



北京外国语大学
BEIJING FOREIGN STUDIES UNIVERSITY



万慧达知识产权
WANHUIDA INTELLECTUAL PROPERTY



The 10th Anniversary Book 十年纪念册

“BFSU-WAN HUI DA” IP Moot Court Competition
“北外一万慧达”知识产权模拟法庭竞赛

**We dedicate this book to
All Members of the Organizing Committee
All Judges
Volunteers
Competitors
Business
And all supporters**

致 谢

**十年来为本竞赛默默付出的组委会成员
法官们
众多的志愿者
参赛选手
企业单位
以及大力支持的社会各界人士！**

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第一部分：赛事简况 Competition Introduction

1. 赛事简介/ Introduction

BFSU-WanHuiDa Moot Court Competition is organized by Law School of Beijing Foreign Studies University and sponsored mainly by Wan Hui Da. This Moot Court Competition is the only intellectual property professional moot court competition with international influence in China, which is attracting more and more participants from both domestic and foreign law schools. The competition is aimed to improve the students' ability to use their professional legal knowledge to deliver pleadings. Its fictional dispute would cover many important theoretical issues in the field of intellectual property and have practical significances. The competition was held annually since 2007, usually at the end of May. Generally its venue is in BFSU campus, Beijing. English is the working language. The competition is composed of two phrases: memo writing and oral pleading. Its panels of judges are all prestigious IP judges and senior IP lawyers, and law professors from China and abroad.

“北外-万慧达杯”知识产权模拟法庭竞赛由北京外国语大学主办，万慧达冠名赞助，是中国大陆地区唯一的、具有国际影响力的知识产权模拟法庭竞赛，吸引了来自国内外各大法学院的参赛者。本赛事旨在提高学生运用专业知识解决问题的能力。比赛使用的模拟案例不仅覆盖了知识产权领域的各种理论问题，也颇具现实意义。“北外-万慧达杯”知识产权模拟法庭竞赛自 2007 年起，每年 5 月下旬在北京举行。比赛由法律文书写作和法庭辩论两部分组成，全程使用英语。负责作出裁判的合议庭成员由国内外知识产权领域的知名法官、资深律师和法学教授组成。

*The only international Intellectual Property Moot Court Competition in Chinese Mainland

*English shall be used throughout the whole competition

*Domestic teams will compete with the foreign team

*The case is well-designed and recognized by experts

*General rules of international moot court will be applied

*The judge panels are all senior judges, professors, and lawyers

*中国大陆唯一的、具有国际影响的知识产权专业性模拟法庭竞赛

*比赛全程使用英文

*国内代表队与国外代表队同场竞技

*比赛案例经过精心设计并经过业内专家论证并认可

*使用国际模拟法庭比赛的通用规则

*比赛裁判均为资深法官、教授、律师等业内权威人士

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“BFSU-WAN HUI DA” Intellectual Property Moot Court Competition
“北外-万慧达”知识产权模拟法庭竞赛



2. 规则简介 / Brief Rules

1.1 本赛事为全程使用英文的国际知识产权法模拟法庭竞赛。

1.2 每一参赛队由 2—4 名队员组成，分为正反两方，分别代表庭审的两方当事人。每一参赛队，应于规定日期前写成书面诉状，并按照事先分配的队号（为保证匿名）递交竞赛组委会。组委会将各队的书面诉状呈交法官（评委），评委审阅并为书状打分，正反方书状分别评出最佳书状奖得主两名，且书状成绩计入各队初赛成绩的 30%。

2.3 竞赛由预赛、复赛和决赛组成。预赛采取抽签方式，确定庭审的对抗双方以及其所代表的当事人，法官根据预先准备的评分单为每队打分。预赛中，所有参赛队都会参加两场比赛，分别代表双方当事人。预赛成绩为两场比赛成绩的平均值 $\times 70\%$ +两份书状成绩的平均值 $\times 30\%$ 。

预赛成绩前四名进入复赛，复赛由预赛第一名对预赛第四名，预赛第二名对第三名。

从复赛起采用投票制决胜。复赛的胜出队进行决赛，另外两队并列为第三名，不再比赛。决赛第一名为本次竞赛的冠军，决赛第二名为本次竞赛的亚军。

复赛和决赛双方所代表的当事人都将以抽签方式决定，如两队在前面的比赛中曾遇到，则转换角色进行比赛。

2.4 庭审中，首先由诉方进行口头陈述，然后由辩方进行口头陈述，口头陈述的时间为各自 20 分钟。口头陈述必须依据其书面诉状，不能有超出书状内容的陈述。口头陈述过程中，法官可随时打断，就案例相关问题进行提问，选手必须回答法官的提问。但法官不应提问与案例无关的问题。

双方口头陈述结束后，双方进入辩论阶段。辩论阶段总时间为 20 分钟，分两轮进行。首先由诉方对辩方的口头陈述进行反驳性陈述，然后辩方可对诉方的反驳性陈述进行再反驳，此为一轮。第二轮采用相同的程序，但不得针对诉方反驳性陈述中未提及的内容进行再反驳。每一轮辩论中，诉方和辩方反驳和再反驳的时间均为 5 分钟。

口头陈述和反驳性陈述中，选手都是直接面对法官，而非对方当事人。

2.5 每场比赛中评选出一位本场优秀辩手，最后根据得分和专家组的一致意见评选出竞赛的最佳辩手。

2.6 本竞赛所设案例为模拟案例，为了竞赛的顺利进行，对程序进行了一定的调整，这些调整可能并不符合中国现有的法庭程序。因此，本赛事中，假设所有程序问题已经解决，假设所有程序在中国都是允许且适当的；假设所有事实认定已经解决，且以案例中给出的事实为限。

2.7 所有参赛队员应对法官和对手表现出适当的法庭礼仪。

2.8 希望并欢迎法官在每一场庭审结束后给予点评，但法官也可以选择不予任何点评而径直打分。

2.9 对于庭审程序的不当执行，比如，计时或惩罚，参赛队可以申诉，但除了不影响庭审进行的申诉外，所有申诉都应在庭审结束后，以书面形式递交竞赛组委会。如果组委会确认某项申诉，参赛队得到的唯一补偿是取消惩罚或向其对方当事人施以惩罚。任何情形下，口头陈述都不可能重新进行。

- 2.1 This Competition is international intellectual property moot court competition, which English shall be used throughout the whole competition.
- 2.2 Every team consists of two to four members, divided as two sides, referred to as Petitioner, and Respondent. Every team should submit written brief to the Organizing Committee before deadline according to the code name received before (to remain anonymous). The committee will submit to the judges to give the grade. There will be independent awards for the best memoranda, two for Petitioners, and the other two for Respondents. The grades of written brief will accounts for 30% the grades of the round.
- 2.3 The competition consists of three round. The matching of the competing teams in the first round shall be decided by lottery. All teams will participate in at least two (2) rounds of presentation, each for the petitioner and the respondent, for which each team will receive a grading. The grading of the first round will be made on the overall performance of a team, that is, including the grades of written briefs (30%) and oral presentations (70%) on behalf of both Petitioner and Respondent.
- The four (4) highest-ranking Teams from the first round will advance to the “semi-final” in which the first-ranked Team will play the fourth, and the second will play the third.
- In the semi-final and final round, the way to determine the winner will depend on how many votes a team could get from the hearing judges instead of depending on the grading. The winners of the semi-final will enter the final round. The other two will both be the third place without competing.
- In the semi-final and final round, the determination as to which team will be petitioner and which will be respondent will be made by lot. If the two teams argued against each other in the first round, they will argue for the opposite party in the following round.
- 2.4 Each team will present its argument within twenty (20) minutes, which begins with petitioner.
- The oral presentation of a team must be based entirely on its written brief, and no argument will be allowed which is not included in the written brief. The hearing judge may interrupt a speaker if s/he finds anything inappropriate in the presentation. During each oral presentation, questions may be raised by the hearing judges, which the presenter must address.
- Upon completion of the oral presentation by both sides, there will be two rounds of debates. The total time of court debate will be twenty (20) minutes. The petitioning party may make a rebuttal for no more than five (5) minutes, to which the responding party may make a surrebuttal in like manner. The second round of debate is in the same way. However, no further argument may be made during the rebuttal or surrebuttal. All statements are faced with judges.
- 2.5 There will be Outstanding Oralists in every round, and the Best Oralist is selected according to grades and expert opinion.
- 2.6 The procedure has been adjusted for the moot court competition, which may be not in

accordance with the instant Chinese court procedural rule. The Problem is the complete record of all the facts available to both parties and the court; both written and oral arguments must be based solely on such facts; and any argument based on outside information will be ruled as either groundless or irrelevant.

- 2.7 All participant are required to show courtroom mannerism.
- 2.8 The judges may choose to vote in a separate room without giving any comments. However, they are encouraged to give critique or comments after each presentation.
- 2.9 A team may make a complaint as to improper administration of the courtroom procedure, such as time-keeping and penalties. However, a team may not request extension of time simply on basis of judges’ interruption or questioning. All complaints, except minor complaints not affecting proper conduction of the oral presentation, must be filed in writing with the Organizing Committee after the oral presentation. The only remedies available, if the complaint is sustained by the Committee, will be in the form of cancellation of the penalties or imposing a penalty on the opposing side. In no event will the oral presentation be conducted again.

3. 历年法官 / Judges of Years

Paul H. Anderson 前美国明尼苏达州高等法院法官、1992 到 1994 年间担任明尼苏达州上诉法院首席大法官

李明德 中国知识产权法学研究会常务副会长、前中国社会科学院知识产权中心主任、中国社会科学院研究生院博士生导师

张平 北京大学教授、博士生导师、北京大学知识产权学院常务副院长

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黄晖 万慧达高级合伙人、中国首位商标法博士、中国社会科学院知识产权中心兼职研究员

罗立凡 微软（中国）有限公司法务部总经理

王艳芳 最高人民法院知识产权庭法官,中国人民大学法学博士

蔡惠如 台湾知识产权庭庭长、台湾交通大学法学博士

张晓津 北京市第二中级人民法院知识产权庭庭长、北京大学法学博士

原琪 中国工商行政管理总局商标审查协作中心副主任

张玲玲 北京知识产权法院法官、中国社科院博士后、人民大学法学博士、北京大学法学硕士

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管育鹰 中国社会科学院法学研究所知识产权中心主任、研究员、博士生导师

冯晓青 中国政法大学民商经济法学院知识产权法研究所教授、博士生导师、中国政法大学知识产权研究中心副主任

郭子俊 前美国司法部驻美国大使馆法律顾问、前纽约南区联邦检察官、耶鲁大学法学博士

李森 万慧达高级合伙人、加利福尼亚大学化学博士、乔治华盛顿大学法学博士

刘贵增 元合知识产权代理事务所创始合伙人、曾任中国国际贸易促进委员会专利商标事务所副处长

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王志勇 高众律师事务所行政主任、合伙人、美国纽约州律师、曾任中华人民共和国最高人民法院法官

胡盛涛 前商务部条约和法律司知识产权法办公室主任、Zoties中国公共事务办公司首席公共事务官

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康保罗 欧盟商会知识产权小组主席

蔡雄山 腾讯研究所法学研究中心首席研究员，北京公司法和研究中心网络法中心主任

Arthur J. Chiu，对外经济贸易大学副教授，堪萨斯大学法学博士

Paul H. Anderson Former Justice of the Minnesota Supreme Court of U.S., Chief Judge of the Minnesota Court of Appeals from 1992 to 1994.

Li Mingde Vice Chairman of China IP Law Society. Former Director, Professor and Doctoral Supervisor at IP center of CASS.

Zhang Ping Executive Vice Dean of Beijing University IP College, Professor and Doctoral Supervisor at Beijing University.

Toshiko Takenaka Director of Center for Advanced Study and Research on Intellectual Property (CASRIP), WRF/W. Hunter Simpson Professor of Technology Law at University of Washington.

Huang Hui Senior partner of Wan Hui Da, the first Ph.D. Specializing in Trademark Law in China, Part-time Professor of Intellectual Property Center of Chinese Academy of Social Sciences.

Kevin Luo Ph.D., GM, Gov't Affairs, New Biz and R&D Legal, Microsoft (China), Assistant General Counsel, Microsoft Corp.

Wang Yanfang Judge of Intellectual Property Tribunal of The Supreme People's Court of People's

Republic of China. Ph.D. from Renmin University of China.

Huei-Ju Tsai Division-Chief Judge of Taiwan Intellectual Property Court. Ph.D. from National Chiao-Tung University, Taiwan.

Zhang Xiaojin Division-Chief Judge of Beijing Intellectual Property Court, Ph.D. from Beijing University.

Yuan Qi Vice Director of Trademark Examination Cooperation Center of the State Administration for Industry and Commerce of PRC.

Zhang Lingling Judge of Beijing Intellectual Property Court, Postdoctorate from CASS, Ph.D. from Renmin University of China.

Cui Guobin Vice Dean of Tsinghua University Law School, Professor at Tsinghua University Law School. Ph.D. from Beijing University Law School, LLM from Yale University.

Guan Yuying Director and Professor of Intellectual Property Center of Chinese Academy of Social Sciences, Supervisor of Ph.D. Candidates of Chinese Academy of Social Sciences., Ph.D. from Chinese Academy of Social Science

Feng Xiaoqing Professor at School of Civil and Economic Law of University of Political Science and Law of China, Supervisor of Ph.D. Candidates.

Steve Kwok Department of Justice’s former Resident Legal Advisor at Embassy of the United States of America; Former Federal Prosecutor in Southern District of New York; J.D. from Yale University.

S. Sam Li, Senior Partner of Wan Hui Da, Ph.D of Chemistry from University of California, J.D. from George Washington University.

Liu Guizeng, Founding Partner of YuanHe Intellectual Property Agency, Once vice-director of CCPIT Patent and Trademark Office.

Wang Zhiyong Executive Director and Partner of High Law Partners, Former judge of the Supreme People’s Court of China.

Hu Shengtao Chief Public Affair Officer of Zoties, Former China Director of Intellectual Property Law Office under the Treaty and Law Department of Ministry of Commerce of PRC.

Paul Ranjard , Chairman of IP working group of European Chamber of Commerce

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Mark Perry, Professor at School of Law, University of New England, Mark Perry's research focuses on the nexus of technology and law.

Joshua D. Sarnoff, Professor at College of Law, DePaul University, BS from MIT and JD from Stanford.

Robert H. Hu, Professor and Director of Law Library, at School of Law, St. Mary's University, LL.B from Beijing University (China), Ph.D. (Education) from University of Illinois at Urbana-Champaign.

Cai Xiongshan, Chief Researcher, at Tencent Research Institute, Law Research Center; Director of Cyber Law Center of Beijing Enterprise Law and Development Research Society.

Arthur J. Chiu, Associate Professor at University of International Business and Economics of PRC. J.D. from University of Kansas School of Law.

4. 每年参赛队伍、获奖情况 / Teams & Awards of Years

2007 年

参赛队伍/Teams

Xiamen University	厦门大学
Kangxin Intellectual Property Agency Co. Ltd	康信知识产权
China Foreign Affairs University	外交学院
Depaul University, US	美国德保罗大学
Power International Team Two	力量国际 1 队
Power International Team Two	力量国际 2 队
Beijing Foreign Studies University	北京外国语大学
Beijing Institute of Technology Team One	北京理工大学一队
Beijing Istitute of Technology Team Two	北京理工大学二队
China University of Political Science and Law	中国政法大学
Central University of Finance and Economics Team one	中央财经大学一队
Central University of Finance and Economics Team two	中央财经大学二队
Central University of Finance and Economics Team Three	中央财经大学三队
Central University of Finance and Economics Team Four	中央财经大学四队

获奖情况 / Awards

冠军：美国德保罗大学代表队

亚军：康信知识产权代理有限公司代表队

季军：北京理工大学代表队，厦门大学代表队

最佳书状奖：

厦门大学代表队

最佳辩手奖：

陈天天，来自外交学院代表队

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Champaign:

Depaul University, US

The runner up:

Kangxin Intellectual Property Agency Co. Ltd

The second runners up:

Beijing Institute of Technology

Xiamen University

The best memoranda:

Xiamen University

The best oralist:

Chen Tiantian, from China Foreign Affairs University

2008

参赛队伍/Teams

China Foreign Affairs University	外交学院
China Youth University of Political Science	中国青年政治学院
Zhongnan University of Economics and Law	中南财经政法大学
Beijing Foreign Studies University	北京外国语大学
Bond University, AUS	澳大利亚邦德大学
Central University of Finance and Economics	中央财经大学
China Renming University	中国人民大学
Peking University	北京大学
Beijing Institute of Technology	北京理工大学
Tsinghua University	清华大学

获奖情况 / Awards

冠军:

澳大利亚邦德大学代表队

亚军:

中国青年政治学院代表队

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季军:

清华大学代表队, 北京理工大学代表队

最佳书状奖:

澳大利亚邦德大学代表队

清华大学代表队

最佳辩手:

邢璧琳, 来自中南财经政法大学代表队

Champaign:

The Bond University

The runner-up:

China Youth University for Political Science

The second runners-up:

Tsinghua University

Beijing Institute of Technology

The best memoranda:

The Bond University

Tsinghua University

The best oralist:

Xing Biling, from Zhongnan University of Economics and Law

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“北外-万慧达”知识产权模拟法庭竞赛

2010

参赛队伍/Teams

Zhongnan University of Economics and Law	中南财经政法大学
Xiamen University	厦门大学
China Youth University for Political Sciences	中国青年政治学院
Toledo University (US)	美国托雷多大学
Depaul University (US)	美国德保罗大学
China Renmin University	中国人民大学
Beijing University of Posts and Telecommunications	北京邮电大学
Bond University (Australia)	澳大利亚邦德大学
Beijing Foreign Studies University	北京外国语大学
China Foreign Affairs University	外交学院
Milan University (Italy)	意大利米兰大学
Tsinghua University	清华大学
Beijing Institute of Technology	北京理工大学
China University of Political Science and Law	中国政法大学

获奖情况 / Awards



冠军：北京理工大学

亚军：中南财经政法大学代表队

季军：澳大利亚邦德大学代表队，美国托雷多大学代表队

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最佳书状奖:

澳大利亚邦德大学代表队
北京外国语大学代表队
中国人民大学代表队

最佳辩手:

张望, 来自中国政法大学代表队
Russel Tanguay, 来自美国德保罗大学代表队
张书青, 来自中南财经政法大学代表队
陈慧怡, 来自清华大学代表队

Champaign:

Beijing Institute of Technology

The runner up:

Zhongnan University of Economics and Law

The second runners-up:

Bond University, AUS
Toledo University, US

The best memoranda:

Bond University, AUS
Beijing Foreign Studies University
China Renming University

The best oralists:

Zhang Wang, from China University of Political Science and Law
Russel Tanguay, from Depaul University, US
Zhang Shuqing, from Zhongnan University of Economics and Law
Chen Huiyi, from Tsinghua University



2011

参赛队伍/Teams

University of Toledo, USA	美国托雷多大学
Depaul University, USA	美国德保罗大学
Bond University, AUS	澳大利亚邦德大学
Renmin University of China	中国人民大学
Tsinghua University of China	清华大学
The Institute of Law, Chinese Academy of Social Sciences	中国社会科学院法学所
China Foreign Affairs University	外交学院
China Youth University for Political Sciences	中国青年政治学院
Zhongnan University of Economics and Law	中南财经政法大学
East China University of Political Science and Law	华东政法大学
China University of Political Science and Law	中国政法大学
Changchun University of Science and Technology	长春理工大学
Beijing Institute of Technology	北京理工大学
Beijing Foreign Studies University	北京外国语大学

获奖情况 / Awards

冠军:

澳大利亚邦德大学代表队

亚军:

中国人民大学代表队

季军:

美国德保罗大学代表队

中国政法大学代表队

最佳书状奖:

中国人民大学代表队

中国政法大学代表队

澳大利亚邦德大学代表队

美国德保罗大学代表队

最佳辩手奖:

Mara Rendina, 来自美国 Toledo 大学代表队、
熊星, 来自中南财经政法大学代表队、
Henry Norris, 来自澳大利亚邦德大学代表队
张晨, 来自北京外国语大学代表队

Champaign:

Bond University, AUS

The runner up:

China Renming University

The second runners-up:

Depaul University, US

China University of Political Science and Law

The best memoranda:

China Renming University

China University of Political Science and Law

Bond University, AUS

Depaul University, US

The best oralist:

Mara Rendina, from University of Toledo, US

Xiong Xing, from Zhongnan University of Economics and Law

Henry Norris, from Bond University,AUS

Zhang Chen, from Beijing Foreign Studies University

2012

参赛队伍/Teams

Bond University, AUS	邦德大学
East China University of Political Science and Law	华东政法大学
Changchun University of Science and Technology	长春理工大学
Depaul University,US	美国德保罗大学
Xiangtan University	湘潭大学
China Foreign Affairs University	外交学院
Zhongnan University of Economics and Law	中南财经政法大学
Beijing Foreign Studies University	北京外国语大学
Tsinghua University	清华大学
Beijing Institute of Technology	北京理工大学
China University of Political Science and Law	中国政法大学
China Youth University of Political Science	中国青年政治学院
China Renming University	中国人民大学

获奖情况 / Awards

冠军:

北京外国语大学代表队

亚军:

中国政法大学代表队

季军:

中南财经政法大学代表队, 湘潭大学代表队

最佳书状奖:

湘潭大学代表队

中南财经政法大学代表队

中国人民大学代表队

中国政法大学代表队

最佳辩手奖:

Peter John Brennan, 来自澳大利亚邦德大学代表队

Samantha Staroba, 来自代美国德保罗大学表队

赖育龙, 来自北京外国语大学代表队

周娅睿, 来自中国政法大学代表队

Champaign:

Beijing Foreign Studies University

The runner up:

China University of Political Science and Law

The second runners-up:

Zhongnan University of Economics and Law

Xiangtan University

The best memorandum:

Zhongnan University of Economics and Law

Xiangtan University

China University of Political Science and Law

Renming University of China

The best oralist:

Peter-John Brennan, from Bond University

Samantha Staroba, from Depaul University

Lai Yulong, from Beijing Foreign Studies University

Zhou Yarui, from China University of Political Science and Law

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“北外一万慧达”知识产权模拟法庭竞赛

2013

参赛队伍/Teams

China University of Political Science and Law	中国政法大学
East China University of Political Science and Law	华东政法大学
Tsinghua University of China	清华大学
China Foreign Affairs University	外交学院
Beijing Foreign Studies University	北京外国语大学
Taiwan Soochow University	台湾东吴大学
Bond University, AUS	澳大利亚邦德大学
Beijing Institute of Technology	北京理工大学
Changchun University of Science and Technology	长春理工大学
Xiangtan University	湘潭大学
China Youth University for Political Sciences	中国青年政治学院
Depaul University, US	美国德保罗大学
Zhongnan University of Economics and Law	中南财经政法大学



获奖情况 / Awards

冠军:

澳大利亚邦德大学代表队

亚军:

中国政法大学代表队

季军:

北京外国语大学代表队 北京理工大学代表队

最佳书状奖:

北京理工大学代表队

中国青年政治学院代表队

中国政法大学代表队

外交学院代表队

最佳辩手奖:

Marryum Kahloon, 来自澳大利亚邦德大学代表队;

Daniel Ibold, 来自美国德保罗大学代表队;

徐达霄, 来自北京外国语大学代表队;

王昱博, 来自中国政法大学代表

The Champaign:

Bond University, AUS

The runner-up:

China University of Political Science and Law

The second runners-up:

Beijing Foreign Studies University

Beijing Institute of Technology

the Best Memoranda:

As Petitioner:

Beijing Institute of Technology,

China Youth University for Political Sciences,

As Respondent:

China University of Political Science and Law,

China Foreign Affairs University;

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The Best Oralists:

Marryum Kahloon, from Bond University,

Daniel Ibold, from Depaul University,

Xu Daxiao, from Beijing Foreign Studies University,

Wang Yubo, from China University of Political Science and Law,



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2014

参赛队伍/Teams

East China University of Political Science and Law	华东政法大学
Soochow University	东吴大学
China University of Political Science and Law	中国政法大学
Beijing Institute of Technology	北京理工大学
University of Toledo, USA	美国 Toledo 大学
Changchun University of Science and Technology	长春理工大学
Beijing Foreign Studies University	北京外国语大学
Zhongnan University of Economics and Law	中南财经政法大学
China Foreign Affairs University	外交学院
University of New England	澳洲新英格兰大学
Xiangtan University	湘潭大学
Depaul University, USA	美国 Depaul 大学
China Youth University for Political Sciences	中国青年政治学院

获奖情况 / Awards

冠军: 北京外国语大学代表队

亚军: 中国政法大学代表队

季军: 美国 Depaul 大学代表队, 中国青年政治学院代表队

最佳书状奖:

中国青年政治学院代表队
中国政法大学代表队
北京理工大学代表队

最佳辩手奖:

Blaca Wheele, 来自 Toledo 大学代表队
黄爱云, 来自华东政法大学代表队
Precious Allen, 来自 Depaul 大学代表队
黄木子炎, 来自中国政法大学代表队

Champaign:

Beijing Foreign Studies University

The runner up:

China University of Political Science and Law

The second-runners up:

Depaul University, US

China Youth University of Political Sciences

The best memoranda:

China University of Political Science and Law

China Youth University of Political Sciences

Beijing Institute of Technology

The best oralist:

Blaca Wheele, from University of Toledo, USA

Huang Aiyun, from East China University of Political Science and Law

Precious Allen, from Depaul University, USA

HuangMu Ziyang., from China University of Political Science and Law

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2015

参赛队伍/Teams

Soochow University	台湾东吴大学
China Foreign Affairs University	外交学院
China University of Political Science and Law	中国政法大学
University of New England School of Law	新英格兰（澳）
Changchun University of Science and Technology	长春理工大学
University of Toledo College of Law,US	美国托雷多大学
East China University of Political Science and Law	华东政法大学
Beijing Institute of Technology	北京理工大学
Beijing Foreign Studies University	北京外国语大学
China Youth University for Political Sciences	中国青年政治学院
Xiangtan University	湘潭大学
Beijing Jiaotong University	北京交通大学
Zhongnan University of Economics and Law	中南财经政法大学
Bond University,AUS	澳大利亚邦德大学



获奖情况 / Awards

冠军: 澳大利亚邦德大学代表队
亚军: 东吴大学代表队
季军: 中国政法大学代表队, 长春理工大学代表队

最佳书状奖:

澳大利亚邦德大学代表队
外交学院代表队
湘潭大学代表队
中国政法大学代表队

最佳辩手奖:

Ashley ROONEY, 来自澳大利亚邦德大学代表队
Lisa BRASS, 来自澳大利亚邦德大学代表队
李家奇, 来自东吴大学代表队
陈晔伟, 来自东吴大学代表队

Champaign:

Bond University, AUS

The runner up:

Soochow University

The second runners up:

China University of Political Science and Law
Changchun University of Science and Technology

The best Memoranda:

Bond University, AUS
China Foreign Affairs University
Xiangtan University
China University of Political Science and Law

The best oralist:

Ashley ROONEY, from Bond University, AUS
Lisa BRASS, from Bond University, AUS
Li Jiaqi, from Soochow University
Chen Chaowei, from Soochow University

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2016

参赛队伍/Teams

University of Toledo College of Law	美国托雷多大学
Beijing Technology and Business	北京工商大学
Soochow School	台湾东吴大学
Zhongnan University of Economics and Law	中南财经政法大学
St.Mary's University School of Law	美国圣玛丽大学
University of New England	澳大利亚新英格兰大学
China University of Political science and Law	中国政法大学
China Foreign Affairs University	外交学院
China Youth University of Political Studies	中国青年政治学院
Beijing Foreign Studies University	北京外国语大学
Xiangtan University Law School	湘潭大学
Tsinghua Law School	清华大学
Bond University	澳大利亚邦德大学
Changchun University of Science and Technology	长春理工大学
Beijing Jiaotong University	北京交通大学
East China University of Political science and Law	华东政法大学

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获奖情况 / Awards

冠军: 澳大利亚邦德大学代表队
亚军: 华东政法大学代表队
季军: 中国青年政治学院, 中南财经政法大学

最佳书状奖:

中国青年政治学院代表队
中南财经政法大学代表队
长春理工大学代表队

最佳辩手奖:

Justina Sebastampilla, 来自澳大利亚邦德大学代表队
廉雅雯, 来自外交学院代表队
杨周行, 来自华东政法大学代表队
曾采妮, 来自中南财经政法大学代表队

Champaign:

Bond University, AUS

The runner up:

East China University of Political Science and Law

The second runners-up:

China Youth University of Political Science
Zhongnan University of Economics and Law

The best memoranda:

China Youth University of Political Science
Zhongnan University of Economics and Law
Changchun University of Science and Technology

The best oralist:

Justina Sebastampilla, from Bond University, AUS
Lien Yawen, from China Foreign Affairs University
Yang Zhouxing, from East China University of Political Science and Law
Zeng Caini, from Zhongnan University of Economics and Law

The Tenth Anniversary Book/十年纪念册
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“北外-万慧达”知识产权模拟法庭竞赛



第二部分 比赛规则全文/Official Rules

January 2017

This Competition is organized by School of Law at Beijing Foreign Studies University (BFSU) with an aim to promote legal education and awareness of the actual problems in intellectual property disputes arising in China.

The Competition is open to all college students who meet the basic requirements specified below.

1 GENERAL

- 1.1 **Organizing Committee.** An Organizing Committee is hereby formed to draft the Problem, provide general guidelines, promulgate rules, conduct supervision, and seek financial support for the activities of this Competition. The Committee will be made up of members chosen by BFSU School of Law.
- 1.2 The Competition will be conducted in English in terms of the problem, the procedural rules, written briefs and oral presentation.
- 1.3 The location of the Competition will be chosen by the Organizing Committee.
- 1.4 The Competition is scheduled for **May 20 and 21, 2017** during the weekend.
- 1.5 **Fictitious Procedural Rule.** The trial court, *for purposes of this Moot Court*, shall have the power, under merger jurisdiction (or special jurisdiction), to adjudicate the present disputes relating to the same subject matters and/or arising under the same underlying facts, involving patent and trademark infringement, or administrative issues. The reviewing court shall have the power under appellate jurisdiction. However, different rules of procedure and evidence do apply for the pertinent claims.

2 PARTICIPATION

- 2.1 **English Proficiency.** All participants must conduct the Competition in English in respect of written briefs, oral or written communication with the judges, and research. Translation of reference materials may be provided upon special request, and possibly with cost.
- 2.2 **Application.** Any team willing to participate must send an Application Form as early as possible to the Organizing Committee by e-mail (preferred), fax or phone (contact information is listed at the end of the Rules and the Application Form). The Application Form shall indicate the team name, members of the team, and other

items as required. The Application is recommended as early as possible, and must be completed no later than **March 31, 2017**.

- 2.3 **The IP Problem and Reference Materials.** The Problem and essential reference materials are available for download at the BFSU Law website <http://sl.bfsu.edu.cn>.
- 2.4 **Anonymity & Code Name.** All participating team shall remain anonymous throughout the Competition until the final announcement of winners. Each team, upon application, will receive a four-digit code representing the team’s identity in all activities of the Competition, which shall be used on all written briefs, submissions and other materials. For violation of the Anonymity Rule, a penalty will be imposed by reducing the points. A team member, however, may use his/her name as counsel for the party.
- 2.5 **Team.** A participating organization may send one team. Each team has no more than five (5) members, including one coach, and four advocates for the oral presentation. But a team should include no fewer than two (2) advocates.
- 2.6 **Problem Clarifications and Corrections.** Teams may request clarification and corrections to the Problem by submitting a written request to the Organizing Committee no later than **April 20, 2017**. Based upon the requests received from all teams, the Organizing Committee will publish Problem Clarifications and Corrections no later than **April 30, 2017** at BFSU law website <http://sl.bfsu.edu.cn/> and through email.
- 2.7 **Withdrawal.** In the event that a team wishes to withdraw from participating in the activities, a written notice must be sent to the Organizing Committee no later than **May 1, 2017**.

3 THE COMPETITION

- 3.1 The Competition is scheduled for **May 20 and 21(Saturday and Sunday), 2017**, at a location in Beijing (check <http://sl.bfsu.edu.cn> for announcement).
- 3.2 Depending on the number of participating teams, the Organizing Committee may further announce the specific arrangement for the activities.
- 3.3 Each oral presentation will be presided by a panel of three (3) judges who will grade the performance of the teams for the presentation.
- 3.4 All teams will participate in at least two (2) rounds of presentation, each for the petitioner and the respondent, for which each team will receive a grading.
- 3.5 The matching of the competing teams in the first round shall be decided by lottery one day before the Competition, on the afternoon of **May 19, at 16:00** in the **MOOT**

COURT ROOM of BFSU East Campus.

- 3.6 The four (4) highest-ranking Teams from the first round will advance to the “semi-final” in which the first-ranked Team will play the fourth, and the second will play the third.
- 3.7 Championship Round. The winners of the semi-final will enter the final round. The other two will both be the third place without competing.
- 3.8 In the semi-final and final round, the determination as to which team will be petitioner and which will be respondent will be made by lot. If the two teams argued against each other in the first round, they will argue for the opposite party in the following round.
- 3.9 In the semi-final and final round, the way to determine the winner will depend on how many votes a team could get from the hearing judges instead of depending on the grading.

4 COURT PROCEDURES

- 4.1 Unless otherwise specifically announced, the Competition is set presuming that all factual disputes and procedural issues have been resolved, and only legal issues are left for discussion.
- 4.2 The two (2) sides involved in the Problem will be referred to as

 Petitioner, and
 Respondent

despite the fact that there may be cross-claims.
- 4.3 Any procedural issues for the Competition are supposedly resolved, such as
 - 4.3.1 Jurisdiction of the court,
 - 4.3.2 Venue,
 - 4.3.3 Competency of judges,
 - 4.3.4 Competency of counsels, and
 - 4.3.5 Effectiveness of statutes and regulations (up to the date of the Problem).
- 4.4 Chinese laws, regulations and the Supreme People’s Court’s interpretive announcements will be the governing law in general; guiding cases issued by the Supreme People’s Court of People’s Republic China could be used as reference; international laws and treaties which by adoption have been incorporated into Chinese laws will also be binding; all other legal authorities, such as national laws of other countries, judicial decisions of any court other than guiding cases issued by the Supreme People’s Court of PRC, domestic or foreign, or commentaries made by legal scholars, will be considered at best as persuasive but not binding.

- 4.5 For issues of first impression (meaning: not dealt with in the governing laws), a team is free to make an argument citing secondary authorities, which will be considered at the judges’ discretion.
- 4.6 **The Problem.** The Problem is the complete record of all the facts available to both parties and the court; both written and oral arguments must be based solely on such facts; and any argument based on outside information will be ruled as either groundless or irrelevant.
- 4.7 **Reference Material.** Although some statutory materials have been given in the form of footnotes or appendixes, it has to be understood that all participating teams will make their own research on legal authorities, and present their argument on the basis of such authorities.
- 4.8 **Written Briefs.** Each participating team will submit two (2) written briefs, one for Petitioner, and the other for Respondent. There will be independent awards for the best memoranda, two for Petitioners, and the other two for Respondents.
- 4.8.1 **Submission.** Both written briefs, for Petitioner and Respondent, must be submitted to the Organizing Committee in 8 copies on paper at the address listed at the end of these rules (except for teams from outside Chinese mainland, the Organizing Committee will prepare for them) , *and* electronically at ipmootcourt@bfsu.edu.cn, no later than May 10, 2017. For safe receipt, please check the contact information at the end of these Rules.
- 4.8.2 **Identification.** Both of the written briefs must be identified by the four-digit code name assigned by the Organizing Committee followed by “P” for Petitioner or “R” for Respondent. For example, Team 1234 should indicate on the cover of a written brief for Petitioner as “1234-P” and for Respondent as “1234-R.”
- 4.8.3 **Electronic File Name.** The file name of the electronic submission should correspond to the team’s code names. For example, Team 5678’s submission of Respondent Brief should be 5678-R.
- 4.8.4 **Format.** The written brief must be
- In MS Word or PDF format, with default margins (2.54cm on top and bottom, 3.17 on left and right),
 - printed by laser on A4 paper,
 - in the font of times new roman, size 12, and
 - with single space between the lines, and one and a half (1 ½) spaces between paragraphs.

(An example of the format is like this document.)

A reduction of points applies for incorrect format.

4.8.5 **Length.** The written brief shall be no more than five thousand words or fifteen pages long, whichever is shorter, excluding a cover page, a list of contents, a list of authorities, and an appendix. A reduction of points applies for exceeding the length.

