China's Role in Well-Known Marks Protection: It's Now or Never...or Dilution

Ava Farshidi
China’s Role in Well-Known Marks Protection: It’s Now or Never…or Dilution

Ava Farshidi
# Table of Contents

I. Introduction ................................................................................................................................. 1

II. Background: Development of Chinese Trademark Law and the Well-Known Marks Protection ................................................................................................................................. 2
   A. China’s unique interpretation of well-known marks protection ............................................. 3
   B. China’s membership into the WTO .......................................................................................... 6
      1. Well-Known Marks Protection .............................................................................................. 8
      2. Anti-Unfair Competition ........................................................................................................ 10
      3. Trademark Registration and Cancellation Procedures ............................................................ 11
   C. Hermès’ inability to defend its mark under the 2001 Trademark Law .................................... 11

III. The 2013 Chinese Trademark Law lays out hopeful change to clarify many of the issues that the 2001 Trademark Law has left uncertain ........................................................................ 15
   A. The 2013 Trademark Law’s transformation of well-known marks protection ...................... 16
      1. Hermès interpreted under the 2013 Trademark Law ............................................................ 18
      2. Political and economic pressures on the law .......................................................................... 19
      3. Anti-Dilution is the problem and the Article 58 solution ....................................................... 20

IV. Positive improvement and signs of dilution protection in the 2013 Trademark Law ............. 21
   A. Dilution Law .............................................................................................................................. 21
   B. Including anti-dilution law in China ......................................................................................... 24

V. Conclusion ................................................................................................................................... 25
I. Introduction

Infringement over the transliteration, converting text to another script, of well-known marks is a major problem for foreign companies in China.1 If a multinational company does not create its own Chinese transliteration, the Chinese public may create one, which will ultimately affect the company’s ownership of the mark in a different language.2 Although China became a member of both the Paris Convention for the Protection of Intellectual Property (“Paris Convention”) and the agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”), China has adopted laws that directly conflict with these international guidelines for well-known marks, which has paved the way for numerous lawsuits by multinational brands.

In April 2013, Hermès, a French luxury brand company sold worldwide, was successful in protecting its trademark in China.3 Hermès was able to prohibit the Sheng Yi Ma Garment Co Ltd.’s registration of a trademark for the Chinese transliteration of Hermès.4 While the Chinese Trademark Review and Adjudication Board (TRAB) acknowledged that Hermès’ transliteration has gained association with the brand in China, the court avoided the discussion of Hermès’

3 Yu Shuang, Hermès successfully prevents registration of copycat mark, Global Business Publishing Ltd. (May 20, 2013).
4 Id.
well-known mark status. While this seems like a significant victory, Hermès’ has not always been so lucky with regards to the TRAB of China like its inability to cancel another mark in _Hermès v. Dafeng_. Thus, a major problem for brands like Hermès has been a lack of understanding of what constitutes a well-known mark under Chinese law and how to interpret the law against international standards.

This paper will explore China’s conflicting approach to transliteration of well-known marks in relation to the _Hermès v. Dafeng_ case. Part II explores the development of Chinese trademark law, including well-known marks protection. Specifically, it looks at the developments within Chinese law, as it became a member of the Paris Convention in 1985, and subsequently, TRIPS in 2001. Part III will analyze a new Chinese trademark law coming into effect in May 2014 and will argue that this law provides clearer guidelines and better protection for well-known marks. This new law suggests that famous brands will have stronger protection than before, which may alleviate the dilution of brands with transliteration problems. Lastly, Part IV will provide a recommendation for the future protection of famous brands in China under a dilution framework.

II. Background: Development of Chinese Trademark Law and the Well-Known Marks Protection

Initially, Chinese trademark law was not strictly adhered to and provided little real protection for trademark owners. However, when China joined the Paris Convention in 1985, it began to merge with international regulations on trademark protection. The bulk of their

5 Id.

amendment to their law came in 2001 under TRIPS when it became members of the WTO. However, the well-known mark standard is still being misapplied according to international standards. This section will explore the development of well-known mark protection in China and its effect on the decision in Hermès v. Dafeng.

