



# Intellectual Property newsletter

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# Introduction

**Welcome to the new edition of the KPMG Intellectual Property newsletter on developments in the world of copyright, patents, trade marks, designs, domains and other Intellectual Property rights (“IPRs”).**

Once again, we have collected a variety of interesting articles from all over the world. KPMG firms are proud of their global network of IP lawyers, enabling KPMG professionals to offer an international service to clients in this area.

Trade secrets often represent an important but also underestimated part of a company’s intangible IP assets. We will take a deep dive into this topic with a two-part series, with part I providing a comprehensive overview.

A central theme of this edition is copyright and we will deal with it from different perspectives. The development and improvement of artificial intelligence has major implications, not only for businesses, but also with regard to Intellectual Property. We highlight some questions regarding computer-generated art works.

Copyright is also very much affected by new laws and regulations which aim at improving the general IP framework. In this edition, we present some insights from Hungary and Vietnam.

We will also take a closer look on some court decisions regarding, amongst others, the distinctive character of trademarks, the current Spanish compensation system for private copying systems and the liability of operators of internet platforms.

An analysis of the impact of Vietnam’s adoption of the WIPO Performances and Phonograms Treaty (WPPT) will complete the picture.



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# Demystifying trade secrets (part I): Overview

## The imperative for trade secrets

Do your products or services depend on a unique framework, know-how or methodology? Does a distinct algorithm underpin one of your platforms? Does the knowledge or know-how of a few key employees provide your competitive advantage? Have you built a client list that would be the envy of your competitors?

Each of these examples illustrate that IP entails more than patents. It includes critical intellectual and intangible assets that are not patentable or are early in the innovation lifecycle. A substantial portion of a firm's value-creating IP is intellectual capital that never becomes a patent. Across industries today, intangible assets contribute significantly to a corporation's valuation. Businesses can win or lose based on how well they manage the intangibles that reside throughout the organization.

Trade secrets operate in a way that is fundamentally different from patents, copyrights, and trademarks. In the latter, the IP right is the result of a government grant. The creator submits an application to the relevant government agency and, if successful, is granted a patent, a copyright, or a trademark registration. The owner can then enforce the granted right through the legal system.

Trade secrets, in contrast, are not administered by a governmental agency and there is no governmental grant of a trade secret right. Instead, an owner essentially self-designates the creation as a trade secret. This means that the owner first confirms that the creation qualifies (e.g., is not publicly known and has economic value), and then implements and takes "reasonable measures" to keep the creation a secret. Early identification of good ideas and creations that qualify for trade secret protection is critical for preserving trade secret rights.



# Demystifying trade secrets (part I): Overview

## You might have assets driving value, but you're probably not protecting them

Often, trade secret candidates are either ignored during IP reviews or perhaps they never even surfaced for consideration. It's very likely that creations such as an algorithm might not meet subject matter eligibility requirements with the US patent office; therefore, self-designation of the algorithm as a trade secret begins the internal process of transitioning the creation to an intangible asset.

In the case of trade secrets, the creation and the legal right are inextricably linked. There is no application process that an attorney can handle on behalf of and independent of the creators. Instead, the trade secret right exists only insofar as the underlying creation remains a secret. Usually, the creation is a business asset that is used every day, such as the algorithm. The asset lives in the business, not in legal. Since protection depends on secrecy legal plays a key role, but ultimately, it is business owners who must assume responsibility for achieving and maintaining secrecy.

For certain types of assets, secrecy is truly the goal – regardless of legal status. Ending up in litigation might mean you have already lost. Secrecy, once lost, cannot be restored, and both injunctions and monetary damages may be insufficient to return the owner to a pre-breach state. Trade secret theft may result in 52% loss of business while also inflicting a 37% disruption to operations, according to a 2021 trade secret survey conducted by The Economist Intelligence Unit.

## How do we know it's a trade secret?

A robust trade secret program provides a framework for protecting any kind of asset that you don't want the competition to know – not just the algorithm, but also your marketing strategy, customer list, recipe, manufacturing know-how, etc. The World Intellectual Property Organization further designates that, "a trade secret may be also made up of a combination of elements, each of which by itself is in the public domain, but where the combination, which is kept secret, provides a competitive advantage."

Globally, IP professionals cite variations of this simplified definition: Trade secrets are a form of IP that applies to information that is not publicly known, has economic value, and which the owner makes reasonable efforts to keep secret. As recently as 2016, both the United States and the European Union updated legislation bolstering trade secret owners' rights when petitioning courts for trade secret misappropriation remedies and/or sanctions. While the "trade secret" definition across jurisdictions is generally consistent, the biggest challenge for

corporations, counsel, and the courts lies with determining what constitutes "reasonable measures" of protection.

