unfair Competition Law of the People's Republic of China, both parties have filed design patents for their respective models.

Land Rover applied a design patent for “Evoque” model cars on December 2011, against which Jiangling filed invalidation. Patent Re-examination Board of SIPO made invalidation decision unfavorable to Land Rover for lack of novelty of the design: the “Evoque” was exhibited in a date before the filing.

Jiangling filed a design patent for “Land Wind X7” model car on December 6, 2013. Patent Re-examination Board of SIPO found the design patent invalid for having no distinctive difference from the combination of prior designs. Beijing High Court made final decision in favor of Patent Re-examination Board of SIPO and dismissed the claim of Jiangling.



Land Wind X7 vs Evoque

Therefore, both parties cannot claim a design protection under Patent Law. Looking deeper into the reasoning of the Beijing Chaoyang District Court we read that

*“The relevant public can link the shape and structure used by the “Evoque” model car to Jaguar Land Rover’s specific model car products due to the long-term publicity and use, with function to identify the source of goods”.*

The appearance of “Evoque” model car possess the requirement of “decoration with certain influence” provided on Art 6.1 of Anti-unfair Competition Law of the People's Republic of China.

**The shape and decoration of Jiangling's “Land Wind X7” car and the “Evoque” car are similar in term of overall visual effect including suspended roof, push-down roof, raised feature lines, engine cover, vehicle outline.**

**Therefore the Court deemed that “Land Wind X7” of Jiangling used the decoration of “Evoque”. Such use results in the confusion and misleading to the related public for “Land WindX7” and “Evoque”.**

In conclusion, the court made decision that the conduct of Jiangling violates Art 6.1 of Anti-unfair Competition Law of the People's Republic of China, which constitutes where the business operator uses, without authorization, logos are similar to others' product decoration that has certain influence, causes the confusion to the market and infringes the legal interests and commercial reputation of Land Rover.

However, Jiangling can appeal to Beijing IP court if it is dissatisfied with the decision. Let's continue to pay attention to follow-up development of this dispute.

**Peggy Wang**  
**HFG Law&Intellectual Property**

## BUSINESS

### Parallel import: the battle between safe and cheap



**Creating and maintaining a distribution network is expensive. A good distribution network ensures geographical coverage, wide and updated collection, post-sales services exclusion of low quality or fake products, etc. Selecting, motivating, rewarding, punishing distributors ensure that the channel through which the goods flow from the production to the consumption is clean.**

A battle is currently on-going between authorized distributors and parallel importers, where the first ones represent and try to ensure a quality distribution which usually impact on the price of the product and the second identifies with lower price and fewer services.

Consumers struggle between making a deal buying a product at lower price and taking the risk of buying fake products. The authorized retail channels indeed not only ensure the quality of the post-sales service but also reduce -if not eliminate- the risk of purchasing fake products.

In such battle between safe and cheap Intellectual Property rights play an essential role. Can a trademark, patent or copyright be enforced against this unauthorized importation and therefore use of the IP right even if the product was original in the country in which it was bought?

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**Parallel import is the activity of importing into one country original products purchased into another country without the express authorization of the owner of the Intellectual Property rights.**

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This kind of importation is called “*parallel*” because is not governed by the IP owner and it happens “*in parallel*” to the formally structured distribution and retail channels created, authorized and controlled by the IP owner.

#### General Issues of Parallel Import

From a merely legal point of view the parallel import concept is strictly linked to two of the essential principles of the Intellectual Property Law, the principle of exhaustion of the IPR after the first sale and the principle of territoriality of the IPR.

Generally, we can see two main approaches towards it.

Some countries apply the principle of **international exhaustion** of the intellectual property right, meaning that the IP owner loses

the right to restrict the trade of the product bearing its IP as soon as such product has been put into commerce for the first time wherever the product is sold.

Other countries apply the principle of **national exhaustion** of the intellectual property right, meaning that the IP owner loses the right to restrict within a specific country the trade of the product bearing its IP as soon as such product has been put into commerce for the first time within that country. Anyway the IP owner maintains the right to forbid the first sale into a different country.

