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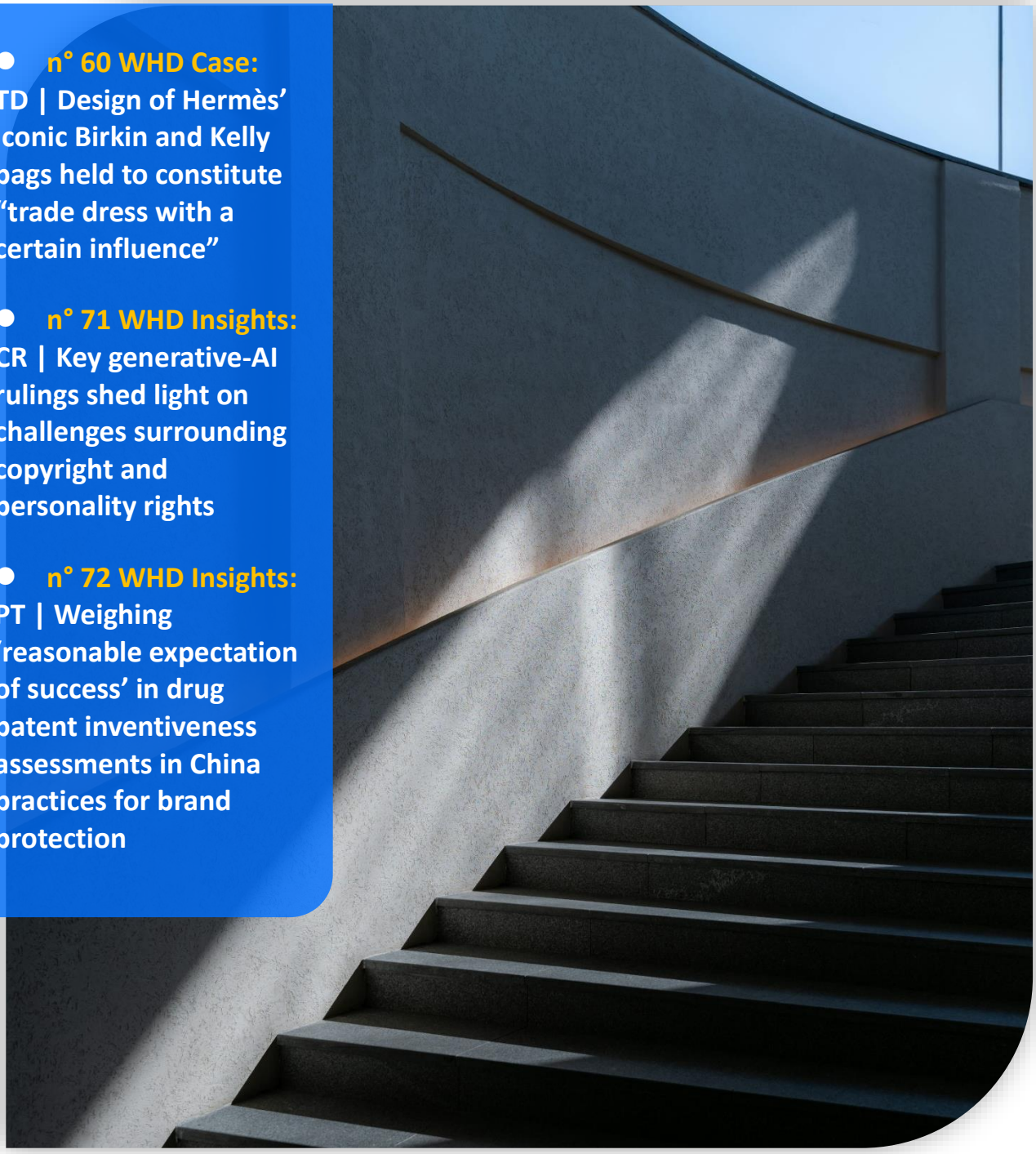
INTELLECTUAL PROPERTY

No. 2025-01

- **n° 60 WHD Case:** TD | Design of Hermès' iconic Birkin and Kelly bags held to constitute "trade dress with a certain influence"

- **n° 71 WHD Insights:** CR | Key generative-AI rulings shed light on challenges surrounding copyright and personality rights

- **n° 72 WHD Insights:** PT | Weighing 'reasonable expectation of success' in drug patent inventiveness assessments in China practices for brand protection



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n° 60 WHD Case: TD | Design of Hermès' iconic Birkin and Kelly bags held to constitute "trade dress with a certain influence"

He Wei and Wen Cui, 25 November 2024, first published by WTR

Background

Hermès is a prestigious French luxury fashion house founded in 1937, with ladies' handbags being one of the best-selling products of the company. The trade dress of the Kelly and Birkin handbags, as the representative designs in the industry, are widely loved by consumers.

