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

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As the People’s Republic of China\(^2\) plays an ever more important role in global trade and commerce,\(^3\) its stance on the protection of intellectual property has been under increasing scrutiny from countries around the world.\(^4\) Concerns about China’s intellectual property rights (‘‘IPR’’) protection arise not only from individual rights holders\(^5\) but also from sovereign nations. While a discussion about sovereign nations’ challenge of China fulfillment of its WTO commitment regarding IPR is beyond the scope of this note, China’s protection of well-known marks with respect to private owners is the primary focus.

Private rights holders are uneasy about China’s record of IP 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. This view, irrespective of its merits, is

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2 In this note, China, the People’s Republic of China, and P.R.C. are used interchangeably.


based in part on facts; but in part on the fear of the unknown. Like the rest of the developed country, 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: Phase One, revising laws and regulations due to external pressure from the United States to develop an IPR regime; Phase Two, under the threat of trade 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” as it become beneficial for developing countries to maintain strong IPR protection for all brands, local and foreign. And China’s Trademark Law epitomizes the ever-evolving nature of China’s intellectual property laws.

This note attempts to chronicle the evolution of China’s IPR protection regime in the narrow context of well-known marks. Part One of this note offers a brief overview of the history of China’s protection of well-known marks; Part Two examines the myriad forces, factors, and conditions that propelled the formation of China’s current institutional structure in protecting well-known marks. Part Three delves into the nuts and bolts of actual enforcement practice under the established well-known mark protection system; Part Four zooms in on the well-known mark enforcement practice as exemplified in a few influential Chinese cases. Part Five highlights the current debates with and outside China about the existing Chinese well-known mark jurisprudence,

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7 Id.
8 Id.
possibly foreshadowing what is to come in China’s next round of amendments to the Trademark Law. Part Six suggests areas of change for the Chinese well-known mark jurisprudence, and offers the reasons why such changes are necessary.

PART ONE

Brief History of China’s Protection of Well-known Marks

1.1 The Current Institutional Structure of Well-Known Mark Protection

Under China’s current institutional structure established by a series of laws and regulations, well-known marks enjoy substantially more protection than 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 the people’s 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.

1.1.1 What Constitutes a Well-known Mark under Chinese Law?

The 2001 Chinese Trademark Law (the “CTL”)\(^9\) does not expressly define well-known mark, but it does provide the following relevant factors to be considered in determining whether one is well-known or not:

(1) reputation of the mark to the relevant public;
(2) time for continued use of the mark;
(3) consecutive time, 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 reputation of the mark.  

In addition to the above, the State Administration for Industry and Commerce (the “SAIC”) refers to well-known marks as “marks known in China by relevant public and with relatively high reputation” in its Provisions on the Determination and Protection of Well-known Marks (the “Well-known Mark Determination Provisions”), which was devised in accordance with the 2001 CTL. Although the application of the Well-known Mark Determination Provisions is limited to administrative agency actions, thus not binding on courts, since they are administrative in nature, they could serve as persuasive authority known in common law jurisdictions. (double check the page number)

The 2001 CTL gives weight to “reputation of the mark to the relevant public” as a determining factor; however, a consumer oriented test is ultimately subjective and “fundamentally vague,” 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 relevant public’s knowledge of the mark, (2) documents showing the history of continuous use, the history and scope of registration of the mark, (3) documents evincing the extent of advertising in terms of

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10 See id., Art. 14.
13 See id., at 272.
geographic scope, time, methods of advertisement and promotion, (4) protection records of the marks as a well-known one in and outside 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. Regardless of their merits, these concrete requirements bring forth a certain degree of certainty to would-be well-known marks applicants.

1.1.2 Ways to Gain the “Well-known Mark” Recognition

China offers two alternative approaches to “fame” by administrative determination or judicial rendition. For administrative determination, the owner of a mark must present requisite documents and evidence as set forth above in an administrative opposition action pursuant to the Well-Known Mark Determination Provisions. The China Trademark Office has the administrative jurisdiction over such applications. Additionally, Well-known Mark Determination Provisions allow a mark owner to apply for protection for its allegedly well-known mark in local Administration for Industry and Commerce (the “AIC”), which application would eventually be channeled to the China Trademark Office for determination in order to assess the proper means of protection for the mark in question. 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 if an infringement dispute arose beforehand.

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14 See Well-known Mark Determination Provisions, supra note 11, Art. 3.
15 See id., Arts. 4, 41-42.
16 See id., Art. 4.
In addition to the above two methods, the 2001 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 (the “TRAB”), which is the appellate body of the Chinese trademark administrative agencies, she can initiate an action\textsuperscript{18} against the TRAB in a People’s court with competent jurisdiction pursuant to the Chinese Administrative Procedure Law.\textsuperscript{19} This additional option, required by the TRIPS and agreed by China,\textsuperscript{20} offers extra protection and safeguard against arbitrary and inappropriate administrative decisions.

1.1.3 Exclusive Rights Associated with Well-known Marks

Rights and privileges of a well-known mark are extensive in the Chinese institutional structure. Article 13 of the 2001 CTL stipulates that,

[w]here 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 be prohibited from being used.

Where trademarks under application for registration for non-identical \textsuperscript{[sic]} or non-similar \textsuperscript{[sic]} commodities are reproduced, copied, or translated from famous trademarks registered in the People’s Republic of China by others and may easily cause 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.\textsuperscript{21}

\textsuperscript{18} See CTL, supra note 11, Art. 43.


\textsuperscript{21} Edward Lehman, \textit{et al}, supra note 12, at 263.
Obviously, protection for well-known trademarks extends to marks either registered or unregistered in China. If registered in China, the owner of the mark can exclude others from registering or using the mark, may it be reproduction, copying or translation, in goods of all types, similar or dissimilar, identical or identical. On the other hand, if a mark is unregistered and has been deemed as well-known in China, the owner can still avail itself of the accompanying protection by preventing the use or registration in similar or identical categories of goods. Notably, the 2001 CTL gives equal treatment and protection to owners of service marks and trademarks.\(^2\) Furthermore, the owner of a registered mark has 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 goes sour.\(^3\)

The Supreme People’s Court of China (the “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 (the “Domain Name Explanations”).\(^4\) 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, and monetary damages are also available to the victorious plaintiff. Upon request, the Court may also order the transfer of such infringing domain name to the plaintiff.\(^5\)

\(^3\) *Id.*, Art. 15.
\(^5\) *Id.*, Arts 4-8.
Despite the extensive rights associated with well-known marks, dilution protection remains an academic concept in China. Rights holders cannot bring an action either in court or in administrative agencies in China. Whether China will adopt anti-dilution provision in its 2001 CTL is unknown at this point. Section 5.2 of this note discusses dilution law in China in detail.26

1.1.4 Well-known and Non Well-known Marks Compared

Extensive rights, as discussed above, accompany well-known marks in comparison with regular, non well-known marks. First, well-known marks, either register or unregistered, are protected under the 2001 CTL given China commitment to the Paris Convention; whereas, regular, non well-known marks must be registered in China in order to be protected since China is a first-to-file jurisdiction where only registered marks fall within the purview of the CTL’s protection.27 Second, with respect to registered marks, if they are well-known under the 2001 CTL, exclusive rights extend across 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 rights holder’s types of goods or services. However, protection for registered, non well-known marks only covers illegal use in goods or services same or similar to those of the rights holder.28 Third, a mark owner can sue an infringer for unfair competition to prohibit another from using the mark as a

26 See infra 5.2 of this note.
domain name, which might cause confusion;\textsuperscript{29} but the mark in question must be well-known. This remedy, unfortunately, is not available for those regular, non well-known marks. To be exact, there is no anti-cybersquatting protection for regular marks. In terms of well-known marks, protection for registered ones and unregistered ones also differ. For example, infringers of a registered, well-known mark, if found liable, must not only pay damages and refrain from further infringement; however, the sole remedy for infringement of an unregistered, well-known mark is a cease and desist order if the infringement involves a “reproduction, an imitation, or translation of a well-known trademark or the major part of a well-known mark of another…”\textsuperscript{30} In sum, well-known marks are entitled to broader and special and more effective protection if they are identified as such by relevant authorities in China.\textsuperscript{31}

1.2 How Did the Current Institutional Structure Evolve?

“Rome was not built in one day.” Neither was the current Chinese institutional structure on protecting well-known marks. More than two decades of legislative and administrative efforts combined 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, whose 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.

\textsuperscript{29} See Domain Name Explanations, \textit{supra} note 24, Art. 5.

\textsuperscript{30} See An Qinghu, \textit{supra} note 27, at 7742.

