



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, trademarks, designs, domains and other Intellectual Property rights (“IPRs”).

We have compiled a number of interesting articles from around the world that provide insights into new developments. KPMG firms are proud of their global network of IP lawyers, business advisors and other IP experts enabling KPMG professionals to offer an international service to clients in this area.

In this issue, we take a closer look at some important developments of our time. The metaverse is a much-discussed topic. We examine some legal aspects relating to the protection of IPRs in the metaverse in general, and then go into more detail by looking at Digital Twins. We conclude our analysis of current technical developments with some insights on ChatGPT.

SPCs are an important means of providing additional patent protection to pharmaceutical products. We examine the (dis)advantage associated with them.

In addition, we consider some national and regional developments in terms of legislative changes and court rulings. We explain possible pitfalls of the new US trade

secrets law, report on a new draft decree on copyrights and related rights in Vietnam and new rules of Digital content providing in the Czech Republic.

We also take a closer look on the ruling of the Spanish Constitutional court on the access of radio operators to stadiums as well as on European case law regarding the liability of online platforms in cases of trademark infringement.

We hope you enjoy reading.



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Legal aspects of IP protection in the metaverse

The development of new technologies means that entrepreneurs need to adapt their strategies in order to protect their legal rights.

The virtual space created by technology giants, involving the coexistence of multiple 3D virtual worlds, the so-called metaverse, provides users with a wide range of possibilities for transferring activities, previously performed in the real world, to digital reality. Initially, virtual worlds were created mainly for computer games, but nowadays it is also possible to travel; to purchase, both movables and real estates, to hold business meetings, or to attend cultural and sports events within the metaverse. More and more entrepreneurs are recognising the business potential of this solution and so they choose to conduct their business in the virtual world, which is contributing to its resilient development. As a result, the issue of the adequate intellectual property protection is becoming more and more important.

Trademark protection in the metaverse

Trademark protection issues are particularly relevant from a metaverse perspective, given that virtual worlds already allow their users to make a wide range of purchases using real money. Users can buy clothes to dress their own avatars in; cars, yachts or other vehicles to drive around the virtual world or art pieces to decorate their virtual homes. These objects often take the form of NFTs (non-fungible tokens), which, simply put, are tokens that owners can buy, trade, exchange or benefit from simply owning them. For promotional and marketing reasons, creators often want the tokens they create to resemble branded products existing in the real world.

Current use of branded products in the virtual world

The possibility to purchase virtual items and use them for virtual characters has long been practised in computer games industry, where players can dress their characters, acquire new virtual weapons, or change the appearance of virtual items they already own by using real money. Until recently, however, it has mainly been the products of game developers that have been sold, which most of the times were not intended to resemble specific items produced by a particular brand. In the metaverse, on the other hand, this will become more and more common, hence the issue of proper trademark registration is crucial if a brand wants to offer its products in the virtual world alongside regular sales.

In the US, attempts to register trademarks in the metaverse are already being made by companies and what is more, a dispute arose over a game developer's use of the trademark of a brand that offers its products in the real world. At issue was a vehicle, whose graphics were used in a computer game without the vehicle

manufacturer's consent. The court, however, found no infringement in this case, after recognising the fact that the game developers only used the vehicle's graphics to create the illusion of the real world. Indeed, the game imitates warfare, to which the vehicles at issue are inextricably linked in today's world.

EU regulations and trademark registration in the metaverse

According to the latest guidelines from the European Union Intellectual Property Office (EUIPO), the appropriate class to register products for metaverse is class 9. However, according to information available on



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wipo.int, in the US, attempts are being made to register products for metaverse in the following classes:

- class 9: data processing equipment and computers;
- class 35: retail shop services for virtual goods;
- class 36: financial services, including digital tokens;
- class 41: entertainment services;
- class 42: virtual goods not downloadable and NFT.

It is important to register a trademark which is already registered in the real world, and which the proprietor wants to use in the metaverse, as soon as possible. Due to the dynamic development of the metaverse concept, cases of bad faith trademark registrations are becoming more and more frequent. These involve filing an application for registration of a given trademark only to the extent of use in the metaverse (and thus to the extent not covered by the existing protection of the trademark in question), and then selling the 'new' mark to the original holder (a practice that has long existed in the case of internet domains, operating under the name 'cybersquatting'). According to wipo.int, so far this has mainly been the case for big fashion companies, but this trend may extend to other industries in the near future.

Unsettled issues

Another important question regarding trademarks concerns the issue of whether the owner of a trademark identifying a product in a metaverse - as in the case of an ordinary contract for the sale of tangible items bearing a trademark - loses further rights of control over the product as soon as the sale takes place, or should the rules of virtual sales regulate the issue differently? A broader analysis of this issue is beyond the scope of this article.

There is also an important question regarding the situation when an entrepreneur does not wish to offer their goods or services in the metaverse, but also does not wish someone else to do so and is eager not to have the brand associated with activities in the virtual world. It seems that it should be possible to protect against the virtual use of a trademark by a third party. However, it is not clear at this point whether the illegal use of the trademark should be based on the possibility of misleading the consumer, on the adverse impact of the association of the brand with the virtual world, or perhaps on the grounds of false advertising or unlawful appropriation. A solution could also be to automatically register the trademark for the activities in the metaverse as well (with the owner running the risk of the trademark being revoked if it is not used in this way).