## Is "Fuhgeddaboutit" a reasonable measure of protection?

Globally, laws maintain that obtaining a trade secret through improper means is misappropriation. Today's digital and collaborative interconnectedness arising from joint ventures, collaborations, and employee mobility should prioritize defining proper handling and protection of trade secrets. Further, companies must proactively strategize how to defend against a claim for trade secret theft.

There is little official guidance about what constitutes "reasonable measures." There is, for example, no equivalent to the USPTO's Manual of Patent Examining Procedure that provides exhaustive guidance for nearly every aspect of trade secret practice. To try to close this gap, KPMG professionals have created an operational framework for protecting individual assets. The IP Consulting Team researched available guidance on trade secrets (statutory, case law, etc.), and worked with KPMG Risk Management professionals to create a pragmatic, controls-based framework that is designed to significantly increase the probability of achieving secrecy.

The KPMG operational framework revolves around creating a plan for achieving secrecy around the asset and executing that plan to maintain secrecy on an ongoing basis. This will be discussed in more detail in part two of this series.



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# Artificial intelligence as an artwork author?

It is clear now that computers are capable of more than just performing tasks according to specific instructions given to them by humans. Over time, the artificial intelligence systems (AI) have made the first computer-generated works of art a reality. Creating a picture or a piece of music just by crunching ones and zeroes has never been easier. For lawyers across all jurisdictions, on the other hand, serious questions emerged. One of them is whether a computer can be an author and if so, who is to exercise the rights associated with the copyright?

## US recent approach

These topics were most recently tackled in a decision of the Review Board of the United States Copyright Office, issued on 14 February 2022. The applicant tried to register a computer-generated picture named "Recent Enter to Paradise" for a copyright protection. He was the owner, user and developer of "Device for the

Autonomous Bootstrapping of Unified Sentence" or in short: "DABUS" – the software that created the artwork. Following two non-final decisions, the office finally upheld the current stance of the US law towards copyrighting AI-created art.

The applicant argued that there is no authority prohibiting copyright for computer-generated works and that the rejective stance of the office is not acceptable in today's technology-driven era. However, in its decision the office cited several judicial precedents claiming that "human authorship is a prerequisite to copyright protection". In other words, lack of human contribution during artwork creation process is still an obstacle when considering its copyrightability.

Furthermore, the applicant claimed that it is already possible for a non-human entity to be considered an author, as the case is with organizations under the work-for-hire doctrine. The office however remained strict.



# Artificial intelligence as an artwork author?



Organizations can enter into legal relationships whereas DABUS and similar machines are unable to have any rights or obligations, let alone enter into a work-for-hire agreement. The office ruled that the disputed artwork was not made under any agreement and therefore it is not eligible for copyright protection.

The last of applicant's objections stated that the office's approach will encourage people in claiming copyright of certain work when they in fact did not contribute to its creation. To that the office reacted by stating that the current legal instruments are sufficient in discouraging any dishonest copyright seekers.

Finally, the American office rejected the copyright claim of the AI created artwork.

## European perspective

Looking at the case from the European perspective, its first argument above would be probably resolved in the same way in many European countries, including the Czech Republic. The Czech Copyright Act specifically mentions a physical person as the only possible author. He or she may use a computer during the process of making the artwork. However, a complete lack of human touch would be a reason not to recognize the artwork's copyright protection.

Similarly, the second "work-for-hire" argument could be applied in the Czech Republic, too. Czech copyright law states that the rights associated with the work created under the contract on work may be exercised by the client. Such client may be a company or other legal person (not necessarily an individual). However, the author of the work would still have to be the individual who created the work.

Although Czech courts are still waiting for its first groundbreaking copyright case involving AI, the amount of newly published academical texts suggests that the potential authorship of AI is a popular topic. Discussed solutions range from inventing a new type of copyright specifically designed for machines to granting AI entities legal person status.

## Looking ahead

Considering the European law, it is reasonable to assume that similar arguments would be put forward, had the issue been raised at the European Court of Justice or EUIPO respectively. Although the Berne Convention is not quite as literal as the Czech legislative, the copyrightable works rely on the "author's own intellectual creation". This also raises the question of the extent to which humans must be involved in the production of the work, for it to be considered man-made. However, this issue remains unanswered.

The case described above is not the only legal battle that the applicant is fighting on the field of Intellectual Property law. Besides tackling the copyright issues, he also tried to disrupt the patent law by trying to register two new inventions created by AI at the UK Intellectual Property Office (UKIPO). Although the UKIPO refused to list the machine as an inventor, the UK Supreme Court decided to hear the applicant's objections and further investigate the matter. Although the decisions of the previous courts (lower instances) were contrary to the applicant's point of view, dissenting opinions were expressed. In this light, the Supreme Court's decision is eagerly expected.

