

UNIVERSITÁ DEGLI STUDI DI MILANO-BICOCCA

Scuola di Giurisprudenza

Corso di Laurea Magistrale Ciclo Unico



**WELL-KNOWN TRADEMARKS IN CHINA:
PROTECTION, REMEDIES AND STATISTICS**

Relatore: Chiar.mo Prof. Giovanni GUGLIELMETTI

Correlatore: Chiar.mo Dott. Marco BLEI

Correlatore: Chiar.ma Prof.ssa Ge JIANG

Tesi di Laurea di:
Francesco NAPOLI
Matricola n. 727135

Anno Accademico 2013/2014

Table of Contents

Acknowledgments	5
Abstract.....	6
Abbreviations.....	7
INTRODUCTION	8
1 AN OVERVIEW OF WELL-KNOWN TRADEMARK PROTECTION	11
1.1 Development of Well-known Trademark Protection in China	11
1.2 Legal Framework	14
1.3 Scope of Protection of Well-known Trademarks	17
1.3.1 Registered Trademark	17
1.3.2 Unregistered Trademark	19
1.3.3 Conflict with Enterprise Name	21
1.3.4 Supplementary Protection	24
1.4 Confusion or Dilution?.....	26
1.4.1 Likelihood of Confusion	26
1.4.2 Confusion and Well-known Trademarks	29
1.4.3 Confusion or Dilution?	32
1.4.4 Current Development of Cross-class Protection.....	34
1.4.5 Arguments Against Introducing Dilution in China.....	37
1.5 Local Famous Trademarks	39
1.6 Bad Faith Registration Protection	40
1.6.1 Unregistered Trademark with a Certain Influence	40
1.6.2 Other Cases of Bad Faith Registration	42
1.6.3 Bad Faith and Well-known Trademark Protection	44
1.7 Anti-Unfair Competition Law Protection	45
1.7.1 Trade Dress Protection.....	45
1.7.2 Trade Dress Protection as Supplementary Remedy	48
1.8 Well-known Trademark Protection between China and Italy	49

2	WELL-KNOWN TRADEMARK RECOGNITION.....	53
2.1	General Remarks on Recognition	53
2.2	Recognition Procedures	55
2.3	Proving Well-known Status	58
2.3.1	Relevant Public	58
2.3.2	Recognition Factors and Related Evidence	59
2.3.3	Analysis of Evidential Materials.....	62
2.3.4	Evaluation of Factors	66
2.3.5	Well-known Status Threshold	69
2.3.6	Conflicts between Judicial and Administrative Recognition.....	71
2.4	Misuse and Correction of Well-known Mark Recognition.....	72
2.5	Obstacles for Foreign Right Holders.....	75
2.5.1	Lack of Uniform Standard for Recognition.....	75
2.5.2	Local Territorial Approach	76
2.5.3	Tackling the Local Approach	78
2.5.4	The Language Barrier	80
2.5.5	Fame and Chinese Translations	81
2.5.6	Fighting Usurpation of Chinese Translation.....	83
2.6	Comparison with Well-known Mark Recognition in Italy and the EU ..	86
3	THE REMEDIES: HOW TO PROTECT TRADEMARK RIGHTS	90
3.1	Remedies against Trademark Registration.....	90
3.1.1	Opposition and Review Procedure	90
3.1.2	Invalidation and Cancellation Procedures	93
3.1.3	Review of Administrative Decisions	96
3.2	Definition of Trademark Infringement.....	98
3.3	Administrative Enforcement	100
3.3.1	Administration of Industry and Commerce	100
3.3.2	Product Quality Administration.....	103
3.4	Civil Remedies	105

3.4.1	Jurisdiction.....	105
3.4.2	Choice of Law.....	107
3.4.3	Preliminary Injunctions.....	109
3.4.4	Trial Procedure	112
3.4.5	Damages.....	115
3.4.6	Appeal and Retrial	119
3.5	Criminal Enforcement.....	122
3.6	Specialized IP Courts	124
3.6.1	Specialized IP Divisions	124
3.6.2	New IP Courts.....	126
3.7	Customs Protection	130
3.8	Arbitration	134
3.9	Trademark Enforcement in E-commerce	136
3.9.1	Legal Framework.....	136
3.9.2	The Taobao Cases	138
3.9.3	Current Interpretation of ISP Liability.....	141
3.9.4	The Chinese Approach in Comparison.....	146
4	A STATISTICAL PERSPECTIVE ON WELL-KNOWN TRADEMARKS	
	150	
4.1	Administrative Protection Statistics.....	150
4.1.1	General Administration Statistics	150
4.1.2	Well-known Trademarks Recognized by the SAIC	154
4.2	Judicial Protection Statistics	157
4.2.1	General Court Statistics	157
4.2.2	Well-known Trademarks Recognized by the Courts	159
	CONCLUSION.....	162
	Laws & Regulations.....	163
	Case Law.....	166
	Bibliography	170

Acknowledgments

Desidero ringraziare innanzi tutto il mio relatore Professor Giovanni Guglielmetti e il mio correlatore Dottor Marco Blei, per la disponibilità, l'attenzione e l'assistenza che mi hanno dedicato nella stesura e correzione di questa tesi di laurea. Ringrazio la correlatrice Professoressa Ge Jiang della Tsinghua University per i suoi preziosi consigli nella raccolta delle fonti e dei materiali riguardanti il diritto cinese. Ringrazio anche tutti i ricercatori e professionisti che mi hanno assistito, con i loro suggerimenti e la loro esperienza, nella ricerca per questa tesi, in particolare il Professor Paolo Farah, l'Avvocato Davide Follador, l'Avvocato Sergio Scanu e la Professoressa Qian Tao. Ringrazio ancora i membri dell'Ufficio Internazionale della Facoltà di Giurisprudenza della Tsinghua University per aver reso piacevole ed unica la mia permanenza presso l'università sita in Pechino. Un ringraziamento speciale anche al Programma di Mobilità Internazionale EXTRA dell'Università di Milano-Bicocca ed il suo staff, per avermi dato la possibilità di svolgere la mia ricerca in Cina.

Infine, vorrei esprimere infinita gratitudine alla mia famiglia, che mi ha costantemente sostenuto e incoraggiato per tutta la carriera universitaria, ed a tutti gli amici che mi hanno accompagnato in questa meravigliosa esperienza.

Abstract

The People's Republic of China has a very bad reputation with regard to the phenomena of counterfeiting and trademark usurpation. These problems arise from the still incomplete development of the economy, the immaturity of the legal system, protectionism or connivance of local authorities and some peculiar characteristics of the Chinese culture. Since famous trademarks are those most easily targeted by infringers, it is vital for right holders to understand the protection and remedies available to well-known trademarks, which are stronger compared to those granted to ordinary trademarks, but also more difficult to obtain. However, this task is not an easy one because well-known trademark protection, although regulated by international agreements, is implemented differently in each country. Furthermore, the Chinese system is still in the midst of development, thus the laws, regulations and their application may completely change in just a few years, while updated information or researches are mostly in Chinese and so unavailable to the international audience.

This dissertation tries to picture a comprehensive and up-to-date overview of well-known trademark protection in China, identifying the most critical issues, the strengths and the shortcomings of the system, with the aim of understanding how to effectively protect a trademark. Therefore, this paper not only focuses on the scope of protection of well-known trademarks, but also on the different remedies provided by the Chinese IP system to enforce trademark rights, taking care to note the most recent developments, ranging from the institution of new specialized IP Courts to the issues related to counterfeiting in e-commerce. Particular attention is dedicated to the problems and obstacles faced by foreign trademark owners when dealing with infringement or squatting in China, and also to compare the differences and similarities between the Chinese and Italian systems. In order to grasp the most recent trends and interpretations regarding protection and recognition of well-known trademarks, this paper analyzes the relevant case law of the Chinese courts and administrative bodies and takes into account the available statistical data as well.

Abbreviations

AIC	(Local) Administration for Industry and Commerce
AQSIQ	General Administration of Quality Supervision, Inspection and Quarantine
AUCL	Anti-Unfair Competition Law
CIP	(Italian) Code of Industrial Property
CPC	Communist Party of China
GAC	General Administration of Customs
ICC	International Chamber of Commerce
IP	Intellectual Property
ISP	Internet Service Provider
IPR	Intellectual Property Right
JR	(WIPO) Joint Recommendation
NPC	National People's Congress
PRB	Patent Review Board
PRC	People's Republic of China
RMB	Renminbi (PRC currency)
SAIC	State Administration for Industry and Commerce
SPC	Supreme People's Court
SPP	Supreme People's Procuratorate
TL	Trademark Law
TLIR	Trademark Law Implementing Regulations
TMO	Trademark Office
t.p.	Third party (in administrative cases)
TRAB	Trademark Review and Adjudication Body
TRIPS	Agreement on Trade Related Aspects of Intellectual Property Rights
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

INTRODUCTION

The leading role of the Chinese economy and market in nowadays globalized economic system cannot be underestimated. Since the reform and opening up in 1979, China has been among the world's fastest growing economies, with real annual GDP growth averaging nearly 10%, emerging as the second economy of the world after the USA. China is now also the largest exporter of goods, being called the "World's Factory", and the second largest importer of goods with a growing consumer market. Thus now China may be depicted as a land full of opportunities, but at the same time hiding many hazards, especially for foreign enterprises. Indeed, China is considered the major producer and exporter of counterfeit goods, being for instance the country of origin of 70% of fake goods seized by EU customs authorities.¹ Counterfeiting is today used as an umbrella term for many different phenomena, ranging from proper trademark infringement, to copying of trade dress, unfair competition behaviors and noncompliance of contracts. In this paper, the term counterfeiting is used as a synonym of trademark infringement through use.

Counterfeiting is not the only problem that foreign and local trademark owners are facing in China. Trademark squatting, or usurpation, may be a much more dangerous and troubling phenomenon. A trademark squatter is defined as "a company or individual who registers another party's brand name as a trademark and then uses the trademark in connection with the sale of counterfeit goods or in an effort to otherwise profit from the goodwill of the genuine brand name owner".² Compared to the counterfeiting of registered trademarks, which is covered by relatively well-established legal rules, the piracy and passing off of unregistered trademarks has become a more serious problem.³

The trademarks most easily targeted by the two beasts of counterfeiting and squatting are, clearly, the famous international trademarks, due to the high value

¹ *Report on EU customs enforcement of intellectual property rights 2011*, p. 15.

² Chang, p. 339.

³ Feng, *How are Unregistered Trademarks Protected in China?*, p. 816.

that they acquire thanks to the investments and reputation they have gained. This is the reason why since the Hague revision in 1925 saw the introduction of Article 6*bis* of the Paris Convention, well-known trademarks have been accorded a special expanded protection compared to ordinary trademarks. However, the international treaties on the subject of intellectual property give a very general framework that may be implemented in very different ways in each country. Therefore, it is of the utmost importance for trademark owners to understand the specific laws in force in China and the remedies by them provided, in order to effectively defend their valuable trademarks and avoid paying a high price for their errors.

Chapter 1 makes a short introduction on the history and the legal framework of well-known trademark protection in China. Then examines the different forms of protection that a right holder may use to defend his well-known trademark, that are well-known trademark protection proper, protection against bad faith registration and against unfair competition. In particular, it studies thoroughly the scope of protection of well-known trademarks, its theoretical foundations, the administrative and judicial practice. Moreover, it includes a comparison with Italian and European law and an in-depth analysis of the supposed introduction of elements of dilution theory and of the reasons that may hinder its effective adoption. Chapter 2 is focused on the history, procedures, factors and evidence of the recognition of well-known trademarks in China. This section also points out the main problems and doctrines relevant to recognition, tries to find out what are the real obstacles faced by foreign trademark owners and compares the Chinese recognition system with the Italian and European ones. Chapter 3 regards the practical remedies that the Chinese legal system provides to right holders to defend their trademarks against counterfeiting and usurpation, ranging from opposition and invalidation procedures in front of the Chinese Trademark Office (hereinafter TMO, in Chinese 商标局) and Trademark Review and Adjudication

Board (hereinafter TRAB, in Chinese 商标评审委员会),⁴ to civil and criminal lawsuits judged by the people's courts. Particular attention is dedicated to the most recent developments of the trademark system, such as the creation of new Intellectual Property Court and the establishment of intermediary liability for infringement with regard to Internet e-commerce platform providers. Finally Chapter 4 evaluates the statistical data published by the Chinese authorities regarding trademarks, with a particular focus on the number of well-known trademarks determined by administrative and judicial bodies.

⁴ These two are the administrative authorities in charge of management of the Chinese trademark system.

1 AN OVERVIEW OF WELL-KNOWN TRADEMARK PROTECTION

1.1 Development of Well-known Trademark Protection in China

The protection of well-known trademarks in China, like the protection of IPRs in general, has seen a long and complex evolution since the economic reforms and opening up of the 1980s. China introduced for the first time the concept of well-known mark into its legal system when it became a signatory to the Paris Convention in 1985.⁵ Although not yet implemented in domestic laws and regulations, Article 6*bis* of the Paris Convention⁶ was already applied in 1987 by the Chinese Trademark Office in the opposition case for the trademark “Pizza Hut” (必胜客).⁷ After this landmark case, trademarks started to be protected as well-known on an *ad hoc* basis by the TMO during opposition or cancellation procedures. Moreover, a list of marks that had been particularly victimized by counterfeiters was circulated by the State Administration for Industry and Commerce (shortened in SAIC) to its local offices in order to ensure protection.⁸

⁵ *The Paris Convention for the Protection of Industrial Property* was first signed on March 20, 1883.

⁶ Article 6*bis* of the Paris Convention provides protection to marks considered to be well known in the country of registration or use, against trademarks which constitute a reproduction, imitation or translation liable to create confusion with the well-known trademark, that are registered or used for identical or similar goods.

⁷ An Australian company applied to register the “Pizza Hut” trademark with the Chinese TMO. The Pizza Hut International Company lodged its opposition, requesting the “Pizza Hut” mark be registered under its own name, as it had been in over forty other countries. The TMO determined that “Pizza Hut” was legally well-known under Chinese law based on its registration history and refused to register the same mark by the Australian company (Lehman *et al.*, *Well-Known Trademark Protection in the People’s Republic of China-Evolution of the System*, p. 259).