At this point, it is impossible to assess how the matter of territoriality of a trademark will be decided. Indeed, the

registration of a mark in the real world covers a specific territory (individual countries or regions, e.g., in the case of an EU trademark). However, it is unclear whether the metaverse should be treated as one single territory, or whether it would be justified to separate out specific areas within it.

Copyright protection in the metaverse

Copyright protection for computer programs is established in Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs and in Chapter 7 of the Polish Act of 4 February 1994 on Copyright and Related Rights. According to the Act, computer programs are, in principle, subject to the same protection as literary works. Excluded from copyright protection for computer programmes is, amongst others, the right to "inviolability of the content and form of the work and its fair use", "to decide on the first making available of the work to the public" or the right to "supervise the manner of use of the work". The right to use an already distributed work free of charge for one's own use and to temporarily reproduce a work was also excluded. The right to use works for teaching or scientific purposes and for the use of archives, libraries and schools is also restricted.

Legal rights to graphic interfaces

Many such programmes support and create metaverse structures and then enable the creation of graphical interfaces that function within the virtual world. According to the judgment of the Court of Justice of the European Union C-393/09, which is cited in the context of the metaverse, the graphical user interfaces of a particular computer program do not constitute separate computer programs, but merely a part of them. According to the Court's reasoning, graphic interfaces do not constitute a form of expression of a computer program. However, they are entitled to protection under the general provisions of copyright law if their unique graphical form grants them the character of artistic works. Thus, we are dealing with independent works that are created by individual authors within the software in question, which is a virtual world that does not, in principle, belong to the owner of the software. Virtual worlds that allow for this type of creative from their users are called open metaverse, and worlds with which users may not interact are called closed metaverse.

Copyright protection of the NFT works

It is not always easy to establish the nature of the work in question. For example, NFT tokens sometimes take the form of a unique graphic creation; in such cases, it is

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possible to grant them copyright protection, assuming they meet the legal requirements. Sometimes, however, tokens do not take the form of a unique graphical creation, and their purpose is to highlight the token holders' membership of a particular club. Then NFTs, are sold on a basis that may resemble the granting of a licence to use, rather than a separate object of ownership. Such a conclusion can be drawn particularly since access to the purchased token depends on whether we use the metaverse in question, outside of the virtual world for which it was created; for it does not represent a value different from any other image in jpg format, and, moreover, we have no access to any other form of token than that image.

Copyright infringements in the metaverse

The copyright infringements that may arise as a result of the functioning of virtual universes may be of a different nature. First and foremost, there may be an infringement of rights to a piece of work that was created and functions in the real world and is then unlawfully transferred or advertised in the metaverse. However, it appears that the same copyright protection applies to virtual works that have been created in the metaverse in the first place; therefore, their use should also comply with copyright law. In such a case, it is crucial to have appropriate rules and regulations for the use of virtual worlds to control the situation and hold the infringer responsible. Otherwise, it may be difficult to enforce one's rights, for example, due to the fact that the value of certain virtual creations, such as NFTs, is linked to Blockchain technology, which, although it involves recording the history of a given token, is also designed to ensure the privacy of transactions, so identifying the token holder can sometimes be challenging.

Patent protection in the metaverse

Another challenge that the virtual worlds must face is patent protection for elements created for the metaverse. At this point, in order to register a patent in the virtual world, it must meet the same requirements as for a standard invention protection application. Although computer programs are excluded from patent protection in most legislations, according to the opinion of the Enlarged Board of Appeal of the European Patent Office (EPO), it is nevertheless not impossible to obtain a patent for a computer program, provided that the technical features of the computer program are properly incorporated into the patent claim.

Media indicate that patent applications relating to activities in the virtual world have been filed, with the US patent office, by a fast-food company. It seems that the applications cover, among other things, restaurants

activities in the metaverse. In addition, it is possible that unique NFT tokens will be created by the company in question. Applications have also been made to the relevant authorities for the registration of the brand's trademarks, in relation to its operation in the metaverse.

It also appears that one of the biggest tech companies, which is building probably the largest and, at the moment, fastest growing metaverse, has filed patent applications for technologies that collect and use biometric data for this virtual world. These include, for example, technologies to track a user's facial expressions. These systems are arguably aimed not only at making the virtual world a reality, but also at better profiling of advertisements and content presented to the user, which may, however, raise questions from the perspective of protecting the privacy and personal data of the users concerned.

Summary

Dynamic expansion of new technologies, including the metaverse, means that entrepreneurs need to adapt their strategies for protecting their intellectual property rights, in particular trademarks and software, to the changing reality. Entities operating in the entertainment, gaming, clothing and cosmetics industries should pay particular attention to these issues, as they may be the most interested in operating in the metaverse. Failure to take appropriate action may expose the entrepreneurs concerned to the risk that their rights may be restricted or that they may have to incur significant costs to recover their rights (in particular, where an already existing sign is registered by a fraudulent entity solely for the purpose of operating in the metaverse).



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Digital twins – some thoughts on IP and data law

Digital twins are virtual replicas of physical assets, processes or systems that leverage both historical and real-time data obtained from various sources, including sensors, and employ AI and advanced analytics to simulate real-world scenarios in a digital environment.

Digital twins have become increasingly popular in recent years because of their ability to improve performance, reduce downtime and increase the efficiency of physical assets across all industries and sectors. In the energy industry, for example, digital twins can be used to monitor the performance of wind turbines, identifying potential issues before they cause any downtime. In the healthcare industry, digital twins can be used to create personalized treatment plans for patients based on their unique physiology.