In conclusion, pioneers of AI created work are probably not going to achieve the state in which AI is recognized by law as an author anytime soon. However, AI created inventions may yet become witnesses of interesting legal developments in the UK.



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# More progressive IP framework in Hungary

The introduction of the new EU copyright framework – the CDSM directive and the SatCab II directive – at first received mixed reactions. Some were praising the forward-looking new legal provisions, some were concerned over the potential loss of their favorite internet memes. Following the adoption of the EU legislation, the Hungarian Copyright Act has also been significantly re-tailored and after a good year in practice, it is worth picking up the first ‘real-life’ reactions and practical hints.

While the critics were afraid that the new legislation would limit their online freedom, it actually created possibilities for easier access to protect their rights. The creators started to gain more revenue for their work and in the process online platforms did not go bankrupt either. As an added bonus more and more focus is diverted at advancing the IP awareness of the public.

The Hungarian legislation now comprehensively regulates content-sharing service providers through a detailed liability system aimed at following the ‘best effort’ principle to protect the interests of authors/creators. A new means for the protection of copyright has also been introduced, the so-called press publisher’s neighboring right, which aims to help the market position of print and online media publishers. It allows them to receive fair compensation from search engines and social media platforms that use their content.

Responding to the pre-existing challenges and expectations of this new decade, the written form requirements for license agreements have also been made more permissive for easier use. Moreover, for software and database license agreements, the written form is no longer even necessary. In order to be able to

enjoy some good sense of humor, parody and caricature now fall under the free use of work exception. Therefore, in these cases, the consent of the authors to use their work is no longer required.

A noteworthy practical example has been created soon after the amendments – the Reppress Association was formed, aiming to protect the neighboring rights of the Hungarian press publishers as a collective management organization. The Association offers aid in negotiating remuneration agreements and then collecting royalties.

In the bigger picture, IP law is increasingly becoming the focus of attention. The goal is to motivate companies and innovators to protect their Intellectual Property since nowadays news or ideas can become public after just a couple of clicks. Even the Hungarian authorities are now offering training and monetary funding for companies to protect their IP rights more sufficiently. For instance, a 100% non-reimbursable financial subsidy for industrial property protection is available for R&D companies. At the end, the realm of memes has been left open to us, and it is inspiring to see the changes the new legislation has brought to the Hungarian IP landscape.



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# A glimpse of Vietnam's reformed IP framework

The 10<sup>th</sup> International Intellectual Property Index Report 2022 published by the United States Chamber of Commerce and the Global Innovation Policy Center<sup>(a)</sup> (“**IP Index Report**”) benchmarks the IP framework of 55 global economies. Vietnam ranked at 42, positioning itself in the lower third of the benchmarked countries, and showing Vietnam's insufficient Intellectual Property (IP) framework compared to the global IP standards.

The IP Index Report has carried out a thorough evaluation of 55 countries' IP frameworks, including Vietnam's, with a scoring methodology based on both qualitative and quantitative evidence to provide a picture of each economy's IP framework as complete as possible. Accordingly, each country's IP framework is evaluated against 50 indicators divided into nine separate categories as follows: Patents; Copyrights; Trademarks; Design rights; Trade secrets and the protection of confidential information; Commercialization of IP assets and market access; Enforcement; Systemic efficiency; Membership and ratification of international treaties.

In comparison to the 2021 edition<sup>(b)</sup>, Vietnam has increased its net overall score from 37.49% to 38.42%, although such improvement of 1.23% is comparatively low. Overall, the IP Index Report demonstrates the key strengths and weaknesses of Vietnam's IP framework.

Some of the key strengths are:

- **Ratified EU-Vietnam FTA (EVFTA) in 2020:** The National Assembly of Vietnam has just passed Vietnam's Amended Law on Intellectual Property (“IP Law”) for the fulfillment of its treaty obligations following Vietnam's accession to this important trade agreement;
- **Basic IP protections and enforcement framework in place:** the IP Law has created a legal framework for organizations and individuals to establish, use and protect their IP rights, hence contributing to stimulate innovation activities and promoting technology transfers;

Note:

- (a) The report for 2022 is available at: <https://www.uschamber.com/intellectual-property/2022-international-ip-index>
- (b) The report for 2021 is available at: <https://www.theglobalipcenter.com/report/ipindex2021/>



# A glimpse of Vietnam's reformed IP framework

- **Growing interaction into international IP platforms – e.g., through EVFTA:** In addition to EVFTA, Vietnam also ratified several free trade agreements including the Regional Comprehensive Economic Partnership Agreement (RCEP), the Agreement between Vietnam and the United Kingdom (UKVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Such international integration has set out the urgent requirement for Vietnam to reform and modernize its IP Law to meet its commitments to international IP platforms.
- **Long-standing effort to coordinate IP enforcement:** Vietnam's Prime Minister signed Decision No. 1068/QĐ-TTg approving the Intellectual Property Strategy toward 2030 dated 22 August 2019, which sets out the goal of ensuring effective enforcement of IP regulations.

