

# Goss IP

September 2019



## INSIDE



### P2 HIGHLIGHT

Peppa Pig: Copyright infringement by the former licensee



### P3 NEWS

Chinese Customs announced Long Teng Action



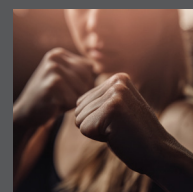
### P4 WATCH OUT

Fat decision on damage compensation



### P6 BUSINESS

IP protection for Standards



### P8 USEFUL

Building trademark portfolio with Defensive Registration



Dear readers,

After the summer break we are finally back with a selection of cases and topics we went through during these months.

**Peppa Pig** was introduced to China in 2015, and it is extremely popular among children, young adults, and even celebrities. Prominent figures on social media have tweeted memes and wear accessories featuring the famous pig. The sales revenue from product authorization in China has achieved an incredible growth and the

children's consumer market is worth more than 5 trillion yuan (790 Billion dollars). It's clear then, why the copyright infringement is flourishing!

In order to strengthen the protection of IP rights (not only for Peppa Pig!), the Chinese Custom started the so-called **Long Teng Action 2019**, aimed at effectively crack down the illegal import and export of infringing goods.

Find out more in the second article. Protection of trademarks is also going to be reinforced with an amendment in the Trademark Law which, starting from this coming November, will increase to 5ml RMB the threshold of **damage compensation** in case of infringement.

The fourth article deals with the **applicability of copyright to Enterprise Standards** that are voluntary applied by companies to their production in addition to the national standards, and analyses a case occurred

between 2 companies in the construction industry.

We investigate at the end the **Defensive Registration** of Trademarks, which is becoming necessary for big companies to protect their brands from threats coming from any direction.

Enjoy the reading and Happy Moon Festival!

Fabio Giacopello

# HFG

LAW &  
INTELLECTUAL  
PROPERTY



## HIGHLIGHT

Peppa Pig:  
Copyright  
infringement by  
the former licensee



Recently Hangzhou Intermediate Court confirmed in the second instance the judgment of Hangzhou Internet Court that two companies, Jufan Co., Ltd (hereinafter “Jufan Company”) and Jiale Toys Industrial Co., Ltd (hereinafter “Jiale Company”) in Shantou City, Guangdong Province shall pay 150,000 yuan (US\$ 22,000) to Peppa Pig copyright holders Astley Baker David Limited and Entertainment One UK Limited for copyright infringement, and also stop producing and selling a products with Peppa Pig character.

This case represents landmark for the protection of foreign enterprises' intellectual property rights, makes alerts to the copycats and takes the lead in hearing through a new online court system, which was already highlighted in the working report made by the president of the Supreme People's Court, Zhou Qian, on March 12, 2019.

Let's get back to the case. On May, 2018, two owners of Peppa Pig IP rights found Jufan Company sold a mass of toys with the image of Peppa Pig's family and used one picture of Peppa Pig's family on the Taobao platform, which showed one manufacturer is Jiale Company.

Astley Baker David Limited and Entertainment One UK filed lawsuit against two above copycats and Taobao. After examination, Hangzhou Internet Court found that Jiale Company had been formerly authorized to produce and market toys utilizing the character of Peppa Pig.

Nevertheless the authorization was currently expired and not renewed, therefore the utilization of the copyright in breach of the license contract for character merchandising. Jufan Company couldn't provide its products has been authorized and obtained by legitimate means.

**Zhejiang Taobao Network Co., Ltd. (hereinafter “Taobao”), as a network service provider, has performed the obligation of due care to cancel the disputed products' information. Therefore, Jiale Company and Jufan Company both were fined their infringement, but Taobao can't be held liable together with them.**

Afterwards, Jiale Company filed an appeal to Hangzhou Intermediate Court arguing that it involved the breach of the contract for its sale channel beyond the agreement, but not infringement.

However, Hangzhou Intermediate Court opined that the agreement stipulated the sale channel was merely limited within Tianmao,

Jingdong and Amazon online shop, but Jaile Company produced and sold the infringing goods and sold beyond the agreed sale channel.

Such conduct is not only regulated for Contract Law, but it also is regulated for Copyright Law.

**According to Article 122 of Contract Law, the injured party has the right to choose whether to demand that the breaching party bear the liability for breach of contract or infringement of rights in accordance with other laws.**

In this case, the IPRs owners' claim for the copyright infringement of Jiale Company and Jufan Company shall be supported.