Data

One of the primary legal concerns associated with digital twins is the large quantity of data they rely on. The data used in the digital twin must be accurate, complete and kept up to date to ensure that the twin's output is reliable and properly reflects changes in the real-world asset, process or system. Parties will need to agree on the level of guarantees on the accuracy and completeness of the input data.

If the input data includes personal data, it is critical that any processing of such data by the digital twin is done in accordance with applicable data protection regulations. Users of digital twins must implement strong data governance procedures to manage and control (cross-border) data disclosure. They must ensure that privacy-by-design principles are observed to prevent unauthorized processing of personal data triggered by accident or the unintended use of AI or other automated solutions.

Typically, digital twins also contain confidential, sensitive or otherwise valuable information that provides a competitive advantage to a business, such as detailed information about the design, manufacture and maintenance of a physical asset. Appropriate confidentiality and security measures must be implemented to protect any trade and manufacturing secrets in the digital twin, including restricting access to authorized personnel, sharing any data with third parties under strict confidentiality terms or encrypting and anonymizing sensitive information.

Intellectual property

Another important legal consideration associated with digital twins is intellectual property (IP). To achieve a successful collaborative digital twin, it is essential to establish robust provisions regarding the contribution and

licensing of existing intellectual property rights (IPRs) and the ownership of any rights created through collaboration or the use of the digital twin.

The parties should carefully regulate the rights to and control over not only the input data but also trade secrets or other IPRs that are contained and manipulated by the digital twin. Parties should consider whether the digital twin will contain and use IP-protected assets that need to be licensed for a sufficient period of time for the project or build. Clarifying the legal situation in this regard helps avoid that the most valuable assets of the parties are lost or exposed.

Digital twins can generate a wide range of IPRs, including copyrights in software, patents covering sensors and integration systems as well as confidential information and database rights in generated data. The parties should consider and clearly establish from the outset who will own which parts of the digital twin and the individual outputs. Thought should be given as to whether the outputs can be further commercialized beyond the use for the digital twin.

Conclusion

While digital twins have the potential to revolutionize various industries, their use requires a careful consideration of potential legal implications down the road. Users of digital twin technology must take appropriate (legal and technical) measures to protect personal data, trade secrets and other valuable information, while also carefully regulating IPRs and allocating liability through carefully drafted contracts.



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ChatGPT: Some legal considerations

ChatGPT (short for **Chat Generative Pretrained Transformer**) is a tool based on a large AI-based language model that allows human-like text to be generated. As suggested by the name, it is possible to chat with the tool as if you were communicating with a human. The language model, trained on millions of texts, generates texts by each time adding the word that has the highest correlation with all previous words of the conversation. This enables ChatGPT to create content (for example, blogs, poems, market studies, etc.), to answer questions, but also to perform more specific tasks, such as creating programming codes, translating texts, summarizing long documents, analyzing the mood of texts, and so on. For this, it recognizes emotional nuances and even apologizes when you accuse it of something. ChatGPT was trained with data that could be found on the Internet until September 2021. Thus, it cannot provide current information, such as the movie schedule, and it may answer questions about current topics incorrectly from today's perspective. It is widely regarded as the most advanced AI chatbot of our time.

In the following, we provide an overview of issues in the field of data protection law as well as copyright that arise with regard to the further use of the ChatGPT output.

Copyright

Let us first look at the *contractual regulations*: In the terms of use, which are subject to Californian law, OpenAI transfers all rights to the result to the user. Under German copyright law, which does not recognise the transfer of copyright per se, this provision must be interpreted as a grant of rights of use to the user. This would apply in any case if copyrights actually arose in the result created by the artificial intelligence, which is not the case under German law to begin with. The terms of use also stipulate that OpenAI may in principle continue to use both the user's input, e.g., the question to the chatbot, and the output. The user is prohibited from claiming that the output was generated by a human.

For the question of whether and how the output of ChatGPT may be re-used, let us now focus on *existing third-party copyrights* on the training data used by ChatGPT as well as on inputs entered by users. In the case of mere reproductions and translations of copyrighted texts, the rights of the original author continue to exist. This would be the case, for example, if ChatGPT were instructed to reproduce a song lyric and the output contained a song lyric which was not yet in the



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public domain. The reproduction thus obtained cannot be freely exploited. The same would be true if ChatGPT was instructed to rewrite a pre-existing scene of a screenplay. If the output is so close to the original work that individual characters that enjoy independent copyright protection in the original would be recognised in the output as characters from the original, the rewrite cannot be freely used.

On the other hand, copyright infringement in the case of further use of output containing informative technical text is rather unlikely, since the protection requirements for technical texts are high according to the ECJ. Furthermore, the output does not consist of text modules or sentence fragments, but rather is reformulated by the GPT language model word for word in a new and autonomous way. Moreover, copyright law fundamentally protects the form of a work, not its content.

Let us now shift the focus to the question of whether copyright law grants the output generated by ChatGPT its *own right*. According to current German law, only a human being can be the creator of a work and thus its author. According to the case law of the ECJ, the output cannot be a work in the sense of copyright law either, as the free creative decision of the author/user required for this does not occur at any time. There is a lack of personal intellectual creation. This is also consistent with opinions on US law.

Against the background of ever more advanced AI technologies and applications, there is a need for a broad discussion on how to deal with computer-generated outputs in the future and a review of whether the current law still meets the requirements of our time.

