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Dear readers,

Last July the thirteenth National People's Congress has released its second draft amendments to the Patent Law. Open for comments until mid-August, it provides some new terms that are improving the level of patent protection that we analyze in the first article.

In the second article we deal with a recent case involving Qierte Co., from

Fujian province, and New Balance, the American brand which has been troubled by the copycat shoes bearing different N logo since it entered China.

We talk then about the simplification of some time-consuming and costly procedures provided by the new draft of the Provisions on Evidence in Civil proceedings involving IP disputes. Once effective, this simplification will be of great benefit for foreign IP rights owners.

Big news also in the field of online market: the PRC Civil Code, effective on January 1st, 2021, for the first time establishes several provisions regarding the conclusion and performance of electronic contracts. Read more about this topic in the fourth article.

Finally, starting from the case of Martell's bottle copycat, we give you some good alternatives to protect your liquor brand, so you can be sure that what you're drinking, while reading GossIP, is the real Cognac.

Stay fresh and enjoy the reading

Fabio Giacobello

## HFG

LAW &  
INTELLECTUAL  
PROPERTY



## NEW LAW

### The latest Draft of Amended Patent Law – What's new?



The Thirteenth National People's Congress has released its second draft amendments to the Patent Law (the latest Draft) for comment on July 3, 2020, which is open for public comments until August 16, 2020.

The latest draft includes many important issues that have long been debated, such as Patent Linkage and a Supplemental Protection Period. Amendments in the latest draft will improve the level of patent protection and improve the balance between patent protection and public interests.

Enhancement of patent protection is shown in the following articles (all articles numbers in this article is amended articles, namely consistent with the latest draft).



#### Patent Term Restoration (Article 42)

Article 42 remains the change in the first draft, which is released in 2019, to extend the term of design patents from ten to fifteen years. Although this protection period is still less than the period request by the Berne Convention for protection of works of applied art, namely twenty-five years (Article 7.4), it is still an improvement regarding intellectual property protection.

Moreover, according to Article 42, the patent owner may request the Patent Term Restoration (PTR) for unreasonable delay incurred when granting invention patents.

Article 42 also provided PTR for patents on new drug inventions due to the time taken for the review and approval of new drug launches at the National Medical Products Association (NMPA).



#### Patent Linkage (Article 75)

Introducing patent linkage into the patent law is a significant change in the latest draft. Patent linkage benefits both originators and generic drug manufacturers by linking drug marketing approval to patent status of originator's products with a system. It can help original drug innovation and promote competition between originator and generic drug companies.

Under the proposed provision, a patent holder could challenge its competitors before the Court or the China National Intellectual Property Administration (CNIPA) within 30 days from the date on which the NMPA announces the drug application for permission of marketing authorization.

Provided the Court of the CNIPA issued a judgement within nine months of accepting the complaint, the NMPA could grant approval if a chemical drug has passed its technical review.



#### Statute of limitation (Article 74)

The latest draft changed the statute of limitation for patent infringement from two years to three years. This is consistent with the general statute of limitations under the Civil Code of the People's Republic of China.

The extension of the statute of limitation is also conducive to the enforcement of the patent owner's rights.

Further, the following changes highlighted the balance between patent owners, stakeholders and the public interest.



#### Statutory Compensation (Article 71)

The latest draft remains to increase the maximum amount of statutory compensation from one million yuan to five million yuan, same to the first draft. Additionally, the latest draft cancelled the lowest limit of 100,000 yuan.

The cancellation of the lowest limit has incurred extended debate in the IP industry.

Some argue that this is against the goal of strictly protecting intellectual property, while others argue that lacking the lowest limit could safeguard the rights and interests of small and medium market entities.

The cancellation of the lowest limit provides the Judge with a higher degree of discretion.

Nevertheless, under the national goal of strengthening patent rights protection, this change is not likely to go against the goal of strictly protecting intellectual property in practice.

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## The special exception of "*no loss of novelty*"(Article 24)

The latest draft added a special exception to "*no loss of novelty*". Namely, if a patent is first disclosed for public interest when a national emergency or an extraordinary situation occurs, the patented invention does not lose its novelty during the six months prior to the filing date.

This new exception is likely to be issued under the impact of Coronavirus Outbreak regarding drug disclosure.