**Peggy Wang**  
HFG Law&Intellectual Property



## NEWS

## Chinese Customs announced the Long Teng Action



**In order to further strengthen the protection of intellectual property rights, effectively crack down on the import and export of infringing goods illegal acts, Chinese General Administration of Customs revealed that from July 1, 2019, all Chinese Customs will launch a six-month intellectual property protection special operation code named "Long Teng Action 2019".**

Since 2017 and 2018, this is the third customs action which is also the most extensive and long-lasting action.

In fact, this action is a normal procedure against IP infringement acts for customs as required by customs all the time.

---

**It requires that all exporters and importers need to provide their authorization materials such as registration record (whitelist) in customs if the brand (R or TM logo, obvious letters or Chinese characters on the product, the outer package or the tag) of goods is registered in customs system by the holder of the IP right.**

---

At present, the authorization material refers to the whitelist of records in the customs system for importers and exporters. The whitelist is registered by the intellectual property rights holders who have a 10-year protection period at all customs ports in China after being approved for the protection of trademarks, patents and copyrights by the General Administration of Customs.

**The "Long Teng Action 2019" will be more strict than usual**, because in the special action, the Customs will inspect the goods exported or imported from six different transportation channels, such as ocean shipping, air transport, land route, railway, express mail and postal delivery, while usually the customs always check at most three channels such as the air transport, ocean shipping or postal delivery before.

Meanwhile, this action will pay more attention to monitor the illegal activities of transshipping infringing goods through Hong Kong, Macao and other regions of China.

In order to ensure the normal shipment of goods and avoid fines and withholding of goods, foreign traders, shippers must operate in accordance with the regulations, and provide accurate declaration elements.

When it comes to brands, the following points should be noted:

1. If ® or ™ logo, be sure to report that there is a trademark;
2. if there is no ® or ™ identification, but there are obvious letters or Chinese characters on the product or the outer package, it can also be declared that there is a trademark on the goods;
3. if there is no sign with ® or ™, no obvious letter or Chinese character on the product or external package, it can be declared without a brand on the goods;
4. [Check brands on customs website before customs clearance.](#)

In addition, it should be noted that the goods with factory's brand should also be declared with a brand; the goods with the foreign brand should also be declared with a brand; in other words, as long as there is a brand on the product, outer packing or manual tag, it must be declared as brand goods.

As the customs adopts an electronic system to monitor goods which trigger an alarm for importers, exporters and manufacturers not registered in the customs system, **some companies will mix their goods in unbranded or other branded goods to export or import.**

In order to prevent such confusing infringing actions, Customs will send dispatch more people for manual inspection strictly.

Generally, importers and exporters often believe that the goods are not infringed if they manufacture the goods required by the holders of foreign brands (OEM, Original Equipment Manufacturer).

However, in the current special action, **if the Customs discovers the goods that may be suspected of intellectual property protection, the Customs will suspend the release of the goods, initiate the customs investigation procedure, and notice the right holder for confirmation.**

This process may last for a period of time and delay the export of goods, causing losses of the exporters.

## WATCH OUT

### Fat decisions on damage compensation



The recent amendment of the Trademark Law, scheduled to enter in force in November 2019, increased to 5ml RMB the threshold of the statutory damages in case of infringement of trademarks.

For those of you not familiar to this concept, the so called “statutory compensation” will be issued when it is impossible for the judge to ascertain the loss suffered by the IP owner, or the profit earned by the infringer, or the royalty of the IP at issue based on the evidences in the case.

Generally, the judge will base statutory compensation on the popularity of the registered trademark at issue, the nature, scale, duration and consequences of the infringement, the subjective degree of infringement, and the reasonable expenses expended by the plaintiff.

In this article we will review a few landmark cases whose peculiar feature is the high damage compensation in relation to trademark infringement cases in China.



#### Dunhill vs. Danhuoli

Probably the last notorious case is Dunhill vs Danhuoli. On October 10, 2018 the luxury brand Dunhill has been awarded RMB 10 million (USD 1.47 million) after the Foshan Intermediate People's Court, Guangdong Province, ruled that rival menswear brand Danhuoli was guilty of both trademark infringement and unfair competition. The case raised once again attention to the issue of damage compensation consequent to infringement of IPRs in China.

Many commenters say it is an isolated case and therefore it shall not catch much attention due to the fact that it is an exception – once again – an isolated case. If the case proves something, it proves that commonly – in the majority of cases - damage compensations in China is very low.

On the contrary there are other commenters that highlight the non-uniqueness of the case. They tend to notice that there are signs of trend of consistent increasing decisions awarding reasonably high

damage compensations to IPRs owner in trademark field.