On the other hand, the key weaknesses are as follows:

- **Inadequate protection of life science patents, with challenging enforcement environment:** While Vietnam's new IP Law 2022 specified legal grounds for patents relevant to pharmaceutical products, the other subject matters of life science patents such as drugs, biological research assay tools, medical devices, etc. have not been set out.
- **Gaps in copyright protection, including lack of measures to address online infringements:** Although the authorities have detected and banned copyright-infringing websites, the copyright infringements have increased rampantly online. The reason behind this is that the measures to tackle copyrights infringements included in IP regulations do not keep pace with the significant surge in online infringements. Also, such measures haven't been applied at the root cause, nor triggered more serious actions like pursuing criminal lawsuits instead of administrative actions.
- **High physical counterfeiting rates and online infringement:** According to the statistics of Business Software Alliance, the software piracy rate in Vietnam is quite high at 74%.

- **Restrictions in place on digital trade and cross-border data transfers through Law on Cybersecurity:** Vietnamese consumers, like others around the globe, rely on numerous digital, automated, and virtual services that depend on the seamless transit and storage of data in multiple places. As a result, cross-border data flows are an integral part of a wide range of services. However, the recent draft Decree on Personal Data Protection proposed to set out new requirements for cross-border data transfers from Vietnam. Therefore, in case the said draft Decree comes into force as presented, these requirements may limit or impede digital trade. Service providers may need time to adapt their business model to this new regulatory framework and their customers will need to cope with them.
- **Enforcement generally poor; penalties insufficient in practice; administrative inefficiency:** The administrative actions are the primary enforcement measures of IP rights in Vietnam. Normally, these actions require the coordination of a number of competent authorities. As a result, the right holders may encounter difficulties when enforcing their IP rights. In addition, due to the lack of severe penalties, the administrative sanctions do not achieve desirable and efficient results; being mostly limited to monetary penalty up to 500 million Vietnamese Dong (approx. US\$21,000) and confiscation of infringing goods.

In a nutshell, the IP Index Report provided an overview of Vietnam's IP framework on both its strengths and weaknesses. Vietnam is in the process of modernizing and reforming its IP legal framework and its practices in enforcing IP rights. Being a contracting party to numerous international treaties, Vietnam has faced and is still facing many challenges to build an effective and comprehensive IP system that is commensurate and aligned with the global IP standards.



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# "Goodbye" to your word mark

**The Benelux Court of Justice ruled on 13 May 2022 that the (word) mark "GOODBYE" followed by a color lacked any distinctive character and was purely descriptive. This is because the relevant public immediately and explicitly understands the intended purpose of the goods without the need for an additional explanation.**

The dispute concerned the registration of the word mark "GOODBYE" followed by a color by a Luxembourg company, active in the cosmetics sector, and the counteraction by a German competitor via an application for a declaration of invalidity of that word mark at the Benelux Bureau for Intellectual Property.

The Benelux Bureau for Intellectual Property had initially ruled that the mark lacked any distinctive character and was merely descriptive. The Benelux Bureau substantiated this by saying that there are many cosmetic products on the market that use the word "GOODBYE" in connection with a negative characteristic, such as e.g. coloring of the teeth, coloring of nails or skin, etc.

Furthermore, the Bureau found that the relevant public purchasing a cosmetics product containing the word "GOODBYE" understands that these products will help against getting rid of something and consequently influence the consumer's purchase decision. Therefore, the mark was declared invalid by the Benelux Bureau.

The Luxembourg company appealed to this decision with the Benelux Court of Justice. The Benelux Court confirmed in its judgement that the descriptive character of a trademark must be assessed a) in relation to the goods for which it is registered and b) taking into account the likely perception of the category of goods in question by a reasonably well-informed and reasonably observant and circumspect average consumer.

The Benelux Court upheld the Bureau's ruling by confirming that the frequent use of the word "GOODBYE" in the cosmetics sector in connection with a negative characteristic indicates that the undesirable effect/characteristic is eliminated by the product and that the relevant public, consisting of professionals and average consumers, understands this immediately and explicitly.