4.8.6 **Copyright license.** Unless otherwise specifically announced by participating teams, for all written briefs, once submitted, it will be presumed as licensing the Organizing Committee to use them in some limited ways, including posting them on our website, publishing them with no commercial purpose, etc. All these uses will be certainly with due respect to the moral rights of the authors.

4.9 **Oral Presentation.**

4.9.1 The oral presentation of a team must be based entirely on its written brief, and no argument will be allowed which is not included in the written brief.

4.9.2 Each team will present its argument within twenty (20) minutes during which the first team member may announce the time allotment for each team member, and the presentation should include:

- A brief Opening Statement, to announce the contending goals;
- An Argument, to present analysis and support for the contention;
- A Conclusion, to summarize the argument.

The hearing judge may interrupt a speaker if s/he finds anything inappropriate in the presentation.

4.9.3 No exhibits, diagrams, charts, PPT display or other visual aids will be allowed during oral presentation.

4.9.4 Each team will engage in at least two (2) oral presentations each for Petitioner and Respondent.

4.9.5 During each oral presentation, questions may be raised by the hearing judges, which the presenter must address.

4.9.6 Upon completion of the oral presentation by both sides, there will be two rounds of debates. The total time of court debate will be twenty (20) minutes. The petitioning party may make a rebuttal for no more than five (5) minutes, to which the responding party may make a surrebuttal in like manner. The second round of debate is in the same way. However,

4.9.6.1 No further argument may be made during the rebuttal or surrebuttal;

4.9.6.2 The responding party may not address a point not raised in the rebuttal; and

4.9.6.3 In case the petitioning party waives rebuttal, there will be no surrebuttal from the responding party.

- 4.9.7 All participants in the oral argument must address the panel of judges with due respect, and show appropriate courtesy toward the opposing side. In no circumstance will personal attacks be tolerated either against the panel or the opposing side.
- 4.9.8 During each oral presentation, there will be a “bailiff” to keep time and order in the courtroom. The Bailiff will also keep record of violations of the procedural rules in terms of respect and courtesy, or exceeding time limitation, etc.

5 GRADING AND SCORES

- 5.1 Each team’s oral performance will be graded by the panel of three hearing judges upon completion of the oral presentation, using a scale of 60 (minimum) to 100 (perfect), the average of which grading, minus any reduction of points for violation of procedural rules, will be the score for the oral presentation of the team in the first round, which will not be carried into further rounds in case the team advances.
- 5.2 The grading of the first round will be made on the overall performance of a team, that is, including the grades of written briefs (30%) and oral presentations (70%) on behalf of both Petitioner and Respondent.
- 5.3 For violation of any procedural rules, such as courtroom mannerism, observance of written format, or exceeding time limits, no more than ten (10) points may be reduced from a team’s grades.
- 5.4 The judges may choose to vote in a separate room without giving any comments. However, they are encouraged to give critique or comments after each presentation.

6 AWARDS

The awards given in the Moot are:

The Competition Champion, the Runner-up, and the Second Runner-up.

The best Memorandum (4).

The best Oralist (4).

...

7 COMPLAINTS

- 7.1 A team may not make any complaint as to the judges’ grading.

- 7.2 A team may make a complaint as to improper administration of the courtroom procedure, such as time-keeping and penalties. However, a team may not request extension of time simply on basis of judges’ interruption or questioning.
- 7.3 All complaints, except minor complaints not affecting proper conduction of the oral presentation, must be filed in writing with the Organizing Committee *after* the oral presentation.
- 7.4 The only remedies available, if the complaint is sustained by the Committee, will be in the form of cancellation of the penalties or imposing a penalty on the opposing side. In no event will the oral presentation be conducted again.

8 INTERPRETATION OF THE RULES

- 8.1 These rules are final and interpretation must be made by the Organizing Committee.
- 8.2 Errata and corrigenda may be posted on the BFSU Law website.

第三部分 各年案例/CASES of Years

2007 Case

Micro-Energy Laboratories, Inc.
as PETITIONER
v.
Small Town University
and
DaCheng Automobile Parts and Supplies, Corp.
as RESPONDENTS

Synopsis

Micro-Energy (plaintiff below, and now appellant) commenced this litigation in the District Court of Small Town, Big Province of China (the court below) against Small Town University (defendant below, and now cross-appellant) for patent and trademark infringement, and tortious interference with contract relationship; and against DaCheng (co-defendant below, and also cross-appellant) for contributory infringement of patents and trademarks, and breach of contract. The University challenged the validity of the patents by *inter partes* proceedings with the Patent Review & Adjudication Board (PRAB) which upheld the validity of the patents. In the alternative, the University denied infringement by raising the argument of “prosecution history estoppel” under which the plaintiff may not apply the expansive interpretation of its patents to reach the improvement technology. The University also defended against the claim on trademark infringement by arguing on “collateral” and “fair” use of the plaintiff’s trademarks. Co-defendant DaCheng pleaded non-contest on the infringement issues, but argued that if the improvement is sustained, it would make the contract unconscionable due to intellectual property misuse amounting to antitrust violations under the Anti-Unfair Competition Law. The court below ruled for Micro-Energy on the patent validity issues, and for the University on patent infringement issues; but it found infringement on the trademark issues against the University and DaCheng, and also ruled against DaCheng on contract, and misuse or antitrust issues. Now, Micro-Energy appeals the decisions below, and the University and DaCheng cross-appeal.

In the trial below, Micro-Energy made the following complaints against the University:-

1. Breach of non-disclosure agreement by misappropriating confidential information;
2. Infringement of patent and trademark rights; and
3. Inducing breach of contract or tortiously interfering with contractual relationship.

to which the University responded, by challenging the validity of the underlying patents, or alternatively, by denying infringement on the grounds of prosecution history estoppel; it also alleged monopoly attempt on the part of Micro-Energy.

Micro-Energy also made complaints against DaCheng for:-

1. Breach of Contract; and
2. Contributory infringement of patent and trademark.

Description of Facts

All parties to this litigation agree as to the following facts:

1. Micro-Energy Laboratories, Inc. (**Micro-Energy**) is a foreign corporation doing business in China, in the name of Micro-Energy (China) Ltd., having its office in Small Town, Big Province, with a number of wholly-owned regional subsidiaries mainly responsible for promotion and public relations in China, as well as a growing number of business partners on either investment or licensing basis, for manufacturing the products or supplying partially processed components, assembling the products, wholesale or retail distribution, or providing other services such as warehouse storage or transportation of Micro-Energy's products. Micro-Energy owns intellectual properties which include a number of patents (Chinese or foreign), several trademark registrations for use with the Micro-Energy technologies and products, in addition to special technologies or know-hows which Micro-Energy describes as "trade secrets." All of Micro-Energy's U.S. and Chinese patents, as well as the trademark registrations, are within their statutory term up to the time the present disputes developed.
2. One of the Micro-Energy U.S. patents and the corresponding Chinese patent relate to the technology and products for adjusting automobile engine gasoline consumption (known as the "gas saver plug" or "Micro-Energy technology"). The basic U.S. patent (No. 12345678, hereinafter, U.S. '678) and the corresponding Chinese patent (No. 87654321, hereinafter CN '321) cover the same subject matter, as described in the Statement of Technical Fields,

The present invention relates to a means for optimizing fuel injection in an internal combustion engine by constantly monitoring the engine performance through calculating the maximum torque required at any given moment and the amount of fuel injected through the fuel injection nozzles of any known type or model, thereby achieving fuel economy whereas conventional technology would rely on human control of the gas accelerator, which is never precise, or chemical additives to the fuel, which have proven ineffective or have caused side effects, or else used other mechanical devices installed in the exhaust system which would achieve some fuel economy at the expense of causing insufficient torque. The present invention allows micro adjustment

for the optimal amount of the fuel injected into the cylinder to produce maximum torque needed without the disadvantage of extra chemicals or unburnt fuel that results in exhaust pollution.

3. Claim 1 of U.S. '678 patent reads:

A means for optimizing fuel injection in an internal combustion engine.

Whereas, due to the fact that such language describing the invention for patent is deemed exceedingly broad and indefinite under the Manual for Patent Examining Procedure (MPEP) (see, Appendix A, of this Pleading) promulgated by State Intellectual Property Office (SIPO) of China, the Patent Examiner initially rejected Micro-Energy's application on this ground in her first office action (OA No. 1), and gave a directed advice that claim 1 be amended to:

Electronically controlled adjusting means for optimizing fuel injection in an internal combustion engine.

by incorporating a dependent claim 2 further defining the invention in structural terms, on how the adjustment is best achieved by calculating the injected fuel and the maximum torque required. Micro-Energy accepted the amendment in compliance with the Examiner's office action, and thereafter, the patent was issued on March 1, 2004.

4. Micro-Energy is also the owner of two valid Chinese trademark registrations of **MICRO-ENERGY**[®] (No. 22334455) and its Chinese equivalent **微能**[®] (No. 22334456) both for "AUTOMOBILE ENGINE FUEL INJECTION ADJUSTMENT DEVICES AND PARTS THEREOF" in international class 7. Both registrations are issued on May 30, 2003. These marks are herein together referred to as the "Micro-Energy marks."
5. The Small Town University ("**the University**") is a well-known educational and research institution with a reputation on mechanical engineering, which hosts a leading research center for scientific experiments and automobile technologies, and maintains wide connections with the auto industry in China. For this reason, Micro-Energy approached the University in early 2003 with a hope to establish business relations with Chinese manufacturers and distributors. The result of their negotiates was an agreement under which Micro-Energy would disclose proprietary information for the purpose of evaluating the technologies.
6. The agreement between Micro-Energy and the University, entitled "Secrecy Agreement," provides, in pertinent part:

Article 3 Contents of Disclosure

Micro-Energy is the holder of the intellectual properties, including, but not limited to, U.S. Patent No. 12345678, Chinese Patent Application No. A87654321, the trademarks, copyrights and trade secrets or know-hows as herein described. In the event that the Chinese patent application fails to mature into a patent, the Licensee shall not challenge the validity the proprietorship for such intellectual properties.

Article 9 Validity of Intellectual Properties

Licensee (the University) shall not challenge the validity of [Micro-Energy’s] intellectual properties and shall defend the same against challenges from third parties.

Article 18 Improvement and Grant-Backs

Licensor requires and Licensee agrees, that

- (1) any technical improvement made upon exploiting the Micro-Energy Intellectual Properties during and after the term of this Agreement shall be deemed as “service invention” which shall be deemed as continuation or extension of the Micro-Energy Intellectual Properties, and shall be at the complete disposal of Licensor, including the rights to file for a new patent, keep it as a proprietary know-how, or release it with or without cost;
- (2) any technical invention or improvement made by Licensee in relation to or in connection with the Micro-Energy Intellectual Properties during and after the term of this Agreement shall be deemed either as joint-invention in which Micro-Energy shall hold joint proprietorship, or alternatively, as derivative invention for which Licensor shall receive a royalty-free grant-back.

The University thereafter made a number of contacts with its business relations, one of which resulted in a successful negotiation with DaCheng.

7. DaCheng Automobile Parts and Supplies Corporation of Small Town (**DaCheng**), also a defendant to this litigation, is a Chinese firm specialized in the manufacture of automobile engine parts. After some direct talk with both the University and Micro-Energy, it agreed to enter into a licensing contract with Micro-Energy, under which DaCheng was to manufacture and sell the proprietary products under the Micro-Energy trademarks. The Licensing Contract between Micro-Energy and DaCheng, dated April 1, 2004 (hereinafter, the “Contract”) provides in pertinent part:

Article 19 Hold Harmless and Indemnification

Licensee (DaCheng) shall indemnify and hold Licensor (Micro-Energy) harmless against all liabilities, demands, damages, expenses, or losses arising out of any use, sale, or other disposition of products made by use of such inventions or technologies under this Agreement.

Article 21 Royalties

Licensee shall use its best efforts to promote its products in which the Micro-Energy Intellectual Properties are applied, and exert utmost effort to achieve maximum profits by actively locating potential customers.

According to the Contract, DaCheng made some preparation work to go with the Micro-Energy technology, including test production, and a small quantity of sales to test the market.

8. After some extended tests, a technical problem upon applying the Micro-Energy technology developed when regular gasoline specifically available in the Chinese market was used. It is commonly known that oil reserves in Chinese geological locations contain sulphur to a much higher degree than that found in other locations in the world, and, due to limited refinery

capability, the gasoline sold on the Chinese domestic market is less purified than, for example, on the U.S. market. The impurity of the gasoline containing higher degree of sulphur results in excessive amount of *sulphur dioxide* being deposited in the entire fuel system, including the cylindrical walls and the nozzles, causing problems such as quicker deterioration of all fuel supply devices, as well as excessive erosion in the cylindrical components that do not usually exist in other places of the world.

One particular problem with the “gas saver plug” is that its calculation of the amount of fuel injected into the cylinders is based on the diameter of the fuel injection nozzles and the maximum torque required of the engine at any given moment. Ideally, the diameter of the nozzle is fixed throughout the lifespan of the fuel injection device, where erosion is minimal, thereby facilitating the correct calculation of the optimal amount of fuel supply. With the excessive sulphur dioxide problem, however, the nozzles may either be worn much faster than normal, or sometimes be jammed with the deposit of impurities, resulting in miscalculation in the “gas saver plug” computer chip as implemented under the Micro-Energy patent.

This problem, however, was not anticipated by either Micro-Energy or DaCheng because the sulphur dioxide problem would not develop until after the engine has worked for a considerable portion of the lifespan of the injection nozzles – not a significant concern when the new product is installed on a new engine. After detecting this problem, DaCheng turned to the University for help, with the understanding that the University was responsible for working the technologies, hoping that it could find a solution to the nozzle problem.

9. Upon learning of this defect, some professors and students of the University studied it and came up with a solution by having a unique metallurgical material applied to the surface of the fuel injection nozzle making it much more resistant to erosion from sulphur dioxide. While this technology does not solve the impurity problem, it does make the Micro-Energy “gas saver plug” work effectively. Meanwhile, the University made extensive efforts to promote the improvement technology by advertising it “the crucial part of the Micro-Energy plugs,” and labeled the packaging of its products with “For Use With Micro-Energy Plugs,” both in English and Chinese, with “MICRO-ENERGY” and “微能” prominently displayed. It sold some of its products to DaCheng.
10. After the present disputes began, and before the trial below, the University filed an invalidation proceeding with SIPO, which upheld the Micro-Energy patent.
11. DaCheng was aware of the potential legal problem and the disputes between Micro-Energy and the University as to the proper ownership of the improvement technology. Yet, for practical business reasons, it could not afford to wait for them to fight out the problem in long, tedious legal battles; it decided to go with the improvement, in the belief that whoever might win, its problems would go away.

The Trial Below

Though all parties had no significant disagreement at trial as to the preceding description of facts, they made the following different contentions:

12. Micro-Energy claimed patent infringement of its CN '321 by whoever makes, uses or sells any products using the improvement technology arguing that the technology is covered under the broad patent claims. It also claimed that use of its registered trademarks in any manner by the University, or any other party, or by DaCheng, without its consent, would constitute and has constituted trademark infringement.
13. Micro-Energy based its patent infringement claim on the theory that its CN '321 patent, which corresponds to U.S. '678 patent, is a pioneering invention delivering to the auto industries a significant technical breakthrough for energy conservation, and is therefore entitled to broad protection under the doctrine of equivalents, which must reach any minor improvements, such as the University improvement, made in relation to its basic technology. At the very least, the University's activities constitute a breach of the Secrecy Agreement under which Micro-Energy should be entitled to ownership of the improvement as a service invention or to receive a royalty-free grantback.
14. The University claimed that its technology, though developed to work with the Micro-Energy technology, was in a wholly unrelated area of materials science, and was therefore, independent invention, not covered by the “Secrecy Agreement” reached between it and Micro-Energy. Moreover, the University claimed that the Agreement had become void once the patent was issued because the relevant subject matter now under dispute is no longer secret. The obligation to preserve and not to challenge the secret business proprietorship does not negate its lawfully protected privilege to challenge the validity of a patent as it is issued.
15. The University argued at trial that even if the doctrine of equivalents might be available under normal circumstances, Micro-Energy must be estopped from its benefit because of the limiting language it accepted in response to OA No. 1 in exchange for the issuance. In other words, the door for expansive construction of the claim 1 is closed in light of prosecution history; as a result, Micro-Energy may not control the improvement technology.
16. The University further argued that the use of the Micro-Energy trademarks is not in the sense of trademark use, as there is no other way to describe the products properly and economically. Therefore it should be considered as “collateral” or “fair” use.
17. DaCheng, while making no-contest on the patent validity issues, claimed unconscionability of contract because it was trapped between (1) contract obligations under which it would eventually be at a business disadvantage and practically economic loss were it not to use the improvement, and (2) the allegations of infringement and breach of contract were it to use the improvement. Therefore, it asked to be released from the present contract obligations, unless appropriate modification to the Contract be made, which must include, among

others:

- (1) Subjecting the Micro-Energy technologies to the University improvement by modifying the royalty provisions of the present Contract, or
- (2) Micro-Energy obtaining the improvement technology by purchasing, or
- (3) Incorporating the University holding the improvement into the present Contract.

18. The trial court below made the following determinations:

- (1) The Chinese Patent No. CN 87654321 (issued March 1, 2004, to Micro-Energy) is valid.
- (2) The technical improvement made by the University, though its only function is to work together with Patent CN '321, is a separate technology.
- (3) Micro-Energy is estopped from asserting the doctrine of equivalents because it has accepted limitation on its patent claims, and therefore, the court would not reach the question of whether the Micro-Energy patent would read on the third party technology by applying an expansive construction under the doctrine of equivalents.
- (4) The use of the Micro-Energy trademarks in any sense without the trademark owner's consent would constitute and has constituted trademark infringement.
- (5) There would be a breach of contract should DaCheng default from its obligations under the present Licensing Contract. However, DaCheng would be free to use the improvement technology together with the Micro-Energy patent to offset the deficiency from the projected business disadvantage.

19. While making the above decisions, the trial judge below made the following observations:

The patent regime established in our country is to protect inventors and their new technologies that bring about great benefit to the people, and more or less contribute to social goodness, such as, in the present invention, the protection of the environment by conserving the precious energies and controlling obnoxious gases. Yet, it can never be mistaken that a patent is a form of monopoly sanctioned by law, for violation of which, the punishment may be severe. For this reason, a patent application has to go through stringent examination at the Patent Office, and has to meet various highly technical requirements, going back and forth between the applicant and the examiner, in order to lay out a clear boundary for the rights to be legally protected, and also more importantly, for the public to know the range outside the patentee's protected rights.

This being so, courts, as well as the patent authorities frequently are asked to construe the metes and bounds of a patent claim in order to decide infringement issues which are at core in the present litigation, and indeed, in the heart of every intellectual property litigation. One particular problem with proper construction of patent claims is that a patent is, and must be, expressed in words (sometimes aided by the drawings for better understanding of it), but the words, admittedly in any known human language, have their limitations and deficiencies, because, simply for the fact, an invention is made to work mechanically rather than to fit the limited descriptive power of our human language. If a minor alteration or "improvement" is made simply by studying the letters patent to escape through the loopholes, the entire patent system may be rendered useless as rarely, if ever, a patent would read precisely on a varied form of technology. Hence developed a doctrine that if a technology is substantially the same as the patented one, using substantially the same method, to achieve substantially the

same result, infringement should be found.

While acknowledging the reasons for accepting this doctrine of equivalents, we should never lose sight of its potential abuse, because unlimited and unchecked permission for expansive interpretation will eventually swallow the basic principles of claim construction. Where, as here, an invention has a potential flaw which would not be detectable as sulphur dioxide problem does not exist elsewhere in the world and was not brought to the attention of the examiner, nor could the problem be immediately detectable, the patent was issued and is held as valid here. This, however, does not mean that it has no flaw as to the sulphur dioxide problem, nor would it be reasonable for it to block further efforts to solve the problem. If it is, and if the Micro-Energy patent can be so broadly construed as to cover the University technology, it will, before soon, cover the entire oil refining business, and indeed, even the chemical industry, for solving the sulphur dioxide problem, as that would also contribute to making the Micro-Energy patent work more effectively.

On the other hand, despite the fact the original U.S. patent (U.S. '678) would seemingly have embraced the improvement as the broad language dictates, the practice in this country is to commit the invention to a structural description that allows the patent only in its designated modes, not every imaginable form contemplating future improvement. By accepting the limitations imposed by the examiner under relevant rules of the examining procedure, Micro-Energy has made itself a commitment not to employ the doctrine of equivalents in exchange for the patent to issue. Therefore, it has been estopped by its own words from the benefit of the expansive rule.

Issues on Appeal

20. Micro-Energy submits the issue of claim interpretation for appeal as:-

Whether the doctrine of prosecution history estoppel should form a complete bar to the application of the doctrine of equivalents, when the limitation on the original claim made during examination is imposed for technical reasons by the examining authorities without the patentee's voluntary submission, particularly, in light of the patentee's original broad claims on which the Chinese patent was based.

If this issue can be favorably resolved, together with the decision from the court below on the trademark issue, Micro-Energy will claim:

- (1) Infringement of patent and trademarks by the University;
- (2) Breach of "Secrecy Agreement" by the University;
- (3) Contributory infringement of patent and trademarks by DaCheng;
- (4) and breach of "Licensing Contract by DaCheng

21. While accepting the court decision below on the patent claim construction issue, the University and DaCheng submit a joint issue for appeal as:-

Whether the Trademark Law forbids "any" use of another's mark without consent, even though there is no other way to properly describe the underlying products; and whether use of the trademark as described here constitutes "collateral" or "fair" use.

With a favorable decision on the preceding issue, together with the decision from the court below, the two defendants will claim:

- (1) No infringement of the Micro-Energy trademarks;
- (2) No infringement of the Micro-Energy patents;
- (3) Invalidity of the “Secrecy Agreement” with the University because the subject matter has been public disclosed after the patent issues; and
- (4) Unconscionability of the “Licensing Contract” with DaCheng because either way the present disputes are resolved, the patent is unworkable unless the Contract is modified.

2008 Case

Huxley International, as Petitioner

v.

H.E. Bags & Luggage Co., Ltd., as Respondent

While the proverb “action speaks louder than words” can euphonize something better done than said, so does a trademark to its owner, even if anonymous, to retain a valuable good-will amongst its customers, for a reputation, much like a person’s face, is sometimes said to be more important than who the person is, which in ancient times was well worth a duel.

Time has changed a lot of things, and decision by the sword is no longer; but the traditional duel has taken on a new form – to fight out the matter in the courtroom through litigation – which is the stage of the present story.

BACKGROUND

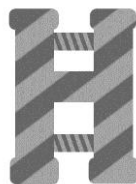
The parties do not dispute the following description of facts, and all the documents, references, information, or testimonies as evidence are properly admitted under the Civil Procedures of People’s Republic of China.

I

1. Huxley International (Huxley) is a U.K.-based international conglomerate that operates in many countries and areas throughout the world, producing different lines of product from agricultural products to consumer electronics, and from simple every day useful things to high-tech machinery, many of which have received worldwide patent protection in various countries. It also lends its name to the fashion industry by making a complete line of exquisitely handcrafted luxury personal bags, including women’s shoulder bags and men’s wallets, briefcases, belts, business card holder, etc. One of its hallmarks is, of course, the

stylized word HUXLEY which is prominently displayed on every one of its products.

2. While the Huxley firm originated from a tanner’s over a hundred years ago (Mr. Huxley, to be exact, who had no blood relation to that famous biologist in any way), and the company has changed hands many times over the years, it always takes great pride in its leather products, and has carefully, even to the point of jealously, guarded its trademark interests, by registering the mark HUXLEY in every country where it has a business presence.
3. The fashion industry has its unique tendency to follow the taste of the customers, by making various changes to the styling, the shape, the colors, or even the way the trademarks are displayed. In recent years, as many of the world famous brand names have been copied and sold cheaply on the streets, the elegant society would disdain certain fake-looking products with the cheap display of a famous mark – such trademarking is considered as being noisily “too loud.” For this reason, some of the high end manufacturers quietly changed the way their trademarks are displayed.
4. For example, the French mark Louis Vuitton is woven faintly into the fabric materials for handbags as LV, and the Bally mark becomes a B, first as a button on bags, then a mere shoulder belt buckle, leaving the entire products appear to be “brandless.”
5. The Huxley move is one step to the next stage. It first took out a design patent for a buckle in the shape of



somewhat like a Chinese character of “the sun,”¹ which is used for connecting the belt end to the bag end by having the ends folding over the upper and lower bars so that the remaining part of the buckle becomes an upper case letter “H.” Huxley uses platinum for the buckle material and each bag carries a price tag of well over £1,000.00. The design patent was issued by the State Intellectual Property Office (SIPO) in January 10, 2005 under Patent No. ZL 2005 3 123456.0.

6. Huxley entered China’s market around the 1930’s and had maintained a trademark registration for HUXLEY until 1949 when the entire trademark system was abandoned, and Huxley left. As soon as China adopted its modern trademark law in 1983, Huxley reapplied for registration of its HUXLEY mark on leather bags in international class 18, as well as for other products in pertinent classes, and has timely renewed these registrations at various

¹ **Note from the Moot Court Organizer:** the showing of the Design should be understood as depicting an elegant lettering of “H” made of platinum.

intervals.

7. After receiving the patent on the design in 2005, Huxley tried to obtain a trademark registration in China for the letter “H,” in either block letter form or stylized form, but the application was rejected under Article 11(3)(a) of the Trademark Law, for lacking distinctiveness.
8. Although the HUXLEY mark has been undisputedly recognized as an internationally famous mark, and the letter “H” has been used by a small band of extremely wealthy “new pennies” to refer to such highly positioning goods, much like the way a college student would hush an “LV” which she would dream of owning one, the H design has not been used long enough to establish a publicly recognizable secondary meaning that would permit the mark to be registered under Article 11(3)(b) of the Trademark Law. Therefore, when the trademark application was rejected, Huxley did not go any further to argue for the “H” mark, and abandoned the application in 2005. Nevertheless, it continued to use the design on its products, as well as the marking of “TM” in advertizing and all written communications whenever the “H” mark was mentioned.
9. While Huxley maintains a standard intellectual property licensing policy by granting permissions to various retailing establishments to use its proprietary designs and trademarks, it takes a strong position in protecting the values of its intellectual property by requesting guarantee of the quality of the products. In order to achieve this, it demands, e.g., a trademark license may be granted only if a licensee purchase the platinum logos from Huxley to be applied onto the products which may be manufactured under its supervision. It would never allow others to produce its trademark logos for any purpose at any rate.

II

10. H.E. Bags & Luggage Co., Ltd. (“H.E.”), originally known as “Hong E” (pronounced as “hoong eh,” meaning in Chinese “Red Alligator”), is a manufacturer of various leather products located in a southern province of China, which makes, inter alia, men’s and women’s shoulder bags, purses, handbags, luggage, briefcases, suitcases, and so on. It has a regional sales office in Beijing, and maintains a sales booth in Beijing’s Fashion Market where it carries both retail business to walk-by tourists, and wholesale to its long term buyers who would transport the products to as far as eastern European countries.
11. Despite the name, H.E. has never really made any product with the red alligator skin, but its products nonetheless have the outer appearance of being carefully made to look elegant on the shelf. Like many vendors in Fashion Market, H.E. would ask a price of 200 ~ 500 RMB for its products, but would not hesitate to slash the price to 50 ~ 100 if a buyer looks serious.
12. H.E. secured in 2001 its own trademark registrations for HONG E, under Reg. No. 7654321, and for the Chinese characters of red alligator, both in international class 18 for “bags, and parts and fittings.” Beginning in 2005, it also started to use an unregistered mark H.E. to follow the fashion trend, on all of its products, and on men’s shoulder bags in particular.

13. As a further move, at the suggestion of some of its customers, H.E. started in mid-2008 to use the 日 buckle as well on all of its men’s shoulder bags so that the products would look more elegant. But the H.E. products are no comparison to those of Huxley’s, either in quality or in styling. The buckle, however, is made of some platinoid material that has an expansive tint but does not last very long. The wholesale price for each piece was 50 yuan for a dozen, 40 for more, and even lower at bulk rate. Sales were good, and soon enough, large orders were placed for significant quantities by Chinese as well as international buyers.
14. At one time, the owner of H.E., Ms. FAN Yajie, at the suggestion of her lawyer, thought of taking out a license from Huxley for using the buckle device, at least to avoid possible I.P. conflict, but when she heard the Huxley licensing policy, she angrily brushed the idea aside as she yelled to the lawyer, “Who’s gonna buy this piece of shxx with such an expensive logo that can’t even be seen? We have our own trademark registration, haven’t we? And ‘H’ is also our initial. We’re going to use it anyway.”

III

15. Upon learning of H.E.’s use of the buckle device, Huxley took immediate action through its attorneys in Beijing by obtaining a few sales samples with a sale receipt carrying the red stamp of “H.E. Bags & Luggage Co., Ltd.” as evidence, and proceeded with filing a complaint with the district court in Beijing alleging
- (1) patent infringement under the Patent Law of China, and
 - (2) trademark infringement under the Trademark Law and Unfair Competition Law.
16. H.E. responded by first requesting a stay of the trial proceeding while filing a petition with relevant authorities for invalidation of the Huxley patent. In specific, it denied infringement upon
- (1) either the design patent, pending decision from relevant authorities on its validity; or
 - (2) an unregistered and unregistrable “trademark” that is highly, if not entirely, functional;

stating as its reasons that: (1) the “H” design is a commonly used buckle device which should not be appropriated for exclusive use; (2) it has its own trademark registration, and the initial “H” lawfully signifies its brand name and business name; and (3) since Huxley does not have a trademark registration on the “H” logo, its trademark accusation is meritless. The trial court granted the stay pending a solution from the Patent authorities.

PROCEEDINGS BELOW

I

17. An invalidation request was duly filed with the State Intellectual Property Office (SIPO), Patent Reexamination Board (PRB), in which H.E. argued that the subject matter of a design patent should be decorative and not functional, according to the Implementing Regulations under the Patent Law, Article 2, Clause 3; and the Huxley design does not rise to the level worthy of patent protection in that (1) it consists essentially of the letter H, with two

horizontal bars bridging upper and lower ends of the vertical bars, which does not present any unique nor aesthetic appeal; and (2) it basically works as a buckle for shoulder bag straps, and is therefore, primarily *functional*. As in any conventional buckle device for bag straps, the upper and lower horizontal bars connect the straps; the vertical bars are for holding the horizontal bars; and the middle bar is for reinforcing the connection between the vertical bars. In fact, every single element of the Huxley design is purely functional and none other. For this reason, the patent should not have been issued, and should now be invalidated.

18. Upon examination, the Board made a decision in due course under No. 20081234 in which the Board upheld the patent with the following reasons:

The Patent Law allows protection for a new and aesthetic design on a product or a combination thereof with colors or shapes. The determination of aesthetic appeal is difficult to make as beauty is more or less in the eyes of the beholder; normally, a design would meet this requirement as long as it does not appear to be *ugly* to the visual sense if by common standard it does not provoke aversion.

In terms of functionality, in many circumstances, a design such as the present one may include certain functional aspects. For example, the design of a cell phone certainly *functions* as a casing for the electronic components of a cell phone; and the exterior design of a car usually effects aerodynamic styling which is not only pleasing to the eye, but at the same time comports with physics requirement. The determination of patentability of an industrial design should be based on the entirety of the design, rather than on an analysis of each and every single element to find for functionality. In other words, a design does not have to be dysfunctional or useless to satisfy the statutory requirement. Even if some or all of the elements are functional to some extent, they will not be regarded as patentability-debilitating as long as the overall visual impression of the design is aesthetically decorative and not functional. (Emphasis added.)

II

19. The district court, upon noticing the PRB decision, proceeded to the merits of the case and ordered a hearing in which both parties presented their evidence in support of their respective arguments.
20. On the patent issue, Huxley presented no further argument, but based its claim entirely on the PRB decision upholding the validity of the patent, and sought damages. H.E., however, requested that the court overrule the PRB decision, because, it argued, the PRB’s “not ugly” standard is a misinterpretation of the patent law, and, together with its determination on functionality analysis, would effectively eliminate the already very low requirement for a design patent, which would confer monopolistic control by the patentee over a design that is merely the first to be used, no matter what it looks like and what utilitarian function it may perform, because, for the simple reason that even an ugly design may be claimed by its inventor to be unusually pleasant; when the Patent Law speaks about aesthetics requirement, it must be accorded some substance, and the “not ugly” doctrine, in light of a featureless, plain-looking, simple letter with functional additions, should not be permitted as a proper interpretation for the patentability requirement of a design.
21. On the trademark issue, Huxley based its infringement arguments on the theories of unfair competition and the special protection of well-known marks accorded by the Trademark Law. Huxley acknowledged that its H design logo was denied trademark registration in 2005 for

lack of distinctiveness, but that does not prevent the mark from acquiring distinctiveness by establishing “secondary meaning” through extended use, and by extensive advertising to increase brand-awareness. In fact, it not only has established “acquired distinctiveness” but also has become “well-known” which qualifies the mark to be protectible under the Trademark Law of China, Article 13. To further back up its argument, Huxley adduced consumer survey evidence showing public recognition of the “H” design as trademark. H.E., on the other hand, counterargued that (1) certain marks, such as the “H” design, is so inherently indistinguishable as a trademark it can never become a source indicator; (2) the design is so highly, if not entirely, functional, it should remain in the public domain and not be exploited for exclusive use by any single trader; (3) by the evidence of its own consumer survey, the purchasing public has failed to recognize the “H” design as a trademark, let alone a famous mark; and (4) to seek trademark protection for a design which has been the subject matter of patent protection is an impermissible attempt to defeat the purpose of the patent law, and therefore would constitute, and has constituted, misuse of the purported patent rights under the Anti-Monopoly Law.

22. Per the last argument, H.E. further argues that even if the Huxley design is upheld for its validity, the patent should not be enforceable due to the fact the patentee has unlawfully attempted to extend the patent term beyond the statutory duration by obtaining potentially indefinite monopoly through trademark protection.
23. At the conclusion of the court hearing, the district court ruled for the plaintiff on the patent infringement issue, and denied its claim for trademark infringement, with the following observations:

The Patent Office is established under the Patent Law of China to administer the patent affairs, including examination of applications and adjudication of certain disputes over the validity of an issued patent, according to the relevant laws and administrative procedure. Although a litigant may challenge a decision made by the Office (the Patent Reexamination Board on the validity issue, to be exact), judicial deference must be given to such decisions because such is a judgment made with highly professional knowledge in determining the patentability issue with reference to prior art and recognition of the level of aesthetics standard based on the record presented to the examiner. Unless a decision from the Office is in clear contradiction to the record, or is a clear abuse of its discretion, or in violation of the law, we should refrain from disturbing the daily routines of the administrative work. Here, the “not ugly” standard is not clearly wrong, and at least it provides some workable guidance to follow in patent examination. The defendant’s complaint that this standard would defeat the purpose of the patent law is meritless and fails to indicate any workable guidance. For this reason, we would leave the “ugly” issue for another day.

As to the patent misuse allegation, defendant’s attack appears to be wide of the mark. The “misuse” of a patent monopoly has to be related in some way to the exploitation of the patent rights, such as those enumerated under the antitrust statute like “tying,” etc. Here, the plaintiff merely asserts a trademark right, which in and of itself is lawful; whether that right exists or not is another question. Therefore we reject the defendant’s allegation on patent misuse.

And finally, the survey result produced by the plaintiff is extensive, lucid, and apparently very costly; yet we are of opinion that it is insufficient to support its claim. And even if the mark could be established as well-known, though not likely per the evidence before us, it would still be viewed as a functional buckling device which,

unless covered by a patent, is to be used freely by all, absent some evidence of consumer confusion. As we do so, we need not comment on Defendant’s counterarguments, along with its equally sophisticated survey evidence.

For the reason set forth above, we find patent infringement and dismiss the trademark claims.

THE APPEAL

24. Both parties are dissatisfied with the district court ruling and now appeal, for which, Huxley presents the following issues:

- (1) Whether a trademark, being registered in more than half of the countries of the world and used in more countries, including China, thus having become famous, should be accorded protection under the Chinese trademark law, and if so, whether the district court erred in rejecting the survey evidence in support of Plaintiff’s claim for trademark infringement; and
- (2) If the Court of Appeals rules favorably on the preceding issue, whether distinction must be made between *de jure* and *de facto* functionality in order to sustain protectibility of the “H” design mark.