Without taking position on the dispute (yet?) we have carried out a search on Court decision issued in recent years (after the 2014 Trademark Law).

#### Moncler v. Mockner

Soon after the promulgation of the 2014 amendment of the Trademark Law that raised the statutory damage compensation in the field of trademarks to 3ml RMB, the Italian fashion brand Moncler was awarded by Beijing IP Court in May 2014 a remarkable damage compensation of 3ml RMB (450,000 USD) in the case against Mockner.

It is probably the first case the fully exploited the maximum capability of the statutory damages compensations with the limitation at 3ml RMB.



#### Meichao " 墙锢 " vs Xiujie

In 2016 it is again Beijing IP Court that issued the remarkable damage compensation in favor of the well-known brand Meichao. The amount of damages liquidated is 10ml RMB (1,450,000 USD), which is the highest since the establishment of the Court in 2014.

It is worth mentioning that the case is the first in which the judge issued the damage compensation higher than 3 ml RMB notwithstanding the lack of precise evidence of the amount of damage.

*Continue reading*

In such circumstances usually judge prefers to rely on the statutory damages compensation, namely no more than 3ml RMB.

The judge of the case at issue – on the contrary – argued that the limit of statutory damages does not work here because the evidences submitted by the plaintiff have preliminarily shown that the profit made by the defendant has reached 10ml and the defendant refused to provide evidences to the contrary after the Court instructed it to do that.

#### **New Balance v. New Barlun**

And we shall also remember the New Balance trademarks saga where New Balance (the Chinese branch of the America company) was firstly condemned to pay RMB 99.8 million (14 million USD) for the trademark infringement of “新百伦” (New Balance in Chinese) owned by Mr. Zhou Lelun and later the amount of damages was reduced to RMB 5 million in the appeal phase in front of the Guangdong High Court.



But also the decision issued by the Suzhou Intermediate P. Court that awarded to New Balance 10,000,000 RMB for the infringement of the N logo committed by New Barlun.

**Fabio Giacopello**  
**HFG Law&Intellectual Property**

## BUSINESS

### IP protection for Standards



#### Does enterprise standard contain intellectual property that can be legally protected?

Enterprise standard are voluntary standard that food companies decide to apply to the production of their product. They shall comply with national food safety standard and can have stricter provisions/requirements than these.

Enterprise standard are filed by companies with province or city level bureaus of the National Health Commission, and after a 20-day public notice for comments, their filing is completed and they remain open for public consultation.

As the information contained in these standards becomes public knowledge, **companies shall avoid including in these standards sensitive information that they wish to protect** – or at least they should secure that such information shall open to public disclosure. Another aspect may be copyright protection.

Copyright protects works which also include written works, but which exclude “*laws and regulations, resolutions, decisions and orders of State organs, other documents of a legislative, administrative or judicial nature and their official translations*”.

#### So, are standards included?

In 1999 the PRC Copyright Bureau issued *a Reply To The Supreme People's Court On Standard Copyright Disputes* (权司 [1999] No.50), stating that:

- mandatory standards are technical norms of a legal nature;
- recommended standards on the contrary are not technical norms of a legal nature and shall therefore fall within the scope of copyright law protection.

Moreover, Administrative measures on standard publication (技监局政发 [1997]No.118) request that any entity or individual that intends to reproduce any part of standard in any form for the purpose of business shall obtain the prior written consent of the entity who has the exclusive right of publication.

Even if these two regulations do not refer explicitly to enterprise standards, their rationale is clearly applicable also to enterprise standards: in practice, **if they have some degree of originality, they are also covered by copyright.**

Applicability of copyright to enterprise standards seem also confirmed by courts.

In the 2018 judgment issued by the court of High Court of Shandong Province, the court stated that while the structure of enterprise standard is strictly and has no originality.

However other written content, as long as it can show some kind of creativeness, can be deemed as intellectual work of the author thus protectable by copyright law.

**The case involved Company A – who had filed registration of its own enterprise standard in 2015 – and Company B – who had filed for registration of its own enterprise standard in 2016.**

Both standards referred to the same product – i.e. cast-in-place lightweight foamed concrete partition wall (construction standard industry; however the legal rationale applies to all enterprise standards in any industry).

Company A complained that Company B's standard was too similar to Company A's – in terms of content as well as lay out and graphic, and thus infringed Company A's copyright, with specific reference to the right of authorship, of reproduction, of transmission on information network and on other media platform.

Company A thus filed a litigation with the People's Court requesting that Company B

- stop the infringement;
- compensate damages at 100,000 RMB.

