

The 2010 BFSU CUP Intellectual Property Moot Court

In The Beijing Higher People's Court¹

Great Tao Culture Publishing Co. Ltd, as Petitioner

V.

Shinda Toys Manufacturing Co. Ltd, as Respondent

As culture becomes a major industry, the works under the protection of copyright are facing not only the traditional “piracy” challenges, but also being used as trademarks or patents. Dilemma is thus incurred by the overlap of different legal systems, and by the complicated impact on law enforcement which is caused by the change of area and time.

BACKGROUND

The following are undisputed facts for the two sides

|

1. Young-Chan Kim, a Korean citizen, is a cartoonist. Through many years hardworking, he produced a series of comic books named “Kung Fu Bear” in 1991.

¹ The Organizing Committee is mindful of the complexity of the issues involved in this Moot Court Problem, as well the unique judicial procedures relating to intellectual property disputes. For this reason, the litigation procedure is arranged for the purpose of this Moot Court so that all procedural issues are supposedly resolved. See explanation in the Official Rules 2010(Rule 1.5).

Great Tao Culture Publishing Co. Ltd (hereinafter referred to as “Great Tao”), initially incorporated in 1946, is a large comprehensive publishing corporation, publishing books and more than 20 kinds of regular publications. Many books which it published have international influences. In 1992, authorized by Mr. Young-Chan Kim, Great Tao Company acquired the exclusive publishing right, other copyrights, and merchandising rights to “Kung Fu Bear”.

2. Kung Fu Bear series comic books have been widely published in South Korea since 1993 and then entered into Japan, Taiwan and Hong Kong through authorized publication. The cartoon “Kung Fu Bear” was broadcasted in Korea, Japan, Taiwan, Hong Kong and Southeast Asian areas. The lovely model and the touching and instructive stories achieved great success for both the comic book and the cartoon of “Kung Fu Bear” in a short time. Children were deeply attracted by the brave, kind and humorous “Kung Fu Bear”. They enthusiastically talked about its “heroic deeds” out of justice and chivalries, dressed up like it, and bought items related to it, such as stuffed animals, posters, bags, and pencil boxes. Great Tao Company gradually developed a large market with the image of "Kung Fu Bear", which was designed into books, toys, children's wear, children's food and other products, and achieved a great commercial success.

3. In 2002, the "Kung Fu Bear" books and cartoon stepped into the Chinese mainland. Like its rapid spread in other countries, it soon gained the popular recognition and affection of Chinese people, especially children. Nearly every one of the juveniles in Chinese mainland knows about “Kung Fu Bear” and its stories. Even many adults were deeply touched by it. The goods with the "Kung Fu Bear" image manufactured by Great Tao Company or by others authorized by Great Tao Company, including toys, stationeries, children's wear and other commodities, enjoyed an incredible selling record on the Chinese mainland.

II

4. Beijing Shinda Toys Manufacturing Co. Ltd (hereinafter referred to as “Shinda

Company”) is a small local company incorporated in 1991 with about 30 employees. Shinda Company engaged itself in providing the OEM (Original Equipment Manufacturer) services of manufacturing for well-known overseas toy brands; however, it had no brand of its own.

5. With the increased costs of labor, materials etc., Shinda Company got fewer and fewer orders from other major toy corporations. Because of this, the company determined to create its own brand and explore its own market. The primary task was to find a notable name as the trademark attractive to consumers.
6. In Oct., 2004, Shinda Company obtained, by assignment from Shenzhen Honesty Company, the “Kung Fu Bear” design trademark on toys. Thereafter, Shinda Company used the "Kung Fu Bear" design trademark for its commodities and advertising.
7. Honesty Co. Ltd. (referred to as "Honesty Company") filed the application for the registration of "Kung Fu Bear" design trademark in June 1997 with the Chinese Trademark Office (CTMO) covering 10 classes of 9, 16, 18, 26, 28 etc. The design mark was identical with the "Kung Fu Bear" image created by Mr. Young-Chan Kim. Honesty Company’s application matured into registration on Nov. 8, 1998.
8. Honesty Company also registered nearly 50 trademarks on such popularly known products as the characters and image of “Mickey Mouse”, ZIPPO, Mercedes and so on, and has sold some of them for money.

