



Intellectual Property newsletter

Edition 4 | 2021



Contents

	1	Introduction	p. 02
	2	Legal update on Intellectual Property law in Vietnam	p. 03
	3	Implementation of EU Directive 2019/770 in Germany	p. 07
	4	Influence of Open-Source Software on AI	p. 09
	5	COVID-19 impacts on IP practices in Vietnam	p. 11
	6	GC rules on registrability of a can opening sound	p. 13
	7	The interaction between copyright and patents	p. 15
	8	Czech Supreme Court: ruling on competing principles	p. 16
	9	Romanian High Court ruling on trademark & trade name	p. 18
	10	News	p. 19

1 Introduction

Welcome to the new edition of the KPMG Intellectual Property newsletter on developments in the world of patents, trade marks, designs, domains and other Intellectual Property rights (“IPRs”). KPMG firms are proud of their global network, with IP lawyers, enabling KPMG professionals to offer an international service to clients in this area.

In this issue, several developments in Intellectual Property law are analyzed. The IP legal framework in Vietnam is currently undergoing a lot of changes. An overview of the various measures is provided in our first article. A second article concentrates on the implementation of the EU Directive on certain aspects concerning contracts for the supply of digital content and digital services into German law.

Other highlights deal with current topics such as the influence of open source software on artificial intelligence or the impact of COVID19 on IP practice in Vietnam.

Furthermore, various court decisions are analyzed, such as the recent decision of the General Court of the

European Union with regard to the registrability of a sound mark, a ruling of the ECJ regarding the interaction between copyright and patents and a decision of the Czech Supreme Court on competing principles.

Reports on new legislative initiatives in various jurisdictions will complete the picture.



Dr. Anna-Kristine Wipper
Partner
KPMG Law Rechtsanwaltsgesellschaft mbH
T: +49 30 53019-9731
E: awipper@kpmg-law.com



Madlen Müllensiefen
Trademark Management
KPMG Law Rechtsanwaltsgesellschaft mbH
T: +49 69 95119-5641
E: madlenmuellensiefen@kpmg-law.com





I. Intellectual Property legislative development trend in Vietnam

According to the Intellectual Property (IP) index, released by U.S. Chamber of Commerce Global Policy Center, Vietnam's score in the IP index increased from 36.62 percent in 2020 to 37.49 percent this year¹, marking the reach of 41th rank in the IP Index 2021. Such impressive achievement comes as no surprise given the country's recent efforts in amending its IP legal frameworks to ensure the compliance with IP-related commitments under the following ratified FTAs:

- Protocol amending the TRIPS Agreement;²
- Comprehensive and Progressive Trans-Pacific Partnership (CPTPP);
- EU–Vietnam Free Trade Agreement (EVFTA);
- Regional Comprehensive Economic Partnership (RCEP);
- Hague Agreement Concerning the International Registration of Industrial Designs.

Some of the key takeaways from the amendments on IP legal framework are summarised as follows –

- Non-traditional trade marks, such as sounds (and possibly scents) will be recognized as registrable IP subjects.
- Pharmaceutical products from developed countries could be easier to access by allowing cross-border compulsory licensing of pharmaceutical patents.³
- Registration process of industrial designs and corresponding formality requirement are simplified.
- The IP protection and enforcement mechanisms are strengthened to tackle against copyright infringements and other infringements on digital environment.

II. Update on key legal framework changes

1. Draft Law amending and supplementing Vietnam IP Law⁴

On 4 October 2021, the Vietnamese Government proposed an official Draft supplemental and amended provisions of the Law on IP (Draft IP Law) to the National Assembly of Vietnam. This is the third official Draft IP Law from the Government since its publication of the first IP Law in December 2020. Given the recent official ratification of some strategic FTAs, the Law on IP in Vietnam is planned to be in line with the international legislative standard as well as to enhance creation, ensure transparency and trust.⁵

The key supplements and amendments to the Law on IP focus on⁶:

- Ensuring the clarity on regulations related to authors, copyright owner, performers and owners of copyright and related rights while doing the assignment and license.
- Encouraging the creation, exploitation and dissemination of inventions, industrial designs and layout designs created from the state budget.
- Facilitating the registration progress of copyright, related rights and industrial property rights.
- Ensuring the adequate and balanced level of protection in securing the IP rights.
- Enhancing the effectiveness of supportive actions related to IP by IP Agents and Collective Management Organization.
- Improving the IP enforcement mechanism by re-designing the legal framework to tackle against online infringement and counterfeit goods.



¹ U.S. Chamber of Commerce International IP Index 2021 Ninth Edition, available at: https://www.theglobalipcenter.com/wp-content/uploads/2021/03/GIPC_IPIndex2021_FullReport_v3.pdf

² https://noip.gov.vn/web/english/world-ip-activities/-/asset_publisher/ZMuTgR44COLR/content/protocol-amending-the-wto-trips-agreement-officially-entered-into-force

³ https://noip.gov.vn/web/english/world-ip-activities/-/asset_publisher/ZMuTgR44COLR/content/protocol-amending-the-wto-trips-agreement-officially-entered-into-force

⁴ http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=509&_page=1&mode=detail&document_id=203561

⁵ According to the Resolution No. 66, dated 1 July 2021, announcing the Government's official legislative implementation and improvement plan following the Resolution adopted by the 13th National Congress of the Communist Party in February 2021; available at: http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=509&_page=1&mode=detail&document_id=203561

⁶ According to Report on Project on Law on amendments and supplements to a number of provisions of the Law on Intellectual Property issued by the Government on 28 September 2021; available at: <https://duthaonline.quochoi.vn/Pages/dsduthao/chitietduthao.aspx?id=7371>



After the publication of the Draft IP Law, some of IP law experts have flagged several unsolved issues such as:

- The ambiguity of the regulations to distinguish co-authorship and author collective.
- The lack of appropriate statutory procedures to recognize a well-known trademark.
- The need of centralizing all of current IP regulations into a new Law on IP for the ease of law reference and implication.

2. New Draft Decree amending and supplementing administrative sanctions against IP infringements⁷

In June 2021, Ministry of Science and Technology (MOST) published an official draft decree amending regulations on administratively sanctioning against industrial property infringements for public consultation. Such amendments are expected to adopt the Amended Law on Handling Administrative Violations (taking effect since January 2022) and to address the current major shortcomings in the Decree 99/2013/ND-CP (Decree 99).