Defendant, H.E. Bags & Luggage Co., Ltd., sees the issues differently, and raised the following questions on appeal:

- (1) Whether the district court abused its discretion for giving deference to the PRB decision thereby rendering ineffective the statutory requirement for design patent; and
- (2) Whether the district court erred in dismissing the patent misuse claim as irrelevant under the Anti-Monopoly Law of China.

APPENDIX I: Huxley’s Exhibit of Worldwide Registrations for the H Design

1. The evidence includes a list of trademark registrations of the stylized “H” in 40 countries in Europe, North and South Americas, Asia and Africa, dating back to the year of 2001, along with photocopies of the registration certificates, duly notarized or certified where necessary.
2. Huxley’s Invoices, Shipping Documents, and Advertising Expenditure
 - a) Sales of men’s shoulder bags bearing the “H” design in China:

Year	Beijing	Shanghai	Hongkong
2001	20	30	250
2002	40	60	600
2003	20	54	150
2004	35	100	350
2005	80	300	480
2006	180	400	630
2007	300	650	800

- b) Advertising Activity in China
 - Documents showing Huxley distribution of its sales brochure in more than 20 cities in the years from 2003 to 2007.
 - Documents showing Huxley advertising expenditure.

2005 0

2006 20,000RMB

2007 1,000,000RMB

3. A consumer survey was conducted in Beijing-Lufthansa Shopping Mall, at the entrance of a Huxley Specialty Store. Thirty-five surveyees answered questions, all of whom recognized the “H” design. Fifty customers refused to take part in the survey. The following is a sample conversation recorded in the survey:

Q: Hello, do you mind spending one minute for answering some survey questions?

A: Not at all.

Q: Are you familiar with the “HUXLEY” brand name?

A: Yes, of course. All my bags are HUXLEY, and I buy them as gifts for my friends and clients.

Q: Are you going to buy this (Surveyor showed an H.E. bag) at great discount?

A: (After examining it at the buckle). I don’t think so; I think it’s a fake.

Q: Do you mind if we ask what your profession is?

A: I’m an advertising account manager.

APPENDIX II: H.E.’s Survey Report

1. The H.E. survey as to the market influence of the “H” buckle design and its own mark was made over the telephone to 350 surveyees selected at random throughout China, which shows a relevant portion as follows:

Survey Questions	Result
Awareness of “H” design patent:	0
Awareness of HUXLEY mark:	3
Awareness of “H” design as trademark:	0
Willingness to buy a shoulder bag at over 10,000RMB:	0
Actual purchase/ownership of Huxley bags:	1
Awareness of H.E. mark:	25
Willingness to buy a shoulder bag at 200RMB:	35
Actual purchase/ownership of H.E. bags:	19

2. H.E. Sales Figures (omitted).
3. H.E. Advertising Expenditure (omitted).
4. Samples of H.E. Advertizing on Sales Pamphlets, Magazines, and TV (omitted).

APPENDIX III: Relevant Statutes as Cited by the Parties

Unofficial English Translation	Chinese Texts
<p><i>Implementing Regulations Under The Patent Law</i></p> <p>Article 2 (Clause 3) The design referred to under the Patent Law shall mean the new design of a product in respect of the shape, pattern, or the combination thereof, or colors, shape, patterns, or the combination thereof, that is of aesthetic appeal and industrial application.</p>	<p>《专利法实施细则》</p> <p>第 2 条（第 3 款）</p> <p>专利法所称外观设计，是指对产品的形状、图案或者其结合以及色彩与形状、图案的结合所作出的富有美感并适于工业应用的新设计。</p>
<p><i>THE ANTI-UNFAIR COMPETITION LAW</i></p> <p>Article 5 A trader shall conduct business for injuring a competitor by:</p> <p>...</p> <p>(2) using without authorization the name, packaging, trade dress that are identical or similar to a well-known product, so as to cause confusion or passing-off.</p>	<p>《反不正当竞争法》</p> <p>第五条 经营者不得采用下列不正当手段从事市场交易，损害竞争对手：</p> <p>.....</p> <p>（二）擅自使用知名商品特有的名称、包装、装潢，或者使用与知名商品近似的名称、包装、装潢，造成和他人的知名商品相混淆，使购买者误认为是该知名商品；</p>
<p><i>THE TRADEMARK LAW</i></p> <p>Art. 13 A trademark shall not be registered and shall be prohibited from using on or in connection with identical or similar goods of another’s famous mark if it is a reproduction, imitation or translation of such a mark that has not been registered in China, and is likely to cause confusion.</p> <p>Art. 14 In certifying a trademark as famous, the following factors shall be considered:</p> <p>a) Public awareness;</p> <p>b) Duration of continuous use;</p> <p>c) Duration, extent and geographical area of the continuous advertising activities;</p> <p>d) Evidence of protecting the mark as such; and</p> <p>e) Other considerations for establishing famousness.</p>	<p>《商标法》</p> <p>第十三条 就相同或者类似商品申请注册的商标是复制、摹仿或者翻译他人未在中国注册的驰名商标，容易导致混淆的，不予注册并禁止使用</p> <p>第十四条 认定驰名商标应当考虑下列因素：</p> <p>a) 相关公众对该商标的知晓程度；</p> <p>b) 该商标使用的持续时间；</p> <p>c) 该商标的任何宣传工作的持续时间、程度和地理范围；</p> <p>d) 该商标作为驰名商标受保护的记录；</p> <p>e) 该商标驰名的其他因素。</p>
<p><i>ANTI-MONOPOLY LAW</i></p>	<p>《反垄断法》</p>

<p>Art. 3 The monopoly conduct as herein specified shall include:</p> <p>...</p> <p>(2) Abuse of dominant position in the marketplace;</p> <p>Art. 6 A trader in a dominant position in the marketplace shall not abuse its dominant position by expelling or restraining competition.</p> <p>Art. 55 This Law shall not apply where a trader enforces its intellectual property rights under pertinent laws and regulations relating thereto; this Law does apply, however, where a trader conducts abuse of its intellectual property rights to expel or restrain competition.</p>	<p>第三条 本法规定的垄断行为包括:</p> <p>.....</p> <p>(二) 经营者滥用市场支配地位;</p> <p>第六条 具有市场支配地位的经营者, 不得滥用市场支配地位, 排除、限制竞争。</p> <p>第五十五条 经营者依照有关知识产权的法律、行政法规规定行使知识产权的行为, 不适用本法; 但是, 经营者滥用知识产权, 排除、限制竞争的行为, 适用本法。</p>
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2010 Case

Great Tao Culture Publishing Co. Ltd, as Petitioner

v.

Shinda Toys Manufacturing Co. Ltd, as Respondent

INTRODUCTION

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

BACKGROUND

The followings are the facts without dispute for the two sides

I

1. Young-Chan Kim, a Korean citizen, is a cartoonist. Through many years hardworking, he produced a series comic book named “Kung Fu Bear” in 1991. 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 right.
2. Kung Fu Bear series comic books have been widely published in South Korea since 1993 and then entered into Japan, Taipei and Hong Kong through authorized publication. The cartoon “Kung Fu Bear” was thereby broadcasted in Korea, Japan, Taipei, Hong Kong and Southeast Asian countries. The lovely model and the touching and instructive stories won a 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 all items related to it, such as stuffed animals, posters, bags, pencil boxes and so on. 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 received 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" graphic trademark and applied it to toys. Thereafter, Shinda Company used the "Kung Fu Bear" graphic 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" graphic trademark in June 1997 with 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 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 trademarks 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 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

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

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 Cat” 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 China, and Great Tao Company did not use “Kung-fu Bear” as a trademark on its related 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

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.

...

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 medium 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 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” 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 registered the 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 source of origin of goods and to prevent confusion. Since the right to the exclusive use of the registered “Kung-fu Bear” trademark belonged to the company, the company was entitled to prevent other uses of “Kung-fu Bear” as a trademark. Therefore Great Tao Company’s using “Kung-fu Bear”’s image on their 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 formal 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 validity 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 cat of no importance to a household cat relied fully on the work’s originality as well as the success of its marketing. If the Cat 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 automatically enjoy the commercial benefits that the Cat has brought. If it were not so, how else would copyright embody the encouragement of literary and artistic works? Therefore, although the plaintiff 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, prayed 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 indirectly infringed the Company’s right to the registered trademark. Shinda Company pleaded the court for injunction against plaintiff’s infringement, and for ¥3,000.000 of damages from Great Tao for the loss it had invoked.

2011 Case

Hangzhou Mont Blanc Elevator Co. Ltd.

(Referred to as the Third Party in the trial of first instance) as Appellant

Vs.

Mont Blanc Elevator Shareholding Co. Ltd. (Referred to as the Plaintiff in the trial of first instance) as Appellee; and The Trademark Review and Adjudication Board under the State Administration for Industry & Commerce of the People’s Republic of China (referred to as the Defendant in the trial of first instance, and it does not join the Appeal procedures) as Appellee

BACKGROUND

The followings are undisputed facts for the two parties.

I

1. Guangzhou Tianhe Mont Blanc Elevator Engineering Co. Ltd (hereinafter referred to as “Tianhe Mont Blanc”) was incorporated on August 26, 1996 under verification and approval with registered capital of RMB 5 million. Its legal representative was Yaokun Zeng, and the business scope was sale of elevators. Tianhe Mont Blanc obtained the right to be engaged in the import and export of elevators in 2002. Up to now, Tianhe Mont Blanc has not obtained license for the manufacture, installation, improvement, and repair of elevators.
2. In August 1996, Tianhe Mont Blanc was authorized by Dalian Mont Blanc Elevator Co. Ltd (hereinafter referred to as “Dalian Mont Blanc”) to be engaged in the business of installation, repair and maintenance of various types of elevators produced by Dalian Mont Blanc.
3. On April 7, 1997, Tianhe Mont Blanc filed an application with the Trademark Office under the State Administration of Industry and Commerce (hereinafter referred to as “the Trademark Office”) for registration of trademark “勃朗 MONT BLANC” for “elevators (lifts), etc.” in Class 7 under the International Classification of Goods and Services. On October 21, 1998, the mark was examined and preliminarily approved by the Trademark Office and published under

Application/registration No.4669164 (hereinafter referred to as “the Disputed trademark”). During the open period of publication, oppositions were filed against the Disputed trademark by Mont Blanc Elevator (Sichuan) Co. Ltd. (hereinafter referred to as Sichuan Mont Blanc), Zhangjiagang Bolan Elevator Co. Ltd. and France Mont Blanc Elevator Company Limited by Shares (hereinafter referred to as France Mont Blanc). After acceptance and examination of the oppositions, the Trademark Office found that the opposition filed by France Mont Blanc was justified and therefore decided that application for registration of the Disputed trademark shall not be approved on April 13, 2000. Tianhe Mont Blanc was not satisfied with the decision on the opposition and filed a review of opposition with the Trademark Review and Adjudication Board under the State Administration of Industry and Commerce (hereinafter referred to as “the TRAB”). The TRAB approved the registration of the said trademark on November 17, 2008. The trademark was valid from January 21, 1999 to January 20, 2009. The trademark under approval was to be used for “elevators (lifts), lifts, escalators and mobile ladders” in Class 7. On February 10, 2009, period of validity of registration of the Disputed trademark was renewed from January 20, 2009 to January 19, 2019.

4. On August 18, 2008, Yaokun Zeng and Yanqiu Huang, two residents of Guangzhou City, incorporated and registered Mont Blanc Shareholding Co. Ltd (hereinafter referred to as “Mont Blanc Shareholding”) in Hong Kong with registered capital of HKD10, 000, and Yaokun Zeng held 95% of its shares. Mont Blanc Shareholding did not obtain the license for the manufacture of elevators in China.
5. Under the approval by the Trademark Office, the Disputed trademark was assigned to Mont Blanc Shareholding on January 7, 2009. On the same day, Mont Blanc Shareholdings offered Tianhe Mont Blanc the exclusive license of the Disputed trademark free of charge within the license term from January 7, 2009 to January 6, 2010. In addition, Mont Blanc Shareholding has authorized the use of the Disputed trademark for Guangdong Mont Blanc Elevator Co. Ltd, Guangzhou Dali Elevator Co. Ltd, and a number of other elevator manufacturers.

II

6. France Mont Blanc, established in 1923, is a worldwide famous multinational corporation group. It is one of the largest elevator manufacturers in France with the history of more than 80 years. It enjoys high reputation globally for its advanced product designs, exquisite craftsmanship, high quality products and strict management system. France Mont Blanc owns more than 10 factories and a comprehensive research institution in France, as well as 129 subsidiaries and branches overseas. However, it did not register trademarks “勃朗” or “MONT BLANC” in China in Class 7. Elevators manufactured by and bearing the name of France Mont Blanc have been sold to China since mid-1990s. The corporation has, together with elevator companies in mainland China and through the means of share capital contribution and cooperation, been engaged in research & development and production of elevators.

7. In China, Sichuan Mont Blanc was incorporated under approval on June 10, 1994. On September 15, 1996, its board of directors made the resolution under consensus that the English name of company shall be changed to Mont Blanc Elevator (Sichuan) Co. Ltd.. The change of name was approved on April 28, 1997 and the new name has been in use ever since. Dalian Mont Blanc changed its former enterprise name to the current name under approval on January 9, 1995. Its business license was revoked on November 9, 2007. Mont Blanc Shanghai Co. Ltd. (hereinafter referred to as Shanghai Mont Blanc) was approved on January 6, 1997 to change its former enterprise name to its current name. Shenyang Mont Blanc Elevator Co. Ltd. (hereinafter referred to as Shenyang Mont Blanc) changed its former enterprise name to its current name under approval on October 31, 1996.
8. From 1994 to 1997, Malaysia Dengjia Elevator Co. Ltd. and Malaysia Dengjia Elevator Manufacturing Co. Ltd. sold its “MONT BLANC (勃朗)” branded elevators to Zhonggong Shenzhen Import & Export Co. Ltd., Shenzhen Boritong Import Elevator Services Co. Ltd., and Shenghefa Machinery Engineering Co. Ltd., respectively. Among the sales, an elevator sales contract was reached by and between Malaysia Dengjia Elevator Co. Ltd. and Zhonggong Shenzhen Import & Export Co. Ltd. on January 10, 1995 regarding the sale of 5 MONT BLANC (勃朗) elevators, which have been in use in the Shenzhen Meilun Tower to this day. In addition, the words “Mont Blanc Elevator” and “勃朗 Elevator and Escalator” were used by Taiwan Henderson Elevator Company Limited by shares in its elevator advertisements published in the journal of *Chinese Elevators* between 1996 and 1998. Shenzhen Boritong Import Elevator Services Co. Ltd. used the words “勃朗 Elevator” when it advertised the products under its agency in the journal of *Chinese Elevators* from 1996 to 1998. The words “Mont Blanc Elevator” and “勃朗 Elevator” were also used by Shenyang Mont Blanc in its elevator advertisements published in the journal of *Chinese Elevators* throughout the first issue of 1997 to 1998.
9. Apart from the above mentioned situations, from the date of filing of the Disputed trademark’s application for registration to the time when it was approved by the TRAB (November 17, 2008), many elevator enterprises used “勃朗” “MONT BLANC” on their elevator products, and many elevator enterprises were established by using the name “勃朗” successively in China. According to the statistics on the special edition of the journal *Chinese Elevators* in the year 2005, there were 19 enterprises using “勃朗” in their enterprise names among all the elevator manufacturers nationwide which have obtained license for the manufacture of elevators; there were 29 enterprises using “勃朗” in their enterprise names among all the elevator enterprises nationwide which have obtained license for installation, improvement or repair of elevators. Majority of these enterprises had the capacity of producing elevators on a large scale, and obtained manufacture qualification certificates which allowed them to be engaged in special industries. Among them, some enterprises held capital contribution made by France Mont Blanc; some of them cooperated with France Mont Blanc, and some of them used frequency converters of France Mont Blanc, special motors of Blanc elevators, and Blanc contactors connecting the frequency converters and motors, in the key parts of the control-driven on their elevator products.

10. Among the abovementioned enterprises, Hangzhou Mont Blanc Co. Ltd. (hereinafter referred to as Hangzhou Mont Blanc) was incorporated on November 3, 1992 with Hangzhou Jiangnan Elevator Co. Ltd. as its original enterprise name. On February 19, 2001, Hong Kong Lianjin Co. Ltd., an equity joint venture partner of Hangzhou Jiangnan Elevator Co. Ltd, transferred all its shares to France Mont Blanc and Mont Blanc (Malaysia) Co. Ltd.. The name of the enterprise was changed to Hangzhou Jiangnan Mont Blanc Elevator Co. Ltd. as well. On August 1, 2001, Hangzhou Jiangnan Mont Blanc Elevator Co. Ltd. changed its name to the current Hangzhou Mont Blanc. Thereafter, Hangzhou Mont Blanc strikingly publicized its elevator products by using the words “MONT BLANC” in such business transaction documents as bidding proposals, offer letters and contracts, brochures and on the wall of its workshops.
11. After the Disputed trademark was approved to register by the TRAB (November 17, 2008), Tianhe Mont Blanc together with Mont Blanc Shareholding intended to enter into trademark license agreements with mass production enterprises which used “勃朗” in the elevator industry in order to obtain royalty via trademark license. In December 2008, Tianhe Mont Blanc presented a proposal for cooperation to Shanghai Mont Blanc , stipulating that in the first year the minimum amount of royalty under the trademark license was RMB 2,000,000 (2000 elevators as the starting point); 10% increase year by year; extra RMB 2,000 per elevator required for the elevators beyond the 2000. After the proposal was rejected, Tianhe Mont Blanc and Mont Blanc Shareholding took legal litigation against Hezhou Mont Blanc, Shanghai Mont Blanc and Foshanzhujiang Mont Blanc Elevator Co. Ltd . .on the ground of infringement of exclusive right to use the Disputed trademark on February 5, 2009, and lodged the claim for compensation RMB 120,000,000. The local courts in Hangzhou, Foshan and Shanghai accepted these cases and took legal measures to freeze cash assets RMB 30,000,000 and other assets RMB 20,000,000 in total of the three defendants. The production and operation of these enterprises fell into difficulty and thousands of affected workers faced difficulties of livelihood. The series of the actions has shocked the Chinese elevator industry.

Procedures

I

12. In April 2008, Guangdong Province Association for Special Equipment sent a letter to the TRAB, pointing out that the conduct of Tianhe Mont Blanc registering the “勃朗 MONT BLANC” was not for proper use, but to disturb the normal operation order of the elevator manufacturing industry for the malicious purpose of seeking illegal interests.
13. On September 3, 2009, Hangzhou Mont Blanc submitted an application to the TRAB for cancelling the registration of the disputed mark, and this application was accepted by the TRAB. The main arguments of Hangzhou Mont Blanc were that “勃朗” and “MONT BLANC” were well-known foreign geographic names which shall not be registered as trademarks in

accordance with the second paragraph of Article 10 of the Trademark Law of the People's Republic of China. The Disputed trademark was comprised of the French place name “勃朗”, but the product has no connection with that place. It is likely to mislead the consumers, and this violates Article 16 of the Trademark Law. At the same time, since many Chinese enterprises have extensively used the marks “勃朗” and “MONT BLANC” for a long time, including using “勃朗” in their enterprise names and bearing “勃朗” and “MONT BLANC” on the elevator products, when the Disputed trademark was approved for registration by the TRAB(November 17, 2008), “勃朗” and “MONT BLANC” have become commonly used signs for elevator products within the elevator industry. They shall not be registered as trademarks according to Article 11 of Trademark Law, because they are not capable of distinguishing the source of the goods and have become devoid of any distinctiveness.

14. In the response to the TRAB, Mont Blanc Holdings stated that “勃朗” is not a well-known foreign geographic name, but has otherwise meanings. “勃朗” and “MONT BLANC” is not geographic indication of the products either. “勃朗” and “MONT BLANC” by themselves have strong distinctive characteristics when they are used on the elevators and other commodities. Although some enterprises have used “勃朗” in their enterprise names before the application for registration of the mark was filed, they can still function as to distinguish the source of goods as a trademark. However, after the application for registration of the mark was filed(April 7, 1997), especially after the Disputed mark began to enjoy the exclusive right from January 21, 1999, the Chinese domestic elevator enterprises considerably used the marks “勃朗” and “MONT BLANC.” These conducts by themselves were unjustifiable, and impaired the legitimate rights and interests of Tianhe Mont Blanc. Tianhe Mont Blanc and Mont Blanc Shareholding have long been using “勃朗” series of trademarks continuously and considerably, the “勃朗” series of trademarks to some extent have enjoyed fame and reputation in the market.
15. After examination, the TRAB made “The Decision on Dispute against the Trademark “勃朗 MONT BLANC No.466916” (hereinafter referred to as the Decision), under Shangpingzi (2001) No.23301, which contains the followings,
16. According to the item 3 of Paragraph 1 under Article 11 of the PRC Trademark Law, any mark devoid of distinctive character shall not be registered as trademarks. Pursuant to the existing evidences, some enterprises integrated the words “勃朗” into their enterprise names and highlighted their enterprise names on the elevators which they produced before the application for registration of the Disputed trademark was filed. “勃朗” has actually been used by these enterprises as an unregistered trademark. When the Disputed trademark was approved for registration(November 17, 2008), a large number of elevator manufacturing enterprises marked “勃朗” and “MONT BLANC” on their products, and the elevator products with the marks of “勃朗” and “MONT BLANC” were extensively publicized in the journal of *Chinese Elevators*. “勃朗” and “MONT BLANC” as enterprise names or marks on products have been in widespread use on the elevator products, and such use has become a convention in the elevator industry. This situation objectively has caused the issue of difficulty

that “勃朗” and “MONT BLANC” used on the elevator products cannot play the role of distinguishing the source of the goods which a trademark should have. In addition, the original registrant of the Disputed trademark, Tianhe Mont Blanc, has ever been authorized by Dalian Mont Blanc to be engaged in the installation, repair and maintenance of the elevators manufactured by Dalian Mont Blanc. Therefore, Tianhe Mont Blanc shall have been aware of the convention of the elevator industry. The Disputed trademark falls into the situation in that the mark is devoid of distinctive character, as provided by the item 3 of Paragraph 1 under Article 11 of the PRC Trademark Law.

17. The evidences presented by Hangzhou Mont Blanc were not sufficient to prove that “勃朗” or “MONT BLANC” was a foreign geographic name well-known to the public or a geographic indication. Therefore, it was not in violation of the second Paragraph of Article 10 and Article 16 of PRC Trademark Law.
18. The TRAB decided to cancel the registration of the registration in accordance with the item 3 of Paragraph 1 under Article 11, Paragraph 1 of Article 41 and Article 43 of PRC Trademark Law.

II

19. Mont Blanc Shareholding was not satisfied with the TRAB’s decision, and instituted administrative proceedings before the Beijing First Intermediate People’s Court on September 27, 2010. The Court accepted the appeal and notified Hangzhou Mont Blanc to participate in the litigation as the Third Party.
20. Mont Blanc Shareholding believed that the TRAB made the mistake of identifying the facts because having based the point of time on the time of approval for the registration of Disputed trademark, the TRAB has come to conclude that the Disputed trademark was devoid of the distinctive character due to the large amount of use. Before the application for the registration of the Disputed trademark was filed, “勃朗” or “MONT BLANC” has not been commonly and extensively used in China. After Tianhe Mont Blanc filed the application for the registration of “勃朗 MONT BLANC” as a trademark with the Trademark Office, especially after the Disputed mark began to enjoy the exclusive right from January 21, 1999, the use of other enterprises was improper and damaged the legitimate rights and interests of Tianhe Mont Blanc. Tianhe Mont Blanc and Mont Blanc Shareholding has long been using “勃朗” and “MONT BLANC” series of trademarks in the way of authorization and license, and enabled “勃朗” series of trademarks to establish fame and reputation to some extent. Mont Blanc Shareholding petitioned the Court to set aside the Decision.
21. The TRAB insisted upon the opinions in the Decision, and further argued that if the mark has distinctive character when the application for registration is filed but loses distinctive character when the application is approved for registration, the mark shall be considered to

be devoid of distinctive character and shall not be approved for registration. The Decision should be affirmed since the facts were identified clearly and the laws were applied correctly. Hangzhou Mont Blanc agreed with the opinions of the TRAB.

22. After the hearing, the Beijing First Intermediate People’s Court held that the key function of a trademark is to indicate the source of the goods or services. The fundamental value of a trademark is to enable the consumers to distinguish the goods or services provided by different business operators. In examining the distinctive character of the Disputed trademark, it shall consider the factual state of the Disputed trademark at the time when the application for registration was filed. In the TRAB’s Decision, it was clearly improper for the TRAB to examine the distinctiveness of the disputed mark by looking at the time point of approval for registration (November 17, 2008). In addition, “勃朗” and “MONT BLANC” on elevator products have inherent distinctiveness. Notwithstanding, before the application for registration of the Disputed trademark was filed, certain enterprises have used “勃朗” as their enterprise names or an unregistered trademark, these individual conducts of usage were insufficient to make “勃朗” and “MONT BLANC” lose their function of distinguishing the source of goods.

23. *Held*, allowing the application of the plaintiff

(1) To set aside “The Decision on Dispute against the Trademark “勃朗 MONT BLANC No.466916 ” under Shangpingzi (2001) No.23301 made by the defendant, the TRAB;

(2) The defendant, the TRAB, shall re-make a decision on the Dispute against the Trademark “勃朗 MONT BLANC No.4669164”.

III

24. Hangzhou Mont Blanc was not satisfied with the judgment of Beijing the First Intermediate People’s Court, and appealed to the Beijing Higher People’s Court.

25. The argument of the appeal of Hangzhou Mont Blanc was that if a mark has been commonly and extensively used and is not capable of distinguishing the source of goods at the time when it is approved for registration, it shall not be approved, because it has lost the basic function of a trademark. During the period from the filing of a trademark application for registration to the approval by competent authorities, the applicant does not obtain the exclusive right to use the trademark. That means other enterprises may still use in good faith on the basis of the convention which has been formed. In this case, “勃朗” and “MONT BLANC” have been in extensive use for the elevator products as enterprise names or product marks in China till the application for the registration of the Disputed trademark was proved (November 17, 2008). In addition, the elevator products with the marks “勃朗” or “MONT BLANC” have been advertised in the journal of *Chinese Elevators* extensively. Subject to the

situations of the elevator industry, “勃朗” and “MONT BLANC” have been in common use by the manufacturers, sales operators and consumers in the elevator industry. These cannot enable the public to distinguish the source of elevator products, and to distinguish the manufacturers and sales operators. They have lost the foundation of being a registered trademark. Hangzhou Mont Blanc appealed to the Court for setting aside the judgment of the Beijing First Intermediate People’s Court, and for affirming “The Decision on Dispute against the Trademark “勃朗 MONT BLANC No.466916”, under Shangpingzi (2001) No.23301 made by the TRAB.

2012 Case

Appellant (Plaintiff in the original trial): Beijing Xinda Electronic Technology Co., Ltd

Appellee (Defendant in the original trial): Guangzhou Jiabao Daily Necessities Co., Ltd

Appellee (Defendant in the original trial): Beijing Matt Trade Co., Ltd (not participate in the second instance procedure)

Jurisdiction: Beijing First Intermediate People’s Court

Facts

The followings are the facts without dispute for the two sides:

I

Beijing Xinda Electronic Technology Co., Ltd (hereinafter referred to as “Xinda Company”) was incorporated in 1991. As one of the earliest high and new-tech companies engaged in the research, development and sale of the digitalized Chinese typefaces, it has devoted large investment and efforts into the digitalization and systemization of Chinese typefaces.

In May 1997, Xinda Company organised Miao Huiqing and other designers to design the typeface named Xinda Huiqing. The chief designer, Miao Huiqing’s signature was contained in the designs in the plural. Xinda Company confirmed the design of all characters in the Huiqing Typeface in May 1998 and completed all the designing of the Huiqing Typeface (including both simplified and traditional Chinese) on December 26, 1998. The Huiqing Typeface was first published in Beijing on March 23, 1999.

On February 1, 1999, Miao Huiqing, the chief designer of the Huiqing Typeface, signed the Confirmation of the Copyright Ownership with Xinda Company which confirmed that the design

of the Huiqing Typeface was under the charge of Xinda Company and was in consistent with its will. Miao Huiqing participated in the design under the commission of Xinda Company. Xinda Company enjoys all the rights exclusively including the copyright of the typeface.

The main characteristics of Huiqing Typeface are as follows:

Horizontal and vertical strokes of identical width; round stroke ends; heart-shaped dots; waving-willow-leaves-shaped short left-fallings; soaring long left-fallings and right-fallings; soft arc-shaped breaks and hooks; and round rather than square turnings.

The main procedures for the design of Huiqing Typeface: (1) The professional designers designed uniform manuscripts of the typeface; (2) Scan the manuscripts into computer to form the typeface library with high-precision dot matrix; (3) Digitized fitting. Transform the scanned dot matrix pictures into digitized outlines; (4) Improve the characters artificially and the quality of every character by character-making tools. (5) Quality testing. Smooth the outlines of the characters and structure the characters reasonably; (6) Integrate the characters into a character library, add the corresponding marks, numbers and foreign languages and turn them into different codes and styles; (7) Overall testing; (8) Commercialization.

On May 16, 1999, Xinda Company published *Software Collection of Xinda Typeface Library*, a CD-ROM with the Huiqing Typeface (including both simplified and traditional Chinese). The package of the CD contains “Software Collection of Xinda Typeface Library, Series Product of Xinda Typeface Library”, as well as the name of Xinda Company. The software contained many typefaces including Huiqing Typeface. The software can be installed on the computers with an operating system of Windows 95, 98 or NT.

The details of the Software License Agreement of “Software Collection of Xinda Typeface” Library are as follows:

Software License Agreement of “Software Collection of Xinda Typeface Library”

This Software License Agreement is between the End User, and Beijing Xinda Electronic Technology Co., Ltd. By installing the software, you are consenting to be bound by all the terms in this agreement. The end user receiving the license shall follow the terms of the Agreement.

1. Authorization:

A. Fixed Use:

The end user may use this software on a computer that has registered to Xinda Company. One set of software may not be used simultaneously on two or more computers. Copying the software to other computers is forbidden. The software may not be used beyond the scope of authority.

B. Unfixed Use:

The end user shall not transfer the right to use of this software. However, the right to use may be transferred in connection with the transfer of ownership of the computer, provided that:

the party receiving the software holds the License Agreement from Xinda Company, as well as the original software through out the using period and accept the terms of the agreement.

2. Copyright:

The copyright of this software is owned by Beijing Xinda Electronic Technology Co., Ltd. exclusively. This software is protected by the relevant laws and regulations including The Regulations for the Protection of Computer Software, etc. The software enjoys the same protection under the copyright laws as the other intellectual works (such as books and records).

When the CD-ROM of “Software Collection of Xinda Typeface Library” is run on Windows 98, the two Chinese characters, “黛” and “西” in Xinda Huiqing Typeface can be opened. The two Chinese characters are also contained in the original design provided by Xinda Company.

On September 9, 2009, on the application of Xinda Company, the National Copyright Administration issued the *Copyright Registration Certificate* of Xinda Huiqing Typeface (simplified and traditional Chinese). The details of the Certificate are as follows:

The documents submitted by the applicant, Beijing Xinda Electronic Technology Co., Ltd, comply with the requirements. The applicant, as a legal entity, enjoys the copyright of the art work “Xinda Huiqing Typeface (including simplified and traditional Chinese)”, which was completed on December 26, 1998 and published in Beijing on Mar 23, 1999. After the examination and verification by Copyright Protection Centre of China, the copyright of this work was registered.

On May 10, 2000, the National Copyright Administration issued the *Computer Software Copyright Registration Certificate* of “Software Collection of Xinda Typeface Library”, the details are as follows:

The copyright owner of the software is Beijing Xinda Electronic Technology Co., Ltd. Upon the application of the applicant, and according to the regulations of The Regulations for the Protection of Computer Software, after reviewing the application, the copyright owner of the software enjoys the copyright from May 16, 1999.

II

Guangzhou Jiabao Daily Necessities Co., Ltd (hereinafter referred to as “Jiabao Company”) was incorporated in 1995 in Guangzhou. The Company is mainly engaged in shampoo, hair care, personal cleansing, skincare and health products. On April 1, 2003, Jiabao Company applied to Trademark Office of the State Administration for Industry and Commerce of PRC for the registration of the trademark of the Chinese characters “黛西” (Application No. 3472394). The trademark is approved to be used in the following commodities (in Class 3): cosmetics, toilet water, sunscreen cream, talcum powder, toothpaste, soap, shampoo, cleansing milk, etc. The registered trademark would be valid from May 10, 2005 to May 9, 2015 (the Huiqing Typeface is shown on the left, while the trademark on the right).

黛西

黛西®

III

The US Wonderful Creative Design Co., Ltd (hereinafter referred to as “Wonderful Company”) is specially engaged in the design of package, sign, trademark and advertisement of products. The registered trademark “黛西” and the package used by Jiabao Company were designed by Wonderful Company under the commission of Jiabao Company. Jiabao Company paid the design and production fees to Wonderful Company. Wonderful Company preserves the sample of the trademark “黛西”, the order forms and the bills, as well as the invoices, the packages and CD-ROM of the “Software Collection of Xinda Typeface Library”, etc.

IV

Beijing Matt Trade Co., Ltd (hereinafter referred to as “Matt Company”) was incorporated in Beijing in 1995. Under the *Commercial Purchase Agreement* signed with Jiabao Company, Matt Company purchased the personal care products of “黛西” Series for retail from Jiabao Company. From Feb, 2009, under the *Commercial Purchase Agreement*, Matt Company purchased and sold 25 types of goods of “黛西” Series of Jiabao Company and preserved all the order forms, invoices and receipts.

Procedures

I

In April, 2009, Xinda Company found that Jiabao Company used the two Chinese characters, “黛” and “西” in Xinda Huiqing typeface on the packages, signs, trademarks and advertisements of many types of its products without permission. Therefore, Xinda Company commissioned Beijing Chengxin Notary Office to notarize that the two characters “黛西” on the packages of the 25 types of products, including shampoo, soap and toothpaste which were purchased by Matt Company from Jiabao Company outstandingly used the typefaces from Xinda Huiqing Typeface Library.

On Jun 8, 2009, Xinda Company brought a lawsuit before Beijing Haidian District People’s Court and claimed that it enjoys the copyright of the Xinda Huiqing Typeface, which possesses originality compared with other well-known art typefaces. Jiabao Company, who used the two characters “黛西” in Xinda Huiqing Typeface on 25 types of its products, infringed Xinda

Company’s copyright (including the right of authorship, producing, publication and exhibition) of Huiqing Typeface Library and of the single characters in the typeface library. Moreover, Matt Company shall be responsible for tort because of its sales of the infringing products.

Based on the above reasons, Xinda Company demanded that the defendants, Jiabao Company and Matt Company, shall:

1. Stop using and selling the products whose packages, signs, trademarks and advertisements contain the characters “黛西” in Huiqing typeface and destroy all the infringing products;
2. Compensate the loss and bear the reasonable expenses of litigation;
3. Make a public apology and eliminate the negative effects.

Jiabao Company rebutted:

1. Chinese character belongs to the public domain. It is not the subject matter under the protection of Copyright Law and shall not be owned exclusively by any individual or legal person. Although the character library can be regarded as an art work with unified style, the single character in the library is not an art work protected by the Copyright Law. The plaintiff doesn’t enjoy the copyright of the single character in the library.
2. The plaintiff registered the character library and received the *Computer Software Copyright Registration Certificate* and the *Copyright Registration Certificate* of the character library. However, whether the plaintiff enjoys the copyright of every single character in the character library cannot be judged by these certificates, but by the relevant regulations in the Copyright Law. In addition, a single character in the character library does not possess the originality required by the Copyright Law.
3. The registered trademark “黛西” used by Jiabao Company was designed by Wonderful Company under the commission. The use of the design of Wonderful Company does not infringe the rights of Xinda Company.
4. No matter whether Jiabao Company infringes the copyright of the plaintiff, it has nothing to do with the personal right. Therefore Jiabao Company has no responsibility to apologize.

Matt Company rebutted:

The products containing the characters “黛西”, sold by Matt Company, were purchased legally. Matt Company executed the reasonable duty of care and doesn’t constitute infringement.