A. China’s unique interpretation of well-known marks protection

China’s first trademark law was enacted in 1963, but only set out the guidelines for trademark registration without providing trademark ownership rights. The State Administration for Industry and Commerce (“SAIC”) was formed in China to regulate trademarks including trademark registration and protection. SAIC is also responsible for overseeing the Trademark Office of the State Administration for Industry and Commerce (“CTMO”) and local administrations for industry and commerce (“AIC”). Chinese trademark law was amended in both 1982 and 1993 to recognize ownership rights, and China was obliged to follow requirements of the Paris Convention when it became a member in 1985.

China joined the Paris Convention in 1985 and began observing the Paris Convention’s standards in 1987, but did not include the provision on well-known marks until the amendments

7 Id. at 224.
9 Id.
10 Id. at 225.
in the 2001 Trademark Law. Article 6bis of the Paris Convention protects the well-known marks of member countries, and allows marks to be cancelled up to five years from the date of registration. Additionally, a party may cancel bad faith registrations at any time beyond the five-year limit. Although the Paris Convention fails to provide the criteria for well-known mark status, the TRIPS Agreement fills these gaps. China follows a “first-to-file” system for trademark registration, which means that a party who files a registration with no contingency on first use of the mark will have ownership of the mark. Despite China’s first-to-file registration, under the Paris Convention, if a foreign entity filed a trademark application in a member state but not in China, the date of the Chinese application will revert to the original filing in the member state. China has been criticized for its own interpretation of Article 6bis because it only recognizes protection for well-known marks if they were considered well-known domestically. China’s non-compliance with the Paris Convention may also be because unlike most countries under the treaty, China does not recognize well-known marks on an international

12 Id. at 143.
14 Kossof, supra note 8, at 232.
15 Cahan, supra note 1, at 228; see Segal infra, note 38, at 531.
16 See generally Zahn, supra note 6.
18 Cahan, supra note 1, at 229.
scale, but only marks well-known its borders. This is a disadvantage for foreign brands that are trying to protect their mark within China and leaves the threshold to prove well-known status higher.

China has been criticized for its lack of understanding of Article 6bis because of its well-known mark decision in the Viagra transliteration case in 2001. A Chinese pharmaceutical company, Guangzhou Viamen Pharmaceutical Company (Viamen), registered the transliteration of Viagra best known to the Chinese public, “Weige.” Pfizer, the owner of the internationally known pharmaceutical drug Viagra, has a registration on the transliteration “Wai Aike,” but this meaning has little value or recognition in China. Unfortunately for Pfizer, after its registration of “Wai Aike,” the Chinese media had given Viagra its own transliteration that Viamen was able to take advantage of. After the TRAB refused Pfizer’s complaint, Pfizer brought action to the Beijing First Intermediate People’s Court claiming that it was the true owner of the well-known mark “Weige.” China’s “first-to-file” system could not save Pfizer. Pfizer could not prevail on its well-known argument either, and the court denied cancelling the mark because Viagra was not able to prove that it had invested enough resources to promote the transliteration “Weige,” and the Chinese people did not associate “Weige” with Pfizer. According to the Paris

19 Kossof, supra note 8, at 241.
20 Cahan, supra note 1, at 241.
21 Chow, supra note 2, at 87.
22 Id.
23 Id. at 91.
24 Id. at 95.
25 Id. at 96.
Convention, “Weige” should be considered a well-known mark associated with Viagra and would give Pfizer ownership of the trademark even if it was not registered in China, and the goods in controversy are similar because they are pharmaceuticals.

In 1996, SAIC issued—and China subsequently adopted—the Interim Well-Known Mark Provisions as a framework for administrative determination and well-known mark protection; however, trademark regulation grew even stronger when China joined the World Trade Organization (“WTO”) in 2001. 26 At that time, the Trademark Law was substantially adjusted to comply with the TRIPS agreement. 27 In 2003, the Provisions on the Determination and Protection on Well-Known Trade Marks (“WKTM”) replaced the Interim Well-Known Mark Provisions and defined well-known marks as those that are widely known to the relevant public and have a strong reputation within China. 28 Therefore, despite China’s modifications of the law over the years, China’s general attitude towards the Paris Convention has shown that domestic marks are still given priority over foreign marks with well-known status. 29

B. China’s membership into the WTO

When it became a WTO member on December 11, 2001, China was forced to adjust its trademark law in accordance with TRIPS. 30 WTO members are expected to fully comply with the obligations of the agreement, and member nations who fail to follow the obligations may be

26 See Luo and Ghosh, supra note 11, at 376.
27 Id.
28 Wong, supra note 17, at 949.
29 Id.
30 See Luo and Ghosh, supra note 11, at 130.
subject to the dispute settlement mechanism that may result in trade sanctions.  