Taking into account the current legal situation in Germany as well as the case law of the ECJ, we can – from a copyright perspective – recommend the use of ChatGPT at this point in time at best as a basis for inspiration. The potential risk of infringing third parties' copyrights by publishing the output should not be underestimated in view of the ignorance of the algorithmic decision-making basis as well as the training data used to obtain the concrete output.

Data protection law

In addition, when using ChatGPT – as with almost every new technology – data protection issues must be kept in mind. On the one hand, ChatGPT processes user data and in particular collects IP addresses as well as information on user behaviour. Furthermore, the user is completely free to enter any information for creating texts. It is also possible to enter personal data of third parties. Therefore, the processing of personal data with the help

of AI is also subject to the requirements of the General Data Protection Regulation (GDPR). Information entered is transmitted to the servers of the operator OpenAI in the USA and processed there not only to create the desired texts but is also stored and used to train and improve the AI. For this purpose, the data may also be shared with other third parties. The person entering the text therefore has little control over who ultimately gains access to the data entered.

There are many ways to use ChatGPT. Furthermore, before using AI-based solutions for the processing of personal data, it will regularly be unavoidable to conduct a data protection impact assessment. The use for direct communication with users or for making decisions is at least conceivable. In this context, the requirements of Art. 22 GDPR must be observed, according to which affected persons may not be subjected to an exclusively AI-based decision that has legal effect vis-à-vis them or similarly significantly affects them. However, the currently available information on data processing by ChatGPT is not expected to suffice to provide a basis for sufficient data protection information, the preparation of data protection impact assessments or, for instance, the preparation of standard data protection clauses and associated risk assessments. Therefore, a legally compliant use of ChatGPT for the processing of personal data – based on the current information situation and design – will be difficult to achieve.



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A bitter pill to swallow

As the demand for innovative medicines and therapies continues to rise, the need to strike a balance between progress and affordable healthcare remains a challenge. To this end, many countries have established "supplementary protection certificates" ("SPCs") as a means of providing additional patent protection to pharmaceutical products. While SPCs offer several benefits to the industry, they also present significant ethical and economic considerations. This article aims to examine the advantages and disadvantages of SPCs and their impact on patients, healthcare providers, and society as a whole.

Once a pharmaceutical product has been granted marketing authorization, it becomes vulnerable to infiltration by generic versions once the original medicine's patent has expired, thereby jeopardizing its market share. To mitigate this risk, several countries have

established SPCs, as previously mentioned, which offer an additional 5 years of protection, thus extending the safeguarding period for pharmaceutical products and reducing the likelihood of early market entry by generic equivalents. In Romania, SPCs are granted by the State Office for Inventions and Trademarks (in Romanian, OSIM).

To be eligible for an SPC, the medicinal product in question:

- must have a marketing authorization in Romania or in another EU member state, which needs to be the first marketing authorization for this product as a medicine;
- must be protected by a basic patent that has not expired;
- has never been subject to another SPC.



A bitter pill to swallow

Pros: SPCs offer a number of advantages to the pharmaceutical industry, including increased certainty and predictability regarding the period of market exclusivity for innovative products. Few advantages can be that SPCs:

- Encourages innovation: The promise of extended patent protection through SPCs can incentivize pharmaceutical companies to invest in research and development for new medicines and technologies, which ultimately benefits society.
- Provides a period of exclusivity: SPCs can offer companies a period of exclusivity during which they can recoup their investment in research and development and generate revenue before generic competitors enter the market.
- Promotes public health: SPCs can help ensure the availability of safe and effective medicines by providing companies with an incentive to seek regulatory approval for their products.
- Supports economic growth: The pharmaceutical industry is a significant driver of economic growth and job creation, and the availability of SPCs can encourage investment in this important sector.
- Enhances patient access: By encouraging investment in research and development for new medicines, SPCs can help expand the range of treatment options available to patients and improve overall health outcomes.

Cons: However, SPCs are not without their drawbacks:

- Limiting competition: One potential issue is that the extended protection period granted by an SPC may limit competition in the pharmaceutical market, leading to higher prices for consumers. Indeed, this may constitute a restriction of free access to healthcare.
- Small businesses issues: Additionally, the intricacy of the SPC system may pose challenges for smaller companies seeking to obtain the advantages of SPCs, as one of the prerequisite conditions for SPC issuance mandates that the product in question must hold the first marketing authorization as a medicine.
- Pandemic context: Given the urgent need for effective treatments and vaccines for COVID-19, some experts have raised concerns that the use of SPCs could delay or limit access to these crucial medical inventions. If pharmaceutical companies are granted SPCs for their COVID-19 products, this could potentially extend the period of exclusivity and prevent generic versions from entering the market, leading to higher prices and reduced availability for patients in

need.

- A hindrance to the development of the industry: Analogous to the Wright Brothers, who faced criticism for their decision to obtain an extended period of patent protection for their groundbreaking invention in aviation, the extension of protection afforded to medicines through SPCs may likewise be regarded as a potential impediment to the advancement of medical innovation. There is also debate as to whether SPCs are truly necessary to encourage innovation in the pharmaceutical industry, or whether they simply serve as a means of extending profits for established companies.