After the hearing of the case, Beijing Haidian District People’s Court held that the Xinda Huiqing Typeface Library has unified style. Its distinctiveness differs it from other typeface libraries. It can meet the requirement of originality in the Copyright Law. The copy and use of the characters in the typeface library as a whole can constitute infringement. However, since the

structure and the stroke patterns of Chinese characters are fixed, as to a single character in the library, the style of every single character in the library has its limitation. It cannot enjoy the copyright as the calligraphies created by calligraphers, which have their own styles and originalities. Therefore the plaintiff's claim that every single character in the library is an art work which enjoys copyright is lack of evidence.

Moreover, in this case, Jiabao Company did not use the character software of Xinda Company directly. The software was used by Wonderful Company for making profit. Jiabao Company, as the user of the design, paid fees to Wonderful Company and obtained the design. It is hard for them to know whether the design constitute infringement. Besides, Jiabao Company makes no illegal profit. Therefore, there is no legal basis for Jiabao Company to bear the tort responsibility. In addition, the products in this case sold by Matt Supermarket (operated by Matt Company), were purchased from legitimate sources. Matt Company executed the reasonable duty of care and thus, did not make infringement.

Therefore, according to Article 3 of *The Copyright Law of the People's Republic of China* and Article 4 (8) of *The Regulations for the Implementation of the Copyright Law of the People's Republic of China*, Beijing Haidian District People's Court dismissed all the claims of Xinda Company.

II

Xinda Company refused to accept the judgment of Beijing Haidian District People's Court and appealed to Beijing First Intermediate People's Court within the legal time limit. Xinda Company appealed that: the appellee, Jiabao Company used the characters “黛西” from the Xinda Huiqing Typeface Library on the packages of its products without any permission, thus infringed the appellant's rights to reproduce and publish; the appellee, Matt Company sold the products in this case and thus infringed the appellant's right of publication. The reasons are as follows:

Firstly, according to the regulations about art works in the Copyright Law, the originality of the two characters “黛、西” in Huiqing Typeface Library shall be judged by the standards of common art works. The Copyright Law makes no differential regulations concerning with the originality of the works. The characters “黛西” meet the requirements of the regulations about originality in the Copyright Law. Therefore, they shall be treated as art works and protected by the Copyright Law. Secondly, when selling the Huiqing Typeface Library Software, Xinda Company, the appellant, only sold the software product. It never authorized or transferred the right of every single character in the library. Jiabao Company, the appellee, when using the characters “黛西” on the packages of its products without any permission, infringed the appellant's right to reproduce and publish. Therefore, the first instance court made mistakes in determining the facts and applying the laws. The appellant pleaded the court to withdraw the original judgment and uphold all the claims of the appellant.

Jiabao Company, the appellee, insisted on its opinions in the plea and claimed that the facts

determined by the first instance court are clear and the application of laws is correct. The appellee pleaded the court to uphold the original judgment.

2013 Case

Changchun Dongxing Group

as PETITIONER

V.

Hangzhou Yake Rubber Co., Ltd.

as RESPONDENT

BACKGROUND

The following are undisputed facts for the two sides.

I

1. Changchun Dongxing Group (hereinafter referred to as the “Dongxing Group”), a large state-owned company specializing in tire manufacturing, was established in 1950. Dongxing Group applied for registration of the trademark “Dong Xing” for its tire products. In the area of tire manufacturing industry, the trademark “Dong Xing” is known by a majority of consumers for durable and non-slip tires of excellent quality. According to statistics, Dongxing Group has become the largest auto parts supplier, and “Dong Xing” tires have obtained more than 30% share of the tire market in China.
2. In the August of 2006, Dongxing Group applied for a “motor vehicle tire” design patent with the State Intellectual Property Office for a new tire product named “the Gripper”. Dongxing was granted the patent in June 2007. (Patent No. 040,088, the '088 patent, as shown in Figures 1-1, 1-2.)

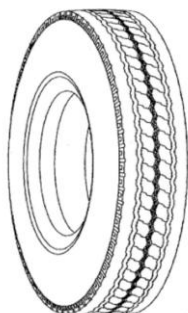


Figure 1-1

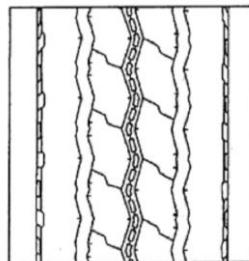


Figure 1-2

3. Dongxing Group put the Gripper tire into mass production and sales. With its excellent durability and traction, the Gripper was quickly adopted as original equipment by many car manufacturers and has developed a high reputation in China's tire industry.

II

4. Respondent, Hangzhou Yake Rubber Co., Ltd. (hereinafter referred to as “Yake”), was founded in 1980 and is engaged in the manufacture and sale of rubber products, including auto tires. Since its establishment, Yake has been developing new markets, and has grown into a medium-sized rubber products manufacturing company with hundreds of employees.

III

5. In October 2011, Dongxing Group found that the D-12 (Figure 2) tire manufactured and sold by Yake is similar to its patented '088 tire design



PROCEDURES

Figure 2

PROCEEDINGS BELOW

I

6. Dongxing filed a lawsuit in the Intermediate People's Court of Hangzhou, Zhejiang Province, alleging that:

- a. Yake's unauthorized manufacture and sale of the D-12 tire constitutes the infringement of the '088 patent;
- b. Given the public's favorable response, the Gripper tire has got a high reputation and qualified as "known goods" having a "specialized decoration" within the meaning of Art.5 (2) of "*Anti-Unfair Competition law*". Accordingly, Dongxing Group alleged that Yake's manufacture and sale of the similar D-12 tire violated Art. 5(2) as either the unauthorized use of the specialized design of known goods or as the use of a confusingly similar design to that of known goods. Dongxing Group requested that the court issue an injunction against Yake's continued infringement and damages.

7. Yake argued that:

- a. The '088 design was copied from a tire design created by T-E Enterprises and published in China in 2000 in the book "*Auto Parts Design*," as shown in Figure 3. It should not have been granted a patent. Yake argued that it had already filed a request with the Patent Review Board to declare the patent invalid and the court should suspend this case, pending a decision of the Patent Review Board on the validity of the '088 patent.



Figure 3

- b. Alternatively, Yake argued that it is entitled to the prior art defense to patent infringement in that its tire is so sufficiently similar to the T-E Enterprises design that it practices the prior art.

- c. Yake’s D-12 tire is neither identical nor similar to the ’088 patent design, and thus does not infringe the ’088 patent.
- d. Tire tread designs are functional. The design of the tire tread has a major impact on vehicle performance and determines the safety, steering, braking, and other various functions of the vehicle. Therefore, the designs are dictated entirely by the functional considerations and should not be protected by a design patent. Even if they could be protected by a design patent, any similarity of Yake’s D-12 tire would reflect only functional, and not aesthetic, design choices that do not constitute infringement;
- e. Further, Even if the Gripper tire of Dongxing Group enjoys some kind of reputation, the tire’s tread does not act to distinguish the goods, therefore the tread does not have distinctiveness and is not a “specialized decoration”. Also, the tread design is entirely functional and cannot be the subject of protection under Article 5(2) of *the Anti-Unfair Competition Law*.

II

- 8. The Hangzhou Intermediate People's Court decided that:
 - a. Pursuant to Article 62 of the *Patent Law*, the alleged infringer may defend against infringement on the ground that the allegedly infringing design was in the prior art. There is no need to suspend the proceedings pending the outcome of the Patent Review Board on the validity of the patented design.
 - b. Concerning the prior art defense.

To determine the prior art defense, we just need consider whether the alleged infringing design is identical or similar to the prior art. If so, the defense is established and there can be no infringement. To determine whether the allegedly infringing design is identical or similar to the prior art, we should consider the overall visual effect of both designs from the ordinary consumers’ point of view.

In comparing the tire tread of the allegedly infringing D-12 tire with that of the prior art T-E tire, there are some identifiable similarities: (1) both tire treads are divided into four annular contact surface by three annular grooves; (2) each annular groove is constituted by broken lines, and the sharp angle of the broken lines of both designs is substantially the same; (3) a number of transverse thin grooves are distributed between the middle two annular contact surfaces, and all the grooves are tilted upward to the left; (4) the lozenges in the tire tread are all made up of four broken lines; (5) on the outermost circumference, small rectangular grooves are evenly arranged along the circumferential direction. The main identifiable difference between the designs is that the lozenges blocks on the T-E tire are more prolate. So, the main parts of the two designs are similar and the differences are very subtle which cannot affect the ordinary consumers’ view. Therefore the two designs constitute similar designs and Yake has successfully established the prior art defense.

- c. Although “the Gripper” is widely recognized by the market and could be identified as a “known goods”, consumers generally do not distinguish the sources of tires through their tread designs. Therefore, the Gripper’s tire tread design is not distinctive and should not be considered a “specialized decoration” within the meaning of Article 5(2) of “*Anti-Unfair Competition Law*”.
9. In summary, the Court held that the manufacturing and selling by Yake of its D-12 tire did not infringe the '088 design patent owned by Dongxing Group based on the prior art defense and did not constitute unfair competition under Article 5(2) of “*Anti-Unfair Competition Law*”. The court dismissed Dongxing Group's claim.

THE APPEAL

10. Dongxing Group appealed to the Higher People's Court of Zhejiang Province, claiming that:
- a. The court of First Instance’s approach to determining the application of the prior art defense was improper. The prior art defense should have been assessed in the following way. First, the Court should have determined whether the alleged infringing design was identical to the prior art. If so, then the defense is established. Second, assuming the design was not identical, the Court should have determined the similarity of the allegedly infringing design to the prior art not only by comparing those designs, but also by considering similarities of the allegedly infringing design to features of the patented design that distinguish the patented design from the prior art. Thus, the Court should have evaluated whether the D-12 design used features of the patented '088 design that are not present in the prior art T-E Enterprises design. If so, these distinguishing features should have been considered along with any similarities between the allegedly infringing design and the prior art when considering the overall visual impression of the two designs. Only if the Court determines that these features are not sufficiently distinctive should it hold that an allegedly infringing design having those features practices the prior art. In this case, the distinctive features should have prevented a finding that the prior art defense was established.
- b. Even under the approach to determining the prior art defense employed by the Court of First Instance, there were many differences between the allegedly infringing D-12 design and the prior art T-E Enterprises design, and not just the one difference identified by the Court of First Instance. These differences have a significant impact on the overall appearance of the two tire treads. Therefore, the two are not the same or similar designs within the scope of the prior art defense.
- c. “The Gripper” has already become a “known goods”, and its design is not a common design, and should be recognized as a “specialized decoration of the known goods” under the Unfair Competition Law. The appellee’s acts constitute unfair competition by being confusingly similar to Dong Xing’s tire’s design.

2014 Case

Guangdong Xinghua Pharmaceutical Holdings Limited.

as PETITIONER

V.

Guangdong Hongzheng Beverage, Co., Ltd.

as RESPONDENT

Facts

The following are undisputed facts for the two sides.

I

1. Dating from about 180 years ago, “王阿祥” (pronounced “Wang Axiang” in Chinese, hereinafter referred to as “Wang Axiang”) Herbal Tea was invented by 王富祥 (pronounced “Wang Fuxiang”), the ancestor of Wang family. According to a unique recipe, Wang Fuxiang used several different local herbs to make the herbal tea. This herbal tea has the function of helping to reduce sensitivity to hot temperatures, and also it is quite cheap. The Cantonese were fond of drinking it. In about 1830, the herbal tea shop was officially established, and the tea was named as “Wang Axiang”.

2. The descendants of Wang Fuxiang further popularized “Wang Axiang” Herbal Tea, expanding distribution to the Guangdong and Zhejiang provinces and the tea becoming very popular there. As the Cantonese went abroad to make a living, the herbal tea also reached the markets of Southeast Asia and of the United States of America. It began to earn reputation in Chinese community there, and gradually became a traditional and reputable brand around South China and Southeast Asia.

3. After 1949, mainland China was in a changeable situation. Like many other reputable old brands, the brand of “Wang Axiang” Herbal Tea was nationalized during the socialist transformation period. The related business was succeeded by a state-owned enterprise, which is today’s Guangdong Xinghua Pharmaceutical Holdings Limited (hereinafter referred as “Xinghua Pharmaceutical”). Owing to historical reasons (many old brands were considered as capitalism business and forbidden to use), during the following decades, the “Wang Axiang” Herbal Tea brand was not used in mainland China. In the mean time, the brand continued to be used for sale of the same type of tea to the Chinese community outside the mainland, such as in Hong Kong, Taiwan, Southeast Asia, the U.S., etc. Outside of China, the brand continued to be owned by some

descendants of Wang Fuxiang, who had left China at the beginning of the 20th century.

4. In the late 1970s, China adopted the reform and opening-up policy. In 1982, the Chinese Trademark Law was issued. In 1983, Xinghua Pharmaceutical registered “Wang Axiang” as a trademark, and launched production and sale of “Wang Axiang” Herbal Tea packaged in green box (Figure 1). Because it was principally a pharmaceutical company and had no experience with herbal tea or with the different marketing channels and promotion methods used for beverages, Xinghua Pharmaceutical did not focus much attention or effort on promoting the herbal tea. As a result, the sales volume for “Wang Axiang” Herbal Tea was not large.



Figure 1

5. Xinghua Pharmaceutical has kept renewing the registration of this trademark, and it remains the legitimate registrant of this trademark in mainland China. This registered trademark was approved to be used for commodities in Category 32.

II

6. In 1990, Guangdong Hongzheng Beverage Co., Ltd. (hereinafter referred to as “Hongzheng Company”) obtained the recipe for “Wang Axiang” Herbal Tea from Wang Youyi, a descendant of Wang Fuxiang and the current owner of the “Wang Axiang” brand outside of the mainland. Hongzheng Company was approved by Wang Youyi to use the trademark of “Wang Axiang” to produce and sell herbal tea. However, its products were prevented from mainland China, because the trademark right holder in mainland China is Xinghua Pharmaceutical.

7. In 1994, Hongzheng Company asked Xinghua Pharmaceutical for a trademark license within mainland China. Given its focus on pharmaceuticals, Xinghua Pharmaceutical paid little attention to the “Wang Axiang” brand and agreed to the license.

8. Specifically, it was agreed that Xinghua Pharmaceutical would continue to produce and sell green boxed “Wang Axiang” Herbal Tea, while Hongzheng Company would obtain an exclusive license to produce and sell red canned “Wang Axiang” Herbal Tea. Both parties would operate independently and would not use each other’s packaging and decoration. Hongzheng Company

would pay ¥3,000,000 per year royalties for use of the trademark, and the term of the agreement would be for 10 years. The two parties signed the contract on March 25th, 1994.

9. The green boxed herbal tea with a bitter flavor differs from the red canned with a sweeter flavor. The recipe of the former was submitted by a descendant of Wang Fuxiang staying in mainland China during socialist public ownership reconstruction period, while the recipe of the latter came from Wang Youyi.

10. In 2002, before expiration of the original agreement, the two parties agreed to extend the trademark license agreement for an additional six years. This permitted Hongzheng Company to use “Wang Axiang” trademark up to 2010.

III

11. After signing the original agreement in 1994, Hongzheng Company designed the decoration of red can (Figure 2).



Figure 2

12. Hongzheng Company invested substantial funds and efforts to market “Wang Axiang” Herbal Tea. Hongzheng Company became the principal sponsor of many domestic popular television shows and sports competitions. After the 2008 Wenchuan earthquake in Sichuan Province, it donated ¥100 million to Wenchuan. Hongzheng Company also took advantage of the 2003 SARS outbreak to promote its brand. Many Chinese people believe that traditional Chinese medicines can improve the condition of bodies, so Hongzheng Company advertised that “Wang Axiang” Herbal Tea prevents inflammation from viruses. As a result, herbal tea was generally accepted as a health drink, and became a common household beverage like cola and juice. Because of Hongzheng Company’s promotional efforts, “Wang Axiang” also became widely recognized throughout the mainland of China, and not just in the Guangdong district.

13. Although various promotion activities of Hongzheng Company were focused on “Wang

Axiang” brand, the herbal tea appearing in the advertisements was in red can. Therefore, the sale volumes of red canned “Wang Axiang” Herbal Tea increased sharply, which rose to more than ¥10 billion.

14. Meanwhile, Xinghua Pharmaceutical was still producing green-boxed “Wang Axiang” Herbal Tea. Due to the substantially smaller advertising investments, and limited channels for the herbal tea by Xinghua Pharmaceutical which continued focusing on pharmacy marketing, green boxed “Wang Axiang” Herbal Tea did not initially catch on with consumers. Xinghua Pharmaceutical adopted the strategy of following the red canned and sought to associate itself with the good reputation created by the red canned herbal tea. Thereafter, the sales volume of the green boxed increased significantly, reaching ¥1 billion per year. However, compared with the red canned tea sales, there was still a long distance to go.

IV

15. The huge success of “Wang Axiang” Herbal Tea signaled to the market that Chinese were fond of this kind of healthy beverage. Many companies then began to produce and sell their own brands of herbal tea.

16. In 1998, Baxian Company started producing and selling canned herbal tea with the trademark of “八真味”(pronounced “Ba Zhen Wei” in Chinese, hereinafter referred to as “Ba Zhen Wei”), and the similar design of golden characters in a red background (Figure 3) were adopted to decorate its cans. In May 2003, Hongzheng Company submitted a case to Foshan Intermediate People’s Court of Guangdong Province, claiming that the “Ba Zhen Wei” red can design was similar to that of its own red can and infringed upon Hongzheng Company’s rights.

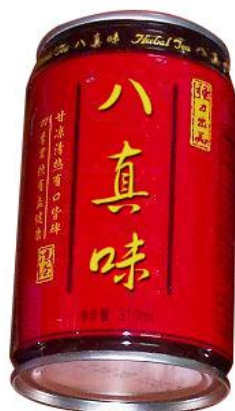


Figure 3

17. In that case, the court held that Hongzheng Company was the legitimate operator and actual producer of the red canned “Wang Axiang” Herbal Tea, and had the exclusive right to use the red can decoration of figure 2. Hongzheng Company had proved that “Wang Axiang” Herbal Tea had already become a known commodity in China, and as its decoration was not a common

decoration for herbal tea it qualified as a “specialized decoration of the known goods” under the second item of Article 5 of *Anti-unfair Competition Law of People’s Republic of China*. The court held that “‘Wang Axiang’ Herbal Tea” was sold all over the country, and has a long history and enjoys a good reputation, especially in Guangdong province and Southeast Asia. Therefore it should be recognized as the ‘known goods.’” “As part of the ‘Wang Axiang’ Herbal Tea series, red canned herbal tea is inseparable in the public’s mind from the known ‘Wang Axiang’ Herbal Tea. In addition, Hongzheng Company has advertised the red can extensively, so the red canned ‘Wang Axiang’ Herbal Tea should also be identified as ‘known goods.’” “The right to the specialized decoration of known goods occurs when the goods become known. It is a civil right having exclusive effects. This right can not be separated from the known goods, and it is enjoyed by the legitimate operator of the known goods.” “It can be affirmed that Hongzheng Company enjoys the right to the specialized decoration of known goods.” After comparing the decoration of “Ba Zhen Wei” red can and “Wang Axiang” red can, the court held that they were similar and might confuse consumers. Accordingly, the decoration of “Ba Zhen Wei” red can infringed upon Hongzheng Company’s right to the decoration of red canned “Wang Axiang” herbal tea, and was enjoined from using.

V

18. The trademark license agreement expired in 2010. Xinghua Pharmaceutical had no desire to permit Hongzheng Company to continue using the “Wang Axiang” trademark, and refused to extend the agreement. Nevertheless, Hongzheng Company kept producing and selling its red canned “Wang Axiang” Herbal Tea.

19. In 2011, Xinghua Pharmaceutical sued Hongzheng Company in Guangzhou Intermediate People’s Court of Guangdong Province and requested it to stop using the “Wang Axiang” trademark. Hongzheng Company answered that it was Hongzheng Company that made “Wang Axiang” Herbal Tea develop and grow, under exclusive authorization from Wang Youyi to use the “Wang Axiang” brand. Furthermore the recipe Hongzheng Company used was obtained from Wang Youyi and was the real Wang Axiang formulation, Hongzheng Company should be the real right owner of the “Wang Axiang” brand.

20. The court decided that the ownership of the “Wang Axiang” trademark belonged to Xinghua Pharmaceutical, the registrant of the mark, and that Hongzheng Company was only the licensee of the trademark. Since the license agreement had already expired, Hongzheng Company was prohibited from further use of the “Wang Axiang” trademark on its red canned Herbal Tea.

VI

21. When the dispute about the ownership of the “Wang Axiang” brand arose, Hongzheng Company had already begun to develop plans to change its trademark to eliminate the use of “Wang Axiang”. Hongzheng Company registered “弘正和”(pronounced “Hong Zheng He”) as a trademark in 2011, and in 2012 began to use it on its herbal tea, but kept the old red can design.

The new product looked very much the same as the old one, except for the change to the three large Chinese characters (Figure 4).



Figure 4

22. Hongzheng Company invested more than ¥1 billion to promote the new brand. It again became the principal sponsor of many popular television shows, and of a variety of important sporting events. Hongzheng Company even invited Wang Youyi, the owner of “Wang Axiang” trademark overseas, to be its Honorary Chairman. In advertisements, Wang Youyi declared that she had given “exclusive” authorization to the “only real” recipe for “Wang Axiang” Herbal Tea to Hongzheng Company. As a result, it was widely accepted among consumers that the new red canned “Hong Zheng He” Herbal Tea was exactly the old red canned “Wang Axiang” Herbal Tea, and even more authentic.

VII

23. After taking back the license for the “Wang Axiang” trademark from Hongzheng Company, Xinghua Pharmaceutical started producing and selling red canned “Wang Axiang” Herbal Tea (Figure 5). The design for Xinghua Pharmaceutical’s red canned herbal tea was almost the same as that for the old red canned “Wang Axiang” Herbal Tea that had been produced under license by Hongzheng Company, except for certain differences in introductory information.



Figure 5

Disputes

24. In 2014, Xinghua Pharmaceutical sued Hongzheng Company in Guangzhou Intermediate People’s Court of Guangdong Province, claiming that ownership of the red can design belonged to Xinghua Pharmaceutical for it was the “specialized decoration” to “Wang Axiang” herbal tea, the “known goods”, under the second item of Article 5 of *Anti-unfair Competition Law of People’s Republic of China*, and requested Hongzheng Company to stop using the design in “Hong Zheng He” Herbal Tea.

25. Hongzheng Company counterclaimed that Hongzheng Company owned the red can design, and requested that Xinghua Pharmaceutical stop using the same or similar red can design on “Wang Axiang” Herbal Tea.

2015 Case

Yang Jee

as PETITIONER

V.

Shirley Art Gallery

as RESPONDENT

Facts

The following are undisputed facts:

I

1. Chien Chung (hereinafter referred to as “Chien”), a famous contemporary Chinese scholar and writer, passed away in 1998. He published many well-known novels and essays, including several influential pieces on the study of Chinese traditional classics. Chien is greatly admired by Chinese people for his profound knowledge of traditional Chinese culture, his unique views and keen perceptions about society, as well as his precise and witty style of writing. As a traditional Chinese scholar, he was also quite adept at the art of Chinese calligraphy. For this reason, Chien’s manuscripts are popular amongst collectors. Additionally, owing to his high achievements, a special school of study called “Chienism” gradually formed, which focuses on researching Chien’s works and thoughts.
2. Lee Fung (hereinafter referred to as “Lee”) has been the editor-in-chief of the famous magazine Wide Angle for more than 20 years. During his tenure, Lee established a sound friendship with Chien throughout which they had a continued correspondence. Chien wrote more than 100 letters to Lee, all of which were written in Chien’s beautiful Chinese Calligraphy with brush, a kind of traditional Chinese writing tool. Lee carefully preserved these letters as he knew what great influence Chien was in China and how precious those manuscripts would one day be.
3. After retirement, as he was getting older, Lee felt incapable of preserving his collections well and considered to transfer them to others. In 2013, when Yenny, the general manager of Shirley Art Gallery, visited Lee, she learned about Lee’s collection of Chien’s manuscripts. After Lee presented the originals of these letters, Yenny expressed her desire to purchase them. Lee sold all those letters to Shirley Art Gallery at RMB 500,000.
4. Shirley Art Gallery, an art company specialized in the purchase, exhibition and sale of artworks, took pictures of the letters and archived them electronically. In addition, they invited three Chienism experts and six media companies to attend an appreciation seminar featuring Chien’s letters. For the event, Shirley Art Gallery distributed DVDs containing the electronic copies of

the letters to the guests without noting to keep the letters to themselves. The participating experts were very excited. They said that they had never seen such a large outflow of Chien's letters. Each of them, the experts said, was not only an essay that could be enjoyed for its academic value, but it also a piece of calligraphic work that could be appreciated for its artistic value as well. A few days later, Fang Lun, an authority of “Chienism” from the United States, also received the photocopy of the letters from Shirley Art Gallery through email. He was so excited that he spent several days and nights writing a lengthy article annotating the letters.

5. The content of the letters is mostly related to details about the process of publishing Chien's writings and also some views on current events or modern literary celebrities. These incisive views of Chien's have never before been known to the public. The letters are valuable materials to the study of the “Chienism” since they provide insight into Chien's true character, temperament and quality. For example, he mentioned in one letter that

“History has always been written by the winner, and living longer is a way to win. The biography of Lu Xun⁵ written by my own institute's colleague published three years ago never mentioned anything about his first wife. No one has ever talked about that in public although the private discussions have been heated both at home and overseas.”

6. In another letter, when talking about the English version of *the Story of the Stone* by David Hawkes⁶, he wrote

“After reading, I found that the English version translated by Hawkes is much better than that by the Yangs⁷. However, I cannot tell the truth in public. How ironic is that!”

7. When it comes to the lies of officials, he satirized smartly as well saying

“Officials and lies are just the same as chickens and eggs. If you want to be an official, you must lie. In turn, if you lie, you will become an official. So lying is a sort of occupational fault for officials.”

8. Among all the letters, there is also a manuscript by Shen Congwen⁸ which was said to have hung in Chien's house and had been transferred to Lee as a gift.

9. The disclosure of Chien's personal letters soon became big news in the cultural field and was widely reported on by major media. Articles with titles such as “Chien Chung Commented on Lu Xun for First time in Letter”, “Chien Chung Shows Sense of Humor in Manuscripts”, “Chien

⁵ One of the most highly regarded writers and thinkers of modern China, who passed away in 1936.

⁶ Famous sinologist in Britain, Oxford University, also a great translator. He passed away in 2009.

⁷ Famous translators in China who are a couple, passed away in 2009 (Yang) and 1999 (Yang's wife, Dai)

⁸ Famous writer in China, passed away in 1988.

Chung’s Manuscripts Made Public Massively (pictures contained)”, etc., discussed some details about the letters. Some reports even presented the full text of some manuscripts in the form of attached pictures.

10. Before long, Shirley Art Gallery held a public exhibition of those letters in its exhibition hall, and priced the collection at RMB 10 million to sell. In order to garner more interest in the sale, the gallery uploaded some of the letters onto its official website, publicly available for viewing.

II

11. Yang Jee (hereafter referred to as “Yang”), Chien’s widow, 100 years old, is the only heir of Chein. Both being famous writers, Chein and Yang shared almost the same social circle: most Chien’s friends are actually friends of their family. Yang’s essays have been sometimes published on *Wide Angle*, therefore, she is quite familiar with Lee and has kept correspondence with him.

12. Owing to enormous fame of Chein, his name, manuscripts and writings are always the objects of commercial activities and have been taken advantage of by all kinds of businesses, which annoys Yang so much. Yang wrote a letter to Lee in 1998 when Chein was seriously ill in which she specifically mentioned:

“There have been some evil fellows who had grabbed many letters and manuscripts of my husband, and published his biography without our permission, which discredits us. Please take care to preserve the letters in your hands to avoid them.”

13. Yang felt hurt deeply when she was informed that the letters in Lee’s hand had been made public. She wrote a public letter that says:

“I was shocked and hurt really hard by this. I can’t understand why the private letters between friends got sold publicly? Could all be sold as goods, including even personal privacy, trusts and emotions of years? It definitely cannot be accepted by me, a 100 year old me. I object to the selling and publishing of the letters resolutely. I hope that the relevant parties to stop the seminar and selling of the letters immediately. Otherwise, I’ll go to the court in person to protect me and my family.”

Disputes

14. Yang has sued Shirley Art Gallery, claiming Shirley Art Gallery has infringed her and her husband’s copyright and privacy right. She requests the court to order such act of infringement to cease and compel Shirley Art Gallery to compensate her for damages.

2016 Case

WANG and YANG, *petitioner*

v.

BEIJING INDUSTRIAL UNIVERSITY, *respondent*

FACTS

[Summary]

On June 6, 2001, Beijing Industrial University (formerly known as Beijing Industrial Institute by that time) entered into a contract with Baoding Ouke Fine Chemistry Ltd., which later changed its company name to Hebei Ouke Fine Chemistry Ltd. (hereinafter referred as Ouke Company). The title of the contract is “Agreement Regarding Investment in Capital Using the Technology and Patent of *Iron-Titanium Composite Series Mica Pearlescent Pigment*”. The contract specifies that Beijing Industrial University exclusively owns the technology of “*Iron-Titanium Composite Series Mica Pearlescent Pigment*”, and is the patentee of a Chinese invention patent with a serial number ZL99135985.7 (‘985 patent). The title of the ‘985 patent is “*Iron-Titanium Composite Series Mica Pearlescent Pigment and Preparation Method Thereof*”. The ‘985 patent was filed on January 10, 1997 and was subsequently issued on February 2, 1998. In this contract, Beijing Industrial University agrees to transfer the technology and the ‘985 patent to Ouke Company as capital investment, in return for shares of Ouke Company worth RMB 1,000,000 (representing 1,000,000 shares). In addition, also as the return for the transfer, Ouke Company agrees to pay additional RMB 1,000,000 in cash to Beijing Industrial University.

After the conclusion of the contract, Beijing Industrial University and Ouke Company performed their respective obligations, and by transferring the above technology and ‘985 patent, Beijing Industrial University acquired RMB 1,000,000 in cash, as well as shares of Ouke Company with face value of RMB 1,000,000 (1,000,000 shares). In year 2010, Beijing Industrial University sold the 1,000,000 Ouke Company shares to Guangdong Zhongshan Technology Development Company by auction, for an amount of RMB 5,450,000. Xinghao WANG (hereinafter referred as Wang) and Rong YANG (hereinafter referred as Yang), plaintiffs of this matter and employees of Beijing Industrial University, claim to have the right of reward and remuneration for the proceeds from the transfer of the above technology and ‘985 patent. However, Beijing Industrial University only paid 86% of the RMB 1,000,000 cash proceed from the transfer, i.e. RMB 860,000, to the research group of WANG, YANG, and Xiaolan LIU (hereinafter referred as LIU), by several

installments. Since the sale of Ouke Company shares with a profit of RMB 5,450,000, Beijing Industrial University refused to pay any reward or remuneration to WANG and YANG. WANG, YANG and LIU are named inventors of the '985 patent. The principal of Beijing Industrial University and the dean of WANG, YANG and LIU's department are also named as inventors; however, the principal and the dean, serving as supervisors to the research group, did not participate in the actual development of the technology.

[Part I]

In February 1999, Beijing Industrial Institute entered into a “Technology Development Agreement” with Baoding Ouke Fine Chemistry Ltd., a Sino-Hong Kong joint venture. This agreement aims to the development of a technology for mass production of iron-titanium composite series mica pearlescent pigment. Beijing Industrial Institute is responsible for developing the technology and ensuring the stability of the art in practice and in mass production. At the time of the contract, Beijing Industrial Institute exclusively owns the technology of “*Iron-Titanium Composite Series Mica Pearlescent Pigment*”, and is the patentee of a Chinese invention patent with a serial number ZL99135985.7 ('985 patent). The title of the '985 patent is “*Iron-Titanium Composite Series Mica Pearlescent Pigment and Preparation Method Thereof*”. The '985 patent was filed on January 10, 1997, and was subsequently issued on February 2, 1998. On the other hand, under the contract Baoding Ouke Fine Chemistry Ltd. is responsible for providing working conditions for the development of the technology as well the production of the pigment from the technology. Under the agreement, Beijing Industrial Institute may not transfer the technology or '985 patent to third parties, and may not disclose in any manner relevant trade secrets or other know-how to third parties. Within a period of 5 years, Baoding Ouke Fine Chemistry Ltd. may not transfer the technology or '985 patent to third parties. In return for the transfer and assignment of the technology and the patent, Baoding Ouke Fine Chemistry Ltd. agrees to pay RMB 1,000,000 in five cash installments to Beijing Industrial Institute, as well as 10% of the corporate shares of Baoding Ouke Fine Chemistry Ltd. Upon the receipt of RMB 1,000,000 cash payment, Beijing Industrial Institute paid RMB 860,000 to WANG, YANG and LIU's research group. This payment was itemized as reward and remuneration for developers of the technology and the '985 patent. WANG, YANG and LIU are employees and research fellows of the chemistry department of Beijing Industrial Institute, and are also named inventors of the '985 patent. The principal of Beijing Industrial Institute and the dean of WANG, YANG and LIU's department were also named as inventors; however, the principal and the dean, serving as supervisors, did not participate in the actual development of the technology.

In March 1999, Baoding Ouke Fine Chemistry Ltd. issued a certificate indicating the receipt of the transfer of technology of “*Iron-Titanium Composite Series Mica Pearlescent Pigment*” in the form of intangible asset into corporate capital, with a contract value of RMB 560,000. Baoding Development District Auditing Office issued an asset examination report, indicating

Baoding Ouke Fine Chemistry Ltd. had corporate asset worth RMB 5,600,000 as of September 6, 1999, and 10% of the corporate asset was made in the form of intangible asset, in the form of exclusive technology. In February 2000, Baoding Ouke Fine Chemistry Ltd. issued another statement acknowledging the receipt of the transfer of the ownership of '985 patent, with a face value of RMB 200,000, to be made into corporate capital. The assignment of patent ownership was thereafter recorded with the Patent Bureau of China. On March 1, 2000, Baoding Ouke Fine Chemistry Ltd.'s board of directors decided to make an increase of RMB 2,000,000 to the corporate capital, totaled the corporate capital to RMB 7,600,000. As of the increase in corporate capital, Beijing Industrial Institute's capital investment, in the form of intangible assets, increased by RMB 200,000. Thereafter Beijing Industrial Institute still held 10% of Baoding Ouke Fine Chemistry Ltd.'s shares. The change in corporate capital was duly recorded with Baoding Municipal Commerce and Industry Bureau. Since the conclusion of the June 6, 2001 contract, Baoding Ouke Fine Chemistry Ltd. issued a corporate debenture note to Beijing Industrial University indicating its indebtedness of RMB 240,000, equal to the remainder of RMB 1,000,000 capital investment allowance promised by Baoding Ouke Fine Chemistry Ltd. in the contract. On June 30, 2001, Baoding Ouke Fine Chemistry Ltd. decided to convert its RMB 240,000 debt to Beijing Industrial University into equity; therefore the amount of Ouke Company shares held by Beijing Industrial University increased RMB 240,000, to a total of RMB 1,000,000 (representing 1,000,000 shares).

During subsequent education system reform, Beijing Industrial Institute changed its name to Beijing Industrial University. Baoding Ouke Fine Chemistry Ltd. later changed its company name to Hebei Ouke Fine Chemistry Ltd. (hereinafter referred as Ouke Company). The relevant rights and obligations of the parties in this matter remained intact.

[Part II]

On October 17, 2008, the accountant of Ouke Company made a wire transfer of an amount of RMB 67,500 under her personal name to Beijing Industrial University. The receipt of the wire transfer indicates that the transfer was made for the payment for research materials fees. On March 13, 2009, LIU, WANG, YANG and Beijing Industrial University entered into an agreement, the title of which is “Agreement Regarding the Distribution of Benefits in Relation to Ouke Company Shares”, and agreed that after the deduction of university management fees and other applicable fees and taxes, the rest of the benefits in relation to Ouke Company shares, including distribution, dividend and other profits generated from the shares shall be distributed evenly among the three people. This agreement was thereafter recorded with the research management department of Beijing Industrial University. The research management department of Beijing Industrial University made a note on the agreement on March 23, 2009, stating that according Beijing Industrial University rules and policies, 10% of the profit shall belong to the department of the research group, another 10% shall belong to Beijing Industrial University as research

management fund, and the rest 80% shall belong to the research group and shall be distributed according to researchers’ mutual agreement. The agreement was further noted by the finance department of Beijing Industrial University, indicating its concurrence with the opinions of the research management department. The principal of Beijing Industrial University signed and agreed with the notes of agreement on November 10, 2009. In the same month, Beijing Industrial University made payments of RMB 18,000 each to WANG and YANG, after taking 20% from Ouke Company’s October 17, 2008 wire transfer. The payments to WANG and YANG were itemized by the finance department of Beijing Industrial University as distribution of profits in relation to Ouke Company shares.