Hermès found out that Guangzhou Tongmei Brand Management Co Ltd and Guangzhou Youge Brand Management Co Ltd jointly promoted and sold online HXXXXS-branded handbags, the designs of which were strikingly similar to Hermès' Kelly and Birkin handbags. The two entities also used Hermès' trademarks BIRKIN, KELLY, CONSTANCE, PICOTIN, H and LINDY on their official websites, online stores and product labels to promote the infringing products.

Hermès Birkin bag	Infringing products
	
Hermès Kelly bag	Infringing products
	

Court proceedings

Hermès sued the two companies before the Yuhang District Court of Hangzhou, requesting that the court ascertain the following:

1. The design of Hermès' iconic Kelly and Birkin handbags constitutes "trade dress with certain influence", as stipulated by Article 6 of the Anti-unfair Competition Law.
2. The defendants used, without permission, designs similar to those of Hermès' handbags, which constituted an act of unfair competition.
3. The defendants' use of Hermès' marks constituted trademark infringement.

Hermès requested the cessation of such acts, damages of Rmb3 million and reimbursement of its litigation costs, among other things.

The defendants' submitted the following argument in their defence:

1. Trademark infringement: the contested marks BIRKIN, KELLY, CONSTANCE, PICOTIN, H and LINDY were not used as trademarks. In addition, the use of their proprietary trademark HXXXXS clearly indicated the source of the bags. As a result, the consumers would not be confused as to the source of the bags.
2. Unfair competition: the trade dress of the Birkin and Kelly bags could not function as a source identifier of the products. In particular, the CNIPA's refusal of 3D trademark applications for the shape of these bags clearly affirmed the non-distinctiveness of the claimed trade dress. In addition, Hermès had a unique business model and the Kelly and Birkin bags were much more expensive than the defendants' bags, so that consumers would not be confused as to the source of the bags.

First and second-instance decisions

On 29 April 2024 the Yuhang District Court rendered the following judgment:

1. The defendants used the contested marks on their website and Tmall store, and on the tags of the bags in a clear and prominent manner, which constituted trademark use. The unauthorised use of Hermès' trademarks on identical products constituted trademark infringement.
2. The trade dress of the Kelly and Birkin handbags has a certain level of distinctiveness. The bags enjoy a high reputation and influence, having established a stable one-to-one correspondence with Hermès. Therefore, the shapes of the Kelly and Birkin bags constituted "trade dress with certain influence" under the Anti-unfair Competition Law. As the defendants' bags utilised trade dress that was visually almost identical to the claimed trade dress, such use was likely to cause confusion among the relevant public. Therefore, unfair competition had been established.

The court thus ordered the cessation of such use and awarded Hermès damages of Rmb2.3 million. The defendants appealed before the Hangzhou Intermediate Court, which upheld the first-instance decision on 13 September 2024.

Comment

Luxury brands have fallen victims to the prevalent imitation of their unique product shape and/or designs in the Chinese market. As it is extremely difficult to secure 3D trademark registrations in China, brand owners cannot resort to the Trademark Law to stop the infringement of their product shape and/or designs. This case offers an alternative route, as brand owners may turn to the Anti-unfair Competition Law and seek trade dress protection instead.

The second-instance decision is the first effective decision by which a Chinese court has granted protection to the shape of a handbag on the basis of the Anti-unfair Competition Law. It may serve as a point of reference for similar cases in the future.

n° 71 WHD Insights: CR | Key generative-AI rulings shed light on challenges surrounding copyright and personality rights

Zhigang Zhu, 27 November 2024, first published IAM

The Chinese courts have established a framework of rules for the copyright and personality rights protection of AI-generated works through several crucial decisions. While ownership and infringement challenges persist, these rulings are valuable for addressing IP challenges brought about by generative AI.

The development of generative AI has introduced unprecedented challenges to IP protection and is attracting global attention. China has attempted to address these issues through legislative and judicial means.

China's only legal text that specifically addresses the topic of generative AI is the Interim Measures for the Management of Generative AI Services, which was released on 10 July 2023. Article 7 of this regulation explicitly outlines the obligations of generative-AI service providers when it comes to data processing, including:

- using data and foundational models from legitimate sources;
- avoiding infringement of IP rights; and
- obtaining personal consent or complying with legal and regulatory requirements for personal information.

This regulation established a legal baseline for the relationship between the developer of an AI algorithm and the copyright owners of data used by the developer to feed and train the algorithm, but more clarification from judicial cases was needed.