The Luxembourg company challenged the Benelux Bureau's decision mainly on the grounds that the absolute grounds for refusal or invalidity were not examined concretely and that the relevant facts and circumstances were not considered, and particularly that the diversity of goods was not assessed.

Although it is settled case-law that the question whether a trade mark is covered by one of the grounds for refusal must be assessed in concrete terms in relation to the

goods or services (even if part of the goods or services are concerned), if the same ground for refusal is raised in relation to a category or group of goods or services, the competent authority or court may suffice with an overall assessment and justification.

Such global reasoning is only allowed if there is such a direct and concrete link between the goods or services and if they form a sufficiently homogeneous category that the reasoning can be applied without distinction to the goods or services concerned. In the present case, the Benelux Court found that these conditions were met, since the goods in the classes concerned all relate to cosmetics or care products for skin, nails and hair and are sold under the same conditions and through the same distribution channels. The Benelux Court thus ruled that the disputed trademark was therefore purely descriptive.

With regard to the ground for refusal of distinctiveness of the disputed mark, the Benelux Court noted that different grounds for refusal must be assessed independently of each other, but that there is a clear overlap between the respective scopes of the grounds for refusal.

In particular, a word mark which merely describes characteristics of goods or services is therefore necessarily devoid of any distinctive character in relation to those goods or services. As the goods were found to be merely descriptive in the present case, they were therefore also devoid of any distinctive character.

The contested decision was upheld, and the mark was declared invalid.



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# CJEU upholds private copying compensation

**The Court of Justice of the European Union (CJEU) ruled in its judgment of 8 September 2022 in Case C-263/21 that the current Spanish compensation for private copying system neither contradicts the European Union Directive No. 2011/29/EC on the harmonisation of certain aspects of copyright nor the principle of equal treatment enshrined in article 10 of the Charter of Fundamental Rights of the European Union.**

The start of the litigation stems from a dispute in which a Spanish association of manufacturers, traders and distributors in the information and communications technology sector whose activity includes the marketing of equipment, devices and media for reproduction subject to compensation for private copying, requested the Spanish Supreme Court to annul certain provisions of Royal Decree 1398/2018, of 23 November 2018, implementing Article 25 of the Spanish Intellectual Property Law. Said Royal Decree reintroduced a system of compensation for private copying in favour of copyright holders payable by manufacturers, traders and distributors of equipment capable of being used for the reproduction of protected works (although they may pass on the amount of that compensation to customers, wholesalers or retailers who may pass them on to the final consumers) as consequence of the CJEU previous judgement of 9 June 2016 in case C-470/14 that ruled that the previous payment of the compensation system in Spain that was financed from the General State Budget was not in accordance with the above-mentioned Directive as this previous system did not ensure that the cost of that compensation was borne by the users of private copies.

In order to comply with CJEU case-law in the “padawan case” (judgement of 21 October 2010 in case C-467/08), the above-mentioned Royal Decree set forth that final consumers who provide evidence of the exclusively professional use of the equipment subject to said compensation other than private copying of protected works are automatically exempted from its payment, provided that they furnish an exemption certificate issued by a legal person set up by copyright management entities or that they request a reimbursement of the compensation previously paid to said entity.

Taking into account that the entity that issues these certificates and examines the reimbursement requests is an entity set up and controlled by copyright management entities who are the creditors of this compensation as it is a right of mandatory collective management, Spanish Supreme Court decided to refer the following questions to CJEU for a preliminary ruling:



# CJEU upholds private copying compensation



- i. Is the composition of said legal person in accordance with Directive No. 2011/29/EC or with the principle of equal treatment?
- ii. Is compatible with said directive or said general principle a national law that confers on the forementioned legal person powers to request information from those applying for a certificate of exemption from the obligation to pay compensation for private copying?

In relation to the first one, the CJEU, after analysing the current Spanish System, ruled that neither Directive 2011/29/CE nor the principle of equal treatment must be interpreted as not precluding national legislation under which a legal person established and controlled by copyright management entities is entrusted with the management of (i) exemptions from payment in respect of compensation for private copying and (ii) reimbursements in respect of such compensation where that national legislation provides that exception certificates and reimbursements must be granted in good time and in accordance with objective criteria which do not allow that legal person to refuse an application for the granting of such certificate or of reimbursement on the basis of considerations involving the exercise of discretion and that the decisions of that legal person refusing such an application may be challenged before an independent body as it is the Ministry of Culture and Sports in the case of the Spanish regulation.