On December 12, 2009, Guangdong Zhongshan Technology Development Company acquired Ouke Company’s shares held by Beijing Industrial University through an auction agency. On January 5, 2010, Beijing Industrial University, Guangdong Zhongshan and Ouke Company entered into a stock transfer agreement, and agreed that Beijing Industrial University sold and transferred its 1,000,000 Ouke Company shares to Guangdong Zhongshan, for RMB 5,450,000.

[Part III]

On Oct 20, 2011, Ouke Company issued “Statement on Working Relationship with WANG, YANG and LIU in Execution of Agreement Regarding Exclusive Technology Investment as Capital”. The statement restates the contract entered between Baoding Ouke Fine Chemistry Ltd. and Beijing Industrial Institute on June 6, 2001, and further states, *inter alia*, that WANG, YANG and LIU, employees of Beijing Industrial Institute, were sent by Beijing Industrial Institute to work with Baoding Ouke Fine Chemistry Ltd. to set up the production line, and were responsible for the technologies during equipment calibration and mass production stages. LIU also served as a member of the board of directors, who was appointed by Beijing Industrial Institute in its capacity as Baoding Ouke Fine Chemistry Ltd.’s shareholder. WANG, YANG and LIU also made improvements to handle the issues during the exploitation of the technology. On Oct 26, 2011, Ouke Company issued another statement, stating that Ouke Company increased its capital and stock in the amount of 135,000,000 shares in 2008. Newly issued shares were open for purchase with a premium over the par value as of an increase in Ouke Company’s corporate asset value. After the increase in capital, Ouke Company decided to compensate its shareholders who did not acquire newly issued shares for the premium. Therefore, on Oct 17, 2008, a payment of RMB 67,500 was wire transferred to Beijing Industrial University as compensation for premium of shares, made in the personal name of Ouke Company’s accountant. The receipt of the wire transfer payment was annexed to the statement.

CLAIMS TO THE COURT

WANG and YANG claim the following to the court, requesting a fair decision for their legally protected rights:

1. Beijing Industrial University shall pay WANG and YANG remuneration and reward for their service technical achievement and service invention, in the amount of RMB 1,271,700 for each person;

AND

2. Beijing Industrial University shall bear the litigation costs.

2017 Case

Beijing Elite Electronic Equipment Co., Ltd.

As Petitioner

V.

China Shanghai Changfeng General Electric Co., Ltd

As Respondent

Facts

The following are undisputed facts:

I

1. China Shanghai Changfeng General Electric Co., Ltd. (hereinafter referred to as “Shanghai Changfeng Company”) is a radio manufacturer with a long history, founded in 1960. In 1962, it registered the “长风 CHANGFENG” trademark in China, in the form of combining both Chinese characters and their Pinyin. The approved commodities are radios. Since then, it has always owned the registered trademark “长风 CHANGFENG” on the commodity of radio in China. With its continuous use and widespread advertisements for over 50 years, “长风 CHANGFENG” radio has gradually been known and acquired good reputation in the market. Since 1990, the “长风 CHANGFENG” trademark has been consecutively recognized as a prominent trademark of Shanghai by Shanghai Industry and Commerce Bureau for years. In 2000, it was recognized as a nationally well-known mark of China by the Trademark Office of

China and has been kept famous in China these years.

2. The radios of Shanghai Changfeng Company branded “长风 CHANGFENG” started to export to Southeast Asian countries including Indonesia in the early 1960s and have been sold there continuously and relatively recognized in the market of Southeast Asia ever since.
3. PD Company, an Indonesian company, registered the “长风 CHANGFENG” trademark in the form of both Chinese characters and their Pinyin in Indonesia in 1987, with its approved commodities as radios. The trademark has continuously been renewed, and is a valid registered trademark in Indonesia currently.
4. Beijing Elite Electronic Equipment Co., Ltd. (hereinafter referred to as “Beijing Elite Company”) is a medium enterprise located in Beijing, China, specializing in the manufacture of radios.

II

5. In April 2006, Shanghai Changfeng Company applied for the registration of the “长风 CHANGFENG” trademark on the commodity of radio to the Directorate General of Intellectual Property of Indonesia (hereinafter referred to as “DGIP”). This application was refused by DGIP on the grounds that such trademark was already registered by another company, specifically, PD Company of Indonesia.
6. In January 2007, Shanghai Changfeng Company filed a lawsuit in the Djakarta court requesting to cancel the “长风 CHANGFENG” trademark registered by PD Company. The lawsuit alleged that the “长风 CHANGFENG” trademark used on the radios by the Shanghai Changfeng Company is not only well-known in Mainland China, but also a well-known trademark enjoying widespread reputation in Southeast Asian countries, including Indonesia. With Shanghai Changfeng Company uninformed, PD Company squatted the registration of the “长风 CHANGFENG” trademark. Chinese is not a common language in Indonesia, so the registration of the Chinese characters and their Pinyin “长风 CHANGFENG” as its trademark demonstrates the bad will of PD Company, and should be found as malicious trademark squatting.
7. In October 2007, The Djakarta court dismissed the pleadings of Shanghai Changfeng Company based on the reason that PD Company had registered the “长风 CHANGFENG” trademark earlier in Indonesia. Shanghai Changfeng Company appealed to the Supreme Court of Indonesia, seeking the reversal of the Djakarta court judgment.
8. In February 2008, the Supreme Court of Indonesia held that the “长风 CHANGFENG” trademark of Shanghai Changfeng Company, which had been registered in Mainland China since 1962, had enjoyed a reputation all over Southeast Asia, and should be found to be a well-known trademark. The registration of the same trademark on the same goods by PD Company was malicious trademark squatting. The Court overruled the judgment of the trial, in favor of the pleadings of Shanghai Changfeng Company.
9. In April 2008, DGIP canceled the registration of the “长风 CHANGFENG” mark of PD Company

in accordance with the judgment of the Supreme Court of Indonesia. In July 2008, it approved the registration of the “长风 CHANGFENG” trademark on radios by Shanghai Changfeng Company.

10. PD Company requested the Supreme Court of Indonesia to rehear the case. In November 2008, The Supreme Court of Indonesia started to retrial the case and in April 2009, canceled its previous judgment on the grounds that there is no evidence to prove that the “长风 CHANGFENG” trademark of Shanghai Changfeng Company had become a well-known trademark in Indonesia, and sustained the judgment of the Djakarta court.
11. In May 2009, DGIP resumed the registration of the “长风 CHANGFENG” mark of PD Company. The registration of Shanghai Changfeng Company’s “长风 CHANGFENG” mark was thereupon canceled upon the application of PD Company in February 2011 .

III

12. In October 2006, Indonesian PD Company, as the owner of the Indonesian “长风 CHANGFENG” registered trademark, entered into an manufacturing agreement with Beijing Elite Company to commission the latter to manufacture radios and their components and accessories under the mark “长风 CHANGFENG”. The agreement provides that the products thereof are for export to Indonesia only, and shall not be sold in Mainland China. The agreement is valid for three years, and is still in effect because of continual renewal of the term. PD Company has shown Beijing Elite Company the certificate of its Indonesian registered trademark, and other legal identity documents. Beijing Elite Company has examined the above materials and acknowledged their authenticity.
13. Upon the conclusion of the agreement, Beijing Elite Company manufactured the radios and their components and accessories labeled with the “长风 CHANGFENG” trademark, and filed the export declaration destined for Indonesia.

IV

14. In October 2008, as the owner of the “长风 CHANGFENG” registered trademark in China, Shanghai Changfeng Company entered into a compensation agreement with the alleged infringing Beijing Elite Company, which reads that the manufacture of the 800 radios labeled with the “长风 CHANGFENG” trademark and the export declaration destined for Indonesia filed by Beijing Elite without the approval of Shanghai Changfeng Company is allegedly infringing the registered trademark rights of Shanghai Changfeng Company. Beijing Elite Company promised not to commit such infringing conduct in the future and agreed to compensate RMB 100,000 to Shanghai Changfeng Company. Soon after, Beijing Elite paid the compensation and stopped manufacturing the “长风 CHANGFENG” radios.

The Trial

15. In February 2016, Shanghai Changfeng Company found that Beijing Elite company manufactured a large number of radios labeled “长风 CHANGFENG” trademark in Beijing and exported them to Indonesia again. In April 2016, Shanghai Changfeng company filed a lawsuit in Beijing Haidian District Court, claiming that the unauthorized use of a mark identical with the registered trademark of Shanghai Changfeng Company by Beijing Elite Company on radios has constituted infringement upon its registered trademark rights. It requested the court to restrain Beijing Elite Company from further infringement and to compensate Shanghai Changfeng Company for losses suffered as a result of the trademark infringement.

16. The trial court reasoned that:

The issue of this case is whether foreign original equipment manufacture (OEM) infringes upon the registered trademark rights in China. In general, a manufacturing plant in China, if exporting all labeled products under the authorization of a foreign principal without any sales in China, should not be found to be trademark infringement. The decision of no trademark infringement, however, is based on the premises that the domestic manufacturing plant has satisfied the reasonable duty of care about the foreign trademark authorized to label. The domestic manufacturing plant should check whether the foreign principal is entitled to the registered trademark rights outside of China. There would be fault of the manufacturing plant if it fails to satisfy the reasonable duty of care, and its manufacturing and labeling would constitute infringement. If the foreign trademark labeled cannot be justified, the level of duty of care imposed on the domestic manufacturing plant should be higher. Article 7 (1) of Chinese Trademark Law modified in 2013 stipulates: “Any registration application or usage of a trademark shall abide by the principle of good faith.” Based on this provision, if a foreign enterprise or individual allegedly squatted a Chinese trademark, which is of some fame or especially well-known in China, in bad faith outside of the Chinese territory and authorizes a domestic original equipment manufacturing enterprise to manufacture and label, such acts of the foreign principal should not be considered justified. Under such circumstances, as a business operator in the same industry, the domestic manufacturing plant should satisfy a higher level of duty of care. If the domestic manufacturing plant knows or should have known that the domestic trademark is of some fame or even a well-known trademark in China, and that the foreign principal has engaged in alleged malicious squatting of the Chinese trademark, but still accepts the commission, it should be held that the domestic manufacturing plant is at fault and must assume the relevant civil liabilities. For the same reasons, if a domestic trademark owner allegedly squats a trademark of other territories maliciously, and the evidence shows that a domestic manufacturing

plant has fulfilled the reasonable duty of care about the foreign commission, and all labeled products are exported, the domestic trademark owner cannot hinder the domestic manufacturing plant from engaging in foreign original equipment manufacturing business.

In the present case, PD Company’s registration of the “长风 CHANGFENG” trademark in Indonesia in 1987 cannot be justified. The official language in Indonesia is Indonesian, but PD Company registered the trademark “长风 CHANGFENG”, the major parts of which are the Chinese characters “长风” and their Pinyin “CHANGFENG”, identical with the mark of Shanghai Changfeng Company, and the time was after Shanghai Changfeng company’s “长风 CHANGFENG” radios entered into the Indonesian market in 1960s. The unjustification of such registration is obvious. Although the pleadings of Shanghai Changfeng Company in Indonesia were eventually dismissed after several lawsuits, there are still reasonable grounds for this trial court to believe that the registration by PD Company in Indonesia cannot be justified.

Beijing Elite Company knew that the “长风 CHANGFENG” trademark of Shanghai Changfeng Company is well-known in China, and should have known that the disputes regarding the “长风 CHANGFENG” trademark between Shanghai Changfeng Company and Indonesian PD Company have lasted for a long period of time. And it also made a commitment of no more infringements in 2008’s compensation agreement. It still accepted the foreign commission to use the trademark identical with the “长风 CHANGFENG” trademark of Shanghai Changfeng Company on same goods. It failed to satisfy the reasonable duty of care, and substantively harmed benefits of Shanghai Changfeng Company, and should be held to infringe on the registered trademark rights of Shanghai Changfeng Company.

17. The trial court ruled that Beijing Elite Company is restrained from further infringing on the registered trademark “长风 CHANGFENG” of Shanghai Changfeng Company, and ordered Beijing Elite Company to compensate Shanghai Changfeng Company for the economic damages suffered as a result of the unlawful infringement.

Pleadings

18. Beijing Elite Company appealed to Beijing Intellectual Property Court, requesting the court to reverse the judgment of the trial court and rule that its conduct does not constitute infringement of Shanghai Changfeng Company’s “长风 CHANGFENG” trademark.

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**IN THE
BEIJING INTELLECTUAL PROPERTY COURT**

**BEIJING, PEOPLE'S REPUBLIC OF CHINA
2015**

**YANG JEE
(Petitioner)**

v

**SHIRLEY ART GALLERY
(Respondent)**

WRITTEN BRIEF FOR THE PETITIONER

**2015 BEIJING FOREIGN STUDIES UNIVERSITY
WANHUIDA CUP
INTELLECTUAL PROPERTY MOOT COURT COMPETITION**

(4,986 words)

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SUMMARY OF PLEADINGS

CLAIM I

Mrs Yang Jee ('the Petitioner') is the copyright holder of her late husband's, Mr Chien Chung ('Mr Chien'), private manuscript letters ('letters'), which he wrote to Mr Lee Fung ('Mr Lee'). In 2013, Shirley Art Gallery ('the Respondent') purchased the letters from Mr Lee. The Respondent then copied and distributed the letters, which constituted an unauthorized publication in breach of the Petitioner's copyright. The Respondent also made the letters publically available for viewing by uploading some of the letters onto its website. These unlawful acts of reproduction, distribution and publication by the Respondent have infringed and continue to infringe the Petitioner's copyright.

CLAIM II

By making the letters available to the public, the Respondent has infringed and continues to infringe the Petitioner's and Mr Chien's rights of privacy. Both Mr Chien and the Petitioner enjoy a right of privacy in the letters.

CLAIM III

The Respondent has caused the Petitioner economic and emotional damage through its unlawful uses of the letters. This Court should order an injunction to cease the Respondent's exhibition, promotional activities, and sale of the letters, and order the Respondent to pay damages to the Petitioner for the harm caused by the Respondent's infringements.

PLEADINGS

I. THE RESPONDENT INFRINGED THE PETITIONER'S COPYRIGHT IN THE LETTERS

The Respondent has violated the *Copyright Law of the People's Republic of China* (2010).¹ First, the letters are protected under the *Copyright Law*. Second, the Petitioner is the lawful owner of copyright in the letters. Third, the Respondent has infringed and is still infringing the Petitioner's copyright in the letters without justification. Fourth, the Petitioner is not precluded from exercising her copyright over the letters.

A. The letters are protected by the *Copyright Law*

The letters are 'works' protected by the *Copyright Law*. First, the letters are written works. Second, the letters are works of the fine arts. Third, the letters are a creative expression of originality capable of reproduction.

(a) The letters are written works

As the letters were created by Mr Chien's *writing*, the letters are clearly 'written works'.² 'Written works' means works expressed in the written form, such as novels, poems, essays and theses.³ This is a non-exhaustive definition. The letters express similar themes and pursue similar purposes as the enumerated written works. Therefore, the letters are written works.

There is no rational reason to exclude letters from copyright protection.⁴ Chinese Courts and Courts in many international jurisdictions have already recognized that letters are written works protected by copyright.⁵ Any distinction between letters and other written works is arbitrary and unnecessarily limits the methods by which authors can express their creative ideas.⁶

(b) The letters are works of the fine arts

The *Copyright Regulations* specifically enumerate calligraphy as a work of the fine arts.⁷ This is because calligraphy is a two-dimensional work created in lines that impart aesthetic effect.⁸ The letters are written in Mr Chien's Chinese calligraphy

¹ *Copyright Law of the People's Republic of China* (2010) [*Copyright Law*].

² *Copyright Law* Art.3(1).

³ *Regulation for the Implementation of the Copyright Law of the People's Republic of China* (2013) [*Copyright Regulations*] Art.4(1).

⁴ *Yang Jikang v Sungari International Auction Co. Ltd, Li Guoqiang*, Beijing Second Intermediate People's Court (2013) No 10113 of 2013, as affirmed by the Beijing Higher People's Court, deemed a model case by the Supreme People's Court (17 February 2014) [*Yang Jikang*]; William M. Landes, *Copyright Protection of Letters, Diaries and Other Unpublished Works: An Economic Approach*, (Chicago Law & Economics Working Paper No. 1 (2D Series) The Law School, The University of Chicago, 1991).

⁵ *Yang Jikang* *ibid*; See also the United States: *Harper & Row v Nation Enterprises* 471 U.S. 539 (1985); *Salinger v Random House* 811 F.2d Cir. (1987); United Kingdom: *Pope v Curl* (1741) 2 Atk. 342; 26 ER 608; Germany: Konrad Zweigert and Hein Koetz, *Introduction to Comparative Law* (Tony Weir trans., 2nd ed. 1992).

⁶ *Pope v Curl* *ibid*.

⁷ *Copyright Regulations* Art.4(8).

⁸ *Ibid*.

with brush and have been described as ‘beautiful’.⁹ Calligraphy by brush is not merely a functional means of communication but also recognized independently as an aesthetic visual art form.¹⁰ Calligraphy is a unique pictographic and expressive art form that captures ‘a spiritual aspect of both the calligrapher and the represented form’.¹¹ Therefore, the letters, written in Mr Chien’s calligraphy, are of such aesthetic value as to be works of the fine arts.

(c) The letters are a creative expression of originality capable of reproduction

The letters express Mr Chien’s ideas on the processes of publishing, current affairs and famous literary celebrities. Therefore, the form of those expressions, being the letters, is protected by copyright.¹²

(i) *The letters have originality*

The letters are original works under Article 2 of the *Copyright Regulations* because Mr Chien created the letters independently as opposed to copying them from another’s work.¹³ Mr Chien’s calligraphy in the letters is a creative expression of his personal feelings and opinions.¹⁴ Further, because the sentences in the letters are original, Mr Chien’s particular arrangement of characters in calligraphy is also original.

(ii) *The letters are capable of reproduction*

The letters are in a form capable of reproduction. The Respondent has demonstrated this by taking photos of the letters, making DVDs containing electronic copies of the letters, distributing the DVDs and making copies of the letters publically available on its website.¹⁵

B. The Petitioner is the lawful owner of copyright in the letters

The Petitioner owns the copyright in the letters because first, copyright in the letters originally subsisted in Mr Chien, second, copyright still exists in the letters, third, copyright transferred to the Petitioner upon Mr Chien’s death, and fourth, no copyright ever subsisted in Mr Lee.

(a) Copyright in the letters originally subsisted in Mr Chien

As Mr Chien, a Chinese citizen,¹⁶ created the letters, he is the author.¹⁷ Therefore, Mr Chien enjoyed copyright.¹⁸ Mr Chien’s copyright arose the day he created the

⁹ Facts, ¶1.

¹⁰ Li Wendan, ‘Chinese Writing and Calligraphy’ (2009) *University of Hawaii Press*.

¹¹ Ouyang Zhongshi, *Chinese Calligraphy* (Yale University Press and Foreign Languages Press, 1st ed. 2008), 33.

¹² Peter Ganea and Thomas Pattloch, *Intellectual Property Law in China*, (Kluwer Law International, 1st ed. 2005), 215; *Agreement on Trade-related Aspects of Intellectual Property Rights* (‘TRIPS’) Article 9(2); *Answers of the Beijing High People’s Court to Certain Questions Regarding the Trial of Cases Involving Copyright Disputes* (1996) [‘Answers’] Question 2.

¹³ *Answers*, Question 1; *Copyright Regulations* Art.2.

¹⁴ *Copyright Regulations* Art.2.

¹⁵ Facts, ¶¶4,10.

¹⁶ *Copyright Law* Art.2.

¹⁷ *Copyright Law* Art.11; *Interpretation of the Supreme People’s Court on Certain Issues Concerning the Application of Law in the Trial of Civil Cases Involving Copyright Disputes* (2002) Art.7.

¹⁸ *Copyright Law* Arts.9(1), 11.

letters,¹⁹ and subsisted without the need for any additional formalities such as registration.²⁰

(b) Copyright still exists in the letters

Both the economic rights of copyright²¹ and the right of publication will be protected under the *Copyright Law* for 50 years after an author's death.²² Mr Chien died in 1998.²³ Copyright in the letters, therefore, subsists until 2038.

(c) Upon Mr Chien's death, copyright in the letters transferred to the Petitioner

Upon Mr Chien's death, the property rights of copyright in the letters transferred to his wife and only heir,²⁴ the Petitioner.²⁵ Further, the Petitioner, as Mr Chien's successor, can exercise the right of publication in the letters after the death of Mr Chien.²⁶

(d) No copyright ever subsisted in Mr Lee

Transferring ownership of an original work of the fine arts (or other works) does not transfer the copyright in that work.²⁷ Therefore, the sending of the letters to Mr Lee did not transfer the copyright in the letters.

C. The Respondent is infringing the Petitioner's copyright in the letters

As owner of the copyright in the letters, the Petitioner had, and continues to have, the exclusive rights to: (1) decide whether to make the letters available to the public ('right of publication');²⁸ (2) reproduce one or more copies of the letters ('right of reproduction');²⁹ (3) provide the original copy or reproductions of the letters to the public ('right of distribution');³⁰ and (4) make the letters available to the public by wireless means ('right of communication through information network').³¹

Chinese citizens enjoy copyright in their works regardless of whether the work is published or not.³² Therefore, the fact the letters had not been published prior to the Respondent's infringing acts, does not deny the letters protection under the *Copyright Law*.

¹⁹ *Copyright Regulations* Art.6.

²⁰ *Copyright Regulations* Art.6; *Berne Convention* Art.5(2).

²¹ *Copyright Law* Art.10(5)-(17).

²² *Copyright Law* Art.21; *Copyright Regulations* Art.17.

²³ Facts, ¶1.

²⁴ Facts, ¶11.

²⁵ *Law of Succession of the People's Republic of China* (1985) Arts.3&10; *Copyright Law* Art.19.

²⁶ *Copyright Regulations* Art.17.

²⁷ *Copyright Law* Art.18.

²⁸ *Ibid.*, Art.10(1).

²⁹ *Ibid.*, Art.10(5).

³⁰ *Ibid.*, Art.10(6).

³¹ *Ibid.*, Art.10(12); *Regulations for the Protection of the Right of Communication through Information Network* (2006) ['*Regulations for Information Network*'] Art.2.

³² *Regulations for Information Network*' *ibid.*

(a) The Respondent infringed the Petitioner's exclusive right to publication

(i) *Neither Mr Chien nor the Petitioner have exercised their right of publication of the letters*

Neither Mr Chien nor the Petitioner published the letters because they did not reproduce and distribute the letters to the public nor did they give permission for this to be done.³³ The 'public' has been interpreted to mean 'unspecific persons'.³⁴ Here, the letters were only sent by Mr Chien to Mr Lee, a specified person. Therefore, the letters were, until the Respondent's acts, unpublished works.

(ii) *The Respondent published the letters*

The Respondent has breached the Petitioner's right of *publication*. First, the Respondent has reproduced electronic copies of the letters and distributed these copies on DVDs to three Chienism experts and six media companies.³⁵ Second, the Respondent has emailed electronic copies of the letters to Mr Fang Lun.³⁶ Third, the Respondent uploaded some of the letters onto its official website publicly available for viewing.³⁷

(b) The Respondent infringed the Petitioner's exclusive rights of reproduction and distribution

The Respondent has *reproduced* and *distributed* the letters by: first, taking photos of the letters and archiving them electronically;³⁸ second, placing copies of the letters onto DVDs; third, distributing the DVD's to others as well as six media companies, without stating the letters were copyrighted;³⁹ and fourth, emailing photocopies of the letters worldwide.⁴⁰ By reproducing and distributing the letters in this manner, the Respondent has infringed the Petitioner's copyright, contrary to Articles 10(5) and 10(6) of the *Copyright Law*.

(c) The Respondent infringed the Petitioner's exclusive right of communication through information network

To further their commercial profits, the Respondent uploaded some of the letters onto their official website, publically available for viewing to all the public.⁴¹ By making the letters wirelessly available to the public, the Respondent has infringed the Petitioner's copyright, contrary to Article 10(12) of the *Copyright Law*.⁴²

³³ *Copyright Law* Arts.10(1), 58; *Copyright Regulations* Art.20.

³⁴ *The Interpretation of the Supreme People's Court Concerning Several Issues on Application of Law in Hearing Correctly the Civil Copyright* (2002) Art.9.

³⁵ Facts, ¶4.

³⁶ *Ibid.*

³⁷ Facts, ¶10.

³⁸ Facts, ¶4.

³⁹ *Ibid.*

⁴⁰ *Ibid.*

⁴¹ Facts, ¶10.

⁴² See also *Regulations for Information Network* Art.2.

D. The Respondent has no justification for its infringement of copyright

- (a) None of the Respondent's infringements of the Petitioner's copyright fall under the exceptions provided for in Article 22 of the *Copyright Law*

Article 22 of the *Copyright Law* specifically enumerates the circumstances in which a person can use an author's work without permission and remuneration. The uses articulated in Article 22 are limited in scope and *non-commercial* in nature.⁴³ All the uses of the letters by the Respondent are financially motivated and therefore fall outside the scope of Article 22.

In any case, of the twelve circumstances enumerated under Article 22, only Articles 22(8) and 22(10) apply to *unpublished* works. The Respondent cannot rely on either Article 22(8) or 22(10).⁴⁴

- (i) *The Respondent's infringement of the Petitioner's copyright is not justified under Article 22(8) of the Copyright Law*

Article 22(8) provides that reproduction of a work in its collections by an art gallery for the purpose of display, or preservation of a copy, of the work will be an exception to an otherwise infringing act of copyright. Article 22(8) does not provide an exception to the Respondent's infringing acts.

First, the Respondent is not an art gallery for the purposes of Article 22(8). Article 22(8) states that it applies to institutions including libraries, archives, memorial halls, museums, and art galleries. The types of institutions recognized under Article 22(8) are all driven for the public benefit and education. They are all State institutions intended for use of the people. The Respondent, while an 'art gallery,' is not the type of institution which Article 22(8) intends to protect. This is because the Respondent is driven solely by the sale of the letters and the commercial gain it will derive from such sale. Any educational benefits from the Respondent's sale of the letters are ancillary to its primary commercial purpose.

Second, the Respondent's uses are not for the purpose of preserving the letters. Preservation of the letters could be achieved by making copies of the letters without publishing, reproducing, or distributing them to the public.

Third, the Respondent did not use the copies for 'display' purposes in the gallery. Placing the letters on the Respondent's website, emailing copies and distributing DVDs with copies of the letters all amount to the publication, reproduction and distribution of the unpublished letters. To interpret 'display' as including the Respondent's uses of the letters would remove important, exclusive rights of copyright holders and make redundant the protections of those rights under the *Copyright Law*. Therefore, the infringing acts by the Respondent go beyond merely displaying the letters.

Fourth, Article 22(8) only allows for the *reproduction* of a work in a very limited sense, and not *distribution*. Accordingly, the Respondent's infringements fall outside

⁴³ Zhu Ling, *China Intellectual Property Law Guide* (Kluwer Law International, 1st ed. 2005) pp.12, 301.

⁴⁴ See also *Regulations for Information Network Art.7*.

the scope of Article 22(8) because the Respondent *distributed* copies of the letters to Chienism experts, media companies and the public.⁴⁵

- (ii) *The Respondent's infringement of the Petitioner's copyright is not justified under Article 22(10) of the Copyright Law*

Article 22(10) of the *Copyright Law* does not provide the Respondent with justification for its infringing acts. There is no evidence that the Respondent displayed the letters in an outdoor public place. Further, the Respondent has not merely copied the letters, but has copied *and* distributed the letters.⁴⁶

- (b) There is no 'fair use' of the letters outside the enumerated exceptions in Article 22

The only 'fair use' exceptions to an infringing act of copyright are those specifically enumerated under Article 22 of the *Copyright Law*.⁴⁷ Therefore the Courts should not find fair use outside Article 22. This would directly conflict with the intentions of the Standing Committee of the National People's Congress who specifically enumerated exceptions to copyright infringements. The rationale behind the enumerated list of fair uses is to offer a predictable application of the fair use doctrine than that in jurisdictions such as the United States, which have open-ended fair use provisions, which can lead to confusion as to the law that applies. This provides clarity, as people know exactly what will constitute copyright infringement and what will not.

E. The Petitioner is not barred from exercising her copyright in the letters

- (a) The Petitioner is not jeopardizing the public's interest by exercising her copyright

- (i) *Protecting an author's right to decide whether to publish is in the public's interest*

Respecting and protecting the rights of copyright holders, such as the Petitioner, to choose whether or not to disseminate copyrighted works serves the public interest. If the right of publication is not preserved, creative minds will be hesitant about experimenting with creative works for fear if they do not publish, the law will allow someone else to do so without their consent. Further, the failure to protect the copyright here may fetter personal and private communication by some of China's most influential minds.⁴⁸ These outcomes would be contrary to the purpose of the *Copyright Law*, which is to encourage and ensure the flow of knowledge and creativity.⁴⁹

⁴⁵ Facts, ¶4.

⁴⁶ *Copyright Law* Art.22(1).

⁴⁷ *Copyright Law* Art.22.

⁴⁸ Daniel McCallig 'Private but Eventually Public: Why Copyright in Unpublished Works in Matters in the Digital Age' (2013) 10:1 *SCRIPTed*, p.52.

⁴⁹ *Copyright Law* Art.1.

- (ii) *The Copyright Law correctly balances the needs of authors and the public*

The *Copyright Law* already adequately balances the rights of authors to protect their works and the rights of the public to see important creative works. After the expiry of the copyright period, creative works will necessarily fall into the public domain.

- (iii) *The copyright of works of public figures should not be distinguished from non-public figures*

The fact that Mr Chien is a public figure should not be a factor in deciding whether protecting copyright in his letters jeopardizes the public interest. This is because ‘public figures, like authors, are motivated by financial incentives.’⁵⁰ Therefore it would be a dangerous expansion of the law to ‘create what amounts to a public figure exception to copyright.’⁵¹

- (iv) *The strong protection of copyright is in accordance with the progress of the economy*

The protection of authors’ rights and the need to have incentives for creation of copyrighted works has never been more important. This is because the government has made clear that it is determined to enforce intellectual property rights to direct China’s growth by way of an innovative economy.⁵² Therefore, fair use should only be found when it is in accordance with the purposes of copyright, to create and disseminate creative works. This is not such a case.

II. THE RESPONDENT IS INFRINGING THE PETITIONER’S AND MR CHIEN’S RIGHTS OF PRIVACY

The Respondent has infringed the Petitioner’s and Mr Chien’s civil rights of privacy. First, the right of privacy is protected under the law. Second, the right of privacy protects against the public disclosure of private information. Third, the Respondent has infringed and is still infringing both the Petitioner’s and Mr Chien’s rights of privacy.

A. The right of privacy is a protected right

The right of privacy is protected under Article 2 of the *Tort Law of the People’s Republic of China* (2010).⁵³ The right of privacy is a civil right and accordingly any person who infringes the right shall be subject to tort liability.⁵⁴

⁵⁰ *Harper & Row, Publishers, Inc v. Nation Enters.* 471 U.S. 539 (1985), 559.

⁵¹ *Harper & Row* *ibid*, 560; *Folson v Marsh*, 9 F Cas 342 (CCD Mass 1841), 347; *Millar v Taylor* (1769) 98 ER 201; *Daniel McCallig* ‘Private but Eventually Public: Why Copyright in Unpublished works Matters in the Digital Age’ (2013) 10:1 *SCRIPTed*.

⁵² National Development and Reform Commission, *Report on the Implementation of the 2014 Plan for National Economic and Social Development and on the 2015 Draft Plan for National Economic and Social Development*, 3rd Session of the 12th National People’s Congress (March 5, 2015).

⁵³ *Tort Law of the People’s Republic of China* (2010) Art.2 [‘Tort Law’].

⁵⁴ *Ibid*.

B. The Petitioner can litigate on behalf of herself and Mr Chien

The Petitioner, as a victim of a tort, can seek a remedy from this Court under the *Tort Law*.⁵⁵ Further, the Petitioner has the right to litigate for any infringement of Mr Chien's right of privacy, as she is Mr Chien's closest relative and only heir.⁵⁶ This has been recognised by the Supreme People's Court as a ground of standing.⁵⁷ The Petitioner's ability to bring a claim on behalf of Mr Chien (1) respects Mr Chien's immortal dignity; (2) recognizes that the Petitioner's privacy is closely connected to that of her husband given their shared social status and contributions to China's literary culture;⁵⁸ and (3) recognizes the importance of the privacy of the *family* rather than just privacy of the *individual*.⁵⁹

C. The Petitioner's and Mr Chien's rights of privacy have been infringed

The right of privacy is a right enjoyed by natural persons, under which the person is free from publicity and any interference by others with personal matters only related to the person and personal information.⁶⁰

The following requirements demonstrate an infringement of the Petitioner's and Mr Chien's rights of privacy: first, the letters disclosed to the public are personal documents which contain personal information; second, there was a reasonable expectation that the letters would remain private; and third, the Petitioner's and Mr Chien's rights of privacy are not outweighed by the public interest.⁶¹ The Petitioner can satisfy all of these requirements.

(a) Personal letters are a class of documents which are private

By their very nature, personal letters exchanged between close friends are of a class of documents which should be protected under the author's right of privacy. Private letters are a kind of communication built upon mutual trust and confidence between correspondents. Personal letters are addressed to *specific* individuals, thereby explicitly signifying that only the recipient of the letter is entitled to read its contents. In this case, Mr Chien used personal letters to express his thoughts to a single person, Mr Lee, as opposed to another, public medium. Further, as a means of correspondence between Chinese citizens, the privacy interests in personal letters are protected by law under the *Constitution*.⁶²

⁵⁵ *Tort Law* Art.3.

⁵⁶ Facts, ¶11; *Interpretation of the Supreme People's Court on Problems Regarding the Ascertainment of Compensation Liability for Emotional Damages in Civil Torts* (2001), [*'Compensation Liability Interpretation'*] Art.3(2).

⁵⁷ Facts, ¶11; *Compensation Liability Interpretation* *ibid*.

⁵⁸ Facts, ¶11

⁵⁹ McDougal S. Bonnie, *Particulars and Universals: Studies on Chinese Privacy*, (1st ed., 2002).

⁶⁰ Wang Limin and Yang Lixin (eds) *The Law of the Rights of The Person* (The Press of Laws, Beijing, 1997) 147; Cao Jingchun, 'Protecting the Right to Privacy in China' (2005) 36 *Victoria University of Wellington Law Review* 645, [*'Privacy in China'*] 651; *Wang Fei v Zhang Leyi, Daqui.com and Tianya.cn*, Beijing Chaoyang District Court (2008) No 10930 of 2008.

⁶¹ *Yang Jikang*; Cao, *ibid*.

⁶² *Constitution of the People's Republic of China* (1982) Art.40.

(b) The letters contain personal information

The right of privacy protects the unwanted disclosure of personal information to the public.⁶³ Mr Chien's letters contain personal information regarding his intimate thoughts, emotions, opinions, and recollections of facts. The letters reveal information never before known to the public, including Mr Chien's private views on current events, modern literary celebrities and the processes of publishing his writings.⁶⁴ It is of no significance that the letters reference events and figures within the public domain. It is Mr Chien's private thoughts and comments consciously and deliberately made *outside* the public domain which are sought to be protected. It would be arbitrary to make a distinction between the intangible, personal thoughts of Mr Chien, which are unquestionably private, and the tangible expression of his thoughts through his writing of the letters to a personal friend.

Further, the calligraphy contained within the letters is necessarily personal because it expresses Mr Chien's emotions and spirit.⁶⁵ Calligraphy contains 'the trace' of an author – 'that is, an extension of the artist's own presentational self.'⁶⁶

(c) There was a reasonable expectation that the letters would remain private

It is clear that neither the Petitioner nor Mr Chien intended that the letters be disclosed to the public. This is evidenced by Mr Chien stating in one of the letters, 'I *cannot* tell the truth in public....' As Mr Chien had the ability to easily publish any information he wished, his decision not to publish the information contained within the letters demonstrates his intention that the letters were to remain private.