In conclusion, while the pharmaceutical industry is crucial for the economy and public health, we must remember our ethical obligations to patients and society. The discovery of insulin on January 23, 1923, and the declaration that it “belonged to the world”, serve as a powerful reminder that medical breakthroughs require collaboration and that access to life-saving medicines is a fundamental human right. Moving forward, policymakers, regulators, and the industry must strike a balance between promoting innovation and ensuring access to safe, effective, and affordable medicines. This requires careful consideration of the benefits and drawbacks of SPCs and a commitment to ethical and responsible behavior.



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Possible pitfalls of the new US trade secrets law



Non-US Companies should pay close attention to a new US trade secrets law

There is a new US law targeting the foreign theft of US trade secrets that has far reaching implications for foreign companies. The “Protecting American Intellectual Property Act of 2022^a” (PAIP) was signed by the President on January 5, 2023, and both US companies and foreign companies who transact with US companies should understand this law and monitor ongoing developments.

In short, the law requires the US President to impose sanctions on foreign companies or individuals who steal the trade secrets of a US company. The law does not provide a mechanism for an aggrieved company to seek direct redress against another company. It is not a judicial remedy. Instead, it acts as a state-level deterrent, which is reflected in the types of misappropriation that are actionable under this law. Specifically, the types of trade secret theft that are punishable include those that are “*reasonably likely to result in...a significant threat to the national security, foreign policy, or economic health or financial stability of the United States.*”^b The law provides additional categories of theft that qualify for sanctions, such as any foreign person who “*has provided significant financial, material, or technological support for...such theft,*”^c and foreign companies should be aware of the breadth of behavior that can subject them to this law.

The sanctions are powerful. The law details a menu of twelve potential sanctions and requires the President to impose at least five of those sanctions when the theft qualifies under the law. The law does not make the sanctions optional; if the President “determines” that a foreign person committed the behavior noted in the law, the President is then obligated to impose the sanctions. The non-judicial, administrative nature of the law could have significant implications for foreign entities in terms of

the impact of the sanctions as well as the mechanisms for challenging any such sanctions.

Several examples of the sanctions include^d:

- Inclusion on the entity list for activities contrary to the national security or foreign policy interests of the United States;
- Inability to gain approval on the issuance, guarantee, insurance, extension of credit, or participation in the extension of credit in connection with the export of any goods or services to the entity;
- Prohibition of any U.S. financial institution from making loans or providing credits to the entity totaling more than \$10MM in any 12-month period;
- Prohibition of the U.S. Government from entering into any contract for the procurement of goods or services from the entity; and
- Denial of visas and/or entry to the U.S. for named persons.

Allegations of trade secret misappropriation often arise between two companies who otherwise had a good faith intention of collaborating. It is yet to be seen how the actions under the PAIP will occur, and further questions remain about the role of PAIP vis-à-vis other misappropriation remedies (eg, the Defense of Trade Secrets Act (“DTSA”). However, due to the potential impact of these sanctions, non-US companies should consider its exposure under this law when considering a transaction with a US company. At a minimum, both enhanced pre-deal due diligence and post-transaction handling of sensitive information should be priorities.

Note:

- (a) Pub. Law 117-336.
- (b) PAIP Sec. 2(a)(1)(A)(i).
- (c) PAIP Sec 2(a)(1)(A)(ii).
- (d) PAIP Sec 2(b)(1).



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Free access of radio stations to stadiums



Spanish Constitutional Court rejected the exception of unconstitutionality raised by Spanish Supreme Court in relation to article 19.4 of the previous Spanish Audiovisual Media Services Act.

The provision in question set forth the right of providers of radio audiovisual communication services to freely access to stadiums and venues to broadcast live broadcasts of sporting events taking place there in exchange for financial compensation equivalent to the costs generated by the exercise of this right, which should be established by agreement between the parties. As Spanish radio stations and football clubs were unable to agree on an amount for this financial compensation, the Council of the Communications Market Commission set a fee per stadium, party and operator to be paid by the radios to the football clubs which was challenged by the Spanish National Professional Football League before the Spanish National Court and the Spanish Supreme Court.

In this regard, the Spanish Supreme Court raised a question of unconstitutionality due to the possible contradiction of this article with the constitutional rights to property and the freedom to conduct a business, on the grounds that, by providing for free access by radio operators to stadiums in order to broadcast live sports events taking place there, it would limit the financial compensation that the holders of the broadcasting rights could receive. The Supreme Court also held that such legal provision would deprive organizers and sport competitions right holders of an essential part of their economic benefit.

In its ruling dated 21 February 2023, the Spanish Constitutional Court ruled that, although the free access

of radio companies to stadiums may affect the right to property of those who provide the sporting event, by affecting the exploitation rights of the broadcasters that have acquired broadcasting rights for that event or competition, the purpose pursued by the rule justifies such an effect, because it seeks to guarantee the constitutional right to inform and receive information, under article 20.1 d) of the Spanish Constitution, fulfilling a legitimate aim, without affecting the essential content of the exploitation rights of the organizers of sporting events, and being appropriate for achieving that aim.

The judgment also ruled out the infringement of the right to freedom to conduct a business, in its aspect of freedom of contract, due to the fact that the measure pursued by the legislator responds to a constitutionally legitimate aim, and is appropriate for achieving that aim, by allowing free access to the venues of radio service operators in order to be able to satisfy the right to inform and receive information on all newsworthy events occurring in relation to the sporting event at the venue.