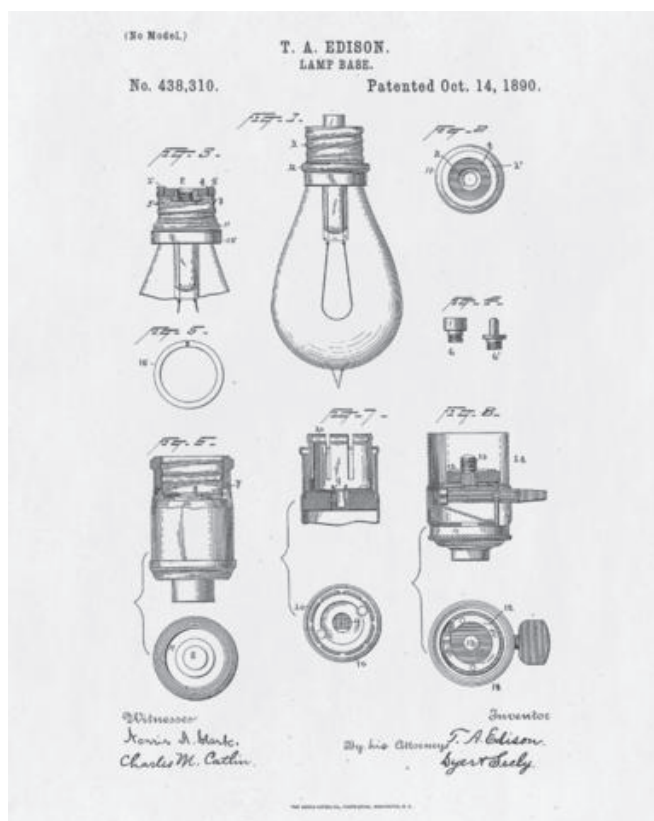
## Incentives of innovation (Article 2.4; Article 15)

The latest draft clarified in Article 2.4 that "*partial shape, pattern or combination of products*" can be protected as design patents, which helps to solve the problem that the protection of design patents under the current patent law has been limited to the entire product.

Additionally, in Article 15, the State encourages inventors or designers to share reasonably the benefits of innovation.

The adaptation time and final content of the amended Patent Law are uncertain. We will keep monitoring and follow up on future changes.

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## HIGHLIGHT

### The Battle of N logo - New Balance annulled Copycat TMK in China



New Balance is an American sports footwear and apparel brand that has been around since 1906. The famous “N” logo of the brand wasn't featured until the '70s when New Balance released the 320 sneakers. Nowadays, “N” has become the iconic symbol of the brand.

Recently, the Supreme Court (“SPC”) issued two retrial decisions which withdrew the Beijing High People’s decisions and determined, due to constituting similar trademarks to New Balance’s cited Trademarks, the said two Disputed Trademarks No. 7976207 and No. 8520182 of N logo registered by Qierte Co, Ltd (“Qierte”) were invalidated.

Disputed Trademarks of QIERTE	Cited Trademarks of New Balance
	
	

#### Invalidation Disputes - Twists and Turns

In 2014, New Balance filed invalidation request with TRAB and asked the same to invalidate two N logo trademarks No. 7976207 and No. 8520182 owned by Qierte. TRAB deemed the Disputed Trademarks and Cited Trademarks didn’t constitute similar trademarks in terms of different expression form, composition design, visual effect etc., thus the coexistence would not result in confusions among the related consumers. The two N logo trademarks were maintained.

Beijing Intellectual Property Court overturned TRAB’s decision and determined the trademarks constitute similar trademarks. Because both 2 Disputed trademarks and all Cited trademarks can be recognized as Capital N letter, and the evidence provided by New Balance could prove they had enjoyed certain reputation on its N logo, thus the coexistence would arouse confusions. [(2015) Jing Zhi Xing Chu Zi No.3615-3616]

Nevertheless, Beijing High People’s Court overturned Beijing IP Court’s decision again, which determined, although these trademarks consist of Capital N letter, the overall visual effect, expression form, composition design are different.

The Disputed Trademarks and Cited Trademarks can be distinguished under general attention by related public.

In addition, the evidence provided by New Balance could only prove the reputation of its standard “N” trademark on shoes and most of them are later than the filing date of Disputed Trademarks, thus it is insufficient to prove the reputation of Cited Trademarks. [(2016)Jing Xing Zhong No.3697]

#### Previously on Qierte - Not a coincidence

Since 2014, New Balance has initiated multiple trademark infringement lawsuits against Qierte and its affiliated company New Bunren(China) Sporting Goods Co., Ltd., and has applied for invalidation of the latter’s “N” logo trademarks.

In 2016, New Balance sued above mentioned 2 companies before Hangzhou Railway Transportation Court by claiming both 2 defendants used “N” decoration on their “New Bunren” sports shoes unauthorizedly, further sold and promoted, which constituted unfair competition against New Balance’s company.