\textsuperscript{31} See \textit{id.}, at 765.
1.2.1 Protection of Well-Known Marks before 1985

Trademark concepts and practices have a long history in China. Some credited the world’s first recorded trademark to China dating back to about 2698 B.C., while others traced the emergence of the concept of trademark in China to the Northern Zhou Dynasty, which reigned China around 556-580 A.D. China’s first trademark law was enacted in 1904 in the Qing Dynasty. After 1949, intellectual property laws then in place were annulled by the new government under the sole leadership of the Chinese Communist Party. The new China under the communist rule promulgated the Provisional Trademark Registration Regulations in 1950 and the Trademark Administration Measures in 1963, but both of them were premised on the ideology that individual invention and innovation belonged to the collective community, which emphasized product quality associated with trademarks rather than rights of trademark owners. During the Cultural Revolution between 1966 and 1976, whatever the Chinese trademark regulatory regime had to offer was obliterated, and modern China’s first Trademark Law did not emerge until four decades later in 1982 when the Chinese

38 Id., at 272.
leadership under helm of Deng Xiaoping drastically altered China’s political and economic policies. To establish legal and economic infrastructures conducive to foreign investment, China began to accept commercial principles practiced in Western economies. The fundamental change of national policy, often referred to as “Reform and Opening Up,” resulted in China’s membership in the World Intellectual Property Organization (the “WIPO”) in 1980 and the adoption of the 1982 Trademark Law. Despite these unprecedented friendly gestures to foreign investment, well-known trademark protection was not on the legislative agenda until a few years later.

1.2.2 Protection of Well-Known marks between 1985 and 2001

The six years between 1985 and 2001 recorded rapid fire transformations in China’s trademark law. China became signatory to the Paris Convention, subjecting itself to the obligations of this international treaty regarding well-known marks. Although the letters of the Paris Convention Article 6bis were not incorporated into the CTL until the 2001 amendments, compliance to it began in earnest starting in 1987 on ad hoc basis. 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 Trademark Office for use in its “cake and powder products.” The Pizza Hut International Co., Ltd. lodged its opposition, requesting the “Pizza Hut” mark be

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39 See Jessica Wong, supra note 33, at 941.
40 See Weiqu Long, supra note 34, at 69.
41 See An Qinghu, supra note 27, at 708.
42 Id.
registered under its own name\footnote{See id.} as it had been in many other countries. The China Trademark Office determined that the “Pizza Hut” and its “roof logo” were legally well-known under Chinese law based on its registration history; therefore, it refused to register the same mark by an Australian company for services identical to those of Pizza Hut International Co., Ltd,\footnote{See An Qinghu, supra note 27, at 708.} and it conferred the 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 \textit{ad hoc} means.”\footnote{See Edward Lehman, \textit{et al.}, supra note 12, at 259.} Two years later, the China Trademark Office began to recognize well-known marks on a regular basis, granting them accompanying certificates.

Extensive economic reforms of the early 1990s necessitated and paved the way for substantial changes to the scene in protecting trademark rights. First, the Trademark Law was amended in 1993 to “meet with the need of economic development and safeguard fair competition in the market…”\footnote{See An Qinghu, supra note 27, at 709.} Second, protection of well-known marks was written into the \textit{Implementation Regulations of the Trademark Law} (the “Implementation Regulations”),\footnote{See \textit{Implementation Regulations}, \textit{supra} note 28.} which historically began China’s domestic law-making process on protecting well-known marks. Third, the Chinese legislature, adopted the Anti-Unfair Competition Law of China (the “Anti-Unfair Competition Law”)\footnote{See \textit{Zhonghua Renmin Gongheguo Fanbuzhengda Jingzhen Fa} [Anti-Unfair Competition Law of China] (promulgated by the Standing Comm. of the Nat’l People’s Cong., Sept. 2, 1993, effective Dec. 1, 1993) available at \url{http://en.chinacourt.org/public/detail.php?id=3306} (last visited on Mar. 8, 2008) (P.R.C.) (hereinafter Anti-Unfair Competition Law).} in 1993,
prohibiting passing off of registered marks and well-known marks,50 affording trademark owners additional administrative and judicial recourses in the event of infringement. Additionally, the Anti-Unfair Competition Law also filled the legal vacuum with respect to trade dress and trade secrets, offering much anticipated and needed protection to such intellectual property.51

China’s regulations on well-known marks continued to evolve throughout the 1990s, which evolution was evidenced by the Interim Provisions on the Determination and Administration of Well-known Marks (the “Interim Well-known Mark Provisions”) decreed by the SAIC.52 With an eye toward commitment to the Paris Convention on the one hand, and partially guided by the TRIPs Agreement of which China was not a member then, the Interim Well-known Mark Provisions provided a comprehensive, systematic blueprint for administrative determination53 and protection of well-known marks.54 In spite of its ostensible misuse by many domestic mark owners,55 the Interim Well-known Provisions indeed composed an administrative framework through which owners of registered well-known trademarks possessed exclusive rights against the registration and use of such marks on goods similar and/ or dissimilar to the marks in

50 See id., Art. 5.
51 See Weiqu Long, supra note 34, at 83.
53 See id., Art. 5.
55 Id., p. 2.
question.\textsuperscript{56} Between 1996 and February 2002, the SAIC, pursuant to the \textit{Interim Well-known Mark Provisions}, determined 274 marks to be well-known.\textsuperscript{57}

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.,\textsuperscript{58} 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 \textit{Trademark Dispute Explanations}, has since been firmly established.

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Laws &amp; Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>China adopted the Provisional Trademark Registration Regulations.</td>
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<tr>
<td>1963</td>
<td>China adopted the Trademark Administration Measures.</td>
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<tr>
<td>1980</td>
<td>China became a member in the WIPO.</td>
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<tr>
<td>1982</td>
<td>China adopted the Trademark Law.</td>
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</tbody>
</table>

\textsuperscript{56} See \textit{Interim Well-known Mark Provisions}, \textit{supra} note 52, Arts. 8, 9.

\textsuperscript{57} See An Qinghu, \textit{supra} note 27, at 712.

\textsuperscript{58} See id.
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>China became a member of the Paris Convention.</td>
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<tr>
<td>1986</td>
<td>China became signatory to the Madrid Agreement.</td>
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<tr>
<td>1990</td>
<td>China adopted the Copyright Law.</td>
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<tr>
<td>1992</td>
<td>Sino-U.S. Memorandum of Understanding on the Protection of IPR.</td>
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<tr>
<td>1992</td>
<td>China became signatory to the Berne Convention.</td>
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<tr>
<td>1993</td>
<td>Trademark Law amended.</td>
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<tr>
<td>1993</td>
<td>China adopted the Anti-unfair Competition Law.</td>
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<tr>
<td>1995</td>
<td>Sino-U.S. Agreement on IPR.</td>
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<td>1995</td>
<td>Rules for Trademark Review and Adjudication</td>
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<tr>
<td>1995</td>
<td>China became a member of the Madrid Protocol.</td>
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<tr>
<td>1996</td>
<td>China issued the Interim Provisions on the Determination and Administration of Well-known Marks.</td>
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<tr>
<td>1997</td>
<td>China amended the Criminal Law, including crimes against IPR.</td>
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<tr>
<td>1999</td>
<td>China-U.S. Bilateral Agreement on WTO.</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
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</tr>
<tr>
<td>2001</td>
<td>Trademark Law amended.</td>
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<tr>
<td>2001</td>
<td>Copyright Law amended.</td>
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<tr>
<td>2001</td>
<td>China joined the WTO.</td>
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<tr>
<td>2002</td>
<td>Implementing Regulations on Trademark Law</td>
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<tr>
<td>2003</td>
<td>Provisions on the Determination and Protection of Well-known Marks</td>
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<tr>
<td>2006</td>
<td>China’s Action Plan on IPR Protection</td>
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<tr>
<td>2007</td>
<td>China’s Action Plan on IPR Protection</td>
</tr>
<tr>
<td>2007</td>
<td>Currently, revisions to the Trademark Law, Patent Law are all under way.</td>
</tr>
</tbody>
</table>

**PART TWO**

**Theory Underlying China’s Current Institutional Structure on Well-known Mark Protection**

From the late 1970s to 2008, the CTL and other laws on IPR have experienced dramatic changes along with China’s historical rise as an economic powerhouse in the world. The transformation in Chinese IPR laws, especially trademark laws and regulations, can be attributed to a confluence of domestic and international forces.\(^{59}\) These internal and external forces propelled Chinese legal scholars, administrators, policy-makers, and legislators to establish an institutional regime for protecting

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\(^{59}\) See Ruixue Ran, *supra* note 6, at 231.
trademark rights in order to accomplish a multiplicity of purposes. This part will take a closer look at these forces that led to the current institutional structure, and will analyze for what purposes such institution was established.