Below are some key takeaways of the proposed amendments from the new draft decree:

- Supplement sanction against the act of exporting infringing products,⁸ counterfeits and infringing labels or tags.⁹ Such proposed amendment is in line with CPTPP and EVFTA requirements and expected to tackle against infringing/counterfeit products being exported out of foreign market which remains a deadlock problem of enforcement authorities and IP holders due to the lack of legal framework.
- Supplement limitation periods of sanctioning against numerous infringements.¹⁰
- List out detailed acts considered to be manufacturing infringing/counterfeit products, including designing, crafting, processing, assembling, packaging infringing/counterfeit products.
- Raise the amount of monetary penalties (from VND0.5 – 1 million to VND10–20 million) for the act of falsely indicating the industrial property rights (e.g. falsely using symbol TM or [®] or term “trade mark licenses”).¹¹
- Reconcile and consolidate legal instruments for enforcement authorities on sanctioning authority, interpreting and applying additional sanctions and remedies.¹²
- In case the parties in an IP-related dispute have

reached their settlement or the IP holders, by filing a legitimate request, would like the enforcement authorities to cease their sanctioning against the infringement, the authorities are entitled to recognize the settlement or request in question and suspend their administrative proceedings. Such proposed amendment aims to boost the civil nature of IP and reduce the burden of handling insignificant IP infringements for the authorities in the long run.

3. New Draft Decree amending and supplementing instruments on management, provision and use of internet services and online information¹³

In July 2021, Ministry of Information and Communications (MIC) published a draft decree amending Decree No. 72/2013/ND-CP dated 15 July 2013 on management, provision and use of internet services and online information (“Decree 72”). The Decree No. 72, along with its enacted amendments in 2018, has provided some legal instruments to tackle against cyber-infringements. The notable IP-related proposed amendments from the draft decree are the change of domain name dispute resolution regime. This is because the current available solutions for handling cybersquatting,¹⁴ including manual conciliation, arbitration, administrative route and civil litigation, appear to have certain shortcomings regarding the feasibility of each solution in practice and the inconsistency of the competent authorities’ law implementation. In addition, the current regime seems not to conform to the respective requirements under CPTPP.

⁷ <https://www.most.gov.vn/vn/Pages/chitietduthao.aspx?iDuThao=842>

⁸ Products bearing marks infringing upon trade marks, geographical indication, trade name and industrial design

⁹ Articles 11.13(c), 12.10(c), 13.7(a), 14.13(b) draft decree on amending and supplementing administrative sanctions against IP infringements.

¹⁰ Ibid, Article 2a

¹¹ Ibid, Article 6.1

¹² Ibid, Article 3.2, Articles 8 – 14

¹³ http://chinhphu.vn/portal/page/portal/chinhphu/congdan/DuThaoVanBan?_piref135_27935_135_27927_27927.mode=displayreply&_piref135_27935_135_27927_27927.id=4382

¹⁴ The act of bad-faith registration or unauthorized use of domain names that are identical or similar to trademarks, trade name, personal names or geographical indication for the purpose of exploiting the reputation of IP holders or extort payment from the IP holders for the domain name transfer.

Legal update on Intellectual Property law in Vietnam



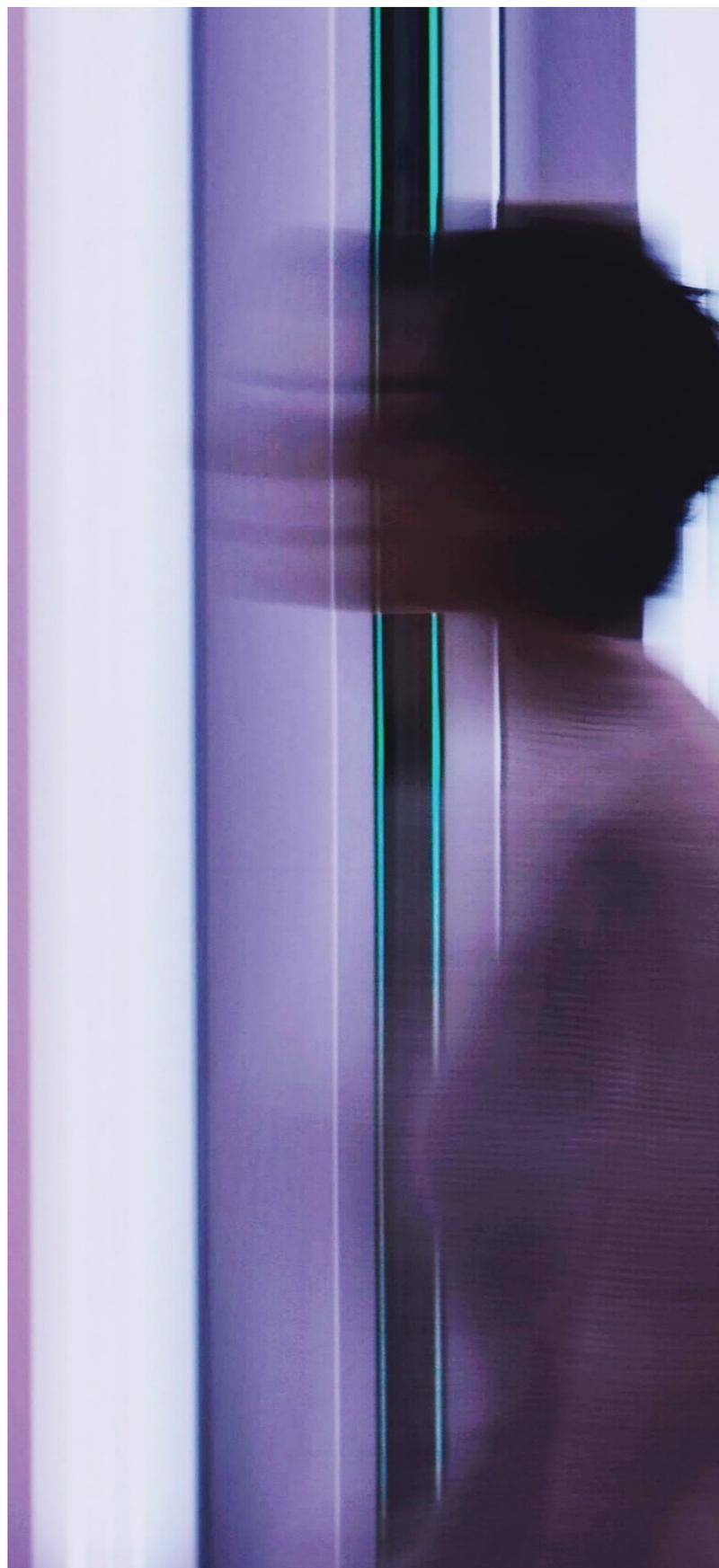
Below are some key takeaways of the proposed amendments from the new draft decree:

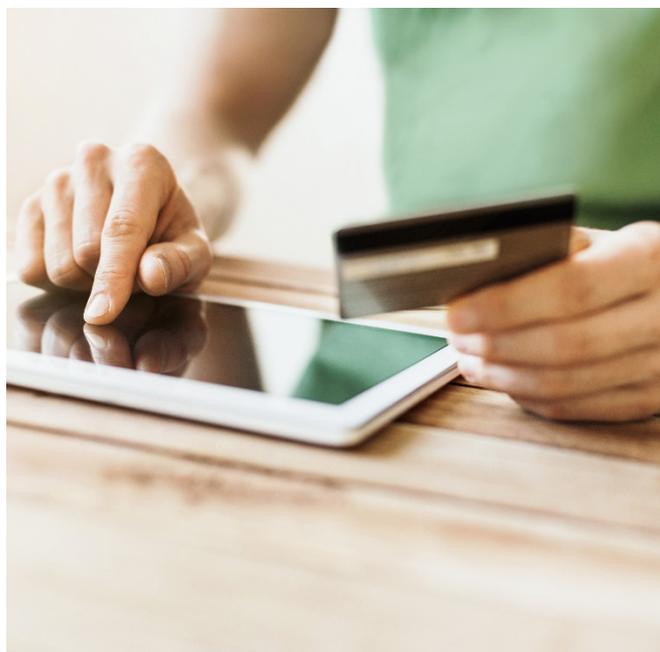
- Expand the scope of legitimate rights being protected from cybersquatting by adding personal names of the right holders, geographical indications and trade names.¹⁵
Mention the legal grounds for the right holders to resolve the domain dispute and explicitly require the right holders to address all of the mentioned grounds instead of merely listing out all of the grounds with no further guidance. Accordingly, the right holders would address in their complaint requests or their civil lawsuit petition the following grounds¹⁶:
 - The alleged domain name is identical or confusingly similar to the right holders' name/trade mark/geographical indication/trade name;
 - The owner/registant of the alleged domain name has no right or interest in possessing the domain name; and
 - The owner/registant of the alleged domain name has used the domain name with bad faith.
- The domain name is considered to be used in "bad faith" if its owner/registant conducts one of the following acts¹⁷:
 - Leasing or transferring the domain name to the right holder or the competitor of the right holder for gaining self-interest or illicit profit;
 - Occupying the domain name or preventing the right holder from registering the domain name with the purpose of unfair competition;
 - Using the domain name to harm the right holder's reputation, impeding the right holder's business operation or causing public's misunderstanding and mistrust to the name, trade mark, trade name, geographical indication of the right holder with the purpose of unfair competition.

¹⁵ Article 16.2(a), Draft decree amending Decree 72

¹⁶ Ibid, Article 16.2

¹⁷ Ibid, Article 16.2(c)





4. New Decree amending and supplementing instruments on E-commerce

E-commerce, as a major force of the the digital economy in Vietnam, has witnessed remarkable development over the past five years. A report by the Ministry of Industry and Trade (MOIT) showed that from 2016 to now, e-commerce grew by 25-30 percent per annum. The B2C revenue of Vietnam's e-commerce increased from \$5 billion in 2016 to \$11.8 billion in 2020. MOIT believes that B2C (business to consumer) revenue will reach \$35 billion by 2025, accounting for 10 percent of the country's total retail turnover.¹⁸

Along with the above positive growth figures, the e-commerce activities in Vietnam seem to have certain problems in terms of policy implementation. After nearly eight years of implementation, the current e-commerce-related instrument, i.e. Decree 52/2013/ND-CP (Decree 52), has revealed certain IP-related shortcomings, e.g. weak and overlapping relevant legal framework, high rate of consuming counterfeits and IP infringed goods comes from the lack of prompt cooperation of the e-commerce platforms in dealing with the infringements, the existence of "forgotten e-commerce land" named social media. Such shortcomings would likely be diminished in the coming years given the recent issuance of Decree No. 85/2021/ND-CP amending and supplementing several provisions of Decree 52 on e-commerce (Decree No. 85).

Below are some key takeaways of the amendments/supplementations from the Decree No. 85:

- Oversea entities operating websites and involving in e-commerce activities may be subject to the Decree 85 and relevant regulations.¹⁹ Such entities are required to have their legal registration about e-commerce activities before MOIT and setting up a representative office or appointing a local representative.²⁰
- The websites which fall under the Decree are determined to (i) be under Vietnamese domain names, (ii) have Vietnamese language to be displayed on the website, (iii) more than 100,000 transactions annually from Vietnam.²¹
- Social media platforms may be also treated as e-commerce trading floors.²²
- Upon the uncovering or receipt of infringement regarding illegal goods/services, the e-commerce platforms must take prompt actions to: (i) take down the infringing listing within 24 hours upon the receipt of takedown request from competent authorities, (ii) regularly monitor the infringed keywords and coordinate with the IP holders to control and take down infringing listings/trading products, (iii) provide information on any organizations/individuals that have signs of violations against laws on e-commerce.²³

¹⁸ Quote from Mr. Nguyen The Quang, Deputy Director of Department of E-commerce and Digital Economy (Ministry of Industry and Trade), on High-level seminar about Digital Economy hosted by Central Economic Committee in September 2021.

¹⁹ Article 2.1(c), Decree 85

²⁰ Ibid, Article 67a.2

²¹ Ibid, Article 67a.1

²² Ibid, Article 35.2(d)

²³ Ibid, Article 36.8



Nguyen Thi Nhat Nguyet
Director, IP Attorney, Certified IP Agent
KPMG Law in Vietnam and Cambodia
T: +84 (28) 3821-9266
E: nguyetnguyen@kpmg.com.vn

Implementation of EU Directive 2019/770 in Germany



The implementation period for the Directive (EU) 2019/770 on certain aspects concerning contracts for the supply of digital content and digital services ended on June 30, 2021. This article will analyze the possible effects of its implementation into German law.

The new EU Directive is intended to create "sales law-like" regulations for any contracts for digital content and services. As a result, consumers will receive numerous improvements in the future when purchasing software, apps or e-books, as well as when shopping on the well-known online marketplaces.

I. Full harmonization

The Directive represents an essential building block within the framework of the "Strategy for a Digital Single Market" in the European Union. The aim is to merge the national digital markets in the Union into a common digital market. For the first time, the Directive creates a uniform European legal framework for the acquisition of digital goods. Article 4 of Directive (EU) 2019/770 provides for a so-called full harmonization, meaning that within the scope of the Directive the EU member states may not provide for more consumer-friendly or -hostile regulations in their national legal systems. The implementation period ended on June 30, 2021.

Finally, on June 30, 2021, the Federal Ministry of Justice and Consumer Protection published two draft laws, one implementing the Directive on certain aspects of contract law relating to the provision of digital content and digital services and the other one amending the Civil Code (BGB) and the Introductory Act to the Civil Code to improve enforcement and to modernize European Union consumer protection legislation. Consumer rights are strengthened, and the Civil Code contract law becomes more digital. This leads to new duties for companies.

II. New features

The new concept of deficiency

In particular, the concept of deficiency is new. An item must meet the subjective requirements (agreement on quality) as well as the objective requirements and the assembly requirements. An item can now be defective even if it complies with the quality agreement.

Update obligation

Furthermore, an update obligation now applies to digital elements and products. In addition to smart devices, cars with integrated navigation are covered by goods with digital elements, for example. In the future, a vendor must provide updates as well as security updates for digital elements, although the duration of the



Implementation of EU Directive 2019/770 in Germany



update requirement is unclear. Another problem is that the seller of a product is rarely also the manufacturer of the digital element. The seller will thus often not be able to update the operating system, which is why the update requirement may not apply due to subjective impossibility. There is no extension of the statutory limitation period.