The infringed sneakers at issue - Image via: Hangzhou Daily Newspaper

In the Decision issued on April 14, 2017, the Court deem as a competitor in the same industry, Qierte knows and should know the special decoration and registered series trademarks of New Balance, and Qierte shall avoid but they intentionally change the distinctive part of its registered trademark and use the similar special decoration of New Balance, i.e. N logo.

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Therefore, the two defendants were ordered to immediately stop the manufacture and sale of sports shoes that violated the N logo, and compensate New Balance for economic losses and rights protection expenses total of RMB 3.3 million.

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Even if both two parties further appealed to Hangzhou Intermediate People's Court, and cases are pending in second instance, obviously, the winning of New Balance is a good start for the following invalidation disputes. [(2016) Zhe 8601 Min Chu No.296]

### The SPCs' Final Word

Let's go back to the subject N logo invalidation litigations. After full of twists and turns during first instance and second instance, the SPC make the seemingly more reasonable final decision to New Balance. The controversial issue of the retrial before the SPC is still whether the Disputed trademarks and the Cited trademarks are similar.

New Balance pointed out the comparison of similarity should not focus on the logos per se, but should comprehensively consider the factors including distinctiveness and reputation of the trademark and the subjective intention of the trademark applicant etc.

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**The SPC determined after trial, even if the Disputed Trademarks added different elements and made special design, the N letter is still the significant part, while N letter is also the main distinctive part of Cited trademarks. For related public, Disputed Trademarks and Cited Trademarks will be pronounced and identified as N letter.**

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In addition, the evidence provided by New Balance could prove it had enjoyed certain reputation before the filing date of Disputed Trademarks. As competitor in the same industry, Qierte should have a considerable understanding on New Balance's prior trademarks, nevertheless, Qierte use the easily confused trademark in actual business, which cannot be deemed as "*good faith*".

In the light of above, the Cited Trademarks and Disputed Trademarks constitute similar trademarks, and the SPC overturned the second instance judgement.

### Influence of Bad Faith on Trademark Similarity

Even if the SPC didn't precisely pointed out the malicious and confusing use by Qierte in actual business activities influence the judgment similarity, it can be speculated from the description of SPC judgment and Court debates, the Judge has comprehensively considered the subjective intentions of confusing use made by Qierte.

Last year, Beijing High People's Court issued Guidelines for the Trial of Trademark Right Granting and Verification Cases, of which elaborate the application of similarity judgment could be comprehensively considering the below factors and their interaction based on whether it is easy to create confusion for the relevant public:

- a.** the similar degree of marks of the trademarks and the goods,
- b.** the distinctiveness and popularity of the reference trademark,
- c.** the degree of attention of the relevant public,
- d.** the subjective intention of the applicant of the trademark in dispute.

### Conclusion

Actually, New Balance has been troubled by the "*copycat*" shoes bearing different N logo since it entered China. One example is Qierte Co., Ltd. from Jinjiang City, Fujian Province mentioned in this article.

From my personal understanding, N logo, as simple as it is, wouldn't just change the look of the sneakers but bring fames to New Balance as one of the top sport companies.

The quick search into the Chinese trademark database disclosed different N logo trademarks co-existing in class 25, which are owned by some shoe-making enterprise.

From the perspective of consumers, will you feel confusions by the shoes bearing these different N logos?

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## USEFUL

### Evidence from abroad: simplification coming soon



On June 15, 2020, the Supreme People's Court ("SPC") released for public comments a draft of the Provisions on Evidence in Civil Proceedings Involving IP Disputes ("the Draft", <http://www.court.gov.cn/zixun-xiangqing-236421.html>).

The Draft is composed with 4 parts:

1. Evidence Production by the Parties;
2. Investigation, Collection and Preservation of Evidence;
3. Evidence Exchange and Cross-examination;
4. Evidence Examination and Verification.

Though the Draft is not currently effective, given that provisions relating IP has been changing frequently in recent year, it released some interesting signals.

Once effective, it would be of great benefits for foreign IPR owners.

We notice 3 provisions regarding extraterritorial evidences are generally favorable to overseas' IPR owners, and they largely simplify some time-consuming and costly procedures.

Art. 9 provides that the court shall reject the objection of a party in an intellectual property dispute to admission of evidence formed outside the territory of the People's Republic of China solely on the ground that the evidence is not legalized under the following circumstances:

- a. The party expressly acknowledges authenticity of the evidence.
- b. The producing party provides testimony that confirms authenticity of the evidence, and the witness expressly indicates that he or she is willing to be punished for perjury.