Copyright challenges

The issue of copyright infringement during both the training and generation phases of AI-created works sparked extensive discussion. In March 2024, the Guangzhou

Internet Court delivered a judgment in *Xinchuanhua v an AI Company*. In this case, the defendant's AI platform generated an image that was substantially similar to the plaintiff's Ultraman character, of which the plaintiff held the copyrights. The court ruled that the defendant had, without authorisation, copied and adapted the plaintiff's work and infringed upon its reproduction and adaptation rights. Additionally, the court specified several key duties of AI service providers:

- notifying users via service agreements that they must not infringe upon others' copyrights;
- establishing a complaint mechanism for rights holders to protect their copyrights; and
- providing prominent identification in case the AI-generated content could cause public confusion or misidentification.

Ultraman character	Infringing images
	

On 18 October 2024, the Changshu Court in Jiangsu Province handed down a judgment in *Lin Chen v Hangzhou Gaosi Membrane Technology*. In this case, the plaintiff had used AI to create a visual artwork called "With Heart". The defendant had created a physical installation resembling half a heart, which was similar to the plaintiff's work. The court found that the "With Heart" image was distinctly original in its composition and arrangement of elements such as cityscape, water, buildings and reflections, and thereby qualified as a visual artwork under copyright law and merited protection.

However, copyright protection was only extended to this 2D work and not the 3D installation. The court noted that copyright law does not protect ideas or concepts, and copyright holders cannot prevent others from using the ideas conveyed in their works. Therefore, the defendant's use of a similar concept did not constitute infringement. However, the unauthorised use of the plaintiff's image for online promotion, which was found to be nearly identical to the original, did infringe upon the plaintiff's right to distribute the work online.

AI artwork "With Heart"	Defendant's physical installation
	

Personality rights and AI

In addition to copyright issues, AI-generated works also involve personality rights. On 23 April 2024, the Beijing Internet Court heard China's first case of AI-generated voice personality rights infringement. A Beijing-based cultural media company used an actor's voice without permission to create an AI-generated audio product, which it sold on its platform. The court held that a natural voice – distinguishable by tone, pitch and frequency – is unique and identifiable, thereby enabling an audience to associate it with a specific person. If AI-generated voices can be linked to an individual based on these characteristics, then the individual's personality rights extend to the AI-generated product. Therefore, the defendant's actions were deemed to have infringed upon the plaintiff's personality rights.

Similarly, the court ruled that unauthorised use of a public figure's likeness and name to create a virtual character also infringes upon image, name and general personality rights.

These rulings clarified how personality rights should be protected in the realm of AI-generated works, providing crucial guidance for judicial practice.

Key takeaways

China has preliminarily established a framework of rules for the copyright and personality rights protection of AI-generated works through regulation and judicial practices. While disputes persist with regard to ownership and infringement of AI-generated works, these rulings and regulations provide valuable reference points for addressing IP challenges brought about by generative AI.

n° 72 WHD Insights: PT | Weighing 'reasonable expectation of success' in drug patent inventiveness assessments in China

Wu Xiaoping, November 13, 2024, first published MIP

On August 13 2024, the Re-examination and Invalidation Department (previously known as the Patent Re-examination Board) of the CNIPA published the Compilation of Synopses of Exemplary Patent Re-examination and Invalidation Cases in 2023.

The compilation is a collection of 58 synopses abstracted from 53 exemplary cases, which were selected from a pool of 7,700 invalidation cases and 65,400 re-examination cases the agency concluded in 2023. The compilation is expected to serve as a frame of reference in the application of law in patent re-examination and invalidation cases.

Case No. 27 pertains to the finding of "reasonable expectation of success" in the inventiveness assessment of an invention for pharmaceutical use.

Facts of the case

The patent at issue is the Chinese invention patent No. 200780004302.4 owned by Novartis AG, which is entitled 'Use of 40-O-(2-hydroxyethyl)-rapamycin for the preparation of drugs' (the Patent). The petitioner, Chia Tai Tianqing Pharmaceutical Group Co., Ltd, challenged the validity of the Patent before the CNIPA, which rendered invalidation decision No. 54747 (the Invalidation Decision), declaring the Patent invalid in its entirety.

Claim 1 of the Patent reads: "Use of 40-O-(2-hydroxyethyl)-rapamycin in the preparation of drugs for the treatment of renal angiomyolipoma (AML) and lymphangioleiomyomatosis (LAM)."

40-O-(2-hydroxyethyl)-rapamycin is available under the name everolimus.

