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**Protection and Enforcement of Well-Known Mark Rights in  
China: History, Theory and Future**

*Jing “Brad” Luo & Shubha Ghosh*



# Protection and Enforcement of Well-Known Mark Rights in China: History, Theory and Future

By Jing “Brad” Luo\* & Shubha Ghosh\*\*

¶1 As the People’s Republic of China<sup>1</sup> plays an ever more important role in global trade and commerce,<sup>2</sup> its stance on the protection of intellectual property has been under increasing scrutiny from countries around the world.<sup>3</sup> Concerns about China’s intellectual property rights (“IPR”) protection arise not only from individual rights-holders,<sup>4</sup> but also from sovereign nations. China’s protection of well-known marks with respect to private owners is the primary focus of this note, but a discussion about sovereign nations’ challenge of China’s fulfillment of its WTO commitment regarding IPR is beyond the scope.

¶2 Private rights-holders are uneasy about China’s record of IPR protection, to say the least. Many hold the view that China has a relatively weak IPR protection system that does not provide adequate protection to them.<sup>5</sup> This view, irrespective of its merits, is based in part on facts; it is also based in part on the fear of the unknown. Like the rest of the developed countries, where right-holders enjoy better protection, China is in the process of building an ever-evolving regime for the protection of IPR. The evolution of an IPR protection regime in developing countries encompasses three distinctive phases:<sup>6</sup> Phase One, developing countries revise laws and regulations due to external pressure from the United States to develop an IPR regime; Phase Two, under the threat of trade

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\* SMU Dedman School of Law, candidate for J.D., 2009. The author dedicates this article to his wife Karen and daughters Hannah and Bethany, for their unflagging love and support throughout the grueling law school experience. He may be contacted at [bradfordluo@gmail.com](mailto:bradfordluo@gmail.com).

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<sup>1</sup> In this note, China, the People’s Republic of China, and P.R.C. are used interchangeably.

<sup>2</sup> In 2008, China was the second largest economy in the world after the United States in terms of purchasing power parity. CIA, *The World Factbook—China*, <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html#Econ> (last visited Mar. 1, 2009). Since 2006, the Chinese economy has been the fourth largest in the world, after the United States, Japan, and Germany. Keith Bradsher, *Chinese Economy Grows to 4th Largest in the World*, N.Y. TIMES, Jan. 25, 2006, available at <http://www.nytimes.com/2006/01/25/business/worldbusiness/25cnd-yuan.html>.

<sup>3</sup> For example, the EU formed the EU-China IP Dialogue in 2003 to exchange views on IP policies and enforcement in China. European Commission, *IPR in China* (June 2, 2008), [http://ec.europa.eu/trade/issues/sectoral/intell\\_property/ipr\\_china\\_en.htm](http://ec.europa.eu/trade/issues/sectoral/intell_property/ipr_china_en.htm).

<sup>4</sup> See, e.g., Charles L. Miller, *A Cultural and Historical Perspective to Trademark Law Enforcement in China*, 2 BUFF. INTELL. PROP. L. J. 103, 103–04 (2004) (“As the Chinese are well aware, foreign firms are worried about the level of protection for all aspects of their intellectual properties whether it is patents, copyrights or trademarks.”); Jessica Wong, *The Challenges Multinational Corporations Face in Protecting Their Well-Known Trademarks in China*, 31 BROOK. J. INT’L L. 937, 938 (2006) (“Many foreign firms have expressed apprehension about entering the Chinese marketplace because of an inability to register their trademark as well-known.”).

<sup>5</sup> See Wong, *supra* note 4, at 938; see also Ann M. Wall, *Intellectual Property Protection in China: Enforcing Trademark Rights*, 17 MARQ. SPORTS L. REV. 341, 345 (2006).

<sup>6</sup> See Ruixue Ran, *Well-Known Trademark Protection in China: Before and After the TRIPS Amendments to China’s Trademark Law*, 19 UCLA PAC. BASIN L.J. 231, 245 (2002).

sanctions and market access losses from external pressure from the United States, developing countries launch enforcement campaigns against egregious infringement activities; and Phase Three, with economic development and progress, IPR protection becomes “self sustaining and a genuine ‘rule of law’ begins to emerge”<sup>7</sup> as it becomes beneficial for developing countries to maintain strong IPR protection for all brands, local and foreign.<sup>8</sup> China’s trademark law epitomizes the ever-evolving nature of China’s intellectual property laws.

¶3 This note attempts to chronicle the evolution of China’s IPR protection regime in the narrow context of well-known marks. Part I offers a brief overview of the history of China’s protection of well-known marks. Part II examines the myriad forces, factors, and conditions that propelled the formation of China’s current institutional structure in protecting well-known marks. Part III delves into the nuts and bolts of actual enforcement practice under the established well-known mark protection system. Part IV evaluates the well-known mark enforcement practice as exemplified in a few influential Chinese cases. Part V highlights the current debates both within and outside China about the existing Chinese well-known mark jurisprudence, foreshadowing what may come in China’s next round of amendments to the Trademark Law. Finally, Part VI suggests areas of change for the Chinese well-known mark jurisprudence and offers reasons why such changes are necessary.

## I. BRIEF HISTORY OF CHINA’S PROTECTION OF WELL-KNOWN MARKS

### A. *The Current Institutional Structure of Well-Known Mark Protection*

¶4 China’s current institutional structure has been established by a series of laws and regulations. This structure gives substantially more protection to well-known marks than to those not considered legally well-known. Such protection extends to well-known marks of foreign and Chinese origin. Owners of well-known marks are afforded a unique institutional structure to enforce their exclusive rights through administrative agencies or courts. Like other jurisdictions, China has struggled with finding a definitive and efficient way to define “well-known” so as to provide some measure of certainty for those entrusted with the task of determining whether certain marks are legally well-known.

#### 1. What Constitutes a Well-Known Mark Under Chinese Law?

¶5 The 2001 Chinese Trademark Law (“CTL” or “2001 CTL”)<sup>9</sup> does not expressly define well-known marks, but it does provide the following relevant factors to be considered in determining whether a mark is well-known:

- (1) reputation of the mark to the relevant public;
- (2) time period for the owner’s continued use of the mark;

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<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> Trademark Law (promulgated by the Standing Comm. Nat’l People’s Cong., Oct. 27, 2001, effective Oct. 27, 2001) [http://english.ipr.gov.cn/ipr/en/info/Article.jsp?a\\_no=2170&col\\_no=119&dir=200603](http://english.ipr.gov.cn/ipr/en/info/Article.jsp?a_no=2170&col_no=119&dir=200603) (last visited Mar. 1, 2009) (P.R.C.) [hereinafter 2001 CTL].

- (3) time period, extent and geographical area of advertisement of the mark;
- (4) records of protection of the mark as a well-known mark; and
- (5) any other factors relevant to the mark’s reputation.<sup>10</sup>

In addition to the above, the State Administration for Industry and Commerce (“SAIC”) refers to a well-known mark as one “that is widely known to the relevant sectors of the public and enjoys a relatively high reputation in China” in its Provisions on the Determination and Protection of Well-Known Marks (“*Well-Known Mark Determination Provisions*”),<sup>11</sup> which was devised in accordance with the CTL. Since the application of the *Well-Known Mark Determination Provisions* is limited to administrative agency actions, they are not binding on courts. Being administrative in nature, they could serve as persuasive authority, as it is commonly known in common law jurisdictions.<sup>12</sup>

¶6 The CTL gives weight to the “reputation of the mark to the relevant public” as a determining factor; however, a consumer-oriented test is ultimately subjective and “fundamentally vague,”<sup>13</sup> in need of more concrete, detailed objective factors as a supplement. Thus, the *Well-Known Mark Determination Provisions* provide that a well-known mark applicant must meet the burden of proof by providing relevant materials, including:

- (1) documents evidencing the extent of the relevant public’s knowledge of the mark,
- (2) documents showing the history of continuous use and the history and scope of registration of the mark,
- (3) documents evincing the extent of advertizing in terms of geographic scope, time, methods of advertisement and promotion,
- (4) protection records of the marks as being well-known both inside and outside of China, and
- (5) other documents tending to prove the mark as well-known, including the amount of sales, gross receipts, gross profit, and regions of sale in the most recent three years.<sup>14</sup>

Regardless of their merits, these concrete requirements bring forth a certain degree of certainty to potential well-known marks applicants.

## 2. Ways to Gain the “Well-Known Mark” Recognition

¶7 China offers two alternative approaches to “fame”: (1) by administrative determination or (2) by judicial rendition. For administrative determination, the owner of

<sup>10</sup> See *id.* art. 14.

<sup>11</sup> See Provisions on the Determination and Protection of Well-Known Marks (promulgated by the St. Admin. for Indus. & Commerce, Apr. 17, 2003, effective June 1, 2003) [http://english.ipr.gov.cn/ipr/en/info/Article.jsp?a\\_no=2160&col\\_no=119&dir=200603](http://english.ipr.gov.cn/ipr/en/info/Article.jsp?a_no=2160&col_no=119&dir=200603) (last visited Mar. 1, 2009) (P.R.C.) [hereinafter *Well-Known Mark Determination Provisions*].

<sup>12</sup> See Edward E. Lehman et al., *Well-Known Trademark Protection in the People’s Republic of China—Evolution of the System*, 26 *FORDHAM INT’L L.J.* 257, 271 (2003).

<sup>13</sup> *Id.* at 272.

<sup>14</sup> See *Well-Known Mark Determination Provisions*, *supra* note 11, art. 3.

a mark may present documents and evidence as set forth above in an administrative application<sup>15</sup> or administrative opposition action pursuant to the *Well-Known Mark Determination Provisions*.<sup>16</sup> The China Trademark Office has the administrative jurisdiction over such applications. Additionally, the *Well-Known Mark Determination Provisions* allows a mark owner to apply for protection for its allegedly well-known mark in a local Administration for Industry and Commerce (“AIC”) office.<sup>17</sup> These applications are eventually channeled to the China Trademark Office for determination in order to assess the proper means of protection for the marks in question.<sup>18</sup> In the alternative, an aggrieved mark owner has the option to litigate in people’s courts for a judgment on whether the mark is well-known.<sup>19</sup>

18 In addition to the above two methods, the CTL paves another “hybrid” way to determine whether a mark is well-known. Namely, where an applicant disagrees with the decision rendered by the China Trademark Review and Adjudication Board (“TRAB”), which is the appellate body of the Chinese trademark administrative agencies, she can initiate an action<sup>20</sup> against the TRAB in a court with competent jurisdiction pursuant to the Chinese Administrative Procedure Law.<sup>21</sup> This additional option, required by the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS Agreement”) and agreed upon by China,<sup>22</sup> offers extra protection and safeguards against arbitrary and inappropriate administrative decisions.

### 3. Exclusive Rights Associated with Well-Known Marks

19 Rights and privileges of a well-known mark are extensive in the Chinese institutional structure. Article 13 of the CTL stipulates that where trademarks under application for registration for identical or similar commodities are reproduced, copied, or translated from famous trademarks *not registered* in the People’s Republic of China by others and may easily cause confusion, they shall not be registered and shall be prohibited from use:

Where trademarks under application for registration for non-identical [sic] or non-similar [sic] commodities are reproduced, copied, or translated from famous

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<sup>15</sup> *See id.*

<sup>16</sup> *See id.* art. 4., para. 1.

<sup>17</sup> *Id.* art. 5.

<sup>18</sup> *Id.* art. 6.

<sup>19</sup> *See* Zui gao ren min fa yuan guan yu shen li shang biao min shi jiu fen an jian shi yong fa lii ruo gan wen ti de jie shi [Judicial Explanations on Several Issues Regarding Applicable Laws in Adjudicating Civil Trademark Disputes] (promulgated by the Sup. People’s Ct., Oct. 12, 2002, effective Oct. 16, 2002), art. 22, <http://www.cntrademark.com/CN/laws/trademark/laws008.htm> (last visited Mar. 8, 2008) (P.R.C.) [hereinafter 2002 Trademark Dispute Explanations].

<sup>20</sup> *See* 2001 CTL, *supra* note 9, art. 43.

<sup>21</sup> Administrative Procedure Law (promulgated by the Standing Comm. Nat’l People’s Cong., Apr. 4, 1989, effective Oct. 1, 1990), art. 25, <http://www.cecc.gov/pages/newLaws/adminLitigationENG.php> (last visited Mar. 1, 2009) (P.R.C.) [hereinafter China Administrative Procedure Law].

<sup>22</sup> *See* World Trade Organization, The Protocol on the Accession of the People’s Republic of China, art. 2(D), WT/L/432 (Nov. 23, 2001), *available at* <http://docsonline.wto.org/imrd/directdoc.asp?DDFDdocuments/t/WT/L/432.doc>; *see also* Veron Mei-Ying Hung, *China’s WTO Commitment on Independent Judicial Review: Impact on Legal and Political Reform*, 52 AM. J. COMP. L. 77, 78–79 (2004).

trademarks *registered* in the People’s Republic of China by others and may easily misguide the public, and interests of registrants of such famous trademarks may be damaged accordingly, they shall not be registered and be prohibited from being used.<sup>23</sup>

Article 13 extends protection for well-known marks, registered or unregistered, in China. If a well-known (i.e. “famous”) mark is registered in China, the owner of the mark can exclude others from registering, reproducing, copying or translating the mark. This rule applies to both similar and dissimilar goods of all types.<sup>24</sup> On the other hand, if a mark is unregistered and has been deemed as well-known in China by a judicial decision, the owner can still avail itself of the accompanying protection by preventing the mark’s use or registration in similar or identical categories of goods. Article 4 gives equal treatment and protection to owners of service marks and trademarks.<sup>25</sup> Finally, Article 15 gives the owner of a registered mark the right to oppose the unauthorized registration and use of the mark by its agent or representative, thus enjoying an added protection for the owner where the agency relationship sours.<sup>26</sup>

¶10 The Supreme People’s Court of China (“SPC”) tackled the issue of trademark infringement head-on in the context of domain name registration in its 2001 *Several Explanations on Domain Name Civil Disputes*.<sup>27</sup> It expressly provided that a mark owner can appeal to a court of competent jurisdiction to determine whether its mark is famous, and the court may order the cancellation of the infringing domain name if it finds unfair competition. Further, monetary damages are available to the victorious plaintiff and, upon request, the court may order the transfer of such infringing domain name to the plaintiff.<sup>28</sup>

¶11 Despite the extensive rights associated with well-known marks, dilution protection remains an academic concept in China. Rights-holders cannot bring a dilution claim in either court or administrative agencies in China. Whether China will adopt anti-dilution provisions in its CTL is unknown at this point. Part V.B.2 of this note discusses dilution law in China in detail.

#### 4. Well-Known and Non-Well-Known Marks Compared

¶12 Extensive rights, as discussed above, accompany well-known marks in comparison with regular, non-well-known marks. First, well-known marks, either registered or unregistered, are protected under the CTL because of China’s commitment to the Paris Convention. In contrast, regular, non-well-known marks must be registered in China in

<sup>23</sup> 2001 CTL, *supra* note 9, art. 13.

<sup>24</sup> An Qinghu, *Well-Known Marks & China’s System of Well-Known Mark Protection*, 95 TRADEMARK REP. 705, 713 (2005).

<sup>25</sup> *Id.* art. 4 (“The provisions made in this Law concerning goods trademarks shall apply to service marks.”).

<sup>26</sup> *Id.* art. 15.

<sup>27</sup> Zui gao ren min fa yuan guan yu shen li sheji jisuanji wangluo yuming minshi jiufen an jian shi yong fa lv ruo gan wen ti de jie shi [Interpretations of the Supreme People’s Court on Some Issues Concerning Application of Laws When Trying Civil Dispute Cases Related to Network Domain Names] (promulgated by the Sup. People’s Ct., July 17, 2001, effective July 24, 2001) 2001 FA SHI 24, *translated in* ISINOLAW (last visited Mar. 1, 2009) (P.R.C.) [hereinafter Domain Name Explanations].

<sup>28</sup> *Id.* arts. 4–8.

order to be protected, since China is a first-to-file jurisdiction where only registered marks are protected by the CTL.<sup>29</sup>

¶13 Second, if registered marks are well-known under the CTL, exclusive rights extend across all types of goods and services. In other words, an infringer will be held accountable for illegally using a registered well-known mark irrespective of whether the use was for goods or services similar or dissimilar to the right-holder's types of goods or services. However, protection for registered, non-well-known marks only extends to use in goods or services that are either the same or similar to those of the rights-holder.<sup>30</sup>

¶14 Third, a mark owner can sue an infringer for unfair competition to prohibit him from using the mark as a domain name, which might cause confusion,<sup>31</sup> but the mark in question must be well-known. This remedy, unfortunately, is not available for regular, non-well-known marks. To be exact, there is no "anti-cybersquatting" protection for regular marks.