2.1 Economic, Political, and Legislative Backgrounds (Internal Forces)

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. He observed China’s legislative and rule-making frenzy prior to its accession to the WTO was, in part, to make Chinese intellectual property protection system conform to WTO standards. At the same time, amendments to Chinese intellectual property laws, including the CTL, occurred to a large extent on account of domestic conditions. As the late paramount Chinese leader Deng Xiaoping once said about instituting comprehensive reforms in China—“fording the river by touching the stones,” the Chinese authorities are pragmatic in programming their economic policies in that they approach reforming the Chinese legal system with great caution, and the evolution of the CTL reflects such general governing philosophy.

Revising the Trademark Law system is one of the means to accomplish the overall national goal of re-establishing China’s a legal system demolished during the

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61 Id.
Cultural Revolution. Irrespective of its 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 because the preeminent purpose of the revolution “class struggle” whereby individual ownership of property was out of the question and under severe attack. Waking up from the decade-long national nightmare, the Chinese leadership recognized the importance of the rule of law, thus initiating the course for the rule of law. Since then, thousands of laws and regulations have been adopted.

The growing sense and constitutional acknowledge of private property ownership lay yet another societal foundation for intellectual property laws to germinate and flourish. In 1982, the Chinese Constitution was amended, on the one hand, to recognize the private ownership of intellectual property, ending the monopoly of intellectual property ownership by the state. On the other, the country continued to adhere to “the fundamental tenet of ownership by the people.” Unfortunately, under the 1982 CTL and the 1993 CTL, individuals 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 as the 2001 CTL makes natural persons eligible for trademark

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63 See Weiqu Long, supra note 34, at 67.
65 See id., at 71.
66 Id.
rights in addition to legal persons.\textsuperscript{67}

Effecting economic reforms and attracting foreign investments were also the 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.\textsuperscript{68} In 1992, China’s resolve to cause economic reforms strengthened following \textsuperscript{69} “Deng Xiaoping’s famous ‘tour’ of Southern China.” \textsuperscript{70} Subsequently, the National People’s Congress amended the Chinese Constitution in 1993 to state that:

> The State has put into practice a socialist market economy. The State strengthens formulating economic laws, improves macro adjustment and control and forbids according to law any units or individuals from interfering with the social economic order.\textsuperscript{71}

Guided by the spirit of Constitution, Chinese law and rule makers orchestrated what is referred to as the “Millennium Amendments” right before China’s entry to the WTO which encompassed a revamping of China’s IPR protection system.\textsuperscript{72} As a result of the “Millennium Amendments,” patent, copyright, and trademark laws were amended, ostensibly with the aim of conforming to the TRIPS standards. Furthermore, various

\textsuperscript{67} See 2001 CTL, supra note 9, Art. 4.
\textsuperscript{68} See Mark Sidel, supra note 37, at 272.
\textsuperscript{69} See Peter K. Yu, supra note 60, at 917.
\textsuperscript{70} See id.
\textsuperscript{72} See Peter K. Yu, supra note 60, at 906.
implementing regulations and administrative measures also came into being on the heels of the amendments of their corresponding laws. In particular, the 2001 CTL was adopted by the National People’s Congress, subsequently its Implementation Regulations, under the overall economic and political climate in China as summarized by Mr. An Qinghu, the Director General of the China Trademark Office under the SAIC:

“With the deepening of reform and opening policy as well as the development of the market economy, in order to meet the requirements of a domestic integrated market, economic globalization and China’s WTO accession…”

Therefore, 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 is to see only one side of the coin, at the cost of bypassing the whole picture.

2.2 External Forces (U.S. & EU, the WTO)

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 impacting China’s intellectual property protection system, Americans are probably the most vocal and aggressive. Because exporting high-tech goods and knowledge-intensive products and services have become a “very important sector of the American economy”; thus, the U.S. government has linked international trade policies with the adequate protection of intellectual property associated with American goods and services, threatening nations with trade sanctions if its demands are not met. The Chinese government has been very familiar with U.S. protests, demands and threats of sanctions over its intellectual property.

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73 See An Qinghu, supra note 27, at 713.
75 Id.
protection system since 1979. From the first Sino-American bilateral agreement in 1979, the Agreement on Trade Relations Between the United States of America and the People’s Republic of China,\(^\text{76}\) to multiple bilateral intellectual property agreements signed respectively in 1992,\(^\text{77}\) 1995,\(^\text{78}\) and 1996,\(^\text{79}\) to the “long march” style WTO negotiations, China was willing to compromise and take noticeable measures to advance its intellectual property protection system.\(^\text{80}\)

Besides sovereign nations, international treaties and non-binding international standards were also instrumental in helping 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 cannot be ignored because it represents the trend of international protection of well-known marks.”\(^\text{81}\) With respect to the powerful impact of international treaties, the late Professor Zheng Chengsi, an expert in Chinese intellectual property laws, put it succinctly:

\(^{76}\) Id., at 136.

\(^{77}\) See Ruixue Ran, supra note 6, at 233 (The Sino-US Memorandum of Understanding was signed in 1992.).

\(^{78}\) See id. (The U.S.-China Intellectual Property Rights Accord was signed.)

\(^{79}\) See id. (The U.S.-China Intellectual Property Rights Accord was signed based on the 1995 Accord.)

\(^{80}\) See generally Peter K. Yu, supra note 74, 142-150.

\(^{81}\) See An Qinghu, supra note 27, at 712.
“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.”\textsuperscript{82}

2.3 Chinese Trademark Law & the Evolving Legislative Intent

As all trademark laws do, the Chinese Trademark Law and its various implementing regulations serve particular legislative purposes. For instance, the Lanham Act was enacted to basically serve the dual purpose of protecting the rights of both consumers and mark owners.\textsuperscript{83} The 1982 CTL, replacing the 1963 Trademark Administrations Regulations, expressly stated that this law was adopted,

\begin{quote}
[i]n order to strengthen the management trademarks and the protection of trademark rights, to ensure that commodity producers maintain quality and credibility of trademarks, in order to protect the interests of consumers and promote the development of socialist commodity economy.
\end{quote}

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.”\textsuperscript{84} As the “Millennium Amendments” ushered in a “new and improved” 2001 CTL, they enabled the Chinese Trademark Law to be substantially TRIPS compliant in many respects. Not surprisingly, the 2001 CTL and its Implementation Regulations clang to the basic three-pronged legislative intentions:


\textsuperscript{84} See An Qinghu, supra note 27, at 711.
1) the management of trademarks, including requirements on quality associated with marks; 2) consumer protection; 3) protection of private property rights of trademark owners. According to one commentator, the 2001 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. Derivative of the 2001 CTL, the Well-known Mark Determination Provisions, suffers from the same legislative infirmity, where the protection of private intellectual property rights is overshadowed by the overall administrative regulatory tone of the Trademark Law.

PART THREE

The Nuts and Bolts of Enforcing Well-Known Mark Rights in China

3.1 Opposing the Registration of Well-known Marks in China

Unlike many common law jurisdictions, China subscribes to the first-to-file system to establish trademarks rights. Under this system, prior use of a certain mark, without registering in the China Trademark Office, does not generate trademark rights often familiar to common law trademark rights established in the United States.


Therefore, owners of marks, especially well-known marks, unfamiliar with China’s trademark registration system, face grave challenges of their rights being infringed in China, given that well-known marks are substantially more valuable and susceptible to infringement. To avail themselves of the protection for well-known marks, owners or their agents must be familiar with the detailed procedures and well as substantive provisions provided under China’s well-known mark safeguard regime.

3.1.1 Procedures for Opposing the Registration of a Well-Known Mark

The fundamental basis for opposing the registration by another of a well-known mark in China lies in Articles 13 and 14 of the 2001 CTL. Procedurally, within the three-month statutory open opposition period, the owner of a well-known mark can object to the registration by filing an opposition petition with the Trademark Office. In its opposition, the mark owner must state the cause, basis thereof, and submit relevant supportive documents. 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 same or similar to those under use by the owner. But, the applicant must submit documents required under Article 14 of the 2001 CTL in order to establish that the mark at bar is well-known under Chinese Law. Likewise, if the mark is registered in China, the applicant bears the same burden of proof to exclude all others from

87 See An Qinghu, supra note 27, 771.
88 See 2001 CTL, supra note 9, Arts. 13, 14.
89 See id., Art. 30.
90 See Implementation Regulations, supra note 28, Art. 22.
91 See 2001 CTL, supra note 9, Art. 33; Well-known Mark Determination Provisions, supra note 11, Art. 4.
92 See Well-known Mark Determination Provisions, supra note 11, Art. 4.
registering the mark at all for any categories of goods or services.\textsuperscript{93} Within 30 days after the filing, the Trademark Office usually convenes an administrative hearing.\textsuperscript{94} Where the Trademark Offices 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.\textsuperscript{95}

An opposition applicant can appeal an unfavorable decision rendered by the Trademark Office. The first recourse is to appeal to the TRAB \textsuperscript{96} for review within fifteen days of the last decision from the Trademark Office.\textsuperscript{97} The 2001 CTL provides that a well-known mark owner can appeal, within 30 days, the unfavorable decision of the TRAB to a people’s court.\textsuperscript{98} 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 the exclusive jurisdiction as the trial court.