Regarding the second preliminary question, CJEU sets forth that neither Directive 2011/29 nor the principle of equal treatment must be interpreted as neither precluding national regulation which empowers a legal person which is set up and controlled by copyright management entities and which is entrusted with the management of exemptions and reimbursements to request access to the information required for the exercise of the powers of review conferred on it in that regards without being possible for the entities under review to rely on the confidentiality of business accounts provided for by national law provided that this legal person is obliged to safeguard the confidential nature of the information obtained. Otherwise, it would not be insured the collection of the compensation.

In short, the CJEU, in contrast of what happened in 2010 and 2016 when it ruled that the former Spanish compensation for private copying systems were against the EU law, has now upheld the current Spanish system considering that it respects the principle of equal treatment of creditors and debtors and legitimizes the actions of the entity that Spanish copyright management entities set up to manage the compensation for private copying.



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# Liability of operators of internet platforms

**According to previous case law of the German Federal Court of Justice, operators of internet platforms are liable for copyright infringements committed by users as so-called "Störer" (interferers). This case law is now partially overruled (see BGH I ZR 140/15). The Federal Court of Justice has ruled – following a previous decision of the European Court of Justice (see ECJ C-682/18) – that operators of internet platforms are now liable for copyright infringements as a "Täter" (perpetrator) if, despite being notified of an infringement, they do not immediately take the necessary measures to prevent access to this infringing content.**

In the case under review, copyright-protected works were posted by users on an internet (video) platform of the operator. The rights holder demanded that the platform operator cease and desist from reproducing the works. The platform operator blocked the works and their accessibility. A short time later, the works were once again accessible on the platform, which is why the rights holder initiated legal proceedings and claimed, among other things, for injunctive relief. The courts of first instance confirmed – to varying extents – the right holder's claims for injunctive relief.

The German Federal Court of Justice (BGH) then referred several questions to the European Court of Justice ("ECJ") on the interpretation of Articles 3 (1) and 8 (3) of Directive 2001/29/EC (Copyright Directive) and Article 14 (1) of Directive 2000/31/EC (e-Commerce Directive), relating to the reproduction of works and the measures required before legal action can be taken against it. The ECJ ruled (in summary) that a reproduction by the operator of a platform can be assumed if it contributes to providing the public with access to infringing content in violation of copyright. This is the case if, firstly, the operator has concrete knowledge of the infringing accessibility of protected content on its platform and does not immediately delete this content or block access to it. Secondly, reproduction shall be assumed if the operator of the platform, although it knows or should know that protected content is generally made available to the public in an unlawful manner via its platform by users of the same, does not take the appropriate technical measures that can be expected to ensure that copyright infringements on this platform are stopped in a credible and effective manner. Thirdly, reproduction shall be assumed if the operator of the platform is involved in the selection of protected content that is unlawfully made publicly accessible or offers tools on its platform that are specifically intended for the unauthorized sharing of such content, or knowingly promotes such sharing, for example by encouraging users of its platform to unlawfully make protected content

publicly accessible on that platform. It is therefore not sufficient that the operator has general knowledge of the availability of infringing content on its platform to assume that it is acting with the intention to provide internet users access to such content. However, the situation is different if the operator, despite having been notified by the right holder that protected content has been made available to the public via its platform in an unlawful manner, does not immediately take the necessary measures to prevent access to this content.

The BGH understands the ECJ's requirements in such a way that technical measures to stop copyright infringements on platforms must be proactive technical measures, i.e., measures that can prevent infringing content regardless of whether the right holder has given notice. Merely reactive measures that make it easier for right holders to find infringing content that has already been uploaded or to issue related notices to the platform operator – such as the provision of a "report button" – are not sufficient for classification as a measure to stop copyright infringements credibly and effectively.

Against the background of the ECJ's decision, the BGH no longer adheres to its case law on the "Störerhaftung" (liability of an interferer) of an operator of an internet platform. The platform operator is now liable as a perpetrator and no longer as an interferer. According to the case law on the "Störerhaftung" of a platform operator, a platform operator could in principle only be obliged to cease and desist by court order if, after a clear infringement had been pointed out, such an infringement occurred again because the platform operator did not take immediate action to remove the infringing content or to block access to it and to ensure that such infringements do not occur in the future.

Finally, the BGH clarifies that the review and blocking obligations of a platform operator relate not only to specifically reported infringements, but also to similar forms of infringements.