⁸ The SAIC is a department at ministerial level of the State Council of the PRC (the central government of China) whose functions are market supervision and regulation and

In 1987 the medicine brand “Tongrentang” (同仁堂) was the first Chinese trademark recognized as well-known and was given an official certification of well-known status by the TMO.⁹ From then on the TMO began to recognize on a regular basis well-known trademarks by giving formal certificates.¹⁰ The year 1993 saw important improvements for the well-known trademark protection regime: in conjunction with the amendment of the Trademark Law, the amended Implementing Regulations mentioned for the first time “trademarks well-known to the public” (公众熟知的商标);¹¹ in the same year, the newly promulgated Anti-Unfair Competition Law¹² contained a provision (Art. 5(2) AUCL) that prohibited the use of the name or trade dress of other’s famous products, therefore offering additional remedies in case of infringement.¹³

In 1996 China joined the TRIPS Agreement and in order to comply with its obligations, the SAIC issued the Interim Provisions¹⁴ finally providing a comprehensive, systematic blueprint for administrative determination and protection of well-known marks.¹⁵ The Interim Provisions used for the first time the current term for “well-known trademark” (驰名商标), but still reserved protection only to registered well-known trademarks.¹⁶ The only authority empowered to recognize well-known status was the TMO and its decisions were final and judicially non-reviewable.¹⁷ Right holders had to first apply for determination through a specific procedure and if the TMO gave its approval the

related law enforcement through administrative means. The TMO and TRAB are offices within the SAIC.

⁹ Lehman *et al.*, p. 259.

¹⁰ Ghosh, Luo, *Protection and Enforcement of Well-Known Mark Rights in China: History, Theory and Future*, p. 126.

¹¹ Zhao, *Interpretation of the New Trademark Law*, p. 71.

¹² The Anti-Unfair Competition Law was promulgated by the Standing Committee of the NPC on September 2, 1993 and became effective from December 1, 1993.

¹³ Ghosh, Luo, p. 126.

¹⁴ Interim Provisions on the Determination and Administration of Well-Known Marks (August 14, 1996).

¹⁵ Ghosh, Luo, p. 126.

¹⁶ Zhao, p. 71-72.

¹⁷ Liu, *The Use and Misuse of Well-known Marks Listings*, p. 688.

recognition was valid for a period of three years.¹⁸ After the date of recognition, any registration or use that constituted infringement of the well-known mark was prohibited and related penalties were applied. Moreover, each year a “well-known trademark list” containing the marks already approved was published.¹⁹ However, this method of determination had the side effect of inducing the public to consider the list as an honor-ranking of trademarks of excellent companies and high quality products. Enterprises and local governments started to compete with each other to obtain more recognitions as possible, thus straying from the original purpose of well-known trademark protection (see Chapter 2).²⁰

With the accession to the WTO in 2001, China entered on the final part of development of well-known trademark protection. Indeed in the same year, the PRC amended for the second time its Trademark Law (商标法),²¹ extending also to the Chinese people’s courts competence to recognize well-known status in trademark enforcement and invalidation procedures.²² The amended law protected both registered and unregistered well-known marks and explicitly defined the factors to be taken into account for the determination of well-known status. To enforce these reforms on the trademark administrative authorities, the SAIC issued in 2003 the Well-known Trademark Provisions which abrogated the former Interim Provisions of 1996, ending the system of *ex ante* recognition in favor of a case-by-case, passive recognition system.²³ In 2009 the SPC issued the Well-known Trademark Interpretation, which seems to introduce for the first time in China the dilution theory, although this topic is still hotly debated.

¹⁸ Paglee, *Chinese Trademark Law Revised: New Regulations Protect Well-Known Trademarks*, p. 56.

¹⁹ Feng, *How are Unregistered Trademarks Protected in China?*, p. 828 and Li, Wei, Zhang, *The Third Revision of Chinese Trademark Law*, p. 569.

²⁰ *Ibid.*

²¹ The second revision of the Trademark Law promulgated by the Standing Committee of the NPC on October 27, 2001.

²² Feng, p. 828.

²³ *Provisions for the Determination and Protection of Well-known Trademarks* (April 17, 2003).

The Second Amendment of the TL was to a great extent for the purpose of filling the gap to the TRIPS Agreement and solving certain practical issues with respect to trademark registration and protection remained unresolved.²⁴ For this reason, as early as the end of 2003, the SAIC officially launched a new revision of the TL 2001. After a decade-long process of study and consultation, finally the Third Amendment of the Trademark Law (hereinafter shortened as TL) was issued in 2013. However, regarding the protection of well-known marks, this amendment brought few additions to the previous law, addressing in particular the problem of improper use of the well-known trademark label.

1.2 Legal Framework

As expected, the most important piece of legislation that regulates the protection of well-known trademarks is the Trademark Law, recently amended in 2013. However, this law contains only two articles specifically pertaining to well-known marks, Art. 13-14 TL, which serve as the fundamental basis for the system, but are by far insufficient to provide a complete framework and to clarify ambiguous points. The Implementing Regulations²⁵ (hereinafter TLIR) add little on this subject. As in many other areas of the law, the real core of the rules on well-known trademarks lies in the regulations of the relevant administrative authority, the SAIC, and in the interpretations of the Supreme People's Court.

On one side, the Trademark Office and the Trademark Review and Adjudication Body of the SAIC are in charge of trademark registration and all related procedures, such as opposition and invalidation. Moreover, they recognize well-known trademarks during administrative protection proceeding, which is carried out by the local AIC divisions. The Provisions on the Determination and Protection of Well-Known Trademarks contains the substantive rules on well-known trademark recognition and protection in front of the administrative

²⁴ Li, Wei, Zhang, p. 557.

²⁵ Trademark Law Implementing Regulations, issued by the State Council on April 29, 2014 and effective from May 1, 2014.

authorities.²⁶ The Working Rules on the Recognition of Well-Known Trademarks regulate the specific procedures for well-known mark determination by the SAIC's bodies instead.²⁷

As for the people's courts, just referring to the law and implementing regulations is not sufficient to decide practical judicial cases, since they are too vague and incomplete. The administrative rules cannot apply, because they are binding only for the administrative bodies that issue them and their subordinate bodies. It is for this reason that the Supreme People's Court is given the power to issue judicial interpretations (司法解释) on questions of law arising from the specific application of law in its adjudicative work.²⁸ In theory, according to the Chinese Constitution and other relevant laws, these interpretations should not be sources of law.²⁹ However, the SPC itself established that its interpretations have the effect of law and that lower courts shall cite them when they are relied upon in decision making.³⁰ Do they have real legal binding power or not, the practical effect is that the lower courts will abide by them.

The SPC has issued a plethora of interpretations on any aspect of trademark law, but concerning well-known marks the most important is the *Interpretation on the Application of Laws concerning Several Issues in Hearing Cases of Civil Disputes Related to the Protection of Well-Known Trademarks* of 2009 (Well-known Trademark Interpretation), which clarified many points but also opened a heated discussion over dilution theory in China.

Apart from the interpretations of the SPC, the Chinese courts are giving important contributions to well-known trademark protection through other means. In the *Second Five-year Plan for Court's Reform* in 2005, the SPC decided to establish a system of model cases (典型案例), which means that the SPC and other courts

²⁶ Issued in 2003 but amended by Order No. 66 of the SAIC on July 3, 2014.

²⁷ Issued by the SAIC on April 21, 2009.

²⁸ As stipulated by the *Resolution of the Standing Committee of the NPC concerning the Strengthening of Legal Interpretative Work* of 1981. According to the Chinese Constitution, only the Standing Committee of the NPC can interpret the law.

²⁹ Chen Jianfu, *Chinese Law: Context and Transformation*, p. 202.

³⁰ Art. 5 Provisions on Judicial Interpretation (Issued on 23 March 2007).

will publish lists of important cases to guide the lower courts in their adjudicating activity and standardize judicial doctrine.³¹ Many of these collections regard IP cases, showing the constant attention on this area of law. The most famous is the one called *100 National Model Cases of Judicial Protection of IP* published in 2008 by the SPC. After that, the SPC has published yearly these guiding collections, which include IP cases from all over China divided by jurisdiction (civil, administrative and criminal) and subject-matter (trademark, patent, copyright, unfair competition).³² They provide to local and foreign researchers useful insights on the development of judicial doctrine on IP law too.

According to Art. 142(2) of the General Principles of Civil Law, international treaties of which China is a signatory are directly applicable in China. We have seen that indeed the Paris Convention was used by the TMO to grant for the first time well-known mark protection in 1987. Nowadays China is also part of the TRIPS agreement, however it is now impossible for the administrative and judicial authorities to directly apply anymore these treaties, because China has already a complete framework of legislation on well-known trademarks that is a direct implementation of these treaties. At least, they may still be used as a reference to evaluate whether China has complied with its international obligations. Finally, the *WIPO Joint Recommendation* (WIPO JR) is a non-binding document that however is issued by the most important international organization on IP and has indeed influenced the Chinese legislation.³³

³¹ Timoteo, *La difesa di marchi e brevetti in Cina: percorsi normativi in un sistema in transizione*, p. 111.

³² For example, see the *10 Big Cases and 50 Model Cases on IP by Chinese Courts 2013*.

³³ WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, adopted by the WIPO General Assembly in September 1999.

1.3 Scope of Protection of Well-known Trademarks

1.3.1 Registered Trademark

In the first place, Article 13 TL protects well-known trademarks that are registered in China (注册驰名商标). The owner of an ordinary registered trademark has the exclusive right to use his trademark, which means that he may oppose an application for registration, invalidate a registration or prohibit the use of an identical or similar trademark on identical or similar goods or services for which his trademark was registered.³⁴ However, the contested trademark will be invalidated or prohibited to use only if its use may easily cause confusion (容易导致混淆) among the consumers. This is because the main function of the trademark is to distinguish the products or services of one business operator from those of another, which is called distinctive function (识别功能).³⁵ If there is no likelihood of confusion, it is not necessary to invalidate or forbid the use of a similar trademark.

A registered trademark, if well-known, enjoys a special additional protection against trademarks that constitute a reproduction, an imitation or a translation of the well-known trademark and that is the subject of an application for registration or used on dissimilar goods or services, if the use of such trademark would mislead the public and possibly prejudice the interests of the registrant of the well-known trademark.³⁶ The main peculiarity is that a well-known registered mark is protected also on non identical or similar goods or services, which is called cross-class protection (跨类保护).

What is the theoretical foundation behind this expanded protection? It is not the distinctive function that is safeguarded here, because that function is linked to likelihood of confusion, which is possible normally on similar goods or services. What characterizes a well-known mark is its fame among the public, which is the

³⁴ Art. 30-45-57 TL.

³⁵ Wang Q., *Course of Intellectual Property Law*, p. 377.

³⁶ Art. 13(3) TL.

result of years of investment and advertisement. Consumers that are familiar with the well-known trademark may be attracted by an identical or similar trademark even if it is used on different products because of the suggestions associated with the famous trademark. Moreover, nowadays many famous brands expand their operations in different markets, thus consumers may be misled into thinking there is a connection between the different products bearing a similar trademark. Thus what is defended with cross-class protection is the value the trademark has acquired through these investments and that the infringer is trying to exploit or damage. Thus well-known trademark protection defends mainly the publicity function (宣传功能).³⁷

For these reasons, Art. 13(3) TL does not require likelihood of confusion for well-known trademark protection, but instead enunciates the following requirements: registration of the allegedly infringed trademark; well-known status; the public is misled; the interests of the well-known mark owner may possibly be damaged. Before the promulgation of the Well-known Trademark Interpretation in 2009, there was no official regulation or interpretation for the last two conditions, i.e. misleading the public and injuring the interests of the mark owner. In the following sections we will analyze these terms thoroughly.

Cross-class protection of the trademark is extremely useful within the context of the Chinese trademark system. China has a peculiar classification of goods and services for registration, because it follows the Nice Classification,³⁸ the one generally employed also in other nations, but adopts a special sub-classification which is very detailed and not always consistent with the Nice one.³⁹ Before 2013, multiple applications were necessary for multiple classes of goods and services, which was quite inconvenient and gave ample room for trademark squatting. After the 2013 TL amendment, the applicant is allowed to apply for multiple classes with one application, which simplifies the registration process

³⁷ Wang Q., p. 494.

³⁸ The Nice Classification was established by the Nice Agreement in 1957 and is an international classification of goods and services applied for the registration of marks.

³⁹ Ganea, Pattloch, *Intellectual Property in China*, p. 96.

and prevents squatters from registering other's trademarks in classes for which the original owner did not file a separate application.⁴⁰ However, a trademark owner is probably going to decide to file only in a limited number of classes anyway.⁴¹ This still leaves room for squatters to register the same trademark in the other classes and it may be difficult for the right holder to demonstrate the similarity of goods or services. If the trademark is recognized as well-known, these limitations may be overcome and the trademark protected against those who try to exploit its reputation.

1.3.2 Unregistered Trademark

On the contrary, a non-registered trademark usually is given little or no protection by the TL, due to the first-to-file principle.⁴² In specific circumstances stipulated by the TL, whose common element is that the unregistered trademark has been registered in bad faith by another person, the rightful owner may oppose or invalidate the registration. When the trademark has a certain degree of influence, the right holder cannot be prohibited to continue to use the trademark within the original scope of use. But in no case an ordinary unregistered trademark may be protected against infringement through use of the trademark, such as counterfeiting, under the provisions of the TL, and the owner may only seek unfair competition remedies.

However, if an unregistered trademark is recognized as well-known (未注册驰名商标), its owner is entitled both to oppose the registration and prohibit the use on identical or similar goods of a trademark that is a reproduction, an imitation or a

⁴⁰ Chang, *Combating Trademark Squatting in China: New Developments in Chinese Trademark Law and Suggestions for the Future*, p. 352.

⁴¹ Art. 22 TL.

⁴² The right of exclusive use of a trademark can only be acquired with an application for registration with the Chinese Trademark Office. The first person to file a valid application for registration is the one that is entitled to obtain the registration of the trademark, prevailing over subsequent filers and in most cases over persons using the trademark before the registration. This system is the same of the EU and Italian systems, in contrast to the US system that is defined as first-to-use.

translation of its own, likely to cause confusion.⁴³ Thus it will enjoy the same protection that is normally given to a non-famous registered trademark, against an identical or similar trademark on identical or similar goods or services when it confuses the public. The advantages of the well-known trademark protection are very clear for an unregistered trademark, because it gains protection not only against bad faith registration in opposition and invalidation procedures, but also against use of the trademark, i.e. against counterfeiting. Furthermore, once well-known status is determined, there are no limitations in the scope of protection of the trademark that instead characterize the cases of bad faith registration.