TRIPs uses a likelihood of confusion standard for well-known marks protection.  

The well-known marks provision expands on the Paris Convention, and the likelihood of confusion standard protects a similar registered or unregistered mark for similar goods or services of another.  

TRIPS, member countries are required to protect internationally well-known trademarks even if they are unregistered in the country in question.  

Member nations must allow reasonable opportunity for registration cancellation.  

Although TRIPS does not explicitly contain any provisions to anti-dilution law, commentators have suggested that the well-known mark protection can also be interpreted to provide anti-dilution protection.  

Other member countries of TRIPS have adapted Anti-Dilution law or refer to it in their trademark laws.  

---


33 Id., art. 16.

34 Cahan *supra* note 14, at 230; *but also see* Luo and Ghosh, *supra* note 17, at 131.

35 TRIPS, *supra* note 32, at 15.5.


37 Id.
China’s enforcement of intellectual property regulations under TRIPS has often been questioned. Upon its entrance into the WTO, China wanted to increase its trade and investment with other countries. Generally, China’s membership into the WTO came with opposition from other countries including the United States, and this hesitation by international powers is not unreasonable due to China’s billion dollar counterfeit industry. Even years after China has joined the WTO, it has been under the spotlight particularly by the United States and European Commission, who do not feel that China is fully compliant with TRIPS. Under Article 46 of the TRIPS agreement countries are supposed to work to deter infringement, and the United States has been vocal about its feelings on China including a weak system of remedies that could help to deter infringers. Despite China’s 2001 Trademark Law amendment, there is indication that further work still needs to be done by China to put it on an equal playing field with other international powers who may not trust China’s intellectual property rights policies.

1. Well-Known Marks Protection

While the 2001 Trademark Law sets out guidelines to understand well-known marks protection, it is ambiguous and not specific enough for trademark owners to understand the scope

---


39 *Id.* at 536.

40 *Id.* at 539.


of the protection it provides and has not been consistently applied in the courts. Well-known mark protection under Article 13 of the 2001 Trademark Law includes “reproduction, imitation, or translation of a third-party’s famous trademark which has not been registered in China,” with identical or similar goods or services that may result in confusion and damage the famous mark’s interests shall be prohibited.\textsuperscript{43} Under Article 14, to determine whether a mark is considered to be well-known both the TRAB and the people’s courts look at a number of factors: the degree of public recognition, the length of the mark’s use, the amount of advertising and publicity of the mark in the area, the protection of the mark, and any other reasons that should be considered.\textsuperscript{44} To prevail on a well-known mark claim, companies must provide evidence “of a substantial amount of resources spent on promoting and advertising the brand and evidence of consumer awareness of a brand as belonging to the brand owner in the target country.”\textsuperscript{45}

When Chinese registrations are determined to violate a well-known mark, the owner of the mark may request a cancellation of the conflicting mark within five years of conflicting mark’s registration to the TRAB, but marks registered in bad faith do not have a limitation on time to file a cancellation.\textsuperscript{46} Parties that have filed for cancellation to the TRAB and are denied, may appeal the decision to the People’s Court within thirty days.\textsuperscript{47} Additionally under Article

\begin{footnotes}
\item[44] Id. art. 14; but see also Kossof, supra note 8, at 246-247.
\item[45] See Chow, supra note 2, at 96.
\item[46] 2001 Trademark Law, supra note 43, art. 41.
\item[47] Id. art. 43.
\end{footnotes}
well-known mark owners that are not registered in China may complain to AIC about a confusingly similar registered mark for similar but inferior quality or “shoddily manufactured” goods that could deceive consumers.48

2. Anti-Unfair Competition Law

China’s Anti-Unfair Competition Law first came into effect December 1, 1993 and is in conjunction with and related to China’s Trademark Law.49 Article 5 of the Anti-Unfair Competition Law prohibits businesses from allowing others to use a registered or unregistered trademark that would be unfair.50 Consumer confusion is key to showing unfair competition and must be beyond association and “[t]he public must be confused about the origin of the goods and assume that the infringer’s trade or use of the mark is somehow associated with…the proprietor.”51 Possible penalties for business owners that violate the Anti-Unfair Competition Law include fine, suspension of business, confiscation of property, and withdrawal of the

48 Id. art. 45.


50 Id. art. 5.

business’ license.\textsuperscript{52} The Anti-Unfair Competition Law gives another angle of protection for trademark owners that might not be applicable under the 2001 Trademark Law alone.