Consequences of applying national versus international exhaustion principle are very important. In case international exhaustion applies, the brand/IP owner cannot prevent any purchaser from importing the products in this country, even by means of parallel import, given that has been put into commerce for the first time with the permission of the Brand owner.

On the other hand, in case national exhaustion applies, the brand/IP owner can prevent a purchaser in the country to import the product from any country except the case in which without the brand/IPowner's provide authorization.

Without any willing to be exhaustive we mention that US applies the principle of International Exhaustion while EU applies the principle of National Exhaustion but considering the 28 members states as one country (at least for this specific purpose!).

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**Goods imported from outside EU can be stopped by the IP owner in EU, goods imported within EU from one country to another country (example: from Germany to France) cannot be stopped due the exhaustion of the IP Right.**

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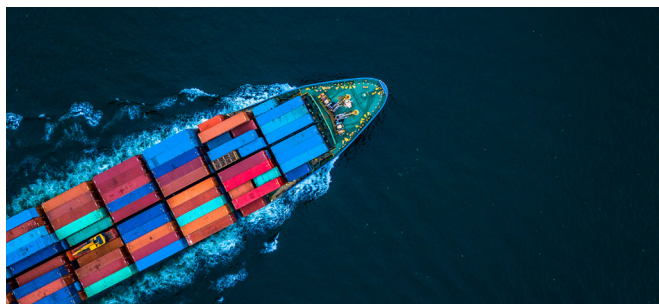
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## Parallel Import in China

Parallel import is not expressly regulated by Chinese law with the only exception of the Patent Law. In practice, we can observe that parallel import appears to be widely present in Chinese market.

Based on the interpretation of the most relevant regulations, as well as some important court decisions, we can consider that parallel import is allowed/accepted by the PRC legal system within specific limitations.

The nuances of this assumption slightly change depending on the specific IP right concerned.



## Patent

The new patent law is basically the only piece of PRC legislation that allows explicitly parallel import.

Literally art.69 states

*“The following shall not be deemed to be patent right infringement: (1) After a patented product or a product directly obtained by using the patented method is sold by the patentee or sold by any unit or individual with the permission of the patentee, any other person uses, offers to sell, sells or imports that product; (...).”*

Article 69.1 in fact expressly states that any use, offer for sale, sale or import of patented products or products produced through patented process which have already been sold by the patent owner or licensee does not constitute patent infringement.

Considering that the art. 69 does not include any territorial limitation, it has been interpreted by the majority of judges, scholars and practitioners that *any immission in commerce (and not only immission in commerce in China)* with the permission of the patentee exhausts the patent right.

Such provision has been added under the new revision of the patent law in 2008.

## Trademark

In terms of trademark protection, no law/regulation has provisions explicitly addressing the issue of whether parallel import is allowed or not.

We do have – however – some (not many, though) relevant courts' decisions on this issue, based on which we can see that the current approach by PRC systems is that parallel import of branded products is allowed as long as such parallel import does not have an actual or potential impact on the reputation of the brand itself.



**In a 2009 case concerning parallel import of tires, Michelin (the brand owner) obtained a favorable decision based on the grounds that the parallel-imported products had not obtained the mandatory CCC certification (i.e. the mandatory Chinese safety certification for tires and other automotive components).**

The court held that – even if the products involved in this case were original– the fact that they were imported without obtaining such mandatory certification was a threat to the integrity of the trademark. In fact, in case of any accident or quality problem on the non-certified tires, MICHELIN brand's reputation would be negatively affected.



**In a case concerning parallel import of vodka branded ABSOLUT, the brand owner sued the parallel importer. In this case, the parallel-imported bottles had their original bar code removed by the parallel-importer. The court gave a favorable decision to the brand owner based on the grounds that:**

- by removing the original bar code, the parallel importer had compromised the integrity of the original product, with potential offense to both consumers and brand owner (in fact, removing the bar code prevents full traceability of the product, which is key to get to know their origin and their distribution channels, as well as to control quality issues throughout the whole distribution chain);
- the defendant had also stuck a Chinese label on the product and with a translation into Chinese of the word “absolute” without authorization of the brand owner. This altered the general esthetic appearance of the original product, allowing also consumers to question the originality/legitimacy of such product – which would damage the reputation of the brand.

