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Ms. Xia Zheng becomes an advisors on "Shuang Chuang" Program

We are delighted to announce that Ms. Xia Zheng and other 19 IP attorneys become advisors on IP services for the "Shuang Chuang" Program. The program provides support in respect of IP management, commercialization and marketing to businesses of innovation and entrepreneurship.

<http://afdip.com/index.php?ac=article&at=read&did=3209>

SIPO Official: China is A Defender, Participant, and Constructor of International IPR Rules

China has established an intellectual property (IP) system that complies with common international rules, and the country has become a defender, participant, and constructor of the international intellectual property rules, Zhang Zhicheng, Director General of the Protection and Coordination Department of the State Intellectual Property Office (SIPO), said in an interview with People's Daily.

All countries face common problems, including affirmation of intellectual property rights (IPR), technology diffusion, benefit-sharing, infringement, and piracy, problems which are also getting increasingly complicated, Zhang noted.

"To address these problems, international cooperation should be the only approach for us," Zhang said, calling to strengthen effective protection of innovation and maintain a

healthy and orderly market order to promote fair competition.

"We should guarantee that benefits of innovation are shared by all humans," he stressed.

The IPR system should be turned into a bridge for innovation cooperation among countries in the world based on common interests, and doing so should be the responsibility of all members of the international community, especially major countries like China and the US.

The IP disputes between Chinese and American enterprises are a reflection of the operation of different IP systems and a cooperative approach adopted by both sides is needed to improve and solve these problems, pointing out that China treats domestic and foreign enterprises equally and provides them with equal protections.

He reiterated that China resolutely opposes the abuse of IP rules and opposes trade protection in the name of IP protection. China also disapproves emphasizing protection of rights without talking about related obligations, or emphasizing one's own interests while leaving behind principles of multilateral agreements.

"China is willing to work together with the international community to effectively safeguard the multilateral trading system, and is committed to working with all countries in the world, including the US, to build an open, inclusive, effective, and balanced international system for intellectual property rights," the director general said.

<http://en.people.cn/n3/2018/0504/c90000-9456624.html>

The Pendency of China's Trademark Registration to Be Shortened to Less Than Four Months by 2020

Chen Wentong, Deputy Head of Trademark Bureau under State IP Office said that according to the Three-Year Plan of Reform on Trademark Registration Facilitation (2018 - 2020), the pendency of trademark registration will be shortened to 6 months by the end of 2018 and less than 4 months by 2020.

Since 2016, China's trademark registration and facilitation has been improving continuously. The pendency of trademark registration has been shortened from 9 months to 8 months. However, as the demands and expectation of major market players and the general public get higher and higher, some profound problems and contradictions gradually emerge.

Under this background, focusing on the main goal of "shortening the pendency of trademark registration", the former SAIC released the plan as appropriate to identify the difficult tasks of the facilitation reform arising in seven aspects of improving examination efficiency, enhancing the examination system, simplifying the application procedure, adjusting the fees, strengthening the technical support, reducing the trademark inventory on the paper and promoting the law revision.

<http://www.chinaipr.gov.cn/article/centralgovernment/201805/1920721.html>

MOFCOM Report: Export of IPR Loyalties Grew by 3.2 Times in 2017

Recently, the Comprehensive Department of MOFCOM and Chinese Academy of International Trade and Economic Cooperation jointly released the Report of China on Foreign Trade Situation (2018 Spring)(or the "Report"). In terms of China's service trade, the Report indicated that the service export grew faster than the service import for the first time over the past seven

years, among which IPR loyalty export increased by 3.2 times in 2017.

According to the Report, in 2017, China's service import and export volume reached 4.69911 trillion yuan, up by 6.8% from 2016, of which the service export registered 1.54068 trillion yuan, up by 10.6%; service import totaled 3.15843 trillion yuan, up by 5.1%. In 2017, China's service trade accounted for 14.5% of the total trade volume (sum of goods and service import and export), down by 0.7% from 2016. The service trade deficit totaled 1.61774 trillion yuan, down by 5.3% from 2016. The service trade deficit remained at a relatively high level, taking up 34.4% of the total service trade.

<http://english.ipraction.gov.cn/article/News/201805/20180500185495.shtml>

Chinese Customs Take Tough Measures Against IPR Infringement

Chinese customs took tough measures against intellectual property rights (IPR) infringement last year.

Customs authorities seized more than 19,000 shipments of goods suspected of IPR infringement in 2017, involving nearly 41 million individual items, according to the General Administration of Customs (GAC).

Over 98 percent of the goods were involved in trademark infringement. The value of those involved in patent infringement rose 41.2 percent year on year.