According to the above, it is our understanding that article 145 of current Spanish Audiovisual Media Services Act No. 13/2022, of 7 July, which includes an identical provision to that one contained in article 19.4 of the previous regulation is also constitutional due to the prevalence in this specific case of the fundamental right to inform and receive information over the right to property (including intellectual property rights and, in particular, copyright or related rights) and freedom to conduct a business.



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New draft decree on copyrights and related rights VN

The Amended IP Law took effect on January 1st, 2023. The new draft decree guiding the implementation of the Amended IP Law is expected to be released soon. The draft decree is currently in its third draft iteration ("the Draft Decree") which contains the following key points:

Amendment and clarification of some terms

The Draft Decree clarifies important terms, such as:

- Publication of a work, means the publication of copies of work with the consent of copyright owners and related rights holders in whatever form in a sufficient amount so that the public can access such work depending on the nature of the work;
- The exact time is made clear for re-broadcasting (i.e. the transmission of rebroadcasting is after the broadcast time) and relay of a program (at the same time as the broadcast time).

The detailed regulation of the right to perform a work before the public

According to Decree No. 22/2018/ND-CP dated February 23th, 2018 ("Decree No. 22"), the right to perform a work before the public is only regulated under Article 21.1 (Economic rights). However, under the Draft Decree, this matter is regulated in Article 15.

Accordingly, Article 15 clarifies the definition of the right to perform a work before the public, directly or indirectly, through sound and video recordings or any other technical means which the public can access but through which they cannot freely choose the time and part of the work.

For each type of work (i.e. the work presented in spoken languages, written languages, musical work, cinematographic works, works of applied art, photographic works), the act of performing the work for each type of work is also specifically defined.

Supplement the regulations of the right of co-authors and co-owners of work

Article 16 of the Draft Decree classifies two circumstances in relation to co-authors and their ownership status of the work in question:

- The co-authors are also the co-owners of a work: they will negotiate on the implementation of moral rights and economic rights of a work;
- The co-authors are not the co-owners of a work: in this case, the co-authors will negotiate on the implementation of moral rights, the co-owners will negotiate on the economic rights of a work.

The co-authors can make a written declaration to

abandon their rights (i.e. the economic rights, the publication rights of the work). The abandoned rights will then be automatically transferred to the remaining co-owners.

The detailed regulation of exceptions to copyright and related rights infringement

Under Decree No. 22, the provisions on reproduction of works (Article 22) and reasonable recitation of work (Article 23) are regulated to clarify the use of published works without being considered as copyright and related rights infringement according to IP Law. The Draft Decree regulates the exceptions to copyright and related rights infringement into Section 1, Chapter III. This provision is reasonable because (i) it ensures the harmony of interest



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between the creator and the public's right to access work, phonograms, video recordings and broadcasts, (ii) it protects the interest of the creator and the party exploiting and using work, phonograms, video recordings and broadcasts.

The exception applies in case of reasonable copying of a part of a work, reasonable use of a work or reasonable recitation. Furthermore, the Draft Decree adds to the subject "libraries" the following content (reproduction of work for archival, study and research purpose, etc.) and "people with disabilities" (reproduction of work in forms of assuring people with disabilities to easily access such work).

Decree No. 22 and previous IP Law only regulate the exceptions to copyright and related rights infringement when copying a work for archival and research purposes in libraries. The Draft Decree regulates specifically the use of work for non-commercial purposes (such as the copying of work (no more than three copies of work) to store, the reasonable copying of a part of a work by using a copying device for research, study, copying, transmission of the archived work on the inter-library network), the need to apply the appropriate measures for protection, and the regulations relating to copying device in libraries.

Under the previous regulations, the exceptions will be applied to blind people. However, following the Draft Decree, subject "people with disabilities" have a wider scope. It means that the exceptions will apply not only to blind people but also to other people with disabilities.

Moreover, the Draft Decree is also specifically stipulating that if the entities and competent authorities, providing services for people with disabilities according to the decree, are entitled to reproduce, distribute, perform, communicate the copies of work, then the other entities need to carry out the process of registration with the competent authorities.

Additional provisions on the protection of copyright, related rights, determination of disputes, infringements, and damages.

The entire Chapter VI of the Draft Decree which covers the protection of copyright and related rights includes some important provisions as follows:

- presumption of copyright and related rights;
- technological measures to protect rights;
- types of disputes on copyright, related rights;
- the basis for determination of subjects entitled to copyright and related rights protection.

In addition, the mechanisms to determine infringements, damages and procedure to handle cases of infringement are specifically stipulated, namely :

- infringement of copyright, related rights;
- the basis for determination of nature and seriousness of infringement;
- the damages caused by infringements (i.e. calculation of mental loss, property damage, decline in income and profit, and loss of business opportunities);
- the reasonable expenses for mitigating and remedying the material damage.

The liability of Intermediary Service Provider (ISP) for the protection of copyright, related rights

The Draft Decree stipulates on ISP and their responsibilities, such as

- providing contact information to receive the complaints, reflections on copyright, related rights infringement;
- removing or preventing access to infringing information content;
- Temporarily disconnecting the internet connection or site blocking in the knowledge that a customer has committed infringing acts; and
- Asking authors or copyright owners for permission and to pay royalties if they operate for commercial purposes.

Moreover, the Draft Decree stipulates the mechanism for prosecution and disclaimer of ISP from the copyright and related rights infringement which was carried out by the user. It particularly says that ISP will not be liable in case (i) they do not know about information which is copyright and related rights infringement, (ii) they immediately remove or prevent access to infringing information content upon being aware of such information.