Prior Proceedings

I

9. In 2006, after noticing Shinda Company’s use of the "Kung Fu Bear" image on its goods and ads, Great Tao immediately sought a preliminary injunction in Beijing Second Intermediate Court against Shinda Company’s alleged copyright

infringement on the art works, whose copyright was owned by Great Tao Company. The Court granted the injunction. Great Tao Company brought the infringement action in the Beijing Second Intermediate People's Court on Aug. 16 in the same year. Beijing Second Intermediate People's Court accepted the case on Aug. 17.

10. Great Tao Company alleged in its complaint that defendant has publicly used the "Kung Fu Bear" art works whose copyright was owned by Great Tao, in infringement of the plaintiff's copyright, and sought damages in the amount of ¥5,000,000.

11. Defendant, Shinda Company, responded by arguing with the following two reasons. First, defendant's act of using the "Kung Fu Bear" image on the goods and in advertisement was based on their exclusive lawful right under trademark registration, which cannot constitute infringement. Second, it filed a counterclaim of trademark infringement against plaintiff for its use of the "Kung Fu Bear" image on toys and other goods without permission, and sought to enjoin plaintiff from infringing on its trademark, and also damages, in the amount of ¥3,000,000 for the pecuniary loss thus suffered.

12. At trial, Shinda Company argued that it enjoyed the right of a registered design trademark of the "Kung Fu Bear". After knowing that Shinda Company had the registered trademark of the "Kung Fu Bear" image, Great Tao Company applied to the Trademark Review & Adjudication Board (TRAB) to cancel Shinda Company's registration of the mark. Beijing Second Intermediate Court subsequently ordered a stay pending decision from the Board on the status of the Shinda Company trademark registration.

II

13. The TRAB held through the review that the copyright of "Kung-fu Bear" constituted "prior right" of the trademark in dispute. Under Article 31² of

² "THE 2001 TRADEMARK LAW" Article 31 An application for the registration of a trademark shall not create

Trademark Law of the People's Republic of China, anyone applying for trademark registration shall not damage the existing rights of others obtained by priority, neither may it register, in advance, the trademark that has been used by others and has become influential. But, the dispute is subject to a statute of limitation. Subsection 2 of Article 41³ of the Trademark Law provides that any request for cancellation based on Article 31 trademark dispute must be brought within 5 years from the date of registration. In this case, the mark was registered on Nov 8, 1998, and the request was brought on Jan 25, 2007 with the TRAB. The action is barred because the statute of limitation has started to run against the petitioner. Therefore, the request for cancellation must be rejected due to the delay. Petitioner also tried to rely on the well-known mark protection of the "Kung-fu Bear" image under Article 13⁴ of the Trademark Law (unregistrability of a mark, if well-known to be owned by another and likely to cause confusion). Regarding this the Board held that when the trademark in dispute was registered in 1998, neither comic books nor cartoons of the "Kung-fu Bear" entered the Chinese mainland, and Great Tao Company did not use "Kung-fu Bear" as a trademark on its related

any prejudice to the prior right of another person, nor unfair means be used to preemptively register the trademark of some reputation another person has used.

³ **"THE 2001 TRADEMARK LAW" Article 41** Where a registered trademark stands in violation of the provisions of Articles 10, 11 and 12 of this Law, or the registration of a trademark was acquired by fraud or any other unfair means, the Trademark Office shall cancel the registered trademark in question; and any other organization or individual may request the Trademark Review and Adjudication Board to make an adjudication to cancel such a registered trademark.

Where a registered trademark stands in violation of the provisions of Articles 13, 15, 16 and 31 of this Law, any other trademark owner concerned or interested party may, within five years from the date of the registration of the trademark, file a request with the Trademark Review and Adjudication Board for adjudication to cancel the registered trademark. Where a well-known mark is registered in bad faith, the genuine owner thereof shall not be restricted by the five-year limitation.