Most of the seized goods were transported by sea, and through customs offices in eastern coastal regions.

The GAC data showed that authorities seized nearly 13 million items suspected of IPR infringement of domestic enterprises last year, up 70.8 percent.

<http://english.china.com/news/china/54/20180425/1268157.html>

SUPPLEMENT ISSUE

Strategies for Trade Secrets Protection in China

Trade secrets under Chinese laws shall meet the requirements of secrecy, commerciality, and confidentiality. To get the court's support in infringement disputes related to trade secrets, the rightholder must demonstrate that he or she has implemented reasonable and effective confidentiality measures to protect the trade secrets. Otherwise, the court could rule in favor of the defendant for non-infringement. Obviously, the court puts significant weight on the due diligence taken by the rightholder in determining whether or not a trade secret exists. In light of recent trade secret litigation, we would like to discuss how to conduct reasonable and effective confidentiality measures to protect your trade secrets.

Object of the Confidentiality Measures – Concept and Types of Trade Secrets

It is stipulated in Article 9 of China's Anti-unfair Competition Law, which came into effect on January 1, 2018, that the term trade secret means "information about technologies and business operations unknown to the public, possessing commercial value and protected by corresponding confidentiality measures taken by the rightholder." According to this definition, trade secrets shall possess three features, which are secrecy, commerciality and confidentiality.

Confidentiality is a necessary element in establishing a trade secret. The object of confidentiality measures is "information about technologies" and "information about business operations," and the premise of confidentiality measures is that there are "information about technologies" and "information about business operations" to be protected. Accordingly, confidentiality measures shall be implemented on the aforesaid two kinds of information.

As to the manifestations of information about technologies and business operations, it is stipulated in the provisions in Article 2 of Several Provisions on Prohibiting Infringements upon Trade Secrets issued by the State Administration for Industry and Commerce of China, that information about technologies includes designs, procedures, formula of products, manufacturing techniques, etc., and manufacturing methods; and information of business operations includes management secrets, name list of customers, information about source of goods, production and sale strategy, bottom price of a bid, contents of bidding documents, etc.

Legal Provisions on Confidentiality Measures

Chinese laws stipulate the confidentiality measures which can be taken by rightholders.

It is stipulated in Article 2 of Several Provisions on Prohibiting Infringements upon Trade Secrets, revised by the State Administration for Industry and Commerce of China in 1998, that "confidentiality measures taken by the rightholder as mentioned in these provisions include

signing a non-disclosure agreement, setting up a confidentiality system and taking other reasonable confidentiality measures.”

Article 11(3) of the Judicial Interpretation of the Supreme People's Court on Matters About the Application of Law in the Trial of Civil Cases Involving Unfair Competition, which came into effect on February 1, 2007, stipulates the definition of confidentiality measures, the scope of investigation which should be conducted by courts when determining whether confidentiality measures are taken, and some common confidentiality measures, such as “to take preventive measures as locking the carrier of the classified information up; to conclude a non-disclosure agreement; to use passwords or codes for accessing the classified information, etc.”

It can be seen from the above legal regulations that reasonable confidentiality measures shall not only reflect the rightholder's intention about what information they wish to keep confidential, but also have concrete manifestation; and the specific confidentiality measures shall also have the effect of preventing classified information from being disclosed under normal condition.

Judicial Determination on Whether a Confidentiality Measure is Reasonable

In practice, the following judicial precedents may give us insight on how to take reasonable and effective confidentiality measures to protect classified information.

Cases in which courts determine that reasonable confidentiality measure are taken to protect information about business operations.

The Shandong Higher People's Court, in its Civil Judgment (2016)LMZ NO. 310, first determines the object of the confidentiality measures, i.e. the content of the information about business operation, and then determines that the rightholder has taken reasonable confidentiality measures to protect the information about business operation on the basis that documents of the Cooperation Agreement and Supplementary Agreement involved in this case are both marked with the word “confidential”; furthermore, confidentiality measures are stipulated in the document Management System on Confidentiality of the Company provided by the rightholder who claims the trade secret; and the former employee of the company has agreed to accept the duty of confidentiality once the Statement of the Employee's Work Position was concluded between the company and the former employee.

The Beijing Higher People's Court, in its Civil Judgment (2017)JMZ NO. 398, determines that the rightholder has taken confidentiality measures on the fact that the Sales Contract for the carrier of the classified information of business operation contains a confidentiality clause; the internal management system of the rightholder and the confidentiality agreement concluded between the rightholder and the employees state that the employees have the duty of confidentiality regarding classified information about business operation; and there is no contrary evidence.

Cases in which the courts determine that reasonable confidentiality measure are taken to protect information of technologies.