¶15 In terms of well-known marks, protection for those that are registered and those that are unregistered also differs. For example, infringers of a registered well-known mark, if found liable, must not only refrain from further infringement, but also pay damages. The sole remedy for infringement of an unregistered well-known mark, on the other hand, is a cease and desist order if the infringement involves a "reproduction, an imitation, or a translation of a well-known trademark or the major part of a well-known mark of another . . . ."<sup>32</sup> In sum, well-known marks are entitled to broader and more effective protection if they are identified as such by relevant authorities in China.<sup>33</sup>

### B. How Did the Current Institutional Structure Evolve?

¶16 Rome was not built in a day. Neither was the current Chinese institutional structure for protecting well-known marks. More than two decades of combined legislative and administrative efforts led to its current form. The protection of well-known marks does not exist in a vacuum; rather, it developed in the greater context of the Chinese trademark law. This law's enactment, enforcement, amendment, and development reflect China's gradual transition from a centrally-planned economy to a socialist market economy. Therefore, a clear understanding of the evolution of the Chinese well-known mark jurisprudence depends, to a large extent, on a bird's-eye view of the transformation of China's trademark law in the past two decades.

#### 1. Protection of Well-Known Marks Before 1985

¶17 Trademark concepts and practices have a long history in China. Some date the first recorded Chinese trademark at approximately 2698 B.C.,<sup>34</sup> while others trace the

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<sup>29</sup> See 2001 CTL, *supra* note 9, art. 4.

<sup>30</sup> See Regulations for the Implementation of the Trademark Law (promulgated by the St. Council, Aug. 3, 2002, effective Sept. 15, 2002), art. 50(I), *translated in* Trademark Office, State Admin. Indus. & Commerce, Laws & Regulations, <http://sbj.saic.gov.cn/english/show.asp?id=53&bm=flfg> (last visited Mar. 1, 2009) (P.R.C.) [hereinafter Implementation Regulations].

<sup>31</sup> See Domain Name Explanations, *supra* note 27, art. 5.

<sup>32</sup> See An Qinghu, *supra* note 24, at 742.

<sup>33</sup> See *id.* at 765.

<sup>34</sup> See Ke Shao, *Look at My Sign!—Trademarks in China from Antiquity to the Early Modern Times*, 87 J. PAT. & TRADEMARK OFF. SOC'Y 654, 654 (2005).



emergence of the concept of trademark in China to the Northern Zhou Dynasty, which ruled China around 556–580 A.D.<sup>35</sup> China’s first trademark law was enacted in 1904 in the Qing Dynasty.<sup>36</sup>

¶18 After 1949, the Chinese Communist Party annulled the existing intellectual property laws.<sup>37</sup> The new China under communist rule promulgated the *Provisional Trademark Registration Regulations*<sup>38</sup> in 1950 and the *Trademark Administration Measures* in 1963,<sup>39</sup> but both of these standards were premised on the idea that individual invention and innovation belonged to the collective community, which emphasized product quality associated with trademarks rather than rights of trademark owners.<sup>40</sup> During the Cultural Revolution of 1966 to 1976, whatever the Chinese trademark regulatory regime had to offer was obliterated.<sup>41</sup> Modern China’s first trademark law did not emerge until two decades later in 1982 when China, under the leadership of Deng Xiaoping, drastically altered its political and economic policies. To establish legal and economic infrastructures conducive to foreign investment, China began to accept commercial principles of Western economies.<sup>42</sup> This fundamental change of national policy, often referred to as “Reform and Opening Up,”<sup>43</sup> resulted in China’s membership in the World Intellectual Property Organization (“WIPO”) in 1980 and the adoption of the 1982 Trademark Law (“1982 CTL”). Despite these unprecedented friendly gestures to foreign investment, however, well-known trademark protection was not on the legislative agenda until a few years later.

## 2. Protection of Well-Known Marks Between 1985 and 2001

¶19 The sixteen years between 1985 and 2001 saw rapid transformations in China’s trademark law. China became a signatory to the Paris Convention,<sup>44</sup> subjecting itself to the obligations of this international treaty regarding well-known marks.<sup>45</sup> Although the requirements of the Paris Convention Article 6bis were not incorporated into the CTL until the 2001 amendments, compliance with it began in earnest starting in 1987 on an ad hoc basis.

¶20 In 1987, in the first ever well-known mark opposition action involving a foreign mark, an Australian company applied to register the “Pizza Hut” trademark at the China

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<sup>35</sup> See Wong, *supra* note 4, at 940.

<sup>36</sup> See Ruixue Ran, *supra* note 6, at 232.

<sup>37</sup> See Weiqiu Long, *Intellectual Property in China*, 31 ST. MARY’S L.J. 63, 65 (1999).

<sup>38</sup> See Shang biao zhuce zai xing tiao li [Provisional Trademark Registration Regulations] (promulgated by the St. Council, Aug. 28, 1950) 1 FAGUI HUIBIAN 528 (1952), *translated in* PAT. & TRADEMARK REV. 358 (1960) (P.R.C.).

<sup>39</sup> Shang biao Guanli Tiaoli [Trademark Administration Regulations] (promulgated by the St. Council and adopted by the Nat’l People’s Cong., Apr. 10, 1963, effective Apr. 10, 1963) <http://hi.baidu.com/21dakai/blog/item/962eab8b531550d3fd1f1085.html> (last visited Mar. 8, 2008) (P.R.C.).

<sup>40</sup> See Mark Sidel, *Copyright, Trademark and Patent Law in the People’s Republic of China*, 21 TEX. INT’L L.J. 259, 269–70 (1986).

<sup>41</sup> See *id.* at 272.

<sup>42</sup> Wong, *supra* note 4, at 941.

<sup>43</sup> See Weiqiu Long, *supra* note 37, at 69.

<sup>44</sup> An Qinghu, *supra* note 24, at 708.

<sup>45</sup> *Id.*

Trademark Office for use in its “cake and powder products.”<sup>46</sup> The Pizza Hut International Company lodged its opposition, requesting the “Pizza Hut” mark be registered under its own name,<sup>47</sup> as it had been in many other countries. The China Trademark Office determined that “Pizza Hut” and its “roof logo” were both legally well-known under Chinese law based on their registration history. The Office refused to register the same mark by the Australian company,<sup>48</sup> and it conferred well-known status upon the “Pizza Hut” mark, albeit without a formal certificate, which would have served as the basis for “continued protection without the need to resort to ad hoc means.”<sup>49</sup> Two years later, the China Trademark Office began to recognize well-known marks on a regular basis, granting them formal certificates.

¶21 Extensive economic reforms of the early 1990s necessitated and paved the way for substantial changes to China’s IPR protection system. First, the Trademark Law was amended in 1993 to meet “the need of economic development and safeguard fair competition in the market . . . .”<sup>50</sup> Second, protection of well-known marks was written into the *Implementation Regulations of the Trademark Law* (“*Implementation Regulations*”);<sup>51</sup> these regulations started China’s domestic law-making process for protecting well-known marks. Third, the Chinese legislature adopted the Law Against Unfair Competition in 1993.<sup>52</sup> This law prohibited passing off of registered marks and well-known marks,<sup>53</sup> affording trademark owners additional administrative and judicial recourse in the event of infringement. Additionally, the Law Against Unfair Competition filled the legal vacuum with respect to trade dress and trade secrets, offering much anticipated and needed protection to such intellectual property.<sup>54</sup>

¶22 China’s regulations on well-known marks continued to evolve throughout the 1990s; this evolution was evidenced by the *Interim Provisions on the Determination and Administration of Well-Known Marks* (“*Interim Well-Known Mark Provisions*”) issued by the SAIC.<sup>55</sup> To fulfill China’s commitment to the Paris Convention, and using the TRIPs Agreement (of which China was not a member) as a guide, China adopted the *Interim Well-Known Mark Provisions*, providing a comprehensive, systematic blueprint for administrative determination<sup>56</sup> and protection of well-known marks.<sup>57</sup> In spite of its

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<sup>46</sup> Lehman et al., *supra* note 12, at 259.

<sup>47</sup> *Id.*

<sup>48</sup> An Qinghu, *supra* note 24, at 708.

<sup>49</sup> Lehman et al., *supra* note 12, at 259.

<sup>50</sup> See An Qinghu, *supra* note 24, at 709.

<sup>51</sup> Implementation Regulations, *supra* note 30.

<sup>52</sup> See Law Against Unfair Competition (promulgated by the Standing Comm. Nat’l People’s Cong., Sept. 2, 1993, effective Dec. 1, 1993) ISINOLAW (last visited Mar. 1, 2009) (P.R.C.).

<sup>53</sup> See *id.* art. 5.

<sup>54</sup> See Weiqiu Long, *supra* note 37, at 83.

<sup>55</sup> See Chi ming shang biao ren ding he guan li zan xing gui ding [Interim Provisions on the Determination and Administration of Well-Known Marks] (promulgated by the State Admin. Indus. & Commerce, Aug. 14, 1996, effective Aug. 14, 1996) <http://www.cntrademark.com/CN/laws/trademark/laws026.htm> (last visited Mar. 8, 2008) (P.R.C.) [hereinafter *Interim Well-Known Mark Provisions*].

<sup>56</sup> See *id.* art. 5.

<sup>57</sup> See Guo Tingbin, Wo guo chi ming shang biao fa lii bao hu ti xi de wan shan [The Improvements of China’s Well-Known Mark Protection System], [http://www.chinalawedu.com/news/2004\\_10/12/1445438787.htm](http://www.chinalawedu.com/news/2004_10/12/1445438787.htm) (last visited Feb. 24, 2009).

ostensible misuse by many domestic mark owners,<sup>58</sup> the *Interim Well-Known Mark Provisions* indeed composed an administrative framework through which owners of registered well-known trademarks could exclude others from using their marks.<sup>59</sup> Between 1996 and February 2002, the SAIC, pursuant to the *Interim Well-Known Mark Provisions*, determined 274 marks to be well-known.<sup>60</sup>

¶23 Besides administrative determination, judicial recognition of well-known marks also became a viable option in 2001. In the landmark case regarding the “DUPONT” trademark of DuPont Co.,<sup>61</sup> the Beijing Higher People’s Court—for the first time in Chinese judicial history—held that the trademark at bar was well-known for the purpose of assessing appropriate remedies in a trademark infringement case. Judicial recognition of well-known marks, affirmed by the *2002 Trademark Dispute Explanations*,<sup>62</sup> has since been firmly established.

¶24 The following table charts the chronology of important developments in China’s IP laws and regulations.

TABLE 1.

Date	Laws & Regulations
1950	China adopts the Provisional Trademark Registration Regulations.
1963	China adopts the Trademark Administration Measures.
1980	China becomes a member in the WIPO.
1982	China adopts the Trademark Law.
1984	China adopts the Patent Law.
1985	China becomes a member of the Paris Convention.
1986	China becomes signatory to the Madrid Agreement.
1990	China adopts the Copyright Law.
1992	Sino-U.S. Memorandum of Understanding on the Protection of IPR.
	Patent Law is amended.
	China becomes a signatory to the Berne Convention.
1993	Trademark Law is amended.
	China adopts the Law Against Unfair Competition.
1995	Sino-U.S. Agreement on IPR.

<sup>58</sup> *Id.*

<sup>59</sup> See *Interim Well-Known Mark Provisions*, *supra* note 55, arts. 8–9.

<sup>60</sup> An Qinghu, *supra* note 24, at 712.

<sup>61</sup> *Id.*

<sup>62</sup> *2002 Trademark Dispute Explanations*, *supra* note 19.

	Rules for Trademark Review and Adjudication
	China becomes a member of the Madrid Protocol.
1996	China issues the Interim Provisions on the Determination and Administration of Well-Known Marks.
1997	China amends the Criminal Law, including crimes against IPR.
1999	China-U.S. Bilateral Agreement on WTO.
2000	Patent Law is amended.
2001	Trademark Law is amended.
	Copyright Law is amended.
	China joins the WTO.
2002	Implementing Regulations on Trademark Law
2003	Provisions on the Determination and Protection of Well-Known Marks
2006	China's Action Plan on IPR Protection
2007	China's Action Plan on IPR Protection
2008	Amendments to Patent Law are adopted.

## II. THEORY UNDERLYING CHINA'S CURRENT INSTITUTIONAL STRUCTURE ON WELL-KNOWN MARK PROTECTION

¶25 From the late 1970s to 2008, the CTL and other laws on IPR have experienced dramatic changes as China became a global economic powerhouse. The transformation in Chinese IPR laws, especially trademark laws and regulations, can be attributed to a confluence of domestic and international forces.<sup>63</sup> These internal and external forces propelled Chinese legal scholars, administrators, policy-makers, and legislators to establish an institutional regime for protecting trademark rights in order to accomplish a multiplicity of purposes. The following section will take a closer look at these forces that led to the current institutional structure and will analyze for what purposes this structure was established.

### A. Internal Forces (Economic, Political, and Legislative)

¶26 Notwithstanding the popular notion that China constructed its intellectual property protection infrastructures (including a multi-tiered system of administrative enforcement and judicial review) primarily to meet international standards, Professor Peter Yu has warned against such a simplistic and Western-centric view.<sup>64</sup> He observed that China's

<sup>63</sup> See Ruixue Ran, *supra* note 6, at 231.

<sup>64</sup> See Peter K. Yu, *From Pirates to Partners (Episode II): Protecting Intellectual Property in Post-WTO China*, 55 AM. U. L. REV. 901, 913–14 (2006).

legislative and rule-making frenzy prior to its accession to the WTO was designed, in part, to make the Chinese intellectual property protection system conform to WTO standards.<sup>65</sup> At the same time, amendments to Chinese intellectual property laws, including the CTL, were largely a result of domestic conditions. As the late Chinese leader Deng Xiaoping once said about instituting comprehensive reforms in China—“crossing the river by touching the stones”—the Chinese authorities are pragmatic in programming their economic policies. They approach reforming the Chinese legal system with great caution, and the evolution of the CTL reflects this general governing philosophy.

¶27 Revising the trademark law is one of the means to accomplish the overall national goal of re-establishing a legal system that was demolished during the Cultural Revolution.<sup>66</sup> Irrespective of their nature and merits, trademark regulations established during the 1950s and early 1960s at least provided a basis for registering and managing trademarks. The Cultural Revolution, a ten-year political and economic disaster, ravaged China’s existing legal system. This is because the preeminent purpose of the revolution was class struggle, which made individual ownership of property out of the question. Waking up from the decade-long national nightmare, the Chinese leadership recognized the importance of a legal regime that could protect private property, thus initiating the march towards the rule of law.<sup>67</sup> Since then, thousands of laws and regulations have been adopted.<sup>68</sup>

¶28 This growing sense of the importance of private property ownership lays yet another societal foundation for intellectual property laws to germinate and flourish. In 1982, the Chinese Constitution was amended to recognize the *private* ownership of intellectual property, ending the monopoly of intellectual property ownership by the state.<sup>69</sup> The country, however, continued to adhere to the fundamental and long-standing principle of ownership by the people<sup>70</sup> at the behest of the Chinese Communist Party. Unfortunately, under the 1982 CTL and the 1993 CTL, natural persons could not file an application to register a trademark, which substantially limited the availability of the newly-created constitutional property rights. That limitation, in the context of China’s further affirmation of private property rights, dissolved into history because the 2001 CTL makes natural persons eligible to register trademarks in addition to legal persons.<sup>71</sup>

¶29 Effecting economic reforms and attracting foreign investments was also an impetus for amending China’s trademark laws. Immediately following China’s subscription to the “Reform and Opening up” policy, Chinese trademark professionals “produced legislative solutions to new and expanded trademark issues that emerged as China accelerated industrialization and encouraged foreign investment,” which led to the adoption of the 1982 CTL.<sup>72</sup> In 1992, China’s resolve on economic reforms strengthened

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<sup>65</sup> *Id.*

<sup>66</sup> See Michael N. Schlesinger, *A Sleeping Giant Awakens: The Development of Intellectual Property Law in China*, 9 J. CHINESE L. 93, 100 (1995).

<sup>67</sup> See Weiqiu Long, *supra* note 37, at 67.

<sup>68</sup> See STATE COUNCIL, WHITE PAPER: CHINA’S EFFORTS AND ACHIEVEMENTS IN PROMOTING THE RULE OF LAW (2008), [http://news.xinhuanet.com/english/2008-02/28/content\\_7687418\\_4.htm](http://news.xinhuanet.com/english/2008-02/28/content_7687418_4.htm).

<sup>69</sup> See Weiqiu Long, *supra* note 37, at 71.

<sup>70</sup> *Id.*

<sup>71</sup> See 2001 CTL, *supra* note 9, art. 4.