3. Trademark Registration and Cancellation Procedures

Trademark applications are submitted to the CTMO, which conducts an evaluation to determine approval.\textsuperscript{53} If another party opposes the application, the TRAB will then evaluate the application.\textsuperscript{54} If a TRAB decision is eventually appealed, the Beijing First Intermediate People’s Court will review the decision to govern if there was inadequate evidence, error in the application of the law, procedural violation, excess of authority, or abuse of power.\textsuperscript{55} Lastly, the Beijing High People’s Court may review and hear decisions appealed from the Beijing First Intermediate People’s Court that are deemed final decisions.\textsuperscript{56} Oppositions to registrations may also be brought to the local AIC.\textsuperscript{57}

C. Hermè’s inability to defend its mark under the 2001 Trademark Law

When trademark owners become aware of a trademark pirate, their best legal solution is to use the well-know marks doctrine to regain control over their mark and prevent further exploitation.\textsuperscript{58} This is what Hermès sought to do when it discovered that a Chinese clothing

\begin{footnotes}

\item[53] Kossof, \textit{supra} note 8, at 233.

\item[54] \textit{Id}.

\item[55] \textit{Id.} at 236.

\item[56] \textit{Id}.

\item[57] \textit{Id.} at 234.

\item[58] Wong, \textit{supra} note 17, at 945.
\end{footnotes}
company was using the brand’s Chinese name.\textsuperscript{59} In 1977, Hermès registered its Latin character name as a trademark in China,\textsuperscript{60} but failed to register the Chinese pinyin spelling of Hermès—愛玛仕 (Ai Ma Shi).\textsuperscript{61} It was not until 1996 that Hermès filed for the Ai Ma Shi protection after it received notice that Guangdong-based men’s clothing company, Dafeng Garment Company, had registered the trademark Ai Ma Shi for its clothing products in 1995.\textsuperscript{62} In 1997, Hermès appealed to the TRAB to cancel the registration of Dafeng’s mark because of Hermès’ status as an unregistered well-known mark in China.\textsuperscript{63} The TRAB rejected Hermès’ complaint over Dafeng’s registration, allowing Dafeng to use the name Ai Ma Shi, but Hermès appealed in 2009, claiming that Dafeng had obtained the trademark through “deceptive means.”\textsuperscript{64}

The first-to-file system generally gives no credibility to the use of a mark, which ultimately gave Dafeng’s registration priority over Hermès’ registration.\textsuperscript{65} Additionally, the

\begin{itemize}
\item \textsuperscript{59} Id.
\item \textsuperscript{60} Intellect Group of IP Companies, \textit{Luxury Brand Hermes Loses Trademark Lawsuit}, iPeople\textsuperscript{\textregistered}news, vol. 11 (July-Sept. 2012).
\item \textsuperscript{61} Fabio Giacopello, \textit{Is your famous foreign brand just another mark lost in translation?}, China Business Law Journal 70 (Apr. 2012).
\item \textsuperscript{63} Id.
\item \textsuperscript{64} Id.
\item \textsuperscript{65} See Geobers, \textit{supra} note 62, at 5.
\end{itemize}
court found that Hermès was not a well-known mark among mainland Chinese consumers prior to Dafeng’s 1995 registration, and the evidence of public awareness presented by Hermès of their use was not strong enough to cancel Dafeng’s mark. Despite Hermès’ Latin name translation, the TRAB concluded that without the Chinese name registration, Hermès had little power to protect its brand against trademark squatters like Dafeng. Hermès could not even gain well-known protection despite its international reputation and status among those Chinese citizens who are able to afford luxury goods.