In addition to those cases as provided for in the preceding two paragraphs, any person disputing a registered trademark may, within five years from the date of approval of the trademark registration, apply to the Trademark Review and Adjudication Board for adjudication.

...

⁴ **"THE 2001 TRADEMARK LAW" Article 13** where a trademark in respect of which the application for registration is filed for use for identical or similar goods is a reproduction, imitation or translation of another person's trademark not registered in China and likely to cause confusion, it shall be rejected for registration and prohibited from use.

...

merchandise in the Chinese mainland market. Although comics and cartoons of the “Kung-fu Bear” had gained fame in China’s neighboring countries and regions by then, its popularity had not extended to China. Under Article 13 of the Trademark Law, a trademark that is not registered in China but is pleaded for special protection has to be a well-known trademark of its same or similar commodity before the trademark in dispute is registered. Therefore it cannot be established that this trademark was already a well-known trademark in mainland China before it was registered. On petitioner’s complaint that the original trademark registrant filed the application “... to obtain registration through fraud or other indecent means,” within the purview of Trademark Law, Art. 41(1), the Board found that Art. 41(1), which, unlike Art. 41(2) for relative grounds is an absolute ground for cancellation, not premised on knowledge or presumed knowledge of prior rights. The acts thus prescribed for “obtaining registration through fraud or other indecent means” should be construed as acts that are misleading toward trademark authorities or other unlawful acts in bad faith when filing trademark applications, which the petitioner in this case has failed to prove, and must be rejected. As a consequence of the above, the TRAB maintained validity of the trademark. Neither Great Tao Company and Shinda Company brought out an administrative action against the Board in time limit, thus the adjudication went into force.

III

14. Beijing Second Intermediate People's Court resumed the hearing of the infringement claim of copyright.
15. The plaintiff, Great Tao, held that even if the trademark right cannot be removed, the public use of the “Kung-fu Bear” figure on the defendant’s merchandise and in various media still constituted infringement of copyright. This was on the account that “registering works that are enjoyed copyright by others as a trademark” and

“publicly using works that are enjoyed copyright by others on products” are two actions of different nature. The former one belongs to administrative dispute concerning authorization of trademarks and the latter to tort claim of copyright. The defendant in the case not only applied registration of the works of the plaintiff to the governmental agency in charge of trademark-related issues (CTMO), but also materially and publicly used the work on its products and engaged in its promotion and sales, which infringed copyright of the plaintiff.

16. Great Tao contended that the fact that the trademark in dispute used the “Kung-fu Bear” whose copyright belonged to the plaintiff was undisputed. If one registers a well-known character created by others as a trademark and publicly uses it on the market without the creator’s permission, it would bring about great harm to the original creator. If the court does not establish that such action concerning the “Kung-fu Bear” did infringe copyright, the series of problems that follow will aggravate the unfair results that this kind of wrongful conduct has led to. For instance, is Great Tao Company’s using its “Kung-fu Bear” image on related merchandise an infringement to the defendant’s right of a registered trademark instead? Is the plaintiff banned from using its own works on its future products? Does the plaintiff have to instead pay damages to the defendant for using its own work on its merchandise? And so on. To prevent such absurdity from happening, the plaintiff petitioned to the court for the ruling that the public usage of the “Kung-fu Bear” on the defendant’ products constitutes an infringement of copyright.

17. The defendant Shinda Company admitted that copyright of the “Kung-fu Bear” image belonged to the plaintiff. However, it argued that the ground for using the “Kung-fu Bear” image on its products was its legitimate right to the exclusive use to a registered trademark and it did not use any other form of image or texts from the “Kung-fu Bear” works.

18. Because Shinda Company has the registered trademark, it became self-evident that it was granted with the right to use the trademark in business practice.

Trademark right and copyright are equal rights in law, which means that protecting the “earlier right” should not sacrifice the legitimate trademark right of the defendant. Thus, Shinda Company’s usage of the “Kung-fu Bear” in its products and advertisement did not constitute infringement of copyright.