Further, the Petitioner also demonstrated her desire that the letters remain private through her own correspondence with Mr Lee in 1998. She expressly requested that Mr Lee take care to preserve the letters 'in his own hands'.⁶⁷ This view is enforced by the Petitioner's expressions of shock and hurt when the letters are made public.⁶⁸

(d) The Petitioner's and Mr Chien's rights of privacy are not outweighed by the public interest

The Petitioner acknowledges that the right of privacy is not absolute. However, because the right of privacy is a fundamental human right, only extreme circumstances will result in the right of privacy being inconsistent with the public interest.⁶⁹ This is not such a circumstance.

(i) *The contents of Mr Chien's letters do not contain information of such great significance to warrant public disclosure*

Examples of the types of information which may be in the public interest to disclose include: threats to public health and safety, national security, prevention and detection

⁶³ *Wang Fei v Zhang Leyi, Daqui.com and Tianya.cn*, Beijing Chaoyang District Court (2008) No 10930 of 2008.

⁶⁴ Facts, ¶5.

⁶⁵ Wen C. Fong, *Chinese Calligraphy* (Yale University Press and Foreign Languages Press, 1st ed. 2008), 33.

⁶⁶ *Ibid.*

⁶⁷ Facts, ¶12.

⁶⁸ Facts, ¶13.

⁶⁹ *Yang Jikang*.

of crime, and the proper administration of justice. Mr Chien's letters do not meet the public interest standard as they only contain typical personal correspondence between friends.

That the letters contain private views never previously disclosed to the public is insufficient justification for their disclosure.⁷⁰ If it were otherwise, infringements of privacy would be justified simply on the basis that the information disclosed was private. Such a justification would render the right of privacy utterly meaningless.

(ii) *The fact that Mr Chien is a public literary figure does not diminish his right of privacy in the letters*

An integral part of being an author and a literary figure is having the ability to decide what works you will and will not make available to the public.⁷¹ Authors write for a multitude of reasons other than publication including self-growth, enjoyment, clarity and *communication with close friends*. Therefore, a person's occupation as an author does not entitle or authorize public scrutiny of every written communication ever made by the author.⁷² Such a finding would suppress interactions by academics whose correspondence inevitably leads to cultural growth and the dissemination of new ideas.⁷³ All Chinese citizens must be afforded the protection to freely and privately communicate with others in order to form and develop meaningful friendships and family relationships.

D. The Respondent has infringed the Petitioner's and Mr Chien's rights of privacy

The Respondent has infringed the Petitioner's and Mr Chien's rights of privacy by (1) failing to seek permission from the Petitioner to make the letters available to the public; (2) making copies of the letters available to Chienism experts and six media companies without noting to keep the letters to themselves;⁷⁴ (3) publishing some of the letters on its official website;⁷⁵ and (4) publicly exhibiting the letters.⁷⁶

III. THE RESPONDENT MUST REMEDY ITS INFRINGEMENTS OF THE PETITIONER'S COPYRIGHT AND RIGHTS OF PRIVACY

Both copyright and the right of privacy are enumerated as civil rights and interests under the *Tort Law*.⁷⁷ Accordingly, the Petitioner can seek remedies from the Respondent as she can demonstrate: first, she has suffered damage; second, such damage was caused by the Respondent; and third, the Respondent is at fault causing such damage.⁷⁸ The Petitioner therefore, seeks an order that the Respondent's

⁷⁰ Facts, ¶5.

⁷¹ *Copyright Law* Art.10(1).

⁷² Samuel D. Warren and Louis D Brandeis, 'The Right to Privacy' (1890) 5 *Harvard Law Review* 193.

⁷³ Jeffrey L. Harrison, 'Privacy, Copyright and Letters' (2012) 3 *Elton Law Review* 161, 163; *Privacy in China*, 651.

⁷⁴ Facts, ¶4.

⁷⁵ Facts, ¶10.

⁷⁶ *Ibid*.

⁷⁷ *Tort Law* Art.2.

⁷⁸ *Tort Law* Art.6; *Guiding Opinions of the Beijing High People's Court on the Determination of Liability for Copyright Infringement Damages* 2005 ['*Copyright Infringement Damages*'] Art.1.

infringing acts cease and an order to compel the Respondent to compensate her for the damage she has suffered.⁷⁹

A. The Petitioner has suffered damage

(a) The Petitioner has suffered economic loss

By publishing the letters, the Respondent has taken away valuable economic rights of copyright. Now that exact copies of some of the letters are publicly available and have been widely reported on by major media,⁸⁰ the Respondent's actions have removed the Petitioner's right to determine, how, where, and at what price, if any, copies of the letters were to be sold.

The fact that the Petitioner had no intention to make the letters publicly available is of no relevance. Had the Respondent not published the letters the Petitioner could have controlled and decided whether to publish some of the letters which do not contain personal information. Further, there is nothing to say that the next inheritor of the copyright in the letters would not wish to exercise their right of publication so as to derive economic benefits.

(b) The Petitioner has suffered mental distress

The Petitioner has suffered serious emotional distress because of the Respondent's infringements.⁸¹ This is because (1) the letters contain personal information about her husband; (2) the important moral right of an author to decide whether, when and how to make a work available to the public has been violated, a right which is of particular significance to two of China's most famous contemporary literary figures;⁸² (3) the Petitioner has experienced the stress associated with extreme media coverage from the publication of the letters;⁸³ (4) the Petitioner was shocked and exceedingly hurt that the letters had been made public;⁸⁴ and (5) the personal privacy, trust and emotions of her husband are being sold and distributed as everyday commodities, which necessarily degrades the value and respect of Mr Chien and in turn the Petitioner.⁸⁵

B. The Petitioner's damage was caused by the Respondent

The Respondent has caused the Petitioner damage because its infringements were a necessary condition of the Petitioner's harm. The Petitioner's harm would not have occurred but for the infringements of the Respondent.

C. The Respondent is at fault for causing the Petitioner's damage.

The Respondent has acted contrary to the *Tort Law* and knew or should have known that its dealings in the letters infringed the Petitioner's copyright and rights of privacy.

⁷⁹ Facts, ¶14.

⁸⁰ Facts, ¶9.

⁸¹ *Compensation Liability Interpretation* Art.8.

⁸² Facts, ¶¶1,11.

⁸³ Facts, ¶9.

⁸⁴ Facts, ¶13.

⁸⁵ *Ibid.*

The Respondent, as a result of its status as an art company specialized in the purchase, exhibition, and sale of art works, should have known or ought reasonably to have known, so as to make inquiries, that the Petitioner had copyright and a right of privacy in the letters.

Further, the Respondent made no effort to curb or limit the media's use of the letters. In this respect, the Respondent failed to place any barriers, limits, or restrictions on how or to whom the letters could be published. In particular, the Respondent's negligent conduct of distributing electronic copies for the letters to six media companies without noting that they keep them to themselves, constitutes a marked departure from ordinary standards of decent commercial behavior.

As the Respondent is at fault for the aforementioned infringements, the Respondent should bear tort liability.⁸⁶

D. This Court should order that the Respondent cease their infringements and compensate the Petitioner for her damage

The Petitioner seeks the following orders from this Court: first, an order to cease the Respondent's acts of infringement of copyright and the Respondent's breaches of the Petitioner's and Mr Chien's right of privacy and second, order the Respondent to compensate the Petitioner for damages.⁸⁷

A claim for damages is not incompatible with a claim for a permanent injunction. The Petitioner is entitled to be compensated for the infringements of her copyright and right of privacy, as well as to have such unauthorized uses halted.⁸⁸

(a) The Respondent should pay compensation for the actual loss suffered by the Petitioner

The Respondent should pay compensation for the actual losses suffered by the Petitioner, which includes damages for economic loss and mental distress.⁸⁹ If these actual losses cannot be determined, this Court can decide on compensation amounting to not more than 500,000 RMB *yuan*.⁹⁰

In regards to the amount of compensation for economic loss, this honorable Court should consider the factors highlighted in Article 7 of the *Copyright Infringement Damages*.⁹¹

In regards to the amount of compensation for mental distress, this honorable Court should consider the factors highlighted in Article 10 of the *Compensation Liability Interpretation*.⁹²

⁸⁶ *Tort Law* Art.6.

⁸⁷ *Tort Law* Art.15; *General Principles of the Civil Law of the People's Republic of China* (1986), Art.134; *Copyright Law of the People's Republic of China* (2010) Arts.47(1), 48(1); *Civil Procedure Law of the People's Republic of China* Art.100.

⁸⁸ *General Principles of the Civil Law of the People's Republic of China* Art.134.

⁸⁹ *Copyright Law* Art.49; *Tort Law*, Art.22; *Copyright Infringement Damages* Arts.5, 6, 7.

⁹⁰ *Copyright Law* Art.49; *Copyright Infringement Damages* Art.23.

⁹¹ *Copyright Infringement Damages* Art.7.

(b) The Petitioner seeks an order to cease infringements

The Petitioner seeks an order to: first, cease the continued exhibition of the letters; second, cease the display of the letters on the Respondent's website and any other promotional material; and third, cease the sale of the letters.

As the Petitioner can demonstrate that monetary compensation will not suffice to remedy any wrong of the Respondent, this Court should make an order to cease such infringements.⁹³

- (i) *The Respondent's conduct will cause irreparable harm if an order to cease infringements is not granted*

Failure to stop the Respondent's conduct will cause irreparable harm. Continuation of the Respondent's conduct will first, continue to derogate from Mr Chien's works; second, continue to harm the Petitioner's personal rights; third, reduce Mr Chien's and the Petitioner's respect, integrity and social standing. Further, failure to inhibit the Respondent's conduct will only increase the Petitioner's market share losses and mental distress.

- (ii) *Monetary damages will not be sufficient to remedy the Respondent's infringements of copyright and privacy*

It is difficult to ascertain the monetary amount the Respondent's infringements have caused in terms of economic loss and mental distress. Although this Court should adhere to the principle of full compensation,⁹⁴ the Petitioner is not driven by money. Rather the Petitioner seeks to protect her family's privacy and the integrity of her husband's works.

- (iii) *An order to cease the infringement will not cause significant imbalance between the rights and interests of the Petitioner and the Respondent*

The only right the Respondent has in the letters is the proprietary interest. Article 39 of the *Property Law of the People's Republic of China* states that a property owner, such as the Respondent, has the rights to possess, use, seek profits from, and dispose of property according to the law.

Infringing the Petitioner's copyright and right of privacy is not in accordance with the law.⁹⁵ The Respondent has exploited its property rights at the expense of the Petitioner's rights. Therefore, ordering the Respondent to cease their infringements

⁹² *Compensation Liability Interpretation*.

⁹³ *Tort Law*, Art.15; *Copyright Law*, Art.48; *Civil Law of the People's Republic of China*, Art.134.

⁹⁴ *Opinions of the Supreme People's Court on Giving Full Play to the Functional Role of Intellectual Property Trials in Advancing the Great Development and Prosperity of Socialist Culture and Promoting Independent and Coordinated Economic Development* (2011), Art.10.

⁹⁵ *Copyright Law*; *Tort Law*.

will correctly balance the Petitioner's and Respondent's respective rights and interests.⁹⁶

The Respondent is an art company specialized in the purchase, exhibition and sale of artworks.⁹⁷ Therefore the Respondent should have been aware of their obligations under the *Copyright Law* and *Tort Law*. Even if the Respondent suffers some economic impact, it is a self-inflicted wound. Any self-induced hardship should not be given priority over the Petitioner's legitimate rights and interests.

(iv) *An order to cease infringement is in the public interest*

As previously outlined in this written brief,⁹⁸ the public interest will not be disserved by a permanent injunction. To the contrary, it is in the public interest to grant the Petitioner an injunction because: (1) it ensures important human rights such as privacy are respected; and (2) it ensures the goal of the *Copyright Law*, encouraging innovation, is realized; (3) if injunctions are presumed to be granted for such infringements, the increased certainty of being awarded an injunction promotes consistency and clarity of adjudication, so as to ensure social harmony and stability.⁹⁹

⁹⁶ *Opinions of the Supreme People's Court on Giving Full Play to the Functional Role of Intellectual Property Trials in Advancing the Great Development and Prosperity of Socialist Culture and Promoting Independent and Coordinated Economic Development* (2011), Art.2.

⁹⁷ Facts, ¶4

⁹⁸ See Petitioner's *Written Brief* above at: IE(a)(i); IIC(d).

⁹⁹ *Opinions of the Supreme People's Court on Giving Full Play to the Functional Role of Intellectual Property Trials in Advancing the Great Development and Prosperity of Socialist Culture and Promoting Independent and Coordinated Economic Development* (2011), Article 30; *Yang Jikang*.

Beijing Intellectual Property Court

Case No. 13-0015

Yang Jee,

PETITIONER,

vs.

Shirley Art Gallery,

RESPONDENT.

RESPONDENT

SHIRLEY ART GALLERY

REPLYING BRIEF

1511R

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ISSUE PRESENTED FOR REVIEW

I. Under applicable laws, whether Gallery infringed Chien's publication right, reproduction right, distribution right and internet dissemination right, when: 1) Chien was adept in Chinese calligraphy and he wrote the letters to Lee in calligraphic brush, 2) those letters mostly about publishing processes and Chien did not instruct Lee to keep secret, 3) Chien died in 1998, Yang Jee was the only heir of him, 4) Lee sold the letters to Gallery without notifying Gallery to keep secret, 5) Gallery made 10 copies and gave to media in appreciation seminar and to 4 experts, and 6) Gallery put some of the letters onto internet, when Gallery is doing an exhibition?

II. Under applicable laws, whether Gallery infringed Chien's privacy and/or Chien and Yang's privacy right when: 1) the letters mostly about publishing processes and Chien did not instruct Lee to keep secret, 2) the letters are about Chien's description of the rule of history, the academic nature of others translation books and social phenomenon of official lying, 3) Lee sold the letters to Gallery without notifying Gallery to keep secret?

STATEMENT OF UNDISPUTED FACTS

Yang Jee (Yang), widow of Chien Chung (“Chien”), sues Shirley Art Gallery (Gallery), an art company specialized in artworks business for infringement of copyright and privacy right of her deceased Husband and herself.

Chien was a very famous contemporary Chinese scholar and writer, and also adept at Chinese calligraphy. Lee Fung (“Lee”) is an editor-in-chief of a famous magazine *Wide Angle*. Chien contacts Lee from time to time to publish his articles and books, and they became acquaintance to each other.

Chien wrote more than 100 letters to Lee, all of which are in calligraphy with brush. Almost all the letters are about details of the process of publishing affairs, and in few occasions, Chien wrote on current events or modern literary celebrities. For example, in one letter Chien cited that “History has always been written by the winner, and living longer is a way to win” and to support this, he cited the fact that Lu Xun’s first wife was never mentioned in written materials.

Chien’s manuscripts are valuable materials to the study of the “Chienism” and Chien’s letters are popular amongst collectors. Nevertheless, Chien never specifically instruct Lee to keep the letters secret, except for once he mentioned that it is an ironic thing that he can not tell in public that the English version of *The story of the stone* translated by David Hawkes is better than that by his friend the Yangs, who both passed away in 2009.

Lee sold all those letters to Gallery, when the general manager of Gallery visited Lee. Gallery made electronic copy of the letters to archive them. Gallery also held an appreciation seminar and gave DVDs containing the electronic copies to three Chienism experts and six media companies they specifically invited, and emailed a copy to Fang Lun, a Chienism expert in United States. All the experts and the media knew those letters were never published. Except for those experts and media, no copy was revealed to anyone else. Gallery did not authorized the media to publish the letters, nevertheless media reported about those letters intensively, and some reports attached some pictures of the letters.

After the reports, Shirley Art Gallery held a public exhibition of those letters. And the gallery uploaded some of the letters onto its official website, in hope of attracting people’s interest on those letters. After the intensive reports and the later exhibition, Yang wrote a public letter that says she was hurt because the letters including privacy were sold. She asked the relevant parties to stop the seminar and selling of the letters.

ARGUMENT

We submit to this court that 1) Gallery did not Chien's copyright and (2) did not infringe Chien and Yang's privacy right, and does not infringe Chien's privacy

I. Under applicable laws, whether Gallery infringed Chien's publication right, reproduction right, distribution right and internet dissemination right, when: 1) Chien was adept in Chinese calligraphy and he wrote the letters to Lee in calligraphic brush, 2) those letters mostly about publishing processes and Chien did not instruct Lee to keep secret, 3) Chien died in 1998, Yang Jee was the only heir of him, 4) Lee sold the letters to Gallery without notifying Gallery to keep secret, 5) Gallery made 10 copies and gave to media in appreciation seminar and to 4 experts, and 6) Gallery put some of the letters onto internet, when Gallery is doing an exhibition?

We submit that Gallery did not infringe Chien's copyright for the following reasons: firstly, those letters are fine art works and Gallery as a legitimate owner has the exhibit right, and secondly, Lee or the media published the letters rather than Gallery, thirdly it is necessary for Gallery to reproduce, distribute and disseminate on internet the letters to exercise its exhibition rights.

(1) Gallery enjoyed the exhibition right of the letters as fine art works

(1)(A) Those letters are fine art works.

(1)(A)(a) Those letters meet the requirement for originality for fine art works.

Under Copyright Law, works require originality, which consists of independence and creativity.¹ In this case, those letters were all written by Chien himself, therefore, they were created independently. Chien is a very famous scholar and adept in calligraphy, and he wrote all those letters with calligraphic brush.² Those letters have great the artistic value. Thus those letters have creativity.

Fine art work is recognized as one kind of works.³ Under the executive rules of copyright law, fine art works are two or three dimension works with the value of appreciation created of different shapes of lines, colors or other elements, which includes painting, calligraphy, sculpture et cetera.⁴ Chien was quite adept at the art of calligraphy.⁵ Therefore, letters involved in this case constitutes fine art work.

(1)(A)(b) Those letters can be reproduced

Those letters were written on the paper, it can be reproduced.⁶

(1)(B) Gallery has the exhibition right of those letters.

¹ Copyright Law of the People's Republic of China, Article 3.

² IP Moot Court Problem, fact 2.

³ Executive Rules of the Copyright Law of the People's Republic Of China, Article 4, Section 8.

⁴ Executive Rules of the Copyright Law of the People's Republic Of China, Article 4, Section 8.

⁵ IP Moot Court Problem, fact 1.

⁶ Executive Rules of the Copyright Law of the People's Republic Of China, Article 2.

The owner of certain original fine art works has the exhibition right of the original version⁷. The respondent bought the original letters from Lee Fung, who had the legal ownership since he received those letters. Lee transferred to Gallery, Gallery became the owner, as fine artworks the letters are, the exhibition right of the original letters is transferred along with the ownership.⁸ And gallery has the exhibition right of the original letters.

(1)(C) Even if few letters constitutes literary works, exhibition right as fine art work shall be allowed.

It is petitioner's responsibility to prove that those letters constitute literary works under Copyright Law.⁹

Activities that provide arrangements do not constitute creation.¹⁰ It requires independency and creativity to constitute works.¹¹ Literary works are works expressing idea in the form of novels, poem, prose, essay.¹² It is absurd to recognize anything written by Chien as literary works. Otherwise, there is no need to require creativity. The content of process details is not enough to constitute the creativity. Those letters between Chien and Lee were mostly talking about the process details of publishing,¹³ such subordinating helping was not creation.

(1)(C) (a) Exhibition is the necessary way to utilize and promote fine art works.

Normally, literary works does not to be exhibited but exhibition is the necessary way to utilize and promote fine art works.

People actually read rather than see literary works. The meanings and expression rather than visual effect are the essence of the literary works. The content of a literary work can be detached from the original manuscript. There is no need to use the originals or the exact graphic reproduction to utilize literary works while it is much more convenient to print it in regular typeface. Even when exhibited; the visual value is appreciated as a fine art work.

For fine art works, the necessary way to utilize is to exhibit to people. Fine art works bears aesthetic value by combination of line and colors. In other words, people appreciate fine art work visually. Thus a person to appreciate a fine art work, he/she needs to look at it. In the case of a fine art work without copies, the originals are the only carriers of the visual figures. Exhibiting the originals is the necessary way to utilize and promote the fine art works.

(1)(C) (b) Exhibition of fine art works does not conflicts with literary works.

⁷ Copyright Law of the People's Republic of China, Article 18.

⁸ Copyright Law of the People's Republic of China, Article 18.

⁹(1)Civil Procedure Law of the People's Republic of China, Article 64.

(2) Some rules of the Supreme People's Court on Evidence in Civil Litigation(2001), Article 2.

¹⁰ Executive Rules of Copyright Law of the People's Republic of China, Article 3, Section 2.

¹¹ Executive Rules of Copyright Law of the People's Republic of China, Article 2.

¹² Executive Rules of Copyright Law of the People's Republic of China, Article 4 Section 1.

¹³ IP Moot Court Problem, Fact 5.

It is possible that one piece of work constitutes both literary works and fine artworks. The exhibition right has to be based on the originals. Besides, the exhibition right is based on the ownership of the originals. The intellectual property right cannot restrict the ownership.¹⁴ In this case, it is necessary to exhibit the letters, or the letters will be meaningless to the owner. If the exhibition right is restricted by the copyright of literary works, it would do against the basic value of Copyright Law to promote disseminating of culture.¹⁵

Exhibition of fine art works does not conflict with literary works, thus Gallery as the legal owner of the letters, shall be allowed to exhibit the letters as fine art works.

(2) Gallery did not infringe the publication right because Gallery did not publish those letters.

(2)(A) Gallery did not infringe the publication right because Lee published those letters.

(2)(A)(a) Gallery is an unspecific person because it has no obligation to keep secret.

“Unspecific people” means people who have no obligation to keep secret the work, and the number of the persons is not relevant.¹⁶ A single person can be one of the unspecific people as long as he/she has no obligation to keep the work secret. In this case, even though Gallery is one single entity, it is unspecific person because Lee did not request Gallery to keep secret.

Petitioner may argue that Gallery has obligation to keep secret even though Lee did not request it, because Gallery may still have an obligation to not to publish the letters. The logic is “if you can not publish it then you have an obligation to keep secret.” If that is true, then for an unpublished work, any person has the obligation to keep secret, and any person is a specific person. So, the obligation to keep secret does not include the general obligation to not to infringe publication right. Therefore, Gallery is an unspecific person since it has no obligation to keep secret.

(2)(A)(b) Lee published those letters by selling them to Gallery.

Lee made public the work, at least when Lee sold those letters to Gallery because Gallery is an unspecific person.

Copyright Law Article 10 provides publication right as the right to or not to make public the work.¹⁷ According to the Supreme Court’s interpretation, “made public” means providing the work to unspecific people.¹⁸ In this case, if Chien did not

¹⁴ Civil Verdict from the Supreme Court of Hubei(2003) No.18

¹⁵ Zhou Hewei, *Study in Protecting the Copyright of Letters*, China Intellectual Property News, <http://www.cipnews.com.cn/showArticle.asp?Articleid=30729> (9th May 2015).

¹⁶ Song Yizhen, *analyzing publication right*, Sun Yatsen University Forum, (2003) Vol 23, No 6.

¹⁷ Copyright Law of the People’s Republic of China, Article 10, Section 1.

¹⁸ The Supreme People’s Court on Some Issues of Applicable Law in Civil Cases of Dispute Over Copyright Interpretation Article 9(2002)

publish his letters when he wrote to Lee, Lee published those letters at least when Lee sold those letters to Gallery. Such theory is recognized by majorities.¹⁹ Lee sold those letters to Gallery, one of the unspecific people. Therefore, Lee published those letters.

(2)(A)(c) Lee's publication act exhausted Chien's Publication right

Lee's publication act exhausted Chien's Publication right even if his act is illegal. Being published is a factual status. Once a work is published, it is published. It does not matter whether the publication is legal or illegal. Supreme Court interpreted "made public" means providing the work to unspecific people by the copyright owner or other authorized people. However, the Supreme Court here refers to legal publication. If other person(s) published the work without authorization, it is illegal publication, and publication right was infringed.

No matter the publication is legal or illegal, once a work was published, the publication right exhausted, and cannot be used once and be infringed all over again.²⁰ Publication is a conduct publishing the works toward uncertain popularity.²¹ After that, there can be no infringement of publication right. The only recourse is to sue the people who illegally publish the work. In this case, it is disputable whether Chien gave Lee implied permission to publish those letters. Even if no implied permission was given, when Lee sold the letters to Gallery, it is published. It is impossible for Gallery to infringe Chien's publication right by providing those letters to anyone.

In summary, Gallery did not infringe Chien's publication right because Lee already published those letters when Lee sold those letters to Gallery, an unspecific person under the law.

(2)(B) Alternatively the media rather than Gallery published those letters.

(2)(B)(a) The media revealed the letters to the public

As alternative to our argument in (1)(A) above, Gallery did not infringe the publication right because those letters were published by media instead of gallery.²²

As argued above, even though Gallery is only one person bought the letters from Lee, it still can be unspecific person because it has no obligation to keep secret. If that argument is wrong, then the unspecific people must mean the people at large, rather than single person or few people.

In this case, Gallery did not give the copies of the letters to people at large, rather than few specific people. In this case, Gallery gave copies only to 4 Chienism experts, three in the seminar and Fang Lun. In addition, Gallery invited 6 media companies and gave them copies. Those experts and media are specific people. Firstly,

¹⁹ (1)Liu Chuntian *intellectual property law*, Edition,2000, p53.

(2)Wu Handong, *intellectual property law*, 3rd Ed.,Peking University Press,2011 Page 62.

²⁰ (1)Liu Chuntian, *Intellectual Property Law*, Renmin University of China Press 2012 Page 67

(2)Liu Chuntian, *Intellectual Property Law*, Edition,2000, p53.

²¹ Copyright Law of the People's Republic of China, Article 10, Section 1

²² IP Moot Court Problem, Fact 4,9.

only ten of them received the copies; Secondly, Gallery specifically chose the 4 experts and 6 media, rather than sent invitation to all Chienism experts and all media.

Only when the media presented the copies of the letters to the public, the letters were published. Publication means made public the works.²³ If Lee did not publish the letters when Lee sold the letters to the public, then Gallery did not publish the letters when gallery gave 4 experts and 6 media copies. Gallery did not authorize them to leak those letters to other people or the public. They knew they can not leak those letters to because Gallery did not have copyright of those letters.

Rather the media reported the letters and presented the full text of some manuscripts in the form of attached pictures.²⁴ Those reports were open to the public which provide the public the access to those letters. Any person brought news papers can access to the letters attached, thus those people are unspecific people. Therefore, those reports provided the letters to the public, and because of those reports, the letters are available to the public. So, the media's reporting acts constitute publication.

(2)(B)(b) Gallery is not liable for Media's act of publishing the letters.

Gallery is not liable for Media's act of publishing because it is the Media's own acts and there is not legal causation of Gallery's act and the publication.

Media published those originals under the circumstance that they knew those letters were unpublished. It is true that media cannot publish the originals without gallery's supplement. But for the supplement, there can be no publication by the media. However, Gallery is not liable because it is the media's independent acts of publishing those letters. For example, if a professor shares some copyrighted materials to his students for learning purpose and one student then make hundreds of copies and sent them to others. That professor is not liable for what his student has done. The reason is that the student should know it is shared only for education, and making additional copies and distributing will infringe the copy right owner's right.

In this case, the media knew the letters were not published yet, and they have duty to not make the letters public, because they know or should know such publication is prohibited under the Copyright Law. The ethic rule of journalists requires all journalists to steer clear of copyright infringement.²⁵ It is reasonable for the Gallery to believe the media will not publish those letters. Therefore, it is the media's own act of publishing those letters, so Gallery is not liable for Media's act of publishing the letters.

In summary, as alternative to argument in (1)(A) ,those letters were first published by the medias. Media knew those letters were unpublished, it is reasonable

²³ The Supreme People's Court on Some Issues of Applicable Law in Civil Cases of Dispute over Copyright Interpretation, Article 9(2002).

²⁴ IP Moot Court Problem, Fact 9.

²⁵ China National Journalists Association: Ethical Rules of Journalists in China Article 4, Section 4, (2009)

for the gallery to believe that they can steer clear of the copyright infringement. Therefore, gallery is not liable for media's infringement.²⁶

(3) Gallery did not infringe the copyright of Yang because it is necessary to realize the exhibition right of those originals, and it did not hurt the profits of copyright owner.

(3)(A) Permission for publication is implied because of exhibition right.

Exhibition right of the originals belongs to the owner of the originals even if the originals is detached from the copyright owner.²⁷ If the originals are not published yet, exhibiting the originals would publish them for sure, because both exhibition and publication are towards unspecific person(s).²⁸ The majority believe that an author of fine art work shall foresee the exhibition of his/her unpublished work when the author transfers it, therefore we can assume the author granted implied permission for publication.²⁹ Under the Copyright Law, both the conduct of publishing and exhibiting are towards the public. Before the works was published, it is reasonable to allow the owner of the originals to exhibit the originals while the owner of the originals and copyright owner is detached. Realizing the exhibition right should be an exemption of infringing the publication right. Such point is adapted by the revision craft of Copyright Law.³⁰ Although the revision craft has no binding force, it represents the typical opinions of the legislative and judicial. Lee who sells originals should have anticipated that gallery is going to exhibit the originals; his behavior implies the permission.

In short, Chien's behavior implied permission of publication to Gallery, the legal owner of the original letters.

(3)(B) Gallery did not infringe the reproduction right

(3)(B) (a) Gallery reproduced the letters to utilize the exhibition right

Gallery did not infringe the reproduction right because such reproduction is necessary for Gallery to exhibit as the legal owner of the original letters.

Judge Chen Jinchuan, vice-president of Intellectual Court of Beijing, believes when the owner of original fine art works makes necessary copies to prepare for exhibition, it is not illegal against reproduction right.³¹ Besides, the law protects the exhibition right of the original artworks. In order to fulfill the value of the original works, It is necessary to carry on some propaganda. In this case, reproducing the original works is necessary to collect certain audience while steering clear of the copyright.

²⁶ *Corcoran v. Southwestern Bell Tel. Co.*, 572 S.W.2d 212 (Mo. Ct. App. 1978).

²⁷ Copyright Law of the People's Republic of China, Article 18.

²⁸ (1) Copyright Law of the People's Republic of China, Article 10, Section 1,8;

(2) The Supreme People's Court on Some Issues of Applicable Law In civil Cases of Dispute over Copyright Interpretation Article 9(2002);

²⁹ Liu Chuntian *intellectual property law*, 2008 p53.

³⁰ 2014 Revision Draft of Copyright Law, Article 22, section 3.

³¹ Chen Jinchuan, Some Issues on Copyright Hearing, Lecture in XX University, 4th April 2015

Gallery reproduced 10 copies of those letters, and gave 4 copies to experts and 6 copies to media. It is necessary to appraise those letters before the exhibition. It is reasonable in amount. Besides that, Gallery did not make any additional copies.

(3)(B)(b) Such necessary does not hurt the profits of reproduction right that the law protects.

What is more, the most important reason of protecting reproduction right is to protect the property rights of works.³² If anyone is allowed to reproduce certain works as he wants, it is almost impossible for the copyright subject to realize the property copyrights especially in the era of convenient reproducing. However, the necessary reproduction by Gallery hurt none profit of the property copyrights. Because the public have no access to the pictures of Gallery's possess. That is to say, if madam Yang is going to realize the copyright of the letters by printing a book, the necessary reproducing has no impact on the amount of potential buyers because they have no access to the copy of Gallery. However, if such necessary reproduction is prohibited, there is no way for the respondent to promote the original letters, which make it impossible to exhibit the originals to the public and Gallery spent 500,000yuan to buy the originals but no actual rights. Such prohibition is unfair and goes adversely of the Copyright Law. Therefore, respondent believes such necessary reproduction brought no harm to the property copyright should be allow which is recognized by both judges and scholars³³. Following the principle of contract law, and Gallery did not infringe the reproduction right.

(3)(C) Gallery did not infringe the distribution right.

Under the copyright law, distribution right involves the right to provide the public with the original copy and reproduced copy by selling or granting.³⁴ Firstly, the right subject has the right to utilize the distribution right, unauthorized distribution is prohibited by copyright law. Second, distributing is conduct towards uncertain people. People who received those copies are specific people, they were not "public" under the copyright law. Therefore, such conduct sending copies to ten specific people by gallery did not constitute distribution. In this case, in order to evaluate those letters, it is necessary to make 10 copies and send those copies to the guests. On the one hand, it is necessary to send those copies in order to show the gallery did has those originals. On the other hand, it help those experts to preview the letters and help the medias to catch up with the evaluation. The dissemination of ten copies toward 10specific person did not infringe the distribution right of Yang.

(3)(D) Gallery did not infringe the internet dissemination right.

It is necessary for the gallery to exhibit the originals letters on their official website, they only uploaded some of the letters and such conduct did not undermine

³² Feng Xiaoqing, Fu Jicun, *Study in Reproduction Right in Copyright Law*, Jurists Review, (2011)Vol 3.

³³ Chen Jinchuan, *Some Issues on Copyright Hearing*, Lecture in ** University, 4th April(2015); Feng Xiaoqing, Fu Jicun, *Study in reproduction right in Copyright Law*, Jurists Review, (2011) issue 3; Jin Haijun, Law Science, *Study in Rights of Rem, Copyright and Privacy as Well as Connections Among Them*, Legal Science, (2013) Issue 10.

³⁴ Copyright Law of the People's Republic of China, Statute 10, Clause5.

the value of Chien's works, on the contrary, gallery make more people know about Chien's masterpiece by exhibiting.

Gallery has the right to exhibit the original letters. Any discussion about certain right cannot be detached from the background of contemporary society. In such an internet global village, it is necessary for the gallery to held exhibition on the internet.

Not to mention that gallery only exhibition some of those letter. Gallery uploaded those letters to the internet in order to use the wide-spread platform to exhibit it, as the same purpose of exhibition.

Such conduct did not hurt the profit of right subject since the gallery was exhibiting and the exhibition right is protected by the copyright law. Therefore, such dissemination of some of those letters is necessary to realize the exhibition right.

In Conclusion, Gallery did not infringe Chien's copy right because it is the other parties rather than Gallery published the letters, and Gallery reproduced, distribute and disseminated the letters in limited extent to carry out exhibitions.

II. Under applicable laws, whether Gallery infringed Chien's privacy and/or Chien and Yang's privacy right when: 1) the letters mostly about publishing processes and Chien did not instruct Lee to keep secret, 2) the letters are about Chien's description of the rule of history, the academic nature of others translation books and social phenomenon of official lying, 3) Lee sold the letters to Gallery without notifying Gallery to keep secret?

We submit that Gallery did not infringe Chien and Yang's privacy right, and does not infringe Chien's privacy for the following reasons: firstly, Chien as a deceased person has no privacy right; secondly, the letters are not about Yang's privacy; thirdly, the letters contains no personal affairs of Chien and Chien had no intent to keep them secret and fourthly, even if Chien's privacy are disclosed, Gallery is at no fault for the disclosure.

(1) Respondent did not infringe Chieng Chun's or Yang Jee's privacy right

(1)(A) Chieng Chun has no privacy right since he passed away

The period of capacity of civil rights is ranging from birth to death.³⁵ Privacy right is one of our civil rights, which means only when people live they can enjoy the civil rights. In this case, Chien passed away in 1998, and Yang sued the Gallery in 2013.³⁶ Chien actually had lost his privacy right.

(1)(B) Respondent did not infringe Yang Jee's privacy right

³⁵ General Rule of Civil Law of the People's Republic of China, Article 9.

³⁶ IP Moot Court Problem Fact 1.

Yang has not privacy in those letters because none of the letters is about her. Any of these letters did not mention about Yang's personal life. That means these letters do not contain Yang's privacy. Yang introduced no evidence to prove the letters are about her personal life. In summary, defendant does not infringe Chien's privacy right and Yang's privacy right.

(2) Gallery did not infringe Chien's privacy

(2)(A) No privacy is included in these letters

Deceased people can still have privacy.³⁷ Thus, their families could sue for infringement like disclosure the privacy of dead person illegally.

The law does not exactly define privacy. We generally consider privacy as personal affair with intent of keeping the affair secret. It means that privacy is personal affair, and people would not like to allow others to know.³⁸ Thus, privacy consists of two elements: personal affair and intent of keeping secret.

(2)(A)(a) No personal affair included in those letters

The letters are not about personal affairs. In this case, no personal affairs are included in these letters. Most of the letters are details about the process of publishing Chien's writings; thus, those are not about personal affairs. All of the experts invited into the exhibition are concentrated on the high value of calligraphy and its academic value but not Chien's personal life or his qualities.

(2)(A)(a)(i) Publishing process were not personal affair

For most letters, the content of details about the process of publishing Chien's writings is working stuff having no relevant with personal life and secrets, the private affair, so those contents are not privacy. Petitioner Yang did not provide additional materials about the letters other then the 3 letters contains privacy. Under the Civil Procedure Law, one who claims bears the burden to prove. Because Yang failed to prove the other letters contains privacy, no privacy shall be found merely because of her allegation.³⁹

(2)(A)(a)(ii) Objective description on academic field was not personal affair

The letter about Yangs' translation work was not privacy, "I found that the English version translated by Hawkes is much better than that by Yangs."⁴⁰ It is not a thing about his private life but an objective description on academic field as he is a scholar. It has no relevance to personal emotion or value judgment. In this case, what did Chien describe is just a translation work itself but not about the author and the description have no relevance to Chien's personal emotion. Moreover, when the gallery held the exhibition, both Chien and Yangs had passed away, it would not

³⁷ Interpretation of the supreme People's Court on Some Issues of Determining the Spirit of Tort Liability for Damages.

³⁸ Wang Liming, *Analysis about Privacy Right*, Zhejiang Social Science, (2007), 3rd.

³⁹ Civil Procedural Law of the People's Republic of China, Article 64.

⁴⁰ IP Moot Court Problem Fact 6.

damage their friendship with Chien and Yang. Thus, it would not make the embarrassment for the friendship between Chien and Yangs.

(2)(A)(a)(iii) Objective description about history was not personal affair

The letter about his views on modern celebrity is also not his private affair. “History has always been written by the winner, and living longer is a way to win.” The example is neither LuXun’s privacy or Chien’s secret but an objective description about history and it is just an objective demonstration for the cliché, owing to “the private discussions have been heated both at home and overseas.”⁴¹ So the demonstration is also not about personal secret, but a fact known by many people.

(2)(A)(a)(iii) Objective reflection on social phenomenon was not personal affair

The letter about official lying is not personal affairs. “Official and lies are just the same as chickens and eggs. If you want to be an official, you must lie... So lying is a sort of occupational fault for officials.”⁴² It is the objective reflection on social phenomenon and public view having no relevance about Chien’s personal emotion, so that is absolutely not privacy.

(2)(A)(b) Chien’s privacy is limited because of he is a figure status

Even if there is minor privacy included in those letters, Chien as a famous scholar in academic field, his privacy right should be limited in the specific field.

“People who devoted themselves to public will lose the privacy right owing to his personal life cannot be separated from his work.”⁴³ Chien acquired high reputation and benefit in academic field especially in Chienism. So, according to the principle of integration of power and responsibility, Chien had to burden more responsibility like limitation of privacy right. “In Hemingways, the Chief Judge Fuld used the principle of lower privacy right to celebrities.”⁴⁴ In this case, Chien’s view on current literature is connected with academic field which provide him with high reputation and benefit, thus, even Chien regarded his letters as privacy those letters were still no privacy.

All the facts show that those letters are all about academic field and social phenomenon but not personal affair. And what all Chienism experts care is only about the academic and art value of those letters. Thus, there is no privacy of Chien included in these letters. For the reasons stated above, the letters contains no privacy of Chien.

(2)(B) Chien had no intent of keeping those letters as privacy

(2)(B)(a) Chien did not warn Lee to not transfer those letters

⁴¹ IP Moot Court Problem Fact 5.

⁴² IP Moot Court Problem Fact 7.

⁴³ *Melvin v. Reid*, 112 Cal. App. 285, 297.

⁴⁴ *Hemingway’s Estate v. Random House, Inc.*, 23 N. Y.2d 341 (1968).

For the intent of keeping personal affair, although, as petition's claim, minor privacy is included in his letters Chien still had no intent to set a limit on his manuscript about transferring. He did not intent to keep the content of his manuscript as secrets.

Chien could realize that how valuable his manuscripts are. If he did not do some protection like telling Lee do not sale them, or destroying them after reading, his manuscripts would probably be transferred as significant masterpieces.

(2)(B)(b) Chien could anticipate the act of assignment

Chien transferred Shen Congwen's manuscript to Lee as a gift, which is hung in Chien's house.⁴⁵Chien's action showed that he also transferred friends' manuscript to other. He could anticipate that what he gave his friends had possibility to be transferred to others. Liang Qichao, a famous contemporary Chinese scholar and writer, who letters had been published without Liang's permission in 1994. At least, Chien is believed could anticipate Lee's action.Chien could realize his letters might be published or sell someday if he did no protection, and he did nothing to protect. Therefore, Chien did not has the intent to take the letters are privacy.

Additionally, Lee, as an editor, must discuss with other editor about Chien's publishing, in other words, Chien could not expect Lee will keep the contents himself if Chien did not prohibit Lee uncovering it owing to their letters are about working stuff. Chien could expect that Lee may reveal or even transfer them someday. And if people agree with the transference of letters actually means he abundant the privacy in those letters.⁴⁶

To summarize, Chien did not have the intent to keep the the letter secret.

(3) The gallery at no fault for disclosure

The principle of torts law is liability for fault. Fault is required for liability. The privacy right is not claimed as an exception in torts, therefore at fault rule applies. Gallery neither know nor shall know that these letters are about privacy because no privacy included in those letters as I expositied above. Thus, even if the three letter contains privacy and was disclosed, Gallery is not at fault.

Firstly, if Chien treat the letters as private he should take protection. Chien is famous contemporary scholar whose views and affair are valuable and attractive to the public. Under the condition, if Chien consider something as privacy he had to protect them much strongly then normal person. In this case, although Chien mentioned "I cannot tell the truth in public", that kind of language is only once in more than 100 letters, it was not enough to protect his private things. Chien could realize that how valuable his manuscripts are, at least he had to do some protection like specifically telling Lee do not sale them, or destroying them after reading.

⁴⁵ IP Moot Court Problem Fact1.

⁴⁶ Jin Haijun, Law Science, *Study in Rights of Rem, Copyright and Privacy as Well as Connections Among Them*, Legal Science, (2013) Vol 10.

Secondly, Gallery relied on Lee's ownership of those letters. Gallery is an art company specialized in the purchase, exhibition and sale of artworks. Lee could notify gallery that the letters shall not be revealed. However, Lee sold the letters to Gallery without saying anything. So Gallery should not know those letters contain privacy. Yang wrote a letter to Lee requesting Lee to preserve those letters.⁴⁷ However, Lee did not tell the gallery about this letter. So Gallery should not know those letters contain privacy.

Thus, even if the three letters contains privacy and was disclosed, the gallery has no fault in infringing Chien's privacy.

In summary, Gallery did not infringe Chien's privacy because the letters contains not personal affairs, Chien had not intent to keep them secret and Gallery is not at fault for the disclosure.

⁴⁷ IP Moot Court Problem Fact 12.

CONCLUSION

In Conclusion, Gallery did not infringe Chien's copy right because it is the other parties rather than Gallery published the letters, and Gallery reproduced, distribute and disseminated the letters in limited extent to carry out exhibitions. Gallery did not infringe Chien's privacy because the letters contains not personal affairs, Chien had not intent to keep them secret and Gallery is not at fault for the disclosure.

Gallery respectfully requests this court to dismiss Petitioner Yang's claims for Copyright infringement and Privacy infringement.

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CLAIMS TO THE COURT

WANG and YANG claim the following to the court, requesting a fair decision for the legally protected rights:

1. Beijing Industrial University shall give WANG and YANG reward and remuneration for their service technical achievement and service invention, which is RMB 1,104,533 for each person;

AND

2. Beijing Industrial University shall bear the litigation costs.

FACTS

(FLOW CHART ATTACHED BELOW)

Petitioners: WANG Xinghao & YANG Rong

respondent: Beijing Industrial University

Ouke Company (not involved in the case): hereinafter referred as Baoding Ouke Fine Chemistry Ltd.

Technology: hereinafter referred as the technology of “Iron-Titanium Composite Series Mica Pearlescent Pigment”

Patent: hereinafter referred as patent of “Iron-Titanium Composite Series Mica Pearlescent Pigment and Preparation Method Thereof”

Development Agreement: hereinafter referred as “Technology Development Agreement” (In February 1999)

Investment Agreement: hereinafter referred as “Agreement Regarding Investment in Capital Using the Technology and Patent of Iron-Titanium Composite Series Mica Pearlescent Pigment” (In June 6, 2001)

Distribution Agreement: hereinafter referred as “Agreement Regarding the Distribution of Benefits in Relation to Ouke Company Shares” (On March 13, 2009)

The development of the facts can be divided into four phases:

Phase 1 (Until February 1992): The petitioners had accomplished the service technical achievements

The petitioners Wang, Yang are the employees of the Beijing Industrial University and meanwhile they are the real person who accomplished the technology and the patent. The respondent exclusively owns the technology and the patent in issue.

Phase 2 (From February 1992 to March 3, 2009): The respondent had only allotted part of the benefits.

In February 1999, the respondent and Ouke Company entered into the Development Agreement in which both parties agreed that as the transfer of the technology and the patent, the respondent would be given RMB 1 million as well as 10% of the shares by Ouke Company. Nevertheless, after the conclusion of the contract, the respondent only paid 86% of the payment while the share benefits had not been distributed.

On June 6, 2001, the respondent and the Ouke Company entered into the Investment

Agreement, which specifies that the consideration of the shares transferred by the technology investment is RMB 1,000,000 and 1,000,000 shares (worth RMB 1,000,000) in which RMB 240,000 is the debt transferred by the shares and the remaining RMB 7,600,000 is the value of the technology and the patent in issue.

Phase 3 (From March 13, 2009 to November 2009): The petitioners and the respondent entered into the Distribution Agreement.

On March 13, 2009, the petitioners and the respondent entered into the Distribution Agreement. Afterwards, the contract was remarked by the respondent. It specifies that after the deduction of 20% of the fees, the petitioners and Liu (person not included in this case) can obtain 80% of the share benefits which include distribution, dividend, and other profits generated from the shares.

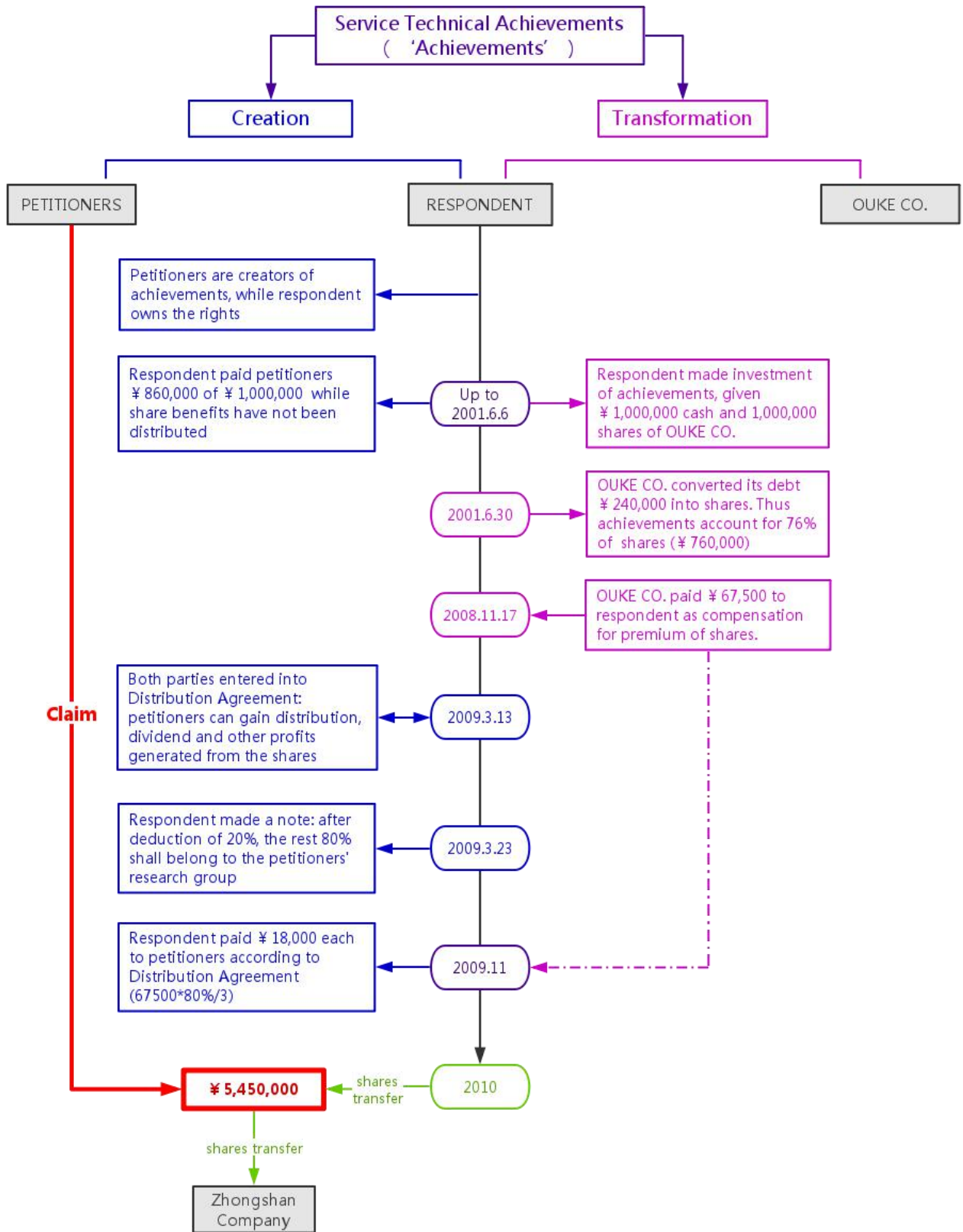
According to this contract, after receiving the premium compensatory payment of 67,500 shares, the respondent paid two petitioners RMB 18,000 respectively.

Phase 4 (From May 5, 2010 to April 2015): The transfer of the shares

On May 5, 2010, the respondent sold and transferred its 1,000,000 Ouke Company shares to Guangdong Zhongshan Technology Development Company at RMB 5,450,000. And until now, the respondent has not distributed any benefits to two petitioners.

And thus in April 2015, the petitioners file a litigation to the court.

FLOW CHART OF THE FACTS



LIST OF AUTHORITIES

Laws & Administrative Regulations:

Law of the People's Republic of China on Technology Contracts (1987), Article 6

Implementing Regulations of the Law of Technology Contracts of the People's Republic of China (1989), Article 4

General Principles of the civil Law of the People's Republic of China (1986), Article 55

Law of the People's Republic of China on Promoting the Transformation of Scientific and Technical Achievements (1996), Article 29

Law of the People's Republic of China on Promoting the Transformation of Scientific and Technical Achievements (2015 Amendment), Article 45

Revised Draft Patent Law of the People's Republic of China (Advice Consulting Draft) (2015), Article 6

Draft Regulation of Service Invention of the People's Republic of China (Manuscript)

Judicial Interpretation:

Opinions of the Supreme People's Court on Several Issues Concerning Correctly Deal with the Disputes over Science and Technology (1995), Article 47

Regulating Document:

Several Opinions of the CPC Central Committee and State Council on Deepening the Reform of System and Mechanism and Accelerating the Execution of the Innovation-Driven Development Strategies

Judicial Decisions:

Yikai Real Estate Development Co., Ltd. v. Tao Cheng, Liaoning Provincial Higher

Peoples Court, No. Minerzhongzi 00221/2014

Weng Like v. Pudong EW Fuel Injection Co., Ltd. & Shanghai Diesel Engine Co., Ltd.,
The Shanghai Higher People's Court, No. Gaominsan(IP)zhongzi 23/2008

Shanghai Cunliang Trade Co., Ltd. v. Jiang Zhidong & Wang Weiming, Shanghai No.
1 Intermediate People's Court, No. Yizhongminsi 1302/2010

Peng Yiting, etc. v. Hubei Industrial University, Hubei Province Higher People's Court,
No. Minsanzhongzi 00109/2014

Qingdao Jingda plastics machine Co., Ltd. v. Zhao bingquan & Jiang Mingyu,
Shandong Qingdao Intermediate People's Court, No. Lujingzhongzi 738(1999)

The Anti-Corrosion Steel Lining Glass Factory v. Guo Zhiming, etc., Gazette of the
Supreme People's Court, 1995 (4).

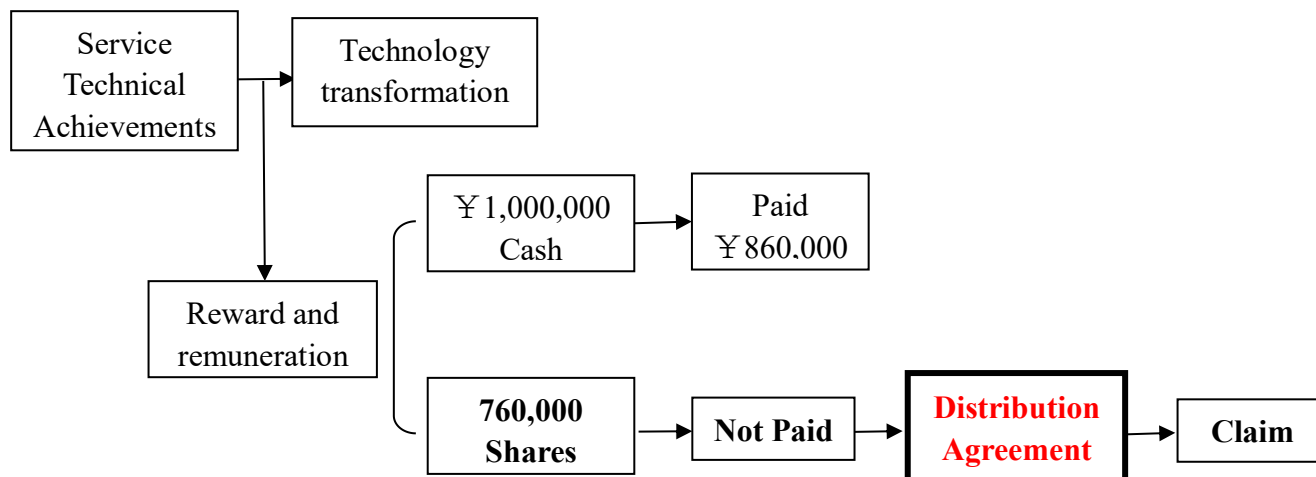
Journal Articles:

Feng Xiaoqing, *The Value Construction of the Intellectual Property Law: Benefits Balance Institution Research of the Intellectual Property Law*, *China Legal Science*, 2007(1)

Li Weiyang, *Discussion on the Necessity and the Rationality of the Ownership Contractualization of the Service Invention*, *Law Science*, 1998(9)

PLEADINGS

FLOW CHART OF DEMONSTRATION



I . The Technology and the Patent in Issue Are Service Technical Achievements, thus the Petitioners Are Entitled to Claim for Reward and Remuneration

A. The technology and the patent in issue are service technical achievements

According to Article 6, Clause 1¹ of the Law on Technology Contracts, Article 4, Clause 1, Item 1² of the Implementing Regulations of the Law of Technology Contracts and Article 47³ of the Opinions of the Supreme People’s Court on Several Issues Concerning Correctly Deal with the Disputes over Science and Technology, the service technical achievement can be made by employee during the performance of his work. Thus the constitutive requirements of the service technical achievement are: (1) In the matter of subject, the subjects should correspondingly be employee and employer; (2) The employee shall be the person who accomplishes the technical achievement; (3) The technical achievement is made by the employee during the

¹ *Law of the People's Republic of China on Technology Contracts* (1987) Article 6: Technical achievements obtained by a person in carrying out a task of the unit to which he belongs or mainly through using the technological and material means of such a unit shall be service technical achievements. The right to use or to transfer a service technical achievement shall belong to the unit, which shall have the right to conclude technology contracts concerning such a technical achievement. The unit shall reward the individuals who accomplished the technical achievement on the basis of the proceeds realized from the use and transfer of such an achievement.

² *Implementing Regulations of the Law of Technology Contracts of the People's Republic of China* (1989) Article 4.1.1: “The tasks performed for one's unit” referred to in Article 6 of the Technical Contract Law mean: (1) research projects and technological development undertaken by on- the-job personnel within a work unit or the duties on the posts.

³ *Opinions of the Supreme People’s Court on Several Issues Concerning Correctly Deal with the Disputes over Science and Technology* (1995) Article 47: “duties on the posts” referred to the Article 4.1.1 of Implementing Regulations of the Law of Technology Contracts of the People's Republic of China means: according to the unit’s rules on the work tasks and spectrum of duty.

performance of his duty and is in accordance with the job mission and the responsibility scope, which has already supported by court in the juridical practice.⁴

In this case, the technology and the patent are service technical achievements. (1) The petitioners are employees while the respondent is the employer; (2) The petitioners are just the people who accomplished the technology and the patent in issue; (3) Petitioners, the research fellows of the chemistry department of Beijing Industrial Institute(the respondent) are in charge of the research work of chemical substances, while the technology and the patent in issue are the very achievements of the new chemical substances of “Iron-Titanium Composite Series Mica Pearlescent Pigment”, namely the technology and the patent in issue are in accordance with the job task of petitioner’s post. Further more, the fact that the petitioners are dispatched by the respondent to Ouke Company (the party not involved in this case), and the petitioners are responsible for the development and the technical problem occurred in the course of mass-production of the technology and the patent in issue, with further demonstrates that the technology and the patent in issue are directly related to petitioner’s job task. Thus the technology and the patent in issue are made when the petitioners perform their post responsibilities in job.

In addition, no other person who is not involved in this case claims for the rights of reward and remuneration of the technology and the patent in issue. On the basis of that, the service technical achievements in issue are service technical achievements.

B. The petitioners are entitled to claim for reward and remuneration.

Under Article 6, Clause 1⁵of The Technology Contract Law: The unit shall reward the individual who accomplished the service technical achievement on the basis of the proceeds realized from the use and transfer of such an achievement.

the rights of reward and remuneration is the legal right, which lies in the balance between various interests. Any service technical achievement shall meet two requirements: (1) unit’s material resources and facility; (2) Innovative labor put in by the achievement inventor. Both parties’ labor is indispensable to the accomplishment of the technical achievement. But in the circumstances of market, in order to stimulate unit’s investment initiative, the law endows unit the exclusive right upon the service technical achievement in the respect of the service technical achievements’ ownership. Nevertheless, in the respect of economic benefits generated from the service technical achievements, virtually the employee is much inferior to the employer, their

⁴ *Qingdao Jingda plastics machine Co., Ltd. v. Zhao bingquan & Jiang Mingyu*, Shandong Qingdao Intermediate People’s Court, No. Lujingzhongzi 738 (1999). The court held that the invention developed in the course of the performance of duty was the service invention. To resolve who shall be vested with the application right, it was the basis to rectify inventor’s invention process and confirm whether the behavior nature was in accordance with the stipulation of the service invention. The duty of the inventor and the technical proposal content of the patent shall be in accordance with the business scope of employer’s business license, namely the manufacture of plastic machines and product.

⁵ The same to footnote1.

replaceable innovative labor frequently cannot get its reasonable return. Based on that, the law endows the person who accomplish technical achievement the legal and stable right of reward and remuneration so as to guarantee their reasonable returns as well as encourage the creators of the service technical achievement to invent and create positively. And that is also recognized in juridical practice.⁶

In this case, the petitioners are the creators of the service technical achievement, and thus are entitled to claim for the rights of reward and remuneration. Such as the “Appeal case of reward and remuneration dispute between Wengli, Shanghai Pudong Fuel Injection Ltd and Shanghai Diesel Ltd.”. the patent in issue was the service invention, and the petitioners were inventors. Thus the court held that the petitioners were the designers of the utility model, thus were entitled to claim for reasonable remuneration upon the service technical achievement.⁷

Based on that, the petitioners-creators of the technology and patent in issue are entitled to claim for reward and remuneration.

II. The Petitioners and the Respondent Entered into the Distribution Agreement upon the Undistributed Reward and Remuneration

A. The petitioners’ right of reward and remuneration in relation to the share benefits have not been realized

In this case, the respondent and the Ouke Company entered into the Development Agreement in February 1999 in which both parties agreed that Ouke Company promised the respondent RMB 1,000,000 cash as well as 10% of Ouke Company’s shares in return for the transfer of technology and patent in issue.

Yet, the respondent only paid 86% of the RMB 1,000,000 cash proceeds from the transfer, to be more specific RMB 860,000, to the research group of WANG, YANG and LIU. For the undistributed shares, as it has been mentioned above, the consideration of the service technical achievements includes two parts- cash and shares. The reason why the respondent chose shares rather than the cash as the consideration laid in the bright prospect of the proceeds from the production management of the technology. The consideration of the technical achievements is the shares instead of the face value of the shares. Otherwise, the respondent would choose the cash which is stable and risk-free. And the share value is incessantly changing that it can be actually confirmed after the transfer of the shares. Thus the petitioners can realize the rights of reward and remuneration after the shares are transferred. Now that

⁶ See Feng Xiaoqing, *The construction value of intellectual property law: The benefits balance mechanism study of intellectual property law*, China Legal Science, 2007 (1).

⁷ See *Weng Like v. Pudong EW Fuel Injection Co., Ltd. & Shanghai Diesel Engine Co., Ltd*, The Shanghai higher people’s court, No. Gaominsan (IP) zhongzi 23/2008.gazette of the supreme people’s court of the people’s republic of china.

the specific value of the 10% shares in 1999 cannot be confirmed, it is unpractical to distribute the share benefits. As a result, the share benefits were not distributed at that time. And because the rights of reward and remuneration of the share benefits the petitioners are entitled to have are not realized, subsequently, the petitioners and the respondent entered into the Distribution Agreement.

To sum up, the petitioners' right of reward and remuneration upon the share benefits have not been realized.

B . The petitioners and the respondent have entered into the Distribution Agreement

On March 13, 2009, the petitioners and the respondent entered into the Distribution Agreement in which both parties agreed that the benefits in relation to Ouke Company's shares including distribution, dividend and other profits generated from shares shall be allotted evenly among the two petitioners and Liu, and afterwards according to respondent's rules and policies, notes were made on the contract that the petitioners and Yang can claim 80% of the share benefits after the deduction of 20% fees.

The contractualization of reward and remuneration of the service technical achievements not only specifies the reasonable return for the petitioners as the creators of the technical achievements but also manifests the respondent-as a unit, its value pursuit of respecting talents and encouraging innovation.⁸ The respondent embodies its policy contents in this contract and the excellent tradition which guarantees the right and interest of the service technical achievements' creators should be continuously promoted and inherited.

As for the validity of the contract, both the petitioners and the respondent all have relevant capacity for civil conduct, their intention expressed is genuine and meanwhile the act also does not violate the Law or the public interest, thus the contract is in accordance with the constitutive requirements of the effective civil juristic act which is provided in Article 55⁹ of The General Principles of the Civil Law. Therefore, the contract is valid and effective.

Such as the "Appeal case of sales contract dispute between Shanghai Cunliang Trade Ltd and Jiang Zhizhong, Wang Weiming", the court held that the steels sales contract signed by the petitioners and the respondent were the genuine expression of both

⁸ See Li Weiyang, *On the necessity and rationality of the right ownership contractualization of the service technical achievement*, *Law Science*,1998(9).

⁹ *General Principles of the Civil Law of the People's Republic of China* (1986) Article 55: A civil juristic act shall meet the following requirements:

(1) the actor has relevant capacity for civil conduct;

(2) the intention expressed is genuine; and

(3) the act does not violate the law or the public interest of General Principles of the Civil Law of the People's Republic of China.

parties and the contents were not violating the stipulation of the law, meanwhile it was valid and effective and therefore, both parties shall perform the contract.¹⁰

To sum up, upon the undistributed share benefits, the petitioners and the respondent signed a valid and effective distribution contract which entitled the petitioners the right to claim for 80% of the benefits in relation to Ouke Company's shares which includes distribution, dividend and other profits generated from the shares hold by the respondent.

III. The Petitioners Are Entitled to Claim for the Shares Transfer Benefits of RMB 1.1046 Million Based on the Distribution Agreement

A . The distribution of share benefits refers to the allocation of proceeds generated from the shares transfer

The word "distribution" originally means allotment,¹¹ and the object of the Distribution Agreement is the benefits in relation to Ouke Company's shares. Therefore, the word "distribution" shall be construed as "the allotment of the share benefits". And the agreement also signifies that the benefits in relation to Ouke Company's shares include distribution, dividend and other profits generated from the shares. The conjunction "And" indicates the coordinate structure of that sentence and the three sections presented are of the same nature. "Other profits generated from the shares" is the miscellaneous provision of the share benefits, namely the petitioners and the respondent are inclined to cover all the benefits in relation to Ouke Company's shares in this contract. And meanwhile the benefits of the shares distribution and the dividends shall be the principal constituents of the share benefits, and as the dividends are the proceeds obtained during the course in which the shareholders are holding the shares. Then, the distribution of the share benefits shall be construed as the distribution of the shares transfer benefits, that is the shares transfer payment.

The Distribution Contract is signed according to the rules and policies about the reward and remuneration of the service technical achievement. It is the legal performance of the self-management right. And the rules and policies that are stable and can be applied repeatedly are aimed at attracting high-tech talents and encouraging them to accomplish the innovative technical achievements. Thus the large sum of intellect inputs shall be fully awarded. Otherwise, not only the policy

¹⁰ See *Shanghai Cunliang Trade Co., Ltd. v. Jiang Zhidong & Wang Weiming*, Shanghai No. 1 Intermediate People's Court, No. Yizhongminsi 1302/2010, number 9 guiding case of the Supreme People's Court in 2012.

¹¹ (1) **Finance Dictionary of Wall Street**: allocation, page149; (2) **Dictionary of Finance and Investment Terms**: allocation, assignment and dispatch, page 238; (3) **Oxford Leaner's Dictionaries**: a. The way that something is shared or exist over a particular area or among a group of people; b. The act of giving or delivering to a number of people; (4) **Longman Dictionary of Contemporary English**: The act of sharing things among a large group of people in a planned way.

purpose cannot be reached but also the damaging effects can emerge that the creators would privately utilize the technical achievements or transfer them to others. In the era that the technologies are rapidly changing over time, what the unit lost are not only the talents but also the capital input, worse it may lead to decline even the death of the unit. And it is a conspicuous phenomenon around the year 1998.¹² Moreover, as the key institutes for the research innovation, the colleges and universities shoulder the significant responsibility of promoting technical innovation as well as stimulating service technical achievement and invention, then it is undoubtedly that the colleges and universities shall emphasize more on the encouragement to the creators of the service technical achievement.

Such as the “Appeal case of reward and remuneration dispute between Hubei Industry University and the creators of the service technical achievement including Peng Yiting”. In this case, the petitioners and the respondent entered into a contract titled “Agreement Regarding the Distribution of Benefits in Relation to Shares” in which share benefits distribution, dividend and other profits generated from the shares were specified. The court held that proceeds obtained from the evaluation of the shares that were transferred by the technical achievements shall be paid by one-off payment to the creators of the technical achievements. And shares transfer payment after all was the benefits generated from the technology transfer and the shares transfer payment still belonged to the net income. Thus it was inappropriate for the creators of the technical achievements to claim for the benefit from the shares transfer payment.¹³

And specifically speaking, in that case, as for the share benefits distribution of the service technical achievement transfer, the reward given to the petitioners shall include the distribution of the benefits generated from the share dealing, but not only the meager and unstable benefits during the course of the shareholding. It is more in accordance with the policy purpose of the colleges and the universities, and also it will accelerate the innovation of service technical achievements.

B. The respondent shall pay two petitioners RMB 1.1046 million respectively

The respondent sold Ouke Company’s shares to Guangdong Zhongshan Technology Development Company in 2010. And as it has been referred above, the petitioners are entitled to claim for 80% of the transfer proceeds. And among the 1 million shares (represent RMB 1 million) held by the respondent, the actual evaluating value of the service technical achievements as the capital invest

¹² See *Jiaocheng County’s preservative steel lining glassworks v. Guo Zhiming & Liu Jiadong & Wang Caimao*, gazette of the supreme people’s court of the people’s republic of China. The court held that the respondents knew perfectly well that the technology in issue was the service technical achievement, yet still took advantage of the facilitate conditions that they ever participated in development and sale and meanwhile are familiar with the technical content and the marketing channel. The respondents’ act that they didn’t sign the technical contract with the glassworks but make profit from utilizing that technology without charge constitute an infringement to the non-patented technology ownership of the glassworks. And the former unit was severely damaged and the production was also ultimately suspended.

¹³ See *Peng Yiting, etc. v. Hubei Industrial University*, Hubei Province Higher People’s Court, No. Minsanzhongzi 00109/2014, the sixth of the 50 typical Intellectual Property cases in the courts of China in 2014.

ment is 0.76 million (represent 0.76 million shares) while the additional 0.24 million shares (represent RMB 0.24 million) as capital investment are transferred from the debt.

Thus the petitioners only have the right to claim for 76% of Ouke Company's 1 million shares held by the respondent. Based on that, the petitioners are entitled to claim RMB 1.1046 million respectively.

Claim	=	Shares Transfer Payments	×	Technology Proportion	×	Agreement Proportion	÷	Number of Inventors
1,104,533		5,450,000		76%		80%		3

C. Petitioners' claim for reward and remuneration is in accordance with the legislative intent of promoting the transformation of service technical achievements

In this case, the respondent held 1 million shares of Ouke Company, and until the shares were sold by auction, the inventors of the service technical achievement had not been given the reward and remuneration. Now that the shares have been transferred. The creators of the service technical achievements have the right to claim for the capital appreciation profits, which is also in accordance with the legal spirit of protecting the creators' right and interest as well as promoting scientific and technical innovation.

a. Article 29 of the Law on Promoting the transformation of Scientific and Technical Achievements (1996) stipulates the legal minimum standard for the reward and remuneration -- 20% of the net income¹⁴ while the standard is elevated to 50% in the 2015 amended version.¹⁵

b. In the respect of right ownership, the Revised Draft Patent Law (2015) confers the unit and the inventor so much independence that even the invention made by taking advantage of the unit's material and technical means can be agreed by both parties as non-service invention. And it also highlights that the talents are the crucial factors of

¹⁴ **Law of the People's Republic of China on Promoting the Transformation of Scientific and technical achievements** (1996) Article 29: when transferring a scientific or technical achievement made by the employees while holding position in a unit, the unit shall take not less than 20% of the net income, obtained from transfer of the achievement, to award persons who made important contributions to the scientific or technical achievement or to its transformation.

¹⁵ **Law of the People's Republic of China on Promoting the Transformation of Scientific and technical achievements** (2015) Article 45: The entities completing the scientific and technical achievements that have not specified or have not reached any agreement with scientific and technical personnel on the method and amount of reward and remuneration shall grant rewards and remunerations to people who have made significant contributions to the completion and transformation of the scientific and technical achievements according to the following criteria:

(1) Where a service scientific and technical achievement is assigned or licensed to others, not less than fifty percent of net income from assignment or license of such scientific and technical achievement shall be withdrawn.

(2) Where a service scientific and technical achievement is used as a trade-in in investment, not less than fifty percent of shares or capital contributions formed from such scientific and technical achievement shall be withdrawn.

the technical innovation.¹⁶

c. The Service Invention Regulation Drafts issued in 2015 further specifies and intensifies inventor's right and benefit with exclusive administrative laws and regulations.¹⁷

d. The Several Opinions of the State Council on Deepening the Reform of Systems and Mechanisms and to Accelerate the Implementation of Innovation-Driven Development Strategies in which it specifies that the profit proportions of the transferred achievements should be elevated, the share incentive scale of the research fellows should be strengthened meanwhile various enterprises should be encouraged to mobilize research fellow's innovative enthusiasm by the means of incentive such as share, stock right, dividend.¹⁸

All in all, it can be concluded that China is unceasingly strengthening the protection of service inventors' interest. Therefore, it complies with the legislative intent more well when the shares transfer payment is included in the benefit distribution agreement.

¹⁶ **Draft Regulation of Service Invention of the People's Republic of China (Manuscript)** (2015) Article 6, Clause 3: Once the unit and the inventor or the designer have entered into a contract about the invention that is accomplished by taking advantage of the technical and material means of the unit, both parties are bind by it. Without that contract, the rights of patent application belongs to inventor or the designer.

¹⁷ Public Advice Consulting Announcement of the Legislative Affairs Office of the State Council P. China on **Draft Service Invention Regulation(Manuscript)**, Legislative Affair Information Website of the People's Republic of China, Website Address: <http://www.chinalaw.gov.cn/article/cazjgg/201504/20150400398828.shtml>, last access time: April 5, 2016.

¹⁸ See **Several Opinions of the CPC Central Committee and State Council on Deepening the Reform of System and Mechanism and Accelerating the Execution of the Innovation-Driven Development Strategies** (March 13, 2015), Part 5: Perfecting the incentive policy of achievement transfer through Strengthening the distribution orientation of respecting knowledge and innovation as well as fully embodying the intellectual labor value, securing reasonable returns to the research fellow during the innovation activity, embodying the innovation value through the achievement application and meanwhile creating wealth through achievement transfer.

(14) Elevating the profit ratio of the research fellow's achievement transfer.

Perfecting the service invention institution, Promoting the amendment of the related contents such as the Patent Law and the Company Law, Perfecting the ownership of the technical achievement and the intellectual property and the benefit sharing mechanism, elevating the benefit ratio of the key team and the primary inventors, perfecting the reward and remuneration system and meanwhile perfecting the service invention's dispute arbitration and the legal remedy institution.

Revising the related law and policy regulation and reasonably distributing the transfer benefits of the service invention among those who have made significant contribution to and the unit they belong to. And the benefit ratio awarded to the crucial fellows and team that have made significant attribution to the service invention such as the research supervisors and the key technical fellows can be elevated to not lower than 50% from the former ratio of not lower than 20%.

CONCLUSION

To sum up, the petitioners are entitled to claim the rights of reward and remuneration of the service technical achievement based on the fact that the technology and the patent in issue are the service inventions. The technology and the patent are transferred as capital investment in return for the shares which worth RMB 1 million and 1million shares and among which the actual value of the evaluated shares transferred by the technology in that case is 0.76 million while the remaining 0.24 million is the value of shares transferred by the debt which have nothing to do with the shares transferred by the technical achievements in issue.

Nonetheless, the respondent only paid 86% of the 100 million cash proceeds. So far as the undistributed shares are concerned, both parties had entered into a contract titled Agreement Regarding the Distribution of Benefits in Relation to Ouke Company Shares which later specified by related authorities that after the deduction of the management fees and other applicable fees and taxes which account for 20%, the petitioners can obtain the rest of the benefits in relation to Ouke Company's shares, including distribution, dividend and other profits generated from the shares which take the percentage of 80%. Therefore, the respondent sold 1 million Ouke Company's shares to Guangdong Zhongshan Technology Development Company for an amount of RMB5.45 million, the petitioners thus are entitled to claim for RMB 1.1046 million ($5.45 \text{ million} \times 80\% \times 76\% \times 1/3$) respectively.

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6.Jurisprudence, Zhang Wenxian; Li Long, Peking University Press, 4th edition, 2011

CLAIMS

The respondent sincerely request that the Beijing Intermediate People's Court to uphold the following claims:

I. To make the decision ascertaining that the respondent has paid all remuneration and reward to the petitioner

II. To make the decision ascertaining that the respondent is the only legal share holder, RMB 5,450,000 is not the payment of transformation of the technology and 985 patent and shall not be distributed to the petitioner.

III. All the costs about the litigation are afforded by the petitioner.

STATEMENTS

I. FACTUAL BACKGROUND

Beijing Industrial University is the patentee of "Iron-Titanium Composite Series Mica Pearlescent Pigment and Preparation Method Thereof", which was issued on February 2, 1998. Wang, Yang, Liu are employees of Beijing Industrial University and inventors of the patent. On June 6, 2001, Beijing Industrial University entered into a contract with Ouke Company and agrees to transfer the exclusive technology and '985 patent to Ouke Company as capital investment, in return for shares of Ouke Company worth RMB 1,000,000 and additional RMB 1,000,000 in cash. In conclusion of the June 6, 2001 contract, Ouke Company issued a corporate debenture note to Beijing Industrial University indicating its indebtedness of RMB 240,000, equal to the remainder of RMB 1,000,000 capital investment allowance promised by Ouke Company in the contract. On June 30, 2001, Ouke Company convert its RMB 240,000 debt to Beijing Industrial University into equity, therefore the amount of Ouke Company shares held by Beijing Industrial University increased RMB 240,000, to a total of RMB 1,000,000. Beijing Industrial University only paid RMB 860,000 to the research group from RMB 1,000,000 cash proceed from the transfer. On March 13, 2009, Wang, Yang, Liu and Beijing Industrial University made an Agreement Regarding the Distribution of Benefits in Relation to Ouke Company Shares. The research management department of Beijing Industrial University made a note on the agreement on March 23, 2009, stating that 10% of the profit shall belong to the department of the research group, another 10% shall belong to Beijing Industrial University, and the rest 80% shall belong to the research group. On November 10, 2009, Beijing Industrial University made payments of RMB 18,000 each to Wang and Yang from Ouke Company's premium compensation of shares. On January 5, 2010, the respondent sold 1,000,000 Ouke Company shares for RMB 5,450,000. Since the

sale of Ouke Company shares with a profit of RMB 5,450,000, Beijing Industrial University refused to pay any reward or remuneration to Wang and Yang. So Wang and Yang sued Beijing Industrial University.

II. QUESTION PRESENTED

A. Whether the payment of share transfer include RMB 24,000

B. Whether the petitioner has the right to claim the payment of share transfer of RMB 5,450,000.

C. Whether the RMB 860,000 given to the petitioner include RMB1,000,000 cash and Ouke company shares worth RMB 1,000,000.

III. SUMMARY

A. Involved scientific and technological achievements transfer net income are RMB 1,000,000 in cash and shares worth RMB 760,000, the technology worth RMB 560,000 and the ownership of 985 patent worth RMB 200,000. RMB 240,000 is creditor's right of the respondent provided by the modified contract content. It is not to be included to the net income of transformation of scientific and technological achievements

B. The respondent got shares by transferring '985 patent and the technology as patentee and the owner of the non-patented technology. Further, the respondent sold the shares to Guangdong Zhongshan Company for RMB 5,450,000 as only lawful share holder. The petitioner has right to claim distributing RMB 1,760,000 in cash only based on debt relationship according to Art.29 of Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements. Therefore, the petitioner hasn't the right to claim the payment of share transfer of RMB 5,450,000.

C. There were not contact about the proportion of distributing net income. So, in accordance with the Art.29 of Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements, There being the minimum allocation proportion is 20%. The respondent had paid RMB 86,000, which account for 48.9% in net income RMB 1,760,000. This payment conform to the lawful requirement. Therefore, the respondent has done the duty of performance .

PLEADING

I.THE NET INCOME OBTAINED FROM TRANSFER OF THE SCIENTIFIC AND TECHNOLOGICAL ACHIEVEMENTS INVOLVED IN CASE IS RMB 1,760,000

Extracted object of the amount of reward is the net income¹ provided by Art.29 of the *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements*². The net income refers that the income gained from technology transfer according to technology transfer contract, which is pure technical transfer income after deduct pay test, transportation, services, documentation, etc³. In this case, the net income obtained from transfer of the scientific and technological achievements should be removed RMB 240,000, which was converted by Ouke company's RMB 240,000 debt to the respondent. Because, first, involved scientific and technological achievements transfer net income contains RMB 1,000,000 cash, second, involved scientific and technological achievements transfer net income contains 760,000 shares of Ouke Company with face value of RMB 760,000, third, RMB 240,000 is creditor's right of the respondent.

A. Involved scientific and technological achievements transfer net income contains RMB 1,000,000

(a) Ouke Company agreed to pay RMB 1,000,000 to the respondent in 1999

In 1999, the respondent entered into a "Technology Development Agreement" with Ouke company⁴. Actually this agreement contains three parts. They are the transfer of the patent right, the transfer of non-patented technology and technology development. Under the agreement, Ouke Company agreed to pay RMB 1,000,000 in five cash installments to the respondent as the return for the transfer⁵.

(b) The respondent acquired RMB 1,000,000 in cash in 2001

In 2001, after the conclusion of the contract "Agreement Regarding Investment in Capital Using the Technology and Patent of Iron-Titanium Composite Series Mica Pearlescent Pigment", the respondent and Ouke Company performed their respective obligations by transferring the above technology and '985 patent, at the same time the respondent acquired RMB 1,000,000 in cash⁶.

¹ *Liu Faxin v. Agricultural Science Institute in Ji Yuan*, He Nan higher people's court (2009),deemed a model case by the Supreme People's Court

² *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements* Art.29

³ *Liu Faxin v. Agricultural Science Institute in Ji Yuan*, He Nan higher people's court (2009),deemed a model case by the Supreme People's Court

⁴ Fact page2 lines26-27

⁵ Fact page3 lines18-2

⁶ Facts page2 lines4-7

B.Involved scientific and technological achievements transfer net income contains 760,000 shares of Ouke Company with face value of RMB 760,000

Investment in capital using of the technology and patent, totaled the corporate capital to RMB 760,000 was accomplished by two steps. First, the non-patented technology with a contract value of RMB 560,000 made into corporate capital and occupied 10% of corporate capital in March 1999. Second, the ownership of ‘985 patent transferred with a face value of RMB 200,000 and still held 10% of corporate capital in 2000.

- (a) The non-patented technology with a contract value of RMB 560,000 made into corporate capital and occupied 10% of corporate capital in March 1999

The technology transferred in the form of intangible asset into Ouke Company corporate capital with the value of RMB 560,000 and the respondent held 10% Ouke company shares by transferring non-patented technology in March 1999⁷.

- (i) *The technology transferred in the form of intangible asset into Ouke Company corporate capital with the value of RMB 560,000*

The scientific and technological achievements shall refer to achievements of practical value that are created through scientific research and technological. It include two parts: one is inventions that protected by patent law with the exception of designs. It exists in the form of ‘985 patent, “Iron-Titanium Composite Series Mica Pearlescent Pigment and Preparation Method Thereof” and invested in the form of intangible assets⁸ in this case; another is other scientific and technological achievements. It exists in the form of exclusive technology(non-patented technology)⁹, trade secrets¹⁰ and other know-how¹¹ and invested in the form of intangible asset¹² to corporate capital in this case.

In March 1999, technology of “*Iron-Titanium Composite Series Mica Pearlescent Pigment*” transferred in the form of intangible asset into Ouke Company corporate capital, with a contract value of RMB 560,000. All in all, the non-patented technology worth RMB 560,000.

- (ii) *The respondent held 10% Ouke company shares by transferring non-patented technology In March 1999*

According to Art.9 of *Law of People's Republic of China on Promoting the Transformation*, holders of scientific and technological achievements may have their

⁷ Facts page4 lines2-6

⁸ *Enterprise Accounting System* Art.43

⁹ *Company Law of the People's Republic of China (1999)* Art.80, *Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures (2000)* Art.8

¹⁰ *Economic Law*, Li Hong;Zhou Xiujuan, China university of political science and law press, 2014, Page 167

¹¹ *Intellectual Property Law*, Wu Handong , Peking University Press, 6th edition, 2015, Page159-160

¹² *Enterprise Accounting System* Art.43

achievements transformed in the way of investing with their achievements as trade-in, as converted shares or as proportions of contribution to the investment¹³.

In March 1999, the respondent transferred the technology of “*Iron-Titanium Composite Series Mica Pearlescent Pigment*” in the form of exclusive technology into Ouke company corporate capital with a contract value of RMB 560,000 and occupied 10% of the total corporate asset¹⁴. The respondent transformed the non-patented technology in the way of investing with the achievements as converted shares.

(b) The ownership of ‘985 patent transferred with a face value of RMB 200,000 and still held 10% of corporate capital in 2000

The ownership of ‘985 patent was transferred according to Art.80 of the *Company Law of People’s Republic of China*¹⁵ and the respondent still held 10% of Ouke company’s shares through transferring the ownership of ‘985 patent¹⁶

(i) The ownership of ‘985 patent was transferred

In February 2000, the ownership of ‘985 patent was transferred with a face value of RMB 200,000, to be made into corporate capital¹⁷. According to Art.80 of the *Company Law of People’s Republic of China*, industrial property right can be invested in corporate capital. Industrial property include patent¹⁸. Patent right can be transferred based on Art.10 of *Patent Law of People’s Republic of China*¹⁹. Therefore, the ownership of ‘985 patent was transferred by making into corporate capital. Further, the assignment of patent ownership was thereafter recorded with the Patent Bureau of China²⁰ according Art.10 Patent Law of People’s Republic of China²¹. It indicates that the patent thoroughly transferred to Ouke Company.

(ii) The respondent still held 10% of Ouke company’s shares through transfer the ownership of ‘985 patent

March 1, 2000, the respondent transferred the ownership of ‘985 patent to Ouke company corporate capital with the value of RMB 200,000. Thereafter the respondent still held 10% of Ouke company’s shares²².

All in all, the final considerations of the transformation of the technology and the ‘985 patent are shares of Ouke Company worth RMB 7,600,000 and additional RMB 1,000,000 in cash.

¹³ *Law of the People’s Republic of China on Promoting the Transformation* Art.9

¹⁴ Facts page4 lines 2-9

¹⁵ *Company Law of People’s Republic of China* Art.80

¹⁶ Facts page4 lines 16-17

¹⁷ Facts page4 lines 9-11

¹⁸ Paris Convention for the Protection of Industrial Property

¹⁹ *Patent Law of People’s Republic of China* Art.10

²⁰ Facts page4 lines 10-12

²¹ *Patent Law of People’s Republic of China* Art.10

²² Facts page4 lines 10-18 Paris Convention for the Protection of Industrial Property

C. RMB 240,000 is creditor's right of the respondent

RMB 240,000 is creditor's right of the respondent provided by the modified content. According to Art.77 of *Contract Law of the People's Republic of China*²³, the parties may modify the contract upon consensus through consultation. Converting Ouke Company's RMB 240,000 debt to Beijing Industrial University into equity belongs to the modification of the contract, and RMB 240,000 is not to be include into transfer payment²⁴. First, there exists valid contract. Second, substantial changes had been made to the content of the original contract. Third, the modification of the contract reached upon the parties' consensus.

(a) There exists valid contract

The "Agreement Regarding Investment in Capital Using the Technology and Patent of *Iron-Titanium Composite Series Mica Pearlescent Pigment*" on June 6, 2001 between Beijing industrial university and Ouke company specifies that the payment of the transfer of the technology and the '985 patent are shares of Ouke Company worth RMB 1,000,000 and additional RMB 1,000,000 in cash²⁵, and the contract was valid.

(b) Substantial changes had been made to the content of the original contract

In accordance with Art. 30 of *Contract Law of the People's Republic of China*²⁶, Substantial changes refer that changes related to the targeted matter, quantity, quality, price or remuneration, duration of fulfillment, place and mode of fulfillment, liability for breach of contract and method of dispute settlement in a contract are substantial changes to the content of an offer.

In this case, there are substantial changes in the form of investment. The conclusion of the June 6, 2001 contract, Ouke Company issued a corporate debenture note to Beijing Industrial University indicating its indebtedness of RMB 240,000, equal to the remainder of RMB 1,000,000 capital investment allowance promised by Ouke Company in the contract. After verification, the actual transfer payment of the transfer is RMB 760,000, another RMB 240,000 is creditor's rights of Beijing Industrial University²⁷, equal to RMB 240,000 invested in the form of creditor's right to corporate capital²⁸.

(c) The modification of the contract reached upon the parties' consensus

²³ *Contract Law of the People's Republic of China* Art.77

²⁴ *Peng Yiting and Tian Xiaohui v. Hu Bei Industrial University*, Hu Bei Province Wu Han intermediate people's court (2012), as affirmed by Hu Bei higher people's court (2014), deemed a model case by the Supreme People's Court

²⁵ Facts page14lines23-25; page 2 lines1-3

²⁶ *Contract Law of the People's Republic of China* Art. 30

²⁷ Facts page4 lines19-27

²⁸ On Credit Subscribed Capital, Zhao Fenping; Wang Xinxin ,Law science magazine 2006

On June 30, 2001, Ouke Company convert its RMB 240,000 debt to Beijing Industrial University into equity, therefore the amount of Ouke Company shares held by Beijing Industrial University increased RMB 240,000, to a total of RMB 1,000,000²⁹. Beijing Industrial University also accepted. So two parties reached the modified contract by performing and accepting³⁰. Therefore, the modification of the contract reached upon the parties' consensus. The modified contract executed and become effective³¹.

Consequently, the actual transfer payment of the transfer is RMB 760,000. Another RMB 240,000 is creditor's rights of Beijing Industrial University, it is none business of the transformation of the technology and 985 patent'.

II. THE PETITIONER IS ENTITLED TO CLAIM REWARD OR REMUNERATION ONLY FOR RMB 1,760,000 IN CASH

According to Art.29 of the *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements*³², when the respondent transferring 985' patent and the non-patented technology made by Wang, Yang, Liu while holding positions, shall take not less than 20 percent of the net income, obtained from transfer of the achievements, to award Wang, Yang, Liu. However, with the transfer of the scientific and technological achievements has finished, coming into being two legal relationship. First, Investment relationship between the respondent and Ouke Company. Second, debt relationship between the respondent and the petitioner based on the transfer of a service-related technological result. The petitioner has right to claim to distribute RMB 1,760,000 in cash only based on debt relationship.

A.The net income obtained from transfer of the scientific and technological achievements involved is RMB 1,760,000

Firstly, involved scientific and technological achievements transfer net income contained RMB 1,000,000 in cash. Secondly, involved scientific and technological achievements transfer net income included RMB 760,000 the technology worth RMB 560,000 and the ownership of 985 patent worth RMB 200,000. Thirdly, RMB 240,000 is creditor's right of the respondent provided by the modified contract content. It is equal to RMB 240,000 invested in the form of creditor's right to corporate capital³³.

B.The respondent is the only lawful share holder, the petitioner cannot claim distribute the shares

²⁹ Facts page4 lines24-27

³⁰Interpretation of the Supreme People's Court on Issues Concerning the Application of Law for the Trial of Cases of Disputes over Sales Contracts

³¹ *Contract Law of the People's Republic of China* Art.44

³² *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements* Art.29

³³ On Credit Subscribed Capital, Zhao Fenping; Wang Xinxin, *Law Science Magazine*, 2006

The respondent is the only lawful share holder, the petitioner cannot claim to distribute the shares, because, first, the respondent is the lawful owner of 985'patent and non-patented technology, second, the respondent got shares based on lawful transfer of the technology and patent, third, the respondent is the only lawful share holder based on investment relationship.

(a) The respondent is the lawful owner of 985'patent and non-patented technology

(i) *The respondent is patentee of 985 patent*

In accordance with Art.6 of *Patent Law of People's Republic of China*³⁴, invention that is accomplished in the course of performing the duties of an employee shall be deemed a service invention. For a service invention, the employer shall be the patentee. In this case, the petitioner is the employee and 985'patent is accomplished in the course of performing the duties of an employee. So for this service invention the respondent is patentee.

(ii) *The respondent is the lawful owner of non-patented technology*

"Service-related technological result" refers to a technological result achieved in the performance of a task assigned by the legal person. In this case, non-patented technology achieved in the performance of accomplishing 985'patent. Non-patented technology owned by the unit in accordant of Art.326 of *Contract Law of the People's Republic of China* , Therefore, the respondent is the lawful owner of non-patented technology³⁵.

(b) The respondent got shares based on lawful transfer of the technology and patent

Based on Art.326 of *Contract Law of the People's Republic of China* and Art.10 of *Patent Law of the People's Republic of China*, service-related technological result and patent right can be transferred³⁶. The respondent transferred the technology and got RMB 1,000,000 in cash and shares worth RMB 760,000.

(c) The respondent is the only lawful share holder based on investment relationship

The respondent is the only lawful share holder based on investment relationship, because, first, the respondent is the contracting parties between ouke company, second, shares hold by the respondent, third, shares of Ouke Company cannot be distributed as reward or remuneration.

³⁴ *Patent Law of People's Republic of China* Art.6

³⁵ *Contract Law of the People's Republic of China* Art.326

³⁶ *Contract Law of the People's Republic of China* Art.326 *Patent Law of the People's Republic of China* Art.10

(i)The respondent is the contracting party between ouke company

There are two contracts involving technology development and transfer, which are “Technology Development Agreement” in 1999³⁷ and the “Agreement Regarding Investment in Capital Using the Technology and Patent of Iron-Titanium Composite Series Mica Pearlescent Pigment” in 2001³⁸. The respondent as the patentee of ‘985 patent and the owner of the non-patented technology, is entitled to enter into the contacts with Ouke company. The parties to the contract just the respondent and Ouke Company, and it is irrelevant to the petitioner, so the petitioner can’t claim the share transfer payment.

(ii)Shares helded by the respondent

The respondent and Ouke Company are the contracting parties in Technology Development Agreement³⁹ and Agreement Regarding Investment in Capital Using the Technology and Patent of *Iron-Titanium Composite Series Mica Pearlescent Pigment*⁴⁰. Clearly, shares held by the respondent. Therefore, the petitioner has no right to claim for the distribution of the shares.

(iii)Shares of Ouke Company cannot be distributed as reward or remuneration

The contract of 2001 indicating that Ouke Company agreed to give its 1,000,000shares worth RMB 1,000,000 to the respondent in return for the transfer. Further, the respondent is the only lawful owner of the shares. Further, according to the modified content, RMB 240,000 is creditor's rights in that payment.

C.The petitioner has right to claim distributing RMB 1,760,000 in cash only based on debt relationship between the respondent

The petitioner has right to claim distributing RMB 1,760,000 in cash only based on debt relationship, first, the petitioner and the respondent is debt relationship based on *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements*, second, the debt is fixed, and never be changed with the increase of the shares’ value.

(a) The petitioner and the respondent is debt relationship based on Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements

According to Art.29 of *Law of the People's Republic of China on Promoting the*

³⁷ Facts page2 lines 26-27

³⁸ Facts page1 lines 12-17

³⁹ Facts page2 lines 26-27

⁴⁰ Facts page1 lines 12-17

*Transformation of Scientific and Technological Achievements*⁴¹, when the respondent transferring 985' patent and the non-patented technology made by Wang, Yang and Liu while holding positions, shall take not less than 20 percent of the net income, obtained from transfer of the achievements, to award Wang, Yang and Liu. So there the debt relationship come into being.

After the transfer of the scientific and technological achievements has finished, the petitioner is entitled to claim the reward or remuneration. Before the reward or remuneration had been paid, the relationship between the respondent and the petitioner is that of debtor and creditor. The debt is the distribution of RMB 1,760,000 in cash which from the technology investment.

(b) The debt is fixed, and never be changed with the increase of the shares' value

After the transfer of the scientific and technological achievements has finished, the petitioner is entitled to claim the reward or remuneration. The respondent has its indebtedness to the petitioner, and the debt is fixed.

Before the reward or remuneration has been paid, the amount of debt is fixed. Even though the shares' value has been increasing, the petitioners' reward or remuneration has been determined and never be changed with the increase of the shares' value.

D.The petitioner has no right to claim for the distribution of RMB 5,450,000 share transfer earnings

The petitioner has no right to claim for the distribution of RMB 5,450,000 share transfer earnings. First, the respondent is the only lawful share holder of the involved shares. So, RMB 5,450,000 share transfer earnings should belong to the respondent. Second, RMB 5,450,000 share transfer earnings isn't the technology value of Investment in Capital Using the Technology and Patent. Third, RMB 36,000 is ordinary reward to the petitioner, this payment cannot presume the petitioner has right to claim for the distribution of RMB 5,450,000. Fourth, both side should follow the principle that rights and obligations are consistent.

(a) The respondent was the only lawful share holder of the involved shares,RMB 5,450,000 share transfer earnings should belong to the Respondent

The respondent has ownership of the shares and is share holder, the respondent is entitled to possess, utilize, profit from and dispose in accordance with the Art.39 *Real right of people's Republic of China*⁴². Furthermore, according Art. 67 of *Real right of people's Republic of China*⁴³. In case the state, a collective or an individual invest the realities or chattels it owns in an enterprise, the contributor shall, in accordance with

⁴¹ *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements* Art.29

⁴² *Real right of people's Republic of China* Art.39

⁴³ *Real right of people's Republic of China* Art.67

the agreement or on the basis of his proportion of investment, enjoy rights such as obtaining asset returns, making important decisions and selecting operators and managers and perform their duties. Therefore, the transfer payment possessed by the respondent .

(b) RMB 5,450,000 share transfer earnings isn't the technology value of Investment in Capital Using the Technology and Patent

The technology value has been determined as early as 2001. RMB 5,450,000 share transfer earnings of 2009 contains the incremental benefits and other profits getting from the involved shares which was run by the respondent many years.

(c) RMB 36,000 is ordinary reward to the petitioner, this payment cannot presume the petitioner has right to claim for the distribution of RMB 5,450,000

According to Art.34 of *Education Law of the People's Republic of China(1995)*⁴⁴, and Art.33 of *Teachers Law of the People's Republic of China*⁴⁵ (1993). When schools reward or commend the employees, the property of this behavior is more likely to a special administration activity. The respondent has the right to decide whether, when, and how to reward the employees. In this case, it's obvious that the allocation of RMB 67,500 compensation for premium of shares is unilateral conduct. In the case, the respondent didn't consult with the petitioner about the note of agreement, it's just the respondent's unilateral conduct. Except the legal obligation of give rewards and remunerations to the inventors of scientific or technological achievement, the respondent has the right to reward the petitioner unilaterally.

(d) The agreement of 2009 and the note of the agreement is non-binding to the RMB 5,450,000 share transfer earnings

On the one hand, on March 13, 2009, the petitioner and the respondent entered into an agreement regarding the Distribution of Benefits in Relation to Ouke Company Share, agreed that after the deduction of university management fees and other applicable fees and taxes, the rest of the benefits in relation to Ouke Company shares, including distribution, dividend and other profits generated from the shares shall be distributed evenly among the the petitioner⁴⁶. However, the benefits in relation to Ouke Company Shares refer to the part of value increment such as distribution, dividend and the incremental benefit. RMB 5,450,000 share transfer earnings does not belong to the shares increase in value.

On the other hand, the note of the agreement just a document by the research management department of the school⁴⁷. Then, the agreement was further noted by the

⁴⁴ *Education Law of the People's Republic of China* Art.34

⁴⁵ *Teachers Law of the People's Republic of China* Art.33

⁴⁶ Facts page5 lines 12-18

⁴⁷ Facts page5 lines 19-20

finance department of the school, indicating its concurrence with this opinions and the principal of the school signed and agreed with it⁴⁸. This action belongs to the school as a leader within the entity to make unilateral instructions instead of the contract law does not have the legal effect of the sense of commitment.

(e) Both side should follow the principle that rights and obligations are consistent

Capital investment has certain risk. After the respondent acquired the RMB 760,000 shares by transfer of technology, as the company's shareholders, the respondent bore risks such as depreciation until the equity was transferred. On the contrary, the petitioner didn't assume any risks to RMB 760,000 shares. According to the principle that rights and obligations are consistent, the petitioner has no rights to gain the income which owe to the efforts of the respondent .

III.THE RESPONDENT HAS ALREADY PERFORMED OBLIGATIONS THAT PAY THE REWARD AND REMUNERATION TO THE PETITIONER.

The respondent has already performed obligations that paying the reward and remuneration to the petitioner. First, there isn't any intent indication about allocation proportion of the net income obtained from transfer. So distribution proportion of the the net income according to Art.29 of *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements*⁴⁹. Second, the payment of RMB 860,000 contains all the payable reward and remuneration. Third, the payment of RMB 860,000 as whole reward and remuneration is legal and reasonable.

A. The net income shall paid only in accordant of Art.29 of *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements*

(a) There are not any agreement about the allocation proportion of the net income

There are not any agreement about the allocation proportion of the net income, the respondent has paid RMB 860,000 to the petitioner as reward and remuneration for developers and the person who made outstanding contributions to the transformation of service scientific and technological achievements of the technology and the 985 patent⁵⁰. But the amount of this reward and remuneration didn't have a clear allocation proportion.

(b) There were not relevant school policies about the allocation of the net income obtained from transfer

⁴⁸ Facts page5 lines 25-2

⁴⁹ *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements* Art.29

⁵⁰ Facts Page3 lines 20-22

The respondent did not come up with a clear allocation about the net income obtained from transfer. There are no relevant school policies about the allocation of the net income obtained from transfer at that time.

(c) The contract about share benefit distribution in 2009 is only for profits from the equity in part of increased value

The contract about share benefit distribution in 2009 is only for profits from the equity in part of increased value, it doesn't have binding force on the net income obtained from transfer⁵¹.

(d) The note doesn't have any legal effect to contract parties

The note of agreement belongs to the school made unilateral internal behavior, instead of the commitment in the contract law's meaning. So, it doesn't have the legal effect. What's more, this note was added in 2009, it shall not have retroactive effect to the respondent's former allocation.

Therefore, the respondent just according to Art.29 of *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements*⁵² to reward, namely, take not less than 20% of the net income to award the petitioner.

B.The payment of RMB 860,000 contains all the payable reward and remuneration

The respondent paid the RMB 860,000 has already contains all the payable reward and remuneration. First, the payment of RMB 860,000 is far higher than the petitioner's deserved reward and remuneration in law. Second, the petitioners admitted the payment of RMB 860,000 include the distribution of RMB 1,000,000 in cash and the shares. Third, if the RMB 860,000 is just distribute for RMB 1,000,000 in cash, it is unreasonable.

(a) The payment of RMB 860,000 is far higher than the petitioner's deserved reward and remuneration in law

The respondent should allocate not less than 20% of the net income to award the petitioner under Art.29 of *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements*⁵³, namely, RMB 352,000 ($1,760,000 * 20\% \div 3 = 352,000$). However, the respondent has already paid RMB 860,000⁵⁴ to the petitioner, which occupies about 48 percent in the net income

⁵¹ Facts Page5 lines 12-18

⁵² *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements* Art.29

⁵³ *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements* Art.29

⁵⁴ Facts Page3 lines 20-22

RMB 1,760,000. The amount of allocation is far higher than the petitioner's deserved reward and remuneration.

(b) The petitioner admitted that the payment of RMB 860,000 include the distribution of RMB 1,000,000 in cash and shares

After the respondent paid the reward and remuneration of RMB 860,000 to the research group of Wang, Yang and Liu, the three people didn't raise any objections to the payment of RMB 860,000 during the period between the respondent acquired the 1,000,000 shares in 2001 and the respondent transfer the shares to Guangdong Zhongshan Company by auction in 2010. In circumstances of not being legal contract about the proportion of the distribution of share and the respondent distribute the payment according to law, the petitioner didn't come up with any allocation request about the relevant shares involved and raise any objections to the payment of RMB 860,000. Clearly, the petitioner admitted that the payment of RMB 860,000 include the distribution of RMB 1,000,000 in cash and shares.

In conclusion, the petitioner admitted that the reward and remuneration of RMB 860,000 include RMB 1,000,000 in cash and the shares.

C.The payment of RMB 860,000 to the petitioner as whole reward and remuneration is legal and reasonable

On the one hand, the respondent allocate RMB 860,000 as reward and remuneration is conform with the relevant provisions of *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements and Patent law*. On the other hand, the proportion of allocation guarantees the rights and interests of both sides.

(a)The proportion of allocation is in conformity with the law

One the basis of Art.29 of *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements*⁵⁵. When transferring a scientific or technological achievement made by employees while holding positions in a unit, the unit shall take not less than 20 percent of the net income, obtained from transfer of the achievement, to award persons who made important contributions to the scientific or technological achievement or to its transformation. The respondent are only liable to allocate at least not less than 20% of the net income of RMB 1,760,000 to award the petitioner ,that is RMB 352,000.

However, in fact, the respondent had paid RMB 860,000, which occupies about 48% in all net income to the petitioner as reward and remuneration for developers of the technology and the 985 patent. RMB 860,000 is more than twice times of RMB

⁵⁵ *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements* Art.29

352,000. This allocation is conform with the law.

(b) The payment of RMB 860,000 to the petitioner as whole reward and remuneration guarantees the rights and interests of both sides

(i) The payment of RMB 860,000 to the petitioner as whole reward and remuneration guarantees the rights and interests of the petitioner

The rewards and remunerations of RMB 860,000 guarantees the respondent as original patentee of 985 patent and shareholder. The proportion allocation of RMB 860,000, which occupies about 48% in all net income, guarantees the petitioner as the inventors and person who made outstanding contributions to the transformation of service scientific and technological achievements of the involved technology. It guarantees the rights and interest of the inventors of scientific or technological achievement . What's more, it is beneficial to arousing the enthusiasm of employee to invent and create.

(ii) The payment of RMB 860,000 to the petitioner as whole reward and remuneration guarantees the rights and interests of the respondent

Distributing RMB 860,000 in net income of RMB in cash to the whole reward and remuneration not only guaranteed the rights and interests of the respondent but also guaranteed the rights of the respondent as patentee and shareholder. Beijing industrial university invested in the innovative activities, provided the best condition for them if there is no this kind of investment and conditions, it is very hard to complete the 985' patent. Relying on technology developers undertaking the development costs, monitoring costs, market risk at the same time alone, such a big risk is, and it is unrealistic especially in high-tech materials⁵⁶. Chief judge of former U.S. customs and patent appeals court mentioned that in the field of new technology investment is also important⁵⁷Beijing industrial university as shareholder run the shares for many years and assume deprecation of share, So according to principle of interest balance , share benefit and share transfer payment should be belong to the respondent unless the respondent want to give rewards to the petitioner from the share benefits and share transfer.

IV . THE RESPONDENT DON'T ACCEPT THE PETITIONER'S ANY CLAIMS AND BEAR THE LITIGATION COSTS

On the one hand, the allocation of rewards' counterpart is RMB 1,000,000 in cash and 760,000 shares converted to RMB 760,000 in cash. Although the petitioner received RMB 1,000,000 in cash and 1,000,000 shares of Ouke company, 240,000 shares is

⁵⁶ Theory of interests balance in position Invention, Li Gang, Jurnal of Hubei University of Economics, 2009

⁵⁷ Harward T. Markey. Some Patent Problems II: Philosophical, philological and Procedual[M]. 80F.R.D 1978-1979

creditor's rights⁵⁸ of the respondent⁵⁹ and not the net income obtained from the transfer, so 240,000 shares shall be derived from the 1,000,000 shares

On the other hand, the respondent are only liable to base on Art.29 of *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements*⁶⁰ to allocate at least not less than 20% to petitioner. But, the Respondent were actually paid the petitioner RMB 860,000⁶¹, occupies about 48% in all net income as reward and remuneration to the petitioner, which conform to the reasonable price provided by Art.16 of *Patent Law of People's Republic of China*⁶², so the respondent had done it's duty to paid the rewards and remunerations to the petitioner as the inventor and the individual who made important contributions to the scientific or technological achievement or to its transformation. The proportion of allocation will not only guarantee the respondent as the original patentee and the shareholder, and with full respect for the scientific or technological achievement made by employees. Therefore, the allocation awarded by the respondent to the scientific or technological achievement made by employees is reasonable and legal.

To sum up, the respondent has already performed obligations that pay the reward and remuneration to the petitioner, and is not at fault⁶³. All in all, We neither accept the petitioner's claims, nor bear the litigation costs.

⁵⁸ On Credit Subscribed Capital, Zhao Fenping; Wang Xinxin, Law Science Magazine, 2006

⁵⁹ Facts Page4 lines 19-25

⁶⁰ *Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements* Art.29

⁶¹ Facts Page3 lines 21-22

⁶² *Patent Law of People's Republic of China* Art.16

⁶³ *Measures on the Payment of Litigation Costs* Art.20; *Measures on the Payment of Litigation Costs* Art.29

CONCLUSION

For the antecedent comprehensive description, Beijing Industrial University requests the court to adjudge and declare that:

I. Beijing Industrial University have done the duty of performance by paying RMB 860,000 .

III. Rejecting the claims of the petitioner, maintaining the lawful right of the respondent.

Respectfully submitted,

Agents of the Respondent

Beijing Industrial University

APPENDIX

EVIDENCES

I. The Agreement Regarding Investment in Capital Using the Technology and Patent of Iron-Titanium Composite Series Mica Pearlescent Pigment between Beijing Industrial University and Ouke Company.

II. Ouke Company's corporate debenture note.

III. Technology Development Agreement between Beijing Industrial University and Ouke Company.

IV. An asset examination report by Baoding Development District Auditing Office, indicating Ouke Company's corporate asset worth RMB 5,600,000 as of September 6, 1999, and 10% of the corporate asset was made in the form of in the form of exclusive technology.

V. Ouke Company's receipt of the transfer of the ownership of '985 patent, with a face value of RMB 200,000, to be made into corporate capital in February 2000.

VI. The record of the assignment of patent ownership made by Patent Bureau of China.

VII. A stock transfer agreement between Beijing Industrial University, Guangdong Zhongshan and Ouke Company.



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