The Court evaluated the two standards and highlighted general similarities (such as: consistency in frame and terminology, including name, preface, scope, normative reference document, terminology and definition, classification and marking, raw material requirements, technical requirements, test methods and basic inspection rules).

*Continue reading*



Enterprise standard are filed by companies with province or city level bureaus of tA few differences were also found such as

- one different reference standard,
- one different diagram,
- unit measures inserted next by some identical figures in only one of the standards,
- in a technical there was one different item,
- in two tables there were two different values (one in each, out of several).

However, in the end the court upheld Company A's claim. Company B then changed the structure of its own standard, by modifying some reference documents, by inserting some formulas, by adding new tables and definitions.



**In the end, as more and more companies localize production in China for local market, more and more enterprise standards will be filed.**

Copyright issue needs to be considered by drafters, along with the technicalities of the standards.

**Nicola Aporti**  
**HFG Law&Intellectual Property**

## USEFUL

## Building Up Trademark Portfolio with Defensive Registration



The growth of a brand will inevitably see an increasing expenditure in Intellectual Property protection. As a brand gains its reputation among customers, it becomes a bigger target for malefactors who want to free-ride on its fame. Soon, brand owners will realize that it is never enough to have their trademark registered. Further, they need a portfolio that can keep them away from trademark squatters, a portfolio that conventionally includes defensive registration.

In general, there are two types of defensive registration - one focusing on classes and the other one focusing on variants of the sign.

**In the first type of defensive registration**, the purpose is to enlarge the scope of goods and/or services in which the original trademark is protected, so that the use of the identical trademark by third parties are blocked even on dissimilar goods and/or services.

For instance, the word mark “HUAWEI” has been registered by the Chinese ICT company on goods such as cosmetics, furniture, canned fruit and wine. Practically, it is not unusual that famous brands file their trademarks in all 45 classes, trying to cover as many items as possible.

TM	<b>HUAWEI</b>
No.	4641164
Owner	Huawei Technologies Co., Ltd.
Class	3
Goods	Facial cleanser; cleaning preparation; polishing preparation; abrasive; essential oil; cosmetics; toothpaste; fragrance; animal cosmetics; detergent.

TM	<b>HUAWEI</b>
No.	4641023
Owner	Huawei Technologies Co., Ltd.
Class	20
Goods	Bamboo-knitted products (excluding caps, mats, mats); bamboo and wood crafts; resin crafts; unprocessed or semi-finished corners, teeth, intermediates; notice boards; plastic decorations for food; caskets; clay sculptures; wax figures; Wax, plaster or plastic artwork..

TM	<b>HUAWEI</b>
No.	4641005
Owner	Huawei Technologies Co., Ltd.
Class	33
Goods	Mint; aperitif; shochu; rice wine; cooking wine; sake; distilled beverage; alcoholic beverage with fruit; wine; rice wine.

**The second type of defensive registration**, albeit slightly less used, is very popular among large corporations. The e-commerce giant Alibaba, who certainly adopted this strategy, currently owns a huge “family” of trademarks including Alimama, Aligrandma, Aligrandpa, Aliuncle, Alibrother...

Owner	No	Trademark
ALIBABA GROUP HOLDING LIMITED	3492833	<b>Alimama</b>
	6278076	阿里奶奶 <b>Aligrandma</b>
	6278091	阿里爷爷 <b>Aligrandpa</b>
	6277676	阿里伯伯 <b>Aliuncle</b>
	6277679	阿里兄弟 <b>Alibrother</b>
	6277694	阿里姐妹 <b>Alisister</b>


Back to 1995, Coca-cola filed the application for “雷碧” (léi bī), of which the Chinese characters are seemingly similar to its Chinese trademark “雪碧” (xuě bī) for Sprite. In case the conflict mark “雷碧” is not registered when someone else uses it to confuse the customers, Coca-cola will have to prove the infringement by arguing similarity, their brand reputation and the other party’s bad faith.

However, with the registration of the said mark, it will be much quicker and easier for the authorities to determine infringement.

There is no doubt that under certain conditions, this could be a more efficient strategy, both time-wise and cost-wise.

*Continue reading*



TM	
No.	998510
Owner	the Coca-Cola Company
Class	32
Goods	Non-alcoholic beverages



Can you tell the differences at first glance?

That being said, the registration of one certain similar trademark only closes one door on those who attempt to exploit the very same trademark, whereas malefactors always find other creative ways to infringe. Coca-cola may have blocked out the use of “雷碧” on non-alcoholic beverage, yet they may not prevent others from using another similar sign, “雲碧”.