*Continue reading*



**The third case of 2014 involves parallel import of wine branded J. P. CHENET. The brand owner sued the parallel importer on the grounds that the parallel import was against its authorization, and that the parallel-imported product had lower quality (as well as differences in the ingredients and expiry date) with those imported through the official and exclusive China's distributor.**

The court ruled in favor of the parallel importer, based on the grounds that:

- The brand owner had not given sufficient evidence of the purported lower quality of parallel-imported wine;
- The act of the parallel-importer does not harm the function of the trademark to show the product origin, nor undermines the credibility of the trademark owner or the consumers' rights.

Very significant is the fact that such decision confirmed the first instance decision, which clearly stated that

*"Nowadays, free trade is a basic principle between different countries, the general trend is to prevent intentional division of the market and to avoid price monopoly.*

*The trademark law protect the trademark's owner's legal rights, meanwhile it also prohibit him monopolizing the market by using his dominant position and obtaining unreasonable monopoly interests.*

*PRC laws do not define the importing activities of [the importer] as infringement of registered trademarks, if the imported products are not further processed or changed, but only reasonably labeled with related information that will not confuse related consumers, and thus it will not damage the [Company's] trademark, neither will it damage the interests of the trademark owner or of the related consumers, and thus it is not a trademark infringement."*

## Copyright

The copyright law has no provisions concerning parallel import of products protected by copyright.

Nevertheless Article 15 of "Provisions on the Implementation of the International Copyright Treaties" states that "the copyright owner of foreign work has the rights to forbid the importation of the following copies:

1. *infringing copies;*
2. *the copies from the countries that not protect the work."*

In addition, Article 2 of "Notice of the Ministry of Culture on Strengthening and Improving the Import Management of Audiovisual Products" mentions that "parallel import of copyright between trade, copyright trade and manufactured goods are prohibited..."

However, there is no decision based on this regulation to forbid the parallel importation as for now.

The attitude of judicial organ is not explicit to this question, which will be waiting for further clarifying.



## Conclusions

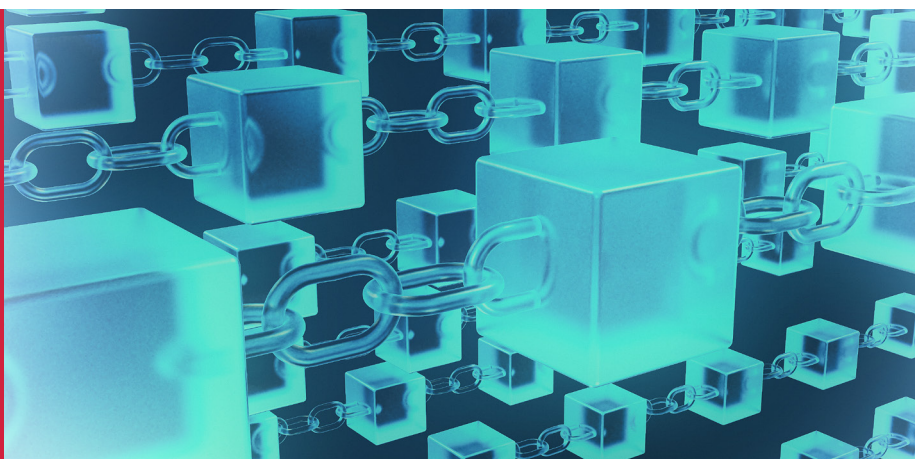
Purchasing products protected by a trademark, a patent and copyright and then importing these products in China is not generally regarded as IPR violations in China as long as there is no potential damage to the reputation/integrity of the brand.