A new type of contract

The existing contract types of the Civil Code are supplemented by the introduction of the new Sections 327 et seq. BGB for consumer contracts for digital products. The distinction of consumer contracts for digital products from those for goods with digital elements is made as follows: Sections 327 et seq. BGB-new do not apply if the goods contain digital products or are connected with digital products in a way that they cannot fulfill their functions without the digital products.

Official payment with data

The new digital contract law makes the transfer of data for supposedly free online services equivalent to a monetary payment. If a consumer provides personal data in order to receive a service, this is considered as payment of a sum of money, which leads to the application of consumer protection law. Personal data that the provider needs in order to provide its services is excluded. The aim is to create a uniform legal framework that ensures an appropriate level of protection for the handling of personal data.

III. Conclusion

The implementation of the Directive strengthens consumer protection, at least in theory, and ensures the digitalization of the law of sale. New obligations arise for entrepreneurs, whereby the updating obligations could have an impact on the calculation of the purchase price to the detriment of consumers. With regard to the equality of money and data, there are some fears of a "sell-out of data". However, the need for transparency and freedom of choice for consumers prevails and ultimately ends legal uncertainty. The implementation probably represents the most far-reaching reform of the German Civil Code contract law since the reform of the law of obligations.



Dr. Anna-Kristine Wipper
Partner
KPMG Law Rechtsanwaltsgesellschaft mbH
T: +49 30 53019-9731
E: awipper@kpmg-law.com

4 Influence of Open-Source Software on AI

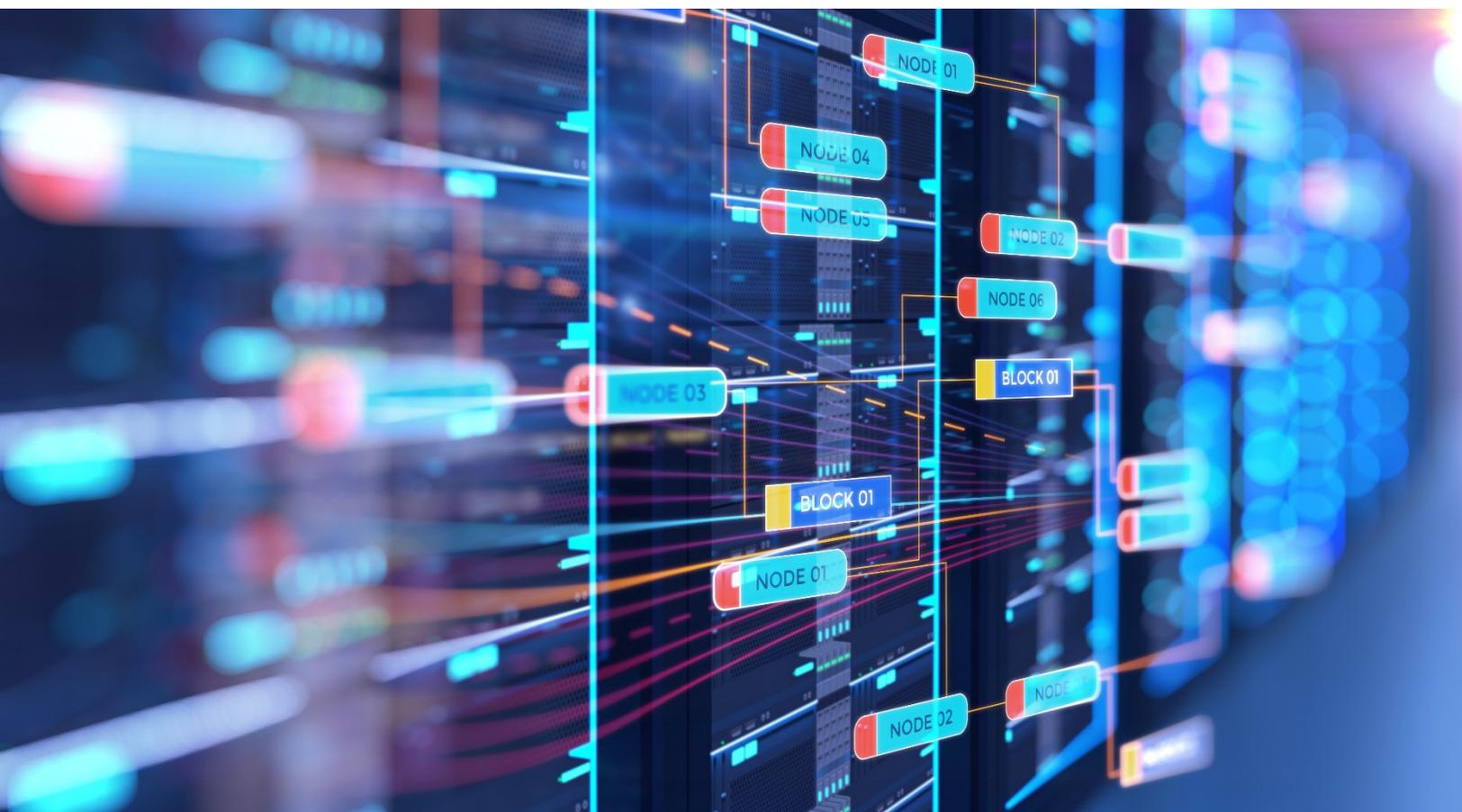


Open-source software is a way of disclosing software source code in public to freely use, modify, and re-distribute. It allows collaboration and effective sharing among software developers around the world but has compliance obligations such as copyleft restrictions, like any other form of creation.

In the current dynamic world of Artificial Intelligence (hereinafter AI), the increasing use of open-source software is becoming vital. Essentially known to be complex, AI algorithms can be improvised with the use of software available publicly, by data scientists around the world. However, before using these open-source stacks, the organisations developing AI algorithms should carefully evaluate the advantages and disadvantages associated with these publicly available open-source software and tools.

The article here attempts to summaries the critical aspects of using open-source stacks thereby delving into the pros and cons for the readers. Here is an overview:

- Open-source software **stimulates AI adoption** as it lessens the technical and mathematical proficiency required to utilize AI. Further, software developers can collaboratively locate bugs and improvements on the existing open-source codes resulting in powerful and accessible software codes. This may help organisations developing AI to accomplish more in their field with improvised and effective algorithms.^{1, 2}
- Open-source software **helps in reducing AI bias**, one of the most crucial problems in the field of AI. The development process of AI is dependent on the choices of data scientists and what biased data sets they are using for training the AI model. Thus, it is difficult to develop an unbiased system, and this is why ethical AI is essential as it is the way of ensuring that Machine Learning (hereinafter ML) algorithms will perform and deliver results according to the ethical standards of society. For discovering and attenuating AI-biases, several open-source tools like Deon, AI-Fairness 360 and Model Cards are available.¹ Such tools assist AI developers, with reducing unintended biases, and improvise algorithms with best of the stacks available.