These recourses for opposing the registration of a well-known mark are actually sequential; therefore, the “former procedure is the prerequisite for the latter one.”\textsuperscript{99} And observing the time limits in each step is of paramount importance.\textsuperscript{100}

\textbf{3.1.2 Procedures and Requirements for Canceling a Registered Mark}

\textsuperscript{93} See 2001 CTL, \textit{supra} note 10, Art. 33; Well-known Mark Determination Provisions, \textit{supra} note 11, Art. 4.

\textsuperscript{94} See Implementation Regulations, \textit{supra} note 28, Art. 22, para 2.

\textsuperscript{95} See \textit{id.}, para 3.


\textsuperscript{97} See 2001 CTL, \textit{supra} note 9, Art. 33, para. 1.

\textsuperscript{98} \textit{Id.}, para 2.

\textsuperscript{99} See An Qinghu, \textit{supra} note 27, 715.

\textsuperscript{100} \textit{Id.}
A registered mark in violation of Article 13 of the Trademark Law can be legally cancelled by its legitimate owner. Cancellation procedures differ from those of opposition in two pronounced aspects. First, the owner can file a cancellation petition directly with the TRAB, bypassing any encounters with the Trademark Office, which potentially saves time and cuts down losses due to infringements. Second, the statute of limitation for a cancellation case is five years from the date of the registration in question. However, if the registration complained of is malicious and in bad faith, the complainant is not bound by the five-year statute of limitations. As is with opposition, the owner requesting cancellation can appeal the TRAB to the Beijing First Intermediate People’s Court within 30 days of TRAB’s opinion.

3.1.3 Procedures and Requirements for Canceling an Infringing Entity Name

Registering an entity name with a registered well-known mark violates the exclusive rights of its owner. Rights holders of well-known marks may petition 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.” And the competent authority must respond accordingly in accordance with the Provisions for the Registration and Administration of Enterprise Names (the “Entity Names Provisions”)

101 See 2001 CTL, supra note 9, Art. 41(2).
102 Id.
103 Id.
104 Id.
105 See Implementation Regulations, supra note 28, Art. 52; see also Well-known Mark Determination Provisions, supra note 11, Art. 13.
106 See An Qinghu, supra note 27, at 727.
without requiring the certification the marks in question are indeed well-known in China. 108 In other words, 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” 109 as set forth in the Entity Names Provisions. 110

3.2 Opposing the Use of Well-known Marks in China

With respect to opposing trademark infringement by use 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 concerned party may request the Administration of Industry and Commerce (the “AIC”) to investigate and prohibit unauthorized use of the mark. Filing a trademark infringement civil lawsuit presents another viable option. She may also engage the Chinese police, the Public Security Bureau (the “PSB”) for criminal enforcement. 111 In addition, right holder might also consider utilizing the Chinese customs authorities to combat counterfeiting and other infringing conducts. While other effective extra-judicial, non-administrative means 112 also exist, these four methods are most widely known and relied upon in China. Among the four, administrative enforcement and civil law suits in


108 See An Qinghu, supra note 27, at 728.

109 See id.

110 See Entity Names Provisions, supra note 107, Art. 9 (2).

111 See Peter Yu, supra note 60, at 947.

112 See Peter 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…”).
the people’s courts are the most commonly deployed, both of which have their advantages and disadvantages in the Chinese intellectual property protection regime.

The 2001 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.

Aside from the above five types of prohibitive use, the Supreme People’s Court augmented exclusive rights of rights holders in its 2002 Trademark Dispute Judicial Explanations. Specifically, three more types of use are also actionable: 1) registering entity name with a registered trademark for use in goods services similar or identical to the trademark owner; 2) copying, imitating, 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, whereby causing consumer confusion and injuries to the owner; 3) registering domain name with words identical or similar to a registered trademark and using such domain name in electronic commerce, whereby causing confusion in the

113 See Peter Yu, supra note 60, at 946.
114 See 2001 CTL, supra note 9, at 52.
relevant public. 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.

3.2.1 Enforcement Procedures through the AIC

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 must provide evidence under Article 14 of the CTL to establish that its mark is well-known, thus entitled to the administrative protection. The AIC has the authority to prohibit use of the mark; it can further seize and destroy the “trademark representations,” and where goods and such infringing labels can not be separated, both shall be destroyed.

Administrative enforcement through the AIC can be a double-edged sword. On the one hand, local AICs, under the auspice of the SAIC, have become an important tool of both the government and private right holders to counter infringement activities. On the other hand, even though the transaction cost to bring an administrative enforcement action is relative low at the outset, the complainant could not obtain economic damages, neither could she have injunctions, which remedy are available only through Chinese courts. Furthermore, rampant local protectionism and prevalent corruption among AICs can reduce the efficacy of administrative enforcement because

115 See 2002 Trademark Dispute Explanations, supra note 17, Art. 1.
117 See An Qinghu, supra note 27, at 716.
118 See Edward Lehman, et al., supra note 12, at 234; see also Implementation Regulations, supra note 28, Art. 45.
119 See Jessica Wong, supra note 33, at 965.
local AIC officers and local government leaders often act in concert with infringers. \(^{120}\)

Right 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. \(^{121}\)

### 3.2.2 Enforcement through the People’s Courts

Courts will continue to play an ever increasing role in trademark protection in China for a number of reasons. As indicated above, China must adhere (and has done so) to its WTO commitment to establish independent judicial review of administrative enforcement cases, \(^{122}\) which inevitably will divert appellate cases to the judicial system. But that is only part of the story. As China institutes more specialty intellectual property tribunals in economically advanced jurisdictions, \(^{123}\) as more Chinese judges become more versed in adjudicating disputes on intellectual property rights, \(^{124}\) right holders have increasingly opted for the courts to safeguard their rights. \(^{125}\)

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120 Id.

121 Id.

122 See “Reading Seven Years of IP Adjudications in China Through Numbers,” available in Chinese 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 on Feb. 21, 2008). According to a report in the Legal Daily, intellectual property cases saw exponential growth in China from 2001 to 2007. During those seven years, trial courts accepted 77463 cases and disposed of 74200 cases, experiencing an annual growth of 22.6% and 22.92% respectively in case acceptance and disposition. Out of the total number of intellectual property cases above, 11598 trademark cases were accepted and 10743 disposed of.


124 See Jessica Wong, supra note 33, at 968.

125 See Peter K. Yu, supra note 60, at 946-47.

126 See id., 947.
Civil actions can be brought in people’s courts of competent jurisdiction, while criminal complaints must be referred to the Public Security Bureau (the “PSB”) for prosecution. Before proceeding further into the details of both bringing civil and criminal complaints in China, the complexity Chinese judicial system warrants a brief primer.

The Chinese court system consists of general people’s courts and special courts. General people’s courts are structured into four-tiered system in the following ascending order in terms of judicial review power: district/trial courts, intermediate courts, higher people’s courts, and the Supreme People’s Court of China. Trial courts are tribunals established in counties and small cities without administrative districts, adjudicating the full gambit of cases ranging from civil disputes, to criminal trials, and to administrative actions. From there on up are 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. And the highest court of the land is the Supreme People’s Court which has appellate jurisdiction to review cases from lower courts as well as original jurisdiction in certain situations; it also exercises appellate

128 Id., at 389-90.
130 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).
Within each of the four-tiered courts are tribunals to try matters of varying natures—civil, economic, criminal and administrative. Special courts include maritime, military, railway transportation and forestry court, all of which are designated and restricted to hear disputes in those highly specialized and narrow areas.

Notably, unlike common law jurisdictions like the United States and the United Kingdom where the doctrine of stare decisis applies in their judicial system, the Chinese civil law system honors higher courts’ decisions to the extent that circumstances in the case at bar are similar to those in earlier cases. Nonetheless, judicial interpretation, explanations and guidance opinion issued by the Supreme People’s Court are meant to effect uniformity among courts on the interpretation and application of laws. Although these judicial explanations are not, in theory, “laws,” they do in effect serve as “gap fillers” for lower courts. Insofar as appeals are concerned, plaintiffs are

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133 Id.
134 See infra note 136.
135 See Jeffrey F. Levine, supra note 86, at 219.
136 See The National Court Organizations, supra note 132.
137 It is a doctrine where higher courts’ decisions are binding upon lower courts. See United States Internal Revenue Serv. v. Osborne (In re Osborne), 76 F.3d 306, 96-1 U.S. Tax Cas. (CCH) para. 50, 185 (9th Cir. 1996).
140 See id., citing Wang Cheng Guang, An Introduction to Chinese Legal System 21 (Hong Kong Publisher 1997).
entitled to one appellate review; thus, the judgment and order from the court of second instance, are final and binding.