19. Shinda Company further insisted that the basic function of trademarks was to identify the origin of goods and to prevent confusion. Since the right to the exclusive use of the registered “Kung-fu Bear” trademark on toys belonged to the company, the company was entitled to prevent other uses of “Kung-fu Bear” on related goods as a trademark. Therefore Great Tao Company’s using “Kung-fu Bear” image on toys infringed its trademark right.
20. After the hearing of the case, Beijing Second Intermediate People's Court held that the defendant of this case possesses the right to the registered “Kung-fu Bear” trademark and is automatically entitled to use its own trademark on registered classes of products, as it is the true meaning of trademark rights. Moreover, the defendant is a normal enterprise, albeit small, but nevertheless one that commits itself to building its brand and maintaining its good faith. The party did not register in bad faith. Since its right to the registered trademark was maintained validly by the TRAB, the use of its trademark on related merchandise is automatically a non-infringing act.
21. At the same time, the plaintiff is the copyright owner of the “Kung-fu Bear” figure. Kung-fu Bear’s rise from a bear of no importance to a household bear relied fully on the work’s originality as well as the success of its marketing. If the bear was not so popular, the defendant would not have selected it as their trademark. Since the plaintiff created “Kung-fu Bear” and had invested in it a substantial amount of intellectual intelligence, money and labor resource, it should enjoy the commercial benefits that the bear has brought. If it were not so, how else would copyright embody the encouragement of literary and artistic works? Therefore, although the defendant of this case owns the right to the registered “Kung-fu Bear” trademark, it is still not entitled to prevent a legitimate owner of prior right from using the

image.

22. The court eventually held:

- (1) The defendant's use of the "Kung-fu Bear" image on its toys did not infringe copyright of the plaintiff, and its use shall be confined to the description of its trademark registration certificate; the plaintiff's complaints are hereby overruled.
- (2) The plaintiff's use of the "Kung-fu Bear" image on its toys did not infringe the right to registered trademark of the defendant, and no damages should be assessed; and defendant's complaints are hereby overruled.

The Appeal

23. Neither Great Tao Company nor Shinda Company accepted the judgment of the Beijing Second Intermediate Court and both appealed to the Beijing High Court.

Great Tao Company's appeal:

- (1) Shinda Company's public use of the "Kung-fu Bear" image on its products as well as commercially advertising the figure infringed Great Tao's copyright, plead for which are a permanent injunction against the defendant, and damages in the amount of ¥5,000,000.

Shinda Company refuted that:

- (1) The company's use of the "Kung-fu Bear" image on its toys was based on its right to the registered trademark. The validity/effectiveness of the trademark was adjudicated by Trademark Review & Adjudication Board and therefore did not constitute an infringement of copyright.
- (2) Great Tao Company's use of the "Kung-fu Bear" image on its toys without Shinda Company's consent directly infringed the Company's right to the registered trademark. Shinda Company plead the court for injunction against plaintiff's infringement, and for ¥3,000,000 of damages from Great Tao for the loss it had invoked.

APPENDIX I: Evidence of Petitioner:

1. A report from “Financial Review”- a well-known financial newspaper in China:

“Cartoon images being merchandised”

Nowadays, it is probably the coolest thing for a primary or secondary school student to wear a “Popeye” watch, a “Snoopy” bag, and a “Kung Fu Bear” T-shirt, to take note with a “Snow White” notebook in class, to hold a “Lion King” pillow at home and to take a “Doraemon Cat” bubble bath before going to bed. A variety of commodities with lovely cartoon figures is fast unfolding in the domestic market. These cartoon images have enabled a phenomenal increase in business opportunities.

It is reported that in view of the huge market in Chinese mainland, the Korean Great Tao Culture Publishing Co. Ltd, who possessed the copyright and merchandising right of the “Kung Fu Bear”, started to develop the Chinese mainland market with great exertion, introducing its most popular star-“Kung Fu Bear”. So far in China, more than 60 million “Kung Fu Bear” off-prints have been published and the corresponding 100-episode cartoon has been broadcasted through major TV stations one after another. “Kung Fu Bear” has become a fashion children chase after. Great Tao Company developed “Kung Fu Bear” into an industry with thousands of derivative commodities including books, toys, stationeries, clothes, computer game software, and terminal software etc. In this way, Great Tao Company gains an annual profit of RMB 200 million Yuan as the copyright owner. Moreover, Great Tao Company authorizes some Chinese mainland companies to use the figure of “Kung Fu Bear” on their products, including toys, stationeries, clothes and children’s foods and so on. As has been estimated, the authorized products can create a sale volume of over RMB 1 billion a year.