4 Influence of Open-Source Software on AI



- Open-source software **creates default 'AI standards'** as international standard bodies like IEEE, ISO/JTC, U.S.'s NIST, the European Union's CEN-CENELEC and many others are influenced by open-source software AI. These standard bodies seek prominence in the field of AI and to achieve that, they have to consider open-source software AI, as its settings have become the default standard for the AI world.¹

Like a double-edged sword, utilising open-source software in AI has some consequences as well.

- Open-source software is **vulnerable to new threats** and whenever a new vulnerability arises, it is made public by the contributors of the open-source software. Cybercriminals can take advantage of this and can exploit the vulnerabilities for their advantage.³
- **Tracking newer versions** of open-source software can be challenging. Every day numerous new versions and patches for open-source software are getting released. Using outdated versions of open-source ML algorithms can expose an organisations developing AI to known vulnerabilities. Mostly, the open-source software community promptly patches the vulnerabilities with new versions. However, if an organisation is not keeping track of what version of open-source software they are using, it is nearly impossible to keep up with the latest versions.³
- Every open-source software is governed by an open-source license which enables commercial organisations and individuals to use, modify and re-distribute the source code of open-source software according to their needs. There are over 200 open-source licenses present such as Apache License 2.0, MIT, GPL, etc. All the obligations for the open-source licenses have to be fulfilled if one uses open-source software. As **few of the open-source licenses are not compatible**, specific open-source AI algorithms cannot be used together in an AI model.³

- There are some restrictive licenses like GPL, AGPL which include 'copyleft' clauses and/or restrictions that require publication of the entire source code of software that uses restrictive licensed code in public which is not suitable for commercial purposes. If these obligations are not followed appropriately, this can lead to **legal compliance issues** and unintended lawsuits for Organisations developing AI.³

Principally, open-source software plays an integral part in the development of AI. However, companies developing AI that use open-source ML algorithms must contemplate the risk associated with it, too. License non-compliance and incompatibility issues can be settled by establishing open-source policies in organisations developing AI and performing the open-source compliance activity on AI products to avoid any unintentional litigations. Interestingly, the evolving world of AI will witness more usage of open-source stacks, and thus complex and useful algorithms.

¹ <https://www.brookings.edu/research/how-open-source-software-shapes-ai-policy/>

² <https://opensource.com/article/21/8/open-source-news> (By Lauren Maffeo from opensource.com)

³ <https://www.compact.nl/en/articles/the-risks-of-open-source-software-for-corporate-use/>



Sumantra Mukherjee
Director
KPMG in India
T: +91 964358-0689
E: sumantram@kpmg.com



Priyanka Gupta
Associate Director
KPMG in India
T: +91 981851-0957
E: priyankagupta4@kpmg.com



Narmada Ray
Associate Consultant
KPMG in India
T: +91 750484-1886
E: narmadaray@kpmg.com

COVID-19 impacts on IP practices in Vietnam



After over four months of intense stringent restrictions due to the high level of COVID-19 infections, Vietnam has brought the outbreak under control and is starting to consider conditional easing of restrictions as well as to focus on returning to the “new normal”. Due to the prolonged period of such restrictions, Vietnam’s economy has slowed down and appears to have severe impacts on many aspects of the society. Legal environment in general, and Intellectual Property (IP) law in particular, are inevitable to be affected by the pandemic. In this article, we will discuss the impacts of the COVID-19 pandemic on some key aspects of IP practices in Vietnam and our comments on the future outlook on IP practices in Vietnam after the economic recovery.

1. IP registration and related procedures

Supporting the right holders during the COVID-19 outbreak, the Intellectual Property Office of Vietnam (IP Vietnam) issued sequence¹ of their official notices detailing their changes of practice and operation in an effort to secure the right holders’ IP-related interest. Following are some key takeaways from the mentioned notices:

- All statutory deadlines of procedures for securing the IP rights before IP Vietnam that incurred from 30 June to 31 October 2021, including claiming priority rights, supplementing documents, responding to related decisions/notices from IP Vietnam, filing appeals, renewal and payment of official fees, are automatically extended until 30 November 2021.
- In case the right holders could not implement other official procedures before IP Vietnam due to the COVID-19 impacts, they are entitled to request for the deadline extension on the basis of Force Majeure as long as they could provide sufficient evidence. The right holders are highly recommended to submit their filing documents and payments of official fees online or via post.

¹ <https://ipvietnam.gov.vn/chi-ao-ieu-hanh>





2. IP enforcement

IP enforcement in Vietnam has still heavily relied on the competence of the administrative agencies (i.e. the Ministry Inspectorate, Economic Police and Market Management Bureau). The pandemic controlling duties have always been the first priority of the agencies in question and their resources for the IP enforcement seem to be limited during this stage, especially in Ho Chi Minh City and Hanoi. Given the lack of participation of the enforcement agencies in the battlefield, the infringers, in both online and offline market place, will likely have a chance to obliterate their infringement footprints or even deliberately take advantage of others' IP rights and operate their bad businesses in larger scale.

In fact, the enforcement agencies have taken some actions against the counterfeits and other infringed products, mostly the consumer staples during the pandemic.² However, this may be just the tip of the iceberg given the high existence of counterfeits, falsely using well-known trade marks and other online IP infringements on e-commerce platforms and social media. In addition, the limitation of border control from the competent authorities, along with the new way of doing business in the prolonged pandemic – i.e. dropshipping, could also exacerbate the cross-border infringement which remains a big issue recently.

3. The future outlook

Unfortunately, the pandemic has had certain negative impacts on the IP practices in Vietnam but, looking on the brighter side, it will be the cornerstone for better practices in the near future, especially the tech-related practices such as:

- The statutory procedures of IP rights registration are expected to be more supportive for the IP holders given the acceleration of the digital transformation process within the state bodies of the Government;
- The right holders would be more interested in digital ways to secure rights and to tackle against infringements in the cyberspace.
- Further deterrent actions against the significant infringement, especially the one in cyberspace, from the enforcement authorities will play a major role in raising the public awareness of IP.

² According to newsletters published on National Steering Committee for Prevention and Fight against smuggling, commercial fraud and counterfeit goods (Steering Committee 389) available at: <http://bcd389.gov.vn/>



Nguyen Thi Nhat Nguyet
Director, IP Attorney, Certified IP Agent
KPMG Law in Vietnam and Cambodia
T: +84 (28) 3821-9266
E: nguyetnguyen@kpmg.com.vn

GC rules on registrability of a can opening sound



The General Court of the European Union held that the sound of opening a can cannot be registered as a trademark for designating certain types of drinks and containers due to lack of distinctive character (Case T-668/19).