After all, there is never a flawless defense, rather a better defense.



Are you confused now?

For big companies like Alibaba and Coca-cola, defensive registration is a relatively small investment that saves them a large amount of costs that may occur in the later stage.

**Today, forced by the counterfeiting market, almost every mature brand in China has its “Great Wall” of defensive trademarks.**

**From another perspective, while protecting the original brand, the existence of defensive trademarks also hinders some good-faith applicants from registering their trademarks. That is when excessive defense turns into offense.**

The CNIPA has in relevant regulations expressed its determination to combat abnormal trademark filings, including trademark hoarding. Because trademark hoarding is actually a waste of social resources, and is contrary to the legislative spirit of the Trademark Law of the Country.

序号	申请/注册号	国际分类	申请日期	商标名称	申请人名称
1	36415448	42	2019年02月20日		百度在线网络技术(北京)有限公司
2	36414973	35	2019年02月20日		百度在线网络技术(北京)有限公司
3	36413196	38	2019年02月20日		百度在线网络技术(北京)有限公司
4	36410131	9	2019年02月20日		百度在线网络技术(北京)有限公司
5	36402180	41	2019年02月20日		百度在线网络技术(北京)有限公司
6	36401817	42	2019年02月20日		百度在线网络技术(北京)有限公司
7	36400524	9	2019年02月20日		百度在线网络技术(北京)有限公司
8	36400482	30	2019年02月20日		百度在线网络技术(北京)有限公司
9	36381083	42	2019年02月18日	BAIDU FRONT-END	百度在线网络技术(北京)有限公司
10	36378091	35	2019年02月18日	BAIDU FRONT-END	百度在线网络技术(北京)有限公司
11	36373924	41	2019年02月18日	BAIDU FRONT-END	百度在线网络技术(北京)有限公司
12	36367749	9	2019年02月18日	BAIDU FRONT-END	百度在线网络技术(北京)有限公司
13	36367045	30	2019年02月18日	百度龙	百度在线网络技术(北京)有限公司
14	36356643	42	2019年02月15日	百度智谱	百度在线网络技术(北京)有限公司
15	36354049	41	2019年02月15日	百度智谱	百度在线网络技术(北京)有限公司
16	36351356	35	2019年02月15日	百度	百度在线网络技术(北京)有限公司
17	36350119	41	2019年02月15日	百度	百度在线网络技术(北京)有限公司
18	36350103	42	2019年02月15日	百度	百度在线网络技术(北京)有限公司
19	36349629	9	2019年02月15日	百度	百度在线网络技术(北京)有限公司
20	36349041	35	2019年02月15日	百度智谱	百度在线网络技术(北京)有限公司
21	36348031	38	2019年02月15日	百度	百度在线网络技术(北京)有限公司
22	36346734	38	2019年02月15日	百度智谱	百度在线网络技术(北京)有限公司
23	36345270	9	2019年02月15日	百度	百度在线网络技术(北京)有限公司
24	36337720	42	2019年02月14日	百度	百度在线网络技术(北京)有限公司
25	36337709	35	2019年02月14日	百度	百度在线网络技术(北京)有限公司
26	36336047	45	2019年02月14日	百度	百度在线网络技术(北京)有限公司

**The top Chinese search engine provider Baidu has nearly 10 thousand trademark applications under its name**

Although these regulations do not seem to target defensive trademarks, current laws have not drawn a clear line between defensive registration and trademark hoarding. In fact, the legitimacy of defensive registration remains questionable under the Chinese Trademark Law.

In countries such as Australia and Japan, there are special requisites for trademarks to be registered as defensive marks.

For example, an applicant of a defensive mark is obliged to demonstrate its reputation and prove the likelihood of confusion in relation to its original trademark. The same requirements also apply to the renewal of defensive marks. Once registered, defensive marks are not subject to non-use cancellation actions.

Since Chinese Trademark Law has no explicit provisions regarding defensive registration, **defensive trademarks in essence are filed, examined and registered as general trademarks, and thus subject to non-use cancellation actions.** And given that the defensive trademarks are registered for infringement prevention, instead of actual use, they are especially vulnerable to non-use actions.

Contrary to the over-spending of some large corporations in defensive registration, for small and medium-sized enterprises, their budget is hardly enough to build the “Great Wall”.

Moreover, despite the possible enforcement costs defensive registration may save, we must not overlook the costs for post-maintenance. Large stock of defensive trademarks means that the registrant will have to face numerous regular renewals and occasional non-use cancellation filed against them.

Therefore, business operators should choose a portfolio that suits their development while meeting their budget.