The Evolution of Well-Known Trademark Protection in China

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# Table of Contents

List of Abbreviations ........................................................................................................... 6
List of Tables ......................................................................................................................... 7
List of Figures ......................................................................................................................... 8
Abstract .................................................................................................................................. 9
Declaration ............................................................................................................................. 10
Copyright Statement ............................................................................................................ 11
Acknowledgments ................................................................................................................ 12
Dedication ............................................................................................................................. 13

Chapter 1 Introduction ......................................................................................................... 14
  1.1. Research Background ................................................................................................. 14
  1.2. Aims of Research ....................................................................................................... 26
  1.3. Methodology ............................................................................................................... 27
  1.4. Thesis Structure ........................................................................................................ 28
  1.5. Originality .................................................................................................................. 29
  1.6. Rationality and Limitation of Secondary Sources of Chinese Language .................. 29

Chapter 2 The Definition of a Well-Known Trademark ....................................................... 31
  2.1. ‘Definition’ of a Well-Known Trademark in the ‘Joint Recommendation’ ................. 33
  2.2. Definition of a Well-Known Trademark in Chinese Statutes ..................................... 35
      2.2.1. SAIC’s ‘Provisional Provisions on the Determination and Management of Well-
          known Trademarks’ (1996) ...................................................................................... 35
      2.2.2. SAIC’s ‘Provisions on the Determination and Protection of Well-Known Marks’
          (2003) .................................................................................................................... 38
      2.2.3. SPC’s ‘Interpretation of the Supreme People’s Court on Several Issues Concerning
          the Application of Law to the Trial of Cases of Civil Disputes over the Protection of
          Well-Known Trademarks’ (2009) ............................................................................ 40
      2.2.4. Trademark Law 2013 ........................................................................................ 43
  2.3. Conclusion .................................................................................................................. 45

Chapter 3 The Recognition and Protection of Well-Known Trademarks ............................. 46
  3.1. Well-Known Trademark Protection under the Paris Convention ............................. 48
      3.1.1. Background ....................................................................................................... 48
      3.1.2. Art 6 bis .............................................................................................................. 49
  3.2. Well-Known Trademark Protection under the TRIPS Agreement ........................... 51
      3.2.1. Background ....................................................................................................... 51
3.2.2. Paris Convention v. TRIPS Agreement ......................................................... 53
3.2.3. Certain Rules for Recognition and Protection of Well-Known Trademarks... 54
3.3. Well-Known Trademark Recognition under the ‘Joint Recommendation’ ......... 57
3.4. Well-Known Trademark Recognition and Protection in China ....................... 59
3.4.1. Background: Oblivion before the 1970s and Revival in the 1980s .......... 59
3.4.2. Transition from ‘Sole-Track’ to ‘Dual-Track’ Model ................................. 64
  3.4.2.1. ‘Sole-Track’ Model in the 1990s ............................................................ 65
  3.4.2.2. ‘Dual-Track’ Model in the 2000s ......................................................... 67
3.4.3. Three Fundamental Principles ................................................................. 74
  3.4.3.1. Passive Recognition Principle .............................................................. 74
  3.4.3.2. Case-by-case Recognition Principle .................................................... 78
  3.4.3.3. Honesty and Good Faith Principle ...................................................... 81
3.4.4. Certain Rules Related to Well-Known Trademark Recognition and Protection ................................................................. 88
  3.4.4.1. Range of Protection............................................................................... 88
  1. Timeline (1990s) ......................................................................................... 88
  2. Case: Procter & Gamble (P & G) v Shanghai Chenxuan Tech Co., Ltd. (Chenxuan) ........................................................................................................... 90
  4. Trademark Law 2001 and 2009 Judicial Interpretation ............................... 96
  3.4.4.2. Factors for Examining Well-Known Trademarks................................. 104
  3.4.4.3. Financial Remedies over Well-Known Trademark Infringements ....... 110
  1. Rules in the TRIPS Agreement ..................................................................... 111
  2. ‘Exclusive Right to the Use of Registered Trademarks’ and Financial Remedies over Well-Known Trademark Infringements ............................... 112
  3. Analysis of Rules on the Financial Remedies in the TML 2001 ............ 115
  4. Financial Remedies in the TML 2013 ......................................................... 118
3.5. Conclusion ..................................................................................................... 127

Chapter 4 The Misunderstanding of Well-Known Trademarks in China .......... 130
4.1. Introduction .................................................................................................... 130
4.2. Concept and Reasons of the ‘Misunderstanding’ ....................................... 133
  4.2.1. Concept of the ‘Misunderstanding’ ....................................................... 133
  4.2.2. Reasons of the ‘Misunderstanding’ ....................................................... 134
4.3. Role of ‘Well-Known Trademark’ Title in Judgments

4.3.1. Case: Starbucks Corp. v Shanghai Xingbake Coffee Corp.

4.4. Malicious Litigation

4.4.1. Reasons of Malicious Litigation

4.4.2. Countermeasures against Malicious Litigation

4.4.2.1. Definition of Malicious Litigation

4.4.2.2. Standard for Findings of ‘False Actions’

4.4.2.3. Centralisation Policy on Judicial Recognition

1. SPC’s ‘Interpretation by the Supreme People’s Court of the Issues Relating to Jurisdiction over and Scope of Application of Law to the Hearing of Trademark Cases’ (2002)

2. SPC’s ‘Notice of the Supreme People’s Court on the Jurisdiction over Cases of Civil Disputes involving the Determination of Well-Known Trademarks’ (2009)


4.4.2.4. ‘Honesty and Good Faith’ Principle, Precautions and Liability, and Scope of Cases involving Well-Known Trademarks Determination

1. Detailed Rules on the Principle of ‘Honesty and Good Faith’ in Malicious Litigation

2. Precautions and Liability in Malicious Litigation

3. Restrictions on the Scope of Cases where Well-Known Trademarks can be Determined

4.4.3. Summary

4.5. Product Quality of Products Bearing Well-Known Trademarks

4.5.1. Conceptual Meaning of the Misunderstanding of ‘Quality Assurance’

4.5.2. Reasons of the Misunderstanding of ‘Quality Assurance’

4.5.3. A Trademark Viewpoint on Product Quality

4.5.3.1. Academic Review

4.5.3.2. Legal Rules Review


2. Rules on Product Quality in the Trademark Law 2013

3. Analysis

4.5.4. Summary

4.5.5. Product Quality Law (2000) on Product Quality

4.5.5.1. Rules over Product Quality
4.5.5.2. Feasibility of Introducing ‘Warranty Obligations of Quality’ to Well-Known Trademarks in the Product Quality Law ................................................................. 187

1. Reasons for Adopting ‘Warranty Obligations of Quality’ ................ 188
2. Feasibility in Adopting ‘Warranty Obligations of Quality’ ........ 189

4.5.6. ‘Law on Protection of Consumer Rights and Interests’ (2013) on Product Quality ......................................................................................................................... 189

4.5.7. Summary ......................................................................................................................... 196

4.6. Well-Known Trademark Advertisements ........................................................................... 196

4.6.1. Reasons of Well-Known Trademark Ads and Shortcomings of National Statutes ........................................................ 197

4.6.2. Perfection of Legislation on Well-Known Trademark Ads ........................................ 199

4.6.2.1. Rules on Well-Known Trademark Ads in the Trademark Law 2013 ............................... 200

1. Liability of Holders of Well-Known Trademarks ........................................... 201
2. Remedies for Well-Known Trademark Ads ....................................................... 203

4.6.2.2. Rules on Well-Known Trademark Ads in the Advertisement Law (2015) .............................................. 204

4.7. Conclusion ......................................................................................................................... 207

Chapter 5 Dedicated IP Courts – IPRs Protection in the Xi Jinping Era .............................. 210

5.1. Dedicated IP Divisions and ‘3-in-1’ Trial Model .............................................................. 211

5.2. Dedicated IP Courts (2013 - 2014) .................................................................................. 214

5.2.1. CPC’s Proposal in 2013 ............................................................................................. 215
5.2.2. Establishment of Dedicated IP Courts in 2014 ......................................................... 218

5.3. Advantages, Disadvantages and Suggestions ................................................................. 220

5.4. Conclusion ......................................................................................................................... 221

Chapter 6 Conclusion .............................................................................................................. 223

6.1. Main Findings ...................................................................................................................... 224
6.2. Suggestions of Future Development ................................................................................. 230
6.3. Contributions ........................................................................................................................ 232
6.4. Concluding Remarks .......................................................................................................... 233

Bibliography .............................................................................................................................. 235

Appendix ..................................................................................................................................... 265

List of Tables ............................................................................................................................... 265

List of Figures ............................................................................................................................... 269

Word count: 74234.
List of Abbreviations

Art(s) – Article(s)

AIC – Administration of Industry and Commerce (工商行政管理局)

CTMO – China Trademark Office (中国国家工商行政管理总局商标局)

CPC – Communist Party of China (中国共产党)

CCA – China Consumers Association (中国消费者协会)

CI – Consumers International

IP – Intellectual Property

IPR(s) – Intellectual Property Right(s)

Joint Recommendation – Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks

NPC – National People’s Congress (全国人民代表大会)

Paris Convention – Paris Convention for the Protection of Industrial Property

R & O Policy – Reform and Opening-Up Policy (改革开放政策)

SAIC – State Administration of Industry and Commerce (中国国家工商行政管理总局)

SIPO – State Intellectual Property Office of China (中国国家知识产权局)

SPC – Supreme People’s Court (最高人民法院)

TRAB – Trademark Review and Adjudication Board (中国国家工商行政管理总局商标评审委员会)

TRIPS Agreement – Agreement on Trademark Related Aspects of Intellectual Property Rights

WTO – World Trade Organisation

WIPO – World Intellectual Property Organisation
List of Tables

Table 1: Some international treaties China has ratified (P 17)

Table 2: The definition of a well-known trademark in China (1996 – 2013) (P 45)

Table 3: Rules on the financial remedies in Trademark Law 2001 and 2013 (P 127)
List of Figures

Figure 1: Organization structure of SAIC (departments managing well-known trademarks) (P 67)

Figure 2: Organization structure of people’s court in China (P 70)

Figure 3: Relationship between ‘exclusive right to the use of registered trademarks’ and well-known trademark rights regarding damages reward (P 115)

Figure 4: A ‘Chinese Well-Known Trademark’ mark used in advertisements (P 199)
Abstract

The University of Manchester
Candidate: Xiao Mu
Degree: Doctor of Philosophy (PhD)
Title: The Evolution of Well-Known Trademark Protection in China
Date: June 2016

China has put considerable emphasis on protecting intellectual property (IP) rights since it implemented ‘Reform and Opening-Up’ policy in the late 1970s. The nation has actively participated in communication and cooperation with its trading partners and international society in IP region. In particular, since its accession to the Paris Convention for the Protection of Industrial Property (Paris Convention) in 1985, China has reformed its socialist legal system to meet international obligations. This trend continued with China’s entry to the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) under the World Trade Organization (WTO) in late 2001.

A well-known trademark is a trademark well known by the relevant public. Compared to a common trademark, it will be given higher level of protection against infringements. A well-established well-known trademark legal framework can considerably protect interests of owners of domestic and foreign well-known trademarks. China begun to offer such protection since the 1980s. During the pre-WTO period, it granted well-known status determination on an ad-hoc basis under a ‘Sole-Track’ model which was solely led by administrative authorities. This model has been considered to be weak and offered no systematic protection to well-known trademark holders. China’s admission to the WTO in 2001 pushed the country to create a ‘Dual-Track’ model which incorporates judicial and administrative authorities and to amend its IP laws in compliance with the international norms. Since then, the situation of well-known trademark protection has been considerably improved, although some problems remained. There is, however, widespread criticism in the US government and from some scholars that the IP laws in China governing well-known trademarks are inadequate. However, this is not necessarily accurate, as it is based not on comprehensive legal analysis but on the data mainly collected from interested parties of the US side, whether they are companies or government officials, or a fragment of cases.

This thesis adopted doctrinal legal research method to demonstrate and evaluate some substantial legal principles, concepts, rules and policy concerning well-known trademark recognition and protection in China over the past three decades (1985 – 2015). It challenged that criticism by raising four questions and exploring their answers. The legal analysis in this thesis showed that since the 2000s, China has protected well-known trademarks more effectively than before. In conclusion, although some problems remain to be solved, the criticism above should be rejected. Meanwhile, this thesis also offered suggestions of further development, highlighted the need for the competent authorities to continue to reform the laws and policy, and strengthen their enforcement in order to tackle unsolved problems.
Declaration

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Dedication

To the greatest cities Manchester (UK) and Weihai (CHINA)

To my motherland China

To my mother and father who raise me, inspire me, encourage me

To my hamster Ding Ding
Chapter 1 Introduction

1.1. Research Background

China is now the world’s second-largest economic entity\(^1\) and the world’s largest exporter,\(^2\) and is an important market for the rest of the world both in terms of trade and in attracting foreign investors. While the global imports decreased by 12.8 percent in 2009, China’s goods imports increased by 2.9 percent in the same year, which made it the only country to maintain growth among the world’s largest economies.\(^3\) In its third review of China’s trade policy, the World Trade Organization (WTO) pointed out that China had played a constructive role in stimulating global demand during the international financial crisis, and that it had made significant contribution to the stability of the world economy.\(^4\) According to one business report, 78 percent of US companies in China were ‘profitable’ or ‘very profitable’ in 2011, which approximately equalled the level in 2010. In addition, 80 percent of these companies reported that they had obtained a year-on-year higher revenue growth.\(^5\) For both foreign and domestic business companies, a high profitable economic atmosphere cannot be created without a well-established and effective intellectual property (hereinafter referred to as ‘IP’) system.\(^6\) In an industrializing country, the state (and/or important

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\(^1\) Europe, the U.S. and China have been seen as ‘the three big motors of the world economy’ by the media. <http://europe.chinadaily.com.cn/epaper/2012-02/10/content_14576177.htm> accessed 5 July 2013.

\(^2\) C. Fred Bergsten et al., *China’s Rise: Challenges and Opportunities* (Peter G. Peterson Institute for International Economics, 2009)


interest groups within the state) at first may see IP as an impediment to development and its interests better served by allowing copying and other forms of free-riding. In China, this tension seemed worse by the fact that the country had only relatively moved towards becoming a market economy since the 1990s. Surprisingly, China has put considerable emphasis on protecting intellectual property rights (hereinafter referred to as ‘IPRs’) since it implemented ‘Reform and Opening-Up’ policy in the late 1970s. Since then, the Chinese government has regarded IP as one of the most important pillars of its science and technology and economic development programmes\(^7\) and treated IP laws as an important part of the Chinese socialist legal system. The Chinese government has not only approved all major international treaties and agreements concerning trademarks, but also made bold strides to reform its domestic intellectual property legislation, and thus making its shores safer for trademarks, patents, and copyrights. This is of great significance. Firstly, the obligations under these treaties have led to the reform of key domestic IP laws, including China’s Trademark Law. Secondly, international rules prevail over domestic laws when there is a conflict between them according to the Chinese constitution.\(^8\)


\(^8\) Dalila Hoover, ‘Coercion Will Not Protect Trademark Owners in China, But an Understanding of China’s Culture Will: A Lesson the United States Has to Learn’ (2011) 15 Marq. Intell. Prop. L. Rev. 325, 337; The Chinese constitution provides that international treaties ratified by the National People’s Congress prevail over domestic laws. The People’s Courts are under an obligation to apply the relevant provisions in international IP treaties when hearing IP disputes, and deliver a judgment accordingly. The National People’s Congress (NPC) and its Standing Committee jointly exercise the power to enact laws in China. When the NPC is not in session, the Standing Committee decides whether to ratify or abrogate treaties and important agreements with foreign states. ‘Functions and Powers of the Standing Committee’ <http://www.npc.gov.cn/englishnpc/eng/2010-02/08/content_1537978.htm> accessed 5 July 2013.
legal obligation to protect well-known trademarks at the international level since it ratified the Paris Convention in 1985,9 and the Chinese authorities promulgated law, administrative regulations and judicial interpretations to protect well-known trademarks since the 1990s. However, there is criticism in the US and from some scholars that the extensive promulgation of IP laws in China, especially those aimed at protecting well-known trademarks, are inadequate. This thesis aims to challenge this criticism through the legal analysis of certain issues related to well-known trademark protection in China.

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Table 1: Some international treaties China has ratified

In China, a well-known trademark is a trademark well known by the relevant public. For the convenience of the analysis, this thesis be confined to well-known trademarks as they are applied to goods. As regards quantity, the Chinese market may have held the largest number of well-known trademarks – including domestic and overseas owned trademarks – in the world. The majority of these trademarks are owned by Chinese companies. However, this does not indicate that foreign trademarks will not be affected by trademark infringements. Under certain circumstances, they are even more vulnerable to infringements. Besides, it should be borne in mind that it is impossible for this thesis to show the accurate data on the number of well-known trademarks officially recognised in China, as People’s Courts have no publication system of well-known trademarks. A well-known trademark is given a higher level of protection against infringements than a general trademark. One significant difference between the protection of a general trademark and a well-known trademark is the range of protection. A general trademark can only secure protection against infringements occurring in the same goods class. As stipulated in Chinese Trademark Law 2001 (TML 2001), ‘the exclusive right to the use of a registered trademark shall be limited to trademarks which are registered upon approval and to goods the use of a trademark on which is approved’. By contrast, the protection to a registered

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well-known trademark shall go beyond the class where it has been granted by competent authorities. The range of such ‘beyond-class’ protection depends on the fame of a well-known trademark. According to Chinese law, the scope of protection to a registered well-known trademark must be consistent with the extent to which it is well-known. To be more specific, Chinese courts must accord a relatively broad scope of protection to a well-known trademark if they decide it is more well-known than others in relevant public, and the range of protection targets to be consistent with the extent to which it is well-known. With regard to unregistered trademarks, they can only obtain limited protection against infringements occurring in the same goods class to which they were used under the trademark law if they are decided as well-known by Chinese courts. A well-established Well-known trademark legal framework can considerably benefit to protect interests of both domestic and foreign Well-known trademark owners against trademark infringements when doing business in China.

The US viewpoint about IP in China is particularly important for the following two reasons. First, the US has played a significant role in accelerating IPRs reform in China. The prosperity of China in the past three decades heavily relied on its intimate relationship with its foreign trading partners, notably the US. Secondly, the actions conducted by the Chinese authorities with regard to the improvement of IPRs protection have usually been the result of external pressures from the US. For example, Yu has observed that the US

14 Art 11, Opinions on Several Issues Concerning the Trial of Administration Cases Involving the Authorization and Determination of Trademark Rights, Fa Fa [2010] No.12.
18 Ruixue Ran, ‘Well-Known Trademark Protection in China: Before and After the TRIPS Amendments to China’s Trademark Law’ (2001 – 2002) 19 UCLA Pac. Basin L. J. 231, 234; However, the US has taken a lot of criticism for its hard-line stance on China’s IP policy. See Dalila Hoover, ‘Coercion Will Not Protect
Annual Special 301 Reports are hard to ignore for China and put heavy pressure on the Chinese government, which wishes to maintain and strengthen its international reputation.19

The dissatisfaction expressed by representatives of the US is based on perceived deficiencies in China’s well-known trademark system that purportedly creates a safe harbour for infringers. The US Annual Special 301 Report20 of 2011 (hereinafter referred to as ‘2011 report’) openly criticised China for failing to adopt a long-term solution to the problems of IPRs protection even after it joined the WTO in December 2001.21 The

Trademark Owners in China, But an Understanding of China’s Culture Will: A Lesson the United States Has to Learn’ (2011) 15 Marq. Intell. Prop. L. Rev. 325, 329, 346-347. (‘Coercive’ approach conducted by the US has been miscalculated in obtaining the expected results. The frequent use of Special 301 Report has deepened the gap between China and the US The use of coercion against China as the U.S. dominant tactics has proven to be unsuccessful in reducing piracy and trademark infringement. In contrast, EU-China model which is based on harmony, understanding, and cooperation is preferable.)


20 The Special 301 Report (2011) can be accessed via the office of USTR website: <http://www.ustr.gov/about-us/press-office/reports-and-publications/2011/2011-special-301-report> accessed 5 July 2013; The US has put China into the ‘Priority Watch List’ of this report since 2005. The special 301 report issued in 2011 (hereinafter ‘2011 report’) indicated that despite U.S. made a positive remark on China’s proactive campaign against IP infringement, China will still remain in this list. The other nations on this list include the following: Algeria, Argentina, Canada, Chile, India, Israel, Indonesia, Pakistan, Russia, Thailand, Venezuela. Besides, the US raised two WTO dispute resolution actions concerning IPR against China. The first dispute arose in 2007. After unsatisfying China’s legal regime over copyrights and trademarks protection for a wide range of products, the US filed the dispute. A WTO panel was set up to scrutinize the issue on 25 September 2007. On 20 March 2009, the WTO Dispute Settlement Body (DSB) finally ruled in favour of the US. The second example occurred later in 2007. One WTO panel established at the request of the US to examine whether measures taken by the Chinese authorities affected distribution of and market access to publications, movies, and music. The US claimed that these measures were inconsistent with China’s obligations under the WTO. The DSB accepted most claims made by the US. For more details about these cases, see WTO website: <http://www.wto.org/english/tratop_e/dispu_e/cases_e/1pagesum_e/ds362sum_e.pdf> accessed 5 July 2013; and <http://www.wto.org/english/tratop_e/dispu_e/cases_e/1pagesum_e/ds363sum_e.pdf> accessed 5 July 2013.

‘Special 301’ Report is an annual review of the global state of IPRs protection and enforcement. The Office of the United States Trade Representative (USTR) publishes this report annually. The main aim of this document is to identify the state of IPRs protection and enforcement outside American borders, and to elaborate recommendations to encourage relevant countries to solve any deficiencies. In a case where traders in the so-called Silk Market were found to have infringed the rights in certain well-known trademarks and were consequently ordered to compensate the owners of the trademarks, the sum of compensation ordered to be paid was considered by many as too ‘trivial’ to prevent repeat infringements. In the case of a trademark infringement, Chinese authorities will only seize allegedly infringing goods in the course of enforcement. The consequence is self-evident: if the equipment used to manufacture infringing goods is still under the control of infringers, they will resume infringement as soon as they are able and the interests of genuine goods owners will be further jeopardized. The Silk Market is located in Beijing, China. The new Silk Market opened on 19 March 2005 after replacing the old one in January 2005. The Silk Market, which had more than 2,000 booths and attracted about 15 million consumers annually (90 percent of them were foreign visitors), had been seen as an infamous market of selling a wide variety of counterfeits with well-known trademarks. This case illustrates how Chinese infringers typically view fines or damages imposed on

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22 One of the most famous judgements concerning the liability problems of ‘Silk Street’ (the precursor of ‘Silk Market’) in terms of ‘counterfeiting goods’ released in the winter of 2005. In its judgment, Beijing No.2 Intermediate People’s Court ruled that Xiushui Company (the operator of both ‘Silk Street’ and ‘Silk Market’) was liable for not preventing its vendors from selling trademark infringement products. The court ruled desist order and monetary remedy (although the damage remedy was widely criticized as ‘insufficient’) for the plaintiffs (including several famous luxury brands, such as ‘LV’ ‘GUCCI’ ‘BURBERRY’ ‘PRADA’ and ‘CHANEL’). The ‘Silk Street’ case was selected by the Supreme People’s Court as one of the ‘Top 10 Typical Civil Cases in 2006’ On 29th November 2011, its own brand - ‘XIU SHUI’ (Chinese characters for ‘Silk Market’) - was certificated as ‘well-known trademark’ by the State Administration for Industry and Commerce (‘SAIC’). “Xiu Shui” trademark has been recognized as a well-known trademark in China” (‘Xiu Shui’ Shang Biao Wei Ren Ding Wei “Zhong Guo Chi Ming Shang Biao) <http://www.silkstreet.cc/templet/default/ShowArticle.jsp?id=8365> accessed 5 July 2013.

23 The court held that the defendants shall jointly compensate Louis Vuitton 10,000 RMB (equivalent of 1,590 dollars) for economic losses, and another 10,000 RMB for reasonable expenses for the present case. <http://www.chinaipmagazine.com/en/journal-show.asp?id=158> accessed 5 July 2013.
them as ‘merely a cost of doing business’. The rather fragile protection of well-known trademarks in China has become one of the biggest challenges the holders of IPRs face when doing business there.

A case which showed the great importance between China and the interests of its western trading partners including owners of foreign well-known trademarks happened in 2012. In November 2012, the Ministry of Public Security of China announced that it had cracked down on IP infringements perpetrated by a transnational crime group in cooperation with American authorities. The total sum of value involved in this case was estimated at around 5 billion RMB (equivalent to 500 million British pounds). The confiscations included some of the world’s leading brands, such as GUCCI, LOUIS VUITTON, BURBERRY, and HERMES. The volume of infringing items went over 960 thousand units. Two significant features characterised this violation: 1) the perpetrators manufactured all fake products in mainland China and exported them to overseas regions, including the U.S. and the Middle East; 2) all the alleged infringing products were related to world leading brands and mostly were ‘Well-Known trademarks’. Such infringing acts have caused IPR owners huge losses and damaged the goodwill of their Well-Known trademarks in Chinese market.

Some foreign companies often complain enormous challenges they have faced protecting their well-known trademarks in China, although these challenges should not be solely attributed to China’s internal factors, such as bureaucracy, the lack of transparencies and the inadequate judiciary. Instead, there are always lessons that these foreign companies should learn.

The first challenge foreign companies have faced is their well-known trademarks are vulnerable to infringements if they are ‘not filed first’. This is a classic error, but one that

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24 The 2010 special report, 21.
trademark owners keep on making. Many companies have found out the hard way that China is a first-to-file jurisdiction. If for any reasons a well-known trademark holder does not register his trademark properly, it is highly likely that a domestic company will register one alike. Then the foreign company has to been involved with litigations over trademark infringements. Besides, foreign companies should also note that filing only its domestic trademark may not be enough. If a company is considering doing business in China, it needs to register a Chinese language trademark and cover possible variations. If not, there is a high risk that someone else will do it. In 2012, French luxury group Hermès lost its longstanding trademark dispute in China. Although the company registered the name ‘Hermès’ and its pattern in China as early as in 1977, it neglected its Chinese language trademark. Its failure to register the Chinese translation of Hermès gave a Guangdong-based company menswear company opportunity to register the name ‘爱玛仕’ (Ai Ma Shi). The problem here was that Hermès had been using ‘爱马仕’ (Ai Ma Shi) as its Chinese name trademark, although never registered in mainland China. These two marks are not only pronounced exactly the same (Ai Ma Shi) but also look similar in Chinese characters (‘玛’ with ‘马’). Because of its similarity, Hermès has tried to file cases to obtain the ownership ‘爱玛仕’ from the Chinese company and prevent its use on the basis that Chinese trademark squatter’s ‘爱玛仕’ was an ‘imitation and translation’ of its unregistered well-known trademark ‘爱马仕’. However, both administrative and judicial authorities ruled against Hermès’ claim on the basis that the company failed to present evidence proving unregistered trademark ‘爱马仕’ was well known in mainland China prior to the alleged variation ‘爱玛仕’ owned by the Guangdong company. It is obvious that Hermès has two lessons to learn from this case: 1) it is insufficient to register a foreign trademark in original characters to obtain protection against infringers, because a Chinese company will register a phonetic translation of the foreign name before the legitimate owner does. ‘File first’ instead of ‘file last’ is of paramount importance. To some degree, this thesis argues that

China’s ‘first-to-file’ registration system may encourage trademark squatters and result in considerable losses to holders of well-known trademarks; 2) a foreign company should be mindful of keeping supportive documentation to a claim of well-known status prior to squatters’ registration. Because a squatter may prevail if a brand owner fails to come up with sufficient documentary evidence of prior use of its trademark. The evidential record as to well-known status may also encourage People’s courts to determine a trademark squatter on the basis of ‘honesty and good faith principle’. But before a foreign company take actions to register a Chinese trademark, it needs to think about what that trademark will be. That brings about second challenge they have to face.

The second challenge foreign companies have faced is they may underestimate the importance of a proper Chinese trademark to their business in China. Instead, some companies choose a weak Chinese trademark and eventually suffer considerable losses. The registration of trademarks in China in both English and Chinese is a field that ‘is full of complexities and traps and requires ‘first rate expert legal advice on the ground in China’. The Pfizer’s ‘Viagra’ case showed those MNCs ignored or underestimated cultural issues in China at their peril. As suggested by Chow, China is a country ‘where tradition, history, and culture have a stronger hold and influence than many other countries’. Because of its history, culture and the sheer dominance of Chinese language in China, Chinese media and consumers will never colloquially refer to a trademark by its English name, no matter how well known it has been. Instead, they will always use a Chinese transliteration of an English trademark to identify a product. The US drugs company registered and used the Chinese trademark ‘万艾可’ (Wan Ai Ke) for its own anti-impotence drug ‘Viagra’. However, this Chinese trademark is simply a collection of sounds.

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28 Ibid.
29 See 3.4.3.3.
31 Ibid.
32 Ibid, 88.
that have no meaning in Chinese. Before Pfizer’s blue pills became legally available in China, the product was immensely popular in the nation and shortly after its official launch in the US, the Chinese media coined the transliteration ‘伟哥’ (Wei Ge) for ‘Viagra’. Compared with Pfizer’s dull and uninspired Chinese trademark ‘Wan Ai Ke’, the name ‘Wei Ge’ proved to be popular with wit and humour in China. Pfizer failed to realize that because of the US media coverage of the launch of Viagra in the mid to late 1990s, the Chinese media and later on the consumers had begun to use ‘Wei Ge’ not ‘Wan Ai Ke’ to refer to ‘Viagra’. This happened even before Pfizer attempted to register its preferred ‘Wan Ai Ke’ Chinese trademark for Viagra in China. An even more serious consequence Pfizer would not acknowledge was a Chinese pharmaceutical company – Guangzhou Welman – rushed to register ‘Wei Ge’ for its own anti-impotence product and finally made a success. Pfizer has been unsuccessful in its efforts to stop Welman using the name ‘Wei Ge’. Chinese courts have ruled that Pfizer could not obtain the ownership of ‘Wei Ge’ under the well-known trademark principle because Pfizer failed to prove that the Chinese-language transliteration ‘Wei Ge’ which had achieved fame in China could be identified in the minds of Chinese consumers with Pfizer as the owner of the trademark. As the brand equity of the ‘Wei Ge’ trademark was estimated to be between $85 and $120 million, it is self-evident that Pfizer had suffered considerable losses because of its carelessness.\(^{33}\)

Apart from the government, some scholars have echoed the statement of the US about the seriousness of well-known trademark protection in China. Greene suggested that although there were indications that foreign well known trademarks might receive proper recognition and protection through the administrative and judicial system in the area of infringement, challenges persisted for foreign trademark holders as the administrative system was overburdened and the court system was opaque.\(^{34}\) He argued that foreign MNEs (multinational enterprises) seeking to gain well known status for trademarks in China faced

\(^{33}\) Ibid, 91.

\(^{34}\) Stephanie M. Greene, ‘Protecting Well Known Marks in China: Challenges for Foreign Mark Holders’ in Robert C. Bird and Subhash C. Jain (eds), The Global Challenge of Intellectual Property Rights (Edward Elgar 2008), 81.
a variety of challenges, and China as a nation, had recognized its own shortcomings in protecting IP. This recognition, together with pressure from the US and other countries, should continue to move the system in the right direction.\textsuperscript{35} Zhang argued that although China had made giant strides in the laws governing trademarks, the provisions concerning well-known trademarks were to vague to apply properly to cases.\textsuperscript{36} Disappointed by the result of Pfizer’s disputes over its ‘Viagra’ trademark with a domestic pharmaceutical company, Chow suggested that ‘the award of the Weige trademark to Viamen was a discouraging sign to many MNC pharmaceutical companies about China as a place to do business’.\textsuperscript{37}

To a certain degree, the conventional view held in the US and some scholars makes sense. For example, the definition of a well-known trademark was once problematic, leaving unregistered trademarks unprotected. The proceeds of the infringer rather than the value of genuine goods were once used to decide whether there is criminal liability in the case of infringements.\textsuperscript{38} Since infringers’ proceeds from selling counterfeits are normally lower than the losses of genuine goods owners, this calculation method has proved to be

\textsuperscript{35} \textit{Ibid}, 95.


\textsuperscript{37} The court of first instance and second instance found the plaintiff primarily used ‘Wai Ai Ke’ (transliteration of ‘Viagra’ in Chinese) rather than ‘Viagra’ word when marketing their aphrodisiac, and rejected Pfizer’s claim that it owned ‘Weige’ which was first registered and utilized by a Chinese company and obtained high distinctive recognition under well-known trademark doctrine. More discussions see Daniel Chow, ‘Lessons from Pfizer’s Dispute Over its Viagra Trademark in China’ (2012) 27 (1) Maryland Journal of International Law 82.

\textsuperscript{38} Art 56 of the Trademark Law 2001 states that the infringer’s profit is used to calculate damages, leaving the investment in infringing infrastructure untouched. Article 59 implied that the criminal liability shall only be applied where such an infringement is ‘so serious as to constitute a crime’; Art 69 of ‘Notice of the Supreme People's Procuratorate and the Ministry of Public Security on Issuing the Provisions (II) of the Supreme People's Procuratorate and the Ministry of Public Security on the Standards for Filing Criminal Cases under the Jurisdiction of the Public Security Organs for Investigation and Prosecution’ (‘2010 criminal interpretation’), it required the amount of illegal business turnover 50,000 RMB (equivalent of 7,979 dollars) or illegal retained profit 30,000 RMB (equivalent of 4,787 dollars), or infringed at least two registered trademarks reaching 30,000 RMB (equivalent of 4,787 dollars) of illegal business turnover or 20,000 RMB (equivalent of 3,191 dollars) shall be liable for criminal prosecution.
ineffective in deterring the infringements of trademarks. The misunderstanding about the conceptual meaning of well-known trademarks is still profound and the regulatory measures taken to correct this misunderstanding are still inadequate. However, this view is not necessarily accurate, as it is based not so much on comprehensive legal analysis over the past two decades (1996 – 2015) as on the data mainly collected from interested parties on the US side, whether they are companies or government officials, or a fragment of cases.

1.2. Aims of Research

This thesis aims to challenge the criticism in the US and amongst scholars that the extensive promulgation of IP laws in China, especially those aimed at protecting well-known trademarks, are inadequate. To achieve this aim, this thesis will carry out the legal analysis through scrutinizing the evolution of well-known trademark protection in China from the 1990s, and discuss the following four questions in four chapters respectively:

1) How has the frequent reconceptualization of a well-known trademark between 1996 and 2013 affected the protection of well-known trademarks in China?

2) How have certain rules regarding the recognition and protection of well-known trademarks affected the protection of well-known trademarks in China?

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39 The 2011 special report expressed concern regarding certain articles in the 2010 criminal interpretation (the 2001 criminal interpretation was replaced by the 2010 criminal interpretation), where the threshold of investigating infringement and prosecuting infringers were tripled. This new threshold, according to the US, had undermined IPR enforcement and caused American IPRs holders considerable losses. See the 2011 special report, 22. (‘[r]aising these thresholds introduces new problems into an already difficult enforcement environment in which administrative fines lack deterrent effect and are viewed merely as a cost of doing business.’)

40 The 2011 special report, 1. (‘This Report reflects the Administration’s resolve to encourage and maintain effective IPR protection and enforcement worldwide. … The Special 301 designations and actions announced in this Report are the result of deliberation among all relevant agencies within the U.S. Government, informed by extensive consultation with affected stakeholders, foreign governments, the U.S. Congress, and other interested parties.’)
trademarks, such as the model and fundamental principles of the recognition/protection, protectable subject-matter, ‘anti-dilution’ provision, examination factors and financial remedies been formulated and influenced well-known trademark protection in China?

3) How have ‘malicious litigation’, ‘misuse of the title of ‘well-known trademark’ in advertisements’ and ‘the misrepresentation of well-known trademark as quality assurance’ negatively affected well-known trademark protection in China?

4) How have dedicated IP courts prohibited malicious litigation and influenced well-known trademark protection in China?

1.3. Methodology

The methodology adopted in this thesis is doctrinal legal research. This thesis will use it to demonstrate and evaluate some substantial legal principles, concepts and rules concerning well-known trademark recognition and protection at both the international level and national level. This approach will also contribute to the analysis of the leading judicial decisions identified in China.

The analysis of key principles and provisions in the international treaties is made in the following two steps. First it begins with an introduction of ‘background’ and moves then to demonstrate and evaluate relevant rules. The ‘background’ analysis places more weight on the relationship between the treaty and China as a State Member. The main purpose of this step is to understand the importance of these treaties and the reasons for China’s accession. Key provisions in the Paris Convention, the TRIPS Agreement and the Joint Recommendation are analysed, and they will be placed in the thesis according to the structure as set out in section 1.4, below.

As to legal analysis at the national level, this thesis states and critically evaluates the law.
This thesis discusses the development of Trademark Law (definition, recognition, protection and ‘misunderstanding’ issue) along with key judicial interpretations / administrative provisions; the development of the Trademark Law (1982 – 2013), the Product Quality Law (2000), the Law on Protection of Consumer Rights and Interests (2013), and the Advertisement Law (2015) (‘misunderstanding’ issue) along with key judicial interpretations / administrative provisions / local regulations; and the development of IP policy (dedicated IP courts) advocated by the Communist Party of China, legislative, executive and judicial branches. This thesis will explain and compare the relevant rules referring to the same question in each subsection, and compare them with the relevant provisions in international treaties. In doing so it will help to develop rational knowledge about certain issues identified and reach conclusive remarks respectively. It will also contribute to the evaluation of China’s policy in terms of well-known trademarks in the past two decades, to appraise the criticism held by the US and some scholars on this topic, and to reach the conclusion that China has protected well-known trademarks more effectively than before. Therefore, the concluding remarks suggest that although some problems remain to be solved, the criticism above should be rejected.

1.4. Thesis Structure

This thesis is made up of six chapters. Chapter two will examine the frequent reconceptualization of a well-known trademark in China. Chapter three focuses on the recognition and protection of well-known trademarks in China. It will cover a wide range of topics, including international norms and certain rules in domestic laws. Chapter four will discuss the misunderstanding of the conceptual meaning of a well-known trademark in China. The reasons, consequences and solutions will be analysed. Chapter five reviews the reform of Chinese laws before 2013 and outlines the development of the dedicated IP courts between 2013 and 2014. Chapter six provides the answers to the four questions raised, demonstrates my contributions and offers concluding remarks.
1.5. Originality

The originality of this thesis is built upon its structure, exploration of relatively unknown and unanticipated issues discussed between Chapters two and five.

Firstly, for each chapter, the thesis has been structured to start the discussion with a ‘background’ and/or ‘reason’ section(s) where an international perspective will be taken into account if applicable. It then moves into more specific areas where an individual issue is presented and evaluated based on the Chinese regulations. Although this work is usually made in a chorological order, it has been tailored to the need of the discussion in each chapter.

Secondly, the originality of the thesis is built upon its exploration of relatively unknown and unanticipated issues in some chapters. For example, hitherto several issues originating from the misunderstanding of a conceptual meaning of a well-known trademark (Chapter 4) are not comprehensively structured and discussed in Chinese and English literature, whether they are restricted to Trademark Law or connected to Product Quality Law (2000), Consumer Protection Law (2013) and Advertisement Law (2015). The ‘Anti-Dilution’ provision has not been explored with reference to the case demonstrated in this thesis (Liang Mian Zhen case, 5 of 3.4.4.1.) and therefore no such analysis has been made in English. Neither has the development of dedicated IP courts and nor its influence on well-known trademark protection been discussed in Chinese and English literature (Chapter 5).

1.6. Rationality and Limitation of Secondary Sources of Chinese Language

There are two reasons why this thesis will seek secondary sources – including but not limited to articles in scholarly journals – in the Chinese language. Firstly, it is decided by the nature of the topic, i.e. the evolution of well-known trademark protection in China. Chinese sources are organized by Chinese experts such as judges and scholars who
specialize in well-known trademark issues. Their analysis was normally presented on a more focused and dynamic scale than English literature, that will strengthen the credibility of the assessment in this thesis. Secondly, it is decided by the nature of legal study on well-known trademarks in China, which is complex and differs from many other jurisdictions, including England and Wales. For example, the issues concerning the misunderstanding of the conceptual meaning of a well-known trademark in China can only be apprehended with reference to Chinese sources because of its uniqueness. Besides, the analysis of massive legal provisions cannot be achieved without Chinese literature.

The main limitation of using secondary sources of Chinese language is how to impart these comments properly to English readers and critically evaluate them in English. Because Chinese legal institutions and policy are complex and differ from many other jurisdictions including England and Wales, it is challenging for this thesis to demonstrate and analyse certain issues which originally being presented in Chinese with accuracy to English readers.
Chapter 2 The Definition of a Well-Known Trademark

Introduction

One of the most problematic issues related to well-known trademark protection in China is its definition. This thesis suggests that the analysis of issues regarding well-known trademarks should begin from an understanding of the international standards for the definition and its evolution in domestic regulations. This chapter will demonstrate and evaluate relevant rules concerning the definition of a well-known trademark at the international level (‘Joint Recommendation’) and in domestic regulations. As China has implemented a ‘dual-track’ model where both administrative and judicial authorities are empowered to manage and protect well-known trademarks, the definition will be discussed accordingly. It firstly aims to demonstrate this concept which has been developed in China since the 1990s at the administrative level, then evaluate the evolution of the definition between (and within) the administrative and judicial authorities, and finally observe its influence on well-known trademark protection. The conclusion of this chapter suggests that China now has developed a relatively perfect ‘well-known trademark’ definition in accordance with the thrust of certain international treaties such as the Joint Recommendation, while some uncertainties remain. As a result, it benefits the protection to the interests of well-known trademark owners against trademark infringements.

The issues concerning the definition will be discussed in two subchapters (2.1. and 2.2.). This chapter concludes (2.3.) that China now has developed a relatively perfect ‘well-known trademark’ definition, but further research and explanations from the authorities are still needed.

Subsection 2.1 will show that, instead of providing a unanimous definition, the international treaties, such as the Joint Recommendation, provide several elements for the recognition of well-known trademarks. It is submitted that from the ‘definition’ standpoint, these elements
should be viewed with some concern, because they have actually set a minimum international standard of defining a well-known trademark with the inclusion and/or exclusion of certain parameters, such as the level of knowledge of a trademark and the scope of relevant public. This thesis goes on to argue that it is important to note that subject to a minimum requirement, it is entirely up to Member States to define a well-known trademark within their jurisdiction, which has complicated the matters regarding the definition of a well-known trademark in China as discussed in the subsection 2.2.

Subsection 2.2 argues that China now has developed a relatively perfect ‘well-known trademark’ definition, but some deficiencies remain. The conceptualization of the well-known trademark developed between 1996 and 2013. The variation of this concept not only shows how Chinese legislators and other competent authorities understand this concept and have sought to protect it, but also provides reasons for certain abuses and misunderstanding of the concept of well-known trademarks in China since the 1990s. In addressing the differences in terms of the definition and the influences they had brought about during this period, four legal documents will be presented and evaluated (2.2.1. – 2.2.4.).

Being the first domestic definition in 1996, section 2.2.1 suggests that this definition is inadequate in four respects. They are: 1) No unregistered trademarks are considered for well-known trademark protection; 2) The definition is inconsistent with the thrust of the Joint Recommendation. 3) It is unclear whether the ‘market’ in the definition denotes ‘Chinese market’ only or is more widespread; 4) The definition is detrimental to a correct understanding to the purpose of establishing a well-known trademark system in China.

Section 2.2.2 discusses the advantages and disadvantages of the new definition adopted in 2003. As the new definition covers not only registered but also unregistered trademarks, it has a positive effect in prohibiting trademark infringements and is more consistent with international norms. However, although the terminology used in the 2003 definition better captures the nature of a well-known trademark, it has also contributed to the
misunderstanding of the public that the term ‘well-known trademark’ is an ‘honourable title’ which has led to the discussions on the misunderstanding of well-known trademarks that this thesis outlines in Chapter 4.

Section 2.2.3 will evaluate two elements under the 2009 judicial interpretation concerning the definition: ‘widely known’ and ‘reputation’. The evaluation suggests that the 2009 definition is a further improvement and helps to ease the misunderstanding of well-known trademarks, although its actual effect remains to be seen.

Section 2.2.4 suggests that the Trademark Law of 2013 adopts a relatively different understanding regarding the definition of a well-known trademark from previous versions. The three features of the definition can be observed from its art 13 and they arguably show yet a further improvement. However, some uncertainties still remain.

2.1. ‘Definition’ of a Well-Known Trademark in the ‘Joint Recommendation’

International treaties tend not to define a well-known trademark but rather choose to provide several factors for their Member States to determine whether a particular mark is ‘well-known’. The ‘Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks’ (hereinafter referred to as ‘Joint Recommendation’) features as ‘the first implementation of WIPO’s policy to adapt to the pace of change in the field of industrial property by considering new options for accelerating the development of international harmonized common principles’. It was adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the WIPO in September 1999. As a Member State of WIPO since 1980 and of Paris Union

42 Preface of Joint Recommendation, 2.
from 1985, China must abide by the Joint Recommendation. The thrust of the Joint Recommendation was to support ‘each Member State of the Paris Union or of WIPO’ to engage with the well-known trademarks issues ‘in accordance, mutatis mutandis, with the provisions contained herein’. The Joint Recommendation, although formally only a ‘Recommendation’, should be understood as an important supplement to the Paris Convention (and later the TRIPs Agreement) regarding the protection of well-known trademarks. It reflects WIPO’s efforts to standardize well-known trademark protection and has been largely adopted by its Member States, including China. Most of the rules providing for well-known trademark recognition and protection under Chinese Trademark Law, and the corresponding national interpretations and regulations, are in line with the Joint Recommendation. The Joint Recommendation exerts a positive influence in shaping this concept through regulating some factors for the recognition. This part will demonstrate some of these factors.

The Joint Recommendation provides that it is sufficient for a mark to be counted as well-known mark if the mark in question becomes well known ‘in at least one relevant sector of the public in a Member State’. Likewise, a Member State may accord well-known trademark protection to a trademark which has been known ‘in at least one relevant sector of the public in a Member State’. Accordingly, under the Joint Recommendation, the level of knowledge of a trademark has a close connection with the level of protection it can obtain. Simply put, the better known it is the greater protection it receives.

However, there are exceptions. For instance, a Member State ‘may determine that a mark is a well-known mark, even if the mark is not well known or … known, in any relevant sector of the public of the Member State’. That said, the Joint Recommendation explains the intention is to set ‘a minimum standard of protection, and … Member States are free to

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43 Joint Recommendation, 4.
44 Art 2 (2) (b), Joint Recommendation.
45 Art 2 (2) (c), Joint Recommendation.
46 Art 2 (2) (d), Joint Recommendation.
afford protection to marks that are, for example, well known only outside the State in which protection is sought’. Therefore, subject to a minimum requirement, it is up to Member States to decide criteria for well-known trademark protection in each country, and the knowledge of a well-known trademark amongst the relevant public is not an essential factor for well-known trademark recognition, although most countries including China have set forth certain factors which a well-known trademark needs to fulfil.

2.2. Definition of a Well-Known Trademark in Chinese Statutes

The definition of a well-known trademark has varied over time under Chinese statutes. To be more specific, the conceptualization of well-known trademark has been refined several times between 1996 and 2013. Its variation during this period shows how Chinese legislators and other competent authorities understand this concept and protect it. For example, the abuse and misunderstanding of the concept of well-known trademarks in China directly influenced the defining criteria for well-known trademarks in China, and vice versa. It is therefore necessary for this thesis to demonstrate and evaluate these definitions. The evaluation will then suggest that with continuous refinement, China now has developed a relatively perfect ‘well-known trademark’ definition, although some problems remain.

2.2.1. SAIC’s ‘Provisional Provisions on the Determination and Management of Well-known Trademarks’ (1996)

The State Administration for Industry and Commerce’s (hereinafter referred to as ‘SAIC’)
is the competent authority to be responsible for advancing legislation concerning the administration of well-known trademarks. Its ‘Provisional Provisions on the Determination and Management of Well-known Trademarks’ (hereinafter referred to as ‘Provisional Provisions’) was the first administrative regulation specially directed to well-known trademark issues.\textsuperscript{50} Although criticised for providing insufficient protection and for being inconsistent with international norms, it offers the first definition of a well-known trademark under Chinese regulations. It defines a well-known trademark as a \textit{registered trademark} that has a higher reputation \textit{in the market} and is \textit{well known} by the relevant public.\textsuperscript{51} While this was the first legal definition of a well-known trademark provided by a Chinese authority, it is defective in four respects.

Firstly, the scope of a well-known trademark was confined to registered trademarks and unregistered trademarks were excluded, which constituted a breach of international IP treaties such as the Paris Convention which provides that the trademark must be well known in the country in which registration is opposed or protection is sought regardless of the status of trademark registration.\textsuperscript{52}

Secondly, the irrationality of the definition in the Provisional Provisions became even more apparent in 1999 when the Joint Recommendation was adopted by WIPO. Although the Joint Recommendation does not define what is meant by a well-known trademark, it does prohibit Member States from imposing certain requirements as a condition for well-known trademarks. In particular, art 2 (3) (a) explicitly specifies that,

\begin{quote}
A Member State \textit{shall not} require, as a condition for determining whether a mark is well-known mark: (i) that the mark has been \textit{used} in, or that the mark has been \textit{registered} or that an application for registration of the mark has been filed \textit{in} or in
\end{quote}

\textsuperscript{50} 14 August 1996, SAIC Decree No.56, revised on 2 December 1998, and revoked 31 May 2003.

\textsuperscript{51} Art 2, Provisional Measures on the Recognition and Administration Control of Well-Known Trademarks

\textsuperscript{52} Art 6 \textit{bis}, Paris Convention.
respect of, the Member State …

The annex of the Joint Recommendation (‘Explanatory Notes’) further clarifies that ‘[p]aragraph (3) (a) sets out certain conditions whose fulfilment cannot be required as a condition for determining whether a mark is well known.’ Therefore, the status of registration/utilization of a trademark should not determine whether such a trademark is a well-known trademark.

Thirdly, it is unclear whether the ‘market’ denotes ‘Chinese market’ only or is more widespread. Even if confined to the domestic market, it is hard to judge how wide this market is or should be.

Finally, the weakness of the definition is even more evident in light of the fact that the prime purpose for establishing a well-known trademark system in China was to prohibit malicious registration and utilization of unregistered well-known trademarks.

In conclusion, it is clear then that unregistered well-known trademarks must be granted protection under the terms of the Paris Convention and the Joint Recommendation and it follows that the definition under the Provisional Provisions did not comply with these obligations.

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53 [Factors Which Shall Not Be Required], Art 2 (3) (a), Joint Recommendation.
54 2.18, Explanatory Notes, Joint Recommendation, 16.
56 Zhongqi Zhou, ‘Boundary of Rights of Holders of Well-Known Trademarks’ (‘Chi Ming Shang Biao Quan Li Ren De Quan Li Bian Jie’) (2009) 6 China Trademark 42, 44. (The author argued as a general principle, China offered protection to registered trademarks. However, unregistered trademarks could also obtain limited protection as an exception)
2.2.2. SAIC’s ‘Provisions on the Determination and Protection of Well-Known Marks’ (2003)

The SAIC enacts the ‘Provisions on the Determination and Protection of Well-known Trademarks’ (hereinafter referred to as ‘2003 provisions’) in order to deal with the inadequate definition stipulated in the Provisional Provisions. Accordingly, a well-known trademark is ‘a mark that is widely known to the relevant sectors of the public and enjoys a relatively high reputation in China’. (emphasis added) The new definition seems more promising than its predecessor, though is still unsatisfactory.

Firstly, not only registered, but also unregistered trademarks fall into scope of subjects as regards well-known trademarks. Not only will this have a positive effect in prohibiting trademark infringements but the new definition mirrors international obligations concerning well-known trademarks under the Paris Convention and the TRIPS Agreement. The other reason why the 2003 provisions must reshape the boundary of well-known trademarks results from the new amendment of Chinese Trademark Law in 2001, and the promulgation of the ‘Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation’ in 2002. The new Chinese Trademark Law has granted well-known trademark protection in its articles (arts 13 and 14), while art 22 (1) of the ‘Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation’ empowers People’s Courts to exam well-known trademarks by request or in accordance with the actual circumstances of the case. As a result, 2003 provisions redefine the definition so that all trademarks are capable of being protected in both civil and administrative cases.58

57 Art 2 (1), 2003 provisions.
58 Art 22 (1), Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation, Fa Shi [2002] No.32, Supreme People’s Court, 12 October 2002. (‘Where a people's court is trying a trademark dispute case, it may, at the request of a party and in accordance with the actual circumstances of the case, make a determination in accordance with law as to whether the registered
Secondly, the definition under the 2003 provisions requires a well-known trademark be ‘widely known’ to relevant public. ‘Widely known’ emphasises the horizontal dimension of knowledge (breadth) in contrast to ‘well known’ which implies depth of knowledge. ‘Breadth’ is arguably more important than ‘depth’ in understanding the nature of a well-known trademark.\(^{59}\)

However, one flaw in this definition is its reference to a ‘relatively high reputation’ which has misled people to believe that a well-known trademark is an honourable title.\(^{60}\) The content in Chapter 4 as regards reasons behind the misunderstanding of the conceptual meaning of a well-known trademark shows how ‘a relative high reputation’ misled consumers and caused misguided efforts Chinese authorities have made to honour well-known trademarks in the market place.

In conclusion, under the 2003 provisions, well-known trademarks are not limited to registered trademarks. Instead, those trademarks not registered in China can also be examined and recognised as well-known trademarks by competent authorities. This is consistent with the thrust of not only Chinese Trademark Law (2001) but also international treaties such as the Paris Convention and TRIPS Agreement. However, it is still problematic as its emphasis on ‘relatively high reputation’ has misled people to believe that a well-known trademark represents an honourable title and therefore contributes to the misunderstanding of well-known trademarks in China.


\(^{60}\) Min Qian, ‘Study on Well-Known Trademark Protection through Newly Adopted Judicial Interpretations’ (‘Cong Xin Chu Tai De Si Fa Jie Shi Kan Chi Ming Shang Biao De Bao Hu’) (2010) 6 China Trademark 22, 25; a comparison concerning the definition of well-known trademark in legal documents, see Table 2.
2.2.3. SPC’s ‘Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Well-Known Trademarks’ (2009)

The Supreme People’s Court’s (hereinafter referred to as ‘SPC’) promulgated the ‘Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Well-Known Trademarks’ (hereinafter referred to as ‘2009 judicial interpretation’) in 2009. Since 2001 the SPC has made considerable efforts to address and rectify problems related to well-known trademark recognition and protection through the issuance of judicial interpretations. However, notwithstanding the various interpretations issued by the SPC, the well-known trademark system in China remains imperfect and is open to abuse. Not only the general public, but also those in the legal profession misunderstand the concept of well-known trademarks. It was against this background that the 2009 judicial interpretation was issued. The definition provided by the 2009 judicial interpretation marks an improvement with some limitations.

With regard to the definition, art 1 of the 2009 judicial interpretation provides that a well-known trademark should be a trademark widely known by relevant public in China. Accordingly, a trademark may be determined as ‘well-known’ as long as it is widely known by relevant public in China regardless of the level of reputation. This definition provided in the 2009 judicial interpretation is markedly different from the ones in the Provisional Provisions and 2003 provisions. In particular, a significant difference between the 2003

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61 The Supreme People’s Court (‘SPC’) is the highest court in the mainland area of the People’s Republic of China. The court is made up of over 340 judges who meet in smaller tribunals (‘divisions’) to decide cases.
62 Fa Shi [2009] No.3.
63 More discussions see Chapter 4.
64 Art 1, 2009 judicial interpretation.
65 Ibid.
provisions and the 2009 judicial interpretation lies in the fact that the term ‘*a relatively high reputation*’ in the 2003 provisions is not found in the 2009 judicial interpretation.

There has been some argument over how far ‘reputation’ should be relevant in defining whether a trademark is a ‘well-known’ one. Some scholars have argued for many reasons the reputation of a trademark should not be excessively stressed when examining well-known trademarks. Dong suggested that the degree of ‘reputation’ had no relevance to the degree of ‘well known’ amongst the relevant public. The degree of ‘reputation’ seemed to be difficult to gauge since it was dynamic rather than static, and it was due to vary in different locations and demographics depending on consumption level of consumers and marketing strategy of merchants. Ge stated that neither the Paris Convention nor the TRIPS Agreement requested high reputation as a prerequisite to well-known trademark protection. Besides, the ‘Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks’ (‘Joint Recommendation’) did not specify any clues with regard to reputation, either. Accordingly, he suggested that the principal and the only feature of a well-known trademark was ‘well known’ rather than ‘reputation’. The new definition seems to be supportive of this view. However, this does not mean that a well-known trademark can be recognised absent any evidence of reputation. For example, art 5 of the 2009 judicial interpretation provides a list of relevant evidence that People’s Courts shall use to determine whether a trademark has become well known at the time of occurrence of the trademark infringements. Art 5 (2) explicitly stipulates that ‘the market reputation of the trademark’, amongst other factors, should be considered. In other words, a proof of market reputation stands, along with other factors, to supplement the process of examination. Gu suggested that there were two key determinants which should be

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69 Art 5, 2009 judicial interpretation.
considered in examining well-known trademarks, i.e. ‘high reputation’ and ‘well known by relevant public’. The key question is how ‘high reputation’ of a trademark contributes to the knowledge in eyes of relevant public. Ge argued that high reputation was the only feature of a well-known trademark. On the other hand, if a trademark has a reputation and this reputation is not as ‘high’ as others in the minds of the relevant public, it may still pass a well-known trademark examination if it nevertheless satisfies the other conditions in art 5 of the 2009 judicial interpretation. This is because a trademark’s market reputation may vary depending on different locations, periods, marketing strategies, demographics, etc. Therefore, when conducting well-known trademark examinations, although People’s Courts should pay attention to the reputation issue, it is important that this element is not either overestimated or underestimated. Instead, an overall consideration taking account of all the relevant evidence indicated in art 5 of the 2009 judicial interpretation should be given.

In conclusion, the new definition in the 2009 judicial interpretation is an improvement and a high reputation should be considered as an optional factor in deciding whether a trademark is well known. Besides, this new definition may, to some degree, help to ease

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71 Art 5 (1), 2009 judicial interpretation. (‘To allege the popularity of a trademark, a party concerned shall, in light of the concrete circumstances of the case, provide the following proofs to demonstrate that its trademark is already famous at the time of occurrence of the trademark right infringement or unfair competition:

1. the market share, marketing regions, profits, taxes, etc. of the commodities using the trademark;
2. the duration which the trademark has been continuously used;
3. the manner, duration, extent, money input, and geographical scope of publicity or promotion of the trademark;
4. the records that the trademark has ever been protected as a famous trademark;
5. the market reputation of the trademark; and
6. other facts that can demonstrate that the trademark is famous.’)

72 Yin Dong, ‘The Effect of Market Reputation on Recognition of Well-Known Trademark’ (‘Shi Chang Sheng Yu Dui Chi Ming Shang Biao De Ren Ding Zuo Yong’) (2011) 9 (8) Journal of Huaihai Institute of
the misunderstanding of well-known trademarks in eyes of Chinese consumers and alleviate malicious litigation/filings for the ‘well-known trademark’ status,\textsuperscript{73} as now it is unnecessary for a well-known trademark to emphasise its fame in relevant public. However, its effect in prevent malicious litigation remains to be seen. (More discussions about malicious litigation, see Chapter 4)

\textbf{2.2.4. Trademark Law 2013}

The Trademark Law 2013 version (hereinafter referred to as ‘TML 2013’) adopts a relatively different understanding regarding the definition of a well-known trademark from previous versions. Art 13 provides that ‘[a] holder of a trademark that is well known by the relevant public may request for protection of the trademark as a well-known trademark in accordance with this Law if the holder is of the opinion that its rights have been infringed upon’. \textsuperscript{74} (emphasis added) It shows some significant features and arguably an improvement.

There are three notable features of this definition. Firstly, art 13 seems to eliminate regional restrictions imposed on well-known trademarks (i.e. ‘in China’). Secondly, it differs from the 2003 provisions and the 2009 judicial interpretation but is consistent with 1996 Provisional Provisions\textsuperscript{75} in that a well-known trademark here is a trademark ‘well known’ rather than ‘widely known’ by the relevant public. Thirdly, art 13 of the TML 2013 does not request a trademark to reach a certain level of market reputation as a precondition for examination.

Some commentators have suggested that the definition of a well-known trademark in the

\textsuperscript{73} See Chapter 4.
\textsuperscript{74} Art 13 (1), TML 2013.
\textsuperscript{75} Art 2, 1996 Provisional Provisions.
TML 2013 is more consistent with the spirit of art 6 bis of the Paris Convention. However, this may be a premature conclusion given there are still some uncertainties regarding art 13. For instance: 1) Art 13 does not explicitly demand a well-known trademark be well known in China. This raises the question of whether this means that there is now no regional restriction at all when defining ‘relevant public’ 2) If the answer is no and there indeed still has some regional restriction, then why did legislators choose to remove the term ‘in China’? 3) How to distinguish between a trademark widely known and a trademark well known by relevant public? 4) If there is a clear distinction between them, then how do these differences influence well-known trademark recognition in practice? 5) Finally, why did the legislators adopt a different definition from that in the 2009 judicial interpretation? The answers to these questions remain uncertain as yet.

<table>
<thead>
<tr>
<th>Provisional Measures on the Recognition and Administration Control of Well-Known Trademarks (1996 and 1998 revisions)</th>
<th>A registered trademark which has higher reputation in the market and is well known by relevant public. (Art 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions on the Determination and Protection of Well-Known Marks (2003)</td>
<td>A mark that is widely known to the relevant sectors of the public and enjoys a relatively high reputation in China. (Art 2.1)</td>
</tr>
<tr>
<td>Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Well-Known Trademarks (Fa Shi [2009] No.3)</td>
<td>A trademark widely known by relevant public in China. (Art 1)</td>
</tr>
</tbody>
</table>

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77 Art 2, 2003 administrative provisions; art 1, 2009 judicial interpretation.
<table>
<thead>
<tr>
<th>2010 Draft Revision for Review of Trademark Law</th>
<th>A trademark widely known by relevant public and enjoys a relatively high reputation in China. (Art 14.1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademark Law 2013</td>
<td>A trademark well known by relevant public. (Art 13.1)</td>
</tr>
</tbody>
</table>

Table 2: The definition of a well-known trademark in China (1996 – 2013)

2.3. Conclusion

So far, this thesis has explored the definition of a well-known trademark within the international treaties and domestic regulations. There is no consensus at the international level and Chinese authorities have developed definitions in accordance with the thrust of certain international treaties such as the Joint Recommendation. The four documents presented above (2.2.1. to 2.2.4.) have suggested the relative perfection of the concept lies in: firstly, its full range of recognition, i.e. it covers not only registered but also unregistered trademarks; secondly, its positive effect in prohibiting trademark infringements and consistency with international norms; finally, the positive influence it has on alleviating misunderstanding of the public that the term ‘well-known trademark’ is an ‘honourable title’. However, the five questions arising from art 13 of the TML 2013 indicate there are still some uncertainties on the definition. It is the time to move to the next chapter where issues concerning the recognition and protection of well-known trademarks at the international and domestic levels will be considered.
Chapter 3 The Recognition and Protection of Well-Known Trademarks

Introduction

The evaluation of certain rules under the domestic law suggests that although the level of recognition and protection of well-known trademarks in China has been considerably improved and in line with international obligations since the 1990s, some critical problems remain.

This chapter aims to demonstrate and evaluate relevant rules concerning the recognition and protection of well-known trademarks at both international and domestic levels. At the international level, the Paris Convention (3.1.), the TRIPS Agreement (3.2.) and the Joint Recommendation (3.3.) will be evaluated. At the domestic level, a group of rules will be assessed (3.4.), followed by the conclusion (3.5.).

The international treaties have established international norms for the recognition and protection of well-known trademarks which have in turn directly affected the development of laws and policies in China.

As to the Paris Convention (3.1.), the ‘background’ part (3.1.1.) gives the information about the role which the Paris Convention has played in terms of IPRs protection and China’s attitude to this treaty. In particular, this part demonstrates four reasons why China joined the treaty in the 1980s. The second subsection (3.1.2.) concentrates on a very specific rule under the Paris Convention concerning the well-known trademark protection: Art 6 bis. It argues that the art 6 bis represents a milestone in the history of international protection for well-known marks, but in many respects is unsatisfactory.

As to the TRIPS Agreement (3.2.), the ‘background’ part (3.2.1.) suggests that developing countries were prominent participants in the negotiations leading to the establishment of
the WTO and the TRIPS Agreement. With its arduous journey to the WTO since 1986, this part shows how China, as the largest developing country and one of the most dynamic markets in the world, viewed the importance of the TRIPS Agreement to the prosperity of the nation. Section 3.2.2 briefly introduces the relationship between the Paris Convention and the TRIPS Agreement and clarifies that the obligations in terms of well-known trademarks under the Paris Convention are incorporated by reference into the TRIPS Agreement. After that, certain rules under the TRIPS Agreement will be evaluated (3.2.3.). The rules relating to protectable subject-matter, examination norms, protection class, and recognition principle are analysed. Compared with the Paris Convention, it is submitted that the TRIPS Agreement provides a wider range of protectable subject-matter, more specific examination rules, protection across classes, and a principle of ‘Final Judicial Review’. These rules facilitate Member States including China to better recognise and protect well-known trademarks.

Subsection 3.3 analyses the ‘value associated with the mark’ regulated in the Joint Recommendation. This factor goes further than the Paris Convention and the TRIPS Agreement, but due to ambiguous explanations, its effect upon well-known trademark recognition seems to vary in different countries.

After the three international treaties, a group of rules related to the recognition and protection of well-known trademarks in China will be evaluated in section 3.4. The discussion will be restricted to a consideration of changes made over the last fifteen years (2001 – 2015). The ‘background’ (3.4.1.) will briefly review China’s situation before the 1990s in terms of legislative, economic and social development. Following it, China’s ‘Dual-Track’ model specially designed for well-known trademark recognition and protection (3.4.2.) and the three fundamental principles underpinning China’s well-known trademark policy (3.4.3.) will be evaluated. The final part (3.4.4.) will scrutinize three important issues: range of protection (3.4.4.1.), factors for examining well-known trademarks (3.4.4.2.), and financial remedies (3.4.4.3.).
Based on the analysis of these rules above, the conclusion (3.5.) is that a unified and potent system of well-known trademark recognition and protection in accord with international standards has been established in China. However, the system as such is still unsatisfactory and requires further improvement.

3.1. Well-Known Trademark Protection under the Paris Convention

3.1.1. Background

Although there have been at least sixty-nine bilateral treaties which one way or another concerned trademark law,\(^78\) the ‘Paris Convention for the Protection of Industrial Property’ (hereinafter referred to as ‘Paris Convention’) was the first multilateral treaty specifically concentrating on IPRs protection including the protection of trademarks. China became the member of Paris Convention (as amended) in 1985,\(^79\) and it marked an important beginning for China’s protection of well-known trademarks.\(^80\)

The Chinese government believes that IPRs have significant power to boost the development of science and technology. The prosperity of China’s culture and more importantly its economy cannot be guaranteed without the support of a well-established IPRs protection system. The success of the socialist market economy relies on IPRs and they also form the foundation for China’s international communication and cooperation in terms of science, technology, economy and culture. The accession to main IP international treaties is a prime mission the Chinese government has aimed to complete since late the

\(^78\) Prior to the Paris Convention, there are also some bilateral treaties and at least sixty-nine bipartite treaties involving trademark protection to foreign right owners. See John B. Pegram, ‘Trademark Law Revision: Section 44’ (1988) 78 TRADEMARK REP. 141, 153-154.

\(^79\) Paris Convention came into force in China on 19 March 1985.

1970s when China begun to implement its ‘Reform and Opening-up’ policy (hereinafter referred to as ‘R & Q policy’). It was membership of the Paris Convention that pioneered this goal.

China had no choice but to join the Paris Convention in the 1980s for four reasons. First, after the promulgation of China’s Trademark Law in 1982 and later its Patent Law in 1984, western countries were urging the Chinese government to join the Paris Convention so that their interests in China could be secured in accordance with common principles as set in the Paris Convention. Second, both trademark registration and patent applications from foreign countries cannot be made without the Paris Convention. Bilateral treaties entered into on the basis of reciprocity can achieve the same effect but are more costly and time-consuming to implement. Third, the Paris Convention forms the foundation of the WIPO and all international treaties concerning the protection of industrial property which are administered by the WIPO are only open to Member States of the Paris Convention. As these treaties are supportive of perfecting legal framework in terms of patent, trademark, and more in China, it impels China to join the Paris Convention if it wants to qualify for other WIPO-administered treaties. Finally, the Paris Convention enables China to exchange any patent files needed with other Member States freely and expeditiously.81

3.1.2. Art 6 bis

The original 1883 Paris Convention did not contain any provisions concerning well-known trademarks. In 1911, France proposed incorporating provisions regarding the protection of well-known trademarks but this proposal ultimately failed due to the opposition from other Union members. In 1925, the Netherlands and the United International Bureau of the Protection of Industrial Property jointly proposed a provision regarding well-known

trademarks. The adoption, in 1925, of art 6 bis of the Paris Convention marked the first recognition of an obligation to provide protection to well-known trademarks at the international level. Art 6 bis represented a milestone in the history of international protection for well-known trademarks, although it is not without flaws.

Art 6 bis of the Paris Convention provides,

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. (emphasis added)

A critical point resulting from art 6 bis is that well-known trademarks must be given a certain level of protection regardless of whether they have been registered. In other words, trademark registration is not a prerequisite for protection of a well-known trademark.

There are three major drawbacks to the provision. Firstly, art 6 bis only demands protection to which a mark is applied for identical or similar goods. Although keeping protection

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82 Any new provisions which did not fit into the old article of the Paris Convention was inserted as a new article by numbering French ordinal suffixes bis, ter, quinter, quinquies, sexies, and septies since the Washington Conference (1911). See John B. Pegram, ‘Trademark Law Revision: Section 44’ (1988) 78 TRADEMARK REP. 141, 154.


84 Art 6 bis, Paris Convention.
narrow in this way seemed sufficient at a time when practices like brand extension and brand stretching were rare, it becomes problematic in the modern era when there have been significant changes in marketing practices and in the ways in which familiar trademarks are used in marketing. Secondly, art 6 bis provides no protection to services marks. Thirdly, neither the definition nor parameters of the concept of a well-known trademark is given in art 6 bis.85

3.2. Well-Known Trademark Protection under the TRIPS Agreement

3.2.1. Background

Developing countries were prominent participants in the negotiations leading to the establishment of the WTO and the TRIPS Agreement.86 The interaction between developing and developed countries in the process of erecting a global trading system is vital in the interests of long term stability of the global trading system.87 Since IPRs are seen as the ‘most valuable source of wealth for twenty-first century economic development’,88 any conflict regarding IPRs in the course of trading can only be properly resolved by taking ‘into account the interests of … [the developed] countries … [without]

86 Marrakesh Ministerial Declaration, 15 April 1994, 33 I. L. M. 1263, 1264. (‘Ministers welcome the fact that participation in the Uruguay Round was considerably wider than in any previous multilateral trade negotiation and, in particular, that developing countries played a notably active role in it. This has marked a historic step towards a more balanced and integrated global trade partnership.’)
87 J. H. Reichman, ‘The TRIPS Agreement Comes of Age: Conflict or Cooperation with the Developing Countries?’ (2000) 32 Case W. Res. J. Int’l L. 441, 461. (‘[G]overnments would treat the TRIPS Agreement as a basic set of default rules that they bargained around, with a view to obtaining win-win positions for all the players.’), 467. (‘[G]overnment representatives, local entrepreneurs, and foreign rights holders should negotiate on a transactional basis to resolve conflicts arising from the TRIPS standards by devising tailor-made deals that produce win-win solutions for all the protagonists.’)
prejudicing the interests of developing countries.’\(^9\) As suggested by Reichman, ‘The extent to which these standards (*international minimum standards of IP protection under TRIPS*) will exert pro- or anti-competitive effects on global commerce depend in part on how the developing countries implement them.’\(^9\)

As the largest developing country\(^9\) and one of the most dynamic markets in the world, it is self-evident that China has been in a position to play an important role in harmonizing and modernizing the global IPRs system. China’s journey to the WTO began soon after its accession to the Paris Convention in 1985 and it took fifteen years (1986 – 2001) for China to go through the arduous and prolonged negotiations. In 1986, China formally submitted to the GATT Secretariat its request of resumption of China’s status as a contracting party to the GATT.\(^9\) During the 1990s, China actively participated in international negotiations and cooperated with its trading partners in order to deepen reforms and accommodate developments. China has actively engaged in the Uruguay Round (1986-1994) and contributed to the negotiation of the TRIPS Agreement which created new international standards for IPRs protection.\(^9\) China became the 143th Member of the WTO on 11

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\(^9\) China was one of the 23 original signatories of the General Agreement on Tariffs and Trade (GATT) in 1948. After China’s revolution in 1949, the government in Taiwan announced that China would leave the GATT system. Although the government in Beijing never recognised this withdrawal decision, nearly 40 years later in 1986, China notified the GATT of its wish to resume its status as a GATT Contracting Party.


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December 2001. But this comes after a long set of negotiations in which China has had to satisfy its trading partners, notably the US and the EU, that it was doing enough to open its economy to international competition.\footnote{BBC, ‘China joins the WTO – at last’ (BBC News, 11 December 2001) <http://news.bbc.co.uk/1/hi/business/1702241.stm> accessed 22 March 2016.} Besides, China’s active attitude to embrace the international standards under the TRIPS Agreement has been proved by its swift action over law amendments. Although the TRIPS Agreement embodies transitional arrangements, where a country does not have to implement the rules within a year after accession to the WTO, China is currently ahead of that schedule and has already amended its intellectual property laws in order to comply with the WTO requirements.\footnote{Edward Eugene Lehman, Camilla Ojansivu, and Stan Abrams, ‘Well-Known Trademark Protection in the People’s Republic of China – Evolution of the System’ (2002 – 2003) 26 Fordham Int’l L. J. 257, 267.} The former Chinese President Hu Jintao commented that, ‘To join the WTO was a major strategic decision based on our comprehensive analysis of the situation at home and abroad in order to push forward China’s reform and opening-up and socialist modernization drive.’ And Wen Jiabao, the former Chinese Premier, described China’s WTO membership as ‘a full embrace of this world’\footnote{‘China in the WTO: Past, Present and Future’, <https://www.wto.org/english/tratop_e/thewto_e/acc_e/s7lu_e.pdf> accessed 7 March 2016.}.

3.2.2. Paris Convention v. TRIPS Agreement

The Paris convention is no longer alone in creating an obligation to protect rights in well-known trademarks. The TRIPS Agreement was seen as a symbol of ‘a revolution in international intellectual property law’ and ‘the most ambitious intellectual property convention ever attempted’.\footnote{J. H. Reichman, ‘Compliance with the TRIPS Agreement: Introduction to a Scholarly Debate’ (1996) 29 (3) Vand. J. Transnat’l L. 363, 366; J. H. Reichman, ‘The TRIPS Agreement Comes of Age: Conflict or Cooperation with the Developing Countries?’ (2000) 32 Case W. Res. J. Int’l L. 441, 442. (‘[T]he TRIPS … represented a revolution in international intellectual property law.’)} The obligations under the Paris Convention are incorporated by reference into the TRIPS Agreement. Thus, art 2 (1) of the TRIPS Agreement emphasises the importance of fully complying with obligations upon relevant provisions under the Paris
Convention. Accordingly art 6 bis of the Paris Convention concerning well-known trademarks binds WTO Member States whether or not they are signatories to the Paris Convention.

3.2.3. Certain Rules for Recognition and Protection of Well-Known Trademarks

As a Member State, China commits to its obligations under the TRIPS Agreement and thus Chinese Laws will be in line with it. By contrast, one merit which makes the TRIPS Agreement superior to the Paris Convention is that it provides more certain rules for the recognition and protection of well-known trademarks.

So far as the protection afforded to well-known trademarks is concerned, the TRIPS Agreement is superior to Paris Convention in four respects. It provides for: 1) a wider range of protectable subject-matter; 2) more specific examination rules; 3) protection across classes; and 4) it establishes a principle of ‘Final Judicial Review’.

Firstly, compared with art 6 bis of the Paris Convention, the TRIPS Agreement expands the range of marks that are capable of being well-known trademarks, in particular by extending protection to service marks. This change is important because nowadays service marks have the same function as goods marks in terms of indicating the origins of the products to which they are applied.

Secondly, art 16 (2) of the TRIPS Agreement requires competent authorities of Member

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98 Art 2 (1) of TRIPS Agreement: ‘[i]n respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).’
100 Art 16 (2), TRIPS Agreement. (‘Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to services.’)
States to ‘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.’

This article thus lowers the threshold for being determined as ‘well-known’ and goes some way to remedy the ‘considerable uncertainty’ caused by art 6bis in the Paris Convention. However, whilst the idea of ‘relevant public’ is ‘a big step’ towards improvement of the international standard, it admits a wide range of complexity and flexibility. For instance, art 16 (2) provides no substantial prescription on the meaning of either ‘relevant sector of the public’ or ‘promotion of the trademark’. Hence, art 16 (2) actually leaves competent authorities discretion in interpreting both concepts in practice.

Thirdly, according to the Paris Convention, only those marks which are used in respect of identical or similar goods with well-known trademarks will be liable for well-known trademark infringements. A significant advancement of the TRIPS Agreement is that it stipulates that the protection given to well-known trademarks should extend to goods or services which are dissimilar to those in respect of which a trademark is registered.

Art 16 (3) in the TRIPS Agreement provides that,

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101 Art 16 (2), TRIPS Agreement.
102 Leah C. Grinvald, ‘A Tale of Two Theories of Well-Known Marks’ (2010) 13 (1) Vand. J. Ent. & Tech. L. 1, 23; World Intellectual Prop. Org. Comm. of Experts on Well-Known Marks, Protection of Well-Known Marks: Results of the Study by the International Bureau and Prospects for Improvement of the Existing Situation, at 6, WKM/CE/I/2 (July 18, 1995), available at <http://www.wipo.int/mdocsarchives/WKM_CE_I_95/WKM_CE_I_2_E.pdf> accessed 5 July 2013. (hereinafter referred to as ‘WIPO Expert Committee’) (“[S]ince the Paris Convention itself does not define the conditions under which a trademark is to be considered well known, considerable uncertainty exists as regards the circumstances under which a trademark owner can rely on Article 6bis of the Paris Convention.”).
104 Plus, if: 1) those marks constitutes a reproduction, an imitation, or a translation of well-known trademarks; and 2) those marks are determined to create likelihood of confusion in the relevant public.
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.105 (emphasis added)

This element provides a powerful weapon for well-known trademark owners to defend trademark infringements in China where free-riding on the reputation of both domestic and foreign well-known trademarks have become widespread.106

Finally, art 41 (4) establishes the ‘Final Judicial Review’ principle. This principle has a pivotal role to play in the modernization of China’s IP law. Ran suggested that ‘Judicial Review’ policy was important to establish a ‘Rule by Law’ society in China.107 In particular, this principle accelerates the transition from the obsolete ‘Sole-Track’ to the advanced ‘Dual-Track protection and management system over well-known trademarks.108

Art 41 (4) stipulates that,

Parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions and, subject to jurisdictional provisions in a Member's law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case …109 (emphasis added)

105 Art 16 (3), TRIPS Agreement.
106 More discussions see Chapter 4.
107 Ruixue Ran, ‘Well-Known Trademark Protection in China: Before and After the TRIPS Amendments to China’s Trademark Law’ (2001 – 2002) 19 UCLA Pac. Basin L. J. 231, 251; The TRIPS Agreement provides registered trademark owners with specific civil and criminal procedures for enforcement of trademark rights within each member country. See Arts 41 to 61 of TRIPS Agreement.
108 See 3.4.2. below.
109 Art 41 (4), TRIPS Agreement.
Prior to 2001, very few well-known trademark cases were determined by Chinese courts.\textsuperscript{110} China’s accession to the WTO in December 2001 forced China to take measures to have those administrative cases recognising well-known trademarks reviewed by judicial authorities. The ‘Final Judicial Review’ principle under the TRIPS Agreement in this way exerted a positive influence on well-known trademark protection in China through the establishment of the ‘Dual-Track’ system.\textsuperscript{111}

### 3.3. Well-Known Trademark Recognition under the ‘Joint Recommendation’

Although formally only a ‘Recommendation’, the Joint Recommendation has exerted considerable influence on the establishment and improvement of the system for protecting well-known trademarks in the Member States of the Paris Convention, including China. It was submitted that the Joint Recommendation played a significant role in enhancing those countries where Well-Known trademark statutes were still deficient.\textsuperscript{112} The Joint Recommendation provides a non-exhaustive list as regards determinants for well-known trademark examination.\textsuperscript{113} But it is emphasised that these determinants are no more than ‘guidelines to assist the competent authority to determine whether the mark is a well-known mark’, and therefore should not be seen as preconditions for reaching a final determination on ‘well-known trademark’ status.\textsuperscript{114} Amongst these elements, ‘the value associated with the mark’ is explicitly advocated by the WIPO in the Joint Recommendation. This is the first time the ‘value’ has been recognised as a relevant factor in the recognition of well-


\textsuperscript{111} See 3.4.2.


\textsuperscript{113} Art 2, Joint Recommendation.

\textsuperscript{114} Art 2 (1) (c), Joint Recommendation.
known trademarks at the international level.\textsuperscript{115}

However, although the ‘value’ factor stipulated in the Joint Recommendation goes further than the TRIPS Agreement,\textsuperscript{116} it does so without indicating the meaning of ‘value’ and gives no basis for evaluating this factor. As explained in its Explanatory Notes to the Joint Recommendations,

There exists a considerable variety of methods for trademark evaluation. This criterion [i.e. ‘the value associated with the mark’] does not suggest the use of any particular method. It merely recognizes that the value associated with a mark may be an indicator as to whether or not that mark is well known.\textsuperscript{117}

Accordingly, Member States have considerable discretion in appraising ‘the value associated with the mark’ and consequently the effect of this factor upon well-known trademark recognition may vary amongst Member States.

In addition, art 2 (1) of the Joint Recommendation sets out several factors for determining whether a trademark should be considered well-known. However, it must be borne in mind that although these factors are guidelines to assist the competent authority in determining whether the trademark is well-known, they are not preconditions for reaching that determination. The determination of well-known status is more of a ‘totality of circumstances’ analysis than a ‘bright line’ or regimented multi-factor test.\textsuperscript{118}

\textsuperscript{115} Art 2 (1) (b) (6), Joint Recommendation. (‘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: … 6. The value associated with the mark.’)

\textsuperscript{116} The TRIPS Agreement only emphasises that the knowledge of trademarks in relevant public should include the knowledge as a result of trademark promotion activities. See art 16 (2), TRIPS Agreement.

\textsuperscript{117} 2.9, Explanatory Notes, Joint Recommendation.

\textsuperscript{118} Edward Eugene Lehman, Camilla Ojansivu, and Stan Abrams, ‘Well-Known Trademark Protection in the People’s Republic of China – Evolution of the System’ (2002 – 2003) 26 Fordham Int’l L. J. 257, 270; Art 2 (1) (c), Joint Recommendation. (Rather, the determination in each case will depend upon the particular
3.4. Well-Known Trademark Recognition and Protection in China

This section aims to demonstrate and evaluate certain rules concerning the recognition and protection of well-known trademarks under Chinese domestic statutes. The background will briefly review China’s situation before the 1990s in terms of legislative, economic and social development. Following this, China’s ‘Dual-Track’ model specially designed for well-known trademark recognition and protection, and the three fundamental principles underpinning China’s well-known trademark policy will be evaluated. In the final part, this thesis will scrutinize well-known trademarks under certain rules, such as the range of protection, the factors for examining well-known trademarks, and financial remedies. The discussion on these rules will be restricted to developments over the last fifteen years (2001–2015) as most of these rules have been adopted between the adoption of the TML 2001 (revised and effective in October 2001) and the TML 2013 (effective since May 2014). In conclusion, this chapter suggests that although unsatisfactory in many respects, a unified and potent system of well-known trademark recognition and protection in accordance with international standards has been established in China.

3.4.1. Background: Oblivion before the 1970s and Revival in the 1980s

The first Chinese Trademark Law promulgated by the new republic dates back to the 1950s. In 1950 the State Council issued the ‘Provisional Regulation on Trademark Registration of the P.R.C’. A formal version was enacted in 1963. These two statutes...
had – at best – a very limited impact on trademark protection. In particular, they contained no provisions relating to well-known trademarks. At this time, the Communist Party of China neither admitted well-known trademarks nor considered changing the law so as to correspond with art 6 bis of Paris Convention. The nation was rather insular and lost valuable opportunities to learn from the west in terms of creating an advanced legal system for IPR protection. Yu suggested that Mao’s autarky, self-reliance, and import substitution policies had caused backwardness and a lack of foreign technology and capital from 1949 to the late 1970s in China.

Chinese trademark law reform was initiated under the ‘Reform and Opening-Up policy’ (hereinafter referred to as ‘R&O policy’) in the late 1970s. This policy was advocated by the then leader of Communist Party of China (hereinafter referred to as ‘CPC’) Deng Xiaoping in the party’s third Plenum of the 11th Party Congress in 1978. The R & O policy aimed to set out a road map to enhance the country’s prosperity. Deng’s blueprint erected a comprehensive system as regards China’s economic, social and political development and reached to every corner of the society. China began to transform from a ‘centrally planned’ economy to a market economy during the 1980s. During this period, the classical ‘Socialist Planned Economy’ was gradually abolished and a Chinese characteristic ‘Socialist Market Economy’ was created. Besides, it should be noted that the CPC has a tradition of proposing key changes in the third plenary session since 1978, which also highlights the importance of the development of dedicated IP courts (Chapter 5) in CPC’s Central Committee in 2013.

registered trademarks gazette was published during this period.


123 Sai Ding and John Knight, ‘Why has China Grown so Fast? The Role of Structural Change’ (Oxford, 2008) 1, 2. <www.economics.ox.ac.uk/materials/working_papers/paper415.pdf> accessed 27 March 2014. (Ding and Knight demonstrated China’s unprecedented success under the guidance of R & O policy)

124 Xinhua News Agency, ‘Xinhua Insight: Why the CPC’S Third Plenary Session is Important’ Xinhua News Agency (Beijing, 30 August 2013) <http://news.xinhuanet.com/english/indepth/2013-
The R&O policy covered two basic areas: the promotion of domestic policy reform and the opening up the country’s door to foreign investment. This has led to China’s economic prosperity over the past 35 years being characterized by both quantity and quality.

Quantitatively, China has maintained an average 10.0 percent economic growth rate since the 1980s under the R & O policy. This parallels a steady growth rate of 8.6 percent per annum in terms of GDP per capita. These developments led to China overtaking Japan (9.1 percent vs. 8.7 percent) as the third largest economy after EU-27-country (25.8 percent) and the United States (22.9 percent) in terms of share of world GDP in 2010. This meteoric growth has been described as an ‘economic miracle’.

On the other hand, a qualitative and structural change in domestic industry also occurred during this period. The R & O policy exerted a considerable influence on the reconstruction of the entire industrial infrastructure in China. The share of primary industry has declined, secondary industry has been maintained, whilst tertiary industry has grown. The essential role that the ‘knowledge-based economy’ has play in this industrial restructuring has been widely recognised. The paramount rule of ‘science and technology’ in China’s socialist

08/30/c_125287154.htm> accessed 15 May 2014. (demonstrate and evaluate significant policies adopted in the third plenary session of CPC’s Central Committee between 1978 and 2013)


127 Eurostat is the statistical office of the European Union, based in Luxembourg. It publishes official, harmonized statistics on the European Union and the euro area, offering a comparable, reliable and objective portrayal of Europe’s society and economy. See <epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Eurostat> accessed 27 March 2014. (China’s GDP in 2010 was increasingly developed than previous years, and ‘equivalent to the combined GDP in 2010 of the six smallest G20 economies (South Korea, Turkey, Indonesia, Saudi Arabia, Argentina and South Africa))

modernization was firstly expressed by Deng Xiaoping in 1978. In his speech at the opening ceremony of the national conference on science, he pinpointed that China’s modernization constituted four aspects, and the key to the four modernizations was the ‘modernization of science and technology’. Deng said it was imperative for the country to admit that ‘science and technology are productive forces’ and ‘it is becoming increasingly clear that science and technology are of tremendous significance as productive forces’. In his famous 1992 Southern Tour, he reiterated his statement in 1978’s speech, and further pinpointed that ‘rapid development of the economy can only be based on science, technology … I have said that science and technology are the primary productive forces’.

From the perspective of scholars, Powell and Snellman argued that ‘over the past several decades, … the leading edge of the economy in developed countries has become driven by technologies based on knowledge and information production and dissemination.’ Dutfield and Suthersanen suggested that ‘[t]he world’s most successful nations are those best at producing, acquiring, deploying and controlling valuable knowledge. Knowledge, … is key to international competitiveness and therefore to national prosperity.’ Science and technology have considerably enhanced China’s modernization which in turn has influenced the development of the IP system. The most recent ‘Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform’ (hereinafter referred to as ‘2013 CPC decision’) highlights the new leadership’s perspectives on the R&O policy, the role of science and technology, and pledges to deepen the ‘reform of the


132 CCP, Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform (Beijing, 12 November 2013)
management system for science and technology’. 133

Since the late 1970s driven by a pledge to accelerate economic development and to establish an IP-intensive industry, China began actively to seek cooperation and engage in constructive dialogue with its foreign trading partners. In 1979, the ‘Agreement on Trade Relations between the United States of America and the People’s Republic of China’ was signed. 134 Under this agreement, both countries agreed to offer reciprocal protection for copyrights, patents, and trademarks, and to resolve bilateral trade issues through negotiations. Furthermore, in order to establish bilateral trade relations on the basis of non-discrimination, the agreement required both parties should to grant each other most-favored-nation treatment (art 6). 135 Although there are many reasons underpinning Chinese legal reform, 136 this agreement ‘marked the beginning of Western intellectual property protection in post-Mao China.’ 137 It forced legislative reform in China and the establishment of a proper IP legislative framework became a major concern of Chinese lawmakers during the 1980s.

The recognition of the importance of science and technology in economic growth prompted the Chinese government to review its national IP laws and policies in the 1980s. As a result, the first version of Chinese Trademark Law was promulgated in 1982 (hereinafter referred

133 The CPC ‘will strengthen the application and protection of intellectual property rights (IPR), improve the technological innovation incentive mechanism, and explore ways to set up IPR courts.’ See CCP, Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform (Beijing, 12 November 2013) Section III accelerating the improvement of the modern market system, sub-section 13.
134 Agreement on Trade Relations Between the United States of America and the People’s Republic of China, U.S.-China, July 7, 1979, 31 U.S.T. 4652.
to as ‘TML 1982’).\(^{138}\)

The new law indicated that China was mindful of the need to provide effective legal protection to secure the interests of the country and trademark right holders.\(^{139}\) Empowering trademark owners would not only strengthen the competitiveness of domestic enterprises, but also signal to foreign IPRs owners that their interests would be secure if they invested in the Chinese market.

However, no rules in respect of well-known trademarks were found in the TML 1982. Until 1989, there was no formal certification process but only *ad-hoc* or informal determinations of well-known trademarks in China.\(^{140}\) China’s silence in the field of well-known trademarks was understandable at this time. Firstly, China had not joined the Paris Convention in 1982 and therefore had no international obligations to recognise well-known trademarks (such as provided for under art 6 *bis* of the Paris Convention). Secondly, the first ten years of implementation of the R & O policy (1978 – 1988) saw a focus on modernizing China’s industrial infrastructure, emancipating labour forces, and stimulating productivity. Bringing the protection of well-known trademarks into line with international norms was not a priority.

3.4.2. Transition from ‘Sole-Track’ to ‘Dual-Track’ Model

Unlike most of other countries where courts exclusively determine and protect well-known trademarks,\(^{141}\) China now implements a ‘Dual-Track’ recognition model for well-known

\(^{138}\) The 24th meeting of Standing Committee of the 5th National People’s Congress adopted Trademark Law of P.R.C on 23th August 1982.

\(^{139}\) Art 1, TML 1982. (the Law aims to ‘improve the administration of trademarks, protect the exclusive right to use trademarks, and encourage producers to guarantee the quality of their goods, and maintain the reputation of their trademarks, with a view to protect the interests of consumers, and to promote the development of socialist market economy.’ (emphasis added))


\(^{141}\) Xiangqun Zhu, ‘Administrative Recognition of Well-Known Trademark Should be Cancelled’ (‘Ying Qu
3.4.2.1. ‘Sole-Track’ Model in the 1990s

The first system which is defined as a ‘Sole-Track’ model serving well-known trademarks in China was created in the 1990s and it was solely operated through administrative authorities, including the Trademark Office of China (hereinafter referred to as ‘CTMO’). According to art 3 of 1996 Provisional Provisions, the CTMO was the only authority to ‘recognise and manage’ well-known trademarks in China. According to art 4 of 1996 Provisional Provisions, the CTMO might recognise a well-known trademark at the request of a trademark registrant, or take the initiative to recognise a well-known trademark if the CTMO believed this would facilitate the work of ‘trademark registration and management’. However, this rule excluded the Trademark Review and Adjudication Board (hereinafter referred to as ‘TRAB’) from hearing such cases. This exclusion cannot be justified given that the TRAB hears appeals against decisions made by the CTMO (which may include the recognition well-known trademarks). Hence, the TRAB must be empowered to handle any decisions related to well-known trademarks in order to redress any possible wrongs made by the CTMO. In 2002, the ‘Regulations for the Implementation of the Trademark Law of the People’s Republic of China’ (‘Implementing Regulations’) extend the range of administrative bodies that are eligible to recognise well-known trademarks. The TRAB now has the right to examine well-known trademarks in the course of an opposition review.

Xiao Dui Chi Ming Shang Biao De Xing Zheng Ren Ding’) China Business Times (Beijing, 15 June 2011) 7, 7; Hao Xu, ‘Why People’s Courts Recognize Well-Known Trademarks – Special Interview with Jiang Zhipei (President of Intellectual Property Division of Supreme People’s Court)’ (‘Fa Yuan Wei He Yao Dui Chi Ming Shang Biao Jin Xing Si Fa Ren Ding – Zhuan Fang Zui Gao Ren Min Fa Yuan Zhi Shi Chan Quan Ting Ting Zhang Jiang Zhi Pei’) (2007) 27 China Economic Weekly 32, 33.
Accordingly, not only the CTMO, but also the TRAB now are authorized to recognise well-known trademarks in the process of trademark registration, opposition, or cancellation. This expansion regarding the cognizance of the subject also mirrors the stipulation in art 41 (2) of the TML 2001 where well-known trademark owners or other interested persons can request the TRAB to revoke those trademarks registered by ‘trademark squatters’.

Unlike rulings delivered by People’s Courts where reasons for the recognition are usually included, administrative recognition lacks transparency. The SAIC has established a ‘results announcement system’ to publish administrative recognised Well-Known trademarks. This system contains a database storing all administrative well-known trademarks. This system has been criticised because it neither gives recognition reasons nor pinpoints the origins of cases where well-known trademarks were examined. Instead, it only lists names of well-known trademarks already passed under the administrative examination. Consequently, people have no actual knowledge about why these trademarks become well-known.

In conclusion, it was suggested that the pre-WTO system (till December 2001) concerning well-known trademarks was weak and did not provide any systematic protection, especially for foreign brands. As to administrative recognition, neither the facts of nor the reasons for such recognition is given. A case costs no less than two years which appears to be time- and cost-consuming. The disadvantages of the ‘Sole-Track’ model require further reform.

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3.4.2.2. ‘Dual-Track’ Model in the 2000s

Before China’s accession to the WTO in December 2001, Chinese courts did offer protection to well-known trademarks but they were protected on an ad-hoc basis, and no legal basis of domestic regulations were provided. More importantly, it should be noted that courts were showing a tendency to avoid determining whether a trademark was well-known if it could make a finding on other grounds, such as unfair competition. The IKEA case is a good example of this tendency. This case was China’s first involving cybersquatting. Although the decision of the case showed that China’s courts could

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145 The roles and responsibilities of the competent authorities are clarified as follows: 1) TRAB: requests for well-known trademark status in a review of objections against non-registration, or invalidation proceedings; 2) CTMO: requests for well-known trademark status in opposition proceedings; 3) AICs: requests for well-known trademark status in the course of trademark infringement investigations (after a preliminary verification of compliance, the local AIC must refer the request upward, through the provincial AIC, to CTMO for a decision). See Justin David, ‘China: new rules on well-known trademarks become effective’ (2014) 36 (12) E.I.P.R. 809, 809.


147 Stephanie M. Greene, ‘Protecting Well Known Marks in China: Challenges for Foreign Mark Holders’ in Robert C. Bird and Subhash C. Jain (eds), The Global Challenge of Intellectual Property Rights (Edward
apply its domestic law and international IP treaties to decide cases involving foreign IPR fairly, the appellate court overturned the recognition of ‘well-known’ claim in the first instance court and decided to protect IKEA against cybersquatting on the basis of unfair competition.\(^{148}\)

Since its accession to the WTO in December 2001, China began to recognize and protect well-known trademarks under a ‘Dual-track’ system, which provided for examination, protection and enforcement and was jointly operated by the judicial and administrative authorities.\(^{149}\) Although being different in terms of conditions and procedures required by these authorities, it was believed that this model was necessary and could offer wider range of protection to well-known trademarks than the ‘Sole-Track’ model.\(^{150}\) The ‘Dual-Track’ model overcomes shortcomings of the ‘Sole-Track’ model. Unlike administrative recognition where neither the facts of nor the reasons for such recognition is given, this model tends to be more efficient, transparent and justifiable. A case of administrative recognition costs no less than two years when a case of judicial recognition costs up to two years.\(^{151}\) Compared with judicial recognition, administrative recognition is more costly and time-consuming to implement. Unlike administrative recognition, the SPC has created a publication system in 2006\(^{152}\) and begun to publish verdicts of cases related since 2013.\(^{153}\) As a result, people including the profession can obtain concrete knowledge on well-known

\(^{149}\) (designated) People’s Courts, TRAB, and CTMO.
\(^{152}\) Notice of the Supreme People’s Court on Building up the System of Archival Filing of Judicial Recognition of Well-known Trademarks.
trademarks recorded in this system and it will lead to predict whether those well-known trademarks he/she concerns may affect their own rights as trademark owners or interested parties. Besides, the new model brings the law into line with the requirements of the TRIPS Agreement. To some degree, this model can be seen as a sign of internationalisation to well-known trademark protection as other countries in the world would usually recognize well-known trademarks only through judicial authorities. In the meantime, however, there is still no sign of a ‘complete’ transition, i.e. from administrative ‘sole-track’ model to judicial ‘sole-track’ model. This thesis believes that such transition is unnecessary because a ‘dual-track’ model can facilitate holders of well-known trademarks to seek protection against infringements at each stage of the businesses from trademark registration to utilization. Ideally, they are even able to prevent such infringements happening since its inception as administrative authorities such as the CTMO and TRAB have to be involved ex officio. The new model began in 2001 and was fully implemented in 2002.

The following figure (Figure 2.) lists the structure of People’s Court of China. It helps to understand how judicial authorities managing well-known trademarks work in order. The Supreme People’s Court (SPC) is the highest court in mainland China. The Intermediate People’s Court is usually the first instance court for disputes involving well-known trademarks, followed by High People’s Court as the court of second instance. Grassroots People’s Court may also be authorized to hear such cases under the appointment of the SPC. The dedicated IP courts which were established in 2014 have exclusive jurisdiction over cases involving well-known trademarks in their jurisdictional regions respectively. Apart from the SPC, there are 32 High People’s Courts (including one Military Court), 409 Intermediate People’s Courts, and 3117 Grassroots People’s Courts. The rules on the

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155 Hong Kong and Macau, as special administrative regions, have their own separate judicial system based on British common law traditions and Portuguese civil-law traditions respectively, and are out of the jurisdiction of the SPC.

156 SPC, ‘The Brief Introduction of People’s Courts’ (‘Ren Fa Yuan Jia Jie’) (SPC Online)
range and power of People’s Courts at different levels over the trials of cases involving well-known trademarks will be explained in 3.4.4. As regards IP trial, Grassroots People’s Court has jurisdiction over IP dispute as court of first instance. The Intermediate People’s Court will normally decide IP conflicts as court of second instance, with the exception of some scenarios, such as a case involving a well-known trademark dispute where an Intermediate People’ Court will normally perform as court of first instance. The High People’s Court may retrial IP cases after Intermediate People’s Court, or hear IP cases as court of second instance.

Figure 2: Organization structure of people’s court in China

Firstly, the SPC adopted ‘Interpretation of the Supreme People’s Court on Application of Laws in the Trial of Civil Disputes over Domain Names of Computer Network’ (hereinafter referred to as ‘domain name interpretation’) a few months before the promulgation of Trademark Law 2001.¹⁵⁷ The domain name interpretation not only authorizes Chinese courts to hear and decide well-known trademarks in domain name disputes, but also marks the first step of establishing a ‘Dual-Track’ system for well-known trademark protection in China.

¹⁵⁷ Fa Shi [2001] No.24.

Art 6 of the domain name interpretation prescribes that,

When trying a *Domain Name Dispute* Case, the people’s court may determine, according to the law, whether a *registered trademark* involved is well-known or not *based on one party’s request and the actual circumstances of the case*.\(^{158}\) (emphasis added)

With its adoption, Chinese courts began to handle cases involving well-known trademarks on the basis of domestic regulations instead of international treaties or administrative orders which marked a significant advance in the evolution of well-known trademark protection in China.

Secondly, certain rules under the ‘Interpretation by the Supreme People’s Court of the Issues Relating to Jurisdiction over and Scope of Application of Law to the Hearing of Trademark Cases’\(^ {159}\) are consistent with ‘Final Judicial Review’ principle demanded by art 41 (4) of the TRIPS Agreement.

Art 1 of this interpretation stipulates that,

*The People’s Court accepts following trademark cases:* 1. Cases of dissatisfaction with re-examination decisions or adjudications made by the Trademark Review and Adjudication Board of the Administrative Department for Industry and Commerce under the State Council (TRAB); … 4. *Cases of disputes arising from infringement of the exclusive right to use trademarks* …\(^ {160}\) (emphasis added)

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\(^{158}\) Art 6, Interpretation of the Supreme People’s Court on Application of Laws in the Trial of Civil Disputes Over Domain Names of Computer Network, Fa Shi [2001] No.24.

\(^{159}\) Fa Shi [2002] No.1.

\(^{160}\) Art 1, Interpretation by the Supreme People’s Court of the Issues Relating to Jurisdiction over and Scope of Application of Law to the Hearing of Trademark Cases, Fa Shi [2002] No.1.
This article is consistent with ‘Final Judicial Review’ principle demanded by art 41 (4) of the TRIPS Agreement, since ‘cases of dissatisfaction with re-examination decisions or adjudications’ made by the TRAB are the source of administrative recognition of well-known trademarks. It reiterates that People’s Courts have jurisdiction over lawsuits involving well-known trademarks.

Thirdly, Member States of the WTO are obliged to offer final judicial review to administrative or initial judicial decisions pursuant to art 41 (3) of the TRIPS Agreement. One major purpose behind the revision of Chinese Trademark Law was to fulfil China’s international obligations and it follows that the TML 2001 gives effect to this ‘Final Judicial Principle’.

The TRAB is given the responsibility to re-examine registration decisions following appeals against decisions made by the CTMO’ in accordance with art 32 (1) of the TML 2001. If they wish to appeal a decision, applicants have fifteen days to apply to the TRAB for a re-examination from the day of receipt of the CTMO’s notification.\textsuperscript{161} If the TRAB upholds the CTMO’s decision and if the applicant is still unsatisfied following the TRAB’s ruling, then art 32 (2) of the TML 2001 allows applicants to make a further appeal to the People’s Court.\textsuperscript{162} Furthermore, a trademark owner may apply for a re-examination before the TRAB if his registered trademark is revoked by the CTMO. There is a further right of appeal to the People’s Court following an unfavourable decision by the TRAB.\textsuperscript{163}

\textsuperscript{161} Art 32 (1), TML 2001.
\textsuperscript{162} Art 32 (2), TML 2001; see also art 33 (2), TML 2001. (‘If a party does not agree with the ruling of the Trademark Review and Adjudication Board, it may bring a suit before a people’s court within thirty days from the day on which the notification is received. The people’s court shall notify the opposite party of the trademark re-examination proceedings to join in the case as the third party.’)
\textsuperscript{163} Art 49, TML 2001. (‘Where a party is dissatisfied with the decision made by the Trademark Office to revoke his registered trademark, he may, within 15 days from the date the notification is received, apply to the Trademark Review and Adjudication Board for a review. The Trademark Review and Adjudication Board shall make a decision and notify the applicant in writing.’ ‘Where the party is dissatisfied with the decision of the Trademark Review and Adjudication Board, it may, within 30 days from the date the notification is
AICs (local departments [in every administrative region in China] of the Administration for Industry and Commerce) take responsibility to promote administrative legislation and enforcement in China. In the event that an AIC imposes a fine on a party, he is eligible to file against this decision before a People’s Court within fifteen days after receiving the notification of the fine according to art 50 of the TML 2001.164

In conclusion, a registered165 trademark holder is entitled to file a case over any actions infringing his trademark before a People’s Court. A ‘quasi-registered’ trademark166 owner is able to file a case against the administrative decisions concerning his trademark registration. An alleged trademark infringer is eligible to file a case upon administrative decisions regarding the infringing activities in question. All these cases filed by different parties will be exclusively heard and decided by the Beijing No.1 Intermediate People’s Court as the court of first instance, and its decisions can be appealed to the Beijing High People’s Court.167 These rules show how the ‘Final Judicial Review’ principle has been implemented in China and are of paramount importance for well-known trademark protection.168 In addition, this principle has been further developed with the deployment of

164 Art 50, TML 2001. (‘If a party disagrees with the decision of the administrative department for industry and commerce to impose a fine on him … it may bring a suit before a people’s court within fifteen days since the day of receiving the notification of the decision.’)
165 Or even unregistered trademarks, if applicable according to art 14 of the TML 2001.
166 Files of trademark registration have been submitted to the CTMO, passed preliminary examination, and been announced to the public. See art 30, TML 2001. (‘Any person may … raise an objection to the trademark that has undergone preliminary examination and obtained approval. Where no objection is raised at the expiration of the time limit, the trademark shall be registered upon approval, a trademark registration certificate shall be issued, and the matter shall be announced.’)
167 The Beijing’s No.1 Intermediate People’s Court – founded in April 1995 – has the jurisdiction over any administrative cases of first instance between CTMO / TRAB and third parties. People’s Courts at different levels in China began to have jurisdiction upon well-known trademark cases since 2001.
168 Qi Er, ‘Dilemma and Pathway of Well-Known Trademark in China’ (‘Wo Guo Chi Ming Shang Biao De Kun Jing Yu Chu Lu’) (2011) 1 Journal of Dongbei University of Finance and Economics 76, 79. (It was suggested that two thirds of well-known trademarks were recognised through administrative authorities (i.e. CTMO and TRAB) in China.)
dedicated IP courts starting from late 2014.\textsuperscript{169}

### 3.4.3. Three Fundamental Principles

There are three fundamental principles serving the recognition and protection of well-known trademarks: the ‘Passive Recognition’ principle, the ‘Case-by-case Recognition’ principle and the ‘Honesty and Good Faith’ principle. The first two are specifically applied to cases involving well-known trademarks while the last is widely observed in both IP and non-IP laws (such as Anti-Unfair Competition Law) in China. The ‘Passive Recognition’ principle aims to redress misleading ‘Initiative Recognition’ principle stipulated in the Provisional Provisions. The new principle not only improves well-known trademark protection as a whole, but also helps to alleviate the misunderstanding of the concept of well-known trademarks. The ‘Case-by-case recognition’ principle is consistent with the thrust of Chinese Trademark Law and ensures that the well-known status of a trademark exists as a dynamic fact in each case. This principle is a positive response to malicious filings which derive from the misunderstanding of well-known trademarks in China, and contributes to fair competition and the protection of interests of trademark owners. The ‘Honesty and Good Faith’ principle is a fundamental principle of Chinese IP law and non-IP laws such as Anti-Unfair Competition Law. The violation of this principle in the trademark field constitutes a violation against fair competition.\textsuperscript{170} Its incorporation in Trademark Law 2013 goes some way to prevent certain issues such as malicious filings.

#### 3.4.3.1. Passive Recognition Principle

The ‘Passive Recognition’ principle is a positive response to the ‘Initiative Recognition’

\textsuperscript{169} See Chapter 5.

doctrine stipulated under the Provisional Provisions.\textsuperscript{171} It has been suggested that this change from initiative to passive recognition is significant because the mode of recognition can improve well-known trademark protection and helps rectify the misunderstanding of the concept of well-known trademarks.\textsuperscript{172}

First, the Provisional Provisions allowed the CTMO to ex officio recognise well-known trademarks ‘based on the necessity of trademark registration and management’.\textsuperscript{173} In other words, the CTMO could award ‘well-known trademark’ without responding to any request from the applicant. Although this ‘initiative recognition’ doctrine has been widely criticised\textsuperscript{174} in the 1990s, it could be said that these rules did not contradict international agreed norms, since the Paris Convention does not specify which competent authorities are eligible to examine well-known trademarks in its Member States\textsuperscript{175} and China did not join the TRIPS Agreement until 2001. However, allowing the CTMO’s to ‘take the initiative’ to recognise well-known trademarks has had serious repercussions. Most notably, this approach led to the disconnection between the legal rationale for the recognition and protection of well-known trademarks, and the public understanding of the significance of well-known trademark status. In particular: 1) The relevant public had the erroneous impression that a ‘well-known trademark’ was an honourable title;\textsuperscript{176} 2) The public widely

\textsuperscript{171} Art 4 (2), Provisional Provisions. (The CTMO may recognise well-known trademarks in view of the needs of trademark registration and administrative control)
\textsuperscript{172} Xiaoya Zhang, ‘Study on Initiative and Passivity Recognition of Well-Known Trademark Protection’ (‘Qian Yi Chi Ming Shang Biao Hu De Bei Dong Ren Ding Yu Zhu Dong Ren Ding’) (2009) 2 The Science Education Article Collects 208, 208,
\textsuperscript{173} Art 4 (1) and art 4 (2), Provisional Provisions.
\textsuperscript{174} Xiaoya Zhang, ‘Study on Initiative and Passivity Recognition of Well-Known Trademark Protection’ (‘Qian Yi Chi Ming Shang Biao Hu De Bei Dong Ren Ding Yu Zhu Dong Ren Ding’) (2009) 2 The Science Education Article Collects 208, 208.
\textsuperscript{175} Art 6 bis, Paris Convention. (‘The countries of the Union undertake … 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 …’)
\textsuperscript{176} Chunfang Li and Qiuping Li, ‘Misunderstanding of Well-Known Trademark and Legal Regulation’ (‘Chi Ming Shang Biao De Yi Hua Ji Qi Fa Lv Gui Zhi’) (2009) 31 (3) Journal of Ningxia University (Humanities and Social Sciences Edition) 112, 113 – 114.
believed that goods/services bearing well-known trademarks were of higher quality than others without this ‘badge’;\(^\text{177}\) 3) The manufacturers holding well-known trademarks took advantage of this misunderstanding and promoted their ‘well-known’ branded products, which led to unfair competition in the marketplace; 4) Local governments offered native companies who had held ‘well-known trademark’ title financial rewards.\(^\text{178}\) These rewards in turn stimulated more manufacturers to pursue well-known trademarks; 5) In order to attain the ‘well-known trademark’ title, some companies even filed malicious applications for trademark registration to the CTMO and/or filed lawsuits before People’s Courts.\(^\text{179}\)

Second, the State Council’s ‘Regulations for the Implementation of the Trademark Law of the People’s Republic of China’ (hereinafter referred to as ‘Implementing Regulations’) became effective on 15 September 2002. Art 5 of the Implementing Regulations provide that the CTMO and TRAB are to alter the basic principle of recognition from ‘initiative recognition’ (ex officio)\(^\text{180}\) as it was previously, to ‘passive recognition’ (at the request of the applicant). Following its implementation, no well-known trademark examination will be conducted unless any interested parties request the CTMO or TRAB to do so.\(^\text{181}\) The implementation of ‘Passive Recognition’ principle thus goes some way to begin to correct the long-term misunderstanding of well-known trademarks in China.

\(^{177}\) Shi’en Hu, ‘From Shuang Hui ‘Clenbuterol Hydrochloride Incident’ to See Rights and Obligations of Well-Known Trademark’ (‘Cong Shuang Hui Shou Rou Jing Shi Jian Kan Chi Ming Shang Biao De Quan Li He Yi Wu’) (2011) 4 China Trademark 15, 15.

\(^{178}\) Chunfang Li and Qiuping Li, ‘Misunderstanding of Well-Known Trademark and Legal Regulation’ (‘Chi Ming Shang Biao De Yi Hua Ji Qi Fa Lv Gui Zhi’) (2009) 31 (3) Journal of Ningxia University (Humanities and Social Sciences Edition) 112, 112.

\(^{179}\) Ibid, 113 – 114; Yongshun Chen and Lijuan Wu, ‘Major Measures to Solve Chaos of Trademarks – Study on Several Topical Issues in the Revision of the New Trademark Law’ (‘Jie Jue Shang Biao Lua Xiang De Zhong Da Ju Cuo – Jian Ping Di San Ci Shang Biao Fa Xi Gai De Ji Ge Re Dian Wen Ti’) (2013) 10 Electronics Intellectual Property 20, 22; More discussions about the misunderstanding of well-known trademarks will be presented in Chapter 4.

\(^{180}\) Art 4 (2), Provisional Measures on the Recognition and Administrative Control of Well-Known Trademarks. (CTMO may recognise well-known trademarks according to the need of trademark registration and management)

\(^{181}\) Plus CTMO/TRAB believes it is necessary to exam well-known trademarks in order to secure interests of the parties in question.
The principle of passive recognition is not only reaffirmed, but is further detailed in the SAIC’s the ‘Provisions on the Determination and Protection of Well-Known Trademarks (2014 Revision)’ (hereinafter referred to as ‘2014 administrative provisions’). Here, art 4 emphasises that well-known trademark recognition shall conform to Passive and Case-by-case Principles, and that these principles should be implemented from case filings, examinations through to handlings.

Third, art 22 of the SPC’s ‘Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation’ (which came into force on 16 October 2002) emphasises that People’s Courts will not re-examine issues relating to a trademark’s status as ‘well-known’ on condition that: 1) a trademark has been previously recognised as ‘well-known’ by the administrative authorities or People’s Courts; and 2) the other party to any dispute does not question the ‘well-known trademark’ status already identified by the administrative or judicial authorities. A similar rule is contained in art 8 of the 2009 judicial interpretation.

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183 Art 4, 2014 administrative provisions.
185 Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation, Fa Shi [2002] No.32. It was promulgated on 12 October 2002, and came into force on 16 October 2002.
186 Art 22 (3), Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation, Fa Shi [2002] No.32
187 Art 8, 2009 judicial interpretation. (“For a trademark which is widely known by the general public within China, if the plaintiff has furnished the basic proofs to support the popularity of its trademark, or if the defendant does not have any objection, the people’s court shall determine the fact that the trademark is famous.”)
3.4.3.2. Case-by-case Recognition Principle

The implementation of the ‘Case-by-case’ recognition principle is consistent with the thrust of Chinese Trademark Law. It means that being identified as well-known trademark by the empowered authorities is not a kind of administrative approval or award/honour initiated by the said authorities. Instead, it reflects that such authorities are only determining facts necessary to deal with a trademark case upon request of the party concerned in accordance with relevant laws and regulations, and such facts are the premises for the trademark to be protected in accordance with Article 13 of the Trademark Law. Furthermore, there is no so-called “validity period” for an identified well-known trademark since it is only for a specific individual case. However, the identification as “well-known” trademark by the empowered authorities may be used as a reference of protection record for the subsequent similar cases.\(^{188}\)

According to the 1996 Provisional Provisions (see 2.2.1.), once a trademark has passed examination, the title of ‘well-known trademark’ is valid for the ensuing three years,\(^{189}\) a rule which contradicts the ‘case-by-case’ principle.\(^{190}\) The three-year validity period for each recognised well-known has two adverse consequences: 1) The fact that the status of a long-lasting ‘well-known trademark’ can be rewarded to domestic undertakings might mislead the public to believe that the ‘well-known trademark’ status indicates better quality

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\(^{189}\) Art 4 (3), 1996 Provisional Provisions. (‘Once CTMO has recognised a well-known trademark, there is no necessity for registrants to request a new recognition within three years.’)

\(^{190}\) Yongshuang Ma and Jing Zhang, ‘Study on the Foundation and Principle of Judicial Recognition of Well-Known Trademark’ (‘Lun Chi Ming Shang Biao Si Fa Ren Ding De Ji Chu Yu Yuan Ze’) (2009) 184 (7) Academic Exchange 55, 58. (Ma and Zhang discussed why ‘case-by-case recognition’ principle was important); Jianhui Kang, Yongjun Zhang and Chao Kong, ‘Misunderstanding of Well-Known Trademark and Regulation Measures’ (‘Chi Ming Shang Biao Yi Hua Ji Qi Gui Zhi Cuo Shi’) (2010) 23 (4) Journal of Shanxi Politics and Law Institute for Administrators 78, 79. (Kang, Zhang and Kong explained why ‘initiative recognition’ doctrine has led to the misunderstanding of well-known trademarks in the public).
of goods to which it is attached.\textsuperscript{191} 2) The status of a ‘well-known trademark’ should, contrary to the Provisional Provisions, be subject to revision.\textsuperscript{192} Wang and Liu have argued that ‘well-known trademark’ status is not static but dynamic, and it may change from time to time in the same or different marketplaces.\textsuperscript{193} However, the three-year validity period under the 1996 Provisional Provisions might misguide the public and constitute unfair competition.\textsuperscript{194} In order to avoid these issues, the status of well-known trademark should be decided on a ‘Case-by-case Principle’.\textsuperscript{195}

Before the TML 2013, People’s Courts were aware of the necessity of handling lawsuits involving well-known trademarks based on this principle. Under art 13 of the 2009 judicial interpretation, the SPC provides,

‘in a case of civil disputes involving the protection of a Well-Known trademark, the determination of the popularity of the trademark by the People’s Court shall \textit{merely be regarded as the fact of the case and the reason for the judgment, which shall not be included in the main content of the judgment}.’\textsuperscript{196} (emphasis added)

This rule clarifies the role of ‘well-known trademark’ status in judgments and is a positive


\textsuperscript{196} Art 13, 2009 judicial interpretation.
response to the thorny issue of malicious filings which derive from the misunderstanding of well-known trademarks in China.\textsuperscript{197} The SPC here is concerned to limit the influence of ‘well-known trademark’ status, and in this way to prevent trademark owners illegally pursing ‘well-known’ title via legal proceedings, and so maintaining fairness of market competition and providing a safeguard of the legitimate rights of trademark owners. Accordingly, a trademark being ‘well known’ is only a matter of fact the only purpose of which is to secure the legitimate interests of a well-known trademark owner in a particular case of claimed infringement.

The TML 2013 eventually introduces it as a fundamental principle for well-known trademark recognition.\textsuperscript{198}

As for the nature of the title of ‘well-known trademark’, the TML 2013 art 14 (1) provides that a well-known trademark shall be determined as a \textit{matter of fact} for handling a trademark dispute \textit{at the request of related parties}.\textsuperscript{199} Accordingly, the status of ‘well-known trademark’ is allowed to be flexible and its status is \textit{not} dependent on the outcome of other cases involving the mark.\textsuperscript{200}

The ‘Case-by-case Principle’ under the ‘Dual-Track’ system is further detailed in sub-articles of art 14: 1) article 14 (2) authorizes the CTMO to recognise well-known trademarks in the process of examination of trademark application and investigation of trademark infringements handled by the AICs;\textsuperscript{201} 2) article 14 (3) allows the TRAB to

\textsuperscript{197} More discussions see Chapter 4.
\textsuperscript{199} Art 14 (1), TML 2013. Actually art 14 (1) construes not only case-by-case principle, but also passive recognition principle.
\textsuperscript{201} Art 14 (2), TML 2013. (‘Where the party concerned claims rights pursuant to Article 13 of this Law during
examine well-known trademarks when dealing with trademark disputes;\textsuperscript{202} 3) art 14 (4) stipulates that,

Where the party concerned claims rights … during the hearing of a trademark-related civil or administrative case, the people's court designated by the Supreme People's Court may recognize the well-known status of the relevant trademark as may be necessary for case hearing.

All these examinations, however, will be conducted only if they are necessary and needed in the particular case in issue.\textsuperscript{203} These three articles further help to clarify the meaning of a well-known trademark and go some way to rectify the long-term misunderstanding of the term in China.\textsuperscript{204}

3.4.3.3. Honesty and Good Faith Principle

The ‘honesty and good faith’ principle is fundamental in Chinese IP and non-IP laws. It is beneficial in securing the interests of well-known trademark holders and goes some way to

\textsuperscript{202} Art 14 (3), TML 2013. (‘Where the party concerned claims rights pursuant to Article 13 of this Law during the handling of a trademark dispute, the Trademark Review and Adjudication Board may recognise the well-known status of the relevant trademark as may be necessary for examination or case handling.’)


prevent certain issues such as malicious registration resulting from the misunderstanding of the concept of a well-known trademark.

Outside the field of IP, the principle of honesty and good faith is usually seen as a moral requirement of socialist market economy and reflects the value orientation of fairness and justice. For instance, art 4 of ‘General Principles of the Civil Law’ (adopted in 1987) stipulates ‘in civil activities, the principle of … honesty and credibility shall be observed’. The Anti-Unfair Competition Law (1993) also incorporates this principle in art 2.207

China’s trademark regulations work in combination with the Anti-Unfair Competition Law. In a sense, the Anti-Unfair Competition Law acts as a kind of ‘constitution’ among laws relating to economic activities; however, a violation against the Trademark Law also constitutes a violation against fair competition. In a case where acts of infringing trademarks are observed, a breach of principle of honesty and good faith will normally be decided according to Anti-Unfair Competition Law.209

In respect of trademarks, the ‘Implementation Rules of the Trademark Law’, which serve


206 Art 2, Anti-Unfair Competition Law (1993) (‘A business operator shall … follow the principles of … honesty and credibility.’)

207 Art 2, Anti-Unfair Competition Law (1993) (‘A business operator shall … follow the principles of … honesty and credibility.’)


209 Art 2 (1), Anti-Unfair Competition Law. (‘A business operator shall, in his market transactions, follow the principles of voluntariness, equality, fairness, honesty and credibility and observe the generally recognised business ethics.’); see Procter & Gamble (P & G) v Shanghai Chenxuan Tech Co., Ltd.(Chenxuan) below.
to supplement the trademark legislation,\textsuperscript{210} for the first time incorporates this principle,\textsuperscript{211} although the TML 2013 is the first Chinese trademark law to incorporate this principle so bringing the TML 2013 into line with other areas of the law such as Anti-Unfair Competition Law.

China applies a ‘first-to-file’ trademark registration system, such that the person who first files an application – not the one who first uses the mark – is entitled to register the mark. Although the main purpose behind the ‘first-to-file’ system is to help the authorities – CTMO, TRAB, AICs\textsuperscript{212} – manage the trademark system, it also makes easier for malicious registrants to register those trademarks that are already used by other parties. Typically, such registrations will be of marks already familiar to consumers, and the applicants intend to free-ride on the goodwill of the widely recognised trademarks. The problem is particularly acute in the case of well-known trademarks. Although Chinese IP laws prohibit bad faith registration,\textsuperscript{213} ‘these proceedings tend to be difficult and expensive’\textsuperscript{214} and

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\textsuperscript{210} Implementation Rules was firstly adopted by the State Council on 3 January 1988. Art 42 of TML 1982 (and TML 1993) required that ‘the Implementing Regulations under this Law shall be drawn up by the administrative authority for industry and commerce under the State Council. They shall enter into force after they have been submitted to and approved by the State Council’.

\textsuperscript{211} Art 25, Implementation Rules of the Trademark Law. (‘The obtainment of registration by deception or other improper means referred to in Paragraph 1, Article 27 (under TML 1993, author added), of the Trademark Law means one of the following acts: … (2) Using another person’s trademark that is already well-known to the public for registration by means of duplication, imitation, translation or by other means against the principle of honesty and good faith.’ (emphasis added))

\textsuperscript{212} See Figure 1.

\textsuperscript{213} TML 1993 art 27 (1) bans the obtainment of registration by deception or other improper means. See Art 27 (1), TML 1993 (‘Where … the registration of a trademark was acquired by fraud or any other unfair means, the Trademark Office shall cancel the registered trademark in question’); The ‘Implementation Rules of the Trademark Law of the PRC’ (‘Implementation Rules’ hereinafter) art 25 (2) stipulates that ‘using another person’s trademark that is already well-known to the public for registration by means of duplication, imitation, translation or by other means against the principle of honesty and good faith’ falls into art 27 (1) of TML 1993 in terms of ‘by fraud or any other unfair means’. However, this article was deleted in the context of the ‘Regulations for the Implementation of the Trademark Law of the PRC’ (‘Implementation Regulations’ hereinafter) in 2002.

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many well-known trademarks are vulnerable to malicious registration.\(^{215}\)

In order to rectify this situation, the TML 2013 adopts the ‘principle of honesty and good faith’ in the course of registration and use of trademarks. For example, art 7 (1) of the TML 2013 requires that ‘trademarks which apply for registration and use shall conform to the principle of honesty and credibility’.\(^{216}\) (i.e. principle of honesty and good faith) Apart from art 7 (1), art 19 provides that ‘trademark agencies shall follow the principle of honesty and credibility’.\(^{217}\) Art 68 provides that trademark agencies that violate this principle should bear civil liability.\(^{218}\)

In addition, the TML 2013 allows competent authorities to explore what they judge to be suspicious acts and to take action against bad faith registrants. For example, art 15 (2) provides,

> An application for registering a trademark on the same or similar goods shall not be approved if: the trademark under application is identical with or similar to an unregistered trademark already used by another party; the applicant clearly knows the existence of the trademark of such another party due to contractual, business or other relationships with the latter other than those prescribed in the preceding Paragraph\(^{219}\); and such another party raises objections to the applicant's trademark registration application.\(^{220}\) (emphasis added)


\(^{216}\) Art 7 (1), TML 2013.

\(^{217}\) Art 19 (1), TML 2013.

\(^{218}\) Art 68 (3), TML 2013. (‘The trademark agency shall bear civil liabilities in accordance with the law if it violates the principle of good faith to the detriment of the legitimate rights and interests of a principal, and shall be given disciplinary sanctions by the trademark agency industry association pursuant to its articles of association.’)

\(^{219}\) Agent or representative of the client.

\(^{220}\) Art 15 (2), TML 2013.
In such circumstances, the CTMO is likely to reject an application (on request) on the grounds that the application is in breach of the principle of honesty and good faith. Plessis suggested that,

The authorities have therefore now created a general good faith requirement for trade mark filings, which means that every trade mark application must be filed in good faith. On top of that, it will *in future also be possible* for an aggrieved party to oppose a trade mark application if the party filing the application knew or should have known of the trade mark because of some relationship with the aggrieved party.\(^\text{221}\)

However, it is unclear precisely what the circumstances are in which the applicant will be deemed to know the prior use of the marks in question. At the time of writing no interpretations have been given. But the law is clear enough for the owners of unregistered trademarks to make oppositions. As Rice and Simone have observed,

> Although the law in this regard [i.e. ‘any other relationship’ in the last quote above] is unclear for the time being, brand owners should clearly attempt to support their oppositions and cancellations with evidence that the pirate knew or had good reason to know of the pirated mark, for example by virtue of being a competitor in the same market.\(^\text{222}\)

Although the TML 2013 introduced the principle of honesty and good faith, the effect of this should not be overestimated. For instance, Wang has argued that as a broad principle, the principle of honesty and good faith has no direct application in the handing of a bad


faith registration, because: 1) The TML 2013 sets out specific conditions concerning registration in bad faith, such as ‘the registration of a trademark was acquired by fraud or any other unfair means’ in art 44, and these specific conditions are sufficient to address the problem of bad faith registration; and 2) The principle of honesty and good faith per se is too broad to be applicable, and its direct use would thus be destabilizing to the process of examination.\textsuperscript{223} Kong Xiangjun (former presiding judge of IP division of the SPC) has stated that the implementation of this principle will vary according to different circumstances. In the case of decisions made by administrative authorities, such as the CTMO, he believed that a trademark application should not be rejected solely because of the violation of this principle. Instead, rejection or invalidation of trademarks must be made by referring to this principle in combination with other specific rules. However the use of this principle can be more flexible in civil cases.\textsuperscript{224} Rice and Simone conclude that ‘neither the law (i.e. TML 2013) nor its Implementing Regulations permits direct use of this provision as a basis for opposition or cancellations.’\textsuperscript{225}

The 2014 administrative provisions detail this principle but lacked specific liability for violating it.

Art 8 of the 2014 administrative provisions provides that a party must abide by the principle of ‘honesty and good faith’ when requesting a well-known trademark examination. In particular, it explicitly makes the applicant accountable for the validity of the facts of his case and the evidence he submits to the competent authorities.\textsuperscript{226} What is missing, however,

\textsuperscript{224} Xiangjun Kong, ‘Kong Xiangjun: Several Issues on the Implementation of the New Trademark Law’ (‘Kong Xiangjun: Xin Xiu Ding Shang Biao Fa Shi Yong De Ji Ge Wen Ti’) People’s Court Daily (Beijing, 18 June 2014) 7, 7.
\textsuperscript{226} Art 8, 2014 administrative provisions; Art 17, 2014 administrative provisions. (authorizes CMTO to revoke well-known trademark recognition under a condition where a party obtain the title by ‘unfair means’,
is any direction as to the specific liability arising for a breach of this principle.\textsuperscript{227}

Regarding the accountability of the infringer, its predecessor, the ‘Provisions on the Determination and Protection of Well-Known Trademarks (2003 Revision)’ (hereinafter referred to as ‘2003 administrative provisions’ or ‘2003 provisions’) provides some clues.

According to art 9 of the 2003 administrative provisions,

\begin{quote}
Where a mark is not determined as well-known, the interested party shall not file a new application for the determination of the same mark \textit{on the basis of the same facts and grounds within one year} from the date on which the determination is made.\textsuperscript{228} (emphasis added)
\end{quote}

This article, however, has been deleted from the 2014 administrative provisions. Although this article in the 2003 administrative provisions does not explicitly state any particular circumstances where it might be applied (such as maliciously filing recognition applications), it does indicate that for whatever reason a trademark fails in a well-known trademark examination, the liability is with the applicant (in the form of a prohibition against filing a new application for the same trademark based on the same facts and grounds). It would make sense for the SAIC to provide a similar liability under the 2014 administrative provisions.

\textsuperscript{227} Chunfang Li and Qiuping Li, ‘Misunderstanding of Well-Known Trademark and Legal Regulation’ (‘\textit{Chi Ming Shang Biao De Yi Hua Ji Qi Fa Lv Gui Zhi}’) (2009) 31 (3) Journal of Ningxia University (Humanities and Social Sciences Edition) 112, 114 – 115. (The authors suggested establishing the system to punish and revoke malicious acts upon well-known trademarks)

\textsuperscript{228} Art 9, 2003 administrative provisions.
3.4.4. Certain Rules Related to Well-Known Trademark Recognition and Protection

This section will demonstrate and evaluate certain rules related to recognition and protection of well-known trademarks under Chinese trademark law. The rules governing three issues will be analysed. The first issue is the range of protection; and the second, the factors for examining well-known trademarks; and finally the financial remedies for well-known trademark infringements. With the analysis, this thesis suggests that while well-known trademarks have received comprehensive protection, many problems remain. The competent authorities thus need to adopt effective measure to refine the rules in order to rectify these problems.

3.4.4.1. Range of Protection

1. Timeline (1990s)

Although China joined the Paris Convention in 1985, it took sixteen years for domestic policy to reflect its international obligations under the Convention. The long period for compliance indicates China’s difficulty in understanding and accepting an idea which is chiefly a product of western market economies. The restriction as to subject of protection in the 1996 Provisional Provisions is a typical example. With China’s accession to the WTO in 2001 the legal reforms over well-known trademarks accelerated. Since joining the WTO, China has adopted and amended over 140 laws and regulations (including its Trademark Law and the relevant judicial interpretations and administrative provisions) and deleted another 500 laws in compliance with the TRIPS Agreement. This may reflect the determination of the leadership to fully comply with international standards and promote IPRs. In general, China now has provided full range of protection for well-known trademarks.

The range of recognition and protection for well-known trademarks was incomplete in the 1990s. For example, the SAIC’s Provisional Provisions (1996) created a strict requirement standard where only registered well-known trademarks were granted protection. Accordingly, unregistered trademarks were excluded. This is not only inconsistent with the Paris Convention which provides that the trademark must be well known in the country in which registration is opposed or protection is sought regardless of the status of trademark registration\textsuperscript{230} but is also unfair to the owners of unregistered trademarks.

The ‘Implementation Rules of the Trademark Law 1993’ (hereinafter referred to as ‘Implementation Rules 1993’) attempted to clarify some conditions where well-known trademarks would be given protection although in a limited way. Art 25 the Implementation Rules 1993 required,

\begin{quote}

The obtainment of registration by deception or other improper means referred to in Paragraph 1, Article 27 (under TML 1993, author added), of the Trademark Law means one of the following acts: … (2) Using another person’s trademark that is already well-known to the public for registration by means of duplication, imitation, translation or by other means against the principle of honesty and good faith.\textsuperscript{231} (emphasis added)

\end{quote}

Accordingly, various measures which might be used to register an existing well-known trademark owned by another person by, for instance, duplication, imitation or translation, were prohibited.

\textsuperscript{230} Art 6 bis, Paris Convention.

\textsuperscript{231} Para 1, Art 27 of the TML 1993 (Where a registered trademark stands in violation of the provisions of Article 8 of this Law, or the registration of a trademark was acquired by fraud or any other unfair means, the Trademark Office shall cancel the registered trademark in question; and any other organization or individual may request the Trademark Review and Adjudication Board to make an adjudication to cancel such a registered trademark.’)
This is consistent with the description ‘a reproduction, an imitation, or a translation’ in the context of art 6 bis of the Paris Convention. Art 25 of Implementation Rules 1993 thus mirrors the main thrust of the Paris Convention with regard to well-known trademark protection.\textsuperscript{232} However the protection afforded to well-known trademarks under art 25 of the Implementation Rules 1993 was far from adequate. Firstly, the rules only provided protection against acts of \textit{registration} ‘by deception or other improper means’. Accordingly, it did not deter people from \textit{using} such a well-known trademark. Secondly, some crucial details under art 6 bis of the Paris Convention – for example, the ‘likelihood of confusion’ principle, and the outer boundary of ‘identical or similar goods’ – were missing.

As Chinese courts were not authorized to hear cases involving well-known trademark disputes before July 2001 (when the domain name interpretation entered in force), it gave them no choice but to handle cases involving well-known trademarks on the basis of international treaties. The case of \textit{Procter & Gamble (P & G) v Shanghai Chenxuan Tech Co., Ltd. (Chenxuan)} shows how a Chinese court handled such cases in accordance with China’s international obligations concerning well-known trademarks.

\section*{2. Case: \textit{Procter & Gamble (P & G) v Shanghai Chenxuan Tech Co., Ltd. (Chenxuan)}}

\textit{P & G v Chenxuan} was the first Chinese case involving the use of a domain name and a well-known trademark heard and decided by People’s Court. Its verdict was the first \textit{effective} judgment involving judicial recognition of well-known trademarks in China, and the first \textit{effective} judgment dealing with conflicts between domain names and trademarks in China.\textsuperscript{233}

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The rulings of the court of first instance and second instance in this case were made before the issuance of the SPC’s guidance on domain name (i.e. domain name interpretation) and before the TML 2001. This case then demonstrates how well-known trademarks were protected in China solely by reference to international norms.

**Judgment**

Before the court of first instance, not only the claimants, P & G, but also the court sought to handle the dispute in question by reference to the Paris Convention. The trademark ‘safeguard’ was recognised as a well-known trademark by the SAIC in 1999. In this case, the P & G claimed that their registered well-known trademark should receive protection against unfair competition pursuant to art 6 bis of the Paris Convention. The court of first instance supported the claimant, although it did not explicitly recognise ‘safeguard’ as a well-known trademark. Instead, the court decided ‘safeguard’ was ‘a registered trademark which was well known by the relevant public and enjoyed a relatively high reputation in the market’. However, it should be noted that, in the official judgment (Chinese version), the court refused to explicitly use the term ‘well-known trademark’ in its judgement. This thesis believes it may indicate that court of first instance felt reluctant to directly certify the ‘well-known trademark’ title as no statutes at that time authorized the court to do so. Regardless of this, the defendant’s act to register the domain name ‘safeguard.com.cn’ was found to violate Trademark Law and Anti-Unfair Competition Law and was therefore a malicious registration.

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234 The ruling of the first instance was delivered on 9 October 2000 and the ruling of the second instance was delivered on 5 July 2001. The domain name interpretation was issued 17 July 2001 and became effective since 24 July 2001. More details see *P & G v Shanghai Chenxuan Tech Co., Ltd* (2000) Hu Er Zhong Zhi Chu Zi No.23 and (2001) Hu Gao Zhi Zhong Zi No.4.

235 P & G registered trademark ‘safeguard’ (in English) in May 1976 in China, and registered ‘safeguard plus its Chinese translation’ (舒肤佳) in June 1996.

By contrast, the court of appeal accepted that the ‘safeguard’ trademark was a well-known trademark and ruled that the defendant should be liable for unfair competition according to art 6 bis (well-known trademark clause) and art 10 of the Paris Convention (unfair competition clause), and under the Anti-Unfair Competition Law of China.  

Discussion

There are two issues that need to be highlighted in this case.

The first issue is whether the People’s Courts are authorized to handle civil litigation involving the use of P & G’s registered trademark as domain name. As demonstrated above, this case was delivered before the promulgation of domain name interpretation, as a result, Chinese courts were legally not authorized to hear such cases according to domestic provisions. However, it should be noted that People’s Courts are authorized to prevent any behaviour which may prevent holder of a well-known trademark using its well-known trademark to carry on business activities on the Internet. If the defendant can freely register and use P & G’s well-known trademark ‘Safeguard’ as his own domain name ‘safeguard.com.cn’, it constitutes trademark infringement because the plaintiff’s right of use of a trademark is compromised. In particular, with the rise of e-commerce, enterprises with well-known trademark such as P & G’s ‘safeguard’ will choose to register these trademark names as their domain names on the Internet to extend their influence, to enhance their distinction, and to associate their domain names with their products and services. The defendant therefore infringed the plaintiff’s right to well-known trademark domain name.

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239 Jiang Ying, ‘Registering and Using Another Person’s Well-Known Mark as a Domain Name Constitute Trademark Infringement – Comment on the Case of Trademark Infringement and Unfair Competition Procter & Gamble v. Beijing Tiandi Electronics Group’ (2001) 3 China Patents & Trademarks 69, 75.
registration and utilization and constituted an infringement on the ‘exclusive right to the use of registered trademarks’ P & G shall exercise.\textsuperscript{240} People’s Courts are therefore eligible to hear and decide civil cases involving the use of registered trademarks as domain names.

The second issue is whether People’s Courts are authorized to recognize well-known trademarks in disputes involving the use of registered trademarks as domain names. Again, as this case was delivered before the domain name interpretation, Chinese courts have actually no legal basis to hear such cases. According to the provisional provisions 1996, the CTMO was the only competent authority in China to recognize well-known trademarks. The defendant therefore claimed that P & G could not request the recognition of well-known trademark ‘safeguard’ before the court and P & G had not obtained well-known status for its ‘safeguard’ trademark from the CTMO. As a result, it cannot enjoy the right as a well-known trademark holder as stipulated in the Paris Convention.\textsuperscript{241} However, this is not a convincing argument. The well-known trademark status reflects the degree of knowledge of the trademark in relevant public. In this sense, a trademark not established by competent authorities is not necessarily a trademark not well known. In other words, whether a trademark is well known should not only be decided by whether a competent authority has recognized it, but mainly by the degree of knowledge thereof in the market place. Because this status is objective and exists as a matter of fact, as indicated later in 2009 judicial interpretation (see 3. Below), People’s Courts have the power to recognize this fact in a case involving well-known trademarks.\textsuperscript{242}

\textit{Conclusion}

This case confirmed that a civil case involving a dispute between domain names and

\textsuperscript{240} \textit{Ibid.}


\textsuperscript{242} Jiang Ying, ‘Registering and Using Another Person’s Well-Known Mark as a Domain Name Constitute Trademark Infringement – Comment on the Case of Trademark Infringement and Unfair Competition Procter & Gamble v. Beijing TianDi Electronics Group’ (2001) 3 China Patents & Trademarks 69, 73.
registered well-known trademarks would fall into the jurisdiction of Chinese courts. It also formalized the examination standard of ‘unfair competition’ in the course of registering and utilizing other person’s registered trademarks as domain names.243


Judicial interpretations have played an active role in establishing a full range of protection for well-known trademarks since 2001. Three judicial interpretations are outlined below.

a. Interpretation of the Supreme People’s Court on Application of Laws in the Trial of Civil Disputes over Domain Names of Computer Network (‘Domain Name Interpretation’)

It was suggested that well-known trademark designation had become increasingly important with regard to domain names in China.244 Taken into account the importance of regulating this area, the SPC issued its domain name interpretation in 2001. This interpretation not only authorized Chinese courts to hear and decide well-known trademarks in domain name disputes, but also marks the first step of establishing a ‘Dual-Track’ system for well-known trademark protection in China.245 With its adoption, Chinese courts began to handle cases involving well-known trademarks on the basis of domestic regulations instead of international treaties or administrative orders which marked a significant advance in the evolution of well-known trademark protection in China.

b. Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation (2002)


245 Art 6, domain name interpretation.
The SPC enhanced the abilities of People’s Courts to recognise well-known trademarks in its ‘Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation’ (2002).\textsuperscript{246} Since then, People’s Courts have been authorized to determine well-known trademarks in \textit{all} trademark cases.

c. Interpr\textit{e}tation of the Supreme People’s Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Well-Known Trademarks (‘2009 Judicial Interpretation’)

The SPC’s 2009 judicial interpretation refers to the scope of cases where well-known trademarks can be determined. It stipulates that People’s Courts may only recognise well-known trademarks in circumstances where judicial recognition becomes necessary to protect interests of trademark owners. Otherwise, no well-known trademark examinations will be conducted.

It articulates three kinds of cases where a well-known trademark can be recognized by People’s Courts,

With regard to any of the following cases of civil disputes, in which a party concerned believes that its trademark is famous and takes this as the factual basis, the people’s court shall determine whether the trademark involved therein is famous or not in light of the concrete circumstances if it deems it really necessary:

1. a trademark right infringement lawsuit initiated on the ground of violation of Article 13 of the Trademark Law;
2. a trademark right infringement or unfair competition lawsuit initiated by a party on the ground that an enterprise’s name is identical with or similar to its famous

\textsuperscript{246} Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation, Fa Shi [2002] No.32. It was promulgated on 12 October 2002, and came into force on 16 October 2002.
trademark; or

3. a counterargument or counterclaim as prescribed in Article 6 of these Interpretations.247

By contrast, it prohibits well-known trademark recognition in certain kinds of cases,

With regard to either of the following cases of civil disputes, the people’s court will not examine whether the trademark involved therein is famous or not:

1. Whether the trademark involved therein is famous shall not be the factual basis for the establishment of the trademark right infringement or unfair competition sued; or

2. The trademark right infringement or unfair competition sued is not established due to the absence of other elements as prescribed in law.

An infringement lawsuit, which is lodged by the plaintiff on the grounds that the domain name registered or used by the defendant is identical with or similar to the plaintiff’s registered trademark and that the electronic business – the trading of relevant commodities through the domain name – is sufficient to mislead the relevant general public, shall be governed by the provisions in subparagraph 1 of the preceding paragraph.248

This new rule helps to curb lawsuits filed in bad faith in order to obtain ‘well-known trademark’ status.249

4.  **Trademark Law 2001 and 2009 Judicial Interpretation**

247 Art 2, 2009 judicial interpretation; art 6, 2009 judicial interpretation. (‘For a civil lawsuit lodged by the plaintiff on the ground that the use of the trademark involved therein infringes its exclusive right to use the registered trademark, if the defendant makes a counterargument or initiates a counterclaim on the ground that the plaintiff’s registered trademark is a copy, imitation or translation of its earlier un-registered famous trademark, it shall bear the burden of proof to support the popularity of the earlier un-registered trademark.’)  

248 Art 3, 2009 judicial interpretation.  

249 See Chapter 4.
The range of protection of well-known trademarks is regulated in the TML 2001 and the 2009 judicial interpretation gives more explanations of the well-known trademark provisions under the TML 2001. The result of these rules under the TML 2001 and 2009 judicial interpretation is that, the interests of well-known trademark owners are better safeguarded and the system of well-known trademark protection has been standardized.

Regarding unregistered well-known trademarks, art 13 (1) of the TML 2001 provides:

If a trademark, for which an application for registration is filed, of the same or similar commodity is the copy, imitation or translation of a well-known trademark of others which hasn’t been registered in China, and misleads the public, it shall not be registered and shall be prohibited from use.\(^\text{250}\)

In respect of registered well-known trademarks, art 13 (2) of TML 2001 requires:

If a trademark, for which an application for registration is filed, of a different or dissimilar commodity is the copy, imitation or translation of a well-known trademark of others which has been registered in China, and misleads the public and leads to possible damage to the interests of the registrant of that well-known trademark, it shall not be registered and shall be prohibited from use.\(^\text{251}\)

The TML 2001 thus goes some way to provide well-known trademark protection in line with China’s international obligations under the Paris Convention and TRIPS Agreement. It not only clearly grants protection for unregistered well-known trademarks but also allows

\(^{250}\) Art 13 (1), TML 2001.

\(^{251}\) Art 13 (2), TML 2001. (‘Where the trademark of a different or dissimilar kind of goods is a reproduction, imitation, or translation of another person’s well-known trademark not registered in China and it misleads the public so that the interests of the owner of the registered well-known trademark are likely to be impaired, no application for its registration may be granted and its use shall be prohibited.’)
the protection of registered well-known trademarks to go beyond the Class in which they are registered.

The 2009 judicial interpretation gives more explanations of the well-known trademark provisions under the TML 2001. Regarding ‘liable to cause public confusion’ (for unregistered trademarks) as stipulated in art 13 (1) of TML 2001, the 2009 judicial interpretation pinpoints several circumstances which fall into the scope of ‘public confusion’:

Where it is sufficient to make the relevant general public be confused about the origin of the commodity with regard to the use of the Well-Known trademark and the trademark against which the lawsuit is lodged or it is sufficient to make the relevant general public believe that there exists a licensed use, relationship of affiliated enterprises or any other particular connection between the use of the Well-Known trademark and the business operator of the trademark against which the lawsuit is lodged, this would fall within the circumstance of being “likely to cause confusion” as described in paragraph 1 of Article 13 of the Trademark Law. (emphasis added)

In respect of ‘mislead the public so that the interests of the owner of the registered well-known trademark are likely to be impaired’ under art 13 (2) of TML 2001, the 2009 judicial interpretation details three conditions when misleading behaviour may be found:

Where it is sufficient to make the relevant general public believe that there is a certain connection between the trademark against which the lawsuit is lodged and the Well-

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252 Art 13 (1), TML 2001. (‘Where the trademark of an identical or similar kind of goods is a reproduction, imitation, or translation of another person’s well-known trademark not registered in China and is liable to cause public confusion, no application for its registration may be granted and its use shall be prohibited.’)

253 Art 9 (1), 2009 judicial interpretation.

Known trademark and as a result the distinctiveness of the Well-Known trademark is diluted and the market reputation of the Well-Known trademark is degraded or the market reputation of the Well-Known trademark is improperly utilized, this would fall within the circumstance as provided in paragraph 2 of Article 13 of the Trademark Law: “… misleads the general public and leads to possible damage to the interests of the registrant of that Well-Known trademark.” (emphasis added)

These rules will facilitate People’s Courts to exercise examination over well-known trademarks with greater predictability.

5. Art 9 (2): ‘Anti-Dilution’ Provision or Not?

Art 9 (2) of the 2009 judicial interpretation has been widely discussed in China. The crux of the discussion is whether the ‘anti-dilution’ principle has been de facto adopted by Chinese legislators and Courts. This thesis argues that, 1) Firstly, art 9 (2) has introduced an ‘anti-dilution’ principle to China for the first time and it is now possible for holders of well-known trademarks to seek protection against infringements with reference to this principle before Chinese courts; 2) Secondly, it is too early to conclude that Chinese authorities have fully apprehended this principle and its application at administrative level is still problematic. Therefore, further explanations are needed.

5.1 Case: Liu Zhou Liang Mian Zhen Ltd. v TRAB

The judgment of a Chinese case Liu Zhou Liang Mian Zhen Ltd. v TRAB demonstrates the standard of applying ‘anti-dilution’ principle considered by Chinese court. Hong Shao Wei filed an application for trademark registration to the CTMO. The trademark ‘Liang Mian Zhen’ (‘俩面针’) he filed directed to goods class 25 ‘Hat & Sock’ and was granted

255 Art 9 (2), 2009 judicial interpretation.
by the CTMO. Liu Zhou Liang Mian Zhen Ltd. (LZ) who held registered trademark ‘Liang Mian Zhen’ (‘两面针’) in good class 3 ‘Toothpaste’ filed a case against Hong’s trademark registration to the TRAB after the CTMO granted Hong’s trademark application, and requested the re-examination. The TRAB supported the decision of the CTMO and this case was finally delivered to Beijing No.1 Intermediate court by LJ.

Judgment

The court ruled that Hong’s trademark ‘Liang Mian Zhen’ in goods class 25 constituted not ‘confusion beyond category’ (‘跨类混淆’) but ‘dilution’ to LJ’s trademark ‘Liang Mian Zhen’ in goods class 3. Hong’s application constituted a breach of art 13 (2) of the TML 2001 and therefore requested the TRAB to re-examine Hong’s application.

Analysis of the Judgment

This thesis believes that the reasons behind the judgement are worth further attention, as this is the first time a Chinese judge offers comprehensive interpretation on art 9 (2) of the 2009 judicial interpretation as regards the ‘anti-dilution’ principle.

Firstly, the judge clarifies the misleading behaviour in art 13 (2) of the TML 2001 that applies to a situation where ‘confusion beyond category’ was found. But in this case, no ‘confusion beyond category’ was decided.

Secondly, the judge states that according to art 9 (2) of the 2009 judicial interpretation, art 13 (2) of the TML 2001 now consists of two scenarios. The first one is traditional ‘confusion beyond category’, and the second one is ‘dilution’. If a registered trademark is recognized as well-known by the court, and the registration and utilization of an infringing trademark is found to confuse relevant public and/or dilute the well-known trademark, then it falls into the scope of art 13 (2) of the TML 2001 in accordance with art 9 (2) of the 2009
The explanation offered by the judge is important. Zhu argued that art 9 (2) introduced ‘anti-dilution’ principle into China’s well-known trademark system, but it did so through incorporating this principle into ‘confusion beyond category’ principle. In other words, Chinese legislators do not establish a new principle to replace the old one. Instead, they extend the range of old principle to cover the new one through the 2009 judicial interpretation. The advantages and disadvantages of this approach will be analysed in the first point of 5.2. below.

Thirdly, the judge states that when the trademark in case has been decided as well-known, the application of ‘anti-dilution’ principle is still conditional. If Hong’s trademark is B and LZ’s well-known trademark is A, then this principle will only apply when three conditions are met simultaneously: 1) B’s relevant public in the field of goods class ‘Hat and Sock’ acknowledge the one-to-one correspondence between A and LZ’s goods class ‘Toothpaste’; 2) B’s relevant public can link B to A when they see B; 3) B’s relevant public can realize that there is no relationship between B and A. But if B’s relevant public believe that there is a relationship between B and A’s holder LZ, then the court may decide the case based on ‘confusion beyond category’ instead of ‘anti-dilution’.

Conclusion

This thesis suggests that the three conditions developed in this case show Chinese courts have begun to implement an ‘anti-dilution’ principle to protect well-known trademarks against infringements. However, it should be borne in mind that the lack of a legal tradition based on precedents established through case law is a barrier for other courts or authorities to follow this approach. Therefore, its actual effect remains to be seen.

258 The court of second instance reversed this judgment in 2013 because LZ’s registered trademark was
5.2. ‘Anti-Dilution’ in China is Problematic

Although the case above indicated that Chinese courts have applied ‘anti-dilution’ principle in certain cases, this thesis argues that it is too early to conclude that Chinese authorities have fully apprehended this principle and its application at administrative level is still problematic. Therefore, further explanations are needed.

Firstly, there are still arguments about whether art 9 (2) of the 2009 judicial interpretation has actually incorporated an ‘anti-dilution’ principle. Zhu and Rui suggested this article introduced this principle but it did so through incorporating to the traditional ‘confusion beyond category’ principle. In contrast, Zhou suggested that China has not adopted ‘anti-dilution’ principle at judicial and legislative levels. He argued that art 9 (2) of the 2009 judicial interpretation did not incorporate this principle but still sticks to traditional ‘confusion beyond category’ principle, as it requires ‘a certain connection’ between the trademark against which the lawsuit is lodged and the Well-Known trademark’. This ‘connection’ indicates ‘likelihood of confusion’. Chen stated that although the 2009 judicial interpretation intended to introduce ‘anti-dilution’ to China, it did not distinguish ‘dilution’ from ‘confusion’ and showed a vague boundary between these two concepts.


261 Shaoping Chen, ‘Study on Dilution Theory of Well-Known Trademark – with Commenting on Article 5 (2) of Anti-Unfair Competition Law’ (‘Shi Lun Chi Ming Shang Biao Dan Hua Li Lun – Jian Ping Wo Guo
This thesis suggests that the 2009 judicial interpretation should be seen as the first Chinese legal document aiming to introduce ‘anti-dilution’ principle to well-known trademark system, however, the approach the SPC chose is still arguable. The advantage is, to corporate ‘anti-dilution’ to ‘confusion beyond category’, as analysed by Zhu and Ran, proves to be a feasible approach for Chinese courts to protect well-known trademarks in certain cases under ‘anti-dilution’ principle, such as Liang Mian Zhen case above. The disadvantage is that its adoption is incomplete and therefore caused confusion, because Chinese Trademark Law did not clarify this principle and technically, as a judicial interpretation, this thesis questions whether art 9 (2) can incorporate the new principle to ‘confusion beyond category’ as stipulated in the TML 2001. Besides, the standard of ‘anti-dilution’ in Liang Mian Zhen case has not been explained by the SPC and this lacuna gives a good reason for some professionals to question its application in the nation.

Secondly, when the SPC decided to incorporate ‘anti-dilution’ through 2009 judicial interpretation, it caused inconsistency and disputes between the judicial and administrative authorities. It should be borne in mind that well-known trademarks are protected under the ‘Dual-Track’ model in China since 2001. Judicial interpretations promulgated by the SPC can only guide courts at different levels to hear disputes involving well-known trademarks. Those cases managed by the CTMO and TRAB will only be decided by administrative provisions and the administrative provisions are following the spirit of the TML 2001. As the TML 2001 does not clarify ‘anti-dilution’ in its text, so do the administrative provisions. As a result, the CTMO and TRAB will not protect well-known trademarks recognised under the ‘anti-dilution’ principle. It is self-evident that this inconsistency will negatively affect well-known trademark protection system in China.

5.3. Suggestions and Conclusion

Fan Bu Zheng Dang Jing Zheng Fa Di Wu Tiao Di Er Xiang Gui Ding’)
In conclusion, this thesis suggests that art 9 (2) of the 2009 judicial interpretation is symbolic in the development of policy regarding well-known trademark protection in China, as it for the first time introduces ‘anti-dilution’ principle to the nation. The court of Liang Mian Zhen case offers insightful opinions on the standard of its application. Chinese authorities have begun to apply this principle to better protect interests of owners of well-known trademarks. However, the introduction of ‘anti-dilution’ principle in China is currently deficient. It was adopted through the issuance of judicial interpretation and further extending the scope of traditional ‘confusion beyond category’ stipulated in the TML 2001. The standards of its application have not been clarified by the SPC and the TML 2001. As a result, there is no ‘anti-dilution’ protection against infringements at administrative level and its application at judicial level is also problematic. In order to coordinate its application between and within competent authorities, this thesis suggests that Chinese legislators need to clarify and standardize ‘anti-dilution’ principle in Chinese Trademark Law. Following that, the SPC and the SAIC should issue provisions to regulate its application respectively.

3.4.4.2. Factors for Examining Well-Known Trademarks

The second issue this section aims to evaluate is factors used for examining well-known trademarks. Because of the ‘Dual-Track’ model, these factors are stipulated in not only trademark law / judicial interpretations, but also in administrative regulations. It suffices to conclude that Chinese laws have provided enough details in terms of factors for examining well-known trademarks, but some problems remain.

Firstly, while art 13 of the TML 2001 provides rules as regards the range of protection, art 14 details factors used for well-known trademark examinations conducted by People’s Courts.

Art 14, TML 2001 empowers the People’s Courts to examine whether a trademark is a well-
known trademark with reference to a non-exhaustive list of factors,

The following factors shall be taken into consideration in the determination of well-known trademarks: 1) *how well* is that trademark known by the *relevant public*; 2) the period during which that trademark has been in use; 3) the period, extent and geographic scope of any publicity of that trademark; 4) the record of protection of that trademark as a well-known trademark; and 5) other factors for which that trademark is well-known.262 (emphasis added)

Art 13 and art 14 of the TML 2001 mark the point that Chinese courts gain *full* jurisdiction over well-known trademark cases.263 However, some critical issues remain unsolved. For example, the standards for judging ‘how well’ a trademark is known by the relevant public, or range of ‘relevant public’, are not explained. Nor is the relationship between the factors. And it is uncertain whether People’s Courts are required to take into account all of the factors. Furthermore, the ‘period’ during which that trademark has been in use has not been specified. These unsolved issues in the TML 2001 have caused difficulty in determining whether a trademark is well-known.

Secondly, there are three provisions incorporating further details as regards factors listed in art 14 of the TML 2001. The 2009 judicial interpretation streamlines the factors used for well-known trademark recognition. The 2003 administrative provisions explain who the ‘relevant public’ are in deciding whether a trademark is well-known. And the 2014 administrative provisions regulate the evidential materials which may be considered by authorities in examining well-known trademarks.

263 Before TML 2001, Chinese courts could decide well-known trademarks in certain cases according to judicial interpretations. For example, a well-known trademark might be decided in a dispute between a domain name and a registered trademark. See art 6, Interpretation of the Supreme People’s Court on the Application of Laws in the Trial of Civil Disputes over Domain Names of Computer Network, Fa Shi [2001] No.24. This interpretation became effective in July 2001.
1. 2009 Judicial Interpretation

Art 4 of the 2009 judicial interpretation for the first time clarifies the relationship between the different factors. It provides that when deciding whether a trademark is well-known, the People’s Courts should determine the result according to the actual circumstances of the case and consider all approved evidence listed in art 14 of the TML 2001. However, art 4 also allows the People’s Courts at their discretion to determine a well-known trademark without considering all the elements listed in art 14 of the TML 2001 in the light of the particular circumstances of each case. This guidance correlates with rules under the Joint Recommendation,

The above factors, which are guidelines to assist the competent authority to determine whether the mark is a well-known mark, are not pre-conditions for reaching that determination. Rather, the determination in each case will depend upon the particular circumstances of that case. In some cases all of the factors may be relevant. In other cases some of the factors may be relevant. In still other cases none of the factors may be relevant… (emphasis added)

Therefore, article 4 of the 2009 judicial interpretation goes some way to increase the discretion of Chinese courts and in this way facilitate the provision of judicial remedies for trademark infringements in cases involving well-known trademarks.

The last paragraph of art 5 in the 2009 judicial interpretation explains how People’s Courts

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264 Art 4, 2009 judicial interpretation. (‘To determine whether a trademark is famous or not, the people’s court shall regard the fact, which can demonstrate the popularity of the trademark, as the basis and comprehensively take into consideration all factors as prescribed in Article 14 of the Trademark Law, unless, in light of the concrete circumstance of the case, it is sufficient to determine the popularity of the trademark without taking into consideration all of the aforesaid factors.’)

265 Art 2 (1) (c), Joint Recommendation.
should review submitted evidence provided by a party in a well-known trademark dispute. It provides that People’s Courts should ‘objectively and thoroughly’ examine these evidential materials, including the length of the use of a trademark, business ranking, market investigation report, market value assessment report, and whether this trademark was certified as a well-known trademark. This new rule is significant as only those materials are valid in the determination. Chen has argued that survey results from either administrative divisions or non-governmental agencies must be certified before being valid in a certain case, and this validity must be determined by competent authorities under certain circumstances.

One difference between art 5 of the 2009 judicial interpretation and art 14 of the TML 2001 is that art 5 indicates that ‘market reputation’ is a relevant factor for consideration. An existing high level of ‘market reputation’ of a trademark – as a relevant factor – may help a trademark owner to protect his interests against infringers.

2. 2003 Administrative Provisions

The 2003 provisions explain who the ‘relevant public’ are in deciding whether a trademark is well-known. However, it is unclear whether this is consistent with the Joint Recommendation.

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266 Art 5 (3), 2009 judicial interpretation. (‘The people’s court shall, by taking into consideration other proofs for determining the popularity of the trademark, objectively and thoroughly examine such proofs as the length of use of the trademark, industrial ranking thereof, market investigation report, market value assessment report, and whether it has ever been certified as a famous trademark.’)


269 For example, art 2, Provisions on the Determination and Protection of Well-Known Trademarks (SAIC, 2003). (‘a well-known mark refers to a mark that is widely known to the relevant public sectors of the public and enjoys a relatively high reputation in China’); Yin Dong, ‘The Effect of Market Reputation on Recognition of Well-Known Trademark’ (‘Shi Chang Sheng Yu Dui Chi Ming Shang Biao De Ren Ding Zuo Yong’) (2011) 9 (8) Journal of Huaihai Institute of Technology (Social Forum, Social Science Edition) 64, 65.
Art 2 (2) of the 2003 provisions stipulates that ‘relevant public’ should cover,

consumers of the type of goods and/or services to which the trademark applies, 
operators who manufacture the said goods or provide the said services, and sellers and other persons involved in the channels of distribution of the type of goods and/or services to which the trademark applies.\(^\text{270}\) (emphasis added)

As compared with art 8 of the ‘Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation’,\(^\text{271}\) the 2003 provisions refer to a greater number of relevant consumers, such as ‘sellers and other persons involved in the channels of distribution of the type of goods and/or services to which the mark applies’. Although this can be seen as favouring the interests of the legitimate owners of well-known trademarks, it is unclear whether this is consistent with relevant rule under the Joint Recommendation.

The international perspective, outlined in the Joint Recommendation, is that the ‘relevant public’ should include but not be limited to:

1) actual and/or potential consumers of the type of goods and/or services to which the mark applies; 2) persons involved in channels of distribution of the type of goods and/or services to which the mark applies; and 3) business circles dealing with the type of goods and/or services to which the mark applies.\(^\text{272}\) (emphasis added)

\(^{270}\) Art 2 (2), 2003 provisions. 

\(^{271}\) Art 8, Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation, Fa Shi [2002] No.32. (‘The “relevant public” referred to in the Trademark Law means consumers related to the type of product or service branded with the trademark or business operators that have a close connection to the marketing of the afore-mentioned product or service.’)

\(^{272}\) Art 2 (2) (a), Joint Recommendation.
Explained in the annex of the Joint Recommendation ‘Explanatory Notes’, ‘consumers’ should be understood in a broad sense, and ‘should not be restricted to those persons who actually and physically consume the product’.\textsuperscript{273} By contrast, the 2003 provisions do not refer directly to ‘potential consumers’\textsuperscript{274} and it is thus unclear whether art 2 of the 2003 provisions is consistent with the Joint Recommendation. This may affect how Chinese authorities examine a well-known trademark in certain cases and whether the owner’s interests can be secured. Liu and Hu have suggested that the scope of ‘relevant public’ should be extensively interpreted as being addressed in the Joint Recommendation.\textsuperscript{275} This thesis agrees with their comment, as China has been the Member of the Joint Recommendation since 1999 and should be in full compliance with its rules.


Compared with its predecessor (the 2003 provisions), the 2014 administrative provisions give more detail in terms of the evidential materials which may be considered by authorities in examining well-known trademarks, so contributing to the efficient examination of well-known trademarks.\textsuperscript{276}

\textsuperscript{273} 2.12, Explanatory Notes, Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks. (‘The expression “consumers” is to be understood in the wide sense of the term, and should not be restricted to those persons who actually and physically consume the product. In that respect, reference can be made to the term “consumer protection” which covers all parts of the consuming public. Because the nature of the goods or services to which a mark is applied can vary considerably, actual and/or potential consumers can be different in each case. Groups of actual and/or potential consumers may be identified with the help of parameters such as the target group for the goods and services in relation to which the mark is used or the group of actual purchasers.’)

\textsuperscript{274} Art 2 (2), 2003 provisions.


So far as duration is concerned, art 9.1 (2) of the 2014 administrative provisions stipulates that if a disputed trademark is unregistered, evidence showing at least five years in actual and constant use must be submitted to the CTMO or TRAB. In contrast, the owner of a registered trademark must submit evidence of at least three years in registration, or as an alternative, the same evidence of use as required for unregistered trademarks. Art 9 also specifies the starting points for calculating the three or five year periods.

Second, the ‘three years’ request to registered trademarks above also applies to evidentiary documents, i.e. ‘documents concerning the duration, extent and geographical area of any promotion of the mark, including the approach to, geographic area of, the type of media for and the amount of advertisements for the promotion of the mark.’

3.4.4.3. Financial Remedies over Well-Know Trademark Infringements

The third issue of this section will focus on certain rules under Chinese trademark law concerning the financial remedies for well-known trademark infringements. The significance of this issue lies in its influence on deterring trademark infringements and recovering the losses of well-known trademark owners caused by infringements. This part will demonstrate and evaluate these rules under the TRIPS Agreement, the TML 2001 and the TML 2013. While certain rules under the TML 2001 are inadequate, the adoption of new policy regarding the financial remedies under the TML 2013 better reflects the demands of the TRIPS Agreement and thus improves the protection of well-known trademarks. In the meantime, these rules under the TML 2013 are still imperfect and

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277 Art 14 (2), TML 2001. (‘Upon request by the party concerned, a well-known trademark shall be recognized as a fact that needs to be ascertained in the handling of a trademark-related case. the following factors shall be taken into consideration in the recognition of a well-known trademark: … (2) The duration of the use of the trademark.’)

278 Art 9 (1) (2), 2014 administrative provisions.

279 Art 9 (2), 2014 administrative provisions.

280 Art 9 (1) (3), 2014 administrative provisions. For more details about the test for these evidence, see the SAIC’s ‘Standard for Review of Trademarks’ (‘Shang Biao Shen Li Biao Zhun’), SAIC, 31 December 2005.
therefore require further clarification from the authorities.

1. Rules in the TRIPS Agreement

Adoption of the enforcement mechanisms under the TRIPS Agreement is of critical importance to IPRs protection and enforcement in China. As a Member State, China needs to comply with the following provisions as a matter of international law.

Firstly, art 41 stipulates that,

Members shall ensure the enforcement procedures are available … so as to permit effective action against any act of infringement of intellectual property rights … including expeditious remedies to prevent infringement and remedies which constitute a deterrent to further infringements'.

Secondly, art 45 provides that judicial authorities ‘order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an

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282 Art 41 (1), TRIPS Agreement. (‘Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.’)
infringement’ if the infringer in question ‘knowingly, or with reasonable grounds to know, engaged in infringing activity’. 283

Thirdly, art 61 demands that,

Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. 284

2. ‘Exclusive Right to the Use of Registered Trademarks’ and Financial Remedies over Well-Known Trademark Infringements

As China provides trademark protection based on a ‘first-to-file’ principle rather than a ‘first-to-use’ principle, timely filings for trademark registration are important to secure priority. Once successfully registered, trademark owners enjoy the so-called ‘exclusive right to use of registered trademarks’. This exclusive right is highly relevant to well-known trademark protection: a holder of a registered well-known trademark is able to seek financial remedies against trademark infringers through either the ‘exclusive right to the use of registered trademarks’ provisions or the well-known trademark provisions, or in combination, so strengthening the protection of well-known trademarks.

A registered well-known trademark owner would normally file a case against a defendant by claiming that the defendant had undermined his ‘exclusive right to the use of registered trademarks’. 284

283 Art 45 (1), TRIPS Agreement. (‘The judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person’s intellectual property right by an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity.’) 284

Art 61, TRIPS Agreement.
Art 52 of the TML 2001 rules that ‘any of the following acts shall constitute an infringement on the exclusive rights to the use of a registered trademark: … (5) impairing in other manners another person’s exclusive right to the use of its registered trademark.’ But the TML 2001 offers no explanation about the relationship between this article and well-known trademarks.

In 2002, the SPC’s ‘Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation’ clarifies their relationship. Article 1 regulates circumstances as regards ‘causing other damage to the right to exclusive use of a registered trademark of another person’ under art 52 (5) of the TML 2001. It specifies three circumstances where a breach of ‘exclusive right to the use of registered trademarks’ will be determined, in particular, ‘reproducing, imitating or translating another's registered well-known trademark or its main part and using it as a trademark on non-identical or dissimilar goods thereby misleading the public and potentially prejudicing the interests of the registrant of the well-known trademark’ constitute the violation of ‘exclusive right to the use of registered trademarks’.

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286 Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation, Fa Shi [2002] No.32.
287 The following acts constitute acts causing other harm to another's exclusive right to use a registered trademark as set out in Item (5) of Article 52 of the Trademark Law:
1. using wording that is identical or similar to another's registered trademark as a business name and displaying it prominently on identical or similar goods, thereby easily causing mistaken recognition on the part of the relevant public;
2. reproducing, imitating or translating another's registered well-known trademark or its main part and using it as a trademark on non-identical or dissimilar goods thereby misleading the public and potentially prejudicing the interests of the registrant of the well-known trademark should constitute the violation of ‘exclusive right to the use of registered trademarks’;
3. registering words that are identical or similar to another's registered trademark as a domain name and using it to carry out electronic commerce business in related goods, thereby easily causing mistaken recognition on the part of the relevant public.’ (emphasis added)
A holder of a registered well-known trademark now is able to seek protection against trademark infringers through either by way of the ‘exclusive right to the use of registered trademarks’ provisions or by way of the well-known trademark provisions, or by way of a combination of these rights of action.

In terms of remedies for trademark infringements, art 56 of the TML 2001 requires that an infringer, who is deemed to violate the ‘exclusive right to the use of registered trademarks’ under art 52, compensate the trademark’s owner for his losses, the sum of the compensation to cover:

… the proceeds obtained from the infringement during the period of infringement, or the losses suffered by the infringed due to the infringement during the period of being infringed, including the reasonable expenses paid by the infringed to stop the infringing acts.\(^\text{288}\) (emphasis added)

Under certain circumstances where the aforementioned proceeds or losses cannot be calculated, a People’s Court will issue a ruling by awarding ‘a compensation of 500,000 Yuan (approximately 78,543 US dollars) or less according to the circumstances of the infringing acts’.\(^\text{289}\)

\(^{288}\) Art 56 (1), TML 2001.
\(^{289}\) Art 56 (2), TML 2001.

This part will evaluate the rules outlined above concerning the financial remedies under the TML 2001. The analysis suggests that the effectiveness of Chinese laws so far as providing effective remedies for trademark infringements was not considerably improved with the enactment of the TML 2001. The data collected by the Beijing No.1 Intermediate People’s Court shows that most cases involving well-known trademarks award compensation on the basis of ‘statutory damages’ method, suggesting that the policy of financial remedies needs to be developed in order to compensate the actual losses of well-known trademark owners.

On the international stage, China has been heavily criticised for its ineffective IPRs
protection. At the domestic level, the effectiveness of Chinese laws against trademark infringements was not significantly improved with the enactment of the TML 2001 not least of all because the method used to calculate damages under the TML 2001 was perceived as inadequate.

For instance, under the US. Trademark Act, damages of 10,000 US dollars for non-wilful trademark infringements and one million dollars for wilful trademark infringements are available making the available compensatory payments under the TML 2001 seem very low.

Available data relating to certain cases decided by People’s Courts indicate that the sum of compensatory damages delivered by People’s Courts is too trivial to effectively prevent trademark infringements over well-known trademarks. Chen’s study (based on the TML 2001) shows how financial remedies have been awarded by Chinese courts. His analysis is based on cases decided by Beijing No. 1 Intermediate People’s Court where he works and collected by himself as a judge. The Beijing No.1 Intermediate People’s Court has exclusive jurisdiction over administrative cases concerning well-known trademarks as the court of first instance. Therefore, the analysis of these cases can be representative as regards financial remedies in disputes over well-known trademarks.

As designated by the SPC, the IP division of Beijing No.1 Intermediate People’s Court is the court of first instance hearing all administrative cases involving well-known trademark decisions made by the TRAB. It heard and decided 211 trademark infringements cases between 2010 and 2013. For the analysis study, 44 cases were chosen from 53 cases

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290 The 2010 special report. 21. (stated that the sum of financial remedies ordered by People’s Courts over IPRs infringement has been criticised as so trivial as to be seen as no more than a cost of doing businesses by infringers.)


292 Zhixing Chen, ‘The Determination of the Amount of Compensation Over Trademark Infringement After
where plaintiffs’ compensation claims were supported by the court. Regarding the amount of compensation, 2 cases (5%) were made in accordance with ‘the amount of the profits that the infringer has earned’, 4 cases (9%) were made according to ‘the amount of the losses that the infringed has suffered’. In contrast, awards in the remaining 38 cases (86%) were all made pursuant to ‘statutory damages’ method, i.e. no more than 500,000 RMB (approximately 80,291 US dollars).293

Three features regarding the financial remedies can be observed: 1) it is rare for plaintiffs to request compensation based on the amount of profits that the infringer has earned; 2) there is a considerable gap between court decisions and the expectations of plaintiffs in terms of the amount of compensation; 3) the method of ‘statutory damages’ is problematic so far as it doesn’t obviously cover the actual financial losses of plaintiffs.

Compensation based on ‘the amount of the profits that the infringer has earned’ might be reasonable in the case of ordinary trademarks.294 However, this calculation method is less appropriate in the case of well-known trademarks, because the losses suffered from free-riding on the goodwill associated with well-known trademarks are usually much higher than the profits earned by the infringer. It is obvious that such losses constitute not only those tangible losses (a sales decline in the market) but also many intangible losses (tarnishing the reputation of a well-known trademark) plus the losses of potential trademark licensing royalties.295

As noted above most cases award compensation based on the ‘statutory damages’ method. It is unlikely for well-known trademark owners to cover their losses under this method,

293 Ibid.
295 Ibid.
since the cap imposed on ‘statutory damages’ [no more than 500,000 RMB (approximately 80,291 US dollars)] is too low in the majority of cases. This failing underlies the argument that the revision of Trademark Law (i.e. TML 2013) should increase the cap of default statutory damages, or make new policies as regards the financial remedies with the aim of combining ‘statutory damages’ and ‘punitive damages’ for the benefit of both common trademarks and well-known trademarks.

4. Financial Remedies in the TML 2013

The TML 2013 was adopted on 30 August 2013 and came into force in May 2014. It makes a significant improvement in terms of the financial remedies available for trademark infringements. The administrative penalty has been strengthened, ‘punitive damages’ for malicious trademark infringements was introduced and the sum of the statutory damages was considerably raised. However, the new policy is still deficient, neither ‘calculation method’ nor ‘circumstances of malicious infringements’ was clarified, leaving difficulties for People’s Courts to decide a proper sum of statutory damages and punitive damages in some cases, respectively or collectively.

1. Administrative Penalty

In comparison with the TML 2001 and its ‘implementing regulations’ (i.e. ‘Regulations for

296 See table 3; statutory damages refer to art 56 (2) of TML 2001: ‘Where the profits earned by the infringer or the losses suffered by the infringed as a result of the infringement, as mentioned in the preceding paragraph, are hard to determine, the People's Court shall, on the basis of the circumstances of the infringement, decide to make it not more than RMB 500,000 yuan.’ (equivalent 78,543 US dollars)

the Implementation of the Trademark Law of the People’s Republic of China’ [2002]), the TML 2013 has strengthened the *administrative penalty* upon the violation of ‘exclusive right to the use of registered trademarks’. (In China, ‘administrative penalty’ is treated as a form of administrative fine, thus the recipient of such a fine is the relevant administrative department) and the State Council’s ‘Regulations for the Implementation of the Trademark Law’ (2014 Revision) has provided an explanation for the administrative penalty.

Art 60 of the TML 2013 provides,

When addressing the dispute (that arises after a party has committed any of the acts infringing upon another party’s exclusive right to use a registered trademark, author added), the administration for industry and commerce (‘AICs’, author added) shall order the relevant party to immediately cease the infringing acts if it is of the opinion that infringement has been established, and shall confiscate and destroy the infringing goods and instruments mainly used for manufacturing the infringing goods and forging the registered trademark. *Where the party has gained RMB 50,000 (approximately 7,985 US dollars, author added) or more of illegal business revenue, a fine of up to five times the illegal business revenue may be imposed thereon; or where the party has no illegal business revenue or has gained less than RMB 50,000 of illegal business revenue, a fine of up to RMB 250,000 (approximately 40,325 US dollars, author added) may be imposed thereon.*

298 Art 53 of the TML 2001 stipulates that, ‘When a dispute arises as a result of any of the acts infringing upon another person’s exclusive right to use of a registered trademark … the owner of the registered trademark or any interest party may … request the administrative department for industry and commerce (i.e. AICs) to handle the matter. When the said department determines that the fact of infringement is established, it may … impose a fine.’; ‘To specify the fine imposed by the AICs, art 52 of the ‘Regulations for the Implementation of the Trademark Law of China’ stipulates ‘the amount of a fine … shall be not more than three times of the volume of the illegal business. If it is impossible to calculate … the amount of the fine shall be not more than 100,000 yuan.’ (emphasis added) 100,000 Yuan (RMB) is approximately equal to 16,049 US dollars.

299 Figure 3.

300 Art 60 (2), TML 2013.
Furthermore, for a party who is found to have infringed twice or more within a five-year period, a heavier fine may be imposed by the AICs. However, if an alleged party prove that he has no knowledge that goods he sold are infringing the ‘exclusive right to the use of registered trademarks’, and he can show he legitimately obtained the goods in issue (usually by indicating the goods suppliers), the AICs will not order a fine but only order that the party stop selling the infringing goods.\(^{301}\)

One obvious uncertainty lies in the notion of ‘legitimately obtained goods’. Furthermore, the specific methods as to how AICs are to calculate the proceeds of illegal business are left unspecified, which will create difficulties in deciding the amount of fines in practice.

Otherwise, the amendments under art 60 are positive. The AICs now can impose higher fines on trademark infringers based on their business revenues.

The State Council’s ‘Regulations for the Implementation of the Trademark Law’ (2014 Revision) (hereinafter referred to as ‘implementing regulations 2014’) which aimed to better coordinate the implementation of the TML 2013 went some way to clarify matters above.\(^{302}\)

The implementing regulations 2014 are premised on the belief that a clear calculation method of financial penalty over trademark infringements can combat trademark infringements more effectively.\(^{303}\) Therefore, it provides a calculation method to assess the

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\(^{301}\) Art 60 (2), TML 2013.


proceeds of the illegal business of infringers.\textsuperscript{304} In particular, art 78 enumerates six factors that ‘may be taken into account’ when calculating the ‘proceeds’.\textsuperscript{305}

Listing these factors is very important. This list solves the problems in art 60 of the TML 2013 where any details on illegal proceeds of an infringer are not given\textsuperscript{306} and the AICs are now able to impose reasonable and accurate fines on trademark infringers in accordance with the extent of their infringing activities.\textsuperscript{307}

However, this list is not exhaustive, since it allows ‘other factors that can help to calculate the value of infringing goods reasonably’ to be considered by the AICs in determining an appropriate amount of fine. This is particularly important for well-known trademarks as the extent of infringements is unlikely to reflect the degree of harm done to the claimant. Although ‘other factors’ still seem quite vague at this stage, the new calculation method is still a crucial improvement as it will give the AICs more flexibility in terms of calculating and levying administrative fines for trademark infringements.

\textsuperscript{304} As a reminder, neither TML 2013 nor implementing regulations 2002 stipulate a calculation method for a fine against trademark infringements, and this has caused practical problems as to how AICs at different levels should decide the amount of fine. See art 60 (2), TML 2013.

\textsuperscript{305} Art 78, implementing regulations 2014. (‘When calculating the proceeds of illegal business stipulated under art 60 of Trademark Law, the following factor may be taken into account: 1) sales price of infringing goods; 2) marked price of infringing goods unsold; 3) average selling price of infringing goods that have been confirmed; 4) middle market price of infringed goods; 5) operating revenue received by the infringer from infringement; 6) other factors that can help to calculate the value of infringing goods reasonably.’)


As regards the question of whether a defendant can show he ‘legitimately obtained the goods’, art 79 of the implementing regulations 2014 provides that four circumstances can go to prove that goods in question are obtained ‘by legitimate means’:

The following situations belong to Article 60 of the Trademark Law ‘prove that the products are obtained by legitimate means’: 1) the supply list and payment receipt with legal signature or seal of the supplier have been obtained and they have been conformed to be real or have been recognized by the supplier; 2) the purchasing contract between the supplier and the seller has been concluded and the relevant obligation has been fulfilled after confirmation; 3) the legal invoice for purchase has been received and matters recorded thereon are in consistent with the goods concerned; and 4) other circumstances that can prove the goods concerned are legally acquired. 308

Again the list here is not exhaustive (‘other circumstances that can prove the goods concerned are legally acquired’) allowing authorities some discretion in the evidence taken into account. 309

In conclusion, although the implementing regulations 2014 ‘do not present as many significant changes as were anticipated based on drafts circulated earlier in the year for public comment’, it still involves important improvements in many respects. 310 While art 78 enumerates six factors that ‘may be taken into account’ when calculating the ‘proceeds’ which will facilitate the AICs to impose reasonable fines on infringers. Article 79 actually allows the AICs to decide in exceptional cases that infringing acts should not be subject to a fine but should only be led to the order of an injunction. The consequence is for those entities that violate rights of registered trademarks (i.e. exclusive right to the use of

308 Art 79, implementing regulations 2014.
309 Art 79 (4), implementing regulations 2014.
registered trademarks) in ‘good faith’, their liabilities will be partially reduced.

2. Punitive Damages

The TML 2013 for the first introduces ‘punitive damages’ for malicious trademark infringements.\(^{311}\) It has been argued that malicious infringements are rampant in China for two reasons: 1) the penalties inflicted on infringers are usually too low and the infringers consequently find it easy to restore illegal manufacturing; and 2) the cost for rights owners to safeguard their rights against infringements was prohibitive.\(^{312}\) Rui Xu (commissioner of the CTMO) has stated that the rule concerning punitive damages under the TML 2013 is specifically aimed at rectifying these two issues so going some way to deal with the problems of persistent trademark infringements in China.\(^{313}\)

Art 63 stipulates that ‘for circumstances of malicious infringement, the amount of damages shall be determined from one time to three times of the amount set above.’\(^{314}\) ‘The amount set above’ constitutes actual losses of trademarks holders, profits of trademarks infringers, and trademark licensing royalties. However, precisely what amounts to ‘circumstances of malicious infringement’ is unclear.\(^{315}\) In addition, art 63 does not put forward any


\(^{314}\) Art 63 (1), TML 2013.

calculation method for punitive damages. These may negatively affect how Chinese courts impose punitive damages on infringers.

3. Statutory Damages

As for ‘statutory damages’, the TML 2013 also takes a big step. Under the 2010 draft (art 68) and the 2011 draft (art 67) the amount of statutory damages has doubled from that provided under the TML 2001 (one million RMB v. 500,000 RMB). The TML 2013 raises the sum further to three million RMB (approximately 483,387 US Dollars). 318

As provided in art 63 (3) of the TML 2013,

Where the actual loss suffered by the right holder as a result of the infringement, the profits gained by the infringer from the infringement and the royalties of the registered trademark concerned are difficult to determine, the people’s court shall render a judgment on awarding damages of up to RMB three million depending on the circumstances of the infringing acts.

Li has argued that the raising of the maximum ‘statutory damages’ award to three million

2014; However, under art 60 where regulating administrative penalty, the TML 2013 does mention that if a party infringes trademarks or has infringing acts with ‘serious situations’ twice or more within a five-year period, a heavier fine may be imposed by the AICs. This thesis suggests that these acts may be considered as ‘serious infringements’ where punitive damages can be awarded. However, it is unclear whether there are other scenarios falling into the field of ‘circumstance of malicious infringement’ under art 63.


317 In this thesis, ‘statutory damages’ refers to the sum of damages as provided under art 63 (3) of the TML 2013.

318 Art 63 (3), TML 2013. (‘Where it is difficult to determine the profit that the infringer has earned … the injury that the infringed has suffered … or the fee of trademark licensing royalties, the People’s Court shall impose an amount of damages of no more than 3,000,000 RMB according to the circumstances of the infringement.’) Three million RMB is approximately equal to 481,078 US Dollars.
RMB is justified as the ultimate legal remedy against trademark infringements: normally, financial remedies available for a trademark owner are calculated on the basis of his actual losses, infringer’s proceeds or trademark licensing royalties\(^\text{319}\) (plus punitive damages if ‘an infringer maliciously infringes upon another party’s exclusive right to use a trademark’\(^\text{320}\)) and thus the sum of damages paid by the infringer to the rights owner should exceed the maximum statutory damages (i.e. three million RMB).\(^\text{321}\) Bearing in mind that some scholars have urged Chinese authorities to introduce punitive damages and increase the default cap of statutory damages for the interests of holders of well-known trademarks, this new amendment under TML 2013 is to be welcomed.\(^\text{322}\)

Nevertheless, some commentators have doubted the feasibility of implementing this new damages assessment in practice. For instance, Liu has argued that art 63 of the TML 2013 is not clear as to how to assess the amount of financial remedies. If the three circumstances (i.e. losses of the rights owner, proceeds of the infringer, and trademark licensing royalties) which exist as a benchmark for triggering punitive damages and/or statutory damages all fail, he questions how the People’s Courts can order either statutory and/or punitive damages pursuant to art 63.\(^\text{323}\) The answer remains obscure.

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<td>Art 63 (1), TML 2013.</td>
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<td>Ibid.</td>
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<td>The amount of compensation for infringement of the exclusive right to use of a trademark shall be the amount of the profits that the infringer has earned as a result of the infringement during the period of the infringement, or the amount of the losses that the infringed has suffered as a result of the infringement during the period of the infringement, including any reasonable expenses the infringed has paid in its effort to put an end to the infringement. (art 56.1)</td>
<td>The amount of damages for infringement on the exclusive right to use a trademark shall be determined according to the actual loss suffered by the right holder as a result of the infringement, or may be determined according to the profits gained by the infringer from the infringement if the actual loss is difficult to determine, or may be reasonably determined by reference to the multiples of the trademark royalties if both the loss of the right holder and the gains of the infringer are difficult to determine. Where an infringer maliciously infringes upon another party's exclusive right to use a trademark and falls under grave circumstances, the amount of damages may be determined as not less than one time but not more than three times the amount determined according to the foregoing methods. The amount of damages shall cover the reasonable expenses incurred by the right holder for stopping the infringement. (art 63.1)</td>
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<td>Where the profits earned by the infringer or the losses suffered by the infringed as a result of the infringement, as mentioned in the preceding paragraph, are hard to determine, the People's Court shall, on the basis of the circumstances of the infringement, decide to make it not more than RMB 500,000 yuan. (art 56.2)</td>
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represent an infringement upon another person's exclusive right to the use of a registered trademark but can prove that they are obtained by himself lawfully and can identify the supplier, he shall not bear the liability to pay compensation. (art 56.3)

registered trademark claims for compensation, and the alleged infringer counterclaims that the said holder has never used the registered trademark, the relevant people's court may require the holder to furnish evidence of its actual use of the registered trademark during the three years prior to the lawsuit. The alleged infringer shall not be liable for compensation if the said holder is neither able to prove its actual use of the registered trademark during the three years prior to the lawsuit, nor able to prove other losses suffered as a result of the infringement. (art 64.1)

A party that unknowingly sells goods that infringe upon another party's exclusive right to use a registered trademark is not liable for compensation if the party can prove that it has obtained the goods by legitimate means and is able to provide information on the suppliers of the goods.

(art 64.2, i.e. art 56.3 of TML 2001)

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<th>Table 3: Rules on the financial remedies in Trademark Law 2001 and 2013</th>
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### 3.5. Conclusion

This chapter demonstrates and evaluates several important issues about the recognition and protection of well-known trademarks in China. The analysis in this thesis aims to examine how certain rules regarding the recognition and protection of well-known trademarks, such as the model and fundamental principles of the recognition/protection, protectable subject-matter, ‘anti-dilution’ principle, examination factors and financial remedies, have been formulated and the impacts on well-known trademark protection in China.

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At the international level, this thesis demonstrates and evaluates certain rules under the Paris Convention, TRIPS Agreement and Joint Recommendation in terms of well-known trademarks. These rules established international standards for the recognition and protection of well-known trademarks.

Under the obligations provided by international treaties and driven by the ‘R & O’ policy, the frequent amendments to Chinese trademark law and development of well-known trademark policy in the past fourteen years (2001 – 2014) have gone a long way to strengthen protection for well-known trademarks. For instance, the transition from ‘Sole-Track’ to ‘Dual-Track’ model signifies the compliance of the ‘Final Judicial Principle’ under the TRIPS Agreement. The three fundamental principles have worked to secure the interests of holders of well-known trademarks and mitigate the misunderstanding of the concept of well-known trademarks. The issues concerning the range of protection, factors for examining well-known trademarks have been articulated in trademark law, judicial interpretations and administrative provisions. Art 9 (2) of the 2009 judicial interpretation is symbolic in the development of policy regarding well-known trademark protection in China, as for the first time it introduces an ‘anti-dilution’ principle to the nation. The court in the Liang Mian Zhen case offers insightful opinions on the standard of its application. Chinese authorities have begun to apply this principle to better protect interests of owners of well-known trademarks. The introduction of increased statutory damages and punitive damages in the TML 2013 is a positive response to widespread criticism that damages imposed on infringers in China was ‘merely a cost of doing business’; and infringers will be liable for more administrative penalty upon the violation of registered well-known trademarks according to the TML 2013.

These rules suggest that competent authorities have spared no effort to strengthen well-known trademark protection and reinforce efforts to halt widespread trademark

324 The 2010 special report, 21.
infringements. However, China’s well-known trademark policy is still unsatisfactory. For example, the scope of application of the ‘honesty and good faith’ principle in cases involving well-known trademarks is uncertain. The range of ‘relevant public’ in Chinese laws (2003 provisions) is defined differently in comparison with the one in the Joint Recommendation (’potential consumers ’). The introduction of an ‘anti-dilution’ principle in China is currently deficient. It was adopted through the issuance of judicial interpretation and an extension of the scope of traditional ‘confusion beyond category’ stipulated in the TML 2001. The standards of its application have not been clarified by the SPC and the TML 2001. As a result, there is no ‘anti-dilution’ protection against infringements at administrative level and its application at judicial level is also problematic. As to rules concerning the financial remedies under the TML 2013, either ‘calculation method’ or ‘circumstances of malicious infringements’ was clarified, leaving it difficult for the People’s Courts to decide a proper sum of statutory damages and punitive damages, severally or collectively.
Chapter 4 The Misunderstanding of Well-Known Trademarks in China

4.1. Introduction

The earlier chapters in this thesis concerned the definition, recognition and protection of well-known trademarks at the international and domestic levels. At the domestic level, since joining the WTO in December 2001, China has adopted or amended over 140 laws and regulations and deleted another 500 laws.\(^{325}\) The TML 2001 aimed to reform three key aspects: 1) prior use claim under Paris Convention; 2) ‘final judicial review principle’ under TRIPS Agreement; and 3) rules as to well-known trademarks under the aforementioned two.\(^{326}\) The ultimate aim is to ensure its full compliance with international norms such as those designated under Paris Convention and the TRIPS Agreement.\(^{327}\)

Despite great efforts taken by the national legislature, however, some critical problems which adversely affect the protection of well-known trademarks remain. One particular problem relates to the common misunderstanding of the concept of a well-known trademark in China. This misunderstanding has three dimensions: firstly, malicious litigation; secondly, misrepresentation of well-known trademark as quality assurance; thirdly, misuse of the title of ‘well-known trademark’ in advertisements. They all affect interests of holders of well-known trademarks and the development of China’s policy as regards well-known trademarks since the 1990s. This thesis suggests that the seriousness of the misunderstanding issue has been raised in the past few years, Chinese legislators have been seeking feasible solutions to this issue, and significant development has been observed. In the meantime, the misapprehension about the conceptual meaning of well-known trademarks is still profound and the regulatory measures taken to correct this


\(^{327}\) Ibid.
misunderstanding need to be further strengthened.

This chapter identifies the concept and reasons of the misunderstanding of well-known trademarks in China (4.2.), and then discusses this issue from four respects: 1) the role of ‘well-known trademark’ status in judgments (4.3.); 2) malicious litigation (4.4.); 3) the misrepresentation of well-known trademark as quality assurance (4.5.); and 4) the misuse of the title of ‘well-known trademark’ in advertisements (4.6.). While ‘the role of “well-known trademark” status in judgments’ has been clarified in the 2009 judicial interpretation, the rest three issues need further explanation and analysis.

The ‘misunderstanding’ is not only a problem of law, but also an economic issue. The first issue this chapter aims to concentrate on therefore is the role of ‘well-known trademark’ status in judgments (4.3.). According to the 2009 judicial interpretation, ‘well-known trademark’ status should not be seen as creating a special type of trademark and only exist as a fact of a case in question and reason for the judgment. The Starbucks case (4.3.1.) shows the rationale of recognizing well-known trademarks in a dispute involving trademarks and business names.

Malicious litigation is the most serious consequence resulting from the misunderstanding of well-known trademarks and has negatively affected interests of consumers and other competitors, and an evaluation of the rules related to this issue is the second task of this chapter (4.4.). The reasons behind malicious litigation (4.4.1.) show how certain ‘interest groups’ (including local administrative authorities and private undertakings) have created difficulties in shaping a well-constructed policy countering malicious litigation in China.

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Section 4.4.2 discusses ‘countermeasures’ against malicious litigation. An analysis of certain rules adopted since the 2000s leads to four suggestions for what is needed as a corrective: 1) a proper definition (4.4.2.1.); 2) an appropriate standard for examining ‘false actions’ (4.4.2.2.); 3) a centralisation policy on judicial recognition (4.4.2.3.); and 4) specific rules concerning the implementation of the ‘honesty and good faith’ principle, precautions and liability in malicious litigation, and the scope of cases involving well-known trademarks determination (4.4.2.4.).

As an economic issue, not only is the title of ‘well-known trademark’ misused in advertisements, but also it gives Chinese consumers a false sense of quality assurance. The last two tasks of this chapter (4.5. and 4.6.) will set out to demonstrate how those shortcomings of the laws and policies led to the misuse of the title of ‘well-known trademark’ in advertisements and a misrepresentation as to quality. The analysis sets out to evaluate how such misuse and misrepresentation have been restricted under the recent regulations.

Section 4.5 focuses on the discussion of ‘product quality’. It begins from the conceptual meaning (4.5.1.) and reasons (4.5.2.). The illustration of academic comments from both foreign and Chinese scholars (4.5.3.1.) and the analysis of certain rules under the TML 2001 and TML 2013 (4.5.3.2.) are used to explain why trademarks (including well-known trademarks) can provide incentives to promote quality performance and such incentives are not legally binding but economic in nature. Following a summary section (4.5.4.), both sections 4.5.5 and 4.5.6 continue the discussion arguing that the legal protection of consumers who may suffer from assuming that a well-known trademark guarantees good quality is not an issue of trademark law but rather the Product Quality Law (2000) and the Law on Protection of Consumer Rights and Interests (2013). The analysis of certain rules (4.5.5.1.) under the Product Quality Law (2000) suggests that the law functions to ensure continuity, stability and reliability of products provided by manufacturers. Section 4.5.5.2 will discuss reasons for and difficulties in adopting ‘warranty obligations of quality’ to well-
known trademarked products, concluding that it is infeasible for the Product Quality Law (2000) to adopt ‘warranty obligations of quality’ to well-known trademarks as it will be inconsistent with the thrust of the TML 2013. While it is infeasible for the Product Quality Law (2000) to adopt ‘warranty obligations of quality’ to well-known trademarks, the analysis of certain rules under China’s ‘Law on Protection of Consumer Rights and Interests (2013)’ as regards ‘honesty and good faith’ principle, social responsibility, rights of consumers, obligations of proprietors and competent authorities, and the role of the Chinese Consumer Association suggests that to keep continuity, stability and reliability of products bearing well-known trademarks is a major mission for the ‘Law on Protection of Consumer Rights and Interests (2013)’, although the law is still unsatisfactory (4.5.6.).

Section 4.6 gives the definition, examines the reasons of why the title ‘well-known trademark’ appears in Advertisements and demonstrates the shortcomings in China’s Trademark Law and Advertisement Law (4.6.1.). The analysis goes on to evaluate how such misuse has been restricted under the provisions since 2014 (4.6.2.). The evaluation suggests that such restriction under the TML 2013 (4.6.2.1.) and the Advertisement Law (2015) (4.6.2.2.) can mitigate the adverse effects of the ‘misunderstanding’ issues in all respects. In the meantime, competent authorities should continue to refine relevant rules in terms of the subject of liability and financial remedies under the TML 2013 and the administrative fine regulated in the Advertisement Law (2015).

4.2. Concept and Reasons of the ‘Misunderstanding’

Before addressing these four issues outlined above, I first wish to offer some details about the ‘misunderstanding’ in question, including its conceptual meaning and reasons.

4.2.1. Concept of the ‘Misunderstanding’
There is a widespread misunderstanding of the concept of a well-known trademark in China. The ‘misunderstanding’ refers to an abnormal deviation from the value, purpose, path and consequence of well-known trademark recognition and conflicts with justifiable expectations and thus it precludes the implementation of well-known trademark protection in China.329

4.2.2. Reasons of the ‘Misunderstanding’

In effect, the ‘misunderstanding’ reflects a general lack of precision and certainty about the conceptual meaning of this title and a deficiency in the management of well-known trademarks in China. It is attributable to a clash of regulatory rules and malpractice in the course of the development of China’s law and policy since the 1990s.330

Some legal provisions adopted during this period (1990s – 2000s) have contributed to this misunderstanding. For example, under the 1996 Provisional Provisions, the *three-year validity period* for each recognised well-known trademark were given by the CTMO. The fact that the status of a ‘well-known trademark’ could be awarded to domestic undertakings331 misled the public into believing that the ‘well-known trademark’ status represented better goods quality.332 The successor of the 1996 Provisional Provisions – the

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331 It can also be honoured to foreign undertakings. But the misunderstanding of well-known trademarks is more frequently observed amongst domestic trademarks.

‘Provisions on the Determination and Protection of Well-Known Trademarks’ (2003) (‘2003 provisions’) – defines a well-known trademark as a one ‘that is widely known to the relevant sectors of the public and enjoys a relatively high reputation in China’.333 The reference to a ‘relatively high reputation’ again misled people to believe that a well-known trademark was an honourable title.334

Furthermore, some administrative practices have contributed to this misunderstanding. For instance, the AICs have deliberately awarded trademarks (normally to domestic trademarks) the ‘well-known trademark’ title through ‘award campaigns’.335 Under the support of the SAIC, CCTV (China Central Television) – China’s official TV Channel – held ‘Well-Known Trademarks Award Campaign’ and published a list of well-known trademarks in large quantities.336 A consequence is that the public have come to believe that the goods/services bearing well-known trademarks have superior or premium qualities and for this reason have been honoured by the authorities.337 These practices run contrary to China’s well-known trademark framework which aims to protect legitimate interests of owners of well-known trademarks as well as relevant consumers, and to maintain a fair and sound environment of market competition, although it is inevitably the case that ‘well-known trademark’ status tends to increase the value attached to those goods/services carrying them.338 In addition, unlike judicial recognition where a judge will usually deliver

333 Art 2, 2003 provisions.
335 Jie Pan, ‘Lifelong System of Well-Known Trademark will End’ (‘Chi Ming Shang Biao Zhong Shen Zhi Jiang Zhong Jie’) China Trade News (Beijing, 19 November 2009) 11, 11. (In September 1991, several domestic trademarks were awarded as ‘Chinese Well-Known Trademarks’)
337 Ibid.
reasons, administrative recognition lacks transparency. This has contributed to the misplaced belief that products bearing well-known trademarks which have been published by the SAIC through the ‘results announcement system’ must be of superior quality.

4.3. Role of ‘Well-Known Trademark’ Title in Judgments

The establishment of the well-known trademark protection system is intended to no more than strengthen and supplement existing rights. However, the ‘misunderstanding’ issue reflects a danger of misinterpreting the conceptual meaning of a well-known trademark. In some cases well-known trademarks were even mistakenly seen as creating a special type of trademark which had distinct and different rights from common trademarks. This thesis emphasises that a well-known trademark is entitled to a certain degree of ‘extension’ of protection against trademark infringements. However, this extension does not create a new

342 Starbucks Corp. v Shanghai Xingbake Coffee Corp. (hereinafter referred to as Starbucks case; [2004] Hu Er Zhong Min Wu (Zhi) Chu Zi No.1 (first instance) and [2006] Hu Gao Min San (Zhi) Zhong Zi No.32 (final instance). Also known as Starbucks Co. v Shanghai Unified Coffee Ltd. v Shanghai Xingbake Coffee Ltd.) is a prime example where well-known trademarks are misinterpreted to enjoy ‘special rights’. One drawback in the judgment was when the judge decided acts of trademark infringement, he intentionally conjoined the recognition of well-known trademark ‘Starbucks’ with the ‘exclusive right to the use of registered trademarks’ by ruling that the defendant had deliberately infringed ‘the exclusive right to the use of well-known trademarks’—which actually not exist. More discussions about this case, see Jessica Wong, ‘The Challenges Multinational Corporations Face in Protecting Their Well-Known Trademarks in China’ (2006) 31 Brook. J. Int’l L. 937; Andrew Halper, ‘Starbucks Wars: Chinese Courts Say “No Hitch-Hiking Allowed”’ (2006) The China Quarterly 1155. (The Starbucks case ‘illuminate significant issues in China’s handling of IPR protection following its accession to the WTO, especially in the treatment of claims for protection based on well-known trademarks).
type of trademark. Wang argued that it was of great importance to understand that a well-known trademark was still a trademark in essence and worked as a common trademark to distinguish products/services of one entity from those of other entities in the market. While it can seek protection in accordance with the doctrine of well-known trademarks under the TML 2001, such protection still falls into the scope of ‘exclusive right to the use of registered trademarks’.

As regards this issue, the SPC has made it clear in its 2009 judicial interpretation that ‘well-known trademark’ status is just a fact of a case and the reason for the judgment, and this status ‘shall not be included in the main content of the judgment’. This should be considered as a positive response to the misunderstanding regarding the conceptual meaning of a well-known trademark, it reflects ‘case-by-case’ principle and means there is no ‘period of validity’ for any well-known trademarks. As a result, it may make companies have less incentive to pursue well-known status before competent authorities.

4.3.1. Case: Starbucks Corp. v Shanghai Xingbake Coffee Corp.

The Starbucks Corp. v Shanghai Xingbake Coffee Corp. is a prime example where a

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344 The relationship between ‘exclusive right to the use of registered trademarks’ and well-known trademarks can be found in 2 of 3.4.4.3.
345 Art 13, 2009 judicial interpretation. (‘In a case of civil disputes involving the protection of a famous trademark, the determination of the popularity of the trademark by the people’s court shall merely be regarded as the fact of the case and reason for the judgment, which shall not be included in the main content of the judgment. If a case is closed by mediation, the document of mediation shall not cover the determination of the popularity of the trademark.’)
346 The timeline of ‘period of validity’ of well-known trademarks can be retrieved from 3.4.3.2. where ‘case-by-case’ principle was demonstrated.
347 Starbucks Corp. v Shanghai Xingbake Coffee Corp. (hereinafter referred to as Starbucks case; [2004] Hu Er Zhong Min Wu (Zhi) Chu Zi No.1 (first instance) and [2006] Hu Gao Min San (Zhi) Zhong Zi No.32 (final instance). Also known as Starbucks Co. v Shanghai Unified Coffee Ltd. v Shanghai Xingbake Coffee Ltd.)
Chinese court decided to offer protection to a foreign well-known trademark against domestic infringements. The Starbucks case was believed to be one of the most important Chinese cases concerning well-known trademark protection and it was the first Chinese case decided under the TML 2001 which was enacted to provide greater protection to well-known trademarks. The court has taken a relatively expansive view of the issues it believed it should consider and rule on. This case shows Chinese courts ‘at different stages of a process of increasing sophistication, professionalism and judicial creativity’.

Synopsis and judgement

In December 2003, the U.S.–based coffee company Starbucks lodged a case against a Shanghai-based coffeehouse over trademark infringement in China. The plaintiff claimed the defendant infringed its well-known trademark and constituted unfair competition.

The two coffeehouses share the same three characters – Xing Ba Ke (‘星巴克’) in Chinese, where ‘Xing’ (‘星’) means ‘star’ and ‘Ba Ke’ (‘巴克’) means ‘bucks’. The US company filed a trademark registration for its Chinese translation of ‘Starbucks’ – ‘Xing Ba Ke’ (‘星巴克’) – in 1998 and secured the registration on 28 December 1999. While waiting for its approval, Starbucks began its massive advertising with the trademarks ‘Starbucks’ and ‘Xing Ba Ke’ in mainland China. While its Chinese trademark registration was pending, the defendant – a Chinese coffeehouse – pre-registered ‘Xing Ba Ke’ (‘星巴克’) as a business name on 20 October 1999 and the company was established on 9 March 2000. Since its establishment, the defendant began to print ‘Starbuck Coffee’ on its price list the used Chinese characters ‘Xing Ba Ke Coffee’ (‘星巴克咖啡’) in their store front and advertising billboards.

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350 Ibid.
On 31 December 2005, the court of first instance handed down a decision finding that the defendant had violated the plaintiff’s well-known trademark rights and engaged in unfair competition by using the Chinese translation of Starbucks, i.e. ‘Xing Ba Ke’ (‘星巴克’), in its business name and by using a similar design logo for its cafes.\(^{351}\)

**Analysis**

The analysis of Starbucks case will focus on the rationale of recognizing well-known trademarks in a dispute involving trademarks and business names.

Unlike SPC’s domain name interpretation which empowers People’s Courts to decide well-known status of a trademark in a dispute involving a domain name, it was unclear whether courts had the same power in a case involving business name. This showed the inconsistency in the development of China’s policy concerning well-known trademarks: although art 13 of the TML 2001 had empowered Chinese courts to prohibit trademark infringements under the doctrine of well-known trademarks, Chinese courts were not explicitly instructed to recognize well-known trademarks until 2002 and to do so in cases involving business names until 2009.\(^{352}\) In Starbucks case, the court decided to recognize well-known status of Starbucks because the judge suggested the incorporation of a well-known trademark into a business name shared the same feature with the incorporation of a well-known trademark as a domain name. To be specific, firstly, the infringers in both cases adopted ‘legitimate approaches’ to incorporate infringees’ trademarks into their business name and domain name respectively; secondly, the infringers free-rode on the high distinctiveness and considerable value of infringees’ trademarks and obtained illegal interests upon them in bad faith; thirdly, the infringements caused considerable losses to

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\(^{352}\) The last two documents in 3 of 3.4.4.1. demonstrate the timeline of this issue.
infringees. The judge argued that although the SPC seemed to restrict the range of cases where well-known trademarks could be recognized through its judicial interpretation (i.e. domain name interpretation), this restriction proved to be non-exhaustive and only showed the SPC’s cautious attitude to well-known trademark recognition.  

Besides, to some extent, the victory of the American company under the doctrine of well-known trademark has produced long-standing effect in other cases, although it should always be borne in mind that prior decisions have no biding authority in China. After almost two years of its victory, Starbucks won another case it filed in Qingdao, Shandong Province against trademark infringements (hereinafter referred to as ‘Qingdao Starbucks case’). The Qingdao Starbucks case shared a similar background with its case in Shanghai. Unlike the court in Shanghai, the court in Qingdao ruled that it was unnecessary to consider either the recognition of well-known trademarks in case or unfair competition when it decided the defendant’s unauthorized use of ‘Xing Ba Ke’ (‘星巴克’) along with ‘Starbucks’ characters in its own coffeehouse infringed Starbucks trademark rights. It was believed that Qingdao court adopted a narrow view and made the decision ‘in the narrowest and indeed most cautious and conservative terms possible’. By contrast, Shanghai court has drawn on the broader range of remedies now available to Chinese courts, to the extent that the courts are bold enough to use them.


354 Starbucks Corp. v Qingdao Xingbake Coffee Corp. (2005) Qing Min San Chu Zi No.11. (first instance); Starbucks Corp. v Qingdao Xingbake Coffee Corp. (2006) Lu Min San Zhong Zi No.30. (final instance)


357 Ibid.
Conclusion

The Starbucks case has illuminated significant issues in China’s handling of IPR protection following its accession to the WTO, especially in the treatment of claims for protection based on well-known trademarks.\(^\text{358}\) It shows the progress China has made in protecting foreign well-known trademarks against domestic infringers. The rulings made by Shanghai and Qingdao courts suggest that, on the one hand, there is evidence that Chinese courts are attempting to treat foreign and domestic parties equally and in a consistent manner;\(^\text{359}\) on the other hand, Chinese courts are still inconsistent as to the implementation of provisions under the Trademark Law concerning well-known trademarks.\(^\text{360}\) This thesis suggests that the rationale of the recognition of well-known trademarks in Starbucks case demonstrates the growing professionalism and sophistication of Chinese judges who specialize in IP trials. As suggested by Halper, the improvement in the educational level of judges and in the courts’ handling of civil cases in China results in higher quality opinions than the past and shows an increasing willingness to innovate in fashioning their judgments.\(^\text{361}\)

In the meantime, however, the two Starbuck cases show that such developments are neither consistent nor established on a uniform basis across the country. As a result, Chinese authorities should continue to detail the laws and deepen the judicial reform.

4.4. Malicious Litigation

Well-Known trademark fraud, or malicious litigation, is the most serious consequence resulting from the issues of the ‘misunderstanding of well-known trademarks’.\(^\text{362}\) It mainly

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\(^{358}\) Ibid, 1157.


\(^{361}\) Ibid, 1162.

\(^{362}\) Chengmei Yang, ‘Legal Regulation on Malicious Litigation Related to Judicial Recognition of Well-Known Trademark’ (‘Chi Ming Shang Biao Si Fa Ren Ding Xu Jia Su Song De Fa Lv Gui Zhi’) (2010) 25
takes one of two forms: 1) fabrication of factual information, i.e. two parities deliberately make up disputes in order to start legal proceedings so that People’s Courts will examine and recognise their well-known trademarks; 2) fraudulent mediation during the trial process, i.e. a People’s Court illegally mediates between two parties. Once the concerned disputes are settled at conciliation, the People’s Court will deliver a verdict announcing that the trademark in dispute is a well-known trademark. This section targets to reason and evaluate this issue, and put forward solutions from a trademark law perspective. For this purpose, certain rules adopted since the 2000s will also be analysed.

4.4.1. Reasons of Malicious Litigation

As commented in the introduction of this chapter, the ‘misunderstanding’ is not only a problem of law, but also an economic issue. The incentive for domestic undertakings to seek well-known trademark filings and regional protectionism involving the interference of local governments in the hearings of these filings shows the economic feature of the ‘misunderstanding’ issue.

Firstly, the incentive for domestic undertakings to seek well-known trademark filings is not to pursue legitimate rights as trademark holders. Rather, these companies are aiming to take advantage of the misunderstanding of well-known trademarks by the relevant public and the exaggerated value represented by well-known trademarks in order to promote their goods/services.

Foxall has suggested that various elements of the marketing mix, including branding and promotional activities, are likely to have ‘demonstrable sales effects’. The ‘misunderstanding’ issue in China seems to testify in favour of his conclusion. For example, a survey of the 41 undertakings whose trademarks were recognised as ‘well-known trademarks’ in Liao Ning Province of China indicated that, compared to the period prior to recognition of well-known trademarks, the sales of goods or services offered under the title of ‘well-known trademark’ increased by an average of 39 percent. Consumers’ enthusiasm for well-known trademarked products has led a considerable growth as regards filings to judicial and administrative authorities for the ‘well-known trademark’ status. It was reported that a total of 4,486 well-known trademarks were in place through administrative authorities by 2012. But only less than three hundred of them were recognised by 2004. Regarding the number of judicial recognised well-known trademarks, it is difficult to make an accurate estimate because the SPC does not follow the administration-style ‘results announcement system’. According to the data from Beijing Politics and Law Institute for Administrators 78, 79.


367 Ai Guo Zhang, ‘The Judicial Determination and Protection of Well-Known Marks in China in the 21st Century’ (2009 -2010) 48 U. Louisville L. Rev. 959. (The sales amounts of 20 of 41 in survey increased more than 20 percent, with an additional twelve sales increasing more than 50 percent. Seven showed over 60 percent growth)

No.1 Intermediate People’s Court, its IP division heard and decided 8,870 trademark civil and administrative cases between December 2001 and November 2012. The lawsuits including well-known trademark claim account for 13.36 percent of the entire archive (1,173), and the number of well-known trademark filings is keeping growing every year.369

Secondly, as demonstrated above, a significant number of domestic firms have taken advantage of the ‘misunderstanding’ in the public.370 The profits and interests some firms have thereby gained have encouraged more firms to claim such a title. Most of these cases, as stated by Zhu, would be chosen to be tried by domestic firms in People’s Courts where these firms were located,371 because not only the general public but also those in the legal profession might misunderstand the concept of well-known trademarks. Besides, these People’s Courts are easily misled or otherwise influenced by local undertakings and hence are likely to favour claims of local firms. For example, a survey conducted by Jiangxi Higher People’s Court reported that none of the 27 verdicts involving the recognition of well-known trademarks decided in Jiangxi province in 2006 were appealed to the higher court. Similarly, only 3 of all 43 recognised well-known trademarks in Fujian province were heard before the court of second instance.372

Thirdly, when a lawsuit concerning a well-known trademark owned by a local firm has been raised against a non-local firm and has been heard before a local court, local government’s interference in the trial has acted to influence the outcome.373 Such

371 Zhu Jianjun, The Protection of Well-known Trademarks (1st edn, Law Press 2011), 266. (76 percent of undertakings would choose to have their cases heard in the People’s courts where they were located)
372 Ibid, 262.
373 CPC, Communiqué of the Third Plenary Session of the 18th Central Committee of the CPC (Beijing, 12 November 2013) <http://www.china.org.cn/chinese/2014-01/16/content_31213800_3.htm> accessed 18 May 2014. (‘To build a China under the rule of law, we must uphold the unity of the rule of law, we will
interference happened frequently due to political structure of China. To be more specific, China’s judicial authorities, i.e. People’s Courts, are not independently operated. Although judges are appointed by People’s Congress, however, People’s Congress at each level is also independent and ‘rubber stamps’ the decisions of administrative authorities. As a result, administrative authorities are able to exert their pressure on judges and manipulate the result of cases, including those in relation to well-known trademarks.

When the title of ‘well-known trademark’ has been widely used to promote local branded products, it has typically led to appreciable tax revenue to boost local economies and considerable working opportunities for native people. Thus not only native private undertakings but also local governments became beneficiaries of this ‘misunderstanding’. The two therefore has formed alliances which opposed and which have been able to obstruct legal reform directed to correcting the ‘misunderstanding’ issue. As the number of local (or ‘home-grown’) well-known trademarks became an important index used to evaluate the ‘administrative achievement’ of local officials, local officials were sometimes reluctant to take actions against local firms. Many local governmental authorities have even adopted favourable policies and measures aimed at encouraging local firms to pursue the title of ‘well-known trademark’. For example, Shandong provincial government held an awards ceremony in 2010 for ‘home-grown’ well-known trademarks. Ji’ning (a city in Shandong province) announced the award of one million RMB (approximately 162,535

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USD) to local firms who successfully obtained a ‘well-known trademark’ title. Similar awards have been made across the country. These policies have negatively affected the recognition and protection of well-known trademarks and stimulated trademark owners to pursue the title even going so far as to file malicious applications. In the meantime, such awards also increase regional protectionism and the effect is to disadvantage non-native competitors.

4.4.2. Countermeasures against Malicious Litigation

This section puts forward some suggestions for preventing malicious litigation and sets out to evaluate the rules over malicious litigation that have been in force since 2006. This thesis aims to show that: 1) China should adopt a proper definition for ‘malicious litigation’ in law and identify bodies being responsible for initiating fraudulent filings; 2) malicious litigation cannot be properly handled without providing an appropriate standard for findings of ‘false actions’ in trial; 3) a centralization policy on judicial recognition of well-known trademarks can essentially mitigate malicious litigation; and 4) specific rules concerning the implementation of the principle of ‘honesty and good faith’, precaution and liability in malicious litigation, and the scope of cases involving well-known trademark determination should be created.

4.4.2.1. Definition of Malicious Litigation

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‘Malicious well-known trademark filings’ (or ‘well-known trademark fraud’) means the forging of documents, the abuse of litigation rights, and illegally taking advantage of ‘well-known trademark’ status in order to promote products carrying this mark in the marketplace.\textsuperscript{380} As regards legislation reform directed to reducing fraudulent claims, a normative document\textsuperscript{381} adopted by Zhejiang High People’s Court in 2008 may prove to be a useful template.

In order to prevent malicious litigation and safeguard the authority of the judiciary, Zhejiang High People’s Court issued the ‘Several Opinions of Zhejiang High People’s Court on Preventing and Investigating False Litigation in Civil Trial’ (hereinafter referred to as ‘Zhejiang Opinions’) on 4th December 2008.\textsuperscript{382} Regarding the definition and behaviour subject of malicious litigation, the Zhejiang opinions define ‘malicious litigation’ as ‘false actions’ undertaken by ‘civil litigants’ (art 1). Whilst the Zhejiang opinions cover a typical form of ‘malicious litigation’, a critical deficiency is that it does not cover cases involving fraudulent acts made by People’s Courts. When defining ‘malicious litigation’ concerning the ‘misunderstanding’ issue, this thesis argues that not only private parties, but also the courts should be culpable for falsely engaging in lawsuits concerning well-known trademarks.

4.4.2.2. Standard for Findings of ‘False Actions’

Malicious litigation cannot be properly handled without providing an appropriate standard for findings of ‘false actions’ at trial. The establishment of an information sharing system


\textsuperscript{381} In China, ‘normative document of law’ normally refers to legislative document and non-legislative document with binding authorities.

\textsuperscript{382} Several Opinions of Zhejiang High People’s Court on Preventing and Investigating False Litigation in Civil Trial, Zhe Gao Fa [2008] No.362.
is a useful guard against deceptive practices. As to a substantive standard, the Zhejiang opinions and SPC’s ‘Notice of the Supreme People's Court on Building up the System of Archival Filing of Judicial Recognition of Well-known Trademarks’ in 2006 provide a good template.

The Zhejiang opinions provide a non-exhaustive list of abnormal scenarios where illegal acts may be present. For example, a judge should discreetly investigate case facts claimed and evidence submitted by the two parties involved. A false action is likely to be determined if a plaintiff refuses to appear in court and cannot justify his absence, or his agent cannot articulate the case facts. This rule also applies to the defendant and his agent in question. Furthermore, if a judge feels it is abnormally easy to mediate in a dispute concerning the recognition of a well-known trademark between the plaintiff and defendant, then he/she should question the genuineness of the case.

Although the suggestions put forward in the Zhejiang opinion are useful, a national standard requires more details, and the establishment of an information sharing system between courts at the same level, between higher and lower People's courts, and between the SPC and other courts regarding all filings concerning well-known trademarks. This system should be established in a way that can help professionals collect necessary information so as to investigate relevant facts and evidence about a certain trademark in question, and punish any false actions in the trial. As regards an advanced information sharing system, some work has been undertaken by the SPC in 2006.

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383 Ying Gao, ‘Study on New Model of Well-Known Trademark Recognition – Centre Cognizance Authority’ (‘Chi Ming Shang Biao Ren Ding Xin Mo Shi De Gou Xiang Yan Jiu – Yi Ren Ding Ji Gou Wei Zhong Xin’) (2011) 4 Legal System and Society 205, 206; Zhongfa Ma and Gaoping Wang, ‘Study on Reasons and Tackling Strategies of Malicious Litigation Involving Well-Known Trademark – Thinking Inspired by ‘Kang Wang’ Trademark Dispute’ (‘Chi Ming Shang Biao Xu Jia Su Song Cheng Yin Ji Qi Ying Dui Zhi Tan Tao – Cong ‘Kang Wang’ Shang Biao Jiu Fen An Yin Fa De Si Kao’) (2011) 1 Western Law Review 72,77; The lack of information sharing makes it difficult to exchange evidential information on a dispute or related cases between People’s Courts in China.

384 Art 3, Zhejiang opinions.

385 Arts 3 (1), (2) and (4), Zhejiang opinions.

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In 2006, the SPC issued the ‘Notice of the Supreme People's Court on Building up the System of Archival Filing of Judicial Recognition of Well-known Trademarks’ (hereinafter referred to as ‘2006 notice’). The 2006 notice required all eligible People’s Courts to submit all effective trial decisions involving well-known trademark recognition to the SPC. The intention was to establish an ‘archival filing system’ for judicial recognition of well-known trademarks in China with the view to advancing information sharing between People’s Courts under the direction of the SPC.

One important reason behind the issuance of the 2006 notice was to address the problems arising from People’s courts’ misunderstanding of well-known trademarks. The 2006 notice shows a positive response of the SPC to the misunderstanding of well-known trademarks, in particular, to the issue of malicious litigation. It offers Chinese courts a mechanism for accessing relevant information as decided in other cases related to the same trademark. However, its function in alleviating malicious litigation seems limited. On the one hand, the system is an archival system, indicating that they cannot be employed as a precaution against malicious litigation. On the other hand, unlike the Zhejiang opinions

386 A ‘notice’, or an ‘opinion’ delivered by the SPC is legally not a judicial interpretation; however, it reflects its insight into some specific issues and de facto affects trial and decisions of People’s Courts. Therefore, such documents must be paid enough attention when conducting Chinese law research.

387 Arts 1 – 2, Notice of the Supreme People’s Court on Building up the System of Archival Filing of Judicial Recognition of Well-Known Trademarks.

388 The Notice of the Supreme People's Court on Building up the System of Archival Filing of Judicial Recognition of Well-known Trademarks, Ming Chuan [2006] No.8, 12 November 2006. (‘As required by the trial work, and for timely grasping and researching the situation and issues on judicial recognition of Well-Known trademarks, the Supreme People’s Court decides to establish the system of archival filing of judicial recognition of Well-Known trademarks.’ emphasis added)

389 Juncai Hu, ‘Criteria of Judicial Recognition and Scope of Judicial Protection of Well-Known Trademark’ (‘Chi Ming Shang Biao Si Fa Ren Ding Biao Zhun Ji Bao Hu Fan Wei’) (2009) 7 China Trademark 70, 71; In contrast, those well-known trademarks which were examined by administrative authorities (i.e. TRAB and CTMO) were usually published online every six months. More discussions, see 3.4.2.2.


391 Ibid, 265; Intellectual Property Division of Beijing Higher People’s Court, ‘Judicial Recognition of Well-Known Trademarks should be Strictly Made’ (‘Si Fa Ren Ding Chi Ming Shang Biao Ying Shen Zhong Cong
which exclusively handle malicious litigation, the purpose of the 2006 notice directed to correcting the ‘misunderstanding’ is not given and this would lead to the ineffectiveness in terms of prohibiting malicious litigation.

4.4.2.3. Centralisation Policy on Judicial Recognition

A centralisation policy on judicial recognition of well-known trademarks can mitigate malicious litigation as it enables a judge to exercise judicial authority independently and free from the influence of regional protectionism. This policy has been implemented in China between 2002 and 2014. The following regulations and events marked the key developments: 1) SPC’s ‘Interpretation by the Supreme People’s Court of the Issues Relating to Jurisdiction over and Scope of Application of Law to the Hearing of Trademark Cases’ (2002); 2) SPC’s ‘Notice of the Supreme People’s Court on the Jurisdiction over Cases of Civil Disputes involving the Determination of Well-Known Trademarks’ (2009) and 3) China’s decision to draw up the new policy of deploying dedicated IP courts since 2013.

1. SPC’s ‘Interpretation by the Supreme People’s Court of the Issues Relating to Jurisdiction over and Scope of Application of Law to the Hearing of Trademark Cases’ (2002)

SPC’s ‘Interpretation by the Supreme People’s Court of the Issues Relating to Jurisdiction over and Scope of Application of Law to the Hearing of Trademark Cases’ entered into force on 21 January 2002. The rules under this interpretation indicate that China is centralizing jurisdiction over trademark cases and the rules regarding jurisdictional issues are important for trials involving well-known trademarks. For instance, art 2 of this

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Yan’ 2007 (9) Chinese Trademark.
392 Fa Shi [2002] No.1.
interpretation proscribes that ‘the first-instance trademark cases are under the jurisdiction of an Intermediate People’s Court or a court above’ (emphasis added).\(^{393}\) In the meantime, art 2 maintains the possibility for Grassroots People’s Courts to take over such cases as courts of first instance. But this is only allowed where those courts have been designated by Higher People’s Courts and approved by the SPC, and these approved Grassroots People’s Courts must be located in ‘relatively large cities’.\(^{394}\) 31 High People’s Courts, 409 Intermediate People’s Courts, and a few of Grassroots People’s Courts located in the eighteen ‘relatively large cities’ are entitled to try trademark cases.

However, the judicial interpretation of 2002 did not express any specific jurisdictional rules for cases involving well-known trademarks. As the ubiquitous misunderstanding of the concept of a well-known trademark has stimulated malicious filings for and illegal utilization of the concept for a number of years, a more restricted jurisdictional rule on well-known trademark trials was adopted in 2009.

2. SPC’s ‘Notice of the Supreme People’s Court on the Jurisdiction over Cases of Civil Disputes involving the Determination of Well-Known Trademarks’ (2009)

In order to redress certain injustices of the trial system in relation to the judicial recognition

\(^{393}\) Art 2 (3), Interpretation by the Supreme People’s Court of the Issues Relating to Jurisdiction over and Scope of Application of Law to the Hearing of Trademark Cases, Fa Shi [2002] No.1.

\(^{394}\) Art 2 (4), Interpretation by the Supreme People’s Court of the Issues Relating to Jurisdiction over and Scope of Application of Law to the Hearing of Trademark Cases, Fa Shi [2002] No.1. (‘With the approval of the Supreme People's Court, the higher people's courts may designate, according to the practical situation in the region under their respective jurisdiction, one or two grass-root People's Court of relatively large cities to hear civil cases of trademark disputes for first instance.’); ‘Relatively large cities’: between 1984 and 2009, the State Council had certified 18 cities as ‘relatively large cities’ according to the ‘Organic Law of the Local People's Congresses and Local People's Governments of the People's Republic of China’. No further cities are added up since 2009; In terms of ‘relatively large cities’, the ‘Legislation Law of the People’s Republic of China’ art 63 (4) rules, ‘For the purpose of this Law, a relatively large city refers to a city where the People’s Government of the province or autonomous region is seated, the city where a special economic zone is located, and any other relatively large cities approved by the State Council.’ See art 63 (4), The Legislation Law of the People’s Republic of China.
of well-known trademarks, the SPC issued the ‘Notice of the Supreme People’s Court on the Jurisdiction over Cases of Civil Disputes involving the Determination of Well-Known Trademarks’ (hereinafter referred to as ‘2009 Notice’) in January 2009. The 2009 Notice rules that all well-known cases must be heard and decided by ‘the Intermediate People’s Court of the city where the People’s government of a province or autonomous region is located or the city under separate state planning, or … the Intermediate People’s Court within a municipality directly under the Central Government’. In addition, the SPC may authorize other Intermediate People’s Courts to try cases involving well-known trademarks at its discretion. Otherwise, no Intermediate People’s Court is eligible to recognise well-known trademarks without the SPC’s approval. These rules considerably restricted the number of authorized People’s Courts trying well-known trademark cases: compared to 409 as designated in 2002, only about 40 Intermediate People’s Courts were able to hear such cases as the court of first instance.

These rules in the 2009 Notice concerning centralisation jurisdiction over well-known trademarks have proved to be an effective guard against malicious litigation and regional protectionism. On the one hand, the IP judges in these courts are usually more professional and the local economy where these courts were located was usually well developed, leading to a relatively high quality legal environment. This in turn promoted trial quality and avoided the negative influence of regional protectionism. On the other hand, as malicious litigation is more common in the economically developed areas of China, the SPC’s decision to have such cases tried before these designated courts played

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395 Notice of the Supreme People’s Court on the Jurisdiction over Cases of Civil Disputes involving the Determination of Well-Known Trademarks, Fa [2009] No.1.
396 Ibid.
398 See Starbucks case in 4.3.1.
400 Yongdong Wang and Jidong Luo, ‘Malicious Litigation and the Solution’ (‘Xu Jia Su Song De Luan Xiang
an active role in preventing it and safeguarding the authority of the judiciary.


The plan to create dedicated IP courts was laid out in the CPC’s official document ‘Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform’. The second paragraph of its art 13 states that China ‘will strengthen the application and protection of intellectual property rights, improve the technological innovation incentive mechanism, and explore ways to set up IPR courts.’ Tian Lipu – the former commissioner of SIPO – suggests that the establishment of dedicated IP courts marks a major breakthrough in the history of China’s IPRs protection, and helps secure the interests of IPRs owners. However, the centralisation of IP cases does not necessarily mean dedicated IP courts must be deployed equally to each region of China. Instead, it was suggested that the location of such dedicated courts should depend on the number of IPRs trials in each area and the economic development status of the area. This is consistent with the central government's strategy to comprehensively deepen the reform.


In order to build a solid foundation for the implementation of dedicated IP courts, the SPC in the ‘Report of the Work of the Supreme People’s Court’ (hereinafter referred to as ‘2014 SPC report’) announced that the SPC was to ‘actively and steadily promote judicial reform’ and would promote the establishment of intellectual property courts.405 The 2014 SPC report is the first official document issued by the supreme judiciary advocating dedicated IP courts.

The promulgation of the ‘Promotion Plan for the Implementation of the National Intellectual Property Strategy in 2014’ (hereinafter referred to as ‘Promotion Plan 2014’) is a crucial development in the process of establishing dedicated IP courts. The Promotion Plan 2014 was issued by the ‘office of the inter-ministerial joint meeting for implementation of the national intellectual property strategy’.406 It pledged to establish dedicated IP courts, optimize the IPRs protection system, and improve the innovation incentive mechanisms in

Following the acceptance of the ‘Proposal to Establish Dedicated IP Courts’ in the third meeting of the ‘Central Leading Group for Comprehensively Deepening Reforms’ in June, the 10th meeting of 12th Standing Committee of the National People’s Congress (hereinafter referred to as ‘NPC’) announced the ‘Decision on Establishment of Intellectual Property Courts in Beijing, Shanghai and Guangzhou’ (hereinafter referred to as ‘NPC’s decision’). The NPC’s decision specifies that dedicated IP courts will firstly be set up in three major cities of Eastern China: Beijing, Shanghai and Guangzhou pursuant to the Constitution and the Organic Law of the People’s Courts. The NPC’s decision confirms that these three courts will have exclusive responsibility to try civil and administrative cases involving professional and technical issues concerning patents, new plant varieties, integrated circuit layout design and technical secrets as the court of first instance. The dedicated IP courts in the three cities will have cross-territorial jurisdiction for certain cases noted in art 2 (1) of the SPC’s decision (civil and administrative cases involving patents, technical trade secrets, plant varieties, semiconductor layout designs). The pilot scheme concerning cross-provincial jurisdiction will be conducted over the next three years (2014 – 2017). But no further details on this test are reported at this moment.

In order to further clarify the cross-territorial jurisdiction of the dedicated IP courts of Beijing, Shanghai and Guangzhou, the SPC issued the ‘Provisions of the Supreme People’s Court on the Jurisdiction of the Intellectual Property Courts of Beijing, Shanghai and Guangzhou over Cases’ (hereinafter referred to as ‘IP court provisions’) on 31 October 2014. The IP court provisions provide details for each dedicated IP court in terms of

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procedural rules and *jurisdictional scope*. Accordingly, all well-known trademark cases filed within Guangdong province will not be accepted by local People’s Courts but will instead, be passed to the Guangzhou dedicated IP court. The same applies to both the Beijing and the Shanghai dedicated IP courts.

In conclusion, this centralisation policy is of great importance in improving the quality of IP trials, mitigating any conflicts in respect of judicial recognition of well-known trademarks decided by different courts, and alleviating malicious litigation. It also demonstrates that Chinese authorities are setting out to tackle regional protectionism in IP region.

4.4.2.4. ‘Honesty and Good Faith’ Principle, Precautions and Liability, and Scope of Cases involving Well-Known Trademarks Determination

In order to reduce the dizzying influx of malicious litigation, specific rules concerning the implementation of the principle of ‘honesty and good faith’, precautions and liability in malicious litigation, and the scope of cases involving well-known trademarks determination have been implemented, but more rules concerned remains to be provided.

To be specific, firstly, the two parties in question are obliged to participate in a lawsuit in ‘good faith’. When submitting evidential materials related to the case in question, *the principle of ‘honesty and good faith’* must be considered by the party. Secondly, the judge hearing such a case should be cautious about any *suspicious behaviour* of the two parties which may lead to malicious litigation. Otherwise, due *liability* must be given to both the parties and the court. Thirdly, a *sharp restriction on the scope of cases where well-known trademarks can be determined* should be placed in order to minimize the opportunities of fraudulent filings.

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410 Art 1, IP court provisions.
411 Art 3 (2) and art 3 (3), IP court provisions.
The result of these measures is that, the interests of well-known trademark owners are better safeguarded and the growing of fraudulent filings curbed whilst the system of well-known trademark protection has been further standardized. The following domestic regulations have been significant in this regard: 1) Zhejiang opinions (2008); 2) 2009 judicial interpretation; and 3) Provisions on the determination and protection of Well-Known trademarks (2014 Revision). In addition, with the development of dedicated IP courts, relevant rules were also stipulated in the ‘Notice on Bona Fide Litigation’ in 2015.412

1. Detailed Rules on the Principle of ‘Honesty and Good Faith’ in Malicious Litigation

Under Chinese law, the principle of ‘honesty and good faith’ is a general principle which litigants should strictly observe. On the one hand, beyond the scope of IP territory, the principle of honesty and good faith is usually seen as a moral requirement of socialist market economy and to reflect the value orientation of fairness and justice.413 On the other hand, although Chinese Trademark Law has explicitly prohibited bad faith registration

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since the 1990s, and these proceedings tend to be difficult and expensive, and this failure caused many unregistered well-known trademarks and trademarks ‘already in use and with certain influence’ to be vulnerable to malicious registration.

To detail the principle of ‘honesty and good faith’ is a central element in curbing malicious litigation.

Firstly, the two parties in question are obliged to participate in a lawsuit in ‘good faith’. The Zhejiang opinions explicitly expressed its concern about bad faith behaviour. Any suspicious behaviour in the course of the hearing must be reported to the presiding judge and recorded properly. The suspects will be warned at each stage of legal proceedings by the judge. It also asks People’s Courts to direct litigants to participate in the case in good faith. For this purpose, People’s Courts are required to put the relevant rules in relation to malicious litigation up on the noticeboard in their case filing chambers (‘filing division’).

Secondly, when submitting evidential materials related to the case in question, the principle

\[\text{\textsuperscript{414} TML 1993 art 27 (1) bans the obtainment of registration by deception or other improper means. See Art 27 (1), TML 1993 (‘Where … the registration of a trademark was acquired by fraud or any other unfair means, the Trademark Office shall cancel the registered trademark in question’); The ‘Implementation Rules of the Trademark Law of the PRC’ (‘Implementation Rules’ hereinafter) art 25 (2) stipulates that ‘using another person’s trademark that is already well-known to the public for registration by means of duplication, imitation, translation or by other means against the principle of honesty and good faith’ falls into art 27 (1) of TML 1993 in terms of ‘by fraud or any other unfair means’. However, this article was deleted in the context of the ‘Regulations for the Implementation of the Trademark Law of the PRC’ (‘Implementation Regulations’) in 2002.}\]

\[\text{\textsuperscript{415} Ilse Du Plessis, ‘China: Changes To Chinese Trade Mark Law’ (\textsc{ENS\textit{africa}}, 4 October 2013) <http://www.mondaq.com/x/267090/Trademark/Changes+To+Chinese+Trade+Mark+Law@email_access=on> accessed 16 June 2014.}\]

\[\text{\textsuperscript{416} See art 31, TML 2001 (‘No applicant for trademark application may infringe upon another person's existing prior rights, nor may he, by illegitimate means, rush to register a trademark that is already in use by another person and has certain influence.’); art 32, TML 2013. (the same rule as stipulated in art 31 of the TML 2001)}\]


\[\text{\textsuperscript{418} Art 4, Zhejiang opinions.}\]

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of ‘honesty and good faith’ must be considered by the party. According to the ‘2014 administrative provisions’, a party who requests well-known trademark protection shall observe the principle of ‘honesty and good faith’ and be responsible for the fact of a case and the authenticity of evidential materials in question. Finally, this principle is also manifested in the policies related to dedicated IP courts. China’s first ever intellectual property court was officially inaugurated on 6 November 2014 in its capital Beijing. The Beijing IP court marked ‘the latest effort to effectively handle IPR conflicts’. As a first instance court, those administrative disputes involving well-known trademark recognition (i.e. administrative recognition) will be exclusively heard and decided by the Beijing IP court. In order to prevent litigation in bad faith, the Beijing IP court issued the ‘Notice on Bona Fide Litigation’ (‘Cheng Xin Su Song Gao Zhi Shu’) in September 2015. It emphasises that it is ‘bona fide litigation’ that constitutes the base of judicial order and asks the court to take effective measures to prevent ‘filing lawsuits in bad faith’ including malicious litigation. These detailed rules bring trademark law into line with other areas of the law such as Anti-Unfair Competition Law, as in a case where acts of infringing trademarks are observed, a breach of principle of honesty and good faith will normally be decided according to the Anti-Unfair Competition Law (1993).

Although these significant developments, this thesis suggests that the SPC should continue

420 Art 8, 2014 administrative provisions.
421 Fu Peng, ‘Beijing IPR court starts operation’ Xinhua News Agency (Beijing, 6 November 2014) <http://news.xinhuanet.com/english/china/2014-11/06/c_133770978.htm> accessed 14 December 2014; Shanghai and Guangzhou IP courts were reported to undertake their work by the end of 2014.
422 Beijing IP Court, ‘Notice on Bona Fide Litigation’ (‘Cheng Xin Su Song Gao Zhi Shu’) <http://ww2.sinaimg.cn/bmiddle/005Y4Dbljw1evym6cm4i3j30f203gsf.jpg> accessed 11 September 2015.
423 Art 2 (1), Anti-Unfair Competition Law (1993). (‘A business operator shall, in his market transactions, follow the principles of voluntariness, equality, fairness, honesty and credibility and observe the generally recognised business ethics.’)
to provide such guidance and ideally adopt a judicial interpretation based on comprehensive consideration of these existing rules and status quo as regards malicious litigation.

2. Precautions and Liability in Malicious Litigation

In order to prevent fraudulent filings, necessary precautions should be taken by People’s Courts and due liability must be given to both litigants and courts. The Zhejiang opinions and Beijing IP court’s ‘Notice on Bona Fide Litigation’ gave a clue on these two issues.

Zhejiang opinions request that People’s Courts be vigilant against suspicious acts in six kinds of civil cases, including cases involving well-known trademarks. A non-exhaustive list of abnormal scenarios where illegal acts may be present was given in the Zhejiang opinions. Similarly, the ‘Notice on Bona Fide Litigation’ provides a non-exhaustive list of ‘litigation in bad faith’ which includes the submission of fabricated evidential materials for malicious litigation. Where a judge is reasonably suspicious, the Zhejiang opinions authorize the People’s Court within Zhejiang province to take precautionary actions. These actions include, for instance, summoning litigants to the court, and if a defendant refuses to appear at the hearing without proper reasons the People’s Court may coercively summon him/her. The Zhejiang opinions regulate the rights of third parties. Accordingly, a third party having an interest in a suspected malicious litigation is eligible to lodge an appeal against the case decision delivered by a People’s Court. The People’s Court should reward the person for reporting fraudulent filings to the court, if the suspected malicious litigation is subsequently proved to be the case. By the same

424 Art 2, Zhejiang opinions.
425 Art 3, Zhejiang opinions.
427 Art 6, Zhejiang opinions.
428 Art 8 (1) and Art 8 (3), Zhejiang opinions.
429 Art 11, Zhejiang opinions.
token, the judge who successfully prevented and punished malicious litigation shall be
commended.\textsuperscript{430} All these are targeting fraudulent filings before they actually happen.

As to legal liability, both the Zhejiang opinions and ‘Notice on Bona Fide Litigation’
provide a useful template also. Article 14 of the Zhejiang opinions pinpoints the liability of
each party involved – such as plaintiffs, defendants, lawyers and judges – in the case of
malicious litigation. It specifies not only civil but also criminal liability.\textsuperscript{431} The civil
punishments consist of being reprimanded by the judge, being evicted from the court, and
being detained by the court based on the circumstances. In contrast to civil culpability, the
Zhejiang opinions say very little about criminal punishment and only state that the People’s
Court shall investigate whether a criminal act has been committed. In addition, any act of
malicious litigation must be recorded into the national credit system in accordance with the
‘Notice on Bona Fide Litigation’.\textsuperscript{432}

3. Restrictions on the Scope of Cases where Well-Known Trademarks can be
Determined

A sharp restriction on the \textit{scope of cases} where well-known trademarks can be determined
should be placed in order to regulate fraudulent filings. This issue was firstly introduced in
2001 and developed in 2002 and 2009. This part demonstrates its timeline since 2001 and
explains how this restriction may help to reduce the risk of malicious litigation with
reference to three judicial interpretations and the TRIPS Agreement.

\textit{1. Background: Extension of the Scope of Well-Known Trademark Recognition in People’s
Courts (2001 – 2002)}

\textsuperscript{430} Art 15, Zhejiang opinions.
\textsuperscript{431} Art 14, Zhejiang opinions.
\textsuperscript{432} Beijing IP Court, ‘Notice on Bona Fide Litigation’ (‘Cheng Xin Su Song Gao Zhi Shu’) <http://ww2.sinaimg.cn/bmiddle/005Y4Dbjlw1evym6cm4l3j30f20t3gs1.jpg> accessed 11 September 2015.
The extension of the scope of well-known trademark recognition in People’s Courts between 2001 and 2002 is necessary, since as a Member State China must abide by the ‘Final Judicial Review’ Principle as stipulated in the TRIPS Agreement. However, although Chinese courts gained full jurisdiction over well-known trademarks, the seriousness of malicious litigation was largely underestimated at that time.

China provides the protection for well-known trademarks under a ‘Dual-Track’ system: an examination, protection and enforcement system jointly operated by the judicial and administrative authorities since 2001.\textsuperscript{433} China’s accession to the WTO in December 2001\textsuperscript{434} forced China to take measures to have those administrative cases recognising well-known trademarks reviewed by judicial authorities according to its ‘final judicial review’ principle and therefore helped the nation establish this system for well-known trademarks.\textsuperscript{435} In response, the SPC extended the scope of cases where People’s Courts could determine well-known trademarks in their judgments between 2001 and 2002. The key regulations regarding the extension of the scope of cases where well-known trademarks can be decided during this period are the ‘Interpretation of the Supreme People’s Court on Application of Laws in the Trial of Civil Disputes over Domain Names of Computer Network’ (2001) (i.e. domain name interpretation) and ‘Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation’ (2002). The key international treaty related to the extension issue is the TRIPS Agreement (2001).

Art 6 of the domain name interpretation rules that,

When trying a Domain Name Dispute Case, the people’s court may determine, according to the law, whether a registered trademark involved is well-known or not

\textsuperscript{433} (designated) People’s Courts, TRAB, and CTMO.
\textsuperscript{434} In fact, China has already taken actions before its formal acceptance of the TRIPS Agreement in December 2001.
\textsuperscript{435} See 3.4.2 of Chapter 3.
based on one party’s request and the actual circumstances of the case. (emphasis added)

The domain name interpretation not only authorizes Chinese courts to hear and decide well-known trademark issues in domain name disputes, but also marks the first step of establishing a ‘Dual-Track’ system for well-known trademark protection in China. With its adoption, Chinese courts began to handle cases involving well-known trademarks on the basis of domestic regulations instead of international treaties or administrative orders which marked a significant advance in the evolution of well-known trademark protection in China. However, malicious well-known trademark filings in domain name cases have been widely observed since then, for example, the P & G case in 2 of 3.4.4.1. This case shows how malicious litigation can negatively impact on the management of the well-known trademark system and negatively affect market competition in China.

China’s accession to the WTO in December 2001 forced China to take measures to have those administrative cases recognising well-known trademarks reviewed by judicial authorities. Art 41 (4) of the TRIPS Agreement stipulates that,

Parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions and, subject to jurisdictional provisions in a Member's law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case … (emphasis added)

This principle, i.e. ‘Final Judicial Review’ Principle as stipulated in art 41, has a pivotal

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437 China was approved for WTO membership on 11 December 2001; This is different from an administrative case without well-known trademark argument, which had immediate judicial review before 2001.
438 Art 41 (4), TRIPS Agreement.
role to play in the modernization of China’s IP laws. in particular, this principle accelerates the transition from the obsolete ‘Sole-Track’ to the advanced ‘Dual-Track protection and management system over well-known trademarks.

Given the commitment for complying with the ‘Final Judicial Review’ Principle under the TRIPS Agreement, the SPC continued to enhance the abilities of People’s Courts to recognise well-known trademarks in its ‘Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation’ in 2002. It authorized People’s Courts to determine well-known trademarks in all trademark cases, as laid out in art 22 (1),

Where a people's court is trying a trademark dispute case, it may, at the request of a party and in accordance with the actual circumstances of the case, make a determination in accordance with law as to whether the registered trademark in question is well-known. (emphasis added)

It is notable however that this article seems to only regulate registered trademarks and is silent as to whether People’s Courts are able to determine whether unregistered trademarks can be deemed well-known. It is unclear why this article only refers to registered trademarks in the context given that the TML 2001 clearly granted protection to both registered and unregistered well-known trademarks, plus both the Paris Convention and the TRIPS Agreement require China to offer protection to well-known trademarks regardless of registration status. The most plausible explanation of this oversight in the
interpretation is that it reflects a general lack of comprehension of the importance of domestic law (TML 2001) being consistent with international treaties (Paris Convention and TRIPS Agreement) regarding jurisdictional rules on well-known trademarks at that time.

2. *Key Change: Restriction of the Scope of Well-Known Trademark Recognition in People’s Courts since 2009*

As outlined in previous chapters, since 2001 the SPC has made considerable efforts to address and rectify problems related to well-known trademark recognition and protection through the issuance of judicial interpretations. However, notwithstanding the various interpretations issued by the SPC and outlined above, the well-known trademark system in China remains imperfect and is open to abuse. For instance, although the extension of the scope of well-known trademark recognition in People’s Courts between 2001 and 2002 is necessary, an increasing number of fraudulent filings since the promulgation of the domain name interpretation (2001) led to calls for a proper and timely judicial interpretation on restricting the scope of cases where well-known trademarks can be determined. The 2009 judicial interpretation entered into force on 1st May 2009. In comparison with the 2009 Notice which limits the jurisdiction of People’s Courts over well-known trademarks, the 2009 judicial interpretation further tightens the rules for well-known trademarks by placing sharp restriction on the scope of cases where well-known trademarks can be determined. This issue was mainly expounded in three articles: article 2, article 6 and article 3.

Firstly, article 2 prescribes three conditions where well-known trademarks can be determined with reference to article 13 of the TML 2001, rights of enterprise names under the State Council’s ‘Regulations for the Implementation of the Trademark Law of the People’s Republic of China’ (2002) and article 6 of the 2009 judicial interpretation:

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regardless of registration status in China, and art 14 details factors used for well-known trademark examinations conducted by People’s Courts.; Art 6 bis, Paris Convention; Art 16 (3), TRIPS Agreement.
With regard to any of the following cases of civil disputes, in which a party concerned believes that its trademark is well known and takes this as the factual basis, the people’s court shall determine whether the trademark involved therein is well known or not in light of the concrete circumstances if it deems it really necessary:

1. a trademark right infringement lawsuit initiated on the ground of violation of Article 13 of the Trademark Law;

2. a trademark right infringement or unfair competition lawsuit initiated by a party on the ground that an enterprise’s name is identical with or similar to its Well-Known trademark; or

3. a counterargument or counterclaim as prescribed in Article 6 of these Interpretations. (emphasis added)

Sub-article 1 of Article 2

Sub-article 1 refers to one of the two substantial provisions (articles 13 and 14) in the TML 2001 with regard to registration/use of well-known trademarks. Art 13 prevents well-known trademarks from registration and utilization regardless of registration status in China. These two sub-articles of art 13 in the TML 2001 mark the point that Chinese courts gain full jurisdiction over well-known trademark cases. The TML 2001 also marks the

444 Breann M. Hill, ‘Achieving Protection of the Well-Known Mark in China: Is There a Lasting Solution?’ (2009) 34 (2) U. Dayton L. Rev. 281, 287. (Hill suggested that for those IP rights owners who did not file timely applications for their trademarks in China, they were able to oppose any third party’s trademark filing and use referring to their own trademarks in three legal claims, i.e. right of priority, registration in bad faith, and well-known trademarks.)

445 See 3.4.4.1. of Chapter 3.

446 Before the TML 2001, the Chinese courts could decide well-known trademarks in certain cases according to judicial interpretations. For example, a well-known trademark might be decided in a dispute between a
formal establishment of a ‘Dual-Track’ system of well-known trademark protection in China. The TML 2001 goes some way to provide well-known trademark protection in line with China’s international obligations under the Paris Convention and the TRIPS Agreement.

Sub-article 3 of Article 2, and Article 6

Sub-article 3 should be understood with reference to art 6 of the 2009 judicial interpretation and shows that the SPC paid extra attention to unregistered trademarks with the aim of strengthening protection of unregistered well-known trademarks against trademark infringements. This extra care results from China’s trademark protection policy which was established on the basis of ‘first-to-file’ instead of ‘first-to-use’ principle. Art 6 of the 2009 judicial interpretation prescribes that,

For a civil lawsuit lodged by the plaintiff on the ground that the use of the trademark involved therein infringes its exclusive right to use the registered trademark, if the defendant makes a counterargument or initiates a counterclaim on the ground that the plaintiff’s registered trademark is a copy, imitation or translation of its earlier unregistered Well-Known trademark, it shall bear the burden of proof to support the popularity of the earlier unregistered trademark. (emphasis added)

The ‘exclusive right to use the registered trademark’, (or ‘exclusive right to the use of registered trademarks’), is paramount in Chinese Trademark Law and is highly relevant to well-known trademark protection.\(^{447}\)

\(^{447}\) domain name and a registered trademark. See art 6, Interpretation of the Supreme People’s Court on the Application of Laws in the Trial of Civil Disputes over Domain Names of Computer Network, Fa Shi [2001] No.24. This interpretation became effective in July 2001.

\(^{447}\) A registered well-known trademark owner would normally file a case against a defendant by claiming that the defendant had undermined his ‘exclusive rights to use of registered trademarks’ as prescribed in articles 51 and 52; See Figure 3.
Art 6 of the 2009 judicial interpretation allows People’s Courts to determine well-known trademarks in cases where a counterargument or counterclaim was made by a defendant when a plaintiff sued against him/her on the ground of the ‘exclusive right to use the registered trademark’ stipulated in art 52 of the TML 2001.

However, this counterargument/counterclaim only applies to unregistered trademarks and this ‘special clause’ results from China’s trademark protection policy. Generally speaking, the remedies available to the owners of unregistered well-known trademarks are still very limited. For instance, under Chinese trademark laws (2001 and 2013 versions), an unauthorised use of an unregistered trademark does not give rise to a claim to damages. The only remedy provided by the TML 2001 is the cessation of the infringements, even in the case of unregistered well-known trademarks.

Although the application of sub-article 3 and art 6 of the 2009 judicial interpretation could neither force people to register their trademarks in a timely manner nor rectify the lacuna in Chinese Trademark Law concerning the remedies, it expressed the SPC’s commitment to strengthen protection of unregistered well-known trademarks. In the meantime, both articles showed that to safeguard interests of holders of unregistered well-known


449 Art 2, Several Questions on the Application of Law in Trial of Trademark Civil Dispute Cases Interpretation. (‘In accordance with the first paragraph of Article 13 of the Trademark Law, where another’s non PRC-registered well-known trademark or its main part is reproduced, imitated or translated and used as a trademark on identical or similar goods, thereby easily resulting in confusion, civil liability to stop the infringement should be undertaken.’); Wei He, ‘Study on Present Situation of Unregistered Well-Known Trademark in China’ (‘Wo Guo Wei Zhu Ce Chi Ming Shang Biao De Xian Zhuang Yan Jiu’) (2011) 3 (11) Journal of Chifeng University (Science and Education) 57, 58. (HE argued that unregistered well-known trademark owners should seek financial remedies via Anti-Unfair Competition Law instead of Trademark Law).
trademarks would be beneficial to the battle against malicious litigation in China.

Sub-article 2 of Article 2

Sub-article 2 consists of two legal rights under Chinese Trademark Law: the right of well-known trademarks and the right of enterprise names (business names). In effect both trademarks and business names function to distinguish origins of goods/services of different suppliers. Therefore, the misuse of another person’s well-known trademark (or a similar mark) as a business name might mislead consumers as to the origins of goods/services concerned. Sub-article 2 justified the recognition of well-known trademarks in a dispute involving the right of enterprise names and the right of trademarks.

These two rights were firstly prescribed in the State Council’s ‘Regulations for the Implementation of the Trademark Law of the People’s Republic of China’ (i.e. ‘Implementing Regulations’) which became effective on 15 September 2002. Regarding the conflicts between well-known trademarks and the registration of business names, art 53 of the Implementing Regulations rules that the competent authority governing business names (i.e. SAIC and AICs) may invalidate a business name registration if: 1) the owner of a well-known trademark believes the registration of a business name has violated his rights in that trademark and thus requests the competent authority for the cancellation of the registration; and 2) the competent authority determines that the registration of a business name is likely to deceive or mislead the public and confuse the public about the relationship between the two parties in question. Sub-article 2 corresponds to art 53 of the

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450 Yanhong Li, ‘Register Other Person’s Registered Well-Known Trademark as a Business Name Constitutes Unfair Competition’ (‘Jiang Ta Ren Zhu Ce De Chi Ming Shang Biao Wei Qi Ye Zi Hao Gou Cheng Bu Zheng Dang Jing Zheng’) (2008) 22 People’s Judicature 45, 45.

451 The revocation of a business name registration will be undertaken pursuant to the ‘Provisions on Administration of Enterprise Name Registration’. The Provisions on Administration of Enterprise Name Registration was issued on 22 July 1991 and came into force on 1 September 1991. According to its art 4, competent authorities of enterprise name in China are SAIC and AICs at different levels; On 5 April 1999, the SAIC issued the ‘Opinions on Resolution of Several Issues Concerning Trademarks and Enterprise
Implementing Regulations by highlighting that if a business name is identical or similar with a well-known trademark to the extent that it misleads the public then the People’s Courts may determine whether the trademark in question is a well-known trademark at their discretion.

This rule is of importance to the restriction of the scope of cases where well-known trademarks can be determined. Not only does it show how the SPC balances the two legitimate rights, but also can be seen as a positive reaction of the SPC to practical problems resulting from litigation such as fraudulent filings.

Secondly, a sharp restriction on the scope of cases where well-known trademarks could be determined can be observed in art 3 of the 2009 judicial interpretation. This article in some respects resembles art 2 (in particular sub-article 2 of art 2): it targets malicious litigation through preventing People’s Courts from recognising well-known trademarks in certain kinds of cases, including conflicts with rights of domain names which were particularly problematic in terms of malicious litigation since 2001.

Art 3 of the 2009 judicial interpretation stipulates,

With regard to either of the following cases of civil disputes, the people’s court will not examine whether the trademark involved therein is well known or not:

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Names’. Its art 1 paid emphasis on the necessity of providing effective protection to both trademarks and enterprise names since they are ‘both rights established by legal procedures and protected respectively by the laws and regulations on trademark and registration and administration of enterprise names’. Then art 2 rules both rights must be established based on ‘the principle of honesty and good faith … without committing unfair competition by making use of the reputation of another’s trademark and enterprise name’. If a likelihood of confusion or actual confusion happens between trademarks and enterprise names, unfair competition is deemed to exist. Consequently, an action to prohibit unfair competition must be taken. People should be aware that ‘trademarks’ and ‘enterprise names’ in discussion here must be registered (trademarks) and recorded (enterprise names) prior to handling relevant cases. See Art 1, art 2 and art 4, Opinions on Resolution of Several Issues Concerning Trademarks and Enterprise Names.
1. Whether the trademark involved therein is well known shall not be the factual basis for the establishment of the trademark right infringement or unfair competition sued; or

2. The trademark right infringement or unfair competition sued is not established due to the absence of other elements as prescribed in law.

An infringement lawsuit, which is lodged by the plaintiff on the grounds that the domain name registered or used by the defendant is identical with or similar to the plaintiff’s registered trademark and that the electronic business – the trading of relevant commodities through the domain name – is sufficient to mislead the relevant general public, shall be governed by the provisions in subparagraph 1 of the preceding paragraph. [i.e. art 3 (2)] (emphasis added)

As outlined above, art 3 (1) (1) excludes certain cases from the recognition of well-known trademarks. ‘Whether the trademark involved therein is well known shall not be the factual basis for the establishment of the trademark right infringement or unfair competition sued’ shows the SPC’s cautious attitude to well-known trademark recognition. Art 3 (2) prohibits such recognition in lawsuits concerning domain names and registered trademarks. This prohibition indicated the seriousness of fraudulent filings in domain name dispute (see for example the P & G case\(^\text{452}\) and excluded the possibility of having trademarks recognised as well known in domain name disputes.

One flaw in this article, however is it does not detail in which conditions ‘trademark right infringement or unfair competition sued’ should be found on the ground that a trademark in question is well known except for cases concerning domain names. Although this flaw gives People’s Courts ‘autonomy’ to determine its implementation based on ‘Case-by-case’ principle, it brings with it the risk of being misinterpreted.

\(^{452}\) 2 of 3.4.4.1.
4.4.3. Summary

This section (4.4.) has set out to demonstrate and evaluate issues concerning malicious litigation in China. It was argued that a proper definition and appropriate standard for examining ‘false actions’ should be provided. A centralisation policy on judicial recognition is recommended. It is also submitted that specific rules concerning the implementation of ‘honesty and good faith’ principle, precautions and liability in malicious litigation, and scope of cases involving well-known trademark determination should be created. There are deficiencies in the current law. For instance, no national definition of and examination standards for malicious litigation are given. Although being raised in some local regulations (Zhejiang opinions, Notice on Bona Fide Litigation), the lack of certain rules under the national laws concerning precautions and liability for malicious litigation has failed to effectively stop malicious applicants from attempting to take advantage of the well-known trademark title. The implementation of a centralization policy since 2002 has showed some progress but its deterrent effect remains to be seen.

4.5. Product Quality of Products Bearing Well-Known Trademarks

The problem of consumer misapprehension about product quality of goods/services bearing well-known trademarks reveals shortcomings in China’s ‘Trademark Law’, ‘Product Quality Law’ (2000) and ‘Law on Protection of Consumer Rights and Interests’ (2013). From a trademark law perspective, although trademarks, including well-known trademarks, do provide an ‘economic guarantee’ of quality, this does not mean that well-known trademarks indicate ‘high quality products’ nor is there any direct correlation between well-known trademark protection and product quality. The legal protection of consumers who may suffer from assuming that a well-known trademark guarantees good quality is a matter not of Trademark Law but ‘Product Quality Law’ (2000) and ‘Law on Protection of
Consumer Rights and Interests’ (2013). The analysis of both laws in this part will show that it is important for manufacturers/proprietors of goods/services bearing their well-known trademarks to keep continuity, stability and reliability of their products, but more work need to be done by Chinese authorities to redress the misunderstanding therein.

4.5.1. Conceptual Meaning of the Misunderstanding of ‘Quality Assurance’

Most marketing activities nowadays seek to influence markets involving interactions among suppliers, competitors, regulators, the courts, government agencies, and customers, and consumer behaviour is shaped by a host of marketing influences – such as branding, advertising, sales promotions, and distribution strategies. Consequently, consumer purchasing choices are not necessarily based on actual, objective product quality. To be specific, it is a feature of the current marketplace obsession with brands, that the perception of a brand may now constitute the primary consideration when consumers make their purchasing choices, with the quality of the goods against which it is registered as only a secondary consideration. In China, consumers’ obsessions with brands has led to a common misperception that a well-known trademark denotes good or even premium quality attributes of the goods bearing it, and therefore has become a prime reason for consumers to purchase those products/services bearing such marks.

4.5.2. Reasons of the Misunderstanding of ‘Quality Assurance’

The responses of competent authorities at administrative level to the designation of certain trademarks as ‘well-known’ have contributed to this misunderstanding.

Firstly, at the administrative level, as noted above, the Chinese authorities have contributed to the misunderstanding of well-known trademarks through ‘award campaigns’. Such campaigns have misled the public to believe that those products bearing well-known trademarks have superior qualities as compared to those products not bearing well-known trademarks. In this way a well-known trademark can be mistakenly seen as an honourable title in eyes of Chinese consumers.

In addition, certain products bearing well-known trademarks in China were for a period (between 1999 and 2008) exempted from ‘national quality inspection’ (or known as ‘inspection exemption system’). This policy was promoted by Chinese government from December 1999 and aimed at encouraging undertakings to improve product quality, reduce the burden on enterprises, and prevent regional protectionism. On 18 September 2008, the State Council repealed the ‘national quality inspection’ for food products, meaning that all food products made in China must now pass compulsory inspection over product quality before entering into the market. It was commonly believed that the repeal

459 See 4.2.
461 Chunfang Li and Qiuping Li, ‘Misunderstanding of Well-Known Trademark and Legal Regulation’ (‘Chi Ming Shang Biao De Yi Hua Ji Qi Fa Lv Gui Zhi’) (2009) 31 (3) Journal of Ningxia University (Humanities and Social Sciences Edition) 112, 112.
of this policy was a direct result of tainted milk scandal which happened in China in 2008 and which involved major domestic dairy undertakings who were the owners of certain well-known trademarks.

One notorious case in 2008’s tainted milk scandal highlighting the misunderstanding between product quality and well-known trademarks related to a domestic trademark ‘Sanlu’. The ‘Sanlu’ trademark became a well-known trademark in 1999 through administrative recognition and a number of products bearing ‘Sanlu’ were exempt from government’s compulsory product inspection in accordance with art 16 of the ‘Decisions of the State Council Concerning Several Issues on Further Strengthening Product Quality Work’ (1999). As a prerequisite for awarding the ‘State Inspection Exemption Product’

464 A group of Chinese dairy companies – at least 22 firms as reported – involve themselves in this adulterated milk powder scandal.


466 According to art 16 of the ‘Decisions of the State Council Concerning Several Issues on Further Strengthening Product Quality Work’ (Guo Fa [1999] No.24), China implemented an inspection exemption system since December 1999. (Art 16.1: ‘Products with stable quality for a long time, with a high market share rate or with the enterprises up to or stricter than relevant State Standards, or products qualified in three consecutive selective inspections conducted by the quality and technical supervision department of the State, a province, an autonomous region or a municipality directly under the Central Government, may be
(i.e. product which requires no compulsory product inspection), products must have a good reputation. Products bearing well-known trademarks are normally exempt from national quality inspection. This suggests that a well-known trademark typically not only is misinterpreted as an honourable title but also is seen as being attached to goods of superior quality in the eyes of both Chinese consumers and authorities. The tainted milk scandal in 2008 therefore caused widespread public outrage in China and People questioned why products bearing well-known trademarks like Sanlu have such severe quality problems. This case also goes some way to show the seriousness of the misunderstanding regarding quality of goods bearing well-known trademarks in China.

Secondly, at the administrative level, unlike rulings delivered by People’s Courts, where the reasons for the recognition of a trademark as well-known are usually given, administrative recognition lacks transparency. For instance, the SAIC has established a ‘results announcement system’ to publish administratively recognised well-known trademarks. This system contains a database storing all such marks. However no reasons for decisions are given. Rather it only lists the names of well-known trademarks that have succeeded in examination. Consequently, the public has no knowledge as to why these trademarks have been accorded the status of ‘well known’. The lack of transparency of ‘results announcement system’ has contributed to the misunderstanding that ‘well-known

determined as products exempted from inspection.’)

469 Shi’en Hu, ‘From Shuang Hui ‘Clenbuterol Hydrochloride Incident’ to See Rights and Obligations of Well-Known Trademark’ (‘Cong Shuang Hui Shou Rou Jing Shi Jian Kan Chi Ming Shang Biao De Quan Li He Yi Wu’) (2011) 4 China Trademark 15, 15.
trademark’ status is a ‘quality indicator’.472

4.5.3. A Trademark Viewpoint on Product Quality

Trademarks can provide incentives for their owners to promote quality performance but the incentives they provide are not legal in nature, but are economic. The economic nature they embody can be observed on the basis of the ‘traditional law’ with reference to ‘economics approach’, and some argument among Chinese scholars. Certain rules in the TML 2001 and TML 2013 concerning quality control also reflect this feature.

4.5.3.1. Academic Review

Firstly, the incentives provided by trademarks to quality control can be observed from the perspective of ‘traditional law’ and ‘economics approach’.

The presence of a trademark lowers the search costs borne by consumers. It also enables the public to make repeat purchases that have proven satisfactory and to avoid future purchases of goods that have previously failed to be so. Firms that offer a satisfactory price-quality combination are rewarded; in contrast, the ones that fail to do so must suffer the consequences.473 As argued by Landes and Posner, trademark law thus provides an incentive for business enterprises to invest in the quality of the goods and services with which marks are used and as a remedy to specific market failures associated with high consumer search costs.474

Until relatively recently, both common and civil law lawyers adopted an approach to explain the rationale for trademark protection that was markedly different from the one suggested by economists, but was altogether compatible with it.\textsuperscript{475} They argued that the rationale for trademark resided in the trademark’s function of designating the origin of the goods and in the meantime trademark protection did create an incentive to encourage firms to invest in the quality of goods offered to the market. However, they were reluctant to assert that the main purpose of trademark law was to guarantee the qualitative level of the goods on which the mark was affixed, as they were afraid that it might ultimately fetter the freedom of trademark holders to vary the characteristics of the goods.\textsuperscript{476} Bottero, Mangani and Ricolfi are protagonists of ‘goods variation theory’. In their paper, they argued that,

‘Trademark protection does, indeed, supply an incentive for firms to maintain a constant product quality, but it does not necessarily create incentives to offer high quality products. The latter depends on the general strategies of product differentiation, which are, in turn, linked to market structure, the type of goods and services, and the nature of competition prevailing in the market with respect to price, quantity, variety, and quality.’\textsuperscript{477}

They concluded with a quote from Landes and Posner, that trademarks ‘tend to be seen by mainstream law and economics literature as “incentives”: they are viewed as self-enforcing mechanisms that serve to ensure that consumers are provided with a satisfactory quality of the goods bearing the brand mark’.\textsuperscript{478}

Secondly, the function of trademarks in providing a form of quality control has been widely

\textsuperscript{476} Ibid.
\textsuperscript{477} Ibid, 275.
\textsuperscript{478} Ibid., 273 – 274.
discussed by Chinese scholars in assessing issues concerning well-known trademark protection.

Zhu argues that nowadays well-known trademarks are evolving into entities independent of the goods or services with which they are associated. This entity represents the goodwill of undertakings, constitutes the primary consideration when consumers make their purchasing choices, and encourage firms to produce high quality goods.\(^{479}\) For instance, he claims that well-known trademarks have considerable impact on the decision-making as consumers will feel confident about quality level of those goods/services bearing well-known trademarks.\(^{480}\) Gao agrees adding that unlike the position under ‘traditional theory’ where trademarks are protected under the likelihood of confusion principle, well-known trademarks, because of their prominence, are themselves commercialized and have evolved into an independent commodity. Thus ‘the image right of well-known trademarks’ has become a virtual right and made the protection of registered well-known trademarks go beyond one Class of goods or services.\(^{481}\) Chen demonstrates three characteristics of a well-known trademark: for consumers, it represents well-made products and embodies high reputation of manufacture; for undertakings, it raises the market share and increases the profitability of products; for a country, it shows economic strength of the nation.\(^{482}\) I agree with their commentary.

### 4.5.3.2. Legal Rules Review

The inconsistent rules in the TML 2001 and TML 2013 as regards quality control indicate

\(^{480}\) Ibid., 21.
\(^{482}\) Juan Chen, ‘Study on Special Legal Protection of Well-Known Trademark’ (‘Lun Chi Ming Shang Biao De Fa Lv Te Shu Bao Hu’) (2009) 18 Knowledge Economy 30, 30.
that although trademarks, including well-known trademarks, generate incentives to promote product quality, such incentives are not legally binding from a trademark perspective in China. On the contrary, they are economic in nature.


The TML 2001 is based on the assumption that a product/service bearing a trademark encourages continuity, stability and reliability. A trademark owner gives his customers an *assurance* only that the quality of his products will not change (or more strictly, not degrade) over a certain period, but it does not necessarily imply a ‘superior’ or ‘premium’ quality.\(^{483}\)

For example, it requires trademark users, to a certain degree, to be liable for product quality. Art 7 of TML 2001 prescribes,

> ‘The user of a trademark shall be responsible for the quality of the goods on which the trademark is used. The administrative departments for industry and commerce at all level (i.e. AICs, author added), through the administration of trademark, put an end to any practice that deceives consumers.’\(^{484}\) (emphasis added)

Art 45 of the TML 2001 authorizes AICs to act to prevent the deception of *consumers*: they may impose penalties on any person who used a registered trademark ‘on crudely manufactured commodities that are passed off as being of high quality, and thus deceives the consumers’.\(^{485}\) This rule may suggest a ‘second level’ of quality assurance which demands trademark users a *stricter*, objective measure of quality control over their

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\(^{484}\) Art 7, TML 2001. (‘The user of a trademark shall be responsible for the quality of the goods on which the trademark is used’)

\(^{485}\) Art 45, TML 2001.
products, and imposes on them greater accountability for maintaining a decent standard of product quality.

2. Rules on Product Quality in the Trademark Law 2013

As to product quality, although art 1 of the TML 2013 emphasises that Chinese trademark law intends to urge ‘producers and business operators to ensure the quality of their goods and services, and maintain the reputation of trademarks’ and art 7 continues with the same theme by requiring trademark owners to be responsible for the quality of the goods bearing their trademarks, there is no equivalent article in the TML 2013 to art 45 of the TML 2001.

Although the reason for the deletion of art 45 is not explicitly given, its absence seemed to indicate that Chinese legislators accepted the idea that interests of consumers were not the main aim of Chinese trademark law. During the revision process some Chinese legislators argued that trademark law should be confined to the function of identifying origin of goods/services and leave the question of quality to other areas of law directed to consumer welfare and protection, such as Law of the People’s Republic of China on Product Quality (2000) and Law of the People’s Republic of China on Protection of Consumer Rights and Interests (2013).

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486 Trademark users may cover owners of trademarks, manufacturers of products bearing trademarks, or distributors of products in question, and other participants in the course of trading activities.
488 Art 1, TML 2013.
489 Art 7 (2), TML 2013.
490 Art 4 stipulates ‘producers and sellers shall be liable for product quality in accordance with this Law’, and art 5 prohibits mixing impurities or imitations into a product that is manufactured or for sale, or passing a fake product off as a genuine one, or passing a defective product off as a quality one.
491 Art 8 (1): ‘Consumers shall enjoy the right to obtain true information of the commodities they purchase and use or the services they receive.’; art 16 (1): ‘Business operators shall, in their supply of commodities
More importantly, according to the TML 2013, product quality appears to be irrelevant to well-known trademark recognition and protection. For instance, art 14 list several factors which can be considered in the matters of well-known trademark examination but none relate to quality issues concerning goods bearing well-known trademarks. As to administrative recognition, ‘quality of goods’ is not one of the evidential materials deemed relevant to well-known trademark recognition under the ‘Provisions on the Determination of Protection of Well-Known Trademarks’ (2014).

3. Analysis

Firstly, although there is a general consensus that trademark protection induces firms to maintain the quality of their goods and services, as suggested in both TML 2001 and 2013, it is the law that to some extent guarantees such guarantee. For instance, the Consumer Rights Act (2000) states that, while the consumer may not always be able to determine the quality of a product, the producer is required to ensure that the goods conform to the product description or by physical samples. (1) there existing defects in the commodities … (4) not conforming to the quality indicated by the product description or by physical samples.’; art 40: ‘Business operators shall, if the commodities and services they supply involve any of the following circumstances, bear civil liability in accordance with the provisions of the Law of the People’s Republic of China on Product Quality and other relevant laws and regulations … (1) there existing defects in the commodities … (4) not conforming to the quality indicated by the product description or by physical samples.’; art 50: ‘If business operators are under any of the following circumstances and the Law of the People’s Republic of China on Product Quality and other laws and regulations have provided for punitive organs and forms therefor, the provisions of the law or regulations shall be applied … (2) mixing adulterations into their commodities, or passing fake commodities off as genuine ones.’; China Industry & Commerce News, ‘A Study on the Basic Functions of Trademarks’ (China Industry & Commerce News, 22 December 2011) <http://www.cicn.com.cn/content/2011-12/22/content_107946.htm> accessed 20 September 2014; Zujun Li and Kun Wang, ‘Legal Analysis on Judicial Recognition of Well-Known Trademark’ (Chi Ming Shang Biao Si Fa Ren Ding De Fa Li Fen Xi) (2009) 23 (4) Journal of Changsha University 45, 46; Lianfeng Wang, ‘Legal Regulation of Misunderstanding of Well-Known Trademark’ (Chi Ming Shang Biao Yi Hua De Fa Lv Gui Zhi) (2010) 6 Journal of Henan Administrative Institute of Politics and Law 42, 43; Zhu Jianjun, The Protection of Well-known Trademarks (1st edn, Law Press 2011), 260.

492 Art 13 of the TML 2013 orders protection upon infringing a trademark that is well known by the relevant public in China. Its art 14 list several factors which can be considered in the matters of well-known trademark examinations.

493 Gong Shang Zong Ju Ling No.66. 3 July 2014.

TML 2013, the title of ‘well-known trademark’ neither necessarily represents ‘high quality products’ nor establishes direct correlation between trademark protection and high quality products.\textsuperscript{495} As suggested by Lehman (et al.), ‘Although product quality was stated in the opinion (of a Chinese case) as the fundamental determinant of reputation (of a trademark), it should be noted that this is not always the case. Products can be well-known for other reasons, such as pricing or geographic area of origin.’\textsuperscript{496}

Secondly, the existence of well-known trademark does not necessarily imply the production of high quality products is a fact agreed by both foreign and Chinese scholars.

In China, a well-known trademark hardly represents high quality or provides an assurance for consumers. Zheng argues that there is no link between product quality and well-known trademarks.\textsuperscript{497} He states that trademarks, including well-known trademarks, should be separated from any evaluation of products/services carrying them. Rather, a trademark should independently exist and is not reliant on any product or service it is used on.\textsuperscript{498} Zheng’s argument about the independence of well-known trademarks makes some sense. The rules of well-known trademarks, as designated under international-related treaties and national statutes, are supposed to facilitate market competition and ensure that it will not be distorted. If consumers make their purchasing choices based on false claims about product quality instead of objective attributes of particular goods, then fair market competition is distorted.\textsuperscript{499}

\textsuperscript{497} Chunfang Li and Qiupin Li, ‘Misunderstanding of Well-Known Trademark and Legal Regulation’ (‘Chi Ming Shang Biao De Yi Hua Ji Qi Fa Lv Gui Zhi’) (2009) 31 (3) Journal of Ningxia University (Humanities and Social Sciences Edition) 112, 113.
\textsuperscript{498} Ibid.
\textsuperscript{499} Zujun Li and Kun Wang, ‘Legal Analysis on Judicial Recognition of Well-Known Trademark’ (‘Chi Ming Shang Biao Si Fa Ren Ding De Fa Li Fen Xi’) (2009) 23 (4) Journal of Changsha University 45, 46; Lianfeng
Bottero, Mangani and Ricolfi argue that it is difficult to claim that there exists a direct and positive correlation between trademark protection and high quality products due to the ‘strategies of product differentiation’ which represents ‘one of the most important theoretical contributions provided by the literature on industrial organization’.

Hence ‘the claim cannot be made that goods and services that are linked to famous brands … are systematically characterized by high quality.’

4.5.4. Summary

So far, this chapter has discussed three issues: 1) conceptual meaning of the misunderstanding of ‘quality assurance’; 2) reasons behind the ‘misunderstanding’; 3) why a well-known trademark branded product cannot necessarily embody high quality from a trademark perspective. This section also targets to explore these issues from both China’s ‘Product Quality Law’ (2000) and ‘Law on Protection of Consumer Rights and Interests’ (2013). This thesis argues that the legal protection of consumers who may suffer from assuming that a well-known trademark guarantees good quality is not bound to Trademark Law. Instead, it should be regulated under the Product Quality Law (2000) and Law on Protection of Consumer Rights and Interests (2013).

4.5.5. Product Quality Law (2000) on Product Quality

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Since its adoption in 1993,\textsuperscript{502} the Product Quality Law has played an active role in promoting quality of home-grown products and fighting against counterfeits. It therefore contributes to keeping continuity, stability and reliability of goods / services, although in many respects it is still unsatisfactory.

\textbf{4.5.5.1. Rules over Product Quality}

The Product Quality Law (2000) aims to keep continuity, stability and reliability of products provided by manufacturers.

Firstly, as a general principle (‘General Provisions’), art 1 emphasises that the Product Quality Law (2000) ‘is enacted to strengthen the supervision and control over product quality, to improve product quality, to define the liability relating thereto, to protect legitimate rights and interests of consumers’.\textsuperscript{503} In order to improve product quality, the country ‘encourages the popularization of scientific methods for quality control’ and ‘encourages enterprises to make their product quality reach and surpass their perspective sectoral standards, national standards and international standards’. Units and individuals will be rewarded in return for making outstanding achievements in exercising advanced control over product quality.\textsuperscript{504}

As regards supervision and liability, local governments at various levels should ‘provide guidance to producers and sellers and urge them to tighten control over product quality and improve product quality’,\textsuperscript{505} and producers and sellers shall be liable for product quality.\textsuperscript{506}

\textsuperscript{503} Art 1, Product Quality Law (2000).
\textsuperscript{504} Art 6, Product Quality Law (2000).
\textsuperscript{505} Art 7, Product Quality Law (2000).
\textsuperscript{506} Art 4, Product Quality Law (2000).
Secondly, the Product Quality Law (2000) specifies rules about supervision over product quality. For example, the country applies an ‘authentication policy’ over product quality ‘in light of the quality control standards used internationally’. Any undertaking can apply for authentication certificates ‘on a voluntary basis’ to authentication bodies. The authentication bodies must be approved by the department for supervision over product quality under the State Council or a department authorized by the department aforementioned. The authentication certificates will be issued to those undertakings whose products are qualified by authentication bodies. The undertaking that has been issued the certificate will be permitted to use ‘product quality authentication mark’ on its products or the packages.\(^{507}\) According to art 25 of the ‘Regulations of the People’s Republic of China on Certification and Accreditation’, a certified body must use the certificate and certification mark within the certified scope and must not use them or relevant descriptive text ‘in a way that might mislead the public into believing that its products or services has been certified’.\(^{508}\)

Thirdly, the Product Quality Law (2000) sets out the liability and obligations of producers and sellers in respect of product quality in Chapter Three (‘Liability and Obligation of Producers and Sellers in Respect of Product Quality) and Five (‘Penalty Provisions’). For example, art 26 specifies that producers are liable for product quality and lists quality requirements which producers must meet.\(^{509}\) The marks on the products or on the packages

\(^{507}\) Art 14, Product Quality Law (2000).


\(^{509}\) Art 26, Product Quality Law (2000). (Producers shall be liable for the quality of the products they produce. The products shall meet the following quality requirements:
(1) constituting no unreasonable threats to personal safety or safety of property, and conforming to the national standards or the sectoral standards for ensuring human health, personal safety and safety of property, where there are such standards;
(2) possessing the properties as required, except for those with directions stating their functional defects; and
must be *authentic*. The producers are prohibited from faking or illegally using ‘product quality authentication marks’. In particular, the Product Quality Law (2000) forbids producers substituting ‘a defective product for a high-quality one’. This rule is also applicable to sellers. Offenders will be fined and prosecuted.

Finally, it is worth noting that art 59 of China’s Product Quality Law (2000) prescribes that, where false advertisements regarding product quality are published to cheat or mislead consumers, the advertiser shall be investigated for legal responsibility in accordance with the Advertisement Law of the People’s Republic of China.

### 4.5.5.2. Feasibility of Introducing ‘Warranty Obligations of Quality’ to Well-Known Trademarks in the Product Quality Law

In order to effectively manage product quality of goods bearing well-known trademarks and alleviate the negative consequences resulting from the misunderstanding and protect

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(3) conforming to the product standards marked on the products or on the packages thereof, and to the quality conditions indicated by way of product directions, samples, etc.)

512 Art 32, Product Quality Law. (In producing products, no producer may mix impurities or imitations into the products, or substitute a fake product for a genuine one, a defective product for a high-quality one, or pass a substandard product off as an up-to-standard one.);
513 Art 34, Product Quality Law (2000). (A seller shall adopt measures to keep the products for sale in good quality.); art 39, Product Quality Law (2000). (In selling products, no seller may mix impurities or imitations into the products, or substitute a fake product for a genuine one, a defective product for a high-quality one, or pass a substandard product off as an up-to-standard one.)
514 Art 50, Product Quality Law (2000). (Where a producer or a seller mixes impurities or imitations into a product, or substitutes a fake product off as a genuine one, or a defective product for a quality one, or passes a substandard product off as an up-to-date one, he shall be ordered to discontinue production or sale, the products illegally produced or for sale shall be confiscated, he shall be fined not less than 50 percent of but not more than three times the value of the products illegally manufactured or ready for sale; the unlawful earnings, if any, shall be confiscated; if the circumstances are serious, the business license shall be revoked; if a crime is constituted, criminal responsibility shall be investigated in accordance with law.)
legitimate interests of consumers, it is suggested that the Product Quality Law should introduce ‘warranty obligations of quality’ in respect of goods bearing well-known trademarks. However, this idea may be difficult to implement.

1. Reasons for Adopting ‘Warranty Obligations of Quality’

Although in fact the title of ‘well-known trademark’ neither necessarily represents ‘high quality products’ nor is there a direct correlation between well-known trademark protection and product quality, the status quo in China is that the misunderstanding of well-known trademarks has demonstrable sales effects and has produced severe negative consequences. Zhang reported that the sales amounts of 20 of 41 products marked well-known trademarks in his survey increased more than 20 percent, with an additional twelve sales increasing more than 50 percent. Seven showed over 60 percent growth.⁵¹⁵ Zhu suggested that a well-known trademark had considerable impact in the decision-making as consumers would feel confident about quality level of those goods/services bearing well-known trademarks.⁵¹⁶ The tainted milk scandal in 2008 caused widespread public outrage in China and People questioned why products bearing well-known trademarks have such severe quality problems.⁵¹⁷ This case clearly shows the seriousness of the misunderstanding regarding quality of goods bearing well-known trademarks, and acted to encourage authorities to consider creating a national standard for the protection of consumers against being misled or confused by false claims of product quality.

Since it is hardly to eliminate the adverse effects of the misunderstanding in a short time, some scholars have argued that the Product Quality Law should introduce ‘warranty obligations of quality’ in respect of goods bearing well-known trademarks. However, this idea may be difficult to implement.

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⁵¹⁷ Shi’en Hu, ‘From Shuang Hui ‘Clenbuterol Hydrochloride Incident’ to See Rights and Obligations of Well-Known Trademark’ (‘Cong Shuang Hui Shou Rou Jing Shi Jian Chi Ming Shang Biao De Quan Li He Yi Wu’) (2011) 4 China Trademark 15, 15.
obligations of quality’ to well-known trademarks in order to maintain continuity, stability and reliability of products bearing them for the sake of relevant consumers.\(^{518}\)

2. Feasibility in Adopting ‘Warranty Obligations of Quality’

The policy of the ‘warranty obligations of quality’ to well-known trademarks seems infeasible because it is inconsistent with certain rules in Chinese Trademark Law.

As outlined above,\(^{519}\) the ‘product quality’ issue appears to be irrelevant (or at least less irrelevant than the TML 2001) to well-known trademark recognition and protection under the TML 2013. Although this may be considered as a shortcoming of trademark law, it makes it more difficult for the Product Quality Law to incorporate any specific rule for well-known trademarked products, such as ‘warranty obligations of quality’.

In Conclusion, unless Chinese Trademark Law at least obliges holders of well-known trademarks to pay extra attention on maintaining continuity, stability and reliability of their products, the idea of such ‘warranty obligations of quality’ cannot be introduced to the Product Quality Law.

4.5.6. ‘Law on Protection of Consumer Rights and Interests’ (2013) on Product Quality

In order to fulfil the purpose of protecting consumers’ rights and interests and accommodate exponential growth of Chinese economy over the past two decades, Chinese legislators have actively revised the Consumer Protection Law. This part will demonstrate and evaluate certain rules regarding product quality in the revised ‘Law on Protection of

\(^{518}\) Ibid.

\(^{519}\) See 2 of 4.5.3.2.
Consumer Rights and Interests (2013)’ (hereinafter referred to as ‘Consumer Protection Law (2013)’). This thesis argues that to keep continuity, stability and reliability of products bearing well-known trademarks is a major mission for the Consumer Protection Law (2013), although the law remains unsatisfactory.\(^5\)

Firstly, the Consumer Protection Law (2013) commits itself to protecting legitimate rights and interests of consumers\(^5\) through administering goods/services supplied by proprietors.\(^5\) The principle of ‘honesty and good faith’ is highlighted in the ‘General Provisions’.\(^5\) As outlined in this thesis,\(^5\) this principle is of paramount importance to effectively curbing malicious litigation, which is the most serious consequence resulting from the misunderstanding of well-known trademarks.\(^5\)

The Consumer Protection Law (2013) explicitly expressed its concern about social responsibility in terms of consumer protection: it emphasises that it is the ‘entire society’ that must take responsibility for consumer protection and the country ‘encourages and supports all organizations and individuals conducting social supervision of conduct harmful


\(^{5}\) Art 1, Consumer Protection Law (2013). (This law is formulated to protect the lawful rights and interests of consumers, maintain social economic order, and promote the health development of the socialist market economy.)

\(^{5}\) Art 3, Consumer Protection Law (2013). (Proprietors producing or selling goods to provide to consumers, or providing services, shall obey this law.)

\(^{5}\) Art 4, Consumer Protection Law (2013). (Proprietors conducting transactions with consumers should follow the principles of voluntariness, equality, fairness, honesty and credibility.)

\(^{5}\) 2 of 4.4.2.4.

to consumer’ legal rights and interests”. According to the law, the media (including state-owned and domestic-owned radio, television, newspapers and internet media; the foreign media has been rigidly monitored under the Great Fire Wall therefore its influence upon the general public is rather limited) is requested to play an active role in securing rights and interest of consumers and supervising public opinions of ‘conduct that damages the lawful rights and interests of consumers’.

The emphasis of social responsibility and the role of the media are important, as it was the media and some social organizations that should partially be to blame for the misunderstanding of well-known trademarks in China.

Secondly, according to the rules regulated in Chapter 2 (‘Rights of Consumers’), it can be concluded that to maintain continuity, stability and reliability of products bearing well-known trademarks shares the same purpose with the Consumer Protection Law (2013).

Art 8, for instance, provides that ‘consumers enjoy the right to know the true circumstances of goods they purchase or use, or services they receive’. The ‘circumstances’ herein should include such as ‘performance, standards, grade’ which are usually used to indicate quality level. It is clear that the publicity of ‘true circumstances’ helps to keep continuity, stability and reliability of products and to protect interests of consumers. The misuse of the misunderstanding about product quality inevitably constitutes the concealment of true circumstances and is likely to damage consumers’ rights and interests.

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527 The Great Fire Wall (‘GFW’) is the main instrument to achieve Internet censorship in China. It is used to block certain websites and filter key words out of researches initiated from computers located in mainland China. The accessions to most of western media have been either banned or under restrict surveillance.
529 See 4.2.2.
531 Art 8 (2), Consumer Protection Law (2013). (On the basis of the circumstances, consumers have the right to require proprietors to provide the prices, place of production, manufacturers, usage, performance, standards, grade, principle components, date of production, expiration period, certificates of inspection, instructions for use, and after-sales services for goods or services, and provide information on relevant conditions such as the content, standards and costs of services.)
Art 10 ‘the right to fair transactions’ empowers consumers to have the right to ‘fair trade conditions such as assurances of quality’.532 ‘The right to fair transactions’ is consistent with the requirement of Chinese trademark law where a trademark owner is asked to give his customers an assurance that the quality of his products will not decrease within a certain period.533 However, as has been demonstrated, a well-known trademark hardly provides an assurance for consumers because the misunderstanding amongst Chinese consumers leads to false information on product quality. When Chinese consumers begin to believe that a well-known trademark implies a ‘superior’ or ‘premium’ quality, or when the continuity, stability and reliability of products cannot be guaranteed, ‘the right to fair transactions’ is undermined.

Thirdly, all proprietors534 must fulfil their obligations as requested in the Consumer Protection Law (2013) and ‘other applicable laws and regulations’535 (which will include the Trademark Law and Product Quality Law [2000]). Amongst them, the obligation to impart true information on products to relevant consumers in particular helps redress the misunderstanding of well-known trademarks. However, one deficiency in the law is that, compared with rules for proprietors, the obligations of competent authorities are not given.

As regards ‘impart true information’, art 20 prescribes that,

532 Art 10, Consumer Protection Law (2013). (Consumers enjoy the right to fair transactions. When purchasing goods or receiving services, consumers have the right to fair trade conditions such as assurances of quality, reasonable prices and correct measurements, and have the right to refuse coercive trading behavior by business operators.)


534 Under Chapter 3 ‘Obligations of Proprietors’, the ‘proprietors’ cover a wide range of market entity: anyone who provides goods or services to consumers shall be seen as a proprietor. See art 3, Consumer Protection Law (2013). (Proprietors producing or selling goods to provide to consumers, or providing services, shall obey this law; where this law does not have provisions, they shall follow other relevant laws and provisions.)

‘Proprietors shall provide consumers with true and complete information on traits such as the quality, performance, use, and duration of goods or services; and must not conduct any false or misleading publicity. Proprietors shall provide truthful and clear answers to questions from consumers regarding the quality and usage of their goods or services they provided.’  

From a consumer protection law perspective, art 20 can be seen as a basic principle which aims at guaranteeing ‘product quality’ since it explicitly prohibits proprietors misleading consumers about their product quality. According to art 48, the proprietors must bear civil liability for failing to ‘meet the quality indicated by product instructions, actual samples or other means’. At first glance, it seems vague about whether, for instance, the use of the title ‘well-known trademark’ on a product package claiming high quality would fall into the field of art 48. However, ‘other means’ can be interpreted in a way that if proprietors fail to maintain continuity, stability and reliability of products bearing their well-known trademarks, it will constitute unfair competition because of the long-term misunderstanding issue, and shall be seen as a breach of the obligation to ‘impart true information’ under art 20.

On the other hand, as discussed above, the responses of competent authorities at the administrative level to the designation of certain trademarks as ‘well-known’ have contributed to the misunderstanding of these marks as designating product quality. Therefore, the onus is on both proprietors and competent authorities to take measures to remedy this problem. Bearing this in mind, one deficiency in the Consumer Protection Law (2013) is that it regulates obligations of not competent authorities but of proprietors. With regard to obligations placed on the state, the law only requires ‘the state to take measures

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536 Art 20 (1) and Art (2), Consumer Protection Law (2013).
538 See 4.2.2.
to protect consumers exercise their rights’ and ‘maintains the lawful rights and interests of consumers’. Obviously, these obligations are phrased in highly abstract terms and are unlikely to be effective in addressing specific issues. This thesis suggests that the obligations of competent authorities need to be further detailed in order to correct the misunderstanding of product quality concerned.

Finally, Chapter 5 of the Consumer Protection Law (2013) defines relevant ‘consumer organizations’ and the ‘public duties’ that they should undertake. The ‘public duties’ which ‘China Consumers Association’ must undertake meet international standards and help to redress the misunderstanding of product quality.

According to Chapter 5, ‘consumer organizations’ are ‘consumer associations and other consumer organizations’ which aim to protect consumers’ rights and interests and conduct ‘social supervision over goods and services’. The ‘consumer association’ therein refers to ‘China Consumers Association’ (hereinafter referred to as ‘CCA’).

The CCA is ‘a national organization which aims to monitor goods and services; to protect consumer rights and interests; to provide guidance on consumer activities and development and to promote a healthy environment for a socialist market economy’. The CCA has been a member of ‘Consumers International’ (hereinafter referred to as ‘CI’) since 15 March 1987. The CI is the world federation of consumer groups headquartered in London, UK. It aims to work with its 220 members worldwide to champion ‘basic consumer rights’, including ‘the right to be informed’, ‘the right to choose’, and ‘the right to redress’. The ‘right to be informed’ means that consumers must be given the facts they need to make an informed choice, and to be protected against dishonest or misleading advertising and labelling. The ‘right to choose’ enables consumers to select from a range of products and

services, offered at competitive prices with an assurance of satisfactory quality. The ‘right to redress’ allows consumers to receive a fair settlement of just claims, including compensation for misrepresentation, shoddy goods or unsatisfactory services.\footnote{Consumer Rights, Consumers International, \(<http://www.consumersinternational.org/who-we-are/consumer-rights/>\) accessed 23 January 2016.}

As a member of the CI, the work that the CCA undertakes is supposed to be in accordance with these three rights and are thus inform the ‘public duties’ the CCA must undertake as stipulated in the Chapter 5 of the Consumer Protection Law (2013).

Art 37 (1) lays down what the CCA’s ‘public duties’ are. These are:

(1) Provide consumers with consumer information and consultation services, increase consumer’s ability to protect their own lawful rights and interests …; (2) Participate in the development of … mandatory standards related to consumer rights and interests; (3) Participate in the supervision and inspection of goods and services by the relevant administrative departments; … (5) Accept consumer complaints and investigate or mediate them; … (7) Support consumer victims of conduct harming consumer rights and interests in filing lawsuits … in accordance with this law; (8) Use mass media to expose and criticize conduct harming consumers’ lawful rights and interests.\footnote{Art 37 (1), Consumer Protection Law (2013).}

Clearly, (1) of art 37 (1) corresponds to the ‘right to be informed’, (2) and (3) mirror the ‘right to choose’, and (5) and (7) correspond to the ‘right to redress’. As regards the misunderstanding issue, it is the duty of the CCA to urge manufacturers/proprietors to maintain continuity, stability and reliability of products bearing well-known trademarks under the supervision of art 37 (1). By doing so, the three rights can also be secured.
4.5.7. Summary

As to quality assurance, it is submitted that the legitimate rights and interests of confused Chinese consumers cannot be secured until the Product Quality Law (2000) and the Consumer Protection Law (2013) urge manufacturers/proprietors to improve continuity, stability and reliability of their well-known trademarked products. But both laws are arguably unsatisfactory on this point. Providing ‘warranty obligations of quality’ is not currently feasible, not least of all because such a warranty would be inconsistent with existing rules in Chinese Trademark Law concerning well-known trademarks. Although maintaining the continuity, stability and reliability of products bearing well-known trademarks is within the objects of the Consumer Protection Law (2013), its effectiveness is limited because it only articulates the obligations of proprietors. By contrast, there are no effective rules concerning the obligations of competent authorities.

4.6. Well-Known Trademark Advertisements

Due to the misunderstanding of well-known trademarks in China, the ‘well-known trademark’ title is widely used in advertisements and other commercial activities by their holders and business associates, which further distorts the impression of well-known trademark amongst Chinese consumers and adds to the unfair competition in the market. In this part, this thesis aims to discuss reasons of ‘advertising products bearing well-known trademarks’ (hereinafter referred to as ‘well-known trademark Ads’), demonstrate those shortcomings in China’s Trademark Law and Advertisement Law (2015), and evaluate how such misuse has been corrected. Although the recent legislative changes prohibit well-known trademark Ads and therefore help mitigate the adverse effects of the misunderstanding in all respects, these rules remain imperfect and therefore the competent authorities need to continue to strengthen legal protection and secure the interests of all market participants including owners of well-known trademarks.
4.6.1. Reasons of Well-Known Trademark Ads and Shortcomings of National Statutes

The term ‘well-known trademark Ad’ refers to an advertisement that emphasises the fact that the trademark in question has been recognised as a well-known trademark. In general, the same reasons outlined for the misunderstanding between product quality and well-known trademarks have also contributed to the recourse by advertisers to well-known trademark Ads.\(^{544}\) In particular, the responses of competent authorities at administrative level to the designation of certain trademarks as ‘well-known’ have caused a dizzying growth in well-known trademark Ads.\(^{545}\) More broadly, this issue can be seen as a consequential problem arising from transplanting a market institution (Western market) into a non-market economy (Chinese market) where the regulation of advertising to some extent fails to supervise marketing activities and consumers are usually inexperienced.

One feature of a modern market economy is that more and more consumer decisions are made as a result of the direct communication between firms and the public through advertising, rather than as a repetition of a prior successful purchasing experience.\(^{546}\) This in turn has led to something of an obsession with brands, and the brand may now constitute the primary consideration when consumers make their purchasing choices, with the particular characteristics of the goods against which it is registered as only a secondary consideration.\(^{547}\) In legal terms, the ‘brand’ here can be understood as referring to a ‘trademark’.

Not only does such communication seek to influence the interaction between firms and consumers, but also it happens among regulators, the courts, government agencies

\(^{544}\) See 4.5.2.

\(^{545}\) Ibid.


Since consumer behaviour is shaped by a host of marketing influences including advertising, it is important for Chinese regulators and competent authorities to supervise market activities. However, the analysis of previous sections concludes that neither of them has had much success in raising public awareness of the misunderstanding of well-known trademarks. On the contrary, consumers’ purchasing choices are likely to be restricted to trademarks where false information (or, a false impression) on, for example product quality, was given, rather than to make a ‘rational choice’ based on the objective attributes, such as quality of goods/services.

The misunderstanding of well-known trademarks over product quality is also attributable to the relative inexperience of Chinese consumers qua consumers meaning they are likely to make their purchasing choices based on inaccurate – sometimes false – claims about product quality instead of objective attributes of particular goods. Because Chinese consumer choices are typically the result of the direct communication with firms such as holders of trademarks and their associates through advertising, this requires legislation, and in particular Trademark Law and Advertisement Law, to play a role in protecting fair market competition and legitimate interests of consumers. However, the truth is Chinese regulations generally fail to achieve this purpose. For instance, although the TML 2001 goes some way to provide well-known trademark protection in line with China’s international obligations under the Paris Convention and TRIPS Agreement, the law per se seems to underestimate the negative influence of well-known trademark Ads resulting

551 For example, these two articles in the TML 2001 (articles 13 and 14) mark the point that the Chinese Courts gain full jurisdiction over well-known trademark cases, and the formal establishment of a ‘Dual-Track’ system of well-known trademark protection in China.
from the misunderstanding because no rules concerning well-known trademark Ads are provided. The Advertisement Law has the same deficiency.

Figure 4: A ‘Chinese Well-Known Trademark’ mark used in advertisements\textsuperscript{552}

4.6.2. Perfection of Legislation on Well-Known Trademark Ads

The legal protection of consumers who may be misled by well-known trademark Ads is a matter of the Trademark Law and Advertisement Law. According to the Trademark Law of 2013 and the Advertisement Law of 2015, the use of the ‘well-known trademark’ title in advertisements has been legally prohibited. This will mitigate the adverse effects of the ‘misunderstanding’ issues in all respects. In the meantime, this thesis suggests that more

\textsuperscript{552} Translation: the words on the top of the outer red circle are ‘Chinese Well-Known Trademark’ in Chinese. The words at the bottom of inner red circle are the trademark ‘Geersen’ in Chinese. The words at the bottom are ‘Chinese Well-Known Trademark’ in Chinese.
attentions must be paid by competent authorities in order to substantially strengthen legal protection against free-riding the misunderstanding of well-known trademarks and secure legitimate interests of market participants.

4.6.2.1. Rules on Well-Known Trademark Ads in the Trademark Law 2013

Compared with the TML 2001 where well-known trademark Ads were unregulated, the TML 2013 has put much emphasis on this issue and prohibited well-known trademark Ads.

One significant improvement in the TML 2013 is that it sets a prohibition on the use of well-known trademarks in advertisements and other commercial activities. Art 14 (5) provides ‘manufacturers and business operators shall neither indicate the words “well-known trademark” on goods and the packaging or containers of goods, nor use the same for advertising, exhibition and other commercial activities’. 553 In order to implement art 14 (5), art 53 stipulates that any violation of the prohibitions in art 14 (5) may be subject to an injunction and the imposition of a fine of 100,000 RMB (approximately 16,116 USD). 554

This prohibition has been widely discussed in China. For example, Zhang has argued that art 14 (5) is the outstanding new feature in the TML 2013 and would help well-known trademarks to revert to their original goal, and re-establish a fair and orderly market environment. 555 Zhang and Liu believe that this prohibition will exclude those

553 Art 14 (5), TML 2013. (‘Manufacturers and business operators shall neither indicate the words “well-known trademark” on goods and the packaging or containers of goods, nor use the same for advertising, exhibition and other commercial activities.’)
554 Art 53, TML 2013. (‘Whoever violates Paragraph 5 of Article 14 of this Law shall be ordered to make correction by the relevant local administration for industry and commerce, and be given a fine of RMB 100,000.’)
inappropriate entities – such as the CTMO, TRAB and local governments – from endorsing products carrying well-known trademarks in the marketplace.\textsuperscript{556}

Two key features of these articles warrant attention. The first is whether the holder of a well-known trademark is liable for well-known trademark Ads. The second is whether the TML 2013 offers adequate remedies. For the first issue, this thesis suggests that Trademark Law should clarify that the holder of a well-known trademark should not be excluded from being liable for breach of art 14 (5) and art 53. However, the fine of art 53 should only be imposed on individuals who refer specifically to the status of a well-known trademark in the course of commerce, including well-known trademark Ads.\textsuperscript{557} For the second issue, this thesis argues that it is still too early to make a decisive conclusion, since it depends to a great extent on its effectiveness of curbing the use of status of ‘well-known trademark’ in advertisements.

1. Liability of Holders of Well-Known Trademarks

To recap, art 14 (5) prevents producers and business operators from either indicating ‘well-known trademark’ title on goods and the packaging or containers of goods, or using the status of ‘well-known trademark’ in advertisements, exhibitions or any other commercial activities.\textsuperscript{558} And art 53 stipulates that ‘whoever’ violates art 14 (5) shall be given a fine.\textsuperscript{559} It is unclear then what liability is owed by the holders of well-known trademarks. This


\textsuperscript{557} Pulin Huang, ‘The Understanding of Using Well-Known Trademarks in Advertisements Under the New Trademark Law’ (‘Xin Fa Guan Yu Chi Ming Shang Biao Zuo Guang Gao Gui Ding De Li Jie’) China Industry & Commerce News (Beijing, 24 April 2014) T8; Art 14 (5) per se does not prevent people from using a trademark as such in the course of commerce.

\textsuperscript{558} Art 14 (5), TML 2013.

\textsuperscript{559} Art 53, TML 2013.
thesis argues that both the two articles should apply to holders of well-known trademarks. Because neither of these two articles creates a specific and obvious liability of holders of well-known trademarks, it may lead to difficulties in regulating well-known trademark Ads according to art 14 (5) and imposing fine in accordance with art 53. If, for instance, a well-known trademark holder simultaneously participates in market activities as a business operator for his own branded products, then he violates art 14 (5) and shall also undertake the responsibility for breach of art 53, as under this scenario, the two roles – holder and operator – are played by the same entity. By contrast, if the owner of a well-known trademark intends to take advantage of the misunderstanding of well-known trademarks by inciting manufacturers/business operators to use his ‘well-known trademark’ on goods, packaging and containers of goods and even where goods/services carrying his trademark have left his control, then on the face of it they would not be subject to any sanction.

On 15 April 2014, the SAIC issued the ‘Circular of the State Administration for Industry and Commerce on Issues Concerning the Implementation of the Revised Trademark Law of the People’s Republic of China’ (hereinafter referred to as ‘2014 circular’). The second section of the 2014 circular (namely ‘Matters Relating to Trademark Management’) provides a few more details about who is liable for indicating the ‘well-known trademark’ title on goods and the packaging or containers of goods. It specifies that when the status of ‘well-known trademark’ is found to be used on goods, packages or containers, the holder of this well-known trademark shall bear the liability. Accordingly, a fine of 100,000 RMB (approximately 16,116 USD) (art 53 of the TML 2013) should be paid by not manufactures/business operators but the holders of well-known trademarks. Although the 2014 circulars helps to clarify liability, a critical deficiency is that it only regulates the indication of ‘well-known trademark’ status on goods, packages, or containers, and does

561 Section 3 (2), 2014 circular.
not mention who should be responsible where the status of well-known trademarks is referred to in advertisements, exhibitions and other commercial activities (activities specifically referred to in the second half of art 14 (5) of the TML 2013). As a result, the liability of the holder of a well-known trademark remains uncertain in the case of well-known trademark Ads.

This thesis argues that the holder of a well-known may still need to be responsible for well-known trademark Ads with some certain exceptions. There are two reasons for this argument: 1) art 14 (5) and art 53 pledge to stop advertising or promoting products bearing well-known trademarks and to eliminate unfair competition in the marketplace. Taking this purpose into account, any act made by market entities which is likely to be a hindrance, including the act of the holder of a well-known trademark should be banned; 2) if art 14 (5) and/or art 53 exclude(s) the holder of a well-known trademark, it will become extremely difficult to avoid the long-term misunderstanding of well-known trademarks in China.

However, this thesis argues that the law should make it clear that, the holder of a well-known trademark may be temporarily exempt from art 53 (but not from art 14 (5)): In a case where business operators display and/or exhibit well-known trademarks as their sales promotion means, because their intentions to accentuate the status of ‘well-known trademark’ in the course of the promotion is possibly not manipulated by well-known trademark holders and the holders may not be aware of the promotion means used by business operators, it is the business operators rather than the holders who should be liable for a violation of art 14 (5), which lead to the imposition of a fine in art 53.

2. Remedies for Well-Known Trademark Ads

While art 14 (5) of the TML 2013 prevents manufacturers and business operators from using the ‘well-known trademark’ title in advertisements, it is arguable as to whether the law provides adequate remedies to enforce it. Art 53 prescribes ‘[w]hoever violates
Paragraph 5 of Article 14 of this Law shall be ordered to make correction by the relevant local administration for industry and commerce, and be given a fine of RMB 100,000’ (approximately 16,244 US Dollars). The problem here is whether this fixed fine is adequate. This thesis suggests that it is still too early to make a decisive conclusion, since it depends to a great extent on its effectiveness of curbing the use of status of ‘well-known trademark’ in advertisements.

As regards the fixed rate of fine, Chinese scholars differ in their views. Chen and Wu are proponents of the current policy, insisting that a fixed fine has shown that legislators have adopted a hard-line position on the prohibition of using well-known trademark status in advertisements. Specific factors, such as the number/approaches of advertisements and the influence of the well-known trademarks involved, should not affect the amount of fine.

In contrast, Huang has doubted whether a fixed fine was appropriate. He has suggested although acts of introducing either the status of ‘well-known trademark’ or promoting products carrying well-known trademarks should be considered as a breach of art 14 (5), it was unreasonable to set a fixed fine. Instead, the amount of fine imposed by the AICs on infringers should be flexible and decided in accordance with specific circumstances.

This thesis suggests that it perhaps too early to make a decisive conclusion on this issue, since it depends to a great extent on its effectiveness of curbing the use of status of ‘well-known trademark’ in advertisements.


562 Art 53, TML 2013.
It has been argued that Chinese Advertisement Law should incorporate a clause explicitly forbidding well-known trademark Ads in order to protect interests of consumers and maintain the competition order in the market. With the analysis of certain articles, this part will show that China’s new Advertisement Law of 2015 (hereinafter referred to as ‘Ad Law (2015)’) has helped to advance China’s well-known trademark protection and alleviated the misunderstanding of well-known trademarks. But the penalties under the legislation are still unsatisfactory.

There are three articles in the Ad Law (2015) which help to stop the misuse of ‘well-known trademark’ title in advertisements; art 4 (1), art 9 (11), and art 55.

First, under the ‘General Provisions’, art 4 (1) stipulates that ‘Advertising should not contain false or misleading content, or cheat or mislead consumers’. In a situation where business operators such as proprietors of supermarkets or shopping malls display and/or exhibit well-known trademarks as sales promotion means and if such use goes beyond the Class of goods/services where authorities recognise its status, it should be considered to contain ‘false or misleading content’. As it is likely to ‘cheat or mislead consumers’, such use must be prohibited according to the Ad Law (2015).

Second, the well-known trademark Ads is a breach of the Ad Law (2015) simply because the TML 2013 has declared such use illegal. Art 9 of the Ad Law (2015) lists several acts which shall not be allowed in advertising. Its sub-article (11) provides that ‘other situations

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prohibited by laws and regulations’ will not be permitted. The prohibition of well-known trademark Ads contained in the TML 2013 therefore falls into ‘other situations’ of art 9 (11) of the Ad Law (2015).

Third, compared with art 53 of the TML 2013 which stipulates that any well-known trademark Ad may be subject to injunction and the imposition of a fine of 100,000 RMB (approximately 16,116 USD),\textsuperscript{567} art 55 of the Ad Law (2015) introduces a higher level of fine including a punitive element. While being beneficial to prevent well-known trademark Ads, this only applies to advertisements in which well-known trademarks involved are found to go beyond the Class of goods/services where authorities recognised their well-known trademark status.

Usually the fine will be imposed on advertisers\textsuperscript{568} whose advertisements are found to go beyond the Class of goods/services where authorities recognised the status of their well-known trademarks.

As to fine imposed on advertisers, art 55 prescribes that the AICs shall,

‘demand cease to publish the advertising, demand the Advertiser to mitigate influence within a due scope, and issue a fine ranging from three to five times of the advertising cost, and in case the advertising cost is hard to calculate or is obviously low, issue a fine ranging from RMB 200,000 to 1,000,000 (approximately 30,586 to 152,930 USD, author added).’\textsuperscript{569} (emphasis added)

\textsuperscript{567} Art 53, TML 2013. (‘Whoever violates Paragraph 5 of Article 14 of this Law shall be ordered to make correction by the relevant local administration for industry and commerce, and be given a fine of RMB 100,000.’)

\textsuperscript{568} Art 2 (2), Ad Law (2015). (‘Advertiser in this Law shall mean natural person, legal person or other organization that designs, produces and publishes advertising on its own or by commissioning others to promote commodity or service.’)

\textsuperscript{569} Art 55 (1), Ad Law (2015).
As to the punitive fine imposed on advertisers, art 55 stipulates that,

‘in case the advertiser has three times or more violations within two years, or has other serious violation(s), issue a fine ranging from five to ten times of the advertising cost, and in case the advertising cost is hard to calculate or is obviously low, issue a fine ranging from RMB 1,000,000 to 2,000,000 (approximately 152,930 to 305,861 USD, author added).’570 (emphasis added)

Apart from advertisers, advertising operators571 and advertising publishers572 may also be liable for the same fine if they know or should know the advertising is false but still design, produce, act as an agent, or publish the advertising.573

However, one shortcoming of this rule is that a fine cannot be imposed if the well-known trademark Ad in question is within the Class of goods/services where authorities recognised their well-known trademark status. It is legally unclear whether such Ads may not constitute ‘false advertising’, and therefore may only be fined according to art 53 of the TML 2013 and exempted from the Ad Law (2015).

4.7. Conclusion

In this chapter, the conceptual meaning of ‘misunderstanding’, its reasons and the role of a ‘well-known trademark’ title in judgments have been firstly demonstrated. Following them, malicious litigation, the misrepresentation of the title as quality assurance and the misuse

571 Art 2 (3), Ad Law (2015). (‘Advertising Operator in this Law shall mean natural person, legal person or other organization that is commissioned to provide advertising design, production and agent services.’)
572 Art 2 (4), Ad Law (2015). (‘Advertising Publisher in this Law shall mean natural person, legal person or other organization that publishes advertising for advertiser or advertising operator that is commissioned by advertiser.’)
of the title in advertisements have been discussed.

It is suggested that some legal provisions adopted since the 1990s and administrative practices in the same period have contributed to this misunderstanding. It is also submitted that the ‘well-known trademark’ status should exist as a fact of a case in question and reason for the judgment. The Starbucks case shows the progress China has made in protecting foreign well-known trademarks against domestic infringers. The improvement in the educational level of judges and in the courts’ handling of civil cases in China results in higher quality opinions than the past and shows an increasing willingness to innovate in fashioning their judgments. In the meantime, however, the two Starbucks cases show that such developments are neither consistent nor established on a uniform basis across the country. As a result, Chinese authorities should continue to detail the laws and deepen judicial reform.

As to malicious litigation, this thesis has put forward some suggestions for preventing malicious litigation and has evaluated certain rules over this issue that have been issued since 2006. It is suggested that a proper definition and appropriate standards for examining ‘false actions’ should be provided. A centralisation policy on judicial recognition is recommended. Besides, specific rules concerning the implementation of ‘honesty and good faith’ principle, precautions and liability in malicious litigation, and scope of cases involving well-known trademark determination should be created.

The problem of consumer misapprehension about the quality of products bearing well-known trademarks reveals some critical shortcomings in China’s Trademark Law, Product Quality Law (2000), and Consumer Protection Law (2013). On the one hand, this thesis suggests that well-known trademarks are considered to be able to maintain continuity, stability and reliability of products bearing them. On the other hand, this obligation is not

legally binding. Further, the legitimate rights and interests of Chinese consumers who may suffer from assuming that a well-known trademark guarantees good quality cannot be improved until China’s ‘Product Quality Law’ and ‘Law on Protection of Consumer Rights and Interests’ can urge manufacturers/proprietors to improve continuity, stability and reliability of their well-known trademarked products.

As to well-known trademark Ads, certain rules under China’s Trademark Law 2013 and Advertisement Law (2015) suggested that the use of the term in advertisements is likely to be less severe and will produce positive effect on mitigating ‘misunderstanding’ issues at all aspects.

As to problems raised in this chapter:

The national definition of and examination standards for malicious litigation are not given. The rules as regards precautions and liability for malicious litigation should be considered by legislators. The ‘warranty obligations of quality’ are not feasible at this moment. The rules concerning the obligations of competent authorities under the Advertisement Law (2015) are less effective. There are no rules on the liability of holders of well-known trademarks in well-known trademark Ads. The deterrent effect of a centralisation policy in preventing malicious litigation and the remedies provided under the TML 2013 in curbing well-known trademark Ads remains to be seen. If the well-known trademark Ad in question is within the Class of goods/services, the rules regarding the administrative fine under the Advertisement Law (2015) are considered as unworkable. These issues require further research and the attention of competent authorities.
Chapter 5 Dedicated IP Courts – IPRs Protection in the Xi Jinping Era

Introduction

As the General Secretary of the Communist Party of China (hereinafter referred to as ‘CPC’), Xi announced a raft of legal reforms and called for ‘Chinese socialistic rule of law’ after he assumed the office. The legal reforms with ‘Xi-style’, as summarized by Minzner, consist of the following elements: 1) Assertions of legal and judicial reform as a central priority of Xi’s administration; 2) Attempts to centralize control over the judicial system and limit the influence of local officials; 3) A return to concepts of judicial professionalism; 4) Efforts to steer citizen disputes back to the courts; 5) Revived emphasis on adjudication and trials as the centre of court work; 6) A renewed focus on the distinctions between the roles of judges and other state employees. The establishment of dedicated IP courts marks a significant step amongst Xi’s package plan over judicial reform.

As argued in Chapter 4 (Part 3 of 4.4.2.3.), the dedicated IP courts in Beijing, Shanghai and Guangzhou has contributed to the development of China’s centralisation jurisdiction over cases involving well-known trademarks and therefore helped to mitigate malicious litigation. This thesis will develop this argument in this chapter and suggest that China’s decision to draw up this new policy inherits the mission of deepening the on-going judicial reforms including the ‘dedicated IP divisions’ and ‘3-in-1 trial model’ up to 2013, and marks a significant step in developing an effective legal structure led by the incumbent

576 Beijing is the capital of China. As the national political, cultural and educational centre, its economy ranks among the most developed and prosperous in China; Shanghai, located in the Yangtze River Delta in East China, is the largest Chinese city in population, a global financial centre, and a transport hub with the world’s busiest container port; Guangzhou, located on the Pearl River in South China, is the capital and largest city of Guangdong province, one of China’s wealthiest provinces. Guangzhou is the third largest city in China, after Shanghai and Beijing. Reforms by Deng Xiaoping (‘chief designer of R & O policy’) who came to power in the late 1970s, led to rapid economic growth due to the city’s close proximity to Hong Kong and access to the Pearl River.
president Xi Jinping who came to power in 2013.

This chapter will review the development of China’s legal reform before 2013, including dedicated IP divisions and ‘3-in-1’ trial model (5.1.), and outline the development of the dedicated IP courts between 2013 and 2014 (5.2.). These developments suggest that competent authorities have worked to improve the national legal system which has been perceived as ineffective at delivering justice and has been affected by local protectionism. The disadvantages of the dedicated IP courts (5.3.) are that selective dedicated IP courts (only three so far and lack of national instructions from the SPC) may make it less effective in perfecting well-known trademark policy. In order to prevent malicious litigation, this thesis suggests that the SPC should provide specific guidance to dedicated IP courts and ideally adopt a national regulation based on comprehensive consideration of the existing rules such as the Zhejiang Opinions and ‘Notice on Bona Fide Litigation’ (‘Cheng Xin Su Song Gao Zhi Shu’). Besides, there is a risk that the already imbalanced judicial development between these regions and others may deteriorate with the establishment of the dedicated IP courts, because judicial authorities have invested considerable physical and intellectual resources in the three courts, and this trend will definitely continue. To prevent such a risk and maintain a sustainable policy, this thesis suggests that Chinese authorities should aim to strengthen judicial coordination between them and other courts, and to explore feasibility of intellectual cooperation between them and other courts on IPRs including well-known trademarks.

5.1. Dedicated IP Divisions and ‘3-in-1’ Trial Model

The proposal for dedicated IP courts grew out of the rapid growth of IP applications and lawsuits. This growth is demonstrated by the volume of trademark applications and registration (include effective registration). For instance, the volume of China’s trademark application, registration and effective registration has ranked China 1st in the world since
2009 and this trend continues between 2009 and 2013.\textsuperscript{577} In parallel a considerable number of IP cases have been heard before People’s Courts at various levels. In 2001, Chinese courts determined only five thousand IP civil cases.\textsuperscript{578} This number increased to over 30 thousand in 2009.\textsuperscript{579} Within the last five years (2009 – 2013) this trend has been maintained and the number of IP civil cases the People’s Court accommodated in 2013 was triple the number in 2009. With regard to civil cases involving well-known trademarks, Chinese courts first began to govern well-known trademarks in July 2001.\textsuperscript{580} About 300 well-known trademarks passed judicial examinations between 2001 and 2007. However, unlike the CTMO and TRAB, the SPC has no annual report or publicity system regarding the data of well-known trademarks recognised by the People’s Courts. Therefore, it is hard to collect the accurate number in this thesis.

In light of these developments, China has aimed to create, within the past two decades, dedicated IP divisions with a view ‘to build a robust adjudication organisation, a stronger

\textsuperscript{577} While China has ranked 1\textsuperscript{st} in terms of trademark-oriented data, people should be aware that under the TML 2001, the CTMO only allows single filing system instead of multiclass, which complicating the comparison between China and other countries. The TML 2013 begins to allow multiple-classes registration in one application. More details see WIPO, ‘World Intellectual Property Report 2011 – The Changing Face of Innovation’ (WIPO, 14 November 2011) 53; Guangming Online, ‘IP Courts Are Getting Closing’ (Zhi Shi Chan Quan Fa Yuan Jian Xing Jian Jin) Guangming Daily (Beijing, 10 March 2014) 1. <http://news.gmw.cn/2014-03/10/content_10623420.htm> accessed 24 April 2014; CTMO, ‘Over 1.88 Million Trademark Applications Are Filed in 2013’ (‘2013 Nian Shang Biao Zhu Ce Shen Qing Liang Chao 188 Wan Jian’) (CTMO, 9 January 2014) <http://sbj.saic.gov.cn/sbzl/zxdt/201402/t20140213_141771.html> accessed 24 April 2014. (reported that by 2013, China held 13.24 million as for trademark application, 8.65 million as for trademark registration, and 7.24 million as for effective trademark registration)

\textsuperscript{578} IP civil cases are the most common cases heard by People’s Courts.


\textsuperscript{580} Art 6, Interpretation of the Supreme People’s Court on Application of Laws in the Trial of Civil Disputes Over Domain Names of Computer Network, Fa Shi [2001] No.24.
team of judges, and high level of professionalism for intellectual property protection’.

The SPC set up its dedicated IP division in October 1996. By October 2008, a total of 298 dedicated IP divisions had been created with the deployment of 2,126 IP specialist judges. By 2009, all 32 High People’s Courts, almost all Intermediate People’s Courts and all Grassroots People’s Courts with civil jurisdiction over IP cases had established dedicated IP divisions. By December 2012, there were 420 dedicated IP divisions staffed by 2,700 IP specialist judges in China.

In the meantime, the ‘3-in-1’ trial model was deployed into those dedicated IP divisions already established. The ‘3-in-1’ trial model is a new IP trial mechanism under the supervision of Civil Procedural, Administrative Procedural Law and Criminal Procedural Law. The aim of this model is to prevent different IP divisions (i.e. administrative, civil, criminal) of the same People’s Court from delivering different or even paradoxical judgments related to a single IP case. Following this trial model, it is expected all three kinds of cases the aforementioned will be heard and decided by a dedicated IP division of a People’s Court. The number of experimental People’s Courts adopting the ‘3-in-1’ trial model have quadrupled in number within the last five years and now nearly 3,000 IP professional judges are engaged in IPRs hearings in China.

In terms of disputes involving well-known trademarks, interested parties usually file before People’s Courts as administrative and civil cases. In 2009 the SPC ruled that only...

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582 Ibid.
583 Ibid.
585 Fei Qiu, ‘How Far Away From Establishing Dedicated IP Courts?’ (‘Zhi Shi Chan Quan Fa Yuan She Li Hai You Duo Yuan’) Legal Weekly (Beijing, 23 April 2014) <http://www.legalweekly.cn/index.php/Index/article/id/4978> accessed 28 April 2014. (7 High People’s Courts, 74 Intermediate People’s Courts and 80 Grassroots People’s Courts)
designated Intermediate People’s Courts could hear and decide such cases as the court of first instance (see Part 2 of 4.4.2.3.). Therefore, both the dedicated IP divisions and ‘3-in-1’ trial model are of great importance in alleviating intractable obstacles caused by complicated jurisdiction over IP lawsuits and improving judicially mediated protection for IPRs owners. In this way, it will also contribute to the optimization of trial resources, improvement of trial efficiency, and the reduction of litigation costs.  

5.2. Dedicated IP Courts (2013 - 2014)

Before 2009, IP civil cases involving well-known trademarks were normally being determined by Intermediate People’s Courts, which meant that over four hundred People’s Courts were entitled to decide well-known trademarks. This decentralisation regulation had caused misunderstanding amongst the public, undermined interests of well-known trademark owners, and jeopardized the fairness of competition in the market. In 2009, the SPC decided to centralize the jurisdiction over well-known trademark cases and begun to designated some People’s Courts (usually at Intermediate level) to try these cases. This change played a positive role in reshaping well-known trademark policy but those problems under the decentralisation regulation still exist. The key reason was no cross-regional jurisdiction was given to IP divisions of designated Intermediate People’s Courts. The cross-regional jurisdiction was firstly introduced to People’s Courts with the implementation of dedicated IP courts. The CPC and the competent authorities drew up the plan in terms of dedicated IP courts in 2013 and established three dedicated IP courts in late 2014.

Zhou Yi, “‘3-in-1’ Trial – An Innovation of IP Trial Mode”, China Intellectual Property, June 2009 (issue 30). (Prof. Li Shundeng: ‘Such experiments (for ‘3-in-1’ trial system) have already been under way in local courts. It is since last year (2008) when the ‘Outline of the National Intellectual Property Strategy’ (2008 outline) stipulated clear regulations on promoting this system that the enthusiasm of local courts began to increase. Recently, SPC reinforced the role of this system in its series of documents issued. In my opinion, this ‘3-in-1’ trial mode is an inevitable trend for the trials of intellectual property cases.’)
5.2.1. CPC’s Proposal in 2013

Although the ‘3-in-1’ trial model reform has received positive feedback from within and outside China, it is not a panacea and a more sophisticated solution to effective IPRs protection and enforcement is needed. Hence, a proposal to establish dedicated IP Courts was adopted by Chinese government in 2013. The proposal in terms of dedicated IP courts is a further element showing how China is working to improve IP protection by effectively managing IPRs trials.

The CPC has a tradition of proposing key changes in each third plenary session since 1978. The third plenary session of the CPC in 1978 marks the beginning of China’s modernisation in the IP field. The third plenary session of the 18th central committee of the CPC (hereinafter referred to as ‘the third plenary session’) in 2013 was believed to ‘be a springboard for major national reform’ including for IP issues. It was suggested that the third plenary session was in the vanguard of a comprehensively further reform in China in the next one decade since it came ‘as China faces major economic and social challenges’ and ‘it will, to some extent, determine the direction of reform of the new leadership’.

The third plenary session was held in Beijing on 9-12 November 2013 during which three documents were published by the party: 1) Communiqué of the Third Plenary Session of the 18th Central Committee of the CPC (hereinafter referred to as ‘the communiqué’); 2) Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform (hereinafter referred to as ‘the third plenary session’s decision’); and 3) Explanatory Notes for the ‘Decision of the CCCPC on Some Major Issues Concerning

Comprehensively Deepening the Reform’ (hereinafter referred to as ‘the explanatory notes’).\textsuperscript{588} They all contain important sections concerning IPRs protection and dedicated IP courts.

Firstly, according to the communiqué, the aim of the judicial reform is to better protect the rights and interests of the Chinese people. The communiqué stated that,

To build a China under the rule of law, we must uphold the unity of the \textit{rule of law}, we will \textit{deepen reform of the judicial system}, accelerate the building of a just, efficient and authoritative socialist judicial system to safeguard the people’s rights and interests. … In this endeavour, we must \textit{maintain the authority of … laws, ensure the independent exercise of the judicial … power} in accordance with the law, \textit{improve the mechanism for the use of judicial power}.\textsuperscript{589} (emphasis added)

Secondly, the fundamental role of ‘science and technology’ as ‘the primary productive force’ in China’s economic reform was stressed in section 3 of the third plenary session’s decision. Intellectual Property – as one of the most important pillars of ‘science and technology’ and economy\textsuperscript{590} – must not then be underestimated.

\textsuperscript{588} Full text of three documents in English, see <http://www.china.org.cn/chinese/node_7160010_2.htm> accessed 17 May 2014; CCCPC (‘Central Committee of Communist Party of China’) is a political body that comprises the top leaders of the CPC. It is currently composed of 205 full members and 171 alternate members. It is vested with the power to elect the General Secretary and the members of the Politburo, its Standing Committee, and the Central Military Commission, and to endorse the composition of the Secretariat and the Central Commission for Discipline Inspection. It also oversees work of various powerful national organs of the party. CCCPC convenes least once a year at a plenary session and functions as a top forum for discussion about relevant policy issues.

\textsuperscript{589} CPC, \textit{Communiqué of the Third Plenary Session of the 18\textsuperscript{th} Central Committee of the CPC} (Beijing, 12 November 2013) <http://www.china.org.cn/chinese/2014-01/16/content_31213800_3.htm> accessed 18 May 2014.

Art 13 of the third plenary session’s decision delineates those tasks need to be done by the party in order to deepen ‘reform of the management system for science and technology’.591 The second paragraph of art 13 states that,

We [the CCP] will strengthen the application and protection of intellectual property rights, improve the technological innovation incentive mechanism, and explore ways to set up IPR courts.592 (emphasis added)

This is the first time that China has articulated its plan concerning dedicated IP courts in any official document. Tian Lipu – the former commissioner of the SIPO – suggests that the establishment of dedicated IP courts will mark a major breakthrough in China’s IPRs protection, and it will help to secure the interests of IPRs owners.593 He states that dedicated IP courts will not only considerably strengthen domestic IPRs protection, but also reflect international IP norms.594

However, the centralisation of IP cases does not necessarily mean dedicated IP courts must be deployed equally to each region of China. Instead, it was suggested that it should depend on existing state of affairs in relation to the number of IP trials in each area.595

591 Art 13, Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform.
592 Para 2, art 13, Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform.
594 Ibid.
5.2.2. Establishment of Dedicated IP Courts in 2014

Whilst the CPC’s third plenary session in 2013 marks a decisive milestone as an expression of intent, in terms of establishing dedicated IP Courts, the substantial work started in 2014.

Firstly, unlike the previous practice in respect of the ‘3-in-1’ trial model reform, where no specific normative documents of law\(^{596}\) were given, the SPC now has realized the importance of building a solid foundation for the implementation of dedicated IP courts. The SPC’s the ‘Report of the Work of the Supreme People’s Court’ (hereinafter referred to as ‘2014 SPC report’) is the first official document issued by the supreme judiciary advocating dedicated IP courts.

On 10 March 2014 Zhou Qiang – the President of the SPC – delivered the 2014 SPC report to the 12\(^{th}\) NPC. The 2014 SPC report consists of two sections: ‘Review of the Work in 2013’ and ‘Major Tasks for 2014’.\(^{597}\) In ‘Major Tasks for 2014’, Zhou emphasises that the SPC will ‘comprehensively implement the spirit of the … third plenary meetings of the 18\(^{th}\) CPC Central Committee, study and implement the spirit of the central political and legal work conference [aimed at]… continuously deepening judicial reform’.\(^{598}\) With regard to IPRs protection, the 2014 SPC report announced that the SPC was to ‘actively and steadily promote judicial reform’ and would promote the establishment of intellectual property

\(^{596}\) In China, ‘normative document of law’ normally refers to all legislative document and non-legislative document with binding authorities.


\(^{598}\) *Ibid.*, Section 2; The ‘central political and legal work conference’ – previously known as the ‘national political and legal conference’ and renamed in 2014 – is an annual meeting at a central level. It helps political and legal institutions nation-wide to further improve their law enforcement capabilities. It also aims to ensure the country’s official bodies meet people’s expectations on public security, judicial fairness and the protection of rights and interests. Xi Jinping makes an important speech in 2014’s conference and explicitly states that the judicial reform is an important component of the political reform in China. More details see <http://topics.gmw.cn/node_49107.htm> accessed 25 May 2014.
Secondly, the ‘Promotion Plan for the Implementation of the National Intellectual Property Strategy in 2014’ (hereinafter referred to as ‘Promotion Plan 2014’) is a crucial development in the process of establishing dedicated IP courts.

The Promotion Plan 2014 was issued by the ‘office of the inter-ministerial joint meeting for implementation of the national intellectual property strategy’. Amongst its sixty nine articles, seven major tasks are given in order to implement the requirements of the 18th National Congress of the CPC and the third plenary session. Under Section III which is directed to ‘Improve IPRs Protection’, it pledges to establish dedicated IP courts, optimize the IPRs protection system, and to improve the innovation incentive mechanisms in China.

Thirdly, on 6 June 2014, the ‘Central Leading Group for Comprehensively Deepening Reforms’ held its third meeting in Beijing. President Xi Jinping made an important speech at this meeting. He stressed the importance of continuing judicial reform as part of the comprehensive reforms in 2014, and emphasised that the establishment of dedicated IP court, along with others, formed fundamental and systematic mechanisms for reforming the

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601 The Central Leading Group for Comprehensively Deepening Reforms is a panel under the politburo of the Communist Party of China (CPC). It formed in December 2013 and is directly led by the CPC Central Committee General Secretary and State President Xi Jinping. Main members of the group consist of Li Keqiang (Premier of the State Council) and other senior officials from the CPC, the State Council, the Supreme People’s Procuratorate (SPP), Supreme People’s Court (SPC) and People’s Liberation Army (PLA). The group has six specialist sub-groups. In November 2013, the third Plenary Session of the 18th Central Committee decided to establish this group. The main task of it is to elaborate policy guidelines for reforming the economic, political, cultural, social ethical and party-building systems in order to address long-term reform issues, to guide reform-related bodies of the CPC at central and local level, and to supervise the implementation of reform plans.
judicial structure. This meeting reiterates that China will continue the pilot test for dedicated IP courts at central and local levels and adopted the ‘Proposal to Establish Dedicated IP Courts’.602

Finally, in order to further clarify the cross-territorial jurisdiction of the dedicated IP courts of Beijing, Shanghai and Guangzhou, the SPC issued the ‘Provisions of the Supreme People’s Court on the Jurisdiction of the Intellectual Property Courts of Beijing, Shanghai and Guangzhou over Cases’ (i.e. ‘IP court provisions’) on 31 October 2014.603 The IP court provisions provide details for each dedicated IP court in terms of procedural rules and jurisdictional scope.604

According to the IP court provisions, the dedicated IP courts in the three cities have jurisdiction as courts of first instance over civil cases involving well-known trademarks within their municipal jurisdictions. In particular, Guangzhou IP court as the first dedicated IP court shall practice cross-regional jurisdiction over well-known trademark cases in Guangdong Province. Accordingly, all well-known trademark cases filed within Guangdong province will not be accepted by local People’s Courts. Instead, they will be passed to the Guangzhou dedicated IP court, and the same rule also applies to both Beijing and Shanghai dedicated IP courts.605

5.3. Advantages, Disadvantages and Suggestions

The rule of cross-regional jurisdiction over well-known trademarks stipulated in the IP court provisions represents a milestone in the history of protection for well-known

604 Art 1, IP court provisions.
605 Art 3 (2) and art 3 (3), IP court provisions.
trademarks in China, as it shows the SPC strives to standardize trial over well-known trademark cases in order to ease thorny issues related to well-known trademark protection, for example, the misunderstanding of well-known trademarks. The issuance of ‘Notice on Bona Fide Litigation’ (‘Cheng Xin Su Song Gao Zhi Shu’) by Beijing IP court in September 2015 marks an important step to explore feasible solutions to malicious litigation. These detailed rules bring trademark law into line with other areas of the law such as Anti-Unfair Competition Law. On the other hand, however, selective dedicated IP courts (only three so far) may also make it less effective in perfecting well-known trademark policy. In order to prevent malicious litigation, this thesis suggests that the SPC should provide specific guidance to dedicated IP courts and ideally adopt a national regulation based on comprehensive consideration of the existing rules such as the Zhejiang Opinions and ‘Notice on Bona Fide Litigation’ (‘Cheng Xin Su Song Gao Zhi Shu’).

In addition, there is a risk that the already imbalanced judicial development between these regions and others may deteriorate with the establishment of dedicated IP courts, because judicial authorities have invested considerable physical and intellectual resources in the three courts, and this trend will definitely continue. To prevent such a risk and maintain a sustainable policy, this thesis suggests that Chinese authorities should aim to strengthen judicial coordination between them and other courts, and to explore feasibility of intellectual cooperation between them and other courts on IPRs including well-known trademarks.

5.4. Conclusion

It was argued that the recent establishment of dedicated IP courts in Beijing, Shanghai and Guangzhou represents an acknowledgement of the growing recognition of the value of IP

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606 More discussions see Chapter 4.
in the rapidly growing Chinese economy and among both foreign and domestic companies doing business in China. In particular, these courts have been granted exclusive jurisdiction over cases involving well-known trademarks. This should contribute to the standardization of IP trials, improve litigation efficiency, and safeguard the interests of well-known trademark holders. But since this policy has been recently implemented and restricted within three major cities, its actual effect in improving well-known trademark protection remains to be seen, and its success has to be judged, as summarized in the 2015 special 301 report, ‘in large part by their impartial consideration of the facts and law, and their efficient operation’.

609 USTR, Special 301 Report (2015), 35. (‘The new [dedicated IP] courts will likely provide a venue with greater IPR expertise and experience, but the success of the courts will be judged in large part by their impartial consideration of the facts and law, and their efficient operation.’)
Chapter 6 Conclusion

This thesis has been set out to challenge the criticism in the US and amongst some scholars that the extensive promulgation of IP laws in China, especially those aimed at protecting well-known trademarks, are inadequate. While the importance of this subject lies in that a well-established well-known trademark legal framework can considerably benefit both domestic and foreign well-known trademark owners against trademark infringements in China, the view of the US represented by whether government officials or companies, and the dissatisfaction expressed by some scholars proved to be problematic, as it was based on not a comprehensive analysis of Chinese laws but on inconclusive evidence.

This thesis challenged this criticism through seeking answers to four research questions.

1) How has the frequent reconceptualization of a well-known trademark between 1996 and 2013 affected the protection of well-known trademarks in China?

2) How have certain rules regarding the recognition and protection of well-known trademarks, such as the model and fundamental principles of the recognition/protection, protectable subject-matter, ‘anti-dilution’ provision, examination factors and financial remedies been formulated and influenced well-known trademark protection in China?

3) How have ‘malicious litigation’, ‘misuse of the title of ‘well-known trademark’ in advertisements’ and ‘the misrepresentation of well-known trademark as quality assurance’ negatively affected well-known trademark protection in China?

4) How have dedicated IP courts prohibited malicious litigation and influenced well-known trademark protection in China?
The main findings have been chapter specific and were summarized within the respective chapters: Chapter 2 ‘The Definition of a Well-Known Trademark’; Chapter 3 ‘The Recognition and Protection of Well-Known Trademarks’; Chapter 4 ‘The Misunderstanding of Well-Known Trademarks in China’; and Chapter 5 ‘Dedicated IP Courts – IPRs Protection in the Xi Jinping Era’. This section will synthesize the main findings to answer the study’s four research questions.

1) How has the frequent reconceptualization of a well-known trademark between 1996 and 2013 affected the protection of well-known trademarks in China?

a. There is no consensus as regards the definition at the international level and this has made well-known trademark protection being inherently uncertain.

b. A relatively clear definition has been developed in China:

The Chinese authorities have developed definitions in accordance with the thrust of certain international treaties. While largely unsatisfactory at one time because of the exclusion of unregistered trademarks, China has now provided a relatively clear definition of what constitutes a well-known trademark. The four documents presented in chapter 2 has suggested the relative perfection of the concept lies in: firstly, its full range of recognition, i.e. it covers not only registered but also unregistered trademarks; secondly, its positive effect in prohibiting trademark infringements and consistency with international norms; finally, the positive influence it has on alleviating misunderstanding of the public that the term ‘well-known trademark’ is an ‘honourable title’. It has been used by Chinese courts and administrative authorities to identify well-known trademarks and has facilitated them effectively protect interests of their owners and against infringements.
c. The reconceptualization reveals specific issues which deserve further attention:

The frequent reconceptualization between 1996 and 2013 not only shows how Chinese legislators and other competent authorities understand this concept and protect it, but also reveals some specific issues arising in the past, such as the abuse and misunderstanding of the concept of a well-known trademark in China since the 1990s.

d. Although being frequently conceptualised, some deficiencies remain in the current definition and they require further research and explanations:

It is uncertain whether there is no regional restriction when defining ‘relevant public’. The reason behind the nuance between the definition of 'well known' in the TML 2013 and 'widely known' in the 2009 judicial interpretation is not given. These issues may affect the protection of well-known trademarks and therefore require further research and explanations from the authorities.

2) How have certain rules regarding the recognition and protection of well-known trademarks, such as the model and fundamental principles of the recognition/protection, protectable subject-matter, ‘anti-dilution’ provision, examination factors and financial remedies been formulated and influenced well-known trademark protection in China?

a. International treaties established international standards and China has been committing itself to these treaties:

Unlike the definition, the international treaties have provided specific rules as regards well-known trademark recognition and protection. As a member state, China was obliged to abide by these rules and has been amending its laws accordingly since the 1990s.

b. The obligations under these treaties have led to alterations to the domestic laws and
policies. There have been a number of significant achievements:

These alternations are primarily in the recognition/protection model, certain fundamental principles, protectable subject-matter, examination factors and financial remedies. The transition from ‘Sole-Track’ to ‘Dual-Track’ model signifies the compliance of the ‘Final Judicial Principle’ under the TRIPS Agreement. The three fundamental principles of recognising and protecting well-known trademarks have been created. They have facilitated to secure interests of holders of well-known trademarks and mitigate the misunderstanding of well-known trademarks in China. The range of protection, factors for examining well-known trademarks and financial remedies over well-known trademark infringements have been articulated. With the issuance of the 2009 judicial interpretation, Chinese courts have begun to apply ‘anti-dilution’ principle to better protect interests of owners of well-known trademarks. The introduction of increased statutory damages and punitive damages in the TML 2013 are positive response to the widespread criticism that damages imposed on infringers in China was ‘merely a cost of doing business’. The infringers will be liable for more administrative penalty upon the violation of registered well-known trademarks according to the TML 2013, except the violation in ‘good faith’.

c. The rules concerning the recognition and protection of well-known trademarks remain unsatisfactory in some respects:

With the analysis, however, this thesis suggested that China’s policy on well-known trademark recognition and protection is still unsatisfactory: 1) Due to the contradiction between the domestic laws, the scope of application of the ‘honesty and good faith’ principle in cases involving well-known trademarks is questioned. Therefore, its deterrent effect in preventing well-known trademark infringements seems to be weakened and become uncertain; 2) The range of ‘relevant public’ in Chinese laws (2003 provisions) is defined differently in comparison with the one in the Joint Recommendation (‘potential consumers’). This may affect how Chinese authorities examine a well-known trademark in
certain case and legitimate rights of the owner’s; 3) The introduction of ‘anti-dilution’ principle in China is currently deficient. It was adopted through the issuance of judicial interpretation and further extending the scope of traditional ‘confusion beyond category’ stipulated in the TML 2001. The standards of its application have not been clarified by the SPC and the TML 2001. As a result, there is no ‘anti-dilution’ protection against infringements at administrative level and its application at judicial level is also problematic.

4) As to rules concerning the financial remedies under the TML 2013, neither ‘calculation method’ nor ‘circumstances of malicious infringements’ were clarified, leaving it difficult for the People’s Courts to decide a proper sum of statutory damages and punitive damages, severally or collectively.

3) How have ‘malicious litigation’, ‘misuse of the title of ‘well-known trademark’ in advertisements’ and ‘the misrepresentation of well-known trademark as quality assurance’ negatively affected well-known trademark protection in China?

a. The misunderstanding of the conceptual meaning of well-known trademarks in China is a special, or even unique, phenomenon. It has been widely presented and its negative impact on the protection of well-known trademarks has caused adverse effects:

It is attributable to a clash of regulatory rules and malpractice in the course of the development of China’s law and policy since the 1990s. They suggested a general lack of precision and certainty about the conceptual meaning of this term and a deficiency in the management of well-known trademarks in China.

b. The concern about the malicious litigation, misuse of the title of ‘well-known trademark’ in advertisements and the misrepresentation of well-known trademark as quality assurance has urged Chinese authorities to develop new policy to redress these problems. As a result, the misunderstanding of well-known trademarks in China has been greatly redressed since the 2000s.
The rules under the 2009 judicial interpretation suggests that ‘well-known trademark’ status should not be seen as creating a special type of trademark and it exists only as a fact of a case in question and reason for the judgment. Malicious litigation has been punished according to some local regulations and been mitigated under the supervision of the centralisation policy over judicial recognition. The misuse of the title of ‘well-known trademark’ in advertisements has been explicitly prohibited.

c. The misunderstanding of well-known trademarks in China remains a topical issue and those unsolved problems require further action:

The rules concerning the obligations of competent authorities under the Ad Law (2015) are less effective. There are no rules on the liability of holders of well-known trademarks in well-known trademark Ads. The deterrent effect of a centralisation policy in preventing malicious litigation and the remedies provided under the TML 2013 in curbing well-known trademark Ads remains to be seen. If the well-known trademark Ad in question is within the Class of goods/services where such a trademark was recognised as well-known, the rules regarding the administrative fine under the Advertisement Law (2015) are considered as unworkable.

As to malicious litigation, a proper national definition and appropriate standards for examining ‘false actions’ are not given and should be provided. A centralisation policy on judicial recognition is recommended. The rules as regards precautions and liability for malicious litigation should be considered by legislators. The specific rules concerning the implementation of ‘honesty and good faith’ principle, precautions and liability in malicious litigation, and scope of cases involving well-known trademark determination should be either created or strengthened.

As to ‘quality assurance’, the legitimate rights and interests of confused Chinese consumers
cannot be secured until the Product Quality Law and Consumer Protection Law urge manufacturers/proprietors to improve continuity, stability and reliability of their well-known trademarked products. But both laws are arguably unsatisfactory on this point. In terms of the Product Quality Law (2000), the ‘warranty obligations of quality’ proves to be infeasible at this moment, because it is inconsistent with existing rules in Chinese Trademark Law concerning well-known trademarks. In terms of the Consumer Protection Law (2013), although it is sensible to state that to keep continuity, stability and reliability of product bearing well-known trademarks is an important purpose of the law, only obligations of proprietors are articulated. By contrast, the rules concerning the obligations of competent authorities are less effective. The Chinese Consumer Association should play an active role in preventing consumers from being misled by the misrepresentation of well-known trademarks according to the Consumer Protection Law (2013), but still fails to function properly in this respect.

4) How have dedicated IP courts prohibited malicious litigation and influenced well-known trademark protection in China?

a. The deployment of dedicated IP courts in Beijing, Shanghai and Guangzhou in 2014 is important to improve IPRs and well-known trademark protection:

It not only inherits the mission of deepening the on-going judicial reforms such as ‘dedicated IP divisions’ and ‘3-in-1 trial model’ up to 2013, but also marks a significant probe in exploiting an effective legal structure led by the incumbent president Xi Jinping who came to power in 2013. The cross-regional jurisdiction of dedicated IP courts over cases involving well-known trademarks marks a milestone in the history of protection for well-known trademarks in China, as it facilitates to standardize trial over well-known trademark cases and to ease thorny issues related to well-known trademarks, such as the misunderstanding of well-known trademarks. The issuance of ‘Notice on Bona Fide Litigation’ (‘Cheng Xin Su Song Gao Zhi Shu’) by Beijing IP court in September 2015
marks an important step to explore feasible solutions to malicious litigation. These detailed rules bring trademark law into line with other areas of the law such as the Anti-Unfair Competition Law.

b. The disadvantages of the dedicated IP courts need further attention and the actual effect of this policy remains to be seen:

There is a risk that the already imbalanced judicial development between these regions and others may deteriorate with the establishment of dedicated IP courts, because judicial authorities have invested considerable physical and intellectual resources in the three courts, and this trend will definitely continue. As this policy has just been implemented since December 2014 and restricted within three major cities (Beijing, Shanghai, Guangzhou), its actual effect remains to be seen. The success of the courts will be judged in large part by their impartial consideration of the facts and law, and their efficient operation.

6.2. Suggestions of Future Development

The problems discussed in each chapter suggest that Chinese authorities must deepen the reform in the near future. In particular, this thesis aims to highlight the following suggestions for consideration.

Firstly, Chinese legislators need to be consistent in terms of defining a well-known trademark in Trademark Law and its judicial interpretation in order to avoid misinterpretation. Some further clarification as to the range of ‘relevant public’ (whether it is restricted to certain regions in China and whether it includes ‘potential consumers’) is also needed.

Secondly, the implementation of the ‘honesty and good faith’ principle in cases involving well-known trademarks should be further explained. Instead of a common principle,
competent authorities probably should consider clarifying factors of a breach of ‘honesty and good faith’ principle in well-known trademark cases.

Thirdly, Chinese authorities should further explain the standard of ‘anti-dilution’ against infringements in disputes involving well-known trademarks. The SPC should issue a judicial interpretation which specifically aims to explain ‘anti-dilution’ principle and provide authoritative guidance to judges. The SAIC should introduce this principle to cases governed by the CTMO and TRAB so that interests of well-known trademark owners can be secured at administrative level. Eventually it is suggested that Chinese Trademark Law should articulate this principle in the next round of amendment.

Fourthly, Chinese authorities should further clarify ‘calculation method’ and ‘circumstances of malicious infringements’ so that People’s Courts can decide a proper sum of statutory damages and punitive damages, severally or collectively, when handling cases involving well-known trademarks.

Fifthly, the SPC should clarify the obligations of competent authorities who regulate the misuse of well-known trademark title in Ads according to the Ad Law (2015). It should also offer rules on the liability of holders of well-known trademarks in well-known trademark Ads. Besides, the SPC should continue to promote the centralisation policy in order to prevent malicious litigation. The rules regarding the administrative fine over the well-known trademark Ad within the Class of goods/services where such a trademark was recognised as well-known need further improvement to make the rules workable.

Sixthly, as to malicious litigation, a proper national definition and appropriate standards for examining ‘false actions’ should be provided. A centralisation policy on judicial recognition is recommended. The rules as regards precautions and liability for malicious litigation should be considered by legislators. The specific rules concerning the implementation of ‘honesty and good faith’ principle, precautions and liability in malicious
litigation, and scope of cases involving well-known trademark determination should be either created or strengthened. Besides, in order to prevent malicious litigation, the SPC should provide specific guidance to dedicated IP courts and ideally adopt a national regulation based on comprehensive consideration of the existing rules such as the Zhejiang Opinions and ‘Notice on Bona Fide Litigation’ (‘Cheng Xin Su Song Gao Zhi Shu’).

Seventhly, as to ‘quality assurance’ issue, the Product Quality Law and Consumer Protection must urge manufacturers/proprietors to improve continuity, stability and reliability of their well-known trademarked products in order to secure the legitimate rights and interests of Chinese consumers. In terms of the Consumer Protection Law (2013), the rules concerning the obligations of competent authorities managing product quality of well-known trademarked goods must be specified. The role of Chinese Consumer Association in preventing consumers from being misled by the misrepresentation of well-known trademarks needs to be further emphasized in the law.

Finally, in order to maintain a sustainable policy, Chinese authorities need to strengthen judicial coordination between dedicated IP courts and other courts, and to explore feasibility of intellectual cooperation between them and other courts on IPRs including well-known trademarks in the near future.

6.3. Contributions

With the legal analysis of specific issues concerning well-known trademarks in this thesis, this thesis has contributed to the literature in three respects:

First, this thesis has conducted doctrinal legal research on some fundamental issues concerning well-known trademarks in China. Hitherto there is no such legal studies either in China or the outside as regards these issues. This thesis demonstrated and evaluated certain issues such as definition, ‘dual-track’ model, ‘anti-dilution’ provision, fundamental
principles, financial damages, with reference to Chinese cases and regulations. The analysis of these issues considerably developed the discussions on China’s policy over well-known trademarks and therefore made contributions to the existing literature, in particular, in English.

Second, this thesis contributed to the academic research with the illustration and evaluation of critical issues related to the misunderstanding of well-known trademarks in China. It highlights the importance of these issues in research to English readers. Given this purpose, this thesis has examined certain rules under both IP laws and non-IP laws (Product Quality Law (2000), Consumer Protection Law (2013), and Advertisement Law (2015)) of China. To date in terms of ‘malicious litigation’, ‘quality assurance of products bearing well-known trademarks’ and ‘misuse of well-known trademarks in advertisements’, no such analysis has been undertaken in the secondary literature.

Third, although the development of dedicated IP courts has been widely discussed since its deployment in 2013, its implication to some critical issues arising from the misunderstanding of well-known trademarks, such as malicious litigation, has not been paid enough attention. This thesis targets to address the irreplaceable role dedicated IP courts play in preventing malicious litigation, and offers suggestions of further development in order to protect legitimate interests of the owners of well-known trademarks and maintain a fair and sound environment of market competition. And in doing so, dedicated IP courts will also be likely to provide a venue with greater IPR expertise and experience to improve the entire level of well-known trademark protection in China in the near future.

6.4. Concluding Remarks

The legal analysis of those issues related to well-known trademarks in this thesis has suggested that China’s endorsement for ensuring a good level of well-known trademark protection have gradually become stronger and influenced the legal reform. In particular,
the case analysis in this thesis has indicated Chinese courts at different stages of a process of increasing sophistication, professionalism and judicial creativity. Given that, this thesis concludes that, although the criticism held by the US and some scholars might reflect some deficiencies in Chinese IP laws concerning well-known trademarks and the ineffectiveness of law enforcement in some aspects, it needs to be rejected. As to the problems that remain, these require competent authorities to continue to refine the laws and strengthen law enforcement in the near future.
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239
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243


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## Appendix

List of Tables

Table 1: Some international treaties China has ratified

<table>
<thead>
<tr>
<th>Treaty</th>
<th>Signature</th>
<th>Instrument</th>
<th>In Force</th>
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<tr>
<td>Beijing Treaty on Audiovisual Performances</td>
<td>26 June, 2012</td>
<td>Ratification: July 9, 2014</td>
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<td>Berne Convention</td>
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<td>Accession: July 10, 1992</td>
<td>October 15, 1992</td>
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<td>Budapest Treaty</td>
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<td>Accession: April 1, 1995</td>
<td>July 1, 1995</td>
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<td>Locarno Agreement</td>
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<td>Accession: June 17, 1996</td>
<td>September 19, 1996</td>
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<td>Madrid Agreement (Marks)</td>
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<td>Accession: July 4, 1989</td>
<td>October 4, 1989</td>
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<td>Madrid Protocol</td>
<td>Accession: September 1, 1995</td>
<td>December 1, 1995</td>
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<td>Marrakesh VIP Treaty</td>
<td>June 28, 2013</td>
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<td>Nice Agreement</td>
<td>Accession: May 5, 1994</td>
<td>August 9, 1994</td>
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<td>Paris Convention</td>
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<td>March 19, 1985</td>
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<td>Phonograms Convention</td>
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<td>Singapore Treaty</td>
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<td>Trademark law Treaty</td>
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<td>UPOV Convention</td>
<td>Accession: March 23, 1999</td>
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<td>Washington Treaty</td>
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<td>WIPO Copyright Treaty</td>
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<td>TRIPS Agreement</td>
<td>11 December 2001</td>
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Table 2: The definition of a well-known trademark in China (1996 – 2013)

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<tr>
<th>Provisional Measures on the Recognition and Administration Control of Well-Known Trademarks (1996 and 1998 revisions)</th>
<th>A registered trademark which has higher reputation in the market and is well known by relevant public. (Art 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions on the Determination and Protection of Well-Known Marks (2003)</td>
<td>A mark that is widely known to the relevant sectors of the public and enjoys a relatively high reputation in China. (Art 2.1)</td>
</tr>
<tr>
<td>Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Well-Known Trademarks (Fa Shi [2009] No.3)</td>
<td>A trademark widely known by relevant public in China. (Art 1)</td>
</tr>
<tr>
<td>2010 Draft Revision for Review of Trademark Law</td>
<td>A trademark widely known by relevant public and enjoys a relatively high reputation in China. (Art 14.1)</td>
</tr>
<tr>
<td>Trademark Law 2013</td>
<td>A trademark well known by relevant public. (Art 13.1)</td>
</tr>
</tbody>
</table>
**Table 3: Rules on the financial remedies in Trademark Law 2001 and 2013**

<table>
<thead>
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<tr>
<td>The amount of compensation for infringement of the exclusive right to use of a trademark shall be the amount of the profits that the infringer has earned as a result of the infringement during the period of the infringement, or the amount of the losses that the infringed has suffered as a result of the infringement during the period of the infringement, including any reasonable expenses the infringed has paid in its effort to put an end to the infringement. (art 56.1)</td>
<td>The amount of damages for infringement on the exclusive right to use a trademark shall be determined according to the actual loss suffered by the right holder as a result of the infringement, or may be determined according to the profits gained by the infringer from the infringement if the actual loss is difficult to determine, or may be reasonably determined by reference to the multiples of the trademark royalties if both the loss of the right holder and the gains of the infringer are difficult to determine. Where an infringer maliciously infringes upon another party's exclusive right to use a trademark and falls under grave circumstances, the amount of damages may be determined as not less than one time but not more than three times the amount determined according to the foregoing methods. The amount of damages shall cover the reasonable expenses incurred by the right holder for stopping the infringement. (art 63.1)</td>
</tr>
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<td>Where the profits earned by the infringer or the losses suffered by the infringed as a result of the infringement, as mentioned in the preceding paragraph, are hard to determine, the People's Court shall, on the basis of the circumstances of the infringement, decide to make it not more than RMB 500,000 yuan. (art 56.2)</td>
<td>Where the actual loss suffered by the right holder as a result of the infringement, the profits gained by the infringer from the infringement and the royalties of the registered trademark concerned are difficult to determine, the people's court shall render a judgment on awarding damages of up to RMB three million depending on the circumstances of the infringing acts. (art 63.3)</td>
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| Where a person unknowingly sells goods which represent an infringement upon another person's exclusive right to the use of a registered trademark but can prove that they are obtained by himself lawfully and can identify the supplier, he shall not bear the liability to pay compensation. (art 56.3) | Where the holder of the exclusive right to use a registered trademark claims for compensation, and the alleged infringer counterclaims that the said holder has never used the registered trademark, the relevant people's court may require the holder to furnish evidence of its actual use of the registered trademark during the three years prior to the lawsuit. The alleged infringer shall not be liable for compensation if the said holder is neither able to prove its actual use of the registered trademark during the three years prior to the lawsuit, nor able to prove other losses suffered as a result of the
A party that unknowingly sells goods that infringe upon another party's exclusive right to use a registered trademark is not liable for compensation if the party can prove that it has obtained the goods by legitimate means and is able to provide information on the suppliers of the goods. (art 64.2, i.e. art 56.3 of TML 2001)
List of Figures

Figure 1: Organization structure of SAIC (departments managing well-known trademarks)

- State Administration for Industry and Commerce (SAIC)
- Trade mark Review and Adjudication Board (TRAB)
- Trade mark Office of China (CTMO)
- Local Administration for Industry and Commerce (AICs)
Figure 2: Organization structure of people’s court in China

People’s Court of China

Supreme People’s Court (SPC)
- Circuit People’s Court (City: Shenzhen and Shenyang; Est 2015)
  - High People’s Court
  - Intermediate People’s Court
  - Grassroots People’s Court

People’s Courts at Local Levels

Dedicated People’s Court
- Military Court, Forest Court, Maritime Court, Railway Transportation Court
- Intellectual Property Court (City: Beijing, Shanghai, and Guangzhou; Est 2014)
Figure 3: Relationship between ‘exclusive right to the use of registered trademarks’ and well-known trademark rights regarding damages reward

Where the trade mark of a different or dissimilar kind of goods is a reproduction, imitation, or translation of another person's well-known trade mark not registered in China and it misleads the public so that the interests of the owner of the registered well-known trade mark are likely to be impaired, no application for its registration may be granted and its use shall be prohibited.

(Article 13, TML 2001)

Any of the following acts shall constitute an infringement on the exclusive rights to the use of a registered trade mark:

1. reproducing, imitating or translating another's registered well-known trade mark and using it as a trade mark on non-identical or dissimilar goods thereby misleading the public and prejudicing the interests of the registrant of the well-known trade mark.

(Article 52, TML 2001)

The following acts constitute acts causing other harm to another's exclusive right to use a registered trade mark as set out in Item (5) of Article 52 of the Trademark law:

2. reproducing, imitating or translating another's registered well-known trade mark or its main part and using it as a trade mark on non-identical or dissimilar goods thereby misleading the public.

(Article 1, Several Questions on the Application of Law in Trial of Trade mark Civil Dispute Cases Interpretation, Fa Shi [2002] No.32)

The amount of compensation for infringement of the exclusive right to the use of a trade mark shall be...

(Article 56, TML 2001)
Figure 4: A ‘Chinese Well-Known Trademark’ mark used in advertisements

Translation: the words on the top of the outer red circle are ‘Chinese Well-Known Trademark’ in Chinese. The words at the bottom of inner red circle are the trademark ‘Geersen’ in Chinese. The words at the bottom are ‘Chinese Well-Known Trademark’ in Chinese.