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With judgement issued on December 22, 2022, joined cases C-142/21 and C-184/21, the European Union Court of Justice ("EUCJ"), by providing an interpretation of Art. 9 EU Regulation 2017/1001, has ruled that also a sale platform, which incorporates an online marketplace in addition to its own sales offerings, can itself be considered primary liable for using a trademark which is identical with an EU trademark of another person for goods which are identical with those for which that trademark is registered, where third-party sellers offer for sale, on that marketplace, without the consent of the proprietor of that trademark, such goods bearing that sign. In the case at stake, a worldwide known designer of luxury footwear brought an action for trademark infringement before the Tribunal d'arrondissement de Luxembourg against a marketplace, seeking a declaration that (i) the online provider is liable for infringement of the trademark at issue, (ii) it should cease the use, in the course of trade, of signs which are identical with that trademark throughout the territory of the European Union, failing which it must make a periodic penalty payment, and (iii) it should be ordered to pay damages for the harm allegedly caused by that use.

The case was then referred for guidance to the EUCJ which, as opposed to the Advocate General's opinion that

"an online intermediary cannot be held directly liable for infringements of the rights of trade mark owners taking place on its platform as a result of commercial offerings by third parties", cleared that an operator of an online platform can indeed be regarded as using itself a third-party trademark, despite not being the direct producer of the infringing products, when it can be assessed that a well-informed and reasonably observant user of that website establishes a link between that online platform's services and the infringing sign. To this purpose, the Court listed a number of criteria in the presence of which it is plausible that an association with the online operator as described above arises, such as:

- the use of a uniform method of presenting the offerings published on its website, displaying both online platform own advertisements and those of third-party sellers;
- the offering of additional complementary services related to the purchased products, such as
 - storage
 - shipping/dispatching
 - after-sale assistance.



Online platforms and trademark infringement

Although the CJEU's ruling is not a finding of infringement in this particular case (that decision will be passed back to the national courts for final judgment), it nevertheless leaves operators of online marketplaces using a hybrid model more vulnerable to direct liability for third parties selling counterfeit products on their online shops.

Along the same line, Italian Courts have dealt over the years with numerous proceedings brought against online sale platforms on which products violating third parties IP rights were offered on sale. In the majority of cases, the trademark holder relied on its selective distribution system, which represents a legitimate exception to the EU general principle of trademark exhaustion, according to which a trademark holder is not entitled to prohibit the trademark's use in relation to goods which have been put on the market by the proprietor or with his consent (art. 5 of Italian Code of Industrial Property, transposing art. 7 of EU Directive 2008/95). According to Art. 1(1)(e) of EU Regulation 330/2010 (on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices), a selective distribution system is a business model where the supplier sells the goods or services, either directly or indirectly, only to distributors selected on the basis of specific qualitative criteria and where these distributors undertake not to sell such goods or services to unauthorized distributors within the territory reserved by the supplier to operate that system. The selective distribution system is found in compliance with antitrust provisions provided that: i) the involved product is a luxury and/or prestigious good; ii) there exists an effective harm to the image/prestige of the trademark because of the sale made by third parties not included in the selective distribution network.

As a general principle, the possible liability of an online intermediaries which offer for sale products referable to a distributor which is not part of the selective distribution system needs to be balanced with the right of each distributor to market its products online, through websites pertaining either to themselves or to third parties. In this respect, the IP Specialized Division of the Court of Milan, in a decision rendered on July 3, 2019, involving an online provider and a French company active in the production of high-quality skincare and make-up products, found the intermediary liable for violating the French company's trademarks on the assumption that the sale mechanism and environment offered by the platform was a harm to their exclusive brand reputation. The following factors were assessed to be relevant for ascertaining the detriment to the plaintiff's brand reputation:

- trademark holder's products were showed together with different and "low profile" articles, such as house cleaning goods;
- trademark holder's products were mixed with other skincare brands having quality, reputation and price much lower than the plaintiff's ones;
- The lack of an adequate customer service, equivalent to the one that is provided in "physical" stores.

More recently, in addition to the criteria listed above, again the IP Specialized Division of the Court of Milan, on January 12, 2021, in proceedings pending between the same online sale platform and another trademark holder, held that the fact that the online sale platform's logistic services are efficient and generally appreciated by customers cannot be considered as having any relevant impact on the issue of preserving the reputation of the trademark holder, as such services merely pertain to commercial aspects which have nothing to deal with the obligation to preserve the brand's identity and reputation.



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10 New Rules for Digital Content Providing

The Czech Republic only recently introduced new rules for digital content providing in line with the Directive (EU) 2019/770 on certain aspects concerning contracts for the supply of digital content and digital services ("DCD") and Directive (EU) 2019/771 concerning contracts for the sale of goods, ("SGD"). The new rules aim to harmonize the rules on the conformity of digital content or services with a contract, remedies for non-conformity or failure to supply and modification of digital content or digital services.

The Czech Republic transposed both directives primarily within the amendment to the Civil Code. This amendment came into force at the beginning of this year and attracted significant attention. One of the main highlights was an introduction of a brand-new contractual type – a contract for the supply of digital content and digital services.

Before this amendment, the Czech legal system (like that in many other Member States) had not explicitly regulated this matter. As the DCD is a "full harmonization" directive, the rules described should apply throughout the EU with slight variations.

Who is affected by the new regulation?

