INTELLECTUAL PROPERTY MOOT COURT PROBLEM

In The Higher People's Court of Zhejiang Province

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.)

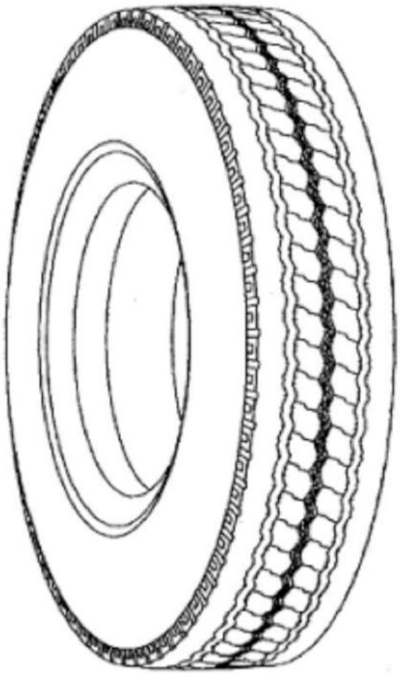

Figure 1-1

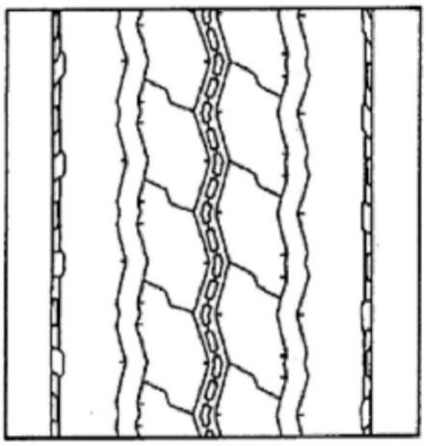

Figure 1-2

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.

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.

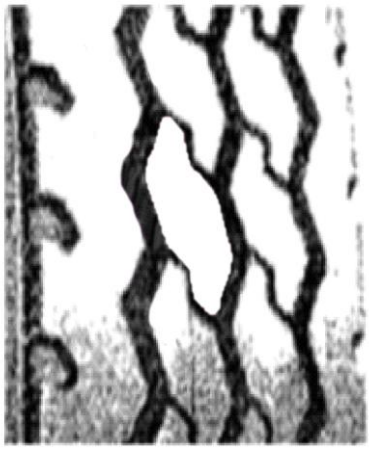

Figure 3

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: ⑴ both tire treads are divided into four annular contact surface by three annular grooves; ⑵ each annular groove is constituted by broken lines, and the sharp angle of the broken lines of both designs is substantially the same; ⑶ 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; ⑷ the lozenges in the tire tread are all made up of four broken lines; ⑸ 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 it's 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.

Appendix: Relevant Statutes as Cited by the Parties

Unofficial English Translation	Chinese Texts
THE PATENT LAW Article 62 In a patent infringement dispute, if the alleged infringer can prove that the technology or design exploited is actually practicing the prior art, the exploitation shall not constitute a patent infringement.	《专利法》第 62 条 第六十二条 在专利侵权纠纷中，被控侵权人有证据证明其实施的技术或者设计属于现有技术或者现有设计的，不构成侵犯专利权。
THE ANTI-UNFAIR COMPETITION LAW Article 5 A trader shall not conduct business that injures a competitor by: … ⑵using, without authorization, the name, packaging or decoration specialized to known goods or using a name, packaging or decoration similar to the name, packaging or decoration specialized to known goods, so that his goods are confused with the known goods of another person, causing buyers to mistake them for the known goods of the other person;	《反不正当竞争法》 第 5 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： …… （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；