Art. 10 provides that for the following evidence formed outside the territory of PRC, the people's court shall not support any objection made by the other party involved in civil actions over intellectual property only on the grounds that the evidence has not been notarized or legalized:

- c. It has been confirmed by an effective judgment of People's Court or an effective award of an arbitration tribunal.

- d. It belongs to public publications and patent search documents that can be obtained from official or public sources.

- e. There are other ways to verify the authenticity.

Previous to the newly released Evidence Rules in Civil Proceedings, all evidences generated outside of China shall be somehow notarized and legalized before they are going to be presented as evidence to the court, specifically, legalization requires foreign companies to go to the Chinese consulate of their country and make authentication of their notarized documents.

Such practice is costly in both time and money. SPC seems trying to waive such obligation from foreign IPR owner. Meaning, the legalization is no longer needed if above requirements are reached.

We can also see from Art. 10 that, apart from legalization, SPC is even trying to waive foreign IPR owner's obligation from having to notarize everything if such evidence is affirmed or can be acquired by other means.

Art. 11 provides that the court may infer the attorney is entitled to all proceedings related with a power of attorney formed overseas yet didn't clarify the proceedings the attorney can attend, and the court may also infer that the attorney can receive court's service in subsequent proceedings.

Notarization and legalization for power of attorney of further proceeding may be waived if the power of attorney of 1st instance is notarized and legalized.

Different from the use of "shall" in Art. 9 and 10, SPC use "may" in Art. 11 which leaves some space for the court to interpret. Meaning that the court may still reject the attorney based on using a "bad" power of attorney trying to attend further proceedings. Yet compared to some mechanical and inflexible measures adopted by certain courts, such provision provides an argument as weapon for the attorneys.



## BUSINESS

### Brief introduction of E-Contract of PRC Civil Code



Nowadays a series of transactions such as online shopping, online communication have become the norm. The “PRC Civil Code” (“Civil Code” will effective on January 1, 2021) have taken in consideration such “new normal” and established several provisions on the conclusion and performance of electronic contracts for the first time.



#### Conclusion terms

According to Article 469 “The Parties may conclude a contract in writing, orally or in other forms. A written form is a letter of contract, letter, telegram, telex, fax and other forms that can show the contents in a tangible form. Electronic data exchange, e-mail, etc., which are capable of presenting the contents in a tangible form and can be retrieved and checked at any time, shall be deemed as a written form.”

Given the constant presence of electronic data in daily life, the way to conclude a written form contract is no longer restraint to the form of traditional letter of contract, telex or telegram etc. while the use of WeChat or e-mail as a carrier for contracts is on the rise.

**The most common question is whether in the event of an economic dispute a WeChat record or email exchange, in which parties have agreed on a subject matter, can be defined as a contract.**

In this regard, the Civil Code expanded the definition of the “written form” of the current Contract Law, adding the provision that “Electronic data exchange, e-mail, etc., which are capable of presenting the contents in a tangible form and can be retrieved and checked at any time, shall be deemed as a written form”, which can provide clear guidance in practice as to whether such an approach constitutes a contract.

According to Article 491 of the PRC Civil Code “Where a contract is concluded by the Parties in the form of letters or electronic messages and requires the signing of a confirmation letter, the contract is formed when the confirmation letter is signed”.

Where the information about commodities or services released by a Party through the internet or other information networks meets the conditions of the offer, the contract is formed when the other Party selects such commodities or services and submits the order successfully, except otherwise agreed by the Parties.

The conclusion of a contract shall comply with the offer and acceptance of the law before it becomes effective.

**Firstly**, “Where the information about commodities or services released by a Party through the internet or other information networks meets the terms of the offer” of this article refers to the commodity or service information published by a Party shall meet the conditions of the offer, which shall be specific and have the main terms sufficient to establish the contract, such as the subject matter of the contract, quantity, quality, price and other elements.

**Secondly**, “the contract is formed when the other Party selects such commodities or services and submits the order successfully” indicates that to constitute a valid acceptance, the following two conditions must be met:

- (i) the selection of the goods or services; and
- (ii) the order is submitted successfully, then the electronic contract is established.



#### Performance terms

According to Article 512 of the PRC Civil Code “Where the subject matter of an electronic contract concluded through the internet or other information networks is the delivery of goods and the delivery is made by express delivery and logistics, the time of receipt signed by the consignee shall be the delivery time.

If the subject matter of an electronic contract is the provision of services, the time specified in the generated electronic certificate or practical certificate shall be the time of provision of services; if there is no time specified in the aforementioned certificates or the time specified is inconsistent with the actual time of service provision, the actual time of service provision shall prevail.