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# Vietnam has joined the WPPT

WIPO Performances and Phonograms Treaty (“WPPT” or the “Treaty”) was adopted in Geneva on 20 December 1996 and entered into force on 20 May 2002. WPPT has been signed and applied by most WIPO members and the member states of the European Union. Vietnam became the 111<sup>th</sup> member to sign the WPPT<sup>(a)</sup>, and the Treaty has taken effect, for Vietnam, on 1 July 2022.<sup>(b)</sup>

## 1. Overview of WPPT<sup>(c)</sup>

WPPT includes 33 articles divided in 5 chapters. The most prominent point of WPPT is the acknowledgement of the rights of performers (e.g., actors, singers, musicians, dancers, etc.) and producers of phonograms (persons or legal entities that take the initiative and have the responsibility for the fixation of sounds)<sup>(d)</sup>, particularly in the digital environment. The Treaty also sets out the basis for the protection of the rights of the two categories of the right holders.

For performers, WPPT grants them the economic rights in their performances fixed in phonograms (not in audiovisual fixations, such as motion pictures) as follows:

- **The right of reproduction** is the right to authorize direct or indirect reproductions of the phonogram in any manner or form.
- **The right of distribution** is the right to authorize the making available to the public of the original and copies of the phonogram through sale or other transfer of ownership.
- **The right of rental** is the right to authorize the commercial rental to the public of the original and copies of the phonogram, as determined in the national law of the WPPT signatories (“Contracting Parties”) (except for countries that, since April 15, 1994, have had a system in force for equitable remuneration of such rental).
- **The right of making available** is the right to authorize the making available to the public, by wire or wireless means, of any performance fixed in a phonogram, in such a way that members of the public may access the fixed performance from a place and at a time individually chosen by them. This right covers, in particular, on-demand, interactive making available through the Internet.

Note:

- (a) [https://wipolex.wipo.int/en/treaties/ShowResults?search\\_what=B&bo\\_id=18](https://wipolex.wipo.int/en/treaties/ShowResults?search_what=B&bo_id=18)
- (b) <http://www.cov.gov.vn/tin-tuc/hiep-uoc-wpvt-chinh-thuc-co-hieu-luc-doi-voi-viet-nam>
- (c) [https://www.wipo.int/treaties/en/ip/wpvt/summary\\_wpvt.html](https://www.wipo.int/treaties/en/ip/wpvt/summary_wpvt.html)
- (d) Articles 2.a and 2.d of WPPT, accessible via [https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_227.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_227.pdf)



# Vietnam has joined the WPPT

As to unfixed (live) performances, the WPPT grants performers:

- i. the right of broadcasting (except in the case of rebroadcasting);
- ii. the right of communication to the public (except where the performance is a broadcast performance); and
- iii. the right of fixation.

The Treaty also grants performers moral rights, defined as the right to claim to be identified as the performer and the right to object to any distortion, mutilation or other modification that would be prejudicial to the performer's reputation.

For producers of phonograms, the Treaty grants them economic rights in their phonograms:

- i. the right of reproduction;
- ii. the right of distribution;
- iii. the right of rental; and
- iv. the right of making available.

The Treaty provides that performers and producers of phonograms have the right to a single equitable remuneration for the direct or indirect use of phonograms, published for commercial purposes, broadcasting or communication to the public. However, any Contracting Party may restrict or – provided that it makes a reservation to the Treaty – deny this right. In the case and to the extent of a reservation by a Contracting Party, the other Contracting Parties are permitted to deny national treatment *vis-à-vis* the reserving Contracting Party, in accordance with the concept of "reciprocity".

The Treaty obliges Contracting Parties to provide for legal remedies against the circumvention of technological measures (e.g., encryption) used by performers or phonogram producers in connection with the exercise of their rights, and against the removal or altering of information – such as the indication of certain data that identify the performer, the producer of the phonogram, the performance, and the phonogram itself – necessary for the management (e.g., licensing, collection and distribution of royalties) of the said rights.

The Treaty obliges each Contracting Party to adopt, in accordance with its legal system, the measures necessary to ensure the application of the Treaty. In particular, each Contracting Party must ensure that enforcement procedures are available under its law so as to permit effective action against any infringement of rights covered by the Treaty. Such action must include expeditious remedies to prevent infringement as well as remedies that constitute a deterrent to further infringement.

## 2. Commentary

The benefits of Vietnam signing WPPT are numerous, and notably include:

- i. satisfying its undertakings in recent free trade agreements (e.g., CPTPP, EVFTA);
- ii. creating the effective legal foundation for the protection of rights of performers and producers of phonograms in the digital environment;.
- iii. contributing to the effective protection of rights of performers and producers of phonograms in the digital environment;.
- iv. encouraging the creative activities of artists as well as citizens in general;.
- v. encouraging both domestic and foreign investment activities, by giving the investors an assurance that the works are protected and distributed safely.