In recent years, China has created specialized tribunals devoted to handle intellectual property cases. As of the end of 2003, all 31 higher people’s courts in China instituted IP tribunals to review intellectual property related cases, and most intermediate level courts established special panels for the same purpose. 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, streamline the relevant procedures, and maximize the usage of judicial resources. And for that purpose, Justice Cao Jianmin of the Supreme People’s Court has called for the establishment of independent IP courts in the intermediate court level, although such courts would remain administratively attached to intermediate courts.

To sue in intermediate people’s courts, which are the courts of first instance in trademark infringement actions, rights holders of well-known marks must exercise care

141 Id.
143 See Peter Yu, supra note 60, 947; see also “Chinese Courts Accepts More IP Cases; Difficulties Increase in International IP Cases,” available in Chinese at http://www.chinaiprlaw.com/spxx/spxx320.htm (last visited on Feb. 21, 2008).
144 Id.
146 Id.
147 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.
148 See Supreme People’s Court of China, Judicial Explanations on Jurisdiction and the Applicability of Law in Trademark Trials, Fashi 2002 (1) (promulgated by the Adjudication Committee, Dec. 25, 2001,
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 the infringement. Jurisdiction and venue for infringement usually lie in intermediate people’s courts where infringing activities took place or where the infringer resides. Extensive discovery, as practiced in the United States, does not exist in China. 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.” 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 (the “Civil Evidence Rules”). The Civil Evidence Rules reduced courts’ role in evidence gathering, while putting the onus on the parties.

3.2.3 Enforcement through Criminal Prosecution

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150 See Kate Colpitts Hunter, supra note 130, at 527.


152 See Mo Zhang & Paul J. Zwier, supra note 139, at 420.

153 Id.

Owners of well-known marks might also go after infringers through criminal prosecution. Criminal prosecution of IP rights has its basis in the Chinese Criminal Law and a series of judicial explanations that the Supreme People’s Court put forth. Maximum prison sentence for trademark counterfeiting is three years for “relatively large” counterfeiting sales; a sentence of three to seven years is rare, reserved only for extreme circumstances, where “huge sales” of counterfeit goods occurred. To what extent do sales have to be to reach the respective “relative large” and “huge sales” was not clearly defined in the Criminal Law. But the SPC finally came out with its judicial explanations in 2004 titled, *Explanations on Several Issues Regarding the Specific Application of Laws in Criminal Intellectual Property Cases*, which sets detailed parameters and thresholds regarding the level of culpability required for sentences. In practice, right holders first have to file complaints with the PSB to conduct investigations on alleged infringement, and the PSB will, in turn, refer “egregious” cases to the people’s procuratorate for prosecution.

3.2.4 Enforcement through the Customs Office

156 Id.
159 See Omario Kanji, *supra* note 157, 1273-75.
160 See United States Embassy-Beijing, *supra* note 151.
The General Administration of Customs (the “GAC”) also has administrative jurisdiction over trademark protection, albeit limited in scope. A condition precedent to customs enforcement is the recordation of trademarks with the GAC. To properly record marks with the GAC, an applicant must submit relevant documents along with an application for recordation:

(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.

Assuming that proper recordation is in place at the GAC, rights holders still have to apply for detention of suspected shipment of infringing goods, while simultaneously presenting supporting evidence or documents to the GAC. Further, rights holders shall post bond not exceeding the value of the suspected goods for customs detention. With respect to detention, rights holders must pay for the related cost of “warehousing, maintenance, and

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161 See Anne M. Wall, supra note 127, at 384.
162 See id., at 375.
164 See id., Art. 13.
165 See id., Art. 14.
disposal of the goods incurred by the GAC; otherwise, the GAC may deduct such costs from the bond. Simultaneous to the GAC enforcement, rights holders may also apply for a court order to the people’s court to enjoin infringement, but they must pay damages if the court or the GAC finds that the suspected shipment of goods does not violate any existing rights.

PART FOUR

Well-known Mark Protection in Representative Case Law

As noted above, the people’s courts are playing an increasing role in intellectual property rights enforcement. As required by the TRIPS agreement, member countries must make transparent their laws, regulations, final administrative and judicial decisions. 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. As such, data compiled and released by the Chinese authorities and case law corroborate the assertion that the people’s courts have been busy enforcing IP laws. The following chart demonstrates the judicial enforcement scene in China:

<table>
<thead>
<tr>
<th>Types of Cases</th>
<th>Accepted by people’s</th>
<th>Annual growth rate</th>
<th>Disposed of by people’s</th>
<th>Annual growth rate</th>
</tr>
</thead>
</table>

166 See Anne M. Wall, supra note 127, at 384.
167 Id.
168 Id., at 385.

169 See Kate Colpitts Hunter, supra note 130, at 541.
170 This chart is based on data released by the Chinese government, available at http://www.legaldaily.com.cn/misc/2008-02/20/content_800347.htm (last visited on Feb. 23, 2008).
Foreign observers\textsuperscript{171} of Chinese IP enforcement also noted the rise of court actions.\textsuperscript{172}

This rise of court actions has inevitably generated many interesting decisions, which provide a window into China’s judicial interpretation of China’s various IP laws and regulations. This Part examines two recent cases, decided by the people’s courts and the TRAB.

4.1 Ferrari v. Jiajian

The Beijing First Intermediate Court had, in an administrative action pursuant to the CTL (2001), the occasion to decide whether the design of a Prancing Horse relative to

\begin{tabular}{|c|c|c|}
\hline
2001--2007 & courts & courts \\
\hline
Trademark & 11,598 & 10743 \\
\hline
Patent & 18,521 & 17,764 \\
\hline
Copyright & 28,776 & 28,170 \\
\hline
Unfair Competition & 7,934 & 7,832 \\
\hline
Technology Contracts & 6,277 & 5,516 \\
\hline
Foreign party involved & & 1,634 \\
57.95% & & \\
\hline
Total & 77,463 & 22.60% \\
& 74,200 & 22.92% \\
\hline
\end{tabular}


\textsuperscript{172} See Anne M. Wall, supra note 127, at 388.
the “Ferrari” word trademark of the Italian automobile company (the “Ferrari Company”) is well-known. Ruling against Ferrari, it held that the “Prancing Horse” design was not well-known in China for the purpose of the case at bar.  

Ferrari’s “horsing” saga with a Chinese trademark registrant started back in 1996. The Ferrari Company began doing business in China in 1993, and considered China to be one of its key international markets. It registered its “Ferrari & Prancing Horse Design” combination trademark in China. A Chinese department store in Guangzhou, Jiajian Sports Merchandise Company, Ltd. (the “Jiajian”), sought to register a design-only mark with the symbol of a “Prancing Horse” (the “Prancing Horse Mark”) for use in selling clothing on April 1, 1995. Jiajian registered it for use in connection with Nice Class 25, specifically for clothing in general and fur clothing. When the China Trademark Office published the prospective “Prancing Horse Mark” for public opposition on September 7, 1996, the Ferrari Company filed a timely opposition, claiming that the trademark at issue, with its designated types of goods, is 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, citing that Jiajian’s registration of its mark predated any alleged mark belonging to the Ferrari Company.


The Ferrari Company then appealed to the TRAB, arguing that both the “Ferrari & Prancing Horse Design” combination mark and the “Prancing Horse” design mark constituted well-known trademarks; therefore, the registration sought by the opponent, if granted, would cause confusion among consumers. Unfortunate for the Ferrari Company, the TRAB disagreed and affirmed the original decision. ¹⁷⁶

The Ferrari Company 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” combination mark was already registered in China, the “Prancing Horse” design mark should automatically be a well-known mark, as should the combination 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, it posited that “Ferrari” trademark has become well known around the world, and it has also gained considerable familiarity among Chinese consumers. ¹⁷⁷ However, the Court flatly rejected Ferrari Company’s claim of fame for its unregistered design mark. ¹⁷⁸ It states 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.


¹⁷⁸ See supra note 176.
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 that the “Prancing Horse” design mark and the “Ferrari & Prancing Horse” combination mark are well-known in relevant marks in China.

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 “prance horse” design mark has been deemed non well-known given its relative fame in the West. However, 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, and the 2001 CTL and other provisions under Chinese law regarding well-known marks.