<sup>72</sup> Sidel, *supra* note 40, at 273.

following “Deng Xiaoping’s famous ‘tour’ of Southern China.”<sup>73</sup> Subsequently, the National People’s Congress amended the Chinese Constitution in 1993 to state that:

The state practices socialist market economy. The state strengthens economic legislation, improves macro-regulation and control. The state prohibits in accordance with the law any organization or individual from disturbing the socio-economic order.<sup>74</sup>

Guided by the spirit of the newly-amended Constitution, Chinese law and rule makers orchestrated what is referred to as the “Millennium Amendments” right before China’s entry into the WTO, which encompassed a revamping of China’s IPR protection system.<sup>75</sup> As a result of the Millennium Amendments, patent, copyright, and trademark laws were ostensibly amended with the aim of conforming to the TRIPs Agreement. Furthermore, various implementing regulations and administrative measures were promulgated pursuant to these amended laws. In particular, the 2001 CTL was adopted by the National People’s Congress. Subsequently, its *Implementation Regulations* were issued. This all took place in an overall economic and political shift in China. The Director General of the China Trademark Office under the SAIC noted that, in creating a new trademark system, China’s government was responding to:

. . . [a] deepening of reform and opening policy. . . [,] the development of the market economy[, and] . . . the requirements of a domestic integrated market, economic globalization and China’s WTO accession . . . .<sup>76</sup>

Therefore, it is inaccurate and ill-informed to characterize China’s revision of its intellectual property laws on the eve of its WTO entry simplistically, as a passive reaction to foreign pressures.

#### *B. External Forces (the U.S., International Treaties, and International Standards)*

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As alluded to above, external forces also played a significant role in the amelioration of China’s intellectual property laws. Of all the foreign players affecting China’s intellectual property protection system, the Americans are probably the most vocal and aggressive. Because exporting high-tech goods and knowledge-intensive products and services has become a “very important sector of the American economy,”<sup>77</sup> the U.S. government has linked international trade policies with the adequate protection of American IPR, threatening nations with trade sanctions if its demands are not met.<sup>78</sup> The Chinese government has experienced U.S. protests, demands, and threats of sanctions over the Chinese intellectual property protection system since 1979. From the first Sino-American bilateral agreement in 1979, the Agreement on Trade Relations

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<sup>73</sup> Yu, *supra* note 64, at 917.

<sup>74</sup> XIAN FA, art. 15 (1993) (P.R.C.).

<sup>75</sup> See Yu, *supra* note 64, at 906.

<sup>76</sup> See An Qinghu, *supra* note 24, at 713.

<sup>77</sup> See Peter K. Yu, *From Pirates to Partners: Protecting Intellectual Property in China in the Twenty-First Century*, 50 AM. U. L. REV. 131, 132 (2000).

<sup>78</sup> *Id.*

Between the United States of America and the People’s Republic of China,<sup>79</sup> to multiple bilateral intellectual property agreements signed respectively in 1992,<sup>80</sup> 1995,<sup>81</sup> and 1996,<sup>82</sup> and the “long march” style WTO negotiations, China has been willing to compromise and to take noticeable measures to advance its intellectual property protection system.<sup>83</sup>

¶31 Besides sovereign nations, international treaties and non-binding international standards were also instrumental in helping to shape China’s current intellectual property laws. For example, China’s membership in the Paris Convention in 1985 immediately resulted in instances of foreign well-known marks being protected. Even though the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks (adopted by WIPO and the Union for the Protection of Industrial Property in 1999) exercised no binding force on WIPO members, its provisions represented yet another international attempt to standardize the universal protection of well-known marks. Its “guiding function [could not] be ignored because it represents the trend of international protection of well-known marks.”<sup>84</sup> With respect to the powerful impact of international treaties, the late Professor Zheng Chengsi, an expert in Chinese intellectual property laws, put it succinctly:

In order to carry out its open reform policy, China has no other choice but to establish and strengthen its intellectual property protection system. This is especially true after the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) finally linked intellectual property with international trade and the information highway.<sup>85</sup>

### *C. Chinese Trademark Law and the Evolving Legislative Intent*

¶32 As all trademark laws do, the CTL and its various implementing regulations serve particular legislative purposes. For instance, the Lanham Act was enacted in the United States to basically serve the dual purpose of protecting the rights of both consumers and mark owners.<sup>86</sup> China’s 1982 CTL, replacing the 1963 *Trademark Administrations Regulations*, expressly stated in Article One that it was adopted:

. . . for the purpose of improving the administration of trademarks, protecting the right to exclusive use of trademarks and encouraging producers to guarantee the quality of their goods and maintain the reputation of their trademarks, so as to

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<sup>79</sup> *Id.* at 136.

<sup>80</sup> See Ruixue Ran, *supra* note 6, at 233 (the Sino-US Memorandum of Understanding).

<sup>81</sup> See *id.* (the U.S.-China Intellectual Property Rights Accord).

<sup>82</sup> See *id.* (the U.S.-China Intellectual Property Rights Accord).

<sup>83</sup> See generally Yu, *supra* note 77, at 142–50 (describing various Chinese responses to threats of U.S. sanctions in the mid-1990s).

<sup>84</sup> See An Qinghu, *supra* note 24, at 712.

<sup>85</sup> Zheng Chengsi, *The TRIPS Agreement and Intellectual Property Protection in China*, 9 DUKE J. COMP. & INT’L L. 219, 219 (1998).

<sup>86</sup> See 15 U.S.C. § 1127 (2006).

protect the interests of consumers and promote the development of the socialist commodity economy.<sup>87</sup>

Enshrouded in the midst of administrative purposes was the legislative intent to protect “trademark rights,” which launched China’s recognition and protection of private trademark rights. When the SAIC issued its *Interim Well-Known Marks Provisions* in 1996, it intended to use these provisions as a temporary vehicle to “protect the legitimate rights and interests of the owner of a registered trademark, safeguard the social economic order[,] and promote economic development.”<sup>88</sup> As the “Millennium Amendments” ushered in a “new and improved” CTL, they enabled the Chinese trademark law to substantially comply with the TRIPs Agreement. Not surprisingly, the CTL and its *Implementation Regulations* clung to the basic three-pronged legislative intentions: (1) the management of trademarks, including requirements on quality associated with marks; (2) consumer protection; and (3) protection of private property rights of trademark owners.<sup>89</sup> According to one commentator, the CTL, viewed in the context of the history of trademark law in China, represented a major step forward in terms of its guiding principles and basic values on trademarks; however, it did not elevate the protection of private property rights as a principal legislative intent, and it still bears the obviously significant function of strengthening administrative management authorities.<sup>90</sup> A derivative of the CTL, the *Well-Known Mark Determination Provisions*, suffers from the same legislative infirmity, where the protection of private IPR is overshadowed by the overall administrative regulatory tone of the trademark law.

### III. THE NUTS AND BOLTS OF ENFORCING WELL-KNOWN MARK RIGHTS IN CHINA

#### A. *Opposing the Registration of Well-Known Marks in China*

¶33

Unlike many common law jurisdictions, China subscribes to the first-to-file system to establish trademarks rights.<sup>91</sup> Under this system, prior use of a certain mark, without registering it in the China Trademark Office, does not generate trademark rights, whereas prior use of a mark can establish trademark rights in the United States. Therefore, owners of marks who are unfamiliar with China’s trademark registration system face grave challenges of their rights being infringed in China. This is especially true for owners of well-known marks, given that well-known marks are substantially more valuable and susceptible to infringement.<sup>92</sup> To avail themselves of the protection for

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<sup>87</sup> See Trademark Law (promulgated by the Standing Comm. Nat’l People’s Cong., Aug. 23, 1982, effective Mar. 1, 1983), art. 1, ISINOLAW (last visited Mar. 1, 2009) (P.R.C.).

<sup>88</sup> See An Qinghu, *supra* note 24, at 711.

<sup>89</sup> See 2001 CTL, *supra* note 9, art. 1; Implementation Regulations, *supra* note 30, art. 1.

<sup>90</sup> See Feng Xiaoqing, Shang biao fa de san ci xiu gai ruo gan wen ti tan tao [Discussions on the Several Issues China Third Round of Amendments to the Trademark Law] CHINALAWINFO, available at <http://vip.chinalawinfo.com/newlaw2002/SLC/SLC.asp?Db=art&Gid=335583000> (last visited Feb. 7, 2009) (P.R.C.).

<sup>91</sup> See 2001 CTL, *supra* note 9, art. 4; Jeffrey F. Levine, *Meeting the Challenge of International Brand Expansion in Professional Sports: Intellectual Property Right Enforcement in China Through Treaties, Chinese Law and Cultural Mechanisms*, 9 TEX. REV. ENT. & SPORTS L. 203, 221 (2007); see also Weiqui Long, *supra* note 37, at 75.

<sup>92</sup> See An Qinghu, *supra* note 24, at 771.



well-known marks, owners or their agents must be familiar with the detailed procedures, as well as the substantive provisions, provided under China’s well-known mark safeguard regime.

### 1. Procedures for Opposing the Registration of a Well-Known Mark

¶34 The fundamental basis for opposing the registration of a well-known mark in China lies in Articles 13 and 14 of the CTL.<sup>93</sup> Procedurally, the owner of a well-known mark can object to the registration by filing an opposition petition with the Trademark Office within the three-month statutory open-opposition period.<sup>94</sup> In its opposition, the mark owner must state the cause, state the basis thereof, and submit relevant supportive documents.<sup>95</sup> In a case involving an unregistered foreign well-known mark, the owner can exclude others from registering the mark for use in connection with goods and services that are the same or similar to those under use by the owner.<sup>96</sup> In order to do so, however, the applicant may submit evidentiary documents pursuant to Article 14 of the CTL in order to establish that the mark in dispute is well-known under Chinese Law.<sup>97</sup> Likewise, if the mark is registered in China, the applicant bears the same burden of proof to exclude others from registering the mark at all for any categories of goods or services.<sup>98</sup> Within thirty days after the filing of the documents under Article 14 of the CTL, the Trademark Office usually notifies the mark registrant to respond within thirty days.<sup>99</sup> If the Trademark Office requests additional documents, the applicant must supply requested materials within three months of the request, and the failure to do so timely results in a deemed relinquishment of the right to submit further proof.<sup>100</sup>

¶35 An opposition applicant can appeal an unfavorable decision rendered by the Trademark Office. The first recourse is to appeal to the TRAB<sup>101</sup> for review within fifteen days of the last decision from the Trademark Office.<sup>102</sup> The CTL provides that a well-known mark owner can appeal, within thirty days, the unfavorable decision of the TRAB to a people’s court.<sup>103</sup> Cases of this nature fall into the realm of an administrative action, where the TRAB is a named party, and Beijing First Intermediate People’s Court has exclusive jurisdiction as the trial court.<sup>104</sup>

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<sup>93</sup> See 2001 CTL, *supra* note 9, arts. 13–14.

<sup>94</sup> *Id.* art. 30.

<sup>95</sup> Implementation Regulations, *supra* note 30, art. 22.

<sup>96</sup> 2001 CTL, *supra* note 9, art. 33; Well-Known Mark Determination Provisions, *supra* note 11, art. 4.

<sup>97</sup> Well-Known Mark Determination Provisions, *supra* note 11, art. 4.

<sup>98</sup> 2001 CTL, *supra* note 9, art. 33; Well-Known Mark Determination Provisions, *supra* note 11, art. 4.

<sup>99</sup> Implementation Regulations, *supra* note 30, art. 22, para. 2.

<sup>100</sup> *Id.* para. 3.

<sup>101</sup> See Shang biao ping shen gui ze xiu ding [Trademark Review & Adjudication Rules] (promulgated by the St. Admin. Indus. & Commerce, Sept. 26, 2005, effective Oct. 26, 2005), art. 2(i), [http://www.gov.cn/flfg/2005-10/10/content\\_75527.htm](http://www.gov.cn/flfg/2005-10/10/content_75527.htm) (last visited Feb. 7, 2009) (P.R.C.) [hereinafter TRA Rules].

<sup>102</sup> 2001 CTL, *supra* note 9, art. 33, para. 1.

<sup>103</sup> *Id.* para. 2.

<sup>104</sup> See An Qinghu, *supra* note 24, at 716, 763.

¶36 These recourses for opposing the registration of a well-known mark are actually sequential: the “former procedure is the prerequisite for the latter one.”<sup>105</sup> Also, complying with the time limits in each step is of paramount importance.<sup>106</sup>

## 2. Procedures and Requirements for Cancelling a Registered Mark

¶37 A registered mark in violation of Article 13 of the CTL can be legally cancelled by its legitimate owner.<sup>107</sup> Cancellation procedures differ from those of opposition procedures in two pronounced aspects. First, the owner can file a cancellation petition directly with the TRAB, bypassing any encounters with the Trademark Office,<sup>108</sup> which potentially saves time and reduces costs and expenses due to infringements. Second, the statute of limitations for a cancellation case is five years from the date of the registration in question.<sup>109</sup> However, if the registration in question is malicious and in bad faith, the petition is not bound by the five-year statute of limitations.<sup>110</sup> As with opposition, the owner requesting cancellation can appeal the TRAB’s decision to the Beijing First Intermediate People’s Court within thirty days of TRAB’s decision.

## 3. Procedures and Requirements for Cancelling an Infringing Entity Name

¶38 Registering an entity name that is identical or similar to a registered well-known mark violates the exclusive rights of the well-known mark’s owner.<sup>111</sup> Rights-holders of well-known marks may petition a competent authority in the AICs to cancel illegal registration of entity names using their marks, where such entity names are “likely to deceive or mislead the public.”<sup>112</sup> The competent authority must respond in accordance with the *Provisions for the Registration and Administration of Enterprise Names* (“*Entity Names Provisions*”);<sup>113</sup> there is no requirement that the marks in question be certified as well-known in China.<sup>114</sup> In other words, the well-known status of marks is not a condition precedent to the cancellation of offending entity names; instead, the relevant authority should examine whether the entity names complained of are “likely to deceive or mislead the public”<sup>115</sup> as set forth in the *Entity Names Provisions*.<sup>116</sup>

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<sup>105</sup> *Id.* at 715.

<sup>106</sup> *Id.* at 715–16.

<sup>107</sup> See 2001 CTL, *supra* note 9, art. 41.

<sup>108</sup> *Id.*

<sup>109</sup> *Id.*

<sup>110</sup> *Id.*

<sup>111</sup> See Implementation Regulations, *supra* note 30, art. 53; see also Well-Known Mark Determination Provisions, *supra* note 11, art. 13.

<sup>112</sup> See An Qinghu, *supra* note 24, at 727.

<sup>113</sup> Administrative Rules on Enterprise Name Registration (promulgated by the St. Council, July 22, 1991, effective Sept. 1, 1991) ISINOLAW (last visited Mar. 1, 2009) (P.R.C.) [hereinafter *Entity Names Provisions*].

<sup>114</sup> See An Qinghu, *supra* note 24, at 728.

<sup>115</sup> See *id.*

<sup>116</sup> See *Entity Names Provisions*, *supra* note 113, art. 9(2).

### B. *Opposing the Use of Well-Known Marks in China*

¶39 With respect to opposing trademark infringement in commerce, China follows a unique bifurcated approach. Readily available for the owner of an infringed mark are four distinctive legal options. For a cost-effective way to fight infringement, the owner or licensee may request the AIC to investigate and prohibit unauthorized use of the mark. Filing a trademark infringement civil lawsuit is another viable option. An owner may also engage the Chinese police, the Public Security Bureau, for criminal enforcement.<sup>117</sup> In addition, a rights-holder might also consider utilizing the Chinese customs authorities to combat counterfeiting and other infringing conducts. While other effective extra-judicial, non-administrative means<sup>118</sup> also exist, these four methods are most widely known and relied upon in China. Among the four methods, administrative enforcement and civil law suits in the people’s courts are the most commonly deployed methods,<sup>119</sup> both of which have their advantages and disadvantages in the Chinese intellectual property protection regime.

¶40 The CTL’s proscription of illegal use of a registered mark encompasses a wide range of activities, including:

- (1) to use a trademark that is identical with or similar to a registered trademark in respect of the identical or similar goods without the authorization from the trademark registrant;
- (2) to sell goods that he knows bear a counterfeited registered trademark;
- (3) to counterfeit, or to make, without authorization, representations of a registered trademark of another person, or to sell such representations of a registered trademark as were counterfeited, or made without authorization;
- (4) to replace, without the consent of the trademark registrant, its or his registered trademark and market again the goods bearing the replaced trademark; or
- (5) to cause, in other respects, prejudice to the exclusive right of another person to use a registered trademark.<sup>120</sup>

Aside from the above five types of prohibited use, the SPC augmented the exclusive rights of rights-holders in its *2002 Trademark Dispute Judicial Explanations*. Specifically, three more types of use are also actionable: (1) registering an entity name with a registered trademark for use in goods or services that are similar or identical to the trademark owner; (2) copying, imitating, or translating a registered well-known mark or using distinctive portions of such a mark in goods or services different from those of the legitimate owner, thereby causing consumer confusion and injuries to the owner; and (3) registering a domain name with words identical or similar to a registered trademark and using such domain name in electronic commerce, thereby causing confusion in the

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<sup>117</sup> See Yu, *supra* note 64, at 947.