For instance, original appearance of the products and their original packaging is completely unchanged (no additional labels should be added, except the mandatory ones; no bar code should be removed; etc.), the products obtain all certification/licenses and go through the regular import procedure as necessary in order to be legally sold in China.

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## USEFUL

### The timestamping: the solution 4.0 to prove ownership



**If you write, design, create anything, you are probably aware of how easy your work or creation could be copied, imitated or even stolen. Recently Ye Yongqing, a high profile Chinese contemporary artist, was alleged to have copied Belgian artist Christian Silvain for three decades.**

Silvain discovered about Ye work during an exhibition in Germany and noted the obvious similarity with his work. Both Silvain and Ye used symbols and an identical graffiti style in their paintings. Silvain, who developed his style a decade earlier, commands for a price forty times lower than Ye's.

However, to potentially enforce his legal rights as the legitimate owner, Silvain shall preliminary demonstrate that he is the genuine owner of this work.

For the conclusion of this story, we don't know yet.

In an interview to the Southern Metropolis Daily, Ye replied that *"We are trying to get in touch with the artist. This is an artist who has a deep influence on me"*.

But admission of *"influence"* could be not enough.

While copyright law protects any original work, until now there hasn't been a definitive registration system to prove ownership.

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**Indeed, according to the law, the creator is the owner of its work, but until someone else claims a prior right on it. In case of dispute, the lack of any official document proving which version of the work came first makes copyright little more than a vanity.**

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It is specifically on this point that the so-called blockchain could bring an efficient solution to the creators of content to protect their IP rights upstream.

Blockchain technology establishes ownership via a ledger that is open to anyone who uses the system. One of the big advantages that blockchain offers for any field is the high level of automation it delivers, and the immutability of the 'blocks' once they are created meaning that a high level of reliability as far as proof of ownership goes.

**Through the blockchain, it is possible for the IP owner to timestamp their work by creating a permanent record of their work to be protected and receive a time-stamped copyright certificate.**

A timestamp is an encrypted code generated by an official institution. It electronically links the original work and/or design data to a specific date, thus establishing legal evidence that data existed at that time, which is then translated into a timestamp document including all the information related to the timestamped work, such as the date and time, the owner of the design at the time, etc...

In China, the timestamped certificate could be delivered by the UniTrust Time Stamp Authority.

Usually, to be accepted by the relevant jurisdiction, the timestamped certificate shall meet four characteristics such as date, time, content, and the certificate of the timestamp authority.

Even if the acceptance of the timestamped certificate is still globally controversial, the electronic timestamps are considered as valid evidence in most jurisdictions.

In this purpose, the European Union has provided a comprehensive set of requirements to control the use of qualified electronic timestamps under the eIDAS standards effective since July 1st, 2016. Some countries have promoted the electronic timestamping by putting their laws and regulations in accordance with these standards. While some timestamps may be applicable in other countries as a reciprocating gesture.

**Unlike the copyright protection which shall be obtained at national scale to be further enforceable, in the future, we could potentially foresee that the timestamped certificate issued in China could be further recognized in front of European jurisdiction to establish the ownership of the copyright owner worldwide.**

**WATCH OUT****Nearly expired food**

Recently lot of debate was sparked by the news that on PINGDUODUO platform it was possible to purchase Beingmate milk powder products (whose original price would be 888 RMB) for only... 7.5 RMB. The first obvious concern by customers was whether those products were original or fake, or (maybe even worst) whether they had some kind of defect justifying such dramatic slash in the price.

PINGDUODUO then issued a statement to confirm that these products were original and had no quality problems, and that the reason why they were sold at such cheap price was that they were near the end of their best-before date.

It is obvious that expired products are not allowed to be sold; however, what about nearly-expired food?

Well, this kind of products – which allows consumers to purchase real products at low price – certainly do have a market rather considerable in size, both online and offline.

Many food products near the end of their shelf life are sourced by online merchants from offline physical stores, where statistically most consumers are rather reluctant to purchase prepackaged with shelf life shorter than 6 months.

