
China: Supreme People's Court Provides Guidance on Merchandising Rights

By Janet L. Hoffman

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In 2008, shortly after release of Dreamworks' Kung Fu Panda film in China, a local individual filed a trademark application for KUNG FU PANDA covering various vehicle-related goods (e.g., steering wheel covers, seat covers, and car seats for infants). DreamWorks opposed, based on the merchandising rights in the film title, which it claimed extended to such goods, even in the absence of specific trademark coverage. The China Trademark Office ("CTMO") dismissed the opposition on the ground that DreamWorks did not have trademark protection for the subject goods, and the Trademark Review and Adjudication Board ("TRAB") affirmed, concluding that coexistence of the marks would not result in confusion given the different coverage for the respective parties' marks, and because local law did not protect "merchandising rights." After losing its first appeal to the Beijing No. 1 Intermediate People's Court, DreamWorks appealed further, to the Beijing Higher People's Court. In August 2015, the Higher People's Court ruled largely in Dreamworks' favor, in effect recognizing its right to exploit its merchandising rights in the title, and returning the case to the TRAB for re-examination based on these rights.

More recently, in January of this year (effective March 1, 2017) 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"). Article 22.2 of the Provisions

addresses the protection of names and characters in creative works, which was at issue in the Kung Fu Panda case. Specifically, Article 22.2 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).

This case is significant in that the Supreme People’s Court enjoys substantial respect in the intellectual property area. The Provisions, moreover, have now confirmed the Higher People’s Court recognition of merchandising rights, applying a broad interpretation of trademark law. We note that the Provisions are binding on the CTMO, TRAB, and courts.

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