Hermès first brought its appeal to the TRAB in 1997 prior to China’s accession to the WTO and increase in trademark regulation. Although it brought its appeal in 2009 under the 2001 Trademark Law, it is not clear how to measure the degree of mark recognition under Article 14. Much of Hermès’ failure was due to the inability to demonstrate that its mark was well-known among Chinese mainland consumers. The definition of well-known marks under the 2001 Trademark Law does not clarify whether this standard applies to a relevant sector of society or to all Chinese citizens. Even with the addition of the WKTM by the SAIC, it is not clear whether all mainland consumers are considered the “relevant public” or if the relevant public is targeted to a specific group of consumers.

Due to Hermès’ exclusive and luxurious nature, it would be unrealistic to expect all Chinese consumers to be able to recognize the brand, unlike a more economically attainable brand such as McDonald’s that all consumers of different socioeconomic backgrounds would be


67 Intellect Group of IP Companies, supra note 60.
more familiar with.\textsuperscript{68} Scholars have criticized the need for clarification on the meaning behind the relevant sector of the public particularly in a country such as China that has such a diverse economic population that would affect the consumers’ knowledge and recognition of brands.\textsuperscript{69} Additionally, there is an inconsistent standard applied to determine whether a mark meets the well-known mark rules. In fact, courts in different regions have interpreted the well-known marks provision differently.\textsuperscript{70}

China’s “first-to-file” registration makes it difficult for brands to protect themselves from trademark squatters that may recognize an opportunity to use a well-known mark as their own. Companies are often negligent in registering all translations of their brands, or they do not want to invest time and money in registering a trademark that may not be economically beneficial.\textsuperscript{71} Hermès’ sole Latin script registration prior to Dafeng’s registration of the Chinese transliteration was given no consideration in the Chinese court’s decision, and after fifteen years of litigation, this case became a model for other companies trying to develop as many registrations as possible.\textsuperscript{72}

\textsuperscript{68} Chow, \textit{supra} note 2, at 97 (describing McDonald’s success in proving international fame).

\textsuperscript{69} See Luo and Ghosh, \textit{supra} note 11, at 147 (“to hold foreign mark owners to a standard of ‘the relevant public’ without regard to the consumer market reality in China would be unfair.”).

\textsuperscript{70} \textit{Id.} at 85 (“varying standards have led to forum-shopping by mark owners in order to obtain well-known mark protection and status for their marks.”).


\textsuperscript{72} See Geobers, \textit{supra} note 62, at 5.
Throughout the trial, Hermès provided examples and was able to prove the Chinese transliteration’s well-known status in Hong Kong. Although Hong Kong is subject to Chinese sovereignty, it became a member to the Paris Convention since 1977 when it was under British sovereignty. Therefore, under the Paris Convention, China should have given evidence of the transliteration in Hong Kong more weight. Such ambiguities in the 2001 Trademark Law, and Hermès’ general experience in its case against Dafeng, have left foreign applicants confused and disgruntled, especially in the midst of globalization and China’s increased international involvement.

III. The 2013 Chinese Trademark Law lays out hopeful change to clarify many of the issues that the 2001 Trademark Law has left uncertain.

The dramatic political and economic transformation in China over the years has affected its trademark law. Since the amendments in 1993 and 2001, the Chinese Trademark Law has been substantially reviewed, and on August 30, 2013, a new amendment was enacted that will go into effect on May 1, 2014.

---


A. The 2013 Trademark Law’s transformation of well-known marks protection

Many aspects of the Trademark Law have been adjusted, including the provisions relating to well-known marks protection.\(^77\) For example, producers will now be prohibited from using the term “well-known” mark to enhance their commercial purposes.\(^78\) This provision attacks companies that directly refer to their trademark as “well-known” to help support their legal status and to boost their reputation, leading to increased sales of their product.\(^79\) In the new law, the five factors that determine well-known mark status will remain the same, but the responsibilities of the TRAB in determining a mark’s well-known status is included in the updated version.\(^80\)

Furthermore, well-known marks for dissimilar goods can now be protected under the 2013 Trademark Law, so long as the marks meet the likelihood of confusion standard.\(^81\) Interestingly, the language in Article 13 provides that a mark is considered well-known if it is known to the relevant public.\(^82\) This language is similar to the language in international treaties that China is part of. Moreover, the 2013 Trademark Law enforces good faith filings, which was


\(^{78}\) 2013 Trademark Law, supra note 77, art. 14.

\(^{79}\) Giacopello and Jun, infra note 86.

\(^{80}\) 2013 Trademark Law, supra note 77, art. 14.