This helps brick-and-mortar retailers to clear inventory and reduce their loss, while online dealers offer them at an enticing price to the broader audience of online shoppers.

### **How is sale of "nearly expired food" ( 临近保质期食品 ) regulated?**

As we have seen in a previous post, the shelf life date is defined under GB 7718 as *"the date which signifies the end of the period under any stated storage conditions on the label of the prepackaged food during which the quality of the product will be maintained and the product will remain fully marketable and retain any specific qualities for which tacit or express claims have been made"*.

"Nearly expired products" are therefore legally to be considered as "non-expired products", meaning that they remain fully marketable.

At national level, we do not have a clear definition or standard for "nearly expired" food.

However, this changes when we check local regulations. Some local governments such as Beijing, Shanghai and Guangzhou have introduced some legal provisions concerning "nearly expired products".

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**Food Safety Regulations of Shanghai Municipality of 2017 require that food producers and traders shall establish a management system for food and food additives near the end of self-life and mark in a very visible way concentrated storage, display and selling of food and food additives near the end of shelf life.**

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The main aim of the provision appears in our opinion to prevent that food products – once expired – shall be recycled for human use, rather than to inform customers that the product they are about to purchase is about to expire.

This is however covered by another AIC regulation in Shanghai (a 2012 *"Proposal to seriously implement the requirements of AIC, take the initiative to accept supervision, and effectively strengthen the management of food nearly expired"*), which requires that supermarkets shall prepare an area where the "nearly expired food" shall be displayed, with clear notice in this regard.

Specific warning should also be provided when nearly-expired food is sold jointly/tied to "normal" food.

Very important, this Proposal also specifies the thresholds for a product to be considered as "nearly expired":

- 45 days prior to expiry date (if shelf life is longer than 1 year);
- 20 days prior to expiry date (if shelf life is between 6 months and one year);
- 15 days prior to expiry date (if shelf life is between 90 days and 6 months);
- 10 days prior to expiry date (if shelf life is between 30 and 90 days), etc.

Another 2017 AIC regulation in Shanghai specifies thresholds and obligations for management of nearly expired food by food producers and traders.

*Continue reading*

In Beijing, as well as other cities (Kunming, Guangzhou) or provinces (Zhejiang) we have other similar regulations, which however all differ between each other in terms of thresholds – meaning that food companies having operations in different cities or provinces may have to adopt all such different standards.

For example, in Beijing any food with expiry date less than 15 days is considered nearly expired starting from 4 days before expiry date; however in Guangzhou products with shelf life between 2-15 days are considered nearly expired one day before the expiry date; in Zhejiang products with shelf life between 10-30 days are nearly expired 2 days before the expiry date, while those with shelf life less than 10 days are nearly expired the day before the expiry date.

As for online sale, it seems that we do not have clear provisions about noticing consumers about products "*near shelf life*".



However, providing correct information in this regard will help online operators to avoid legal disputes with consumers – who may possibly complain if the product is actually delivered after or upon expiry of shelf life, thus invoking breach of mandatory provisions of consumer protection law, or quality law.

Cases such as the above-described PINGDUODUO one are not rare, and they are usually resolved through negotiations (and by granting some kind of compensation/refund to the consumer).

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## INTERESTING

### Which protection for trademark including religious sign?



While strolling through the streets, it is not untypical to see some brands including or making reference to a religious sign without any obvious connection with the religion at issue. However, the registration of the trademark including a religious sign is still a controversial and sensitive topic which needs a necessary balance between the trademark holder's interest and the functions of the trademark.

Because religious signs generally fall under the category of common patrimony, the marks similar to them or containing their elements are hardly granted for registration in most circumstances.

Under Chinese Trademark Law, any visible sign that can be serve to distinguish the goods, including letters, numerals, figurative elements, three dimensional symbols, color, sound or any combination of the aforesaid may be applied for trademark registration.

However, this apparently large choice of possibilities is limited by specific restrictions such as the Article 10 which prohibits signs delivering deceptive meaning or being detrimental to socialist ethics or other unwholesome influences.