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*If the subject matter of an electronic contract is delivered by means of online transmission, the delivery time shall be the time when the subject matter of the contract enters into a specific system designated by the other Party and can be retrieved and identified. Where the parties to an electronic contract have otherwise agreed on the mode and time of delivery of the commodities or services, such agreement shall prevail”.*

The conclusion of the contract is the basis for the performance of the contract. Only the contract is actually performed can be deemed as to reach the interests of both Parties and achieve the purpose of the contract.

For example, ordering food on a certain platform, the contract between the two Parties is established from the moment to choose the specific merchant, food and delivery time to the moment the order is successfully submitted. After the delivery by the Courier and upon the buyer's receipt, the contractual obligations of the two Parties are fulfilled.

It should be noted that this provision stipulates that the delivery time of the subject matter of the electronic contract concluded through the internet and other networks shall be the time of the receiver's signature, according to Article 604 of “Civil Code”, the risk of damage to or loss of the subject matter shall be borne by the seller before delivery and by the buyer after delivery, unless otherwise provided by law or agreed by the Parties.

Under the online shopping scenario, the “delivery” means that the risk of damage and loss of online shopping goods shall be borne by the merchants before the goods are signed for acceptance, and the risks after signing for the goods shall be borne by the consumers.

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**Meanwhile, it is not difficult to see from the above provisions that electronic contract and paper contract have been in the same legal status, but further separate provisions have been made in defining the time of conclusion and performance of the electronic contracts.**

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The Civil Code in the regulation of the terms of the electronic contract is the clearance of its legal status, in case of practical matters related to the electronic contract, we will also need to consider with the related special laws such as the E-Commerce Law or Electronic Signature Law in view of the case for further analysis.

At the same time since the civil code will take effect at the beginning of next year, we do believe that the judicial explanation of key issues of Civil Code will also be published and we will introduce accordingly.

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## WATCH OUT

### Where alcohol meets IP: how Martell won in China



**Real names on fake products.** China has often faced this problem in the past thirty years, also in the spirits industry. Fake bottles with Martell, Johnny Walker and other known names could be found in shops and in entertainment venues around the country.

After China became a member to the WTO and become more serious about IP protection, slowly the cases where infringing copycats used the real names became lower. It became clearer to infringers that such copying would mean trademark infringement as most companies would register the name of their product and the name of their company as a trademark in China.

#### **What infringers did next: imitating the shape of the bottle.**

The question then for these companies was how to still get the consumer to buy their fake products by making consumers believe they are buying the real thing.

Slowly the names of the products started to become a bit different. First a difference of one letter and later more and more letters were different, so as to still lure the consumer into buying these fake products.

**Then the copycats realized that consumers often look at the shape of the bottle in order to know what they are buying. As the bottles of spirits often have interesting shapes to them as a luxurious product, more and more bottles started to be marketed which are identical or similar copies of the famous spirits bottles.**

Luckily, the law in China was also moving forward and 3D protection of shape of the bottle became available. Though a 3D protection of the trademark, the shape of the bottle can be protected from being copied by copycats.

#### **Martell and infringement**

But how does this bottle infringement work nowadays? Can you win a case when your 2D or 3D trademark gets infringed in China?

Being a victim of fake products for a long time in China, Martell, through the years has registered various trademarks including names, 2D (The 2D trademark is a view of the Martell bottle from the front) and 3D trademarks (full shape of the bottle) in order to protect their rights.

Yet, again they were faced by two companies trying to profit from their goodwill. This time the companies had copied the shape of various Martell bottles throughout a wide range of their assortment.

Good news for the company is that a district court in Guangzhou ruled that the companies and the legal representative have infringed Martell's 2D and 3D trademarks regarding its cognac bottles.

**The court ruled that a global view must be taken in order to decide whether the relevant public will be confused, by comparing the similarity of the bottles of the infringer, with Martell's trademarks and bottles. As the companies had put a line of various bottles on the market that all were very similar to the 3D trademarks and bottles of Martell.**

The court also found that the Chinese company had slavishly imitated Martell's Cordon Bleu bottle on which it has a 2D trademark. By doing so, as this created a link by the relevant public between the infringer and Martell, the court also deems this slavish copy of the bottle a trademark infringement.

#### **Other alternatives and Do's**

A design patent protects new and creative designs of shapes for ten years. If a brand deems that it might be too hard to get a 3D trademark registered, the design patent might be a good solution to still get a protection for the shape of the bottle.

Other ways to go against this type of fake products are unfair competition, copyright protection, and product safety. Registering your IP rights and taking action against fakes is highly recommended.

Not acting might mean being liable for anyone getting hurt by drinking fake spirits. Apart from the dangers here to people, getting back your reputation would be hard after a big incident involving fake products of your brand.

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