\(^{81}\) Latham Watkins, Client Alert No. 1593 (Oct. 16, 2013).

\(^{82}\) 2013 Trademark Law, supra note 77, art. 13.
not seen in the prior Chinese law; in fact, China was notorious for its lack of recognition for bad faith registrations. The application process for trademark registration now allows joint registration of multiple goods with the same mark in different classes of goods. Lastly, trademarks can now be filed electronically.

Therefore, the bar seems to be set lower to achieve well-known mark status under the new Chinese law, which will make it easier for brands to protect themselves without the detailed evidence that courts have considered. The inclusion of the “relevant public” to the determination of well-known mark status provides greater clarity; however, it is still unclear if China will adjust its determination of well-known marks to the Paris Convention or maintain its standard of domestic well-known status. The new principle of good faith should give owners the ability to use bad faith as a claim in their oppositions and cancellations of marks.

One of the most significant modifications to the 2013 Trademark Law is the formal recognition that likelihood of confusion will be used in a court’s analysis for infringement, which was formerly informally applied but not written in the law. Notably, while this provision makes China’s standards similar to those of other nations and may provide increased trans-

83 Id. art. 7.
84 Id. art. 22.
85 Id.; see also Wang and Zhang, supra note 76.
87 See Hogan Lovells, supra note 77, at 1; see Zahn, supra note 6, at 61.
88 See Latham Watkins, supra note 81.
border uniformity, the application of this law has yet to be seen and its effect on the courts may be unclear.\textsuperscript{89} The increase in statutory damages and consideration of bad faith in the amount of compensation serves as a harsher penalty that may deter infringers and promote compliance with the 2013 Trademark Law.\textsuperscript{90} A transparent application system without multiple applications or the use of electronic filing, would make registration much more efficient and organized, a clear step in the right direction, demonstrating China’s willingness to cooperate with others.

Practitioners are also optimistic about the implication of China’s new law. Attorneys at both HFG Law Firm and Intellectual Property Practice in China have stated that these substantial changes to the trademark law indicate China’s “willingness to change.”\textsuperscript{91} Hogan Lovells has also reported that the amendment will be positive for brand owners and anticipates seeing how the new law is implemented into practice.\textsuperscript{92} China has also recently shown an interest in cooperating with other major powers, such as the United States and European Union. In April 2007, China publicized a plan to improve the protection of well-known marks.\textsuperscript{93} This pro-active approach shows that China is taking criticism of its prior policies seriously, and that the new law has been initiated to alleviate prior international tension. Additionally, this positive response from those in the legal field is a “light at the end of the tunnel” for brand owners who have been struggling with preserving their well-known marks in China for many years.

1. \textit{Hermès interpreted under the 2013 Trademark Law}

\textsuperscript{89} Id.

\textsuperscript{90} See Hogan Lovells, \textit{supra} note 77, at 6.

\textsuperscript{91} Giacopello and Jun, \textit{supra} note 86.

\textsuperscript{92} See Hogan Lovells, \textit{supra} note 77, at 7.

\textsuperscript{93} Greene, \textit{supra} note 42, at 383.
Hermès’ ultimate problem in China was its inability to show that mainland consumers associated the Ai Ma Shi mark with the brand. The reformulation in the 2013 Trademark Law now provides that a mark recognized by the relevant public is the standard for well-known status. Hermès caters to the luxury consumers that can afford to purchase these expensive goods, and these consumers are likely to have traveled to nearby areas such as Hong Kong that accept the connection between Hermès and Ai Ma Shi. This information shows the knowledge of the Ai Ma Shi mark to the “relevant public” in China. Also, the 2013 Trademark Law would provide protection for similar marks with dissimilar goods as long as there is a likelihood of confusion. This would give Hermès support in its legal battle against the argument that the goods between Dafeng and Hermès are not identical, even though they are both fashion related. Additionally, the new good faith requirement in the 2013 Trademark Law would protect Hermès against Dafeng, which took advantage of an opportunity to use the famous mark because Hermès did not register that translation.

2. Political and economic pressures on the law

Some commentators suggest that China is unable to comply with intellectual property law because of cultural barriers. Many years of political and economic restriction have left a mark on the Chinese people’s understanding of personal property and enforcement of rights, and “[t]o the average Chinese, the idea of intellectual property rights is abstract and not quite real.” The

---

94 Segal, supra note 38, at 539 (“China’s fundamentally different interpretation of the ‘rule of law’ and deeply-rooted basis in Confucian ideology represents a significant roadblock in its acceptance of the primacy of IP rights.”).