The Shaanxi Higher People's Court, in its Civil Judgment (2016)SMZ NO. 451, determines that the rightholder has taken proper confidentiality measures on the fact that the classified technical data is sealed with the wording "controlled documents"; the rightholder who claims the trade secret concluded a Confidentiality Agreement with the employee at the time the employee was enrolled in the company; and the rightholder required the employee to sign Letter of Commitment to Keep the Secret for Separated Employees when an employee is leaving the company.

The Jiangxi Higher People's Court, in its Civil Judgment (2017)GMZ NO. 104, determines that the rightholder has taken reasonable confidentiality measures according to the Employee Manual made by the rightholder and the contract concluded with the employee in charge of technology, where confidentiality clauses and liability for breach of contract are appointed and it wrote that not all employees can access to technical drawings.

Judicial precedents in which confidentiality measure is deemed as not taken.

The Supreme People's Court, in its Judgment of Retrial (2017)ZGFMS NO. 2964, made the following Judgment based on evidence and materials relating to "confidentiality system":

The company's Several Provisions on Confidentiality Works Information "only in principle require all employees to keep confidential of the company's sale, operation and technology secrets, but fail to let the object of the regulation, namely all employees, know the scope of the information protected as trade secrets, therefore, such measures are not practically feasible measures for protecting the trade secrets.

The company's Sale Management System and Letter of Responsibility for People Providing Marketing Service prohibit the marketing people from selling commodities of the same category using the original marketing channel when working at the company and within three years from the date of leaving the company, the Supreme People's Court holds that the above said agreements are simply non-competition provisions but does not explicitly point out the duty of confidentiality shall be taken by the staff who are sued for infringement in the case. Although these types of agreements are intended to protect trade secrets, they fail to meet the establishment of confidentiality measures stipulated in the Anti-unfair Competition Law since they neither explicitly point out the employer's subjective will to protect the trade secret nor give the scope of the information protected as trade secret.

Besides, the duty of confidentiality stipulated in the Agreement on Labor Contract cannot be deemed as constituting confidentiality measures meeting the legal rules, i.e. contractual collateral obligations do not constitute confidentiality measures.

Contractual collateral obligations are derived from the principle of honesty and faithfulness and are different from the component element “confidentiality,” which is a kind of positive act, of trade secret.

The Supreme People’s Court, in its Civil Judgment (2014)MSZZ NO. 3, determines that the documents of “job requirements” provided by the rightholder does not constitute reasonable confidentiality measures due to that they just generally state the duty of “keeping information confidential” but not point out what the specific object and the scope to be kept confidential are; “record for checking-out (classified) files” is not determined as a confidentiality measure either for the reason that there is no specific rule or requirement stipulating that the classified information should be kept confidential.

Moreover, the Supreme People’s Court also determines that common measures in production activities are not necessarily be determined to be confidentiality measures, and the rightholder is required to provide evidence to prove that the purpose of adopting such measures is to keep the classified information confidential; evidence such as documents of selling price marked with “top secret” can only prove that confidentiality measures are taken to keep such information about business operations confidential, but cannot prove that the rightholder also takes confidentiality measures to keep the information about technologies and information about business operation relating to a named list of clients. Besides, this judgment also determines that for trade secret co-owned by multiple individuals/entities, all co-owners shall take confidentiality measures for the trade secret.

Based on the above judicial precedents, we recommend that the rightholder state clearly, in evidence for relevant confidentiality measures, the scope of the information protected as a trade secret, and not just include general wordings like “sale, operation, and production technology secret”; at the same time, the rightholder shall explicitly appoint the duty of confidentiality which employees shall take, without relying on the agreement of a non-competition restriction or collateral obligations of a labour contract; and if a trade secret is co-owned, it is necessary to make sure that all co-owners take confidentiality measures for the classified information.

Conclusion – Suggestions for the Rightholder on Taking Confidentiality Measures for Classified Information

That confidentiality measures have been taken is an important manifestation in determining trade secrets. They are more operable for the rightholder and easier to be recognized in comparison with the features of trade secrets. As what is said in the Judgment of Retrial (2017)ZGFMS NO. 2964 by the Supreme People’s Court, confidentiality measures shall indicate the rightholder’s subjective will to keep the classified information confidential and explicitly point out the scope of the information protected as trade secrets, so as to make the obligors know the rightholder’s intention of keeping the classified information confidential as well as the object to be kept

confidential; and confidentiality measure being taken shall be sufficient to prevent the classified information from being disclosed under normal conditions. To protect trade secrets, enterprises shall take reasonable confidentiality measures and pay attention to the following points:

Explicitly indicating the scope of the object to be kept confidential in the confidentiality measures, so as to make the obligors know the object to be kept confidential.