One of these variations in the Czech legal system is, for example, the scope of relationships to which the new rules apply. The Czech legislator has decided to extend the application of the rules set out in the DCD also to some contractual relationships between entrepreneurs (B2B).

For B2B relationships, the rules apply only to the provision of digital services/content for remuneration. In addition, regulation of B2B relationships is generally not so strict and it is possible to contractually exclude the



New Rules for Digital Content Providing



new provisions of the Civil Code. The businesses are expected to incline towards laying out their own rules in B2B relationships which would reflect their business goals more precisely. This may become a common practice in the future.

In the case of B2C relationships, on the other hand, stricter rules apply. Furthermore, it is generally not possible to alter or deviate from them. The rules apply also to the seemingly “free” supply of content/services in exchange for which consumers provide their personal data.

The main new rules concern for example:

Time for content provision

- Unless otherwise agreed, the digital content or services should be made available without undue delay after the conclusion of the contract. Under certain conditions the consumer may have a right to withdraw from the contract if this obligation is breached and the provider is in default.

Updates of the digital content

- Providers are required by law to make necessary updates to digital content to ensure that the digital content is free of defects. The duration for which these necessary updates are to be provided varies according to whether the performance is one-time or continuous. In the case of unnecessary updates that change the functionality of the digital content or

service, it is essential to notify the user as well as meet other statutory conditions.

Defects

- During the contract term, the provider is liable for providing the defect-free digital content. Otherwise, the user is entitled to rights arising from the defective performance. These rights may include removal of the defect, discount, or withdrawal from the contract. Should the defect occur during the contract term, then the provider bears the burden of proving that the digital content is defect-free. However, the provider is not liable for the defect if it is caused by the user’s unsuitable digital environment.

Right of withdrawal

- Since most contracts for digital content are concluded at a distance, the consumer’s right to withdraw from the contract within 14 days of its conclusion will apply. However, in most cases, the consumer has access to the digital content before the 14-day period expires and can consume the digital content in the meantime (for example read the entire e-book). These situations can be avoided by informing the consumer and obtaining the consumer’s prior consent and acknowledgement that the contract cannot be withdrawn once performance has begun.

On balance, the transposition of the directives into the Czech legal system has brought positive changes. In particular, the new contractual type and extended consumer protection in digital services can be deemed a progressive step towards transforming the Civil Code to the shape necessary for today’s digital age. On the other hand, the amendment contains a number of vague provisions that may leave room for various interpretations. This could create some uncertainty for the providers to be dealt with in practice as they will have to align complex technical solutions of their services with new rules.



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New powers conferred upon Spanish TMO



identical to a previously registered trademark or tradename). In addition, final decisions issued by the OEPM will now have to be reviewed by the magistrates of the specialized sections of the provincial courts (Madrid, Barcelona, Valencia, Granada, La Coruña, Bilbao and Las Palmas de Gran Canaria), rather than the contentious-administrative jurisdiction.

OEPM will also have the power to declare trademarks or tradenames revoked when they have been registered for more than five years and have not been put to genuine use without a justifiable cause. Furthermore, among other changes, notifications to defendants will no longer need to be translated; as is, that it is not envisaged that hearings can be held before OEPM which means that all the evidence presented will be done in paper, hearings are only envisaged if an appeal is lodged with the Provincial Court.

A simplification and cheapening of the procedure is foreseen, which will increase the number of applications for annulment and revocation. As these changes represent a change in the legal paradigm and how things had been done until now, OEPM has released an Information Manual on Administrative Invalidity and Revocation, as a roadmap.

Spanish Patent and Trademark Office (OEPM) has taken on the task of determining if a trademark is invalid, lapsed or whether it was applied for in bad faith.

As of 14 January 2023, legal actions requesting the nullity or revocation of a Spanish trademark or tradename must be filed before de OEPM. Therefore, from then on, only counterclaims in the context of trademark infringement proceedings can be brought before the commercial courts.

This legislative novelty was introduced by Royal Decree 23/2018, transposing Directive 2015/2436 in the trademark field which imposed member states the obligation to provide for an administrative procedure for revocation or declaration of invalidity of a trademark in order to offer efficient means of revoking or declaring them invalid. The OEPM assumed the competence to declare invalid those trademarks and tradenames, that it considers, are subject to absolute prohibitions (e.g.: those registered in bad faith), and those on the grounds of relative invalidity (e.g.: when the distinctive sign is



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Liability of operators of affiliate programs

The German Federal Supreme Court (BGH) has ruled that operators of affiliate programs are not liable for misleading advertisements by an affiliate partner (affiliate), as long as the affiliate has acted within the scope of its own product or service offer and therefore there is no extension of the business operations of the affiliate program.

The defendant provides a platform and operates affiliate programs. Affiliates may set links on their own website to products on this platform. If a customer buys the product via the link, the affiliate receives a commission. In the case at issue, one of these affiliates set a link to products sold on the platform on its own website, which at least visually corresponded to an editorial online magazine related to sleep and mattresses in the broadest sense, and promoted them in a misleading manner. The plaintiff, a producer of mattresses, brought a claim against the defendant for the breach of unfair competition law, in particular the misleading advertisement, by acting as the affiliate's agent. The BGH ruled that the affiliate had acted on its own website within the scope of its range of products and services. In addition, the website was not within the defendant's sphere of control and therefore the defendant did not act as the affiliates agent as it did not extend its business operations to the websites of the affiliate.

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