95 Cahan, supra note 1, at 238-239.
understanding of preserving intellectual property rights is different in China where people are
discouraged from litigating and encouraged to reach a peaceful resolution. Others criticize
Chinese authorities for their slow compliance because of the possible weakening of the local
economy and increase of unemployment.

Counterfeit goods play a huge part in China’s economy, and it is the largest producer of
counterfeit goods in the world. However, it is difficult to enforce protection of trademarks that
are affected by the sales of counterfeits because of its strong role in the Chinese economy. The
local markets that are mass-sellers of counterfeit goods provide employment for people who
would otherwise not have a job. China has reasons to be concerned because a crackdown on
counterfeit goods could end up hurting its own people and potentially hurting its economy.

3. Anti-Dilution and the Article 58 solution

Overall, Hermès faced an issue with its ability to preserve its famous mark and protect its
brand from being damaged by another company’s goods associated with Hermès’ goods in
China. Because of time and money, companies may not be willing to register their mark in a
multitude of countries until they are sure that this registration will be worth the investment.
Included in the 2013 Trademark Law is now a provision that shows China’s willingness to work

96 Wong, supra note 17, at 962.

97 See generally UNODC 2013. United Nations Office on Drugs and Crime, Transnational
Organized Crime in East Asia and the Pacific, April 2013, available at

98 Daniel C.K. Chow, Counterfeiting in the People’s Republic of China, 78 Wash. U. L. Q. 1, 26
(2000).

99 Id.
towards preserving a brand owner’s rights.\textsuperscript{100} If a famous mark—either registered or unregistered—is used by another party as part of the other mark’s enterprise name and confuses the public, this will be considered unfair competition and will be handled under the Anti Unfair Competition Law.\textsuperscript{101} As a remedy, China’s Anti Unfair Competition Law allows for disgorgement of profits made by an infringer’s actions.\textsuperscript{102} Specific actions that are deemed punishable include using similar names and packaging to a famous mark that may confuse consumers.\textsuperscript{103} The language in the 2013 Trademark Law demonstrates that China may be moving in the direction of formally recognizing dilution against marks. Unfairly using another’s brand name hurts the competitive market and the continued development of the country’s economy.

IV. Positive improvement and signs of dilution protection in the 2013 Trademark Law

A. Dilution Law

Trademark dilution hurts a famous mark’s ability to be identified and associated with certain goods and services even if there is no competition or likelihood of confusion between the famous mark owner and other mark owners.\textsuperscript{104} Marks can be protected for dilution if they are confusingly similar, and this can be shown through sight, sound, or meaning.\textsuperscript{105}

\textsuperscript{100} 2013 Trademark Law, \textit{supra} note 77, art. 58.

\textsuperscript{101} \textit{Id.}

\textsuperscript{102} Anti Unfair Competition Law, \textit{supra} note 49, art. 20.

\textsuperscript{103} \textit{Id.} art. 5.2.

\textsuperscript{104} Fact Sheets Protecting a Trademark, International Trademark Association, \textit{available at} http://www.inta.org/TrademarkBasics/FactSheets/Pages/TrademarkDilution.aspx.

\textsuperscript{105} \textit{Id.}
protection is meant for marks that are so famous that they should receive additional protection beyond the well-known protection status that marks generally receive. While dilution protection only provides a solution for very famous marks, many countries and trade agreements have at least recognized it within their trademark laws, even if they have not yet fully implemented it into the law. For example, Canada and Australia provide an additional layer of protection for famous marks, although these countries do not directly refer to this as dilution law. Additionally, the European Union’s Trade Mark Directive includes dilution provisions, and dilution protection is also mentioned in WIPO’s Joint Recommendation that has an enforceable effect on the United States, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic.

Moreover, the United States has officially amended its law to include dilution as a method to combat unfair competition. In 1996, Congress amended the United States Federal Trademark Act of 1946 (Lanham Act) to the Federal Trademark Dilution Act. In 2006, the Trademark Dilution Revision Act of 2006 amended the dilution provisions.