2. Trademark Review and Adjudication Board, No.954539 Trademark Dispute Ruling

(Abstract)

Claimant: The US TG Co. Ltd

v.

Respondent: The Shenzhen Honesty Co. Ltd

The US TG Co. Ltd (hereinafter referred to as the claimant) filed an application for the revocation of Shenzhen Honesty Co. Ltd’s (hereinafter

referred to as the respondent) improper registration of No.954539 “KARFIELD” design trademark under the 25th category of commodities.

"KARFIELD" is a U.S. comic strip series, first created by a U.S. citizen Jim King in 1978. Its main character KARFIELD, a cynical and grumpy fat orange cat, has been loved by the public ever since it came into being. After being brought to the big screen in 1995, its movie created a wide success and the image of the fat orange cat swept the world. The claimant owns copyright to “KARFIELD”, the cartoon cat. In China, the claimant registered the “KARFIELD” trademark as early as in the 1980s.

The Board holds: the respondent argues that its trademark is different from the claimant’s prior registered design trademark in apparel, posture and overall movement. However, its cartoon cat’s face and overall design is basically the same as the “KARFIELD” image, of which the claimant owns copyright. The respondent’s registration of that cartoon cat image as a trademark without its copyright owner’s permission is therefore an infringement of the claimant’s legitimate prior rights. Based on article 27⁵ of the PRC Trademark Law and article 25⁶ of Implementing Rules of the PRC Trademark Law, the design trademark in dispute constitutes an improperly registered trademark. The Board made the final adjudication of revoking the trademark in dispute.

Nov.18, 1999

⁵ **“THE 1993 TRADEMARK LAW” Article 27** Where a registered trademark stands in violation of the provisions of Article 8 of this Law, or the registration of a trademark was acquired by fraud or any other unfair means, the Trademark Office shall cancel the registered trademark in question; and any other organization or individual may request the Trademark Review and Adjudication Board to make an adjudication to cancel such a registered trademark.

In addition to those cases as provided for in the preceding paragraph, any person disputing a registered trademark may, within one year from the date of approval of the trademark registration, apply to the Trademark Review and Adjudication Board for adjudication.

...

⁶ **“IMPLEMENTING REGULATIONS FOR THE 1993 TRADEMARK LAW” Article 25** The following shall be such acts as referred to in Paragraph 1 of Article 27 of the Trademark Law, which are committed in the acquisition of a trademark registration by fraud or any other unfair means:

- (1) to fabricate or withhold the truth or forge an application and the related documents in the registration;
- (2) to violate the principles of honesty and credit and plagiarize, counterfeit or translate any well-known trademark of another party in the registration;
- (3) to acquire a trademark registration in the name of a trademark agent but without the authorization of the trademark proprietor who entrusts him in the registration;
- (4) to infringe any legal prior rights of another party in the registration;
- (5) to use any other unfair means to acquire a registration.

...

3. List of Shenzhen Honesty Co. Ltd’s registered trademarks that has infringed other well-known products or trademarks:

Registration No.	Category	Name of Trademark
1057896	28	CHANEL
1033745	25	MERCEDES
968845	28	POPEYE
954539	25	KARFIELD
1047892	28	STAR WARS
1189346	25	QIU JU
988776	28	ZIPPO
.....(over 50)

APPENDIX II: Evidence of Respondent

1. The photos showing toys made by Shinda Company with “Kung Fu Bear” design trademark being shelved in children section of large supermarkets.
2. The news clips of a local TV station, giving publicity to Shinda Company for its efforts in resolutely pushing forward, breaking through the bottleneck of transformation, as well as building its own brand.
3. The certificate which could prove that Great Tao Company itself or others under the authorization of Great Tao use the “Kung Fu Bear” figure on toys.