The General Court of Justice had ruled in the past, on several occasions, on the possibility of registering as trademarks sounds submitted by means of graphic representation, but never until now on the possibility of registering sounds submitted in audio format.

In 2018, a German company operating in the manufacture of metal packaging market, filed a trademark application with the European Union Intellectual Property Office (“EUIPO”) for the registration of the sound of opening a drink can followed by a silence and a fizzing sound. Registration was sought for covering various drinks and metal containers for storage or transport.

EUIPO refused the application based on lack of distinctiveness. In particular, the examiner in charge of reviewing the application found that:

- to be registered as a trademark, a sound must have a certain strength or capacity to be recognized, so that it can indicate to consumers the commercial origin of the designated products or services;
- the trademark consists of an inherent sound in the use of the designated products, so the relevant public would perceive said mark as a functional element *"intrinsic to a technical solution linked to the handling of drinks for consumption"*.

The applicant, after unsuccessfully appealing the decision in front of the Second Board of Appeal of the EUIPO, challenged this EUIPO’s ultimate decision before the General Court of the European Union (the “Court”), which stated that the criteria for assessing the distinctive character of sound trademarks are the same as for other types of marks (i.e. it is required that a sound mark has a certain resonance which enables the target consumer to perceive it as a trade mark and not as a functional element or as an indicator without any inherent characteristics). It is therefore necessary that consumers perceive the sound as a trademark and establish a link with the commercial origin of the goods by the mere perception of the sound, without combining the same with other elements such as word or figurative elements).

In addition, EUIPO followed the interpretation of European case law on three-dimensional marks consisting of the appearance of a product or its packaging in order to assess the distinctive character



6 GC rules on registrability of a can opening sound



of a sound trademark. In particular, this case law establishes that the closer the shape applied for as a trademark is to the shape of the designated products, the more likely said shape lacks distinctive character.

The Court clarified that this case law is not applicable to sound trademarks. However, the Court established that the error made in connection with the abovementioned criterion does not imply that the contested decision should be annulled since the EUIPO's decision was not exclusively based on this case law.

The other argument on which EUIPO based its decision, is that the sound deems to be a purely technical and functional element of the goods, since the opening of a can or a bottle is intrinsic to a certain technical solution resulting of the manipulation of beverages to consume them.

In addition, the combination of the sound elements and the silent element is not unusual in its structure, since the sound of opening a can, the subsequent silence, and the fizzing sound correspond to the predictable and usual elements in the beverage market. Therefore, this combination does not allow the relevant public to identify those products as originating from a particular company or to distinguish them from those of another company.

Ultimately, the Court endorsed EUIPO's opinion, arguing that the sound elements of the applied trademark do not possess any intrinsic characteristics that would allow them to be perceived as an indication of commercial origin.



Bartolomé Martín
Director
KPMG in Spain
T: +34 91 456-3400
E: bartolomemartin@kpmg.es



Eric Romero
Senior Manager
KPMG in Spain
T: +34 93 253-2900
E: ericromero@kpmg.es



Claire Murphy
Associate
KPMG in Spain
T: +34 91 456-3400
E: clairemurphy3@kpmg.es

7 The interaction between copyright and patents



In Belgium, the theory of multiplicity of forms, according to which a form is not considered necessary to obtain a technical result if there is evidence that other possible forms are available which allow the same technical result, applies in copyright law. Unsure whether this doctrine is consistent with European Union (EU) law, the Court in Liège asked the Court of Justice of the European Union (ECJ) two preliminary questions regarding the interaction between copyright and patents (and/or other intellectual property rights).

The ECJ ruled – in line with its previous rulings on concurrence between Intellectual Property rights – that **copyright protection is available for products whose form – or part(s) thereof – is necessary to obtain a technical result. However, in order to obtain copyright protection, the originality criterion must be met.** The ECJ continued stating that **if the form of the work (in this case the bicycle) is however exclusively determined by the technical function, there is no room for creative choices and therefore the originality criterion is not met.**

Ultimately, it was up to the national court to take into account all the relevant elements of the case, as they existed at the time of conception of the bicycle.

In the end, the Court in Liège sided with the South Korean company and ruled that the various external features of the folding bicycle, considered both individually and as a whole, were not original since they were indeed determined exclusively by their technical function.

The bicycle case – Two preliminary questions submitted to the Court of Justice of the European Union by the Court (“*ondernemingsrechtbank*”/“*tribunal d’entreprise*”) of Liège regarding the interaction between copyright and patents

The facts underlying the case were as follows: A South Korean company was marketing a bicycle in Belgium that resembled a folding bicycle, designed by a British company. As the latter’s patent on the bicycle was already expired, the British company sued on the basis of copyright protection. The South Korean company, however, argued that the conditions for copyright protection were not met since the appearance of the bicycle was exclusively dictated by its technical function.

A work is considered to be the "own intellectual creation" of the author when he/she made creative choices in creating the work. This condition cannot be fulfilled when the appearance is determined by technical considerations, rules or other limitations since these are in conflict with the creative freedom of the author.



Frank Cleeren
Partner
KPMG Law in Belgium
T: +32 (0)11 28-7977
E: fcleeren@kpmglaw.be



Laura Vanuytrecht
Senior Associate
KPMG law in Belgium
T: +32 (0)1128-7961
E: lvanuytrecht@kpmglaw.be



Tim Fransen
Senior Counsel
KPMG law in Belgium
T: +32 (0)3 821-1809
E: timfransen@kpmglaw.be

Czech Supreme Court: ruling on competing principles



For the first time, the highest Czech courts looked into the business model of the online content storage providers through the lenses of unfair competition. In particular, the Czech Supreme Court thoroughly assessed the activity of the hosting providers and tackled the applicability of the “safe harbour”.

