
China: High Court Considers Scope Of Merchandising Rights In Another Kung Fu Panda Decision

DreamWorks Animation LLC v Trademark Review and Adjudication Board (2017 Jing Xing Zhong No 3858)

As we reported on [June 5, 2017](#), Chinese case law and related guidance from China's highest court in recent years have recognized "merchandising rights," extending trademark-like protection to artistic works and their titles even in the absence of specific registered trademark coverage. [More](#)

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Chinese courts considered these merchandising rights through multiple cases involving DreamWorks Animation LLC ("DreamWorks"), as DreamWorks sought to keep squatters from obtaining Chinese trademark registrations for the film title *Kung Fu Panda*. Generally speaking, establishing merchandising rights in a title in China requires a showing of the work's local fame/reputation and a likelihood of confusion with the goods and services at issue.

We provide an update now, because a recent case, again involving the title *Kung Fu Panda*, extends the scope of merchandising rights beyond goods and services naturally associated with a film to also cover potential derivative goods and services. Commentators note that, before this recent decision, the Beijing High Court did not directly consider the scope of merchandising rights.

As background, in early 2017, following an earlier *Kung Fu Panda* decision, the Chief Judge of the Intellectual Property Rights Tribunal of the Supreme People's Court (China's highest court) released the "Provisions of the Supreme People's Court on Several Issues Concerning the Hearing of Administrative Cases on Granting and Affirming Trademark Rights" (the "Provisions"). Specifically, Article 22.2 of the Provisions states: "Provided the names and characters in works that are still protected by copyright are well known, the use of such names on products concerned may mislead the public that the names are used with the permission of the copyright owner or specifically associated with the copyright owner. The court shall uphold claims by parties concerned for prior rights and interests" (unofficial translation). Further, if such character or name is not protected by copyright, such properties would be protected as "prior rights" under Article 32 of the Trademark Law which states: "No trademark application shall infringe upon another party's existing prior rights. Nor shall an applicant rush to register in an unfair manner a mark that is already in use by another party and enjoys substantial influence" (unofficial translation). Details can be seen at our write-up [here](#).

In the more recent *Kung Fu Panda* case, DreamWorks opposed Shanghai Weipu Clothing Co., Ltd.'s 2009 Chinese trademark application for KUNG FU PANDA 功夫熊猫 covering a number of Class 44 services: "steam bath; massage; public health bath; barbershop; beauty services; beauty salon; sauna services; manicure; healthcare; aromatherapy; psychologist; medical massage; medical clinic; hospital."

The Chinese Trademark Office ("CTMO") decided against DreamWorks' opposition, and the Trademark Review and Appeal Board ("TRAB") upheld the CTMO's decision on review. DreamWorks then appealed to the Beijing First Intermediate Court, which recognized the popularity of the *Kung Fu Panda* film and additionally recognized that DreamWorks' merchandising rights may extend to the Class 44 services at issue, even though DreamWorks did not have use of the KUNG FU PANDA mark for these exact services.

Thus, the Court set aside the TRAB's decision and remanded the case for review. The TRAB subsequently appealed to the Beijing High Court, which recently upheld the lower court's decision dismissing the TRAB's appeal. (It bears noting that these proceedings took place under the "old" Trademark Law in China, which allowed appeals of opposition decisions. Under the current regime, opposition decisions are no longer appealable, so further review, including a potential court remedy, would need to be sought through a post-registration invalidation action.)

While DreamWorks did not have prior filings for, or use of, the KUNG FU PANDA mark for the Class 44 services at issue, DreamWorks submitted evidence establishing the fame of the film and use of the title via licensees in connection with a broad range of goods. Of critical importance, DreamWorks could show use via licensees for cosmetics, which commentators have noted the High Court considered as overlapping with the Class 44 coverage of the third-party application in terms of, for example, function and channels of trade.

Brand owners and owners of rights in artistic works who are active in China should bear this decision in mind when considering actions against third parties squatting on their trademarks, because the developing area of merchandising rights could provide a potent basis for objection to such third-party adoption.

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