106 Id.
107 Id.
108 Id.
109 Id.
110 Miles J. Alexander and Michael K. Heilbronner, Dilution Under Section 43(c) of the Lanham Act, 59 Law and Contemporary Problems 93 (Spring 1996).
Anti-Dilution law protects famous mark owners from another party’s use of their mark, which causes dilution by blurring or tarnishing a mark’s distinctive quality.\textsuperscript{112} This standard does not require actual or likelihood of confusion, competition, or economic harm.\textsuperscript{113} To receive dilution protection the mark owner must prove that the mark has a high degree of recognition, and the court may use factors to determine the level of recognition such as the duration and geographic extent of the mark, advertising and publicity associated with the mark, geographical range of the mark’s trading, how much recognition a mark has, and the act under which the mark was registered.\textsuperscript{114} To determine dilution through blurring, the following factors will also be considered: the amount of similarity, the amount of distinctiveness, the exclusivity of the famous mark, the amount of recognition of the famous mark, whether there was intentional use of the mark to be associated with the famous mark, and any association between the mark and the famous mark.\textsuperscript{115} To show dilution through tarnishment, the court will look at the similarity between the mark and the famous mark.\textsuperscript{116} Fair use of a famous mark may be used as an exception to the dilution law.\textsuperscript{117} Owners of famous marks that are subject to harm by dilution may receive an injunction or damages.\textsuperscript{118} Therefore, dilution law serves not only to protect the consumer but also to protect the value of the mark to the trademark owner.\textsuperscript{119}

\textsuperscript{112} 15 USC § 1125(c)(1).

\textsuperscript{113} Id.

\textsuperscript{114} § 1125(c)(2)(A).

\textsuperscript{115} Id.

\textsuperscript{116} § 1125(c)(3).

\textsuperscript{117} Id.

\textsuperscript{118} § 1125(c)(5).
International recognition may be enough to protect an unregistered mark from dilution protection under United States anti-dilution law.\textsuperscript{120} When two British companies with the De Beers trademark sued an American company for the use of the DeBeers trademark, they were able to prevail without United States registration because their mark had widely recognized the brand’s fame on an international level.\textsuperscript{121} The court in this case used the same factors to determine if there was dilution and therefore, found a likelihood of confusion between the two brands.\textsuperscript{122} Some of the factors that weighed heavily in the eyes of the court included the sophistication of the consumers, consumer behavior towards a purchase of a particular class of goods, evidence of confusion, quality of the goods, and the degree of competition between the two marks.\textsuperscript{123} After looking at the factors, the court found in favor of the British mark on its theory of dilution through blurring.\textsuperscript{124}

B. Including anti-dilution law in China

Adding an anti-dilution law to Chinese trademark law would strengthen China’s reputation in the international intellectual property community. Some countries, like those in

\begin{footnotesize}
\begin{enumerate}
\item\textsuperscript{119} Liu, \textit{supra} note 111.
\item\textsuperscript{120} \textit{De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate Inc.}, 400 F. Supp. 2d 249 (S.D.N.Y. 2006).
\item\textsuperscript{122} \textit{De Beers LV Trademark Ltd.}, 400 F. Supp. 2d at 280.
\item\textsuperscript{123} \textit{Id.} at 274-280.
\item\textsuperscript{124} \textit{Id.} at 280.
\end{enumerate}
\end{footnotesize}
Central and South America, South Africa, and India, include dilution in their trademark law.125 Japan has also adopted anti-dilution into its law, which could be an incentive for China, since Japan is a great competitor in the luxury goods market.126 As one of the greatest luxury goods markets in the world, it would be in China’s best interest to protect famous marks that could be blurred, specifically luxury brands like Hermès and Burberry that are struggling to maintain their famous status.127 Additionally, because trademark owners continue to struggle to establish ownership over the transliteration of their marks, anti-dilution law could serve as a mechanism to enforce the fame of the mark and protection from trademark squatters that may take advantage of the multiple pronunciations of a trademark.

**V. Conclusion**

China has come a long way in its protection of well-known marks through the development of its trademark law. The 2013 Trademark Law, particularly Article 58, is promising in that it protects brands such as Hermès against mark dilution. Due to China’s growing international economic presence, it will be best to incorporate dilution into its law to maintain fair market values and competition.

---

125 Fact Sheets Protecting a Trademark, supra note 104.


127 Id.