The development of science and technology creates favorable conditions for copying, saving and transmitting data on the internet. The infringement of copyrights in general and of the rights of performers and producers of phonograms in the digital environment in particular (e.g., copy, use of works without permission of rights holders, etc.) is increasing in frequency and in extent. The protection of rights of performers and producers of phonograms in the digital environment faces many difficulties and challenges. Therefore, joining WPPT is indispensable for creating the legal foundation for handling infringements, and contributing to the improvement of the international Intellectual Property law system.



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## New Spanish Customer Services Bill

On 30 May 2022, the Council of Ministers approved the Draft Law on Customer Services, which is currently under parliamentary procedure and which – in the event that it is finally approved – will introduce new minimum quality parameters for customer services for companies within the scope of application of this new regulation.

The new Draft Bill will apply to all the companies that carry out the execution of basic services of general interest, offered or provided in the Spanish territory, as water and energy supply and distribution services, passenger transport by air, rail and sea services, postal services, audiovisual communication services with conditional access on payment, electronic communications services, and financial services. Furthermore, future regulation will be enforceable to all the companies, regardless of the activity carried out, established in Spain or in any other State that in the previous fiscal year, either individually or within the group of companies to which they belong, meet either of the following requirements:

- i. have employed at least 250 employees,
- ii. their annual turnover has exceeded 50 million euros, or
- iii. their annual balance sheet has exceeded 43 million euros.

As main developments of the Bill, the following should be highlighted:

- i. The information to be provided on customer service is reinforced. The communication channels for customer service provided by the company must be disclosed in the contract itself, in the invoices issued to customers and on its website, in a specific, easily identifiable section, including a minimum amount of information.
- ii. New requirements are established for companies that make a telephone answering service available to customers, for example, they shall ensure that 95% of incoming calls are answered, on average, in less than three minutes.
- iii. A more personalized service is established, e.g. by prohibiting the use of answering machines or analog means as an exclusive means of customer service.
- iv. Minimum requirements are contemplated for the processing and resolution of inquiries, complaints, claims and incidents. For example, the customer service department must provide a record of the queries, complaints, claims and incidents submitted by providing an identification code and a written receipt, on a durable medium of the customer's choice. Likewise, in general terms, a period of one month is imposed for entities to resolve these claims submitted by their customers.
- v. It regulates obligations that companies must comply with regarding the implementation of customer satisfaction assessment systems; and obligations for banking institutions to ensure their customers the availability of face-to-face channels.

*By Noemí Brito, Eric Romero and Mireia Paricio,  
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## Liability of operators of sales platforms for affiliate programs

Affiliates advertise offers on sales platforms by placing links to offers on sales platforms on their own websites. The affiliates receive commissions if a sale is brokered via the links.

The Federal Court of Justice (see I ZR 27/22) must now decide whether operators of sales platforms are liable for this advertising and whether affiliates are to be regarded as agents of the operators. The lower courts (most recently Higher Regional Court of Cologne, 6 U 84/21) were of the opinion that although the affiliate's advertising was misleading and inadmissible, the operators of the sales platforms were not liable for it as perpetrators or participants ("Täter" oder "Teilnehmer") or for other reasons (liability for agents). After all, they had no influence on the way the affiliates advertised.

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## Luxury shoe manufacturer wins trademark dispute in China

The persistence of a famous luxury shoe manufacturer has paid off. The background to the dispute was an unauthorized trademark application filed in 1999 and subsequent registration of a trademark comprising the famous brand name of the luxury shoe manufacturer by a Chinese businessman. Due to this trademark, direct sales of original products of the luxury shoe manufacturer in China were not possible for decades. Since 2000, legal disputes about the validity and effectiveness of this trademark have been pending. The Supreme People's Court of China has now ruled in favor of the luxury shoe manufacturer and ordered cancellation of the trademark.

In China, as in many other countries, the so-called "first-to-file" trademark system applies. This means that, in principle, the person who applies for a trademark first has better rights. It is not a question of who has used or intends to use a trademark first before it is registered ("first-to-use"). As a negative consequence of this principle, large international companies in China have had their trademarks snatched from under their noses again and again, and well-known and prestigious trademarks have been registered by third parties. To prevent the abuse of such trademark applications and reputation exploitation of international trademarks, China's latest intellectual property laws were amended in 2019. One key change involved measures against so-called "bad faith" trademark applications. As in the case here, this led to first significant victories against individuals filing of unauthorized applications for well-known third-party trademarks.

In view of the harmonization of laws, the importance of the Chinese market and the predicted growth of the Chinese market especially in the field of prestigious goods, the decision of the Supreme People's Court of China can only be welcomed as it provides legal certainty to trademark owners and the potential to combat unauthorized trademark applications.

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