Both documents regarding confidentiality system unilaterally made by the enterprises and confidentiality agreements or documents contain a confidentiality clause concluded between the enterprises, and the employees shall explicitly stipulate the scope of the information protected as trade secrets; and shall not simply contains general wordings like “employees should keep sale, operation and production technology secrets” or just appoint a non-competition restriction; instead, they shall specify the specific duty of confidentiality and the object to be kept confidential, so as to make the obligors know the object the rightholder would like to keep confidential.

Developing multiple confidentiality measures, so as to sufficiently prevent the classified information from being disclosed under normal conditions.

Confidentiality is one of the most important component elements for determining trade secrets. Where the rightholder cannot prove he or she has taken reasonable confidentiality measures to protect the classified information, the rightholder will lose the infringement lawsuit relating to trade secret.

Taking multiple confidentiality measures can help not only to prove before courts that the rightholder has the subjective will to actively protect the secret through reasonable measures, but also to effectively avoid the loss of a lawsuit due to a single confidentiality measure deemed as defective by the court.

Based on the above, in terms of the establishment of an internal management system, enterprises shall not only set general a confidentiality system for the whole company but also draw up a stipulation of service, statement of a work position or the like to specify the duties for any particular work positions and obligations for confidentiality for employees of any particular work position. Except for the aforesaid unilateral stipulations made by enterprises, enterprises shall also conclude confidentiality agreement or other documents contain confidentiality clauses with the relevant employees; enterprises could also teach, educate and train the employees about the duty of confidentiality by holding meetings. Marking “confidential” on the secret-related carrier is also a convenient confidentiality measure.

Announcing the confidentiality measures to the employees, so as to enforce the rightholder’s intention to keep the classified information confidential and explicitly point out the object to be kept confidential.

Documents of the confidential system unilaterally made by the enterprises should be distributed to employees and the evidence for such announcement should be kept. If enterprises preach and teach the employees about the confidential system by holding conferences, complete meeting minutes should be archived. The meeting minutes shall contain the name list of the attendees and should be signed by each of the attendees. In this way, the rightholder's intention to keep the classified information confidential is emphasized and the objects to be kept confidential are clarified to the obligors.

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<http://afdip.com/index.php?ac=article&at=read&did=3212>

Hasbro's 'Transformers' TM Dodges TRAB Revocation (For Now) on Procedural Issues

For the once-young generations, the cartoon "Transformers" is loaded with sweet childhood memories. The US-based Hasbro Company is the producer and brand owner of the cartoon. With no surprise, Hasbro registered "变形金刚 THE TRANSFORMERS" (the trademark in dispute), certified to be used on clothing. Its life span, however, was almost cut short by a revocation decision of the Trademark Review and Adjudication Board (TRAB). The death sentence to the trademark was called off recently by Beijing High People's Court in its final-instance decision.

Now by court order, TRAB has to take a de novo look at the case. The world-renowned toy company Hasbro was founded in 1923. It purchased the US-based Milton Bradley International and bought the toy line "transformers" from the Japan-based TAKARA in 1984. In China, Milton Bradley filed the registration application for the trademark in dispute and obtained the official approval to be used in Class 25 products including clothing, socks and hats. The trademark in dispute was later approved to be transferred to Hasbro in November 2015.

Dekus of South Korea filed for the revocation application of the trademark in dispute to the Trademark Office (TMO) on the ground that the trademark was not in use for 3 consecutive years from June 19, 2009 to June 18, 2012 (the designated period). After examination, the TMO revoked the trademark in dispute holding that the evidence furnished by Hasbro was not sufficient to prove the commercial use of the trademark in dispute. The disgruntled Hasbro lodged a re-examination request to the TRAB.

In January 2015, the TRAB sided with the TMO on similar grounds. Hasbro then brought the case to Beijing IP Court. The Beijing IP Court revoked the decision by the TRAB on its wrongdoing in procedural issues and ordered it to take a new look at the case. The TRAB did not buy the decision and appealed to the Beijing High People's Court.

Beijing High found that the TRAB sent the notice of evidence exchange to Hasbro on January 9, 2015. The earliest date that Hasbro received the notice was January 10, 2015. The signature

date that Hasbro responded with the evidential materials was February 9, 2015 well within the 30 days upon receiving the notice. The TRAB should have given Hasbro 30 days for response. Instead it rendered a decision on January 29, 2015, an apparent violation of procedural requirements. In this connection, Beijing High rejected the appeal from the TRAB and upheld the decision of the first instance.

<http://english.sipo.gov.cn/docs/2018-05/20180509082257491285.pdf>