The disparity in protection between registered and unregistered well-known trademarks is the consequence of the fact that the two paragraphs of Article 13 are the implementation of two different international obligations: the Paris Convention and the TRIPS Agreement. Article 13(2) TL on unregistered well-known marks is based on Article 6*bis* of the Paris Convention, which protects domestically well-known yet not registered trademarks, but only regarding goods identical or similar to those on which the well-known mark is used.⁴⁴ The objective of Article 6*bis* was to cope with acts of usurpation by an unrelated third party of trademarks well-known abroad, in case the 6 months of priority period were not enough to register the trademark.⁴⁵

The text of Article 13(3) TL on registered well-known trademarks instead is the implementation of Article 16(3) of the TRIPS Agreement, which broadens the protection *ex* Article 6*bis* of the Paris Convention, extending its application to goods and services that are not similar to those for which the well-known mark is registered. Also Art. 16(3) TRIPS requests the three conditions of registration, connection between the dissimilar goods/services and likelihood of damage to the interests of the owner. The concept of damage to the interests of the mark owner suggests that the aim of protection of the TRIPS provision is the reputation and

⁴³ Art. 13(2) TL.

⁴⁴ Heath, Liu, *The Protection of Well-known Marks in Asia*, p. 3-4.

⁴⁵ *Ibid.*

distinctiveness of the well-known trademark.⁴⁶ This is also clarified by the WIPO JR 1999, which also served as the basis of the SPC Interpretation.

1.3.3 Conflict with Enterprise Name

Protection of trademarks against conflicting trade names used in enterprise names is provided by regulations and judicial interpretations and has been constantly accorded in judicial practice.⁴⁷ However, the different provisions dealing with this issue are rather ambiguous and fragmented, leaving to this day some unclear points. Firstly, using prominently (突出使用) on identical or similar goods a wording that is identical or similar to another's registered trademark as an enterprise's trade name, thereby easily causing mistaken recognition by the relevant public, is considered trademark infringement.⁴⁸ This kind of conflict between registered trademark and enterprise name is regulated by the TL with regard to remedies and compensation. However, what is the meaning of "using prominently" and "causing mistaken recognition", it is not explained.

From an analysis of the relevant case law, we can see that the courts consider the use of the trade name "prominent" when it is used independently and it catches the eye of the public. A trade name is used independently when is not used with the complete enterprise name, in advertising or on the packaging of products, but other circumstances should be taken in consideration. For example, it is considered prominent use in an advertisement, when the trade name position on the page, the font and general design make it stand out and attract the attention of the public, even though it is used inside the enterprise name.⁴⁹ In other cases

⁴⁶ Correa, *Trade Related Aspects of Intellectual Property Rights*, p. 193.

⁴⁷ In Chinese law, an enterprise name (企业名称) is made of: name of administrative division where the enterprise is located, a trade name (字号) of two or more characters, trade or industry sector and organization form (Art. 7 Rules on Management of Enterprise Name Registration).

⁴⁸ Art. 1(1) Trademark Civil Disputes Interpretation.

⁴⁹ Tan, *Determination of Infringement and Responsibility for Conflict between Enterprise Name and Trademark*, p. 110.

judged infringing under the TL, the trade name had been used in business activities, displayed on the doors or windows of shops, on menus, towels, bags, invoices etc.⁵⁰ Instead, “causing mistaken recognition” is plainly interpreted as likely to cause confusion, like for ordinary trademark infringement.

When the trade name is not used in a prominent way, but is sufficient to cause confusion on the market and is in violation of fair competition, it shall be deemed as an act of unfair competition. Although it was not prescribed by an official regulation, this interpretation had been first adopted by the Beijing Higher Court in 2002.⁵¹ It has been confirmed in later documents published by the SPC.⁵² The remedies and protection granted in these cases are therefore those of the AUCL, which are less effective compared to those of the TL. Moreover, in unfair competition cases the plaintiff must prove also the bad faith of the infringer, which instead is not required in trademark infringement.⁵³

The last amendment of the TL in 2013 introduced an article specifically regulating conflict between trademarks and enterprise names. It states that when another’s registered trademark or unregistered well-known trademark is used as the trade name in an enterprise name, misleading the public and constituting unfair competition, the matter shall be handled in accordance with the AUCL.⁵⁴ On one hand, this provision confirms the protection through unfair competition law of trademarks against enterprise names without the “prominent use” requirement. Moreover, it corroborates that this protection is granted also to well-known marks. For sure, it applies to unregistered well-known trademarks, which are explicitly mentioned, against a trade name used on similar products or services. But it

⁵⁰ *Zhao Xifeng v. Beijing Ethnic Tang Palace Seafood Co. Ltd*, Beijing First Intermediate People’s Court, 2008 and *Shanghai Starbucks Coffee Co. Ltd. v. Starbucks (Xingyuan) Corporation*, Shanghai Higher People’s Court, 20.12.2006.

⁵¹ Rule 3 of *Answers of Beijing Higher People’s Court on Several Issues concerning Trial of Dispute Cases Arising from Conflict between Trademark and Use of Enterprise Name*.

⁵² *Reply of the SPC regarding Zhen Tai Case* [(2004) 民三他字第 10 号] and *Opinions on Several Issues concerning Intellectual Property Trials Serving Overall Situation under Current Economic Situation* (2009).

⁵³ Tan, p. 110.

⁵⁴ Art. 58 TL.

should be applicable also for registered well-known marks on different goods or services, i.e. for cross-class protection. First of all, the drafts of the current amendment of the TL separately mentioned well-known trademarks and registered trademarks in Art. 58, before the two were combined together in a single wording. Moreover, previous regulations had mentioned registered well-known marks and in judicial practice they have been granted protection.⁵⁵

Both TL protection against prominent use and AUCL protection may be applied to well-known trademarks, according to the Well-known Trademark Interpretation.⁵⁶ However, the same Interpretation specifically excludes well-known mark recognition when “whether the trademark is well-known is not the factual basis for the establishment of trademark infringement or unfair competition”.⁵⁷ This means that when the trademark is registered and the enterprise name is used on identical or similar goods or services, it is not necessary to make a determination on fame, because the mark would anyway be protected. It will be necessary instead in case of cross-class protection or when the trademark is not registered.

A trade name should be cancelled or modified when it has been registered or used after the trademark has been registered or has become well-known. When the trade name was registered and used before the trademark is registered, it constitutes a prior right, therefore the trademark registration is invalid for lack of novelty requirement and may be opposed or invalidated.⁵⁸ Its use as trademark may be prohibited as an act of unfair competition.

⁵⁵ Wang J., p. 35-36. See e.g. the “Zhongxin” case [(2006)津高民三终字第 21 号].

⁵⁶ Art. 2(2) Well-known Trademark Interpretation.

⁵⁷ Art. 3(2) Well-known Trademark Interpretation.

⁵⁸ Art. 1(1) SPC Provisions on Several Issues Concerning the Trial of Cases of Civil Disputes over the Conflicts between Registered Trademarks or Enterprise Name with Prior Right (2008).

1.3.4 Supplementary Protection

There are other remedies and exceptions specific to the protection of well-known trademarks. First of all, the owner of a well-known trademark is not subject to the 5-year time limit to request invalidation of an infringing trademark to the TRAB, if such trademark was registered in bad faith.⁵⁹ This provision is taken from the WIPO JR 1999 and is very beneficial for well-known mark owners.⁶⁰

The SPC *Interpretation on Domain Name Civil Disputes* expressly provides that a trademark owner can appeal to a court to determine well-known status and obtain cancellation or transfer of a domain name registered or used in bad faith for commercial purposes, that is identical or similar to the well-known trademark and ask compensation for damages suffered.⁶¹ In the past, this provision has been used extensively. However, now the Well-known Trademark Interpretation specifically limits the protection against domain names through well-known trademark recognition when it is not necessary, as for defense against enterprise name.⁶²

An ordinary registered trademark already enjoys protection against bad faith registration or use of an identical or similar domain name when intentionally creates confusion with the trademark owner's products, services, or websites, to mislead the network users to visit his own or other websites. When this ordinary protection is applicable, there is no need for well-known trademark recognition. When there is no such confusion, because the domain name is used to commercialize different goods or services, only in this case well-known recognition will be necessary to obtain protection.⁶³

Regarding the administrative remedies, the local divisions of the SAIC play a significant role in enforcement of well-known mark rights. AICs cannot officially recognize marks as being well-known, but the owner of a well-known mark may file a complaint to a local AIC, submitting documentation proving that his mark is

⁵⁹ Art. 45 TL.

⁶⁰ Art. 4(5)(a) WIPO JR 1999.

⁶¹ Ghosh, Luo, p. 123. See Art. 4-8 of the *Interpretation on Domain Name Civil Disputes*.

⁶² Art. 3 Well-known Trademark Interpretation.

⁶³ Xu, Zhao, *Judicial Recognition of Well-known Trademarks*, p. 3.

well-known.⁶⁴ The AIC will conduct a preliminary verification and examination on whether the request and the relevant evidential materials filed by the party comply with Articles 13 and 14 TL, Article 3 TLIR and Article 9 of the Well-known Trademark Provisions. If so, the AIC will submit the request for the determination of the well-known trademark and duplicates of case materials to the AIC at the higher hierarchical level.⁶⁵ The AICs at provincial level, after examination, will send the documentation to the TMO for recognition of well-known status of the mark.⁶⁶

If the TMO recognizes the mark as well-known, the local AIC has only the following remedies at its disposal: order the infringer to stop the infringing acts; forfeit and destroy infringing labels; seize and destroy goods with infringing labels, if the labels cannot be separated from the goods.⁶⁷ The local AIC cannot impose a fine on the infringer as in other infringement cases of registered trademark rights. This does not mean, however, that the well-known mark owner cannot seek judicial remedies.⁶⁸ A local AIC may also protect well-known marks by taking action to prevent the sale and distribution of counterfeits. For example, in 2004 and 2005 the Beijing AIC recognized some foreign well-known brands and posted notices banning the sale of items bearing these marks from markets notorious for selling counterfeit goods. Unfortunately, AICs sometimes may bow to local pressures and incentives that take priority over trademark enforcement and may lack funds and qualified human resources to effectively fight counterfeiting.⁶⁹

⁶⁴ Art. 72 TLIR.

⁶⁵ Art. 11 Well-known Trademark Provisions.

⁶⁶ Art. 12 Well-known Trademark Provisions.

⁶⁷ Art. 72 TLIR.

⁶⁸ Lehman *et al.*, p. 264-265.

⁶⁹ Greene, *Protecting Well-known Marks in China: Challenges for Foreign Mark Holders*, p. 381, and Ghosh, Luo, p. 136.

1.4 Confusion or Dilution?

1.4.1 *Likelihood of Confusion*

Likelihood of confusion (混淆的可能性), explicitly mentioned in the TL only from the last amendment, is the most important condition to obtain protection of an ordinary registered trademark. However, until recently it was not clear whether this prerequisite should be verified also in the case of two trademarks that are identical and are registered or used on the same goods or services, i.e. in case of double identity (双重相同). The 2013 amendment of the TL clarified that the confusion requirement is not requested when there is double identity.⁷⁰ The reason is that when an identical trademark is used on identical goods or services, there will be inherently the possibility to confuse the public.⁷¹

From a comparative perspective, the double identity rule is adopted by the EU trademark system, which probably was the model considered by the Chinese legislators. However, some argue that there are instances of double identity that do not necessarily lead to confusion, thus also in case of double identity likelihood of confusion should be verified, a theory followed, for example, by the US Lanham Act.⁷² In all the following situations instead, likelihood of confusion is required: identical trademarks on similar goods, similar trademarks on identical goods, similar trademarks on similar goods or services.

The first step in the evaluation of infringement or lack of novelty in registration procedure is to determine whether the contested trademark is identical or similar. A trademark is considered identical (相同) when, compared with the plaintiff's trademark, it is essentially without difference visually. A trademark is similar (近似) instead when the font, pronunciation or meaning of the words or the composition or coloring of the image are similar, or the overall structure of its main elements combined is similar, or where its 3-dimensional shape and

⁷⁰ Art. 57 TL.

⁷¹ Wang Q., p. 473.

⁷² *Ibid.*

combination of colors are similar.⁷³ The people's court will apply the following principles in its evaluation: use the ordinary attention of the relevant public as standard; compare the trademarks in their entirety and in their important elements, considering the two trademarks separately; take into account the distinctiveness and notoriety of the trademark for which protection is sought.⁷⁴

The second step is to assess the similarity (类似) of the products or services on which the two trademarks are registered or used. Similar goods are those goods that have identical functions, uses, producers, sales channels, target consumers, etc, or goods that the relevant public would normally consider to have a certain connection. Similar services are those services whose purpose, content, methods of provision, target users, etc, are identical or services what the relevant public would normally consider to have a certain connection.⁷⁵

In judging the similarity of goods or services, the Nice Classification of Goods and Services or the TMO Classification may be used as a reference, however, the people's court should make an overall determination based on the average knowledge of the relevant public with regard to those goods or services.⁷⁶

Therefore, the appraisal of similarity of the trademarks and the goods/services is based on the average consumer, a person having average knowledge and experience with the products in question, who exercises average care in observing and selecting the product bearing the mark in question.⁷⁷ Determination of the relevant public of the products or services of the trademark is very important. Not only the final consumers should be considered, but also intermediary business operators. We will analyze more in detail the relevant public later in Chapter 2.

Finally, the two similarity judgments should be combined together to establish whether there is likelihood of confusion, i.e. the public is likely to believe that the

⁷³ Art. 9 Trademark Civil Disputes Interpretation.

⁷⁴ Art. 10 Trademark Civil Disputes Interpretation.

⁷⁵ Art. 11 Trademark Civil Disputes Interpretation.

⁷⁶ Art. 12 Trademark Civil Disputes Interpretation.

⁷⁷ Heath, Liu, p. 38.

goods or services are provided by the same business operator.⁷⁸ The distinctive function of a trademark is violated when the relevant public is lead to mistake the source of the products or to believe that their source has a certain connection to products using the plaintiff's registered trademark.⁷⁹ Similarly to EU law, there is confusion also when there is a risk of association, which means that the public may believe that although the goods are not from the same entity, there is a connection between the two producers or suppliers.