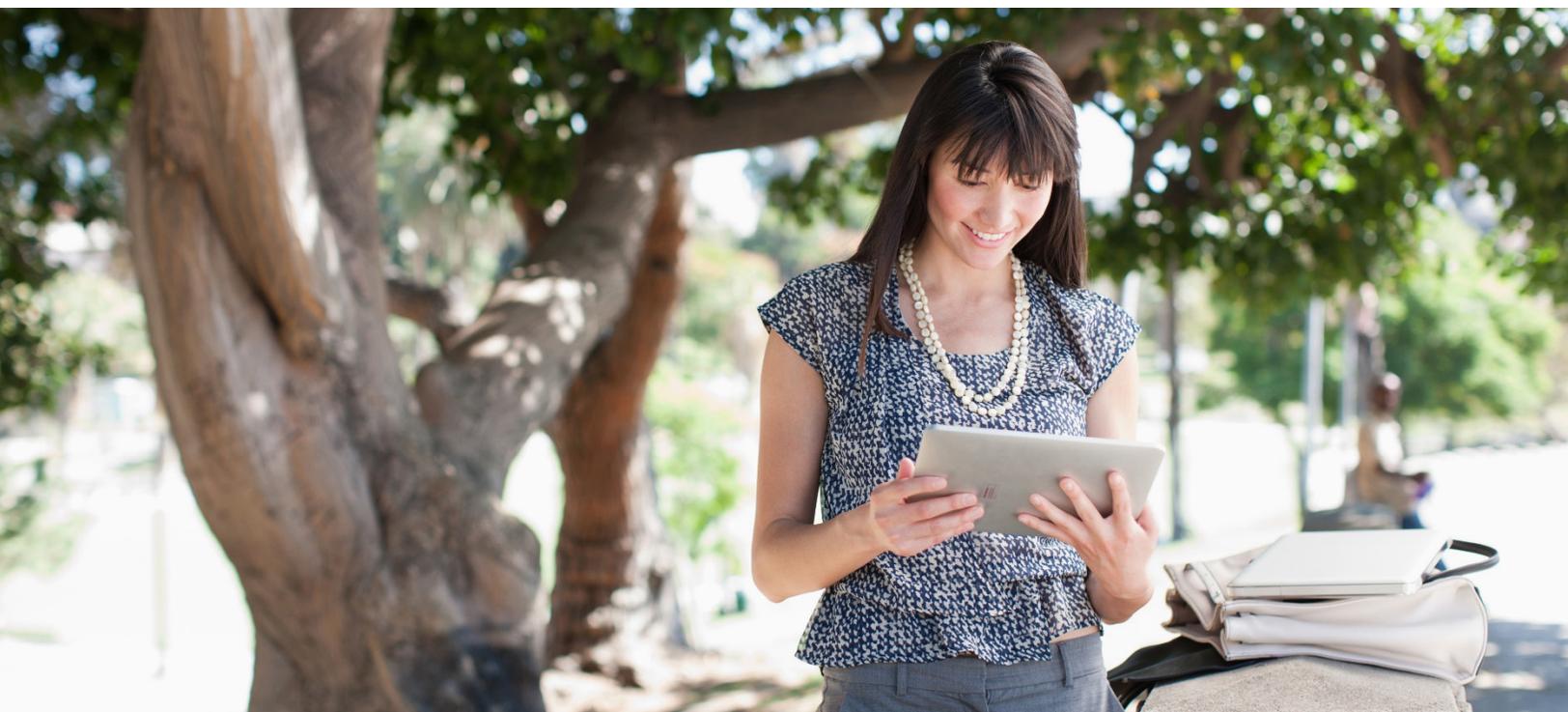
The Czech Supreme Court (the “court”) faced a first appeal related to file sharing legislation in connection with unfair competition legislation. The case concerned a dispute arising between the Czech National Group of the International Federation of the Music Industry, z.s. (“**plaintiff**”) and several information society services providers, primarily hosting providers and operators of the online content storage websites such as hellshare.com, hellshare.cz, hellspy.cz and others (“**defendants**”).

The defendants have established themselves as hosting providers with a specific business model. This business model was based on demand for highly popular files shared on the website. The user who uploaded them was granted remuneration corresponding to a quantity of downloaded files. In general, the defendants’ aim was to encourage the users to upload more quality content and to acquire broader base of users. Such business model inevitably led to an increased number of users uploading and consequently also downloading illegal content in terms of copyright violation.

According to the Directive 2000/31/EC (Directive on e-commerce), the hosting provider cannot be held liable for actions (storing information) undertaken by the users of the platform due to the rule of “safe harbour”. The plaintiff’s action was based, however, on unfair competition grounds. More specifically, the action aimed on the business model in question and consequently on the arising behaviour labelled as unfair competition. In this sense, the court ruled out the “safe harbour” application by establishing the possibility to hold the hosting provider liable on the grounds of protection against unfair competition (not copyright violation).

In particular, the court concluded that the unfair competition might be achieved also by “*a competitor who, in view of the particular circumstances of the conduct of its economic activity, objectively creates conditions contrary to good morals of competition for such conduct by another person or benefits from the result of such conduct by another with consequences capable of causing harm to other competitors or customers*”

The court established that the above conclusions also apply to information society services providers, including providers of information storage services. As the hosting provider introduced and ran a business model which not only allowed the breach of copyright, but even rewarded users that breach of copyright laws, in a competitively significant extent, the defendants (in the eyes of court) fulfilled the conditions for creating unfair competition.





In a nutshell, the reasoning behind this argument was as follows. Motivating users to upload popular content in order to receive remuneration has the effect of users uploading content protected by copyright. As such, the content is more demanded and more likely to be downloaded by other users, therefore becoming popular and profitable for the initial user. The court's opinion is that the hosting provider not only allows, but encourages such behaviour. Moreover, it creates unfair competition, where the defendants take unfair advantage of the infringement of third party's rights (in this case the copyright holders).

The outcome of this case is that the "safe harbour" in connection with the content storage and sharing services does not exclude the liability of the providers for choosing the business model that is contradictory to the rules on unfair competition (specifically, taking advantage of violating copyrights on such online content storage websites).

The court's decision received warm welcome from the side of copyright holders. However, it will be very interesting to watch how the case law develops further. In this case, it seems that the court was rather creative in terms of interpreting the Directive on e-commerce and extending unfair competition scope at the expense of "safe harbour". Its interpretation with regards to the provider's liability for the user's actions is subject to many discussions as well as its interpretation of the active legitimation and the exclusion of the "safe harbour" doctrine. The impact on the practice will be inevitable and worth close monitoring.



Martin Čapek
Associate
KPMG Legal s.r.o., advokátní kancelář
T: +420 22 212-3967
E: mcapek@kpmg.cz



Alžběta Filipková
Legal Clerk
KPMG Legal s.r.o., advokátní kancelář
T: +420 22 212-3686
E: afilipkova@kpmg.cz

Romanian High Court ruling on trademark & trade name



A Romanian company, which is the owner of a trademark, brought an action against another Romanian company, as well as the National Office of the Trade Register, and requested the following:

- i. cancellation of the registration of the other company's trade name;
- ii. prohibition of its use; and
- iii. a court ruling that the defendant should change its trade name to something clearly different from the applicant's trademark, so that there is no risk of confusion.

The Romanian High Court of Cassation and Justice (the "High Court") stated that the provisions of Law no. 84/1998 on trademarks and geographical indications show that the coexistence of a trademark and a trade name with different persons as owners is allowed, provided that the trade name is used in accordance with good practice in the field of activity. The High Court stated that there is a presumption of use of the trade name in accordance with its purpose (which is to allow the trader to be differentiated from other entities with the same legal status), with the possibility that this legal presumption may be overturned by the holder of the trademark through evidence that reveals a use inconsistent with good commercial or industrial practices.

The High Court emphasised that the exceptions provided by Law no. 84/1998 do not apply given that it was established that the manner in which the defendant company used its own trade name was in accordance with good commercial practices, and also that it is presumed to have used the name specifically to be individualized within the commercial activity it carries out, and furthermore that no conclusive evidence has been provided that the trade name has been used to indicate the origin of the services the defendant company provides.

Furthermore, it was pointed out that although there is a potential risk of confusion, given that there is some similarity between the conflicting signs, a prohibition on the use of the trade name cannot be ordered as long as the requirement imposed by the judgment of the Court of Justice of the European Union in Case C-17/06 (the "Celine Case") is not met – i.e. for the trade name to have been used in a manner specific to one of the essential functions of the trademark, namely to identify the origin of the goods or services.

By reference to the reasoning in the Celine Case, the owner of a trademark may request the prohibition on the use by a third party of a sign identical with the

trademark if the following conditions are cumulatively fulfilled:

- The use takes place in trade.
- The use takes place without the consent of the trademark owner.
- The use takes place for products and services identical or similar to those for which the trademark was registered.
- The use harms or is likely to harm the essential function of the trademark – that of guaranteeing the origin of products or services to consumers.

The High Court pointed out that the mere registration of the trade name with elements of similarity to the trademark cannot prove its use for the purpose of identifying the services or products offered by the owner, taking into account the fact that Law no. 84/1998 does not allow the trademark owner to oppose the use of a trade name except under certain exceptional conditions. As the trademark owner invoked one of those conditions – namely the use of the trade name contrary to good commercial practice, including its use to distinguish the goods or services offered – the court ruled that prohibition of the use of the trade name may be ordered only to the extent that the defendant, as distinct from the legal act of registration of the trade name, has committed acts of use of that name that have been inconsistent with good commercial or industrial practice.



Cristiana Fernbach
Partner, KPMG Legal
KPMG Legal acts in Romania through
Toncescu si Asociatii
T: +40 372 37-7800
E: cfernbach@kpmg.com



Flavius Florea
Senior Managing Associate, KPMG Legal
KPMG Legal acts in Romania through
Toncescu si Asociatii
T: +40 372 37-7800
E: fflorea@kpmg.com



Cătălina Pîrvu
Senior Associate, KPMG Legal
KPMG Legal acts in Romania through
Toncescu si Asociatii
T: +40 372 37-7800
E: catalinafinaru@kpmg.com

Can figurative elements add a distinctive character to a trademark?



An English company active in the market of online sports betting, started a procedure against two Belgian companies also active in the gambling industry.

The English company accused the two Belgian companies of infringing its Union trademark.

In turn, the two Belgian companies launched a counterclaim for a declaration of invalidity of English company's trademark. According to the two Belgian companies, the trademark was devoid of any distinctive character as well as descriptive for the goods and services for which it was registered, namely gambling activities.

The Belgian Court of Appeal in Brussels ruled that the word elements in the Union trademark of the English company (referring to a Dutch word for "betting" and for the number of days the betting service was available for use by the public) were indeed descriptive. The way in which these two elements were combined were in no way unusual or original, according to the Court.

Regarding the figurative elements of the (complex) trademark, the court ruled **that the mere addition of a single color to a descriptive word element, either to the letters themselves or as a background, was not sufficient to confer distinctive character on the trademark. According to the Court the figurative**

elements did not distract from the meaning of the word element, which was dominant, and purely descriptive in nature.

The combination of a word element with a simple geometric shape, such as a green rectangle, in particular when used as a frame or border, was not sufficient.

The English company sought to defend itself by demonstrating that its trademark acquired distinctiveness through secondary meaning ("*inburgering*" / "*integration*"). The Court emphasized that the recognition of the acquisition of distinctive character by use of the trademark, requires at least a significant proportion of the relevant public to identify the goods and services in question as originating from a particular enterprise. In this case, the Court ruled that the English company failed to meet its burden of proof and the trademark was declared invalid.

By Frank Cleeren, Tim Fransen, Laura Vanuytrecht and Bart Puttemann, KPMG Law in Belgium

German Federal Court of Justice decides on "Black Friday" mark



Recently, the German Federal Court of Justice (BGH) ruled that the word mark "Black Friday" must be partially deleted. It is sufficient for the confirmation of an obstacle to protection, such as the need to keep the sign free, that at the time of the application it was already foreseeable that the sign will acquire a descriptive meaning for the goods and/or services applied for in the future, even if the descriptive meaning did not yet exist at the time of the application.

In this case, there were already indications at the time of the application that the sign "Black Friday" would become a catchword for a discount campaign for electrical and electronic goods and for their advertising. Since the first "Black Friday" promotions in this sector had already taken place at the time of application and since this was a very dynamic market segment which

was characterized by constant developments both of the goods and of the marketing strategies, it was already possible at the time of application to forecast that the sign "Black Friday", which had been adopted from the United States, would in the future develop into a catchword for discount promotions (trade and advertising services), at least in the aforementioned goods sector. Therefore, the sign and a corresponding trademark "Black Friday" is descriptive for trade and advertising services, which have to be deleted as services from class 35.

By Marie-Valentine Goffin, KPMG Law Rechtsanwalts-gesellschaft mbH

New Spanish Copyright Office.



The Spanish Ministry of Culture and Sports announces the setting up of an independent public body that promotes public policies for the effective promotion and protection of copyright and related rights.

According to Spanish Ministry of Culture and Sports, the current legal and institutional framework is insufficient to guarantee an effective promotion and protection of the copyright and related rights.

In this sense, this regulation will pursue to guarantee an adequate registered protection and management of copyright and related rights, to enforce intellectual property rights against infringements perpetrated on the Internet and to set up effective supervision and control mechanisms of the copyright management operators which functions will, as in other countries, be entrusted to said office.

As the deadline for the public consultation period expired on 30 September 2021, we are now waiting for the release of a first draft of the bill, which will help to clarify many of the doubts arisen in connection with the projected office, such as the relationship between the current intellectual property registries and this new public body.

This and the following article are provided by Bartolomé Martín, Eric Romero and Claire Murphy, KPMG in Spain

Changes to the Law on legal deposit



The purpose of the draft law is to develop and update the conservation of the national publishing industry by introducing the possibility of accessing the bibliographic and audio-visual heritage through digital means.

The legal deposit, as currently regulated, allows the Public Administration to collect copies of all types of publications, through any material support, in order to preserve the national heritage and allow access to the same.

In August, the Spanish Ministry of Culture and Sports reported on the processing of a draft law amending Law 23/2011, of 29 July, on legal deposit, to adapt it to the digital environment of the publishing industry.

As a novelty, the draft law establishes that publishers will have to deposit a copy of the work in a digital format. In addition, on-demand publications that have a circulation greater than 100 copies and represent a considerable share of the publishing sector will be subject to legal deposit. The draft law also regulates the legal deposit of video games for an individualized identification.

Finally, it should be noted that the draft law recognizes the Spanish Film Library as the body in charge of preserving and disseminating the Spanish audio-visual and cinematographic heritage, which would therefore become the centre for the conservation of cinematographic materials.



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



home.kpmg

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. Legal services may not be offered to SEC registrant audit clients or where otherwise prohibited by law.

© 2021 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit home.kpmg/governance.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