<sup>118</sup> See Peter K. Yu, *Still Dissatisfied After All These Years: Intellectual Property, Post-WTO China, and the Avoidable Cycle of Futility*, 34 GA. J. INT’L & COMP. L. 143, 155–56 (2005) (stating that “the legal system is not the only option available to protect intellectual assets”).

<sup>119</sup> See Yu, *supra* note 64, at 946.

<sup>120</sup> 2001 CTL, *supra* note 9, art. 52.

relevant public.<sup>121</sup> As rights associated with a registered mark are exclusive, a violation of any one of the above—or of any combination of them—constitutes infringement, against which the rights-holder can file administrative, civil, or criminal complaints.

### 1. Enforcement Procedures Through the AIC

¶41 A request to halt trademark infringement in commerce must be supported by relevant evidence. Where a well-known mark is allegedly being infringed, the complainant shall provide evidence under Article 14 of the CTL to establish that its mark is well-known, thus entitling it to administrative protection.<sup>122</sup> The AIC has the authority to prohibit use of the mark, seize and destroy the “trademark representations,”<sup>123</sup> and destroy products when the goods and infringing labels cannot be separated.<sup>124</sup>

¶42 Administrative enforcement through the AIC can be a double-edged sword. On the one hand, local AICs, under the auspices of the SAIC, have become an important tool of both the government and private right-holders to counter infringement activities.<sup>125</sup> On the other hand, even though the transaction cost to bring an administrative enforcement action is relatively low at the outset, the complainant has limited remedies. AICs cannot award economic damages or issue injunctions. These are available only through Chinese courts. Furthermore, rampant local protectionism and prevalent corruption among AICs can reduce the efficacy of administrative enforcement because local AIC officers and local government leaders often act in concert with infringers.<sup>126</sup> Rights-holders might also find that local AICs lack the necessary means to quickly affect desired changes, not to mention their inability to enforce their own orders for lack of funds and qualified human resources.<sup>127</sup>

### 2. Enforcement Through the People’s Courts

¶43 Courts will continue to play an ever-increasing<sup>128</sup> role in trademark protection in China for a number of reasons. As indicated above, China must adhere (and has adhered) to its WTO commitment to establish independent judicial review of administrative enforcement cases.<sup>129</sup> This inevitably will divert some administrative enforcement cases to the judicial system. But that is only part of the story. As China institutes more

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<sup>121</sup> 2002 Trademark Dispute Explanations, *supra* note 19, art. 1.

<sup>122</sup> See Implementation Regulations, *supra* note 30, art. 45.

<sup>123</sup> An Qinghu, *supra* note 24, at 716. The phrase “trademark representations” generally includes signs, emblems, packaging, and any other materials that infringe upon a well-known mark.

<sup>124</sup> Implementation Regulations, *supra* note 30, arts. 44–45.

<sup>125</sup> See Wong, *supra* note 4, at 965.

<sup>126</sup> *Id.*

<sup>127</sup> *Id.*

<sup>128</sup> See Wang Doudou, *Shu zi jie du qi nian zhi shi chan quan shen pan* [Interpreting Intellectual Property Rights Trials Through Seven Years of Data], LEGAL DAILY, Feb. 20, 2008, available at [http://www.legaldaily.com.cn/misc/2008-02/20/content\\_800347.htm](http://www.legaldaily.com.cn/misc/2008-02/20/content_800347.htm) (last visited Feb. 21, 2008). Intellectual property cases saw exponential growth in China from 2001 to 2007. *Id.* During those seven years, trial courts accepted 77,463 cases and disposed of 74,200 cases, experiencing an annual growth of 22.6% and 22.92% respectively in case acceptance and disposition. *Id.* Out of the total number of intellectual property cases above, 11,598 trademark cases were accepted and 10,743 disposed of. *Id.*

<sup>129</sup> See Veron Mei-Ying Hung, *China’s WTO Commitment on Independent Judicial Review: Impact on Legal and Political Reform*, 52 AM. J. COMP. L. 77, 78–79 (2004).

specialty intellectual property tribunals in economically advanced jurisdictions<sup>130</sup> and as more Chinese judges become versed in adjudicating disputes on IPR,<sup>131</sup> right-holders have increasingly opted for the courts to safeguard their rights.<sup>132</sup>

¶144 Civil actions can be brought in people’s courts of competent jurisdiction,<sup>133</sup> while criminal complaints must be referred to the PSB for prosecution.<sup>134</sup> Before proceeding further into the details of both bringing civil and criminal complaints in China, the complexity of the Chinese judicial system warrants a brief primer.

¶145 The Chinese court system consists of general people’s courts and special courts.<sup>135</sup> General people’s courts are structured into a four-tiered<sup>136</sup> system in terms of judicial review power, reflected in the following ascending order: district/trial courts, intermediate courts, higher people’s courts, and the SPC. Trial courts are tribunals established in counties and small cities without administrative districts; these courts adjudicate the full gambit of cases ranging from civil disputes, to criminal trials, to administrative actions.<sup>137</sup> The next tier comprises intermediate people’s courts, which typically are located in prefectures and mid- to large-sized cities with administrative districts. Higher people’s courts are courts of the highest authority in China’s provinces, autonomous regions, and four municipalities. The highest court of the land is the SPC, which has appellate jurisdiction to review cases from lower courts, as well as original jurisdiction in certain situations,<sup>138</sup> it also exercises appellate review<sup>139</sup> over special courts.<sup>140</sup> Within each of the four-tiered courts are tribunals to try matters of varying natures—civil, economic, criminal, and administrative.<sup>141</sup> Special courts include maritime, military, railway transportation, and forestry courts, all of which are designated and restricted to hear disputes in those highly specialized and narrow areas.<sup>142</sup>

¶146 Notably, unlike common law jurisdictions like the United States and the United Kingdom, where the doctrine of *stare decisis* applies in their judicial system,<sup>143</sup> the Chinese civil law system honors higher courts’ decisions only to the extent that circumstances in the case at bar are similar to those in earlier cases.<sup>144</sup> Nonetheless, judicial interpretations, explanations, and guidance opinions issued by the SPC are meant

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<sup>130</sup> See Wong, *supra* note 4, at 968.

<sup>131</sup> See Yu, *supra* note 64, at 946–47.

<sup>132</sup> *Id.* at 947.

<sup>133</sup> See Wall, *supra* note 5, at 387.

<sup>134</sup> *Id.* at 389–90.

<sup>135</sup> See The National Court Organizations (May 20, 2003), [http://www.china.org.cn/english/features/state\\_structure/65040.htm](http://www.china.org.cn/english/features/state_structure/65040.htm).

<sup>136</sup> See Kate Colpitts Hunter, *Here There Be Pirates: How China Is Meeting Its IP Enforcement Obligations Under TRIPS*, 8 SAN DIEGO INT’L L.J. 523, 527 (2007).

<sup>137</sup> See Jiang Zhipei, *People’s Courts and Special People’s Courts in the People’s Republic of China*, <http://www.chinaiprlaw.com/english/courts/court3.htm> (last visited Feb. 8, 2009).

<sup>138</sup> See Jiang Zhipei, *The Organization, Functions and Powers of the People’s Courts*, <http://www.chinaiprlaw.com/english/courts/court1.htm> (last visited Feb. 8, 2009).

<sup>139</sup> *Id.*

<sup>140</sup> *Id.*

<sup>141</sup> See Levine, *supra* note 91, at 219.

<sup>142</sup> See The National Court Organizations, *supra* note 135.

<sup>143</sup> *Stare decisis* is a doctrine where higher courts’ decisions are binding upon lower courts. See *In re Osborne*, 76 F.3d 306, 309 (9th Cir. 1996).

<sup>144</sup> See Alexander C. Chen, *Climbing the Great Wall: A Guide to Intellectual Property Enforcement in the People’s Republic of China*, 25 AIPLA Q.J. 1, 38 (1997).

to effect uniformity among courts on the interpretation and application of laws. Although these judicial explanations are not, in theory, “laws,”<sup>145</sup> they do serve as “gap fillers”<sup>146</sup> for lower courts. Insofar as appeals are concerned, plaintiffs are entitled to one appellate review;<sup>147</sup> thus, the judgment and order from the court of second instance are final and binding.<sup>148</sup>

¶47 In recent years, China has created specialized tribunals devoted to handling intellectual property cases.<sup>149</sup> As of the end of 2003, all 31 higher people’s courts in China had created IP tribunals to review intellectual property related cases,<sup>150</sup> and most intermediate level courts had also established special panels for the same purpose.<sup>151</sup> The latest trend in China is to concentrate IP cases into courts or court panels where judges are highly trained in order to achieve uniformity in the application of law, streamline the relevant procedures, and maximize the usage of judicial resources.<sup>152</sup> For that purpose, Justice Cao Jianmin of the SPC has called for the establishment of independent IP courts in the intermediate court level, although such courts would remain administratively attached to intermediate courts.<sup>153</sup>

¶48 To sue in intermediate people’s courts—the courts of first instance in trademark infringement actions<sup>154</sup>—rights-holders of well-known marks must exercise care in meeting the procedural and evidentiary requirements, in addition to stating valid causes of action. With respect to procedures, the statute of limitations for trademark infringement is two years from the date when the plaintiff knew or should have known of the infringement.<sup>155</sup> Jurisdiction and venue for infringement usually lie in the intermediate people’s courts where the infringing activities took place or where the

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<sup>145</sup> Mo Zhang & Paul J. Zwier, *Burden of Proof: Developments in Modern Chinese Evidence Rules*, 10 TULSA J. COMP. & INT’L L. 419, 422 (2003).

<sup>146</sup> *Id.* at 422 n.15 (citing AN INTRODUCTION TO CHINESE LAW 21 (Wang Chenguang & Zhang Xianchu eds., 1997)).

<sup>147</sup> See Chen, *supra* note 144, at 39.

<sup>148</sup> See AFD China, Outline of the Chinese Trademark System, [http://www.anxinfonda.com/article\\_trademark\\_2.htm#30](http://www.anxinfonda.com/article_trademark_2.htm#30) (last visited Feb. 8, 2009).

<sup>149</sup> See Yu, *supra* note 64, at 947; see also Jiang Zhipei, Wo guo shou li zhi shi chan guan an shang sheng She wai an jian shen li nan du jia da [Chinese Courts Accept More IP Cases; Difficulties Increase in International IP Cases] (Dec. 18, 2003), <http://www.chinaiprlaw.com/spxx/spxx320.htm> (last visited Feb. 21, 2008).

<sup>150</sup> Jiang Zhipei, *supra* note 137.

<sup>151</sup> See Wang Doudou, *Zui gao fa yuan tiao zheng zhi chi chan guan an jian shen pan guan xia ti zhi* [Supreme People’s Court to Adjust the Organization of Jurisdiction Relative to IP Cases], LEGAL DAILY, Feb. 21, 2008, available at [http://www.legaldaily.com.cn/2007fjdt/2008-02/21/content\\_800817.htm](http://www.legaldaily.com.cn/2007fjdt/2008-02/21/content_800817.htm).

<sup>152</sup> *Id.*

<sup>153</sup> *Id.* (during the Second National IP Trial Working Meeting of P.R.C, Justice Cao Jianmin summarized the current developments and trends in IP cases, and expressed that the establishment of more independent IP courts in the intermediate level would be one of a means to effect the adjustment of jurisdictional reorganization in IP cases).

<sup>154</sup> See *Zui gao ren min fa yuan guan yu shen li shang biao an jian you guan guan xia he fa lv shi yong fan wei wei ti de jie shi* [Judicial Explanations on Jurisdiction and the Applicability of Law in Trademark Trials] (promulgated by the Sup. People’s Ct., Dec. 25, 2001, effective Jan. 21, 2002), art. 1, <http://sbj.saic.gov.cn/pub/show.asp?id=21&bm=flfg> (last visited Feb. 22, 2008) (P.R.C.) [hereinafter SPC 2001 Trademark Judicial Explanations].

<sup>155</sup> See J. Benjamin Bai et al., *From Infringement to Innovation: Counterfeiting and Enforcement in the BRICs*, 5 NW. J. TECH. & INTELL. PROP. 525, ¶ 44 (2007); see also Mark S. Sommers & Virginia L. Carron, *Managing Counterfeiting in China*, IP LITIGATOR, Mar./Apr. 2004, at 38.

infringer resides.<sup>156</sup> Extensive discovery, as practiced in the United States, does not exist in China.<sup>157</sup> Evidentiary standards familiar to common law jurisdiction legal professionals are much more complicated in China, in that the Chinese legal system currently has no “unified evidence code, *per se*.”<sup>158</sup> To sustain or defend a claim, each party must muster its own evidence and bear its burden of proof in accordance with the *Several Rules of Evidence Concerning Civil Litigation*.<sup>159</sup> These rules<sup>160</sup> reduce the courts’ role in gathering evidence by putting the onus on the parties.

### 3. Enforcement Through Criminal Prosecution

¶49 Owners of well-known marks might also go after infringers through criminal prosecution. Criminal prosecution of IPR has its basis in the Chinese Criminal Law and a series of judicial explanations put forth by the SPC. The maximum prison sentence for trademark counterfeiting is three years for “relatively large” counterfeiting sales;<sup>161</sup> a sentence of three to seven years is rare, reserved for extreme circumstances<sup>162</sup> where “huge sales”<sup>163</sup> of counterfeit goods occur. “Relatively large” and “huge sales” were not clearly defined in the Criminal Law, but the SPC came out with its judicial explanations in 2004.<sup>164</sup> The SPC set detailed parameters and thresholds regarding the level of culpability required for sentences.<sup>165</sup> In practice, rights-holders first have to file complaints with the PSB to conduct investigations on alleged infringement; the PSB will, in turn, refer “egregious” cases to the Supreme People’s Procuratorate for prosecution.<sup>166</sup>

### 4. Enforcement Through the Customs Office

¶50 The General Administration of Customs (“GAC”) also has administrative jurisdiction over trademark protection, albeit limited in scope.<sup>167</sup> A condition precedent to customs enforcement is the recordation of trademarks with the GAC.<sup>168</sup> To properly

<sup>156</sup> See Hunter, *supra* note 136, at 527.

<sup>157</sup> See United States Embassy-Beijing, IPR Toolkit, <http://beijing.usembassy-china.org.cn/iprpatent.html> (last visited Feb. 8, 2009).

<sup>158</sup> See Zhang & Zwier, *supra* note 145, at 420.

<sup>159</sup> *Id.*

<sup>160</sup> See Zui gao ren min fa yuan guan yu min shi su song zheng ju de ruo gan gui ding [Several Evidence Rules Concerning Civil Litigation] (promulgated by the Sup. People’s Ct. Adjudication Comm., Dec. 21, 2001, effective Apr. 1, 2002) 2001 FA SHI 33, available at <http://www.dffy.com/faguixiazai/ssf/200311/20031109201210.htm> (last visited Mar. 3, 2009) (P.R.C.).

<sup>161</sup> See Xing fa [Criminal Law] (promulgated by the Standing Comm. Nat’l People’s Cong., Mar. 14, 1997, effective Oct. 1, 1997), arts. 213–220, <http://www.cecc.gov/pages/newLaws/criminalLawENG.php> (last visited Feb. 8, 2009) (P.R.C.).

<sup>162</sup> *Id.*

<sup>163</sup> See Omario Kanji, Note, *Paper Dragon: Inadequate Protection of Intellectual Property Rights in China*, 27 MICH. J. INT’L L. 1261, 1274 (2006).

<sup>164</sup> Zui gao ren min fa yuan Zui gao ren min jian cha yuan guan yu ban li qin fan zhi shi chan xing shi an jian ju ti ying yong fa lv ruo gan wen ti de jie shi [Explanations on Several Issues Regarding the Specific Application of Laws in Criminal Intellectual Property Cases] (promulgated by the Sup. People’s Ct., Nov. 11, 2004, effective Dec. 22, 2004) <http://sbj.saic.gov.cn/pub/show.asp?id=97&bm=flfg> (last visited Feb. 22, 2008) (P.R.C.).

<sup>165</sup> See Kanji, *supra* note 163, at 1273–75.

<sup>166</sup> See United States Embassy-Beijing, *supra* note 157.

<sup>167</sup> See Wall, *supra* note 5, at 384.

<sup>168</sup> See *id.* at 375.

record marks with the GAC, an applicant must submit relevant documents along with an application for recordation, which must include:

- (1) the name, registration place or nationality, etc. of the right owner;
  - (2) the title, content and relevant information of the intellectual property right;
  - (3) any licensing agreement signed for the intellectual property right;
  - (4) the name, producing place, the Customs located in importing or exporting place, importer, exporter, principle features, price and other information of the goods in which the right owner exercise their intellectual property right legitimately;
  - (5) the manufacturer, importer, exporter, the Customs located in importing or exporting place, principle features, price and other information of the goods which have been known to infringe the intellectual property right;
- Any certificates should be submitted, if there is any.<sup>169</sup>

Assuming that proper recordation is in place at the GAC, rights-holders must still apply for the detention of suspected shipments of infringing goods and present supporting evidence or documents to the GAC.<sup>170</sup> Further, rights-holders must post a bond not exceeding the value of the suspected goods for customs detention.<sup>171</sup> With respect to detention, rights-holders must pay for the related cost of “warehousing, maintenance, and disposal of the goods incurred”<sup>172</sup> by the GAC; otherwise, the GAC may deduct such costs from the bond. Simultaneous to the GAC enforcement, rights-holders may also apply to the people’s court for a court order to enjoin infringement,<sup>173</sup> but they must pay damages if either the court or the GAC finds that the suspected shipment of goods does not violate any existing rights.<sup>174</sup>

#### IV. WELL-KNOWN MARK PROTECTION IN REPRESENTATIVE CASE LAW

¶51 As noted above, the people’s courts are playing an increasing role in IPR enforcement. As required by the TRIPs Agreement, member countries must make transparent their laws, regulations, final administrative and judicial decisions.<sup>175</sup> Such information is available in Chinese electronically. Most significantly, a large number of judicial decisions rendered by trial courts and appellate courts can be found at a single source—China IPR Judgments & Decisions.<sup>176</sup> As such, data compiled and released by the Chinese authorities and case law corroborate the assertion that the people’s courts

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<sup>169</sup> See Regulations on Customs Protection of IPRs (promulgated by the St. Council, Nov. 26, 2003, effective Mar. 1, 2004), art. 7, *translated in Industry Updates*, CHINA DAILY Apr. 20, 2006, available at [http://www.chinadaily.com.cn/bizchina/2006-04/20/content\\_572304.htm](http://www.chinadaily.com.cn/bizchina/2006-04/20/content_572304.htm) (P.R.C.).

<sup>170</sup> See *id.* art. 13.

<sup>171</sup> See *id.* art. 14.

<sup>172</sup> See Wall, *supra* note 5, at 384.

<sup>173</sup> *Id.*

<sup>174</sup> *Id.* at 385.

<sup>175</sup> See Hunter, *supra* note 136, at 541.

<sup>176</sup> China IPR Judgments & Decisions, <http://ipr.chinacourt.org> (last visited Mar. 3, 2009).



have been busy enforcing IP laws. The following chart<sup>177</sup> demonstrates the judicial enforcement scene in China:

TABLE 2.

Types of Cases 2001–2007	Accepted by people’s courts	Annual growth rate	Disposed of by people’s courts	Annual growth rate
Trademark	11,598	No data	10743	No data
Patent	18,521	No data	17,764	No data
Copyright	28,776	No data	28,170	No data
Unfair Competition	7,934	No data	7,832	No data
Technology Contracts	6,277	No data	5,516	No data
Foreign party involved	No data	No data	1,634	57.95%
<i>Total</i>	<i>77,463</i>	<i>22.60%</i>	<i>74,200</i>	<i>22.92%</i>

Foreign observers<sup>178</sup> of Chinese IP enforcement also noted the rise of court actions.<sup>179</sup> This rise of court actions has inevitably generated many interesting decisions, which provide a window into China’s judicial interpretation of its various IP laws and regulations. This section examines two recent cases, decided by the people’s courts and the TRAB.

#### A. *Ferrari v. Jiajian*

¶52 The Beijing First Intermediate Court had the occasion to decide, in an administrative action pursuant to the 2001 CTL, whether the design of the prancing horse, combined with the word “Ferrari,” of the Italian Ferrari Company was a well-known trademark. Ruling against Ferrari, the court held that the prancing horse design was not well-known in China for the purpose of the case at bar.<sup>180</sup>

¶53 Ferrari’s “horsing” saga started back in 1996 with a Chinese trademark registrant. Ferrari began doing business in China in 1993, and considered China to be one of its key international markets.<sup>181</sup> It registered its “Ferrari & Prancing Horse Design” combination trademark in China. A Chinese department store in Guangzhou, Jiajian Sports

<sup>177</sup> Wang Doudou, *supra* note 128.

<sup>178</sup> See Tony Chen & Pilar Woo, *China in 2004 and Beyond*, MANAGING INTELL. PROP. (Supp. Jan. 2005), Jan. 2005, available at <http://www.managingip.com/Article.aspx?ArticleID=495719> (“China has seen a rising number of IP cases.”).

<sup>179</sup> See Wall, *supra* note 5, at 388.

<sup>180</sup> Yang Wang, *Fa la li shang biao bei pan “bu chi ming” [Ferrari’s Prancing Horse Lost Its Footing and Was Held to Be Not Well-Known]*, BEIJING TIMES, July 10, 2007, at A10, available at [http://epaper.jinghua.cn/html/2007-07/10/content\\_126196.htm](http://epaper.jinghua.cn/html/2007-07/10/content_126196.htm).

<sup>181</sup> See Ferrari in China, <http://www.seriouswheels.com/cars/top-2005-Ferrari-612-Scaglietti-Tour-China.htm> (last visited Feb. 8, 2009).

Merchandise Company, Ltd. (“Jiajian”), sought to register a design-only mark with the symbol of a prancing horse for use in selling clothing on April 1, 1995. Jiajian registered its mark in connection with Nice Class 25<sup>182</sup>—the designation for clothing. When the China Trademark Office published the prospective “Prancing Horse Mark” for public opposition on September 7, 1996, Ferrari filed a timely opposition. Ferrari claimed that Jiajian’s trademark, with its designated types of goods, was confusingly similar to its “Ferrari & Prancing Horse Design” combination mark already registered in China, because the mark was to be used in similar types of goods. The China Trademark Office rejected its argument, stating that Jiajian’s registration of its mark predated any alleged mark belonging to Ferrari.

¶54 Ferrari then appealed to the TRAB, arguing that both the “Ferrari & Prancing Horse Design” combination mark and its unregistered prancing horse design mark constituted well-known trademarks; therefore, the registration sought by the opponent, if granted, would cause confusion among consumers. Unfortunately for Ferrari, the TRAB disagreed and affirmed the original decision.<sup>183</sup>

¶55 Ferrari then took its battle to the Beijing First Intermediate People’s Court for judicial review of the prior administrative decision. In the court, Ferrari averred that since the “Ferrari” word mark was already a well-known mark recognized by the China Trademark Office, and since the “Ferrari & Prancing Horse Design” combination mark was already registered in China, the prancing horse design mark should automatically be a well-known mark. To support that argument, and to convince the court that it should be able to bootstrap the “well-known” status to the prancing horse design, Ferrari posited that the Ferrari trademark had become well-known around the world and had gained considerable familiarity among Chinese consumers.<sup>184</sup> However, the court flatly rejected Ferrari’s claim of fame for its unregistered design mark.<sup>185</sup> The court gave three reasons: (1) The key issue here was whether the unregistered “prancing horse” design mark and the registered “Ferrari & Prancing Horse” combination were famous before Jiajian’s registration of its mark. Plaintiff failed to provide evidence of the use and advertisement relative to its design mark. Plaintiff proffered evidence supporting the famous status of a related trademark—“Ferrari” the word mark, but that is not sufficient to prove that that the design mark in question is entitled to well-known mark protection as requested. (2) China has established an independent system to recognize well-known trademarks. The recognition of the “Ferrari” word mark as well-known in China does not equate to the like recognition of the “Prancing Horse” design mark, because the recognition of the former does not constitute adequate legal basis for the recognition of the latter. (3) The focal issue in the suit was not the “Ferrari” mark; rather it is the “Prancing Horse” design. Therefore, evidence of the well-known status of “Ferrari” word mark cannot be evidence

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<sup>182</sup> China became a member of the Nice Agreement in August 1994, and the China Trademark Office uses standard Nice Classification in registering trademarks. See World Intellectual Property Organization, International Classification of Goods and Services for the Purposes of the Registration of Marks Under the Nice Agreement, available at <http://www.wipo.int/classifications/nivilo/nice/index.htm>.

<sup>183</sup> See Yang Wang, *supra* note 180.

<sup>184</sup> See Guo Jing-Xia, *Fa law li gong si “ben ma” shang biao bu guo cheng chi ming shang biao [Ferrari’s “Prancing Horse” Held Not to Be a Well-Known Mark]*, July 7, 2007, <http://bjgy.chinacourt.org/public/detail.php?id=53336>.

<sup>185</sup> See Yang Wang, *supra* note 180.

that the “Prancing Horse” design mark and the “Ferrari & Prancing Horse” combination mark are well-known in relevant marks in China.

¶56 This case offers a textbook example of how a prolonged well-known trademark enforcement action unfolds in China’s well-known mark protection regime. At a first glance, it might be shocking to learn that the prancing horse design mark was deemed not to be well-known, given its relative fame in the West. However, in order to rationally gauge whether the *Ferrari* court got it right, it is necessary to analyze whether the decision comports with the relevant provisions of the Paris Convention, the TRIPs Agreement, the CTL and other provisions under Chinese law regarding well-known marks.

### 1. *Ferrari* and the Paris Convention

¶57 As indicated above, China became a member of the Paris Convention in 1985, so it is bound by the treaty to protect well-known marks of other Union countries, though they may be unregistered in China. Article 6bis of the Paris Convention provides:

(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.<sup>186</sup>

Under the Paris Convention, a member country has the obligation to “refuse or to cancel the registration” of a trademark that is a mere reproduction, imitation or translation of a well-known trademark from another member’s jurisdiction. However, the obligation is activated only if the allegedly infringing trademark is to be used for identical or similar goods and such use is likely to cause confusion. These two conditions create a significant impediment for the holder of a well-known mark to enforce its rights in a foreign jurisdiction since it has to prove the likelihood of confusion, and its protection is limited to goods that are similar or identical to its own. The use of a mark for goods that are different from the well-known mark owner’s goods falls beyond the scope of protection under the Paris Convention. Furthermore, since the Paris Convention does not define

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<sup>186</sup> See Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305, available at [http://www.wipo.int/treaties/en/ip/paris/trtdocs\\_wo020.html](http://www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html).

“well-known,” it leaves relevant authorities of a given jurisdiction wide latitude in deciding what constitutes a well-known mark for the purpose of stopping infringement in that jurisdiction.<sup>187</sup>

¶58 In view of China’s obligation under the Paris Convention, the *Ferrari* court’s decision is correct under international law. First, and most damaging for Ferrari, was that the defendant’s purported use of the prancing horse design mark was for selling general and fur clothing, which is vastly different from automobiles and sports vehicles. Had Ferrari been in the business of selling clothing, the defendant’s intended use of the prancing horse mark might have been legally objectionable under the Paris Convention. Second, under the Paris Convention Article 6bis, Ferrari also must show the likelihood of confusion in order to prevail. To establish confusion, the pertinent question is whether the general consuming public would be confused as to the source of the defendant’s clothing sold with the “Prancing Horse” design logo. Unfortunately, the court did not analyze this issue. Even if the court had analyzed the issue, Ferrari’s burden of proof would have been high because it must have shown that the relevant Chinese consumers would associate the defendant’s clothes with Ferrari.

## 2. *Ferrari* and the TRIPs Agreement

¶59 China’s accession into the World Trade Organization (“WTO”) makes compliance with the TRIPs Agreement and other international conventions incorporated therein mandatory.<sup>188</sup> On protecting well-known marks, Article 16 of the TRIPs Agreement provides:

(1) The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

(2) Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

(3) Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the

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<sup>187</sup> See Bella I. Safro & Thomas S. Keaty, *What’s in a Name? Protection of Well-Known Trademarks Under International and National Law*, 6 TUL. J. TECH. & INTELL. PROP. 33, 38 (2004).

<sup>188</sup> See Lehman et al., *supra* note 12, at 267.

owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.<sup>189</sup>

The TRIPs Agreement extends protection for unregistered well-known marks to service marks. It also prohibits the use of registered well-known marks in goods or services that are dissimilar “in respect of which a trademark is registered.”<sup>190</sup> Further, where an identical sign is used for identical goods or services, such use is presumed to generate confusion, thereby lowering the plaintiff’s burden of proof.<sup>191</sup> Despite the expanded protection for well-known marks provided by the TRIPs Agreement, Ferrari still would not prevail. The prancing horse design mark is not registered in China, and Ferrari’s failure to register this mark effectively removes its entitlement to the expanded protection under Article 16. Additionally, because the defendant’s use of the prancing horse mark was for goods different from Ferrari’s goods and services, there is no presumption of confusion. Given this analysis, the *Ferrari* court did not abridge Ferrari’s rights under the TRIPs Agreement.

### 3. *Ferrari* and Chinese Law

¶160 As the CTL<sup>192</sup> and the *Well-Known Mark Determination Provisions*<sup>193</sup> both provide factors for determining whether a mark is well-known, Ferrari may look to the relevant Chinese laws and regulations to ascertain whether the court erred. The TRIPs Agreement requires member countries, in determining well-known marks, to consider “the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.”<sup>194</sup> As discussed in Part I.A.1 of this note, both the CTL and the *Well-Known Mark Determination Provisions* require the relevant authorities to take into account the public’s knowledge about the mark and its reputation. These requirements are not only consistent with the TRIPs Agreement, but are also indicative of the international standard on determining well-known marks set forth by the WIPO in the Joint Resolution Concerning Provisions on the Protection of Well-Known Marks (“WIPO Joint Resolution”). In relevant part, the WIPO Joint Resolution provides:

(1) [*Factors for Consideration*]

(a) In determining whether a mark is a well-known mark, the competent authority shall take into account any circumstances from which it may be inferred that the mark is well known.

(b) In particular, the competent authority shall consider information submitted to it with respect to factors from which it may be inferred that

<sup>189</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights art. 16, Apr. 15, 1994, 33 I.L.M. 1197 [hereinafter TRIPs].

<sup>190</sup> See *id.* art. 16(3).

<sup>191</sup> See *id.* art. 16(1).

<sup>192</sup> See 2001 CTL, *supra* note 9, art. 14.

<sup>193</sup> See Well-Known Mark Determination Provisions, *supra* note 11, arts. 2–3.

<sup>194</sup> See TRIPs, *supra* note 189, art. 16(2).

the mark is, or is not, well known, including, but not limited to, information concerning the following:

1. the degree of knowledge or recognition of the mark in the relevant sector of the public;
2. the duration, extent and geographical area of any use of the mark;
3. the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
4. the duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark;
5. the record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities;
6. the value associated with the mark.<sup>195</sup>

The *Ferrari* court deemed the prancing horse design mark to be not well-known, primarily because the plaintiff failed to proffer evidence of advertising and publicity in China. Discussion and analysis of another important factor, knowledge of and reputation of the mark in the relevant public sector, is not available because the opinion is not published.<sup>196</sup> The CTL does not define “relevant public,” but the *Well-Known Mark Determination Provisions* defines it as consumers of the goods or services associated with the mark, and the relevant market players in the production and distribution of goods or services.<sup>197</sup> Given this apparent absence of definition regarding “relevant public” in the CTL, it gives too much discretion to the courts to interpret it notwithstanding the *Well-Known Mark Determination Provisions*. To reduce such discretion and possible abuse, the author suggests that China adopt in incorporate into the CTL the position advanced in the WIPO Joint Resolution, which states:

(a) Relevant sectors of the public shall include, but shall not necessarily be limited to:

- (i) actual and/or potential consumers of the type of goods and/or services to which the mark applies;

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<sup>195</sup> See WIPO, *Joint Resolution Concerning Provisions on the Protection of Well-Known Marks*, WIPO Doc. A/34/13, art. 2 (1) (1999) [hereinafter WIPO Joint Resolution], available at [http://www.wipo.int/meetings/en/doc\\_details.jsp?doc\\_id=1101](http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=1101) (last visited Apr. 18, 2008).

<sup>196</sup> Chinese courts selectively publish opinions, and this case was not released for publication.

<sup>197</sup> See *Well-Known Mark Determination Provisions*, *supra* note 11, art. 2.

(ii) persons involved in channels of distribution of the type of goods and/or services to which the mark applies;

(iii) business circles dealing with the type of goods and/or services to which the mark applies.

(b) Where a mark is determined to be well known in at least one relevant sector of the public in a Member State, the mark shall be considered by the Member State to be a well-known mark.

(c) Where a mark is determined to be known in at least one relevant sector of the public in a Member State, the mark may be considered by the Member State to be a well-known mark.

(d) A Member State may determine that a mark is a well-known mark, even if the mark is not well known or, if the Member States applies subparagraph (c), known, in any relevant sector of the public of the Member State.<sup>198</sup>

A unified position on the “relevant public” is desirable because of the sheer geographic size of China and the hugely divergent economic variances across China.<sup>199</sup> Generally speaking, coastal areas of China and major municipalities have relatively advanced economies with sophisticated consumers. In other less developed regions, such as the vast western and southwestern regions of China, economic development lags far behind and consumers have less exposure to foreign brands. In light of the economic disparity among different regions in China, consumers’ knowledge and familiarity vary widely. Therefore, to hold foreign mark owners to a standard of “the relevant public” without regard to the consumer market reality in China would be unfair.

#### B. *Starbucks Corp. v. Shanghai Xingbake Coffee Corp.*<sup>200</sup>

¶61

In 1996, Starbucks Corporation registered the word mark “Starbucks” and various designs associated with its brand in China. The company also registered thirty types of products under the “Starbucks” mark in 1997, and later added more services and products to the word mark in China. On February 1, 1999, Starbucks first registered the Chinese version of the “Starbucks” mark—“Xingbake” [星巴克]—in Taiwan; however, it did not begin the registration process of “Xingbake” in China until 1998. While waiting for Chinese approval for the registration of “Xingbake,” Starbucks launched massive advertising campaigns with its registered mark “Starbucks” and the then-pending “Xingbake” mark. In addition, the first Starbucks chain store began operation in Beijing in January 1999. Starbucks finally registered the “Xingbake” trademark in China on December 28, 1999.

<sup>198</sup> See WIPO Joint Resolution, *supra* note 195, art. 2(2).

<sup>199</sup> See Richard S. Gruner, *Intellectual Property in the Four Chinas*, INT’L L. NEWS, Spring 2008, at 2 (arguing that there are “four Chinas” in terms of intellectual property enforcement, given the differences of commercial development, research and development focus, and attitudes of local authorities).

<sup>200</sup> Starbucks Corp. v. Shanghai Xingbake Coffee Corp. (Shanghai Higher People’s Ct., Dec. 20, 2006), available at [http://ipr.chinacourt.org/public/detail\\_sfws.php?id=5919](http://ipr.chinacourt.org/public/detail_sfws.php?id=5919).

¶62 While Starbucks's application for the trademark "Xingbake" was pending, the defendant Shanghai Xingbake Coffee, Ltd. successfully registered the entity name "Xingbake." On March 9, 2000, the defendant finalized its incorporation, with its principal business being the sale of beverages, western-style meals, and alcoholic drinks. The defendant printed "Starbuck Coffee" on its price list and used the characters "Xingbake Coffee" in their store front and advertising billboards.

¶63 After a failed effort at private settlement and an unsuccessful administrative action with the Shanghai AIC,<sup>201</sup> Starbucks sued the defendant in the Shanghai Second Intermediate People's Court for trademark infringement and unfair competition. The trial court found for the plaintiff on both issues. The defendant's appeal followed in the Shanghai Higher People's Court, whose decision was final and binding on the outstanding issues. These issues included: (1) whether the appellant's successful registration of the entity name "Xingbake" defeated Starbucks's claim of trademark infringement, given that the entity registration predated that of the plaintiff's "Xingbake"; and (2) whether the defendant's usage of the corporate name "Xingbake" and "Starbuck Coffee" constituted unfair competition. On both issues, the court affirmed, handing Starbucks a sound victory.

¶64 In its opinion, the court stated its analysis and rationale for affirming the lower court. With respect to trademark infringement, the court pointed to evidence of bad faith in the defendant's preemptive registration of the corporate name "Xingbake." In addition, it found the "Starbucks" and the "Xingbake" marks to be well-known in the context of the plaintiff's trademark infringement claim, citing that both marks had been widely known in China prior to the defendant's preemptive registration. The plaintiff was well-known in China for its "wide use, publicity and reputation"<sup>202</sup> associated with its marks. Further, the court opined that Starbucks's usage and attainment of rights relevant to the "Xingbake" mark predated any rights the defendant had obtained through its preemptive registration of its entity name. Moreover, the court held that the defendant's malicious preemptive registration of its entity name "Xingbake" violated the CTL and basic commercial ethics—equality, honesty and good faith.

¶65 This case serves as a microscope into judicial enforcement of trademark rights in Shanghai,<sup>203</sup> one of the most modern and international cities in China.<sup>204</sup> Compared to courts in rural areas, urban courts are better staffed, with highly educated and trained judges<sup>205</sup> whose judgments reflect a better understanding of the law and a higher degree of professionalism. The significance of this high profile case is multifaceted.

¶66 First, it demonstrated that the court was willing to recognize an unregistered foreign mark as well-known, in compliance with the Paris Convention.<sup>206</sup> Foreign corporations often raise the concern that they do not receive the same level of protection

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<sup>201</sup> See Wong, *supra* note 4, at 954.

<sup>202</sup> See *id.* at 956.

<sup>203</sup> See *id.* at 959 ("The Starbucks decision was an important case for the Chinese trademark protection system. This case demonstrates the progress China has made in protecting well-known marks, but also draws attention to the challenges that foreign corporations still face in protecting their trademarks.").

<sup>204</sup> See Wikipedia, Shanghai, <http://en.wikipedia.org/wiki/Shanghai> (last visited Feb. 24, 2008).

<sup>205</sup> See RANDALL PEERENBOOM & HE XIN, DISPUTE RESOLUTION IN CHINA: PATTERNS, CAUSES, AND PROGNOSIS 6 (2008), available at [http://www.fljs.org/uploads/documents/Peerenboom\\_He%20Xin%231%23.pdf](http://www.fljs.org/uploads/documents/Peerenboom_He%20Xin%231%23.pdf).

<sup>206</sup> See Wong, *supra* note 4, at 956–57.



as their Chinese counterparts in Chinese courts.<sup>207</sup> They argue that China recognizes local, well-known marks more often than foreign marks. However, by joining the Paris Convention, China embraced the obligation to recognize and protect a foreign well-known mark unregistered in China, which the CTL incorporates in Article 13(a). In addition, by virtue of China’s accession to the WTO, it obligated itself to give equal access and protection to foreign investors in certain aspects. Notwithstanding the widespread notion that China has a spotty IPR protection record, and despite foreign governments’ formal and informal protests against China’s current IPR protection efforts, the court handed Starbucks the judicial protection that was required under international treaties. In particular, even though Starbucks’s “Xingbake” mark was not a well-known mark in its own jurisdiction,<sup>208</sup> the court nonetheless identified it as well-known. Furthermore, even though the mark was not registered in China at the time of the defendant’s registration, the court held it well-known on the ground that Starbucks’s rights in “Xingbake” predated those of the defendant because of prior use by, reputation of, and advertising conducted by Starbucks.

¶167 Second, the court solidified its judicial authority by enforcing its own judgment. Many have commented that the Chinese IPR laws are strong on paper yet weak in enforcement.<sup>209</sup> This institutional weakness escaped neither the court nor the Chinese legislature. Months after the final disposition of the case, the defendant still had not changed its corporate name as ordered by the court. To carry out its orders, the court actually froze the defendant’s assets and garnished its bank accounts.<sup>210</sup> Eventually, under intense pressure, the defendant changed its business name to “Fangyun Coffee.”

¶168 More significantly, to address the pervasive and rampant issue of non-compliance and non-enforcement of civil judgments,<sup>211</sup> the Standing Committee of the NPC adopted<sup>212</sup> revisions<sup>213</sup> to the Civil Procedure Law of China.<sup>214</sup> Pursuant to the revisions,

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<sup>207</sup> See *id.* at 958.

<sup>208</sup> In order to invoke the Paris Convention protection, the mark in question must be well-known first in a member country of origin. However, in this instance, “Xingbake” was not well-known in the United States.

<sup>209</sup> See Hunter, *supra* note 136, at 540; Lehman et al., *supra* note 12, at 273; Wong, *supra* note 4, at 964.

<sup>210</sup> See GD Chain, Xiaoming Li & Yang Li, Shanghai “Xingbake” geng ming wei tang yun ka fei Gai ming hou ten qui bu zu [Shanghai “Xingbake” Changed Its Entity Name; Business Lagging Behind], May 18, 2007, <http://www.gdchain.com.cn/News/newsdetail.asp?NewsID=54129>.

<sup>211</sup> See Feifei Zhang & Xiangxiao Liu, *Wou quo li fa cheng jiu you mu gong du Zhi xing bu li wen ti xiang dang pu bian* [Our Country Has Achieved Significant Success in Legislation, but the Deficiency in Enforcement is Quite Common], LEGAL DAILY, July 3, 2007, available at [http://www.legaldaily.com.cn/0705/2007-05/24/content\\_623397.htm](http://www.legaldaily.com.cn/0705/2007-05/24/content_623397.htm) (reporting that China has achieved significant legislative successes, but enforcement of the laws lags far behind).

<sup>212</sup> See Quan quo ren min dai biao da hui Chang wu wei yuan hui guan yu xiu gai Zhonghua Remin Gongheguo min shi su song fa de jue ding [National People’s Congress Standing Committee’s Decision to Amend People’s Republic of China Civil Procedure Law] (promulgated by the Standing Comm. Nat’l People’s Cong., Oct. 28, 2007, effective Apr. 1, 2008) [http://www.npc.gov.cn/npc/zt/2007-10/28/content\\_1382611.htm](http://www.npc.gov.cn/npc/zt/2007-10/28/content_1382611.htm) (last visited Feb. 25, 2008) (P.R.C.) (stating that the Standing Comm. of the NPC adopted revisions to the Chinese Civil Procedure Law on Oct. 28, 2007).

<sup>213</sup> See Min shi su song fa [Civil Procedure Law] (promulgated by the Standing Comm. of the Nat’l People’s Cong., Oct. 28, 2007, effective Apr. 1, 2008) [http://www.gov.cn/flfg/2007-10/28/content\\_788498.htm](http://www.gov.cn/flfg/2007-10/28/content_788498.htm) (last visited Feb. 25, 2008) (P.R.C.).

<sup>214</sup> See Law of Civil Procedure (promulgated by the Standing Comm. of the Nat’l People’s Cong., Apr. 9, 1991, effective Apr. 9, 1991), translated in China International Economic and Trade Arbitration Commission, Laws, [http://www.cietac.org.cn/english/laws/laws\\_11.htm](http://www.cietac.org.cn/english/laws/laws_11.htm) (last visited Feb. 25, 2008) (P.R.C.).

people's courts have the authority to fine individuals who fail to comply with court orders, to detain such individuals if non compliance continues, and to issue judicial disciplinary dispositions against such individuals.<sup>215</sup> These concrete and specific legal changes represent the Chinese legal community's concerted efforts to improve judicial enforcement in China, since courts are equipped with sharper teeth<sup>216</sup> if trademark infringers do not comply with court orders. Recent research shows that enforcement of judicial judgments in urban areas have made significant progress, despite contrary portrayal.<sup>217</sup> In contrast, incentives for local protectionism still exist for non-enforcement in rural areas, so enforcements in those areas remain problematic.<sup>218</sup> Under the revised Civil Procedure Law, effective April 2008, it remains to be seen how courts across China will utilize their newfound enforcement power.

### C. Reconciling Ferrari with Starbucks

¶69 On the surface, the results in *Ferrari v. Jiajian* and *Starbucks v. Shanghai Xingbake Coffee* seem inconsistent; in substance, they share a great deal in common. In both cases, (1) the trademarks in question were unregistered foreign marks at the time when alleged infringements occurred, and (2) the plaintiffs availed themselves of the CTL. Ferrari attempted to oppose the registration of an infringing mark through administrative actions, and Starbucks sued both to enjoin the use of its unregistered mark and to recover civil damages via the judicial enforcement route. Both rights-holders desired the comprehensive protections afforded to well-known marks, yet only Starbucks prevailed. The companies were similarly situated, yet they received almost opposite reactions from the Chinese courts. This curious discrepancy, naturally, raises the question of "why?"

¶70 A few material factors have surfaced consistently in Chinese courts' determination of well-known marks, forming a tangible contour of judicial interpretation of the CTL on well-known marks. Courts seem to give great weight to the extent and scope of advertising for the mark in question.<sup>219</sup> Both the *Ferrari* court and the *Starbucks* court expressly used the amount of advertising for the marks in question as a very important element in their decisions. Lack of advertising for Ferrari's "Prancing Horse" design mark to a great extent led to its loss; whereas Starbucks's extensive campaign for "Xingbake" inside and outside China tipped the scale in its favor. Reputation is yet another piece of the well-known determination puzzle, and the *Starbucks* court and the court in *Inter IKEA System B.V. v. Beijing CINET Co.*<sup>220</sup> took it into consideration.<sup>221</sup> Further, courts also consider evidence of registration in other jurisdictions. In addition, evidence of use of marks (for example in *Starbucks*) can also come into play. To

<sup>215</sup> See *id.* arts. 103–04.

<sup>216</sup> See Chen Hongwei & Lian Yingting, *Ming shi su song fa xiu gai zheng shi que li guo jia zhi xing wei she ji zhi* [Revised Civil Procedure Law Establishes National Judicial Enforcement Deterrence Mechanism] (Nov. 5, 2007), [http://www.npc.gov.cn/npc/zt/2007-11/05/content\\_374345.htm](http://www.npc.gov.cn/npc/zt/2007-11/05/content_374345.htm).

<sup>217</sup> See PEERENBOOM & HE XIN, *supra* note 205, at 6.

<sup>218</sup> *Id.*

<sup>219</sup> See Wong, *supra* note 4, at 957 (stating that in *Inter IKEA System B.V. v. Beijing CINET Co.*, the Beijing Second Intermediate People's Court "found IKEA to be a well-known mark because their goods and services had been advertised for an extended period of time around the world"); see also Lehman et al., *supra* note 12, at 272.

<sup>220</sup> See *id.*

<sup>221</sup> See Wong, *supra* note 4, at 957.

conclude, Chinese courts—especially courts in urban areas—consider multiple factors in their determination of well-known marks, all of which fall within the scope of Article 14 of the CTL.<sup>222</sup>

## V. PROSPECT FOR CHANGE IN THE CURRENT WELL-KNOWN MARK PROTECTION REGIME

¶71

With a historical perspective on the protection of well-known marks in the greater context of the past development of the CTL, this section sketches the contours of what well-known mark protection in China could be in the future. As China continues its own search for the “rule of law”<sup>223</sup> and as it strives to build a “socialist market economy,”<sup>224</sup> amending the current CTL and the entire trademark protection system is unavoidable. In fact, earnest efforts to bring about a third round of amendments<sup>225</sup> to the CTL are already under way.<sup>226</sup> Legal communities in China and beyond are abuzz with excitement about this round of amendments to the CTL; consequently, some discussions about what the new law should look like have surfaced. Because most notable discourse on the amendments are taking place among Chinese IP scholars and IP administrators, such constructive discourse largely foreshadows the content of the forthcoming amendments.

### A. Private Right vs. Public Policy

¶72

There is an inherent conflict in the protection of trademark rights. On the one hand, rights arising from either use or registration in trademarks are property rights. As such, holders of such rights are entitled to protection. That is to say, trademark laws serve as legal instruments in protecting private property. On the other hand, trademarks operate to assist consumers in relating goods and services to their sources. As such, a fundamental goal of most trademark laws is to effectuate the public policy of preventing consumer confusion. The dual role of trademark law presents this inherent conflict of interests between rights-holders and the consuming public at large. This conflict of interests,

<sup>222</sup> See 2001 CTL, *supra* note 9, art. 14.

<sup>223</sup> Establishing a society ruled by law has been a major political aspiration of the Chinese Communist Party (“CCP”) for decades, and the CCP has determined in its official report in the 17<sup>th</sup> Annual Communist Party Meeting that “the rule of law is a basic requirement for socialist democracy.” See Tang Zhixiang, *Yi fa zhi guo shi she hui zhu yi min zhu zheng zhi de jib en yao qiu* [Governing by Law is Socialism Democratic Politics’ Basic Requirement], HUNAN DAILY, Jan. 17, 2008, available at <http://hnrh.hnol.net/article/20081/200811793330648186691.html>; see also Chris Buckley, *Elite China Think-Tank Issues Political Reform Blueprint*, REUTERS, Feb. 18, 2008, <http://www.reuters.com/article/worldNews/idUSPEK20590720080219> (stating that scholars at the CCP-backed elite think-tank argues for the establishment of a modern civil system and mature democracy, and rule of law in the next three decades).

<sup>224</sup> See Yu, *supra* note 64, at 914–15.

<sup>225</sup> See Yang Peng, *Shang biao fa di san ci xiu ding: da gai hai shi xiao xiu* [Third Round of Amendments to Trademark Law: Major Overhaul or Minor Changes], FA ZHI WANG, Dec. 18, 2006, [http://www.legaldaily.com.cn/misc/2006-12/18/content\\_489690.htm](http://www.legaldaily.com.cn/misc/2006-12/18/content_489690.htm); Yang Yexuan, *Que bao gong ping Ti gao xiao li: Shang biao zhuan jia zhi chu shang biao fa xiu gai ji xu jie jue de san da yao dian* [Ensure Fairness Improve Efficiency: Three Urgent Issues to Be Resolved in Current Chinese Trademark Law], [http://www.trademark.gov.cn/Article\\_show.asp?ArticleID=2566](http://www.trademark.gov.cn/Article_show.asp?ArticleID=2566) (last visited Feb. 26, 2008) (stating that efforts to amend the Trademark Law have stirred up public discussions and raised many concerns).

<sup>226</sup> The American Bar Association’s China Committee formed a China Trademark Law Task Group in 2007, whose mission is to propose desired changes to the current Chinese Trademark Law. The junior author of this note was a member of this Task Group.

present in the United States Lanham Act, is not news to trademark law scholars and policymakers in China. It has raised debates as to how the new amendments to the CTL should address the conflicting goals of trademark law.

¶73 The CTL currently plays a largely administrative role.<sup>227</sup> Its main purpose is to administrate trademarks, protect consumers and other market players, and it has a secondary purpose is to protect the rights of rights-holders. Given the legislative intent, the administrative functions of the CTL have ballooned into a lengthy and convoluted trademark opposition process.<sup>228</sup> In particular, to oppose the registration of a well-known mark, a trademark owner may eventually have to undergo three separate administrative steps: (1) an original petition with the Trademark Office, (2) a subsequent appeal to the Trademark Office, and (3) an appeal to the TRAB.<sup>229</sup> Then, the same owner could encounter two more judicial procedures in order to obtain a final judgment: petition and review at the Beijing First Intermediate People's Court and the Beijing Higher People's Court, respectively. Combined, the entire opposition process consists of three administrative steps and two judicial procedures,<sup>230</sup> the length of which sometimes stretches to more than a decade.<sup>231</sup>

¶74 Consequently, this unnecessarily long administrative process, birthed by the current CTL, is unfavorable to right-holders. It not only increases the cost of enforcing trademark rights, but also lengthens the period of time when rights-holders must endure uncertainties to their trademarks.<sup>232</sup> Without a speedy resolution to alleged infringement, short of an injunction which is only available in courts, legitimate rights-holders will sustain extensive damages from alleged infringement and unfair competition.<sup>233</sup> Therefore, in the interest of providing meaningful protection to rights-holders by allowing a speedy and efficient administrative resolution, any amendments to the CTL should begin rebalancing the conflict of protecting the public and the owners of trademarks.

### B. Dilution Protection

¶75 The legal concept of dilution in trademark rights protection remains in its infancy in China. As debates swirl around whether and when China should adopt anti-dilution laws, trademark scholars, administrators, and practitioners in China look elsewhere, especially the United States, for answers responsive and relevant to China's situation. With this in mind, the following section discusses the predominant features of anti-dilution law in the United States and debates on anti-dilution law in China.

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<sup>227</sup> See 2001 CTL, *supra* note 9, art. 1.

<sup>228</sup> See Yang Yexuan, *supra* note 225.

<sup>229</sup> See 2001 CTL, *supra* note 9, arts. 30–34.

<sup>230</sup> *Id.*

<sup>231</sup> *Id.* For example, it took the Ferrari Company eleven years to receive a final defeat in the Beijing First Intermediate People's Court.

<sup>232</sup> *Id.*

<sup>233</sup> *Id.*

## 1. Anti-Dilution Protection in the United States

¶76 Prohibition against dilution in the United States is embodied in state and federal law. Different from “traditional trademark infringement law,” dilution law does not have its roots in common law.<sup>234</sup> The earliest scholarship on dilution in the United States is generally attributed to Professor Frank Schechter, who concluded that “the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection.”<sup>235</sup> Following state legislation<sup>236</sup> prohibiting trademark dilution, Congress adopted the Federal Trademark Dilution Act (“FTDA”)<sup>237</sup> in 1995 and amended it in 2006 with the Trademark Dilution Revision Act (“TDRA”).<sup>238</sup>

¶77 For dilution protection, “only strong marks need apply.”<sup>239</sup> The FTDA<sup>240</sup> and state dilution laws<sup>241</sup> specify that dilution protection is available only to “famous” marks. In order to be “famous” under the TDRA, trademarks must be widely recognized by the general consuming public of the United States,<sup>242</sup> serving as the sole identifying source for goods or services.<sup>243</sup> This is a very high standard to meet, for good reasons.

¶78 First, anti-dilution laws make available broad protection that is non-existent under traditional trademark infringement laws. 15 U.S.C. § 1125 (c)(B) defines “dilution by blurring” as “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”<sup>244</sup> And the statute further provides relief for dilution by tarnishment, stating “‘dilution by tarnishment’ is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.”<sup>245</sup> Under state and federal law, courts may find dilution in either blurring or tarnishment of marks.<sup>246</sup> What is more, to sustain a dilution cause of action under the Lanham Act, a plaintiff had to prove actual dilution under the 1995 FTDA; this heightened standard of proof was further clarified by the Supreme Court in *Mosley v. V. Secret Catalogue, Inc.*<sup>247</sup> However, the 2006 TDRA overturned the ruling in *Mosley*, requiring a plaintiff to only prove the “likelihood of

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<sup>234</sup> See SHUBHA GHOSH ET AL., INTELLECTUAL PROPERTY: PRIVATE RIGHTS, THE PUBLIC INTEREST, AND THE REGULATION OF CREATIVE ACTIVITY 536 (2007).

<sup>235</sup> See *id.*; Frank I. Schechter, *Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 831 (1927).

<sup>236</sup> See GHOSH ET AL., *supra* note 234, at 537.

<sup>237</sup> See Federal Trademark Dilution Act, Pub. L. No. 104-98, 109 Stat. 985 (1996) (codified at 15 U.S.C. §§ 1125(c), 1127) [hereinafter FTDA].

<sup>238</sup> Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730 (2006).

<sup>239</sup> See 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:104 (4th ed. 1996) (explaining the concept of “fame” in the context of dilution doctrine).

<sup>240</sup> See FTDA, *supra* note 237, § 1125(c)(1).

<sup>241</sup> See MCCARTHY, *supra* note 239.

<sup>242</sup> See 15 U.S.C. § 1125(c)(2) (2006).

<sup>243</sup> See MCCARTHY, *supra* note 239.

<sup>244</sup> 15 U.S.C. § 1125(c)(B) (2006).

<sup>245</sup> 15 U.S.C. § 1125(c)(C) (2006).

<sup>246</sup> See, e.g., *Mosley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 217–22 (2d Cir. 1999) (blurring); *Am. Dairy Queen Corp. v. New Line Prod., Inc.*, 35 F. Supp. 2d 727, 733 (D. Minn. 1998) (tarnishment); Jonathan Mermin, *Interpreting the Federal Trademark Dilution Action of 1995: The Logic of the Actual Dilution Requirement*, 42 B.C. L. REV. 207, 220 (2000).

<sup>247</sup> Courts in different jurisdictions developed different tests to meet actual dilution standard. See sources cited *supra* note 246.

dilution.”<sup>248</sup> Thus, the owner of a famous mark may be able to stop the dilution use of its mark without proffering evidence of “actual association.”<sup>249</sup>

¶79 Second, sound public policy reasons preclude dilution protection to general marks. As J. Thomas McCarthy succinctly put it:

Without a requirement that the plaintiff’s mark be very strong and famous, an antidilution statute becomes a rogue law that turns every trademark, no matter how weak, into an anticompetitive weapon. If every trademark could invoke the antidilution remedy and stop uses of all similar marks in every market and every line of trade, this would upset the traditional balance of fair versus free competition that is inherent in trademark law. Such an expansion of the antidilution theory would grant every trademark a right “in gross,” contrary to the most basic concepts of what legal rights of exclusion should exist in a trademark.<sup>250</sup>

Because of policy concerns, dilution law in the United States is not without its controversies. On the one hand, proponents of dilution protection posit that rights-holders are entitled to protect “their investment in the selling power of their mark”<sup>251</sup> in the absence of consumer confusion.<sup>252</sup> Opponents, on the other hand, aver that dilution law bestows upon trademark owners too much exclusivity in a property right without clear boundaries.<sup>253</sup>

¶80 In view of the policy concerns, legislative history of federal dilution laws and the TDRA all contemplate that “rigorous” standards be applied to label a mark “famous” before granting the “sweeping scope of exclusivity . . . .”<sup>254</sup> Further, legislative history also shows that the “dilution remedy was an ‘extraordinary’ one” conditioned upon a “clear showing of fame.”<sup>255</sup> As such, the rigorous “fame” test under the TDRA was intended as a “potent filter,” qualifying “only truly prominent and renowned marks” for dilution protection.<sup>256</sup> Therefore, “fame,” in the context of dilution, is a distinct concept from its counterpart in a likelihood-of-confusion setting.<sup>257</sup> On the same topic, the Federal Circuit eloquently summed it up: “While dilution fame is an either/or proposition—fame either does or does not exist—likelihood of confusion fame varies among a spectrum from very strong to very weak.”<sup>258</sup>

<sup>248</sup> See GHOSH ET AL., *supra* note 234, at 541 n.2.

<sup>249</sup> See James H. Johnson & Deidre A. Francis, *2007 Stands as a Crucial Year for Trademark Law*, NAT’L L.J., Jan. 21, 2008, at S1.

<sup>250</sup> See MCCARTHY, *supra* note 239.

<sup>251</sup> See Mermin, *supra* note 246, at 208.

<sup>252</sup> See *Federal Trademark Dilution Act of 1995: Hearing on H.R. 1295 and H.R. 1270 Before the Subcomm. on Courts and Intellectual Property of the H. Comm. on the Judiciary*, 104th Cong. (1995) (testimony of Nils Victor Montan, Vice President, Senior Intellectual Property Counsel, Warner Bros.).

<sup>253</sup> See Kenneth L. Port, *The “Unnatural” Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433, 448–49 (1994); see also Mermin, *supra* note 246, at 208.

<sup>254</sup> See MCCARTHY, *supra* note 239.

<sup>255</sup> *Id.*

<sup>256</sup> *Id.*

<sup>257</sup> *Id.*

<sup>258</sup> See *Palm Bay Imps., Inc. v. Veuve Clicquot Ponsardin Maison Fondée En 1772*, 396 F.3d 1369, 1375 (Fed. Cir. 2005).

¶81 The end result of dilution laws in the United States is a grant of sweeping, extensive, and extraordinary remedies to a mark that is truly prominent with wide consumer recognition. In short, J. Thomas McCarthy characterized this kind of deserving mark as “a household name.”<sup>259</sup>

## 2. Anti-Dilution in China Is in Its Infancy

¶82 Dilution law in China currently remains largely an academic topic. Aside from international IP treaties, most countries in the world establish a minimum set of IP laws and rules relative to foreign IP. This is because IP rights are territorial in nature, enforceable only in the jurisdiction where the rights originated.<sup>260</sup> There is no international treaty binding China to provide dilution protection to foreign marks, and the CTL and its corresponding regulations do not contain statutory language on dilution. Nonetheless, this absence of a statutory provision has not precluded scholarly discussion on the need for dilution law in China. Quite on the contrary, Chinese IP judges and scholars have been contemplating the shape, form, and boundaries of dilution law in China since 2003.<sup>261</sup> The SPC issued a guidance opinion suggesting that a registered well-known mark warranted dilution protection if infringement would lead to objective dilution of the mark and if the infringer was a competitor of the rights-holder.<sup>262</sup> The guidance opinion was in response to a decision by the Hubei Higher People’s Court, which held the defendant liable for trademark infringement and unfair competition. The court reasoned that defendant’s use of “DuPont” caused consumer confusion as to the source of the goods in question and that such use resulted in “actual dilution” of the well-known mark “DuPont.”<sup>263</sup> Justice Xia Junli of the SPC, however, doubts the necessity of the application of dilution in the *DuPont* case.<sup>264</sup>

¶83 Many Chinese scholars have openly suggested writing dilution protection into amendments of the CTL. Notably, the Beijing First Intermediate People’s Court IP Task Group (“IP Task Group”) recommended granting “absolute protection” to “widely recognized and highly reputable” registered marks, thereby extending exclusive rights to “all” goods and services.<sup>265</sup> Professor Deng Hongguang incisively pointed out that, even though the current CTL strengthened protection for well-known marks in accordance with the TRIPs Agreement, it lacks relevant provisions on dilution; therefore, it is likely that fierce debates will ensue regarding how dilution should be incorporated into the

<sup>259</sup> MCCARTHY, *supra* note 239.

<sup>260</sup> See Elizabeth Chien-Hale, *DOING BUSINESS IN CHINA 2007: RESOLVING THE CHALLENGES OF TODAY’S ENVIRONMENT* 190 (PLI Corp. Law & Practice, Course Handbook Series No. B-1626, 2007).

<sup>261</sup> See Xia Junli, *Guan yu chi ming shang biao si fa bao hu jia zhi qu xiang ji zhi du she zhi de si kao* [Contemplations on the Valuation Orientation and System Establishment with Respect to the Judicial Protection of Well-Known Marks], 12 LAW APPLICATION (2007), available at <http://law.law-star.com/txtcac/lwk/047/lwk047s417.txt.htm>.

<sup>262</sup> *Id.*

<sup>263</sup> See *Lishi Int’l, Ltd. v. Wuhan DuPont Paint, Ltd.* (Hubei Province Higher People’s Ct., Jan. 13, 2003), available at [http://fsou.com/html/text/fnl/1174496/117449667\\_3.html](http://fsou.com/html/text/fnl/1174496/117449667_3.html).

<sup>264</sup> See Xia Junli, *supra* note 261.

<sup>265</sup> See Beijing First Intermediate People’s Court IP Task Group, *Chi min shang biao si fa bao hu zhong cun zai de wen ti ji jie jue dui ce* [Existing Issues in and Solutions for Judicial Protection of Well-Known Marks], CHINA IP NEWS (Oct. 17, 2007), available at [http://www.cta315.com/fa\\_gui\\_vewe.asp?infor\\_id=9290&class1\\_id=13](http://www.cta315.com/fa_gui_vewe.asp?infor_id=9290&class1_id=13) [hereinafter IP Task Group Report].

Chinese jurisprudence in the next round of amendments to the CTL.<sup>266</sup> He further argued that the Chinese trademark amendment committee should consider the rational basis of dilution law and that it should specifically provide for it by referring to relevant laws in the United States and the European Union.<sup>267</sup>

### 3. Is China Ready for Dilution Law?

¶84 The questions remains: Is China ready for anti-dilution law? If so, what legal standard should guard against the potential of anticompetitive misuse by rights-holders? These questions are in the forefront of debates and deliberations surrounding the amendments of the CTL. Proponents of anti-dilution law who look to the United States and the European Union acknowledge that dilution law is a powerful tool in protecting well-known marks.<sup>268</sup> However, views diverge on the timing of the official adoption and advent of dilution law in China. Some advocate its adoption in the amendments of the CTL,<sup>269</sup> others would condition dilution protection on further economic development and progress in China since an immediate adoption benefits mostly foreign marks and would “bind the hands and feet of Chinese companies.”<sup>270</sup> Still others believe that sorting out the existing problems in China’s well-known marks with respect to “confusion” is a condition precedent to the introduction of dilution law.<sup>271</sup> Yet another scholar posits that anti-dilution falls into the sphere of the Law Against Unfair Competition. Since dilution of trademarks in its very essence is unfair competition, it is the Law Against Unfair Competition, not the CTL, that should be amended with respect to dilution.<sup>272</sup> Chinese scholars, courts, and policymakers have apparently not, as of yet, reached a consensus on China’s readiness for dilution law.

#### C. Unifying the Standards Across the Country for Recognizing Well-Known Marks

¶85 The lack of uniformity of standards in determining well-known marks as applied in courts plagues China’s current well-known mark scene. The report of the IP Task Group makes it clear that inconsistency of standards utilized to recognize well-known marks is remarkable throughout courts in China.<sup>273</sup> In some regions, more than eighty percent of marks in question were recognized as such for infringement/consumer confusion purposes, whereas less than thirty percent were recognized as well-known by Beijing

<sup>266</sup> See Deng Hongguang, *Wo guo shang biao fan dan hua de xian shi yu li xiang* [The Reality and Ideal in China’s Trademark Anti-Dilution Law], 5 ELECTRONICS INTELL. PROP., 2007, available at <http://www.civillaw.com.cn/article/default.asp?id=42041>.

<sup>267</sup> *Id.*

<sup>268</sup> See *id.*; Chen Shaoping, *Shi lun chi ming shang biao fan dan hua li lun: Jian ping wo guo fan bu dang jing zheng fa di wu tiao di er xiang de gui ding* [On the Theoretic Underpinnings of the Dilution of Well-Known Marks: China’s Anti-Unfair Competition Law Article Five (2)], CHINALAWINFO, 2005, available at [http://www.fsou.com/html/text/art/3355729/335572972\\_2.html](http://www.fsou.com/html/text/art/3355729/335572972_2.html).

<sup>269</sup> See American Bar Association Joint Sections Task Force, *Comments of the ABA Joint Sections on the Proposed Amendments to the Chinese Trademark Law Dated Aug. 30, 2007* (on file with author); IP Task Group Report, *supra* note 265.

<sup>270</sup> See Deng Hongguang, *supra* note 266.

<sup>271</sup> See Xia Junli, *supra* note 261; see also IP Task Group Report, *supra* note 265.

<sup>272</sup> See Chen Shaoping, *supra* note 268.

<sup>273</sup> See IP Task Group Report, *supra* note 265.



courts in the same time period.<sup>274</sup> Consequently, varying standards have led to forum-shopping by mark owners in order to obtain well-known mark protection and status for their marks.<sup>275</sup>

¶86 Well-known mark law has been misunderstood and misused in China as well. Some litigants even initiated lawsuits for the sole purpose of obtaining the coveted “well-known” label for their marks, so as to achieve economic gain.<sup>276</sup> This widespread practice, often spurred on by local governments, reveals a commonplace misconception of the very nature of “well-known” mark, in that somehow a well-known mark embodies an “independent right,”<sup>277</sup> rather than its original intended legal meaning—broader protection in case of infringement.<sup>278</sup> Therefore, well-known mark litigation in China has been used as an end to achieve the “well-known” mark status, instead of the means to enforce IP rights.<sup>279</sup>

¶87 In the wake of these pervasive problems, fast changes must emerge. Some commentators call for more detailed standards,<sup>280</sup> either from the SPC (the judiciary) or the amendments of the CTL (the legislature), because CTL’s current practice for determining well-known marks is problematic. Others, however, argue that there is not—and should not be—a single uniform standard for well-known marks since the scope of “well-knownness” is contingent upon the relevant distinctiveness, similarity of the types of goods and services in question, and the geographic scope of consumers as it relates to the mark.<sup>281</sup> Hence, the solution lies not in making more rules, but in a better understanding and application of the existing standards, especially in careful analysis of particular facts of each case<sup>282</sup> and in countering the misuse and abuse of well-known mark protection system in China by rights-holders.<sup>283</sup> To effectively counter the systematic abuse of the institutional structure of well-known mark protection, some suggest that policymakers must look to procedural improvements, such as “outsourcing” the determination of well-known marks to arbitration or specialized private trademark institutions.<sup>284</sup> Scholars also contend that people’s courts must scrutinize the purposes of well-known mark litigations and evidence proffered in support of marks under dispute.<sup>285</sup> And it has also been suggested that jurisdiction over the determination of well-known marks should be more centralized into courts versed in IP matters.<sup>286</sup>

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<sup>274</sup> *Id.*

<sup>275</sup> *Id.*

<sup>276</sup> See Xia Junli, *supra* note 261.

<sup>277</sup> *Id.*

<sup>278</sup> See IP Task Group Report, *supra* note 265.

<sup>279</sup> See Xia Junli, *supra* note 261.

<sup>280</sup> See IP Task Group Report, *supra* note 265.

<sup>281</sup> See Xia Junli, *supra* note 261.

<sup>282</sup> *Id.*

<sup>283</sup> *Id.*

<sup>284</sup> *Id.*

<sup>285</sup> *Id.*

<sup>286</sup> *Id.*

## VI. NEW IMPETUS FOR CHANGE

¶88 Since China presently stands at a historical threshold in many aspects, it must move forward with comprehensive transformation of its trademark protection system. Progress in IP laws, trademark law in this case, is in China's best interest for a host of reasons. As China transitions into the Third Phase of IPR protection,<sup>287</sup> it needs to adopt a comprehensive well-known mark protection regime that is beneficial to both Chinese and foreign rights-holders. In fact, China's domestic environment (Guoqing) necessitates amending the CTL to heighten its fundamental role as a tool to protect private property rights, while at the same time diminish its administrative functions. Moreover, the time is ripe for adopting anti-dilution provisions to afford greater protection to truly well-known marks. In support of these assertions, the following section outlines why China has new impetus for adopting these changes into the CTL.

*A. Economic Impetus for Change*

¶89 To develop and sustain a knowledge-based, technology-based economy, China needs to protect sectors of the economy whose market competitiveness and sustainability depends on a reliable, predictable, and fair IP legal structure. Protection of IPR has been "an integral part of China's economic reform policy,"<sup>288</sup> and China should continue this macro policy at the same time it undertakes micro "surgical" procedures to improve its IP law, such as its laws on the protection of well-known marks.

¶90 In recent years, the Chinese government has taken initiatives to spur economic growth through technology, innovation, and brand-name building. It has encouraged companies to grow through scientific research and technological innovation.<sup>289</sup> The government has also been pushing Chinese companies to build global brands<sup>290</sup> because weak branding by Chinese exports has forked large portions of profits to importers, leaving exporters with minimum returns.<sup>291</sup> Many Chinese corporations have responded to the call and tried to build global brands by purchasing western brands, such as the successful takeover of IBM's personal computer brands by the Chinese company Legend<sup>292</sup> and CNOOC's failed bid for Unocal.<sup>293</sup> In addition, some Chinese brand names have gradually gained international renown, such as electronics giant Haier, oil companies PetroChina and Sinopec, and telecommunications multinational corporation Huawei. Furthermore, in 2006, a staggering 700,000 trademark applications were filed with the China Trademark Office.<sup>294</sup> These trends suggest that more Chinese are conscious of the value of well-known brands and the rights associated with trademarks.

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<sup>287</sup> See Ruixue Ran, *supra* note 6, at 245.

<sup>288</sup> Lehman et al., *supra* note 12, at 257.

<sup>289</sup> See Wall, *supra* note 5, at 355.

<sup>290</sup> *Id.* at 356.

<sup>291</sup> *Id.* at 356–57.

<sup>292</sup> See BBC News, Chinese Firm Buys IBM PC Business, (Dec. 8, 2004), <http://news.bbc.co.uk/2/hi/business/4077579.stm>. Legend has since changed its name to Lenovo.

<sup>293</sup> See David Barboza, *China Backs Away from Unocal Bid*, INT'L HERALD TRIB., Aug. 3, 2005, available at <http://www.iht.com/articles/2005/08/02/business/unocal.php>.

<sup>294</sup> See Yang Yexuan, *supra* note 225.

¶91 As the Chinese economy continues its record-setting rate of growth,<sup>295</sup> Chinese brands are exposed to infringement in foreign countries. In order to indirectly protect Chinese brands overseas, China needs to strengthen its own IP protection. Based on the latest report by the Organization for Economic Cooperation and Development, China’s outbound Foreign Direct Investment (“FDI”) grew to US \$90.6 billion by the end of 2006.<sup>296</sup> However, what is unknown by many is that “since the 1980s more than 2,000 trademarks of exported Chinese goods had been registered overseas, which has caused losses of intangible assets in the amount of RMB 1 billion every year.”<sup>297</sup> Affording legitimately well-known Chinese marks better protection in China, as it did for the Chinese mark “Butterfly” (a sewing machine brand) in 1991 to stop squatting by an infringer in Indonesia,<sup>298</sup> will likely help them grow in international markets. While strong domestic trademark protection is not a sufficient condition for fostering well-known Chinese brands, it could be a necessary condition as evidenced by the formation of a multiplicity of Western well-known marks.

¶92 Growth of FDI in China remains spectacular in size.<sup>299</sup> In a coordinated effort to encourage more technology-driven investments and discourage labor-intensive manufacturing investments, China has revised its tax code,<sup>300</sup> its import-export regulations,<sup>301</sup> and its investment laws.<sup>302</sup> It is in China’s best interest to give strong protection to prospective investors, whose most valuable assets are in IP, since such a move would alleviate qualms about China’s commitment to IPR protection. Despite conflicting research on the causal relationship between IP law and FDI,<sup>303</sup> stronger trademark laws serve China’s interest in building a knowledge-based economy and

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<sup>295</sup> See Richard McGregor, *China Growth up to 11.4% Amid Inflation Fear*, FIN. TIMES (London), Jan. 24, 2008, available at <http://www.ft.com/cms/s/0/85612f72-ca9c-11dc-a960-000077b07658.html>.

<sup>296</sup> Secretariat of the Directorate for Financial and Enterprise Affairs Investment Committee, *China’s Outward Foreign Direct Investment* (Feb., 2008) (unpublished draft report, on file with the author).

<sup>297</sup> See China Piracy Reports, “Wang Zhi He” Wins Trial in Germany (Oct. 16, 2007), <http://chinapiracyreports.com/2008/02/05/wang-zhi-he-trial-wins-in-germany.aspx>.

<sup>298</sup> See An Qinghu, *supra* note 24, at 709.

<sup>299</sup> China attracted \$74.7 billion in 2007, and it has been the lead FDI destination for 15 consecutive years. Jiang Wei, *Nation Top Draw for FDI in 2007*, CHINA DAILY, Jan. 22, 2008, available at [http://www.chinadaily.com.cn/bizchina/2008-01/22/content\\_6411643.htm](http://www.chinadaily.com.cn/bizchina/2008-01/22/content_6411643.htm).

<sup>300</sup> Qi ye suo de shui fa [Enterprise Income Tax] (promulgated by the Nat’l People’s Cong., Mar. 16, 2007, effective Jan. 1, 2008) [http://www.gov.cn/flfg/2007-03/19/content\\_554243.htm](http://www.gov.cn/flfg/2007-03/19/content_554243.htm) (last visited Mar. 8, 2008) (P.R.C.) (law unifies China’s tax rates for foreign and domestic corporations at 25% and provides tax incentives for corporations that invest in high-tech and environmentally friendly sectors).

<sup>301</sup> Promulgating List of Commodity Restricted for Processing Trade (promulgated by the Ministry of Commerce and Gen. Admin. of Customs, July 26, 2007, effective Aug. 23, 2007) <http://english.mofcom.gov.cn/aarticle/policyrelease/domesticpolicy/200707/20070704928458.html> (last visited Mar. 8, 2008) (P.R.C.). China changed its export policies and rules to “curb exports of cheap labor-intensive, low-value-added products to force manufacturers into making higher-quality goods, in a move to narrow the world’s largest trade surplus and reduce environmental damage.” Li Yanping, *China to Limit Exports of Labor-Intensive Products*, BLOOMBERG.COM, July 25, 2007, [http://www.bloomberg.com/apps/news?pid=email\\_en&refer=asia&sid=a9c64IDUkhpo](http://www.bloomberg.com/apps/news?pid=email_en&refer=asia&sid=a9c64IDUkhpo).

<sup>302</sup> See Guiding Catalogue of Foreign-Invested Industries (2007) (promulgated by the Ministry of Commerce and the Nat’l Dev. and Reform Comm’n, Oct. 31, 2007, effective Dec. 1, 2007) ISINOLAW (last visited Feb. 24, 2009) (P.R.C.). Adopted amendments continue to encourage FDI in high-tech investments and encourage investments in renewal energy sectors; but FDI in conventional manufacturing where China has mastered technologies are no longer encouraged.

<sup>303</sup> See Yahong Li, *The Wolf Has Come: Are China’s Intellectual Property Industries Prepared for the WTO?*, 20 UCLA PAC. BASIN L. J. 77, 79–81 (2002).

continue to attract FDI. After all, it is unlikely that stronger IP protection would, by itself, reduce FDI flowing into China.

### B. Political Impetus for Change

¶93 Excessive administrative discretion has been blamed for the lax IPR enforcement in China.<sup>304</sup> A revised CTL, lessening the authorities of administrative agencies granted therein, would therefore contribute to China's ruling party's overall goal<sup>305</sup> of establishing the rule of law. Diagnosis for the deficient enforcement of Chinese IP laws has often pointed the blame toward "discretion" in the hands of the enforcers,<sup>306</sup> as "China remains more a system of discretion supplemented by law than a system of law supplemented by discretion."<sup>307</sup> In other words, in China the "rule of man" dominates the law. Even though some attribute the excessive abuse of discretion by Chinese officials to China's one-party political system,<sup>308</sup> the realistic solution at this point lies not in a complete change of China's current political system. Rather, the solution lies in the removal of excessive administrative functions of the CTL, thus reducing the discretion in the hands of trademark administrators. Therefore, reducing the administrative function of the CTL achieves the twin purposes of enhancing the private property nature of trademarks and removal of administrative discretion. And that represents a step toward the rule of law, and a step away from the rule of man.

### C. Legislative Impetus for Change

¶94 Cognizant of the urgent need to accelerate comprehensive IP legislations, the Chinese government must recognize the need to enact laws consistent with other non-IP laws. According to China's ambitious 2007 Action Plan on IPR Protection, Chinese lawmakers were expected to "finalize the draft amendment," to continue improving anti-unfair competition laws, and to "speed up revision to the Provisions for Identification and Protection of Well-Known Trademarks."<sup>309</sup> To adopt amendments without a drastic change of view on the very purpose of the CTL—namely a balance between protecting private rights and the public—is to make haste while ignoring root causes of lax enforcement of trademark rights in China. In addition, if China is to build a knowledge-based economy and attract more technology-driven investments, it cannot promise IPR protection on the one hand and hesitate to enact laws that provide strong IPR protection on the other.

¶95 Furthermore, adopting amendments to the CTL with strong protection for well-known marks would work in tandem with existing laws. In 2007, after fourteen years of

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<sup>304</sup> See Stacy H. Wang, *Great Olympics, New China: Intellectual Property Enforcement Steps up to the Mark*, 27 LOY. L. A. INT'L & COMP. L. REV. 291, 294–95 (2005).

<sup>305</sup> See WHITE PAPER: CHINA EFFORTS AND ACHIEVEMENTS IN PROMOTING THE RULE OF LAW 1 (2008), [http://news.xinhuanet.com/english/2008-02/28/content\\_7687418\\_1.htm](http://news.xinhuanet.com/english/2008-02/28/content_7687418_1.htm).

<sup>306</sup> See Wang, *supra* note 304, at 302.

<sup>307</sup> *Id.* at 294 (citing Margret Y.K. Woo, *Law and Discretion in the Contemporary Chinese Courts*, 8 PAC. RIM L. & POL'Y J. 581, 615 (1999)).

<sup>308</sup> See *id.* at 294–95.

<sup>309</sup> Ministry of Commerce, China's Action Plan on IPR Protection 2007, (Apr. 24, 2007), <http://english.mofcom.gov.cn/aarticle/counselorsreport/europereport/200704/20070404606868.html> (P.R.C.).

internal political debates, China adopted its landmark Private Property Law,<sup>310</sup> establishing concrete legal processes for its citizens to assert rights over private real property.<sup>311</sup> Amendments to the CTL further recognizing the private rights associated with trademarks would be a perfect follow-up and affirmation of the Private Property Law. Concerns about the anticompetitive side effect of adopting anti-dilution provisions to the CTL could dissolve if such protection accompanies only truly prominent and reputable marks, as the courts have done so in the United States.<sup>312</sup> With respect to anticompetitive behaviors in the market, China has already enacted its first comprehensive Anti-Monopoly Law,<sup>313</sup> which specifically prohibits monopolistic practices with respect to IPR.<sup>314</sup> Therefore, from a legislative standpoint, adopting the desired changes to the CTL complements existing laws.

## VII. CONCLUSION

¶96 Contrary to ill-informed opinions, rights-holders of well-known marks do have protection under the Chinese trademark law system. The current CTL explicitly provides for protection of well-known marks, either registered or unregistered in China. Broad protection for well-known marks extends to prohibition against registration, use in commerce, and “cybersquatting.” In addition to these broad statutory rights under the CTL, rights-holders can enforce their rights in China’s established trademark institutional structure. Various means, including administrative and judicial approaches, are available to enforce rights associated with well-known marks. This institutional structure for trademark protection evolved over a course of decades in China in the unique context of China’s political, economic and legislative background, and the progress continues as China embarks on another round of amendments to the current CTL.

¶97 In the course of amending the current CTL, difficult issues must be dealt with to further solidify and strengthen well-known mark protection in China. For example, as debates continue with respect to the core function of trademark (administrative authority vs. protection of private rights) and anti-dilution provisions, China faces familiar choices as to whether it should adopt such drastic amendments. The authors of this note advocate that China’s local conditions, economic, political and legislative backgrounds, necessitate their adoption.

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<sup>310</sup> See Wu quan fa [Private Property Law] (promulgated by the Standing Comm. Nat’l People’s Cong., Mar. 16, 2007, effective Oct. 1, 2007) [http://www.gov.cn/flfg/2007-03/19/content\\_554452.htm](http://www.gov.cn/flfg/2007-03/19/content_554452.htm) (last visited Mar. 8, 2008) (P.R.C.).

<sup>311</sup> See Shu-Ching Jean Chen, *China Adopts Landmark Property Law*, FORBES, Mar. 16, 2007, available at [http://www.forbes.com/2007/03/16/china-property-law-markets-econ-cx\\_jc\\_0316markets2.html](http://www.forbes.com/2007/03/16/china-property-law-markets-econ-cx_jc_0316markets2.html).

<sup>312</sup> See MCCARTHY, *supra* note 239.

<sup>313</sup> Fan long duan fa [Anti-Monopoly Law] (promulgated by the Standing Comm. Nat’l People’s Cong., Aug. 30, 2007, effective Aug. 1, 2008) [http://www.gov.cn/flfg/2007-08/30/content\\_732591.htm](http://www.gov.cn/flfg/2007-08/30/content_732591.htm) (last visited Mar. 8, 2008) (P.R.C.).

<sup>314</sup> See *id.* art. 55.