On the other hand, the TMO and the TRAB tend to render a specialist, formal judgment on similarity of goods or services, based on their classification system.⁸⁰ The TMO Classification is quite problematic for right holders, because divides each class of the Nice Classification in many sub-classes. The administrative bodies usually consider goods or services as similar when they are within the same sub-class, while considering them dissimilar when they are in different sub-classes, even though in the same Nice Classification class.⁸¹ The administration also uses as reference a *Table of Differentiation of Similar Goods and Services*, which sometimes regards as similar goods or services in different sub-classes, but still is tied to the rigidity of the classification.⁸²

The difference between administrative and judicial standards of similarity has been emphasized in some court judgments. For example in the “Gongbao” case,⁸³ the court remarked that the relevant public does not distinguish goods according to the TMO classification, therefore the court should use substantive standards varying from product to product, due to consumer habits, location and nature of

⁷⁸ Art. 15 Opinions on Several Issues Concerning the Trial of Administrative Cases Involving the Authorization and Determination of Trademark Rights, issued by the SPC on 20.04.2010.

⁷⁹ Art. 9 Trademark Civil Disputes Interpretation.

⁸⁰ Heath, Liu, p. 38.

⁸¹ Giacopello, *Similarities between Goods and Services under Chinese Law*, p. 3.

⁸² Table of Differentiation of Similar Goods and Services (2014 version), published by the TMO.

⁸³ *Zhejiang Gongbao Pharmaceutical Co. Ltd vs Wuxi Jinlong Nutriment Factory*, Zhejiang Higher People's Court, 27.11.1995.

competing products.⁸⁴ As remarked by a judge of the SPC, generally speaking, the main function of the classifications is to classify the trademarks to be registered and to bring convenience to trademark registration. Classification is different from judging the similarity of the goods, therefore it cannot serve as the basis of a judgment, but for reference only.⁸⁵ However, in judicial practice it is still common that, for the sake of judgments uniformity, the *Differentiation Table* or written replies by administrative authorities are used as basis to determine similarity.⁸⁶

1.4.2 Confusion and Well-known Trademarks

With regard to unregistered well-known trademarks, the Chinese TL grants protection on similar goods or services when there is likelihood of confusion, exactly as for ordinary registered trademarks. The Well-known Trademark Interpretation explains that registration or use of a similar trademark is “likely to cause confusion” when it makes the relevant public confused about the origin of the commodity or when it makes the relevant public believe that there is a licensed use, relationship of affiliated enterprises or any other particular connection between the two trademarks.⁸⁷ This is the same definition of likelihood of confusion and association for ordinary registered trademarks.

But the protection of unregistered well-known marks may be stronger, since the protection covers copy, imitation and translation of the trademark, enlarging the scope of protection in the evaluation of likelihood of confusion.⁸⁸ A copy (复制) of a well-known mark is an identical trademark, while an imitation (摹仿) is a similar trademark. What is instead peculiar to well-known trademark protection, both for registered and unregistered ones, is the defense also against the

⁸⁴ Heath, Liu, p. 38-39.

⁸⁵ Hui, *Preliminary Research on the Judicial Judgment of Similar Goods in Trademark Infringement Cases*.

⁸⁶ *Ibid.*

⁸⁷ Art. 9(1) Well-known Trademark Interpretation.

⁸⁸ Feng, p. 827.

translation of the trademark (翻译). This provision seems aimed at targeting specifically the counterfeiting of foreign language trademarks, which many times consists in copying not the original foreign language mark, but its translation into Chinese characters. We will discuss the translation and language issues thoroughly later.

Regarding registered well-known trademarks, Article 13 TL establishes two conditions to be verified for cross-class protection: misleading the public (误导公众) and causing likely damage to the interests of the well-known trademark registrant (致使驰名商标注册人的利益可能受到损害). Using a literal interpretation, the connection between the two requirements is one of causation, which means that misleading the public is the cause of the damage to the trademark owner's interests.⁸⁹ Therefore, it is sufficient to prove that the public has been misled to satisfy the conditions of Art. 13(3) TL, because the prejudice to the interests is a mere result of the other one. This is the view held by the majority of the judgments before the Well-known Trademark Interpretation.⁹⁰

Misleading the public seems to recall the likelihood of confusion condition required for ordinary registered and well-known unregistered trademarks. The dominant doctrine adopted by the courts and administrative bodies had been indeed to consider misleading the public as a synonym of confusion, including also likelihood of association.⁹¹ In the "Hugo Boss" judgment in 2006, for example, the court upheld the opinion of the TRAB that misleading the public, which is clearly identified as confusion, is a necessary requirement to obtain cross-class protection for a registered well-known trademark.⁹²

To determine that there is likelihood of confusion, the adjudicating authority should use the principles and rules normally applied to ordinary registered

⁸⁹ Beijing First Intermediate People's Court IP Task Group, *Existing Issues in and Solutions for Judicial Protection of Well-Known Marks*, p. 60.

⁹⁰ *Ibid.*

⁹¹ *Ibid.*

⁹² *Procter & Gamble Company v. TRAB*, Beijing First Intermediate People's Court, 20.10.2006.

trademarks. But there is a fundamental difference in the case of well-known registered marks, which is that they enjoy cross-class protection, meaning that the goods or services on which the conflicting marks are registered or used are not similar. Under which circumstances the relevant public of two different product or service markets is likely to confuse two similar trademarks, so that they believe that they come from the same enterprise or that there is a connection between them? When there is at least a partial overlap between the two relevant consumers, when some consumers of one product or service are the same of the other one.⁹³ For instance, already in 1988 the SAIC judged as misleading the registration on soap boxes of a well-known mark already registered on soaps.⁹⁴

As such, cross-class protection is an expanded version of the ordinary protection of registered trademarks based on likelihood of confusion. Even under this interpretation, however, cross-class protection is not at all irrelevant, because similarity between products or services is usually determined strictly and referring to the TMO Classification or *Differentiation Table*, as we discussed above. Moreover, even the courts that use a less strict standard in judging similarity between goods and services are still bound by the Trademark Civil Case Interpretation, whose Art. 11 requires that the goods must have identical (相同) functions, uses, producers, sales channels, target consumers, etc, or be considered to normally have a certain connection, to be regarded as similar.

For example, in the “General” (将军) trademark case, the court considered that the products of the plaintiff (cigarettes, class 34) were not similar to the defendant’s goods (tear tapes, class 17), even though those tear tapes were mainly used on the plastic overwrap of cigarette packs. However, the court also reasoned that the relevant public of the two products partly overlapped, because cigarette manufacturing enterprises should be regarded as relevant public of them both. Since those enterprises, when purchasing the tear tapes, could be misled about

⁹³ Wang Q., p. 499.

⁹⁴ *Letter about Protection of the Registered Trademark LUX, “Lishi”*, SAIC, 05.08.1988.

their origin or their relationship with the cigarettes' producer, the defendant's mark infringed the "General" well-known trademark.⁹⁵

1.4.3 Confusion or Dilution?

While misleading the public is interpreted as confusing the public, on the other hand, the damage of the owner's interests requirement is alien to confusion theory. The confusion theory safeguards the distinctive function of trademarks, in order to avoid that consumers are misled regarding the origin of the products or services. Thus, its purpose is to protect primarily the interests of the relevant public, and only indirectly the interests of the trademark owner.⁹⁶ The damage to the registrant's interest is a clear reference to dilution theory.

The birth of dilution theory is usually ascribed to the 1927 article by Frank Schechter, professor at Harvard University, and consequently has been adopted and implemented first in the USA and then in other countries.⁹⁷ If taken separately from confusion theory, dilution theory (淡化) completely ignores the consumers, but considers only the interests of the trademark owners. Its aim is to defend the economic value that the trademark has acquired through publicity and investment by the right holder, therefore protects the publicity function of the trademark. The value and reputation of the trademark may be diluted in two ways: through "blurring" (弱化), that means weakening the distinctiveness of the well-known mark; through "tarnishment" (丑化), i.e. damaging its reputation.⁹⁸

In opposition to the dominant judicial doctrine, some Chinese courts before 2009 have interpreted the wording of Art. 13(3) TL as including protection against trademark dilution. According to this interpretation, the requirement of damage to mark owner's interests is not a mere consequence of misleading the public, but

⁹⁵ *General Tobacco Group Co. Ltd. (Jinan Cigarette Factory) v. Jinan Lijun Packaging Materials Co. Ltd.*, Jinan Intermediate People's Court, 02.08.2005.

⁹⁶ Wang Q., p. 505.

⁹⁷ Frymark, *Trademark Dilution: A Proposal to Stop the Infection from Spreading*, p. 174.

⁹⁸ Wang Q., p. 499.

must be examined independently and corresponds to verifying whether there is trademark dilution.⁹⁹ For example, in the famous “Boshan” case in 2005, the court acknowledged that the relevant public could not be misled about the origin of the products, as the trademark registered for water pumps was used on foodstuffs. However, the plaintiff’s trademark enjoyed a high popularity, had a good society reputation and a strong distinctive character. Thus the defendant’s behavior clearly showed that he wanted to free-ride the well-known mark’s reputation, thereby reducing the public’s mental association of the mark with the plaintiff’s goods, damaging its publicity value and diluting its distinctiveness.¹⁰⁰

From an analysis of 100 judgments that recognized well-known trademarks between 2001 and 2007, 38 used the word “dilution”. Of these, 7 decisions refused to apply dilution theory, 21 decisions used dilution theory as supplementary reasoning in a decision rendered on the basis of confusion and 10 applied dilution independently.¹⁰¹ These numbers seem to show that courts considering dilution theory are not so few. However, reading the 10 judgments in detail, we may find out that dilution theory is usually not used correctly. In some cases, the subject-matter was not related to trademark dilution, such as the cyber-squatting “Yajie” case.¹⁰² Other judgments referred to dilution for convenience, because it may overcome the limitations of confusion requirement, but did not analyze the rationale behind the theory.¹⁰³

Neither the SAIC’s report to the NPC on the Revision of TL, nor popular books on trademark law written by legislators addressed the issue of dilution.¹⁰⁴ However, in 2009 the SPC promulgated the Well-known Trademark Interpretation

⁹⁹ Beijing First Intermediate People’s Court IP Task Group, p. 60.

¹⁰⁰ *Shandong Bo Pump Technology Co. Ltd. v. Boshan Chishang Yulong Food Processing Plant*, Zibo Intermediate People’s Court, 17.06.2005.

¹⁰¹ Li Yougen, *Analysis of the Influence of Dilution Theory in Trademark Case Judgments - Research on 100 Decisions Related to Well-Known Marks*, p. 135.

¹⁰² *Guangdong Yajie Wujin Co. Ltd. v. Shenzhen Yasida Wujin Plastic Cement Co. Ltd.*, Foshan Intermediate People’s Court, 22.11.2006.

¹⁰³ Chen Y., *Should China Protect Trademarks Against Dilution? A Critical Look at the Experience of the United States and the Prospects for Application in China*, p. 35.

¹⁰⁴ Li, p. 136.

that tried to clarify many ambiguous points of well-known mark protection. However, the Interpretation's explanation to Art. 13(3) TL seems to confuse even more the discussion on dilution theory in China.

1.4.4 Current Development of Cross-class Protection

Article 9(2) of the Well-known Trademark Interpretation states that “misleading the public and leading to possible damage to the interests of the registrant of the famous trademark” is realized when “it is sufficient to make the relevant public believe that there is a certain degree of connection between the contested trademark and the famous trademark, so that the distinctiveness of the famous trademark is weakened, the market reputation of the famous trademark is disparaged, or the market reputation of the famous trademark is improperly utilized”. This article has been hailed by many supporters of dilution as the official recognition by the SPC of dilution theory for well-known mark protection. Indeed the wording of this provision clearly reminds of Article 5(2) EU Directive 2008/95/EC. In my opinion, however, this is not sufficient to unequivocally affirm that Article 9(2) introduces anti-dilution protection. On the contrary, there are some arguments against it. In the first place, the same provision establishes as first condition that the public is made to believe that there is a certain connection between the trademarks. This requirement is quite ambiguous, because depending on how “connection” (联系) is interpreted, it may lean towards confusion or dilution theory. But it is the following article of the Interpretation that may give some insightful hint.

According to Article 10, the court should evaluate, on the basis of the concrete circumstances of the case, the following factors:

- the degree of distinctiveness of the well-known trademark;
- the degree of knowledge of the well-known mark among the relevant public of the goods on which the contested trademark is used;
- the degree of connection between the goods on which the two trademarks are used and other relevant factors.

First of all, we can notice that the SPC does not mention at all the market reputation (市场声誉) as a factor to consider in the judgment. This would be quite weird if the intention of the SPC was to introduce dilution, because the reputation is, together with the distinctiveness, the main object of protection against dilution. At the same time, we can see that these factors enunciated by the SPC are also considered in the determination of likelihood of confusion, there is no element not already included. If we sum up all these considerations, we cannot conclude with certainty whether the SPC Interpretation supports dilution or confusion theory.

From an analysis of the most recent case law, we can conclude that in fact the Chinese courts still adhere mostly to the confusion doctrine for well-known trademark protection. In every judgment, the main point, after the trademark has been recognized as well-known, is to determine whether the public is misled to believe that the goods on which the two marks are used come from the same source or have a certain relationship. In accordance with the Well-known Trademark Interpretation, the judge evaluates the degree of distinctiveness and fame of the trademark, relationship between the goods/services and their public and finally establish if there is confusion or association.

To see some concrete examples, in the “YKK” judgment, the court reasoned that despite the high degree of fame reached by the well-known mark, the distance between the goods of the two parties, zip fasteners and car components, was too great to induce the relevant public to think that there was a connection between the two identical trademarks.¹⁰⁵ The court in the “Esso” case, instead, established that the public of car products and services is essentially the same of that of oil and lubricant products, thus the public could be misled to think that the goods of the defendant come from the plaintiff, that the defendant’s mark is used with the plaintiff’s authorization, or that the two parties have an equity holding relationship, an affiliation or another specific relation.¹⁰⁶

¹⁰⁵ *YKK Co. Ltd. v. TRAB, t.p. Ruian Engine Components Co. Ltd.*, Beijing Higher People’s Court, 17.10.2013.

¹⁰⁶ *Exxon Mobil Corporation v. Guilin Aisuo Technology Co. Ltd. & Guilin Aisuo Car Maintenance Center Co. Ltd.*, Guangdong Higher People’s Court, 11.09.2014.