Therefore, the registration of a sign can be rejected if it is perceived as being morally unacceptable, regardless of having a distinctive character. Although the concepts of "morality" and "public order" have quite broad meanings, they commonly refer to the requirements that should be followed by a country or society for living together in a civilized manner.

Generally, "morality" or "public order" is related to the matters of national spirit, basic national policy, decency, sex, religious beliefs, traditional culture and lifestyle.

**According to the Chinese Trademark Law, religious signs are generally excluded for trademark registration. Therefore a trademark consisting of the words "Buddha", "Convent", "Temple" or any other religious terms is unlikely to be granted for registration pursuant to the Article 10 of the Trademark Law.**

One of the underlying rationales is that the public would possibly associate the goods and services with the religion concerned and thus it will cause confusion over the origin of the goods or service.

**On the other hand, the law permits religious entities or commercial entities to use a religious sign as trademark at the unique place of worship. Such trademark registration is allowed, as long as it does not conflict with others' legitimate interests.**

Moreover, a sign also may obtain secondary meaning by the use in trade. As a result, its original religious meaning may no longer convey the sense that it was supposed to represent.

For example, Shaolin Temple is China's best-known Buddhist monastery and the birthplace of Kung Fu practice. However, the religious signs "Shaolin" (少林) and "Shaolin Temple" (少林寺) have been used as trademarks by a wide variety of enterprises, covering industries of automobile, furniture, hardware, food, pharmaceuticals, which has led to dilute its original significance.

少林麵莊  
Shao Lin Noodle House

Another typical example is the Buddhist term "NIRVANA" which has been largely registered as trademark in various classes and contributes its initial meaning and potentially distinctiveness related to the buddism religion. We can also cite the term "CHRISTIAN" which constitutes a direct reference to the Christian religion but also widely used as personal name.

It is worth to notice that under the international legal framework, the countries adopt different approaches to determine the eligibility of religious signs for trademark protection.

When religious signs are contrary to morality or public order, they are excluded from trademark protection.

*Continue reading*

Some countries limit the application of this doctrine to the particular circumstance where trademark registration is sought with an intention of offending the religion concerned.

In other countries where trademark signs are generally regarded as not being inherently distinctive, the distinctiveness requirement is used to safeguard against trademark registration, and protection, of religious signs.

However, this also means that if a religious sign can serve to indicate the origin of the goods, it may be eligible for trademark registration and protection.

In the United States, the Lanham Act allows religious signs to be protected as trademark on the ground that even though a religious organization does not make profits or sell goods, it still needs to protect its reputation and good will in respect that the subject sign does not “*consist of or comprise immoral, receptive, or scandalous matter*”.



Surprisingly though, the Article 6 of the Paris Convention provides some absolute grounds against trademark registration such as state emblems, official hallmarks, and emblems of intergovernmental organizations, but no reference to the religious signs.

In EU countries, some signs of high symbolic values, such as religious signs and historical personages, are likely to be denied for trademark registration.

Another way to grant protection of religious sign could be through the registration as collective trademark of certification trademark to prevent misuse of religious sign.

A “*collective trademark*” refers to a trademark “*registered in the name of a group, association, or any other organization for use in business by its members to indicate membership*” whereas a certification mark is defined as “*a mark owned by an organization that exercises supervision over a particular product or service and which is used to indicate that third-party goods or services meet certain standards pertaining to place of origin, raw materials, mode of manufacture, quality, or other characteristics*”.

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**However, to obtain the protection through these specific trademarks in China, the trademark shall meet the requirements and be granted for registration as collective or certification trademark is its country of origin.**

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Due to the common patrimony nature, it is still tough to obtain the registration of a trademark including religious sign unless justifying that the applied sign is linked to the place of worship, acquire high distinctiveness through use or having a second meaning.

In this perspective, the law intends to free-riding behaviors with intend of grabbing cultural heritage rather than establishing a distinctive character of a mark.

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