4.1.1 Ferrari and the Paris Convention

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 unregistered in China yet well-known in other Union countries. 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.\(^{179}\)

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 another trademark considered well-known in another member jurisdiction. But, the obligation activates 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 rights holder to enforce its rights in a foreign jurisdiction since it has to prove the likelihood of confusion, and its protection is limited to goods similar or identical to its own. Thus, any use for goods dissimilar to or different from the owner’s goods falls beyond the scope of protection under the Paris Convention. Furthermore, since the Paris Convention does not define “well-known,” it leaves relevant authorities of a given jurisdiction considerable freedom and wide latitude in deciding what constitutes a well-known mark for the purpose of stopping infringement in that jurisdiction.\(^{180}\)

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 the Ferrari Company, the defendant’s purported use of the “Prancing Horse” design mark is for selling general and fur clothing, which is vastly different from automobiles and sports


vehicles. Had the Ferrari Company been in the business of selling clothing, the defendant’s intended use of the “Prancing Horse” design mark might have been legally objectionable under the Paris Convention. Second, under the Paris Convention 6bis, the Ferrari Company also must show the likelihood of confusion in order to prevail, and 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 assuming the Court did, the Ferrari Company’s burden of proof is high as it must show that the relevant Chinese consumers would associate the defendant’s clothes with the Ferrari Company.

4.1.2 Ferrari and the TRIPS

China’s accession into the World Trade Organization (“WTO”) makes compliance with the TRIPS and other international conventions incorporated therein mandatory. On protecting well-known marks, the TRIPS Article 16 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 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.\(^{182}\)

The TRIPS extends protection for unregistered well-known marks to services marks; it further prohibits use of *registered* well-known marks in goods or services dissimilar to “in respect of which a trademark is registered.”\(^{183}\) Further, where the use of an identical sign is in identical goods or services, such illegal use generates a presumption of likelihood of confusion, thereby lowering the burden of proof for a plaintiff.\(^{184}\)

Despite the expanded protection for well-known marks provided by the TRIPS, the Ferrari Company still would not prevail under the above pertinent provisions. The “Prancing Horse” design mark is not registered in China, and the Ferrari Company’s failure to register this mark effectively removes its entitlement to the expanded protection under the TRIPS Article 16. Second, because the defendant’s use of the “Prancing Horse” mark was for goods different from the Ferrari Company’s goods and services; therefore, there is still no presumption of the likelihood of confusion. Given this analysis, the *Ferrari* Court did not abridge the Ferrari Company’s rights under the TRIPS agreement.

### 4.1.3 Ferrari and Chinese law


\(^{183}\) *See id.* Art. 16 (3).

\(^{184}\) *See id.* Art. 16 (1).
As the 2001 CTL\textsuperscript{185} and the Well-known Mark Determination and Protection Provisions\textsuperscript{186} both provide for the factors in determining whether a mark is well-known, the Ferrari Company may look to the relevant Chinese laws and regulations to ascertain whether the Court abused its discretion in its decision. The TRIPS 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.”\textsuperscript{187} As discussed above in Section 1.1.1 of this note, both the 2001 CTL and the \textit{Well-known Mark Determination Provisions} require the relevant authorities to take into account the knowledge about and reputation of the mark in question in the relevant public. These requirements are not only consistent with the TRIPS but 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 (the “WIPO Joint Resolution”). In relevant parts, the WIPO Joint Resolution provides:

(1) \textit{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 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;

\textsuperscript{185} See 2001 CTL, supra note 9, Art. 14.

\textsuperscript{186} See Well-known Mark Determination Provisions, supra note 11, Arts. 2-3.

\textsuperscript{187} See TRIPS, supra note 182, Art. 16 (2).
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.\(^{188}\)

The Ferrari Court deemed the “Prancing Horse” design mark non well-known primarily because the plaintiff failed to proffer evidence of advertising and publicity in China. Discussion and analysis of the other important factor, knowledge of and reputation of the mark in the relevant public sector, is not available because the opinion is not published nor is it reported in the media. Current law in China does not define “relevant public,” thus subjecting it to discretion by the courts. To reduce such wide discretion and possible abuse, this author suggests that China adopts 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;

(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.\(^\text{189}\)

This position on the “relevant public” is desirable because of the sheer geographic size of China and the hugely divergent economic variances across China.\(^\text{190}\) Generally speaking, coastal areas of China and major municipalities have relatively advanced economy with sophisticated consumers; while in other less developed regions such as the vast western and southwestern regions of China, economic development lags far behind, and its consumers have less exposure to foreign bands. Therefore, to hold foreign mark owners to a standard, the general public, would be unfair and unscientific.

### 4.2. Starbucks v. Shanghai Copycat\(^\text{191}\)

Starbucks Co. registered the word mark “Starbucks” and various designs associated with it in 1996 in China; it then registered 30 types of products under the “Starbucks” mark in 1997; later more services and products were added to the word mark in China. On February 1, 1999, Starbucks Co. first registered the Chinese version of

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\(^{189}\) See id., Art. 2 (2).

\(^{190}\) See Richard S. Gruner, Intellectual Property in the Four Chinas, Int’l Law News, Vol. 37 No. 2, P. 2 (Spring 2008) (Gruner argues 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.).

Starbucks—“Xingbake” [星巴克] in Taiwan, however it did not begin the registration process of “Xingbake” in China until 1998. While waiting for an approval for the registration of “Xingbake”, Starbucks launched its 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 Co. finally registered the “Xingbake” [星巴克] trademark on December 28, 1999.

While Starbucks Co.’s application for the trademark “Xingbake” [星巴克] was pending, the defendant, Shanghai Xingbake Coffee, Ltd. successfully registered the entity name “Xingbake” [星巴克]. On March 9, 2000, Defendant finalized its incorporation, whose principal business was the sale of beverages, western style meals, and retail alcoholic drinks. Defendant printed “Starbuck Coffee” on its price list, and used characters “Xingbake Coffee” in their store front and advertising billboards.

After failing in settlement and an unsuccessful administrative action with the Shanghai AIC, Starbucks Co. sued Defendant in the Shanghai Second Intermediate People’s Court for trademark infringement and unfair competition. On both causes, the trial Court found for the Plaintiff. Defendant’s appeal followed in the Shanghai Higher People’s Court, whose decision would be the final and binding on the outstanding issues, which included: 1) whether the appellant’s successful registration of the entity name “Xingbake” defeats Starbucks Co.’s claim of trademark infringement, given the fact that the entity registration predated that of Plaintiff’s “Xingbake;” 2) Whether the Defendant’s usage of the corporate name “Xingbake” and “Starbuck Coffee” constituted

192 See Jessica C. Wong, supra note 33, at 954.
unfair competition. On both issues, the Court affirmed, handing Starbucks a sound victory.

In its opinion, the Court stated its analysis and rationale for affirming the lower court. With respect to trademark infringement, it pointed out evidence of bad faith in 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 Plaintiff’s trademark infringement claim, citing that both marks had been widely known in China prior to Defendant’s preemptive registration. They were well-known in China for their “wide use, publicity and reputation”\(^{193}\) associated with the marks. Further, the Court opined that Starbucks Co.’s usage of and attainment of rights relevant to the “Xingbake” mark predated any rights Defendant obtained through its preemptive registration of its entity name. Moreover, the Court held that Defendant’s malicious preemptive registration of its entity name with “Xingbake” violated Chinese Trademark Law and basic commercial ethics—equality, honesty and good faith.

In the end, this case served as a microscope into judicial enforcement of trademark rights in Shanghai,\(^{194}\) one of the most modern and international cities\(^ {195}\) in China. Compared to courts in rural areas, urban courts are better staffed with highly educated and trained judges,\(^ {196}\) whose judgments reflect better understanding of the law.

\(^{193}\) See id., at 956.

\(^{194}\) See id., at 959 (stating that “The Startucks 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.”).


\(^{196}\) See Randall Peerenboom & He Xin, Dispute Resolution in China: Patterns, Causes, and Prognosis, p. 6, (The Foundation for Law, Justice and Society, 2008).
and a high degree of professionalism. Significance of this high profile case is multifaceted.

First, it demonstrated that the Court was willing to recognize an unregistered foreign mark as well-known in compliance with the Paris Convention. Foreign corporations often raise the concern and objection that they do not receive equal treatment as do domestic Chinese counterparts in Chinese courts. They argue that China recognizes more local well-known marks than foreign ones. Indeed, 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 government’s formal and informal protests against China’s current IPR protection efforts, this Court, however, in this instance, handed Starbucks the judicial protection that would have obtained under international treaties. In particular, when Starbucks’s “Xingbake” mark was not a well-known mark in its own jurisdiction, the Court identified it as well-known, nonetheless. 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 Defendant because of prior use by, reputation of, and advertising conducted by Starbucks Co.

197 See Jessica C. Wong, supra note 3, at 956-57.
198 See id., at 958.
199 In order to invoke the Paris Convention protection, the mark in question must be well-known first in a member country of origin. But in this instance, “Xingbake” was not well-know in the United States.
Second, the Court can solidify its judicial authority by enforcing its own judgment. Many have commented that the Chinese IPR laws are strong on paper yet weak in enforcement.\textsuperscript{200} This institutional weakness escaped neither the Court nor the Chinese legislature. Months after the final disposition of the case, Defendant still hesitated to change its corporate name as ordered by the Court. To carry out its orders, the Court actually caused the freezing of Defendant’s assets and garnishment of its bank accounts.\textsuperscript{201} Eventually, Defendant, under intense pressure, changed its business name into “Fangyun Coffee.”

More significantly, to address the pervasive and rampant issue of non-compliance and non-enforcement of civil judgments,\textsuperscript{202} the Standing Committee of the NPC adopted\textsuperscript{203} revisions\textsuperscript{204} to the Civil Procedure Law of China.\textsuperscript{205} Pursuant to the revisions, people’s courts have the authority to fine individuals who fail to comply with court orders, to detain such individuals if non compliance continued, and to issue judicial disciplinary dispositions against such individuals.\textsuperscript{206} These concrete and specific legal changes

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\textsuperscript{200} See Kate Colpitts Hunter, \textit{supra} note 130, at 540; Edward Lehman, et al., \textit{supra} note 11, at 273; Jessica Wong, \textit{supra} note 26, at 964.
\textsuperscript{206} See \textit{id.}, Arts 103-04.
\end{flushleft}
represent the Chinese legal community’s concerted efforts to improve judicial enforcement in China, and the courts are equipped with ostensibly sharper teeth\textsuperscript{207} 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.\textsuperscript{208} In contrast, in rural areas, incentives for local protectionism still exist for non enforcement, so enforcements in those areas remain problematic.\textsuperscript{209} As the revised Civil Procedure Law goes into effect in April, 2008, it remains to be seen how courts across China will utilize their new found enforcement power and equipment.

4.3. Reconciling Ferrari with Starbucks

On the surface, the results in Ferrari v. Jiajian and Starbucks v. Shanghai Copycat seem inconsistent; in substance, they share a great deal in common. Commonalities are as follows: 1). Trademarks in question in both cases were unregistered foreign marks at the time when alleged infringements occurred. 2). The Ferrari Company attempted to oppose the registration of an infringing mark through administrative actions, yet Starbucks Co. sued to enjoin the use of its unregistered mark and for civil damages via the judicial enforcement route. But they all availed themselves of the Trademark Law. On the other hand, both rights holders desired the comprehensive protections afforded to well-known marks, yet only Starbucks prevailed. So similarly situated, yet they received almost the opposite reaction from the Chinese courts. This curious discrepancy, naturally, turns on the question of “why?”.


\textsuperscript{208} See Randall Peerenboom & He Xin, supra note 196, at 6.

\textsuperscript{209} Id.
A few material factors 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. Without exception, 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 disappointment; whereas Starbucks’s extensive campaign for “Xingbake” in 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 another Court took it into consideration. 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 conclude, Chinese courts, especially in urban areas, in their determination of well-known marks consider multiple factors, all of which fall within the scope of Article 14 of the CTL; thus, it is safe to infer that courts in urban areas interpret the CTL strictly.

PART FIVE

Prospect for Change in the Current Well-known Mark Protection Regime

With a historical perspective on the protection of well-known marks in the greater context of the past development of the CTL, this part continues the quest of what well-
known mark protection in China could be in the future. As China continues its own search for the “rule of law,” and as it strives to build a “socialist market economy,” amending the current CTL and the entire trademark protection system is unavoidable. In fact, earnest efforts to bring about the third round of amendments to the CTL are already under way. 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 surfaced. Because most notable discourse on the amendments are taking place among Chinese IP scholars and IP administrators, such constructive discourse, to a large extent, foreshadows the content of the forthcoming amendments.

5.1 Private Right v. Public Policy

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


215 See Peter Yu, supra note 60, at 914-15.


217 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.
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, present in the United States Lanham Act, is no news to trademark law scholars and policymakers in China. It has raised debates as to how the new amendments to the CTL should re-balance this conflict in place.

CTL currently leans heavily toward administrative function.\textsuperscript{218} On its face, the main purpose of the CTL is to administrate trademarks, protect consumers and other market players, with a junior role to protect the rights of rights holders. Given the legislative intent, the administrative functions of the CTL ballooned into a lengthy and convoluted trademark opposition process.\textsuperscript{219} In particular, to oppose the registration of a well-known mark, a trademark owner may eventually have to undergo three separate administrative steps, original petition with the Trademark Office and appeals with the Trademark Office and the TRAB.\textsuperscript{220} Then, the same owner could encounter two more judicial processes 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 and two judicial procedures,\textsuperscript{221} the length of which stretches, sometimes, to more than a decade.\textsuperscript{222}

\textsuperscript{218} See 2001 CTL, \textit{supra} note 9, Art. 1.  
\textsuperscript{220} See 2001 CTL, \textit{supra} note 9, Arts. 30-34.  
\textsuperscript{221} Id.  
\textsuperscript{222} Id.
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. 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. 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.

5.2 Dilution Protection

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 antidilution laws, trademark scholars, administrators and practitioners in China look elsewhere, especially the United States, for answers responsive and relevant to China’s situation. As such, the following discusses the predominant features of anti-dilution law in the United States and debates on antidilution law in China.

5.2.1 Anti-Dilution Protection in the United States

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

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222 Id. For example, it took Ferrari Company eleven years to receive a final defeat in the Beijing First Intermediate People’s Court.

223 Id.

224 Id.
its roots in common law.225 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.” 226 Following state legislations227 prohibiting trademark dilution, the Congress finally adopted the Federal Trademark Dilution Act (the “FTDA”)228 in 1995 and amended it in 2006 with the Trademark Dilution Revision Act (the “TDRA”).229

For dilution protection, “only strong marks need apply.”230 The FTDA requires that dilution protection is available only to “famous” marks,231 so do other state dilution laws.232 And in order to be “famous” under the TDRA, trademarks must be widely recognized by the general consuming public of the United States,233 serving as a sole identifying source for goods or services.234 This is a very high standard to meet, for good reasons.

First, anti-dilution laws make available broad protection non-existent under traditional trademark infringement laws. Section 15 U.S.C. § 1127 defines dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods or


226 See id.; see also Frank Schechter, Rational Basis of Trademark Protection, 40 Harv. L. Rev. 813, 831 (1927).

227 See Shubha Ghosh, supra note 225, at 537.


232 See J. Thomas McCarthy, supra note 230. 


234 See J. Thomas McCarthy, supra note 230.
services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.”

State and federal law, courts may find dilution in either blurring or tarnishment of marks.\textsuperscript{235} What’s more, to sustain a dilution cause of action under the Lanham Act, a plaintiff had to prove actual dilution under the 1995 FTDA,\textsuperscript{236} which heightened standard of proof was further clarified and established by the Court in \textit{Mosley v. Secret Catalogue, Inc.}. However, the 2006 TDRA overturned the ruling in \textit{Mosley}, requiring a plaintiff to only prove the “likelihood of dilution;”\textsuperscript{237} thus the owner of a famous mark may be able to stop the diluting use of its mark without proffering evidence of “actual association.”\textsuperscript{238}

Second, sound public policy reasons preclude dilution protection to general marks. As J. Thomas McCarthy so 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.\textsuperscript{239}

Because of policy concerns, dilution law in the United States is not without contention and controversies. On the one hand, proponents of dilution protection posit that rights


\textsuperscript{236} See id. Courts in different jurisdiction developed different tests to meet actual dilution standard.

\textsuperscript{237} See Shubba Ghosh, supra note 225, at 541, Note 2.


\textsuperscript{239} See supra note 230.
holders are entitled to protect “their investment in the selling power of their mark” in the absence of consumer confusion. Opponents, on the other hand, aver that dilution law bestows upon trademark owners too much exclusivity in a property right without clear boundaries.

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…” Further, legislative history also show that “dilution remedy was an ‘extraordinary’ one” conditioned upon a “clear showing of fame.” 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. Therefore, “fame,” in the context of dilution, is a distinct concept from its counterpart in a likelihood of confusion setting. 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.”

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243 See J. Thomas McCarthy, supra note 230.

244 Id.

245 Id.

246 Id.

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 to be—“a household name.”

5.2.2. Anti-Dilution in China in Its Infancy

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 since IP rights are territorial in nature, enforceable only in the jurisdiction where the rights originated. Since there is no international treaty binding China to provide dilution protection to foreign marks, the CTL and its corresponding regulations do not contain statutory language on dilution. Nonetheless, this absence of statutory provision has not failed to overshadow 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. Justice Xia Junli of the Supreme People’s Court pointed out that the Court issued a guidance opinion to a lower court, 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. The Hubei Higher People’s Court affirmed the lower’s court’s ruling, and held defendant liable for trademark dilution.

248 J. Thomas McCarthy, supra note 230.


251 Id., note 19.
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.” Justice Xia Junli, however, doubts the necessity of application of dilution in the DuPont case.

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 (the “IP Task Group”) recommended in its report the introduction of dilution into the CTL, granting “absolute protection” to “widely recognized and highly reputable” registered marks, thereby extending exclusive rights to “all” goods and services. Professor Deng Hongguang incisively pointed out that even though the current CTL strengthened protection for well-known marks in accordance with the TRIPS, it lacks relevant provisions on dilution; therefore, it is likely that fierce debates will ensue regarding how dilution should be incorporated into the Chinese well-known jurisprudence in the next round of amendments to the CTL. He further argued that Chinese trademark amendment committee 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.

253 See Xia Junli, supra note 250.
256 Id.
5.2.3. Is China Ready for Dilution Law?

So, is China ready for antidilution 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. Among proponents of antidilution law who look to the United States and the European Union, they acknowledge that dilution law is a powerful tool in protecting well-known marks. 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, 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.” Still others believe that sorting out the existing problems extant in China’s well-known marks with respect to “confusion” is a condition precedent to the introduction of dilution law. Yet another scholar posits that antidilution falls into the sphere of the Anti-unfair Competition Law since dilution of trademarks in its very essence is unfair competition; therefore, it is the Anti-unfair Competition Law, not the CTL, that should be amended with respect to dilution.


259 See Deng Hongguang, supra note 255.

260 See Xia Junli, supra note 250; see also IP Task Group Report, supra note 254.

such, Chinese scholars, courts, and policymakers have apparently not, as of yet, reached a consensus on China’s readiness for dilution law.

5.3 Unifying the Standards across the Country for Recognizing Well-known Marks

The lack of uniformity of standards in determining well-known marks as applied in courts plagues China’s current well-known mark scene. Exemplified by the report of the IP Task Group, inconsistency of standards utilized to recognize well-known marks is remarkable throughout courts in China.\(^{262}\) In some regions more than 80% of applying marks were recognized as such for infringement/consumer confusion purposes, whereas Beijing courts deemed less than 30% as well-known for similar causes of action.\(^{263}\) Consequently, varying standards have led to forum shopping by mark owners in order to obtain well-known mark protection and status for their marks.\(^{264}\)

Well-known mark law has been misunderstood and misused in China as well. Some litigants even initiated lawsuits for the sole and disguised purpose of obtaining the coveted “well-known” label for their marks, so as to achieve economic gain.\(^{265}\) 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,”\(^{266}\) rather than its original intended legal meaning—broader protection in case of infringement.\(^{267}\) Therefore, well-known mark

\(^{262}\) See IP Task Group Report, supra note 254.

\(^{263}\) Id.

\(^{264}\) Id.

\(^{265}\) See Xia Junli, supra note 250.

\(^{266}\) Id.

\(^{267}\) See IP Task Group Report, supra note 254.
litigation in China has been used as an end to achieve the “well-known” mark status, instead of the means to enforce IP rights.\textsuperscript{268}

In the wake of these pervasive problems, fast changes must emerge. Some call for more detailed standards,\textsuperscript{269} either from the Supreme People’s Court (the judiciary) or the amendments of the CTL (the legislature), for determining well-known marks as current ones set forth in the CTL lack operability in practice. Others, however, argue that there is, and should be, no absolutely uniform standards for well-known marks since the scope “well-knownness” is contingent upon the relevant distinctiveness, similarity of the types of goods and serves in question, and the geographic scope of consumers as it relates to the mark.\textsuperscript{270} Hence, the solution lies not in making more rules but in better understanding and application of the existing standards, especially in careful analysis of particular facts of each case,\textsuperscript{271} and in countering the misuse and abuse of well-known mark protection system in China by rights holders.\textsuperscript{272} To effectively counter the systematic abuse of the well-known mark protection institutional structure, 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.\textsuperscript{273} Scholars also contend that people’s courts must scrutinize the purposes of well-known mark litigations, and evidence proffered in support of marks under

\textsuperscript{268} See Xia Junli, supra note 250.

\textsuperscript{269} See IP Task Group Report, supra note 254.

\textsuperscript{270} See Xia Junli, supra note 250.

\textsuperscript{271} Id.

\textsuperscript{272} Id.

\textsuperscript{273} Id.
dispute.\textsuperscript{274} 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.\textsuperscript{275}

\textbf{PART SIX}

\textbf{New Impetus for Change}

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,\textsuperscript{276} it needs to adopt a comprehensive well-known mark protection regime 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; further, time is ripe for adopting antidilution provisions to afford greater protection to truly well-known marks. In support of these assertions, the following outlines why China has new impetus for adopting these changes into the CTL.

\subsection{6.1 Economic Impetus for Change}

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

\textsuperscript{274} Id.
\textsuperscript{275} Id.
\textsuperscript{276} See Ruixue Ran, \textit{supra} note 6, at 245.
“an integral part of China’s economic reform policy,” and China should continue this macro policy, at the same time undertake micro “surgical” procedures to improve its IP law, such as its laws on the protection of well-known marks.

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, technological innovation; it has also been pushing Chinese companies to build global brands, because weak branding by Chinese exports have forked large portions of profits to importers, leaving exporters with minimum returns. 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, and CNOOC’s failed bid for Unocal. In addition, some Chinese brand names have gradually gained international renown, such as electronics giant Haier, oil company PetroChina and Sinopec, and telecommunications multinational corporation Huawei. Furthermore, in 2006, a staggering 700,000 trademark applications were filed with the China Trademark Office. These trends suggest that more Chinese are conscious of the value of well-known brands and the rights associated with trademarks.

277 See Edward Lehman, et al., supra note 12, at 257.
278 See Anne M. Wall, supra note 127, at 355.
279 Id., at 356.
280 Id., at 356-57.
283 See Yang Yexuan, supra note 219.
As the Chinese economy continues its record-setting rate,\textsuperscript{284} Chinese brands are exposed to infringement in foreign countries, and in order to indirectly protect Chinese brands overseas, China needs to beef up its own IP protection. Based on the latest report by the Organization for Economic Cooperation and Development (“OECD”), China’s outbound Foreign Direct Investment (“FDI”) grew to 90.6 billion U.S. dollars by the end of 2006.\textsuperscript{285} 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 One billion every year.”\textsuperscript{286} 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,\textsuperscript{287} will likely help them grow in international markets. While strong domestic trademark protection is not the adequate 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.

Growth of FDI in China remains spectacular in size.\textsuperscript{288} In a coordinated effort to encourage more technology-driven investments and discourage labor-intensive

\begin{itemize}
  \item \textsuperscript{285} See Directorate for Financial and Enterprise Affairs Investment Committee, China’s Outward Foreign Direct Investment (Draft report by the Secretariat Feb. 2008), on file with the author.
  \item \textsuperscript{287} See An Qinghu, supra note 27, at 709.
  \item \textsuperscript{288} Based on a news report, China attracted $74.7 billion dollars in 2007, and it has been the lead FDI destination for 15 consecutive years. Available at http://www.chinadaily.com.cn/bizchina/2008-01/22/content_6411643.htm (2008).
\end{itemize}
manufacturing investments, China has revised its tax code, import-export regulations, and investment laws. It is in China’s best interest to give strong protection to prospective investors, whose most valuable assets are their 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, stronger trademark laws serves China’s interest in building a knowledge-based economy and continue to attract FDI as it is unlikely that stronger IP protection would by itself reduce FDI flowing into China, to say the least.

6.2. Political Impetus for Change

Excessive administrative discretion has been blamed for the lax IPR enforcement in China, therefore, a revised CTL, lessening administrative authorities granted therein,


would contribute to China’s ruling party’s overall goal\textsuperscript{294} to establish 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,\textsuperscript{295} as “China remains more a system of discretion supplemented by law than a system of law supplemented by discretion.”\textsuperscript{296} 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,\textsuperscript{297} the realistic solution at this point to address this issue lies not in a complete change of China’s current political system; rather it lies in the removal of excessive administrative functions of the CTL, and thus 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.

6.3 Legislative Impetus for Change

Cognizant of the urgent need to accelerate comprehensive IP legislations, 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


\footnotesize{\textsuperscript{295} See Stacy H. Wang, supra note 293, at 299.}

\footnotesize{\textsuperscript{296} 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).}

\footnotesize{\textsuperscript{297} See id., 294-95.}
Protection of Well-Known Trademarks.”

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.

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 internal political debates, China adopted its landmark Private Property Law, establishing concrete legal processes for its citizens to assert rights over private real property. 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 antidilution 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. With respect to anticompetitive behaviors in the market, China has already enacted its first


301 See Thomas McCarthy, supra note 230.
comprehensive Anti-Monopoly Law, which specifically prohibits monopolistic practices with respect to IPR. Therefore, from a legislative standpoint, adopting the desired changes to the CTL complements existing laws.

CONCLUSION

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 holder could 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.

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 antidilution provisions, China faces familiar choices as to whether it should adopt such drastic amendments. The authors of this note advocate


303 See id., Art. 55.
that China’s local conditions, economic, political and legislative backgrounds, necessitate their adoption.