In the procedure of invalidation, the petitioner submitted 27 pieces of evidence, launching an all-out attack against the clarity, sufficient disclosure, deficient support of the description, novelty, and inventiveness of the Patent. The patentee tried to thwart the attack by submitting an equal number of pieces of counterevidence but failed. The CNIPA invalidated the Patent on the ground that the claims lack inventiveness over the combination of Evidence 6, Evidence 8, and Evidence 2, wherein:

- Evidence 6, as the closest prior art, discloses that mammalian target of rapamycin (mTOR) kinase inhibition may be a useful targeted therapy for tuberous sclerosis complex (TSC), and CCI-779, an mTOR kinase inhibitor, when used in animal models of AML and LAM, can reduce the severity of TSC-related diseases without significant toxicity, indicating the necessity to continue well-designed clinical trials;
- Evidence 8 reveals that rapamycin, everolimus, and CCI-779 are effective specific mTOR inhibitors, and everolimus and CCI-779 are more suitable for clinical use because they improve drug properties (water solubility and solution stability) without altering cellular effects; and
- Evidence 2 discloses the phase I clinical use of everolimus for the treatment of TSC syndrome.

However, the adduced evidence also corroborates the following facts:

- In view of the complexity of the mTOR pathway mechanism and TSC's upstream position over mTOR, how TSC regulation is related to the mTOR pathway remains unclear;
- There were no observed associations between mTOR inhibition and tumour response; and
- Everolimus and rapamycin vary in structure and pharmacological activity.

CNIPA reasoning

In the Invalidation Decision, the CNIPA observed that the distinguishing feature of claim 1 as compared with the technical solution disclosed by Evidence 6 is the use of a different drug in treating LAM and AML.

The decision found that the available evidence in the case fails to prove that claim 1 has achieved a more beneficial technical effect than Evidence 6, and thus the technical problem actually solved by claim 1 is the selection of an alternative derivative of rapamycin to replace CCI-779 for the preparation of drugs for the treatment of LAM and AML.

As for "whether the complexity of the mTOR pathway and the differences in the structure and performance of rapamycin analogues hinder the replacement of CCI-779 with everolimus in the treatment of the said indication", the CNIPA held that despite the complexity of the mTOR pathway, there is no evidence showing that everolimus and CCI-779 function in different routes and manners in the mTOR pathway. Although there is evidence attesting to the differences in structure and pharmacological activity among rapamycin analogues, specifically, more evidence tends to juxtapose the application of CCI-779 with that of everolimus, suggesting the close correlation there-between, and the motivation afforded to a person skilled in the art to choose therefrom.

Therefore, based on the disclosure of CCI-779 for treating AML and LAM in Evidence 6, in combination with the disclosure of the phase I clinical use of everolimus for treating TSC syndrome in Evidence 2, it would be obvious for a person skilled in the art to envisage using everolimus to replace CCI-779 for the treatment of AML and LAM.

The CNIPA therefore found that the Patent is devoid of inventiveness and thus invalidated it in its entirety.

Implications of the CNIPA's decision

This case is quite intriguing.

"Reasonable expectation of success" refers to the likelihood of success in combining prior arts to meet the limitations of the claimed invention. A technical solution of a patent would be rendered obvious (devoid of inventiveness) provided that it is sufficient to establish that a skilled person would have followed the teaching of the prior art with a reasonable expectation of success.

Although the finding of "reasonable expectation of success" is closely associated with inventiveness assessment, China's Guidelines for Patent Examination does not refer to the matter in outlining the three-step methodology in assessing patent inventiveness.

The Invalidation Decision articulates the parameters to be taken into account in establishing "reasonable expectation of success" in the context of assessing inventiveness of an invention for pharmaceutical use: "If the prior art has disclosed that two drugs are interchangeable drugs of the same class, and the mechanism of action of such drugs is closely related to the mechanism of treatment of an indication, the complexity of the mechanism of action of the drugs and the structural differences among the drugs are not sufficient to constitute a technical obstacle so as to hinder the substitution of the two drugs, and the person skilled in the art could determine that one drug may be interchangeably used with another for the treatment of the indication with a reasonable expectation of success."

China's Supreme People's Court (SPC) first elaborated on the correlation between the establishing of "reasonable expectation of success" and the finding of obviousness in an administrative decision, Novartis AG v CNIPA (2019 Zui Gao Fa Zhi Xing Zhong No. 235). The apex court found that "'reasonable expectation of success' may be taken into consideration in assessing the obviousness of an invention. If factoring into the status quo of the prior art at the date of patent application the characteristics of technological evolution, the mode and conditions of innovation, the average cost of innovation and the overall success rate of innovation, a person skilled in the art has the motivation to start from the closest prior art and has a reasonable expectation to obtain the patented technical solution, the said patented technical solution could be deemed obvious. A 'reasonable expectation of success' only requires that there is necessity for those skilled in the art 'to try', without the 'certainty of success' or 'high probability of success.'"

The SPC has been applying the aforesaid methodology in assessing inventiveness in a slew of pharmaceutical patent litigation cases. The inclusion of the subject case in the CNIPA's annual exemplary cases seems to herald the application of the methodology in patent examination proceedings, which is expected to further align the agency's practice with that of the nation's judiciary in terms of inventiveness assessment.