To some degree, the expansive interpretation of confusion and association may realize the same protection that would be obtained under anti-dilution systems, in particular when the markets of the goods or services of the two conflicting marks are very wide and easily coincide. In the “Wanglaoji” lawsuit, the products on which the marks were used, non-alcoholic drinks and clothes, were deemed to be everyday consumers goods, thus shared the same relevant public.¹⁰⁷ In “Johnnie Walker” instead, the decisive element of the case was that the defendant’s store sold both alcoholics, the products for which the plaintiff’s mark was well-known, and cosmetics bearing the defendant’s copied trademark.¹⁰⁸

Once that likelihood of confusion or association is determined, then the courts automatically assume that there is an illegitimate use or a prejudice to the well-known trademark’s distinctiveness and reputation, with little or without any mention to the concrete circumstances of the case that prove these elements. For instance, the court in “Heinz” judgment, after ascertaining the likelihood of association, immediately stated that diluted the connection between the well-known mark and its owner and objectively exploited its market reputation.¹⁰⁹

In sum, we do not notice a substantial evolution of the judicial doctrine on cross-class protection after the enactment of the Well-known Trademark Interpretation. What seems to change, instead, is simply the theoretical foundation and justification for registered well-known mark protection, that now openly incorporates elements of dilution theory. Nonetheless, the practical requirements of the system are still firmly anchored to protection against confusion and association. Therefore, in my opinion, we may regard the current Chinese protection of registered well-known trademarks as based on confusion theory, with some dilution theory influence and justification.

¹⁰⁷ *TRAB v. Guangzhou Medicine Group Co. Ltd., t.p. Hong Jianzhong*, Beijing Higher People’s Court, 16.04.2014.

¹⁰⁸ *Diageo Brands D. V. & Diageo (Shanghai) Overseas Wines Co. Ltd. v. Xiao Shaoli, Changzhou Bishuang Bio- Tech Co. Ltd. & Wuxi Yongru Bio- Cosmetic Products Co. Ltd.*, Shanghai Second Intermediate People’s Court, 20.05.2011.

¹⁰⁹ *Heinz Co. v. TRAB, t.p. Sheng Ying*, Beijing Higher People’s Court, 17.12.2014.

1.4.5 Arguments against Introducing Dilution in China

The possible introduction of dilution theory through the SPC Interpretation has been criticized, because it is considered contrary to the letter of Art. 13(3) TL, where the fundamental requirement should be misleading the public.¹¹⁰ Being a judicial interpretation, the provision of the SPC should not substantially alter the literal meaning of the law, which should prevail. In my opinion, both the law and the Interpretation are ambiguous enough to avoid an actual conflict between them. Moreover, some authors argue that the recognition threshold and distinctiveness required for well-known trademarks are too low, thus it is too easy to recognize a trademark as well-known. At present, too many trademarks are granted well-known status, in this way anti-dilution protection would be given to too many marks, while this should be an exceptional remedy.¹¹¹ To introduce protection against dilution in such conditions would not be suitable, because it would cause too many drawbacks. We will analyze the issue of the excessive number of recognition in the next chapter.

Another interesting consideration raised by some authors points out the peculiarities of the Chinese language. Unlike English and other Western languages that use the Roman alphabet, the Chinese use logograms or morphemes commonly called Chinese characters in writing, of which only 3,500 are combined to form almost all the words used in daily life.¹¹² Therefore, word trademarks predominantly use these characters, because the majority of the Chinese population never use or read foreign languages.¹¹³

For this reason, the trademarks in Chinese suffer also many of the limitations of that language. While Western trademarks may be composed by the surnames of the owners', by acronyms, invented words or combinations of existing words, this is not possible for Chinese trademarks, because they are limited to already

¹¹⁰ Beijing First Intermediate People's Court IP Task Group, p. 61.

¹¹¹ Chen Y., p. 50.

¹¹² Chen Y., p. 50.

¹¹³ Chow, *Trademark Squatting and the Limits of the Famous Marks Doctrine in China*, p. 15.

existing characters. Moreover, there are other restrictions regarding word formation, length and tone pattern. But the most constraining features of the Chinese language for trademark formation are that each character already has a meaning, so only the ones with a positive connotation are employed, and that the same characters recur in a great number of words.¹¹⁴ A research, based on the examination of 5,089 Chinese trademarks, found that just 1213 characters were used, of which 136 were contained in more than half of the trademarks.¹¹⁵

These particular characteristics of the language greatly reduce the number of characters actually chosen by trademark owners to make up their brand. The result is that many trademarks share one or more characters, so that there is a higher incidence of similar or identical trademarks compared to other languages. Taking as an example the word “Changcheng” (长城), which means “Great Wall”, this character combination is used in 1052 trademarks found in the TMO database. Among these marks, as many as 430 are identical in wording. Moreover, 5 of these identical marks have obtained well-known trademark recognition. These 5 marks are registered on different goods, ranging from wine to computers, therefore they have been allowed based on confusion theory. If dilution theory will be officially introduced in China, it may create many problems and contradictions with regard to these linguistic peculiarities.¹¹⁶

A solution to these issues could be to introduce anti-dilution protection only for the marks famous to the general public, so restricting its application only to a small number of very well-known trademarks. This approach would be similar to that of the US system and also corroborated by the WIPO JR, where it is stated that Member States may require that the well-known mark be well-known by the public at large, for the application of anti-dilution protection.¹¹⁷

¹¹⁴ Chan, Huang, Wu, *Chinese Brand Names and Global Brand Names: Implications from Two Corpus Analyses*, p. 5-10.

¹¹⁵ Chan, Huang, Wu, p. 12.

¹¹⁶ Chen Y., p. 56.

¹¹⁷ Art. 4(1)(c) WIPO JR.

1.5 Local Famous Trademarks

Alongside the protection of well-known trademarks at the national level, provincial governments or AICs at provincial level have instituted their own rules for recognition and protection of “famous trademarks” (著名商标).¹¹⁸ Even lower administrative authorities like districts and cities have promulgated their own rules to determine “renowned trademarks” (知名商标).¹¹⁹ The famous trademark system was born out of the process of diversification of development strategies at the local level, with regional administration using their autonomy to enact IP local rules to sustain growth of local enterprises.¹²⁰ This system is parallel and distinct from the national well-known trademark system, although it is clearly inspired by it, in particular by the pre-2003 *ex ante* recognition and list publication system. Some of these rules on famous trademark protection have been promulgated as provincial/municipality/autonomous region regulations of People’s Congresses, some as local governments’ decrees and others as local AICs’ administrative rules.¹²¹ As we said, famous trademark recognition follows a regime of *ex ante* determination, therefore right holders must first apply to the AIC for fame recognition and if the procedure is positive the determination will have a validity of a few years and renewal is necessary to maintain famous status. Similarly to well-known trademark protection, the owners of famous trademarks may generally request refusal to register or cancellation of infringing enterprise names and ask the AIC to order ceasing of infringing use.¹²²

Regarding the conditions for famous trademark determination, some of them reflect the requirements of well-known trademark protection, like wide recognition among the public. In addition, the famous trademark protection is

¹¹⁸ Kossof, *Chinese National Well-Known Trademarks and Local Famous Trademarks In Light of the 2013 Trademark Law: Status, Effect, And Adequacy*, p. 228.

¹¹⁹ Timoteo, p. 90.

¹²⁰ *Ibid.*

¹²¹ *Annual Development Report on China's Trademark Strategy 2012*, p. 24.

¹²² See Art. 15 *et seq.* of the *Measures of Beijing Municipality on Famous Trademark Recognition and Protection* (2001).

granted only to registered trademarks of enterprises registered to the local AIC or resident in the province/region/municipality.¹²³ However, there are other conditions that partially differ in purpose, for instance requiring that the commodity that uses the trademark must be a first-class good or considering principal indicators of economic success of the commodity that uses the trademark which must be frontrunner of the commodity's industry.¹²⁴

From this we can clearly observe that one of the main functions of the famous trademark system is to foster competition between local companies, improve the quality of local products and in general achieve economic development. The existence of this parallel protection at the local level with different or overlapping functions may have helped to increase the misconceptions of the public about the nature of the national well-known trademark system. These regulations in various administrations are significantly different from each other on the following aspects: inconsistent periods of validity, dissimilar standards for recognition, distinct application procedures and varied standards for the cancellation of a local famous trademark determination.¹²⁵

1.6 Bad Faith Registration Protection

1.6.1 Unregistered Trademark with a Certain Influence

When a right holder who has not registered his trademark does not obtain or knows he will not obtain well-known trademark protection, he may try to resort to other remedies granted to unregistered trademarks to oppose or invalidate an infringing registration. The owners of unregistered trademark have been accorded an increasingly broader protection by the TL. However this protection does not

¹²³ See Art. 5 of the Beijing Measures and Art. 7 of the *Measures of Chongqing Municipality on Famous Trademark Recognition and Protection* (2012).

¹²⁴ *Ibid.*

¹²⁵ Kossof, p. 244.

extend to infringing use as in the case of a well-known unregistered mark, but is limited to unlawful application and registration.

The basis for such a significant exception to the first-to-file principle that characterizes the Chinese trademark system is the good faith principle, that as we have seen is now more prominently considered by the TL. Although the legislators have indeed explicitly declared the good faith principle in Article 7(1) TL, still they have not introduced a general provision to oppose and invalidate bad faith registrations *per se*. The Chinese TL instead only prohibits typical, clearly defined categories of bad faith practice.¹²⁶ The reason behind this may be the fear of the legislative branch that promulgating a too broad and vague provision may give excessive discretion to the judiciary, a fear that ultimately stems from a lack of confidence in the legal reasoning and interpretation ability of the judges.¹²⁷

Prior use, as opposed to prior application or first-to-file, is considered only in special conditions: when two trademark applications have been filed on the same day and when a non-registered trademark is well-known. A new case had already been added by the TL 2001 in Article 31 (now Article 32 TL): rushed registration by unfair means of a trademark already used by a third party and which has a certain degree of influence (有一定影响). The wording of this article is very generic and required the interpretative intervention of the SPC through the *Notice on Administrative Trademark Cases* of 2010.¹²⁸ Regarding the first requirement to gain this protection, the Notice of the SPC explains that the applicant is using “unfair means” when he is fully aware of or should have known the fact that the trademark has been used by others and has certain influence, i.e. in case of bad faith.¹²⁹ Secondly, the unregistered trademark must have already been used and have a certain influence, meaning that it is known in a certain range to the relevant public in China, in particular if there is evidence to prove that it has been used

¹²⁶ Feng, p. 821.

¹²⁷ Feng, p. 819.

¹²⁸ Art. 18 of the Notice of the Supreme People's Court on Issuing the Opinions on Several Issues Concerning the Trial of Administrative Cases Involving the Authorization and Determination of Trademark Rights (April 20, 2010)

¹²⁹ Feng, p. 817.

continuously for a certain period of time or in a certain area or has certain sales volume or advertisements.¹³⁰ These are more or less the same factors used for well-known trademark determination, with the difference that here the right holder has only to demonstrate local and limited notoriety.

It can be difficult to prove whether the trademark applicant had or should have had knowledge of the prior use or demonstrate the certain influence of the prior mark (in particular for foreign right holders).¹³¹ In contrast, the bad faith trademark owner may forbid the prior user from continuing to use his trademark, which is obviously unfair and improper. This is the reason why the 2013 amendment of the TL provides that the holder of the exclusive right to use a registered trademark has no right to prohibit a party that has previously used a similar or identical mark with a certain influence from continuing to use the trademark within the original scope of use.¹³² The owner of the registered mark may however require the latter to add suitable logos for distinguishing purposes.¹³³ Remains to be seen how the courts will determine the extent of the continuing use of the prior mark and how foreseeable contrasts between the two co-existing marks will be solved.

1.6.2 Other Cases of Bad Faith Registration

In accordance with Article 6^{septies} of the Paris Convention, Article 15(1) TL prohibits registration and use in his own name by an agent or representative of a trademark of his principal, without having been authorized to do so. The bad faith in this behavior is presumed by the fact that the agent or representative without doubt knows who is the real trademark owner and therefore is taking advantage of his particular legal or business relationship to obtain the trademark for himself. Still, it is not clear who is to be considered agent or representative pursuant to Art.

¹³⁰ Art. 18 of the Notice 2010.

¹³¹ Li, Wei, Zhang, p. 573.

¹³² Art. 59(3) TL.

¹³³ *Ibid.*

15(1). A restrictive interpretation would be that “agent” stands for trademark agents who are entrusted to deal with application affairs for trademark registration and “representative” stands for the person who represents the enterprise to deal with trademark registration applications and other matters.¹³⁴

A 2007 ruling of the SPC on the cancellation case of the “Toubaoxilin” mark followed a different approach, because Art. 15(1) was deemed applicable in a case where the two companies were bound by an “exclusive sales agreement”, which cannot be regarded as a formal legal agency or representation relationship.¹³⁵ In particular, the SPC said that according to the authoritative explanation of the Paris Convention and the purpose of the Chinese TL, the terms “agent and representative” should be interpreted broadly as agents and representatives who are in special sales relationships with the proprietor of the trademark, including exclusive distributors and general agencies.¹³⁶

The 2013 amendment of the TL introduced a second paragraph to Article 15 that forbids a new case of bad faith practice: when the applicant has a contractual, business dealing or other relationship with a third party other than those stipulated in the first paragraph, and is well-aware of the existence of the already-used unregistered third party’s trademark.¹³⁷ This provision is really interesting, because it considers not only contractual and business agreement relationships, but also other relationships in general, a non-exhaustive list of circumstances which may help to prove the applicant’s awareness of the unregistered trademark.¹³⁸ On the other side, however, Art. 15(2) requires some strict conditions to obtain protection: the infringing application should cover identical or similar goods; the applicant must clearly know of the prior trademark due to its relationship with the right holder; the unregistered trademark should have been already used. In Art. 15(1) these requirements were not necessary because they

¹³⁴ Li, Wei, Zhang, p. 571.

¹³⁵ *TRAB v. Sichuan Huashu Animal Pharmaceutical Co. Ltd., t.p. Chongqing Zhengtong Pharmaceutical Co. Ltd.*, Supreme People’s Court, 31.08.2007.

¹³⁶ Li, Wei, Zhang, p. 571-572.

¹³⁷ Art. 15(2) TL.

¹³⁸ Feng, p. 821.

were already presumed by the special nature of the relationship between infringer and rightful owner.

Here instead it seems that the TL wants to avoid that a good faith but unluckily similar trademark application would be rejected. I think it is very unlikely that a business partner could unwittingly apply for a registration of a trademark similar to the other party's. At least, it would have been very reasonable to ask to the supposed right holder to demonstrate without limitations the applicant's bad faith, as in Art. 15(1). Moreover, it is not clear how "use" should be interpreted: which kind of use can be considered (selling into the market, producing, advertising)? Should the trademark have been used in the Chinese territory or abroad?¹³⁹ Finally, it must be clarified which relationships will fall under the more convenient protection of Art. 15(1) and which under the other one, for example the exclusive sales relationships considered in the SPC ruling of 2007.¹⁴⁰ The SPC will probably clarify all these obscure points in following interpretations on TL and hopefully give a broader protection to the rightful trademark owners.

1.6.3 Bad Faith and Well-known Trademark Protection

Obtaining well-known mark protection for an unregistered trademark is not easy, especially for foreign right holders. Indeed, the phenomenon of trademark squatting is very widespread in China. Therefore, mark owners should utilize another way to get protection for their rights, that is invalidation of bad faith registration. If there were a general provision against bad faith registrations, then a foreign mark owner could invalidate the registration even when not obtaining well-known mark recognition.

Unfortunately for them, we have seen that the TL still does not have such a provision because, from a systematic reading of this law, we can clearly state that Art. 7(1) cannot be interpreted as permitting invalidation of a trademark registered in bad faith *per se*. Otherwise, it would be unreasonable that the TL requests so

¹³⁹ Li, Wei, Zhang, p. 572.

¹⁴⁰ *Ibid.*

many conditions to obtain protection against bad faith registrations by agents, representatives and persons with other relationships under Art. 15 TL and also specifically protects against bad faith registration unregistered trademarks with a certain influence. In the end, if a foreign trademark owner does not obtain well-known mark status, or protection for trademark having a certain influence in China and has no relationship at all with the trademark squatter, he does not have any legal remedy under Chinese law against a bad faith registrant. This is clearly a loophole that squatters are using and will use to their advantage.

For these reasons, proving well-known status is extremely useful and beneficial for the owner of an unregistered trademark, since their protection can overcome any bad faith registration without time limitation. The real problem lies in managing to prove the fame of the trademark. We will discuss about this in the next chapter.

1.7 Anti-Unfair Competition Law Protection

1.7.1 Trade Dress Protection

Unfair competition has a complementary function to IP law, because it prohibits behaviors that can damage IP rights but cannot be prohibited under IP law.¹⁴¹ Moreover, they share the same function: to foster fair competition based on good faith and innovation through a favorable environment, in order to safeguard the healthy development of the economy and protecting the lawful rights and interests of business operators and consumers.¹⁴² The Chinese Anti-Unfair Competition Law¹⁴³ defines unfair competition as any act of business operators which contravene the provisions of the said Law, damage the lawful rights and interests

¹⁴¹ Qu, *Intellectual Property Law in China*, p. 635.

¹⁴² See Art. 1-2-3 AUCL.

¹⁴³ Anti-Unfair Competition Law of the PRC, promulgated at the 3rd Session of the Standing Committee of the 8th National People's Congress on September 2, 1993. This law has not been amended yet, although some drafts have been taken in considerations already many years ago.

of other operators and disturb the socio-economic order.¹⁴⁴ The acts forbidden by the AUCL are typically listed in the Law itself and in theory we cannot consider the definition as a general provision that includes also other non-listed acts.¹⁴⁵ However, in judicial practice also not-listed acts have been forbidden with reference to Art. 2 AUCL as a general clause.

Among typical acts of unfair competition, the AUCL prohibits acts of falsifying commercial marks, including trademarks, trade dresses, enterprise names, authentication marks, certificates etc.¹⁴⁶ This provision however bears little practical relevance, because Art. 21 AUCL leaves to the Trademark Law and the Product Quality Law the determination of the acts and the imposition of penalties.¹⁴⁷ The only act that has a specific discipline in the AUCL is the counterfeiting of trade dress of a famous commodity.

Pursuant to Article 5(2) AUCL, a business operator shall not harm his competitors in market transactions by resorting to “using without authorization for a commodity a unique name, package, or decoration of other's famous commodity, or using a name, package or decoration similar to that of other's famous commodity, thereby confusing his commodity with that famous commodity and leading the purchasers to mistake the former for the latter”.

According to the SAIC regulations, the name unique to a famous commodity refers to a name exclusively used by a famous commodity which is strikingly different from other commodity names, unless it has been registered as a trademark.¹⁴⁸ Packaging refers to an auxiliary object or a container for a commodity making the commodity easy to be identified, carried about, stored and transported. Decoration refers to the writing, design, color and their combination

¹⁴⁴ Art. 2 AUCL.

¹⁴⁵ Qu, p. 642.

¹⁴⁶ Art. 5 AUCL.

¹⁴⁷ Ganea, Pattloch, p. 167.

¹⁴⁸ Certain Measures on Prohibiting Unfair Competition activity concerning imitating specific Names, Packaging or Decoration of Famous Commodities, issued by Order No. 33 of the SAIC on July 6, 1995.

attached to a commodity or its packaging so as to identify and beautify the commodity.¹⁴⁹

As we can see, one condition to obtain protection is that name, decoration or packaging have a certain distinctiveness compared to the ones of other products, cannot be descriptive or generic unless they have acquired a secondary meaning, similarly to trademarks.¹⁵⁰ To determine whether a name, packaging or decoration is unique to one commodity, the first-to-use principle is to apply, i.e. they are unique to a product if they have been used on it before than on products of others.¹⁵¹ Counterfeiting the shape of the product itself is not protected by Art. 5(2) AUCL nor by any other Chinese law, unless the shape has been registered as design patent.¹⁵² After this, it must be determined whether the commodity is famous. Finally, it must be proved that infringement has occurred, that is that the infringer has used without authorization a similar name, packaging or decoration on his products and this leads the consumers to confuse and mistake the commodity with the famous one.

In case of violation of Art. 5(2) AUCL, the AIC shall order the business operator to stop the illegal act and confiscate the illegal earnings and may, in light of the circumstances, impose a fine of not less than one time but not more than three times the illegal earnings; if the circumstances are serious, his business license may be revoked, and if the commodities sold are fake and inferior, and the case constitutes a crime, he shall be investigated for criminal responsibility according to the law.¹⁵³ Moreover, the AIC may confiscate and destroy the infringing packaging and decorations that have not been sold, or if they are difficult to separate from the goods, directly destroy the infringer's articles.¹⁵⁴

¹⁴⁹ Art. 3 Measures on Famous Commodity.

¹⁵⁰ Ganea, Pattloch, p. 170.

¹⁵¹ Art. 4(2) Measures on Famous Commodity.

¹⁵² Ganea, Pattloch, p. 167.

¹⁵³ Art. 21 AUCL.

¹⁵⁴ Art. 8 Measures on Famous Commodity.

1.7.2 Trade Dress Protection as Supplementary Remedy

As we said, the protection against unfair competition has a supplementary function to IP law, in that it can protect against unfair behavior of competitors when IP law cannot give any remedy. This is true also for the protection of well-known trademarks, as clearly exemplified by the *Ferrero* case.¹⁵⁵ The Italian chocolate manufacturer *Ferrero SpA* entered the Chinese market with its world-famous product *Ferrero Rocher* in 1984, using the translation “Jin Sha” (金莎) already in use in Taiwan and Hong Kong, and its distinctive trade dress (gold-colored wrapper for single chocolate, coffee-colored paper base for each wrapped chocolate, peculiar label design, transparent box).¹⁵⁶

In 1993 *Ferrero* registered the trademark “Ferrero Rocher” at the Chinese TMO, but omitted to register the Chinese translation of its mark “Jin Sha”, an error that could have been decisive. In fact, the Zhejiang company *Zhangjiang Milk Products First Factory* already in the 90’s had started to use the name “Jin Sha” on its chocolate products, imitating the *Ferrero* trade dress too. *Ferrero* tried to oppose the registration of the Chinese trademark by *First Factory*, but obtained only a partial victory since only the figurative elements were rejected, not the name “Jin Sha” which remained property of *First Factory*. When the production and selling of products bearing the brand “Jin Sha Tresor Dore” and with a similar packaging to *Ferrero Rocher*’s continued under *First Factory*’s joint venture company *Mengtesha Montresor*, *Ferrero* had no other way than suing the competitor for counterfeiting of trade dress under Article 5(2) AUCL. Although at first dismissed in the first instance in front of the Tianjin Intermediate People’s Court, the claim of the Italian company was accepted in appeal and finally by the SPC in 2008, which ordered to *Montresor* to stop selling the infringing products into the Chinese market.¹⁵⁷

¹⁵⁵ *Ferrero S.p.A. v. Mengtesha Food Co. Ltd. and Tianjin Zhengtuan Distribution Co. Ltd.*, Supreme People’s Court, 04.03.2008.

¹⁵⁶ Timoteo, p. 95.

¹⁵⁷ Timoteo, p. 97 *et seq.*

It is clear from this judgment that AUCL protection of trade dress of a famous commodity is a valuable alternative to well-known trademark protection, when the trademark owner is unable to eliminate the bad faith registration or cannot achieve well-known trademark protection. However, it should be used only as a secondary option, because it suffers some limitations compared to trademark protection: it may be used only against infringing name or trade dress, so counterfeiting a figurative trademark could not be stopped with this remedy; the level of fame and other conditions required to obtain protection are not clearly established.

1.8 Well-known Trademark Protection between China and Italy

Drawing some comparisons with the Italian system, unregistered well-known trademarks are granted the same degree of protection as in China. However, in Italy is recently gaining support an expanded interpretation of unregistered well-known mark protection. According to this view, the protection of unregistered well-known trademarks should not be limited to identical or similar products or services, but should be granted also against trademarks registered or used on different products/services, when the conditions for the application of cross-class protection are verified, i.e. impairment and unlawful advantage to the reputation.¹⁵⁸ The Italian CIP does not explicitly provide for this expanded protection, however one of the main objective of the law, especially after the 2010 Amendment, is to protect IPRs against free-riding and unlawful exploitation. In judicial practice, Italian courts have already granted cross-class protection to well-known unregistered trademarks in a few cases, as did the Tribunal of Milan in a 2008 dispute involving *Ferrari*.¹⁵⁹

¹⁵⁸ Galli, *Codice della Proprietà industriale: la riforma 2010*, p. 51 et seq.

¹⁵⁹ *Ibid.*

Conditions for invalidation of a bad faith registration in Italy partially correspond to those required in China, but it is easier to demonstrate bad faith. While in China there are typical cases of bad faith registration, the Italian CIP has also a general provision forbidding bad faith registration.¹⁶⁰ Therefore, the courts have identified other cases, in addition to those of well-known marks, marks with a degree of reputation, agent, representation and other relationships. For example, the right holder may prove that the registrant knew of his right on the trademark also outside of the typical cases. The courts also protected a trademark whose reputation was still in the process of formation through the activities and investment of the rightful owner (App. Venezia, 17.06.2002).¹⁶¹ Finally, it is considered bad faith registration also when the registrant does not plan to use the trademark in trade, but just wants to hinder the activity of a competitor (Trib. Milano, 19.03.2004).¹⁶²

With regard to the protection of registered well-known marks, which in Italy are called renowned trademarks (*marchi notori o di rinomanza*), also the Italian system at the beginning was tied to confusion theory. The Italian courts applied an expanded interpretation of similarity between goods and services, larger than the one normally applied to ordinary trademarks, but required anyway the determination of likelihood of confusion of the source, or of association between the two parties.¹⁶³ Moreover, the distance between the types of goods could not be too great or the two market sectors too specialized.¹⁶⁴ That doctrine was quite similar to the one still applied by Chinese courts. However, nowadays Italy has adopted a cross-class protection based on dilution theory, in compliance with the EU Directive 2008/95/EC and Regulation 207/2009/EC.

The typical judgment of an Italian court over a renowned trademark case for cross-class protection is constituted by the following steps: first, verifying that the

¹⁶⁰ Art. 19(2) CIP.

¹⁶¹ Vanzetti, *Giurisprudenza Annotata di Diritto Industriale. Repertorio Sistematico 1997-2007*, p. 92.

¹⁶² Vanzetti, *Repertorio Sistematico 1997-2007*, p. 93.

¹⁶³ Sorrentino, *Il Marchio d'Impresa*, p. 323.

¹⁶⁴ Cass., 24/03/1983, n. 2060.

trademark is known in Italy or, for a Community trademark, in the EU. Then, determining whether in the eye of the relevant public there is a link, a connection between the two conflicting marks due to their similarity, that however does not necessarily cause confusion.¹⁶⁵ Finally, the court must decide whether the junior trademark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier renowned trademark. These conditions must be concretely verified and cannot be presumed. For example, the prejudice to the reputation of a renowned trademark may be established when the use of the copied mark on goods of poor quality and low value.¹⁶⁶

The Chinese courts, instead, usually follow the following process: first, recognize the trademark as well-known; then, appraise the similarity between the marks; then, verify whether there is some overlap between the relevant public of the two trademarks; finally make a comprehensive assessment on confusion or association. After that, the court normally states without further discussion that there was damage to the well-known mark owner. Indeed, there are some elements that both doctrines take into consideration, for example the relationship between the goods or services, the degree of reputation and distinctiveness of the trademark.¹⁶⁷ The reason is that the SPC clearly was inspired by the *Intel* case of the European Court of Justice in the drafting of the Interpretation. But still the essential distinction is that the Italian and EU systems adopt anti-dilution protection, while the Chinese one just borrows some elements.

In sum, we may say that the factor most important and most difficult to prove in front of the Italian courts is the unfair advantage or detriment to the reputation or distinctiveness. In China, the most critical points are two: determination of well-known status and determination of likelihood of confusion or association. We will analyze thoroughly the issues regarding recognition of well-known marks in the following chapter.

¹⁶⁵ *Adidas-Salomon AG and Adidas Benelux BV v. Fitnessworld Trading Ltd.*, European Court of Justice, Case C-408/01, 23.10.2003.

¹⁶⁶ Vanzetti, *Giurisprudenza Annotata di Diritto Industriale* 2010, p. 899 *et seq.*

¹⁶⁷ *Intel Corporation Inc. v. CPM United Kingdom Ltd.*, European Court of Justice, Case C-252/07, 27.11.2008.

Finally, another important difference between the two systems is that in Italy and more in general in the EU, protection of a well-known mark through dilution theory can be used also in case of similarity of goods or services. This means that the owner of a well-known mark does not have to prove the likelihood of confusion if he has proven the unfair advantage or prejudice to the reputation or distinctiveness.¹⁶⁸ The justification of the European Court of Justice was that it would be unfair and unreasonable to give a weakened defense to well-known marks in case of similarity of goods, compared to the protection on different goods.¹⁶⁹ Instead, in China this is not possible. The Well-known Trademark Interpretation explicitly excludes that a mark may be recognized as well-known when it is not necessary to solve the case, thus well-known mark protection comes into play only in the cases where ordinary trademark protection cannot go. In China, since the well-known trademark system is still tied to confusion theory and thus it is just an expansion of ordinary protection, there is no contradiction in not extending well-known mark protection to similar or identical goods/services. Moreover, the limitation was also dictated by the problem of inappropriate use of well-known trademark recognition, as we will discuss in the next chapter.

¹⁶⁸ Dell'Arte, *I Marchi d'Impresa nella Comunità Europea*, p. 163.

¹⁶⁹ *Davidoff & Cie SA and Zino Davidoff SA v. Gofkid Ltd.*, European Court of Justice, Case C-292/00, 09.01.2003.

2 WELL-KNOWN TRADEMARK RECOGNITION

2.1 General Remarks on Recognition

The current well-known trademark recognition system is based on a set of guiding principles. The first two principles are specifically mentioned by Art. 4 of the Well-known Trademark Provisions. One is the principle of passive recognition (被动认定原则): it is a right of the trademark owner to choose whether to request well-known trademark protection, if he believes that his right has been infringed.¹⁷⁰ The administrative and judicial authorities do not have the power to conduct the procedure of recognition of a well-known mark on their own initiative, without any explicit request from the concerned party.¹⁷¹

The second principle is the principle of single case recognition (个案认定原则) that means that the recognition of a trademark as well-known is valid only for the single case in which it is made, does not have any binding power towards third parties and is not binding for future cases on the same trademark.¹⁷² This is a clear break from the pre-2003 system, when the determination of well-known trademark status had efficacy for three years on all subsequent cases. The previous recognition by an administrative body or court may only serve as a piece of evidence in a subsequent lawsuit, as we will see later. However there is an exception to this principle: when the previous determination has the same protection scope of the one in dispute and the other party does not raise objection, the previous determination is valid also for the present case. Below the difference in the administrative and judicial procedure will be analyzed.

¹⁷⁰ Art. 14(1) TL.

¹⁷¹ Zhu, *The Protection of Well-known Trademarks*, p. 53.

¹⁷² Zhu, p. 54-77.

Another important principle is the one of factual recognition (事实认定原则). The determination of well-known status is merely the determination of a fact, i.e. that the trademark is widely known to the public, from which derives the consequent legal protection. The recognition is just a part of the reasoning process to reach the final judgment, not the objective of the decision, as it was in the previous *ad hoc* recognition system. For this reason, the determination should be in the factual part of the judgment and not in the legal ruling part. And if a case is closed by mediation, the document of mediation shall not cover the determination of the renown of the trademark.¹⁷³

Finally, the principle of necessary recognition (需要认定原则) provides that determination of well-known trademark status should be conducted only when it is necessary to verify whether infringement has occurred and solve the dispute.¹⁷⁴ When the recognition is not strictly necessary, because the trademark may be accorded a protection different from that of Art. 13 TL, then the recognition of renown must not be made. Also when some element required by the law to obtain well-known mark protection is missing, recognition is not to be conducted.

To determine whether a trademark is well-known, Article 14(1) TL provides that the following factors should be taken in consideration:

1. the degree of knowledge of the trademark among the relevant public;
2. the length of continuous use of the trademark;
3. the continuous length, degree and geographical scope of any publicity for the trademark;
4. the record of protection of the trademark as a well-known trademark;
5. other factors associated with the trademark's being well-known.

This list of factors, first introduced by the TL 2001, is borrowed from the WIPO JR 1999, which is a non-binding document that should serve as guideline for well-known mark protection.¹⁷⁵ While factors 1 to 4 are almost identical to the ones in the JR, others have not been adopted, in particular the record of previous

¹⁷³ Art. 13 Well-known Trademark Interpretation.

¹⁷⁴ Art. 3 Well-known Trademark Interpretation.

¹⁷⁵ Li, Wei, Zhang, p. 570.

registrations and the value associated with the trademark. The list of Art. 14(1) TL has not been amended by the new TL 2013. The Well-known Trademark Provisions and the Interpretation both contain a specific list of evidential materials that the administrative and judicial bodies should take into consideration to ascertain the factors of Art. 14(1) TL.

2.2 Recognition Procedures

The new Article 14 TL explicitly lists the authorities entitled to determine well-known trademark status and the cases in which the determination can be made. First of all, there are the administrative authorities in charge of the management of the national trademark system, the Trademark Office and the Trademark Review and Adjudication Body of the SAIC. When required for the handling of the case, they can make a determination pursuant to Article 13 in the course a trademark registration examination, a trademark dispute or an infringement case brought by a local AIC.¹⁷⁶ The recognition of a well-known trademark is made according to Articles 13 and 14 TL, integrated by the Well-known Trademark Provisions and the Working Rules¹⁷⁷ issued by the SAIC, which as internal administrative rules are binding only for the administrative authorities, not the people's courts.

Recognition may be made by the TMO during a trademark registration examination, a trademark opposition or an infringement case brought by a local AIC, or by the TRAB during a trademark opposition review or a trademark dispute procedure. The Working Rules of 2009 set in extreme detail the procedure of well-known trademark determination in front of the administrative bodies. The procedure starts with the handling divisions of the TMO and the TRAB, which are responsible for accepting, sorting out and examining the application materials for the determination of well-known trademarks.¹⁷⁸ After examination they will put

¹⁷⁶ Art. 14(2)(3) TL.

¹⁷⁷ *Working Rules on the Recognition of Well-Known Trademarks*, issued by the SAIC on April 21, 2009.

¹⁷⁸ Art. 6 Working Rules.

forward a preliminary opinion to be reported to the competent deputy director and then submitted to the director's executive meeting of the TMO or the executive meeting of the TRAB for deliberation.¹⁷⁹ The director's executive meeting of the TMO and the executive meeting of the TRAB decide on the approval of the determination, and then submit their opinion to the Well-known Trademark Determination Board for review.¹⁸⁰ The Well-known Trademark Determination Board is a new organ created by the Working Rules 2009, composed by the director, chairman, deputy directors, vice-chairmen, inspectors and associate inspectors of the TMO and the TRAB.¹⁸¹

The Well-known Trademark Determination Board deliberates and reviews the opinion submitted by the TMO or the TRAB on the determination of a well-known trademark, and submits it to the director's executive meeting of the SAIC for the final check.¹⁸² The meetings of the director's executive of the TMO, the TRAB and the Well-known Trademark Determination Board are overseen by personnel of the discipline inspection unit and the supervisory bureau stationed respectively by the CPC Central Commission for Discipline Inspection and the Ministry of Supervision in the SAIC.¹⁸³

Other than the TMO and TRAB, only the people's courts designated by the SPC may make, when required, a determination on whether a trademark is well-known during a civil or administrative trademark case.¹⁸⁴ At the beginning, any court competent for trademark disputes could recognize well-known marks. With a Notice of 2009, the SPC has established that the courts competent in first instance for civil disputes involving the determination of well-known trademarks shall be the intermediate people's court of the capital city of provinces or autonomous regions, city under separate State planning, the intermediate people's court of the

¹⁷⁹ Art. 11-12 Working Rules.

¹⁸⁰ Art. 6-22(3) Working Rules.

¹⁸¹ Art. 5 Working Rules.

¹⁸² Art. 23 Working Rules.

¹⁸³ Art. 27 Working Rules.

¹⁸⁴ Art. 14(4) TL.

municipalities directly under the Central Government and other intermediate courts specifically designated by the SPC.¹⁸⁵ This rule has been confirmed by the Interpretation of 2014,¹⁸⁶ so as 2013 there were 45 competent intermediate people's courts.¹⁸⁷

In accordance with the principle of necessary recognition, Article 2 Well-known Trademark Interpretation establishes that the people's courts shall determine whether the trademark involved is famous or not in light of the concrete circumstances, if they deem it really necessary, in the following cases:

1. a trademark right infringement lawsuit initiated on the ground of violation of Article 13 TL, i.e. cross-class protection of a registered trademark and protection of an unregistered trademark;
2. a trademark right infringement or unfair competition lawsuit initiated by a party on the ground that an enterprise name is identical with or similar to its famous trademark;
3. a counterargument or counterclaim claiming that the trademark is well-known.

When the determination is not necessary to determine the infringement and solve the dispute or some element prescribed by the law is missing, the people's court will not examine whether the trademark involved is famous or not.¹⁸⁸ This refers to the case when the infringement against a well-known registered trademark regards similar goods or services, therefore ordinary protection of registered trademark should apply and well-known mark protection is not indispensable.¹⁸⁹ In the case of a conflict between a registered well-known trademark and an identical or similar domain name that may mislead the relevant public, well-

¹⁸⁵ Notice No.1 [2009] of the SPC on the Jurisdiction over Cases of Civil Disputes involving the Determination of Famous Trademarks (05.01.2009).

¹⁸⁶ Interpretation on Issues concerning the Scope of Jurisdiction and of Application of Law for Trademark Cases after the Entry into Force of the Decision on Amending the Trademark Law (01.05.2014).

¹⁸⁷ *Situation of Intellectual Property Protection by Chinese Courts in 2013*.

¹⁸⁸ Art. 3(1) Well-known Trademark Interpretation.

¹⁸⁹ Zhu, p. 96.

known trademark determination is required only when cross-class protection is necessary, similarly to conflicts between trademarks.¹⁹⁰

2.3 Proving Well-known Status

2.3.1 *Relevant Public*

One fundamental element in well-known trademark recognition is the relevant public (相关公众). A trademark may be considered well-known not based on some abstract consideration, but because a high number of actual consumers are familiar with and identify that trademark. The public that is considered is not the general public, i.e. all the consumers in China, but only consumers that have a certain relationship with the products or services on which the trademark is used. Thus determination of the relevant public cannot be separated from the other factors that demonstrate notoriety, because the trademark may be familiar for consumers of some products but not for other consumers, so considering a different sector of the public leads to a different result of the recognition.¹⁹¹ Articles 13 and 14 TL give no clue on how to define the relevant public, therefore the Provisions and the Interpretations are the reference points. Art. 2(2) of the Provisions defines the relevant public as the “consumers related to certain kind of commodities or services indicated by a trademark, manufacturers of the aforesaid commodities or other operators providing relevant services, and the sellers and relevant personnel involved in marketing channels”. The Well-known Trademark Interpretation does not define the relevant public, as it is already defined by Art. 8 of the Trademark Civil Disputes Interpretation as the “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 aforementioned product or

¹⁹⁰ Art. 3(2) Well-known Trademark Interpretation.

¹⁹¹ Zhu, p. 70 *et seq.*

service”.¹⁹² We can see that both definitions include not only the final consumers, but also intermediate business operators.

Moreover, not only actual consumers should be taken in consideration, but also potential consumers or business operators.¹⁹³ This is in line with the WIPO JR 1999, according to which the relevant public should include actual or potential consumers of the type of goods or services to which the mark applies, persons involved in channels of distribution and business circles dealing with the type of goods or services to which the mark applies.¹⁹⁴

The main elements that usually the courts consider to identify the relevant public are the following: the nature and type of goods or services (for example, industrial or consumer good); the target consumers of the goods or services; the channels and modalities of selling the goods or providing the services; the price of the goods or services.¹⁹⁵

2.3.2 Recognition Factors and Related Evidence

As we said, the following are the factors to judge for recognition.

1. Degree of knowledge among the relevant public: this is in fact what should be proven to obtain well-known mark protection and is the only one cited by the TRIPS Agreement. All the other factors have in the end the function to prove the degree of fame of the mark.
2. Length of continuous use: this is the main way for a trademark to acquire in the market a high degree of fame and a good reputation. In normal circumstances, the longest the continuous use of the mark, the higher the notoriety and market reputation it has among the relevant public.¹⁹⁶

¹⁹² Interpretation Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising from Trademarks (a. 12.10.2002, e. 16.10.2002).

¹⁹³ Chen, Xie, *Research on Categorization of Judicial Cases on Well-known Trademarks*, p. 212.

¹⁹⁴ Art. 2(2) WIPO JR 1999.

¹⁹⁵ Chen, Xie, p. 212-213.

¹⁹⁶ Zhu, p. 72-73.

3. Continuous length, degree and geographical scope of any publicity for the trademark: nowadays, advertisement is a fundamental aspect of the market; publicity activities may easily influence the consumers and increase rapidly the market share of a commodity or service.¹⁹⁷ At the same time, advertisement also conveys messages, images and suggestions that will become a part of the trademark itself, because once a consumer sees it, he will recall all those impressions. That is why now the publicity function of the trademark is considered so important.
4. Record of protection of the trademark as a well-known trademark: includes both recognition by administrative authorities and courts. A previous recognition as well-known mark may influence greatly a judgment in some particular circumstances we will analyze later.
5. Other factors associated with the trademark being well-known.

Article 8 of the Working Rules contains a list the types of evidence that may prove well-known trademark status, which is directly taken from Article 3 of the Well-known Trademark Provisions 2003. Now this list is superseded and completed in detail by Article 9 of the Well-known Trademark Provisions 2014 that considers the following evidential materials:

1. Materials proving the extent of knowledge of the trademark by the relevant public.
2. Materials proving the duration of use of the trademark, such as the materials involving the history and scope of the use and registration of the trademark. If the trademark is unregistered, the materials proving that its duration of use is not less than five years shall be submitted. If the trademark is registered, the materials proving that has been registered for not less than three years, or has been continually used for not less than five years shall be provided.
3. Materials proving the duration, extent and geographic scope of any publicity work of the trademark, such as the materials on the manners of advertising

¹⁹⁷ Zhu, p. 75.

and sales promotion activities, geographic scope, types of publicity media and the quantity of advertisements in the recent three years.

4. Materials proving that the trademark has been protected as a well-known one in China, or in any other country or region.
5. Other evidential materials proving that the trademark is well-known, such as the materials on the sales revenue, market share, net profits, tax amount and sales territory of the principal commodities using the trademark in the recent three years.

For the purpose of Art. 9, “three years” or “five years” means three years or five years before the date of application for the registration of the trademark for which opposition or invalidation is requested or the date of request of protection against infringement.

The Well-known Trademark Interpretation of the SPC provides, in the same way as the Provisions do for the administrative authorities, a list of evidential material to demonstrate in front of the people’s court that a trademark is already well-known at the time of occurrence of the trademark right infringement or unfair competition. They are:

1. the market share, marketing regions, profits, taxes, etc. of the commodities using the trademark;
2. the duration of continuous use of the trademark;
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;
6. other facts that can demonstrate that the trademark is famous.¹⁹⁸

Thus the same evidential materials are considered by the administrative and judicial authorities.

¹⁹⁸ Art. 5(1) Well-known Trademark Interpretation.

2.3.3 *Analysis of Evidential Materials*

From an analysis of the relevant case law, we can understand that all evidential materials must respect some conditions in order to be taken into account by the recognizing authorities. First of all, evidence should be officially notarized. The people's court will take the facts and documents legalized by notarization according to legal procedures as the basis for ascertaining facts, unless there is evidence to the contrary sufficient to invalidate the notarization.¹⁹⁹ Evidence formed abroad must not only be notarized, but also certified and registered at the Chinese diplomatic representation of the place where it is collected.²⁰⁰ Secondly, evidence must be in Chinese language or, if in foreign language, shall have a Chinese translation attached.²⁰¹ Materials in foreign language will not be considered, or even understood by the judges.

The time of formation of the evidential material is also very important. In fact, the right holder must prove that his trademark was well-known before the supposed infringer applied for registration or started to use the trademark.²⁰² Thus, every piece of evidence must show the timeframe, for example, the date of airing of a TV commercial used as evidence. If the date of formation of the material is not proven, unclear or follows the beginning of the infringement, then the court will not consider it. For instance, in the “OSIM” case the court discarded evidence regarding advertisement in China and some in-store pictures because they did not show the date or the date was subsequent to the infringement.²⁰³

Finally, evidence must be pertinent and display the specific trademark or must regard the products bearing the trademark, otherwise it will be considered as not relevant to the case. This is a very important condition that, if not considered accordingly, may result in many pieces of evidence being discarded.

¹⁹⁹ Art. 69 Civil Procedure Law.

²⁰⁰ Art. 11 Regulations of the SPC on Evidence in Civil Lawsuits, in force from 1 April 2002.

²⁰¹ Art. 68(2) Civil Procedure Law.

²⁰² Art. 5(1) Well-known Trademark Interpretation.

²⁰³ *OSIM International Co. Ltd. v. TRAB, t.p. Li Lijiang*, Beijing First Intermediate People's Court, 13.12.2012.

What follows is a research of what materials may be used, or not used, to prove each factor for determination of well-known status, and how they are evaluated.

1. Degree of knowledge of the trademark among the relevant public (相关公众的知晓程度).

This is the main parameter to evaluate whether a trademark is well-known, all the other factors are accessory and instrumental to the determination of the degree of knowledge, of fame of the mark. Apart from proving the other factors, direct evidence of the degree of knowledge consists in consumer surveys and researches. However, this kind of evidential material are seldom considered or accepted by Chinese courts. In an analysis of 180 judgments, only in 8 cases did the courts take into account consumer surveys. Although some courts have recognized the importance of this kind of evidence or even promulgated guiding rules on their utilization in judgments, most of the courts still do not rely on them, due to lack of unified rules over the assessment of the qualifications and credibility of survey organizations and over the evaluation of the research methods and results.²⁰⁴ Also in the case they are accepted, they are considered a proof among the others and a recognition is unlikely to be based solely or mainly on a survey.

2. Duration of continuous use of the trademark (商标使用的持续时间).

Art. 48 TL defines use of a trademark as the act of using a trademark on goods, on the packaging or a container of such goods, on documents for the transaction of such goods, in advertising and publicity, in exhibitions and in other commercial activities, in order to identify the origin of goods. Thus, evidence that may prove continuous use include: evidence showing the goods being sold in stores or at exhibitions, contracts with intermediary enterprises, receipts, news reports referring about the selling or other commercial activities etc. For example, also marketing contracts with Internet e-commerce platforms may be adduced as evidence.²⁰⁵ In some cases, also activities that may be deemed as non-commercial, such as charity auctions or auction previews, have been judged as use of the

²⁰⁴ Chen, Xie, p. 215 *et seq.*

²⁰⁵ *Shanghai Shexin Industrial Co. Ltd. v. Guangdong Camel Clothing Co. Ltd. & Chen Qifa*, Chongqing Higher People's Court, 17.10.2014.

trademark, because the public may gain knowledge of the trademark also through these activities.²⁰⁶ It is important to remember that any piece of evidence must be related to the trademark or the goods on which it is used. A promotion contract, in instance, to be relevant must show that the content of the contract is related to the disputed trademark.²⁰⁷

The starting point of use of a trademark is the starting point of any of the activities that may be considered included in this list. The mark may have been used by the owner himself, by an affiliated enterprise or by a previous owner, if the use has not been interrupted and especially if the relevant public regards the trademark after registration as the same, they will be considered anyway as one continuous use.²⁰⁸ The courts take into account not only the period of time after registration, but also the use before the registration of the trademark, if there is continuity and no change in the trademark.²⁰⁹ This view has been successfully supported in many cases.²¹⁰ Generally speaking, the courts require that the period of use be at least of five years for the trademark to reach a sufficient degree of fame, but other circumstances may be evaluated, for example if the trademark was first used abroad, or be balanced with other recognition factors.²¹¹

3. Publicity of the trademark (商标的宣传).

Any kind and mode of advertisement is admitted: on newspapers, on magazines, on billboards, on television, on the radio, on the Internet etc. It is very important to adduce advertising related to the trademark or the goods on which it is used or the enterprise, if it has an inseparable connection with the mark.²¹² For example, an online advertisement by third parties generally related to the owner's enterprise

²⁰⁶ *TRAB v. Sotheby's Auction House, t.p. Sichuan Sotheby's Auction House Co. Ltd.*, Beijing Higher People's Court, 20.12.2013.

²⁰⁷ *Foshan Leyi Ceramics Co. Ltd. v. Zhaofeng Ceramics (Beijing) Sanitary Ware Co. Ltd.*, Guangdong Higher People's Court, 28.05.2014.

²⁰⁸ Chen, Xie, p. 218-219.

²⁰⁹ Art. 5(2) Well-known Trademark Interpretation.

²¹⁰ *Cixi Shunda Industry Co. Ltd v. Nice Group Co. Ltd.*, Supreme People's Court, 18.12.2012.

²¹¹ Chen, Xie, p. 220.

²¹² Zhu, p. 75-76.

cannot be considered as evidence of publicity of the trademark.²¹³ It is also important not to forget to attach the period of the advertising.

The evidence on publicity is evaluated on the basis of the manner, duration, extent, economic investment and geographical scope. The larger the geographical scope, the investment, the longer the duration, the higher will be determined the degree of notoriety. Using many different channels of advertising is also a very good point. Finally, the public target of the advertisement is the ultimate reference.²¹⁴ For example, *Bloomberg*'s request to acknowledge its trademark as well-known in 2007 was rejected because, even though it had broadcast its channel in China since 2003, it had not broadcast programs in Chinese language and therefore it had not proven that it was known to the Chinese public.²¹⁵

4. Record of previous recognitions (受保护的记录).

These include previous determinations of well-known status made by the administrative bodies (TMO and TRAB) or by the people's court. Also other kind of recognitions may be furnished, such as recognition as famous trademark or commodity by local authorities, as famous enterprise name etc. Recognition and protection as well-known trademark by foreign authorities or courts are also usually brought, in particular by foreign right holders. Although they may be persuasive if attached to other effective proofs, by themselves they do not have validity because of the local territorial approach adopted by China (see later).

Nowadays, the Chinese system does not maintain anymore an *ex ante* recognition of well-known trademarks, thus in compliance with the single case recognition principle, each determination of well-known status has effect only over the single judgment in which is made. There are some exceptional cases, however, in which a previous determination may have a stronger value. We will see them in the next section.

²¹³ *Martin Audio Limited v. Ruifeng Audio Technology Co. Ltd.*, Nansha People's Court, 02.2014.

²¹⁴ Chen, Xie, p. 223.

²¹⁵ *Bloomberg L.P. v. Shanghai Bloomberg Finance and Economics Information Co. Ltd. & Shanghai Bloomberg Data and Information Network Co. Ltd.*, Shanghai Intermediate People's Court, 15.06.2007.

5. Other evidential materials.

Other evidential materials proving that the trademark is well-known are those proving the popularity and market position of the plaintiff's enterprise and the goods or services on which the trademark is used, such as: documents or reports on the sales revenue, market share, net profits, tax amount and sales territory of the principal commodities using this trademark. They may be provided by the mark owner himself or by independent sources, even better if from an authority.

Also prices and honors awarded to the mark owner for the goods or services using the trademark may be very persuasive and in China this kind of rankings or competitions abound.²¹⁶ Finally, an "unorthodox" kind of proof is evidence on the counterfeiting of the trademark. Since the more a trademark is well-known and enjoys a good reputation, the more it is likely that someone will exploit it by counterfeiting, some courts have admitted also this kind of evidence.²¹⁷

2.3.4 Evaluation of Factors

As an exception of the single case principle, if in the course of the proceeding a party provides records that his trademark has already been protected as a well-known one in China, when the protection scope of the well-known trademark upon request is almost the same as that of the case in which the trademark has already been recognized and both parties raise no objection to this fact, or a party raises an objection, but the reason for objection and the evidence provided are evidently insufficient to support the objection, the administrative body may protect the trademark as a well-known one according to the protection records and in light of relevant evidence.²¹⁸ If the other party is able to provide enough evidence against the identity of protection scope, well-known status will have to be determined again for the case.

²¹⁶ Chen, Xie, p. 229.

²¹⁷ Chen, Xie, p. 232.

²¹⁸ Art. 16 Well-known Trademark Provisions.

Similar rules on the evaluation of previous fame determination are provided by the Interpretation.²¹⁹ But in front of the people's court, if the defendant raises any objection, the plaintiff shall still bear the burden of proof to support the popularity of the trademark, while in the Provisions a clearly weak objection could still be rejected. The self-admission rule for evidence of civil lawsuit cannot be applied to the fact in respect of the popularity of a trademark, but for a trademark which is widely known by the general public within China (社会公众), 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 should determine the fact that the trademark is well-known, thereby simplifying the recognition for very famous marks.²²⁰

For instance, this rule was applied in the "Esso" case, where the plaintiff brought only evidence regarding duration of use, revenue and capital of its enterprises and previous recognitions by administrative bodies, which would be regarded insufficient in most cases. However, due to the widespread knowledge among the general public, the trademark was determined as a well-known one, despite objections by the defendant.²²¹ As we may see, this provision can be very beneficial for trademark owners, reducing their burden of proof, but it is advisable to rely on it only when very likely that the trademark could be considered well-known to the public at large.

Apart from these special circumstances, both the Provisions and the Interpretation provide that the courts shall comprehensively take into consideration all factors as prescribed in Article 14 of the TL, 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 and they should not be considered as preconditions to be satisfied.²²² These provisions solve the conflict

²¹⁹ Art. 7 Well-known Trademark Interpretation.

²²⁰ Art. 8 Well-known Trademark Interpretation.

²²¹ *Exxon Mobil Corporation v. Guilin Aisuo Technology Co. Ltd. & Guilin Aisuo Car Maintenance Center Co. Ltd.*, Guangdong Higher People's Court, 11.09.2014.

²²² Art. 4 Well-known Trademark Interpretation and Art. 13 Well-known Trademark Provisions.

between different doctrines in judicial practice, with some courts requiring that all factors be proven and others with a less strict attitude.²²³

From the perspective of international obligations, Art. 16(2) TRIPS indicates as a factor in determining whether a trademark is well-known only “the knowledge of the trademark in the relevant sector of the public”. Art. 14 TL instead still preserves the additional factors for determination originally borrowed from the WIPO Joint Recommendation 1999. However, under Art. 2(1)(c) JR, none of the additional factors are pre-conditions for reaching that determination. The determination of the well-known status is more of a “totality of circumstances” analysis than a “bright line” or regimented multi-factor test.²²⁴ In some cases, all of the factors may be relevant; in others, only some may be relevant; and in other cases possibly none of the factors will be relevant and the decision may be based on additional factors not listed.²²⁵ The purpose of the JR 1999 is to lower the threshold of determination of well-known status. Unfortunately, due to the fact that these factors are emphatically listed in the TL, the courts still tend to require evidence proving all factors listed in Art. 14 TL, or at least most of them.²²⁶

All this considered, it is of extreme importance to understand which factors are absolutely necessary or more persuasive and which are instead just supplementary and corroborating. According to the Interpretation, “the people’s court, when objectively and thoroughly examining evidence such 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 well-known trademark, should take into consideration other proofs for determining the popularity of the trademark”.²²⁷ This means that these materials cannot alone serve as the basis for well-known trademark recognition.

²²³ Zhang, *The Judicial Determination and Protection of Well-Known Marks in China in the 21st Century*, p. 965.

²²⁴ Lehman *et al.*, p. 270.

²²⁵ Art. 2(1)(c) JR 1999.

²²⁶ Li, Wei, Zhang, p. 570-571.

²²⁷ Art. 5(3) Well-known Trademark Interpretation.

By contrast, we can infer from this provision that proof of the manner, duration, extent, money input and geographical scope of publicity or promotion of the trademark and evidence of the market reputation of the mark may, by themselves, be the basis to establish that a mark is well-known. Thus, proof of these two factors is absolutely fundamental to demonstrate fame of the mark.

2.3.5 Well-known Status Threshold

Once all the factors and related evidence are comprehensively considered, the judging authority must decide whether they prove a sufficient degree of knowledge and reputation among the relevant public. One of the most important elements considered by the courts is the geographical extent of the knowledge and reputation. However, there is no consensus among different courts about the minimum geographical threshold for reaching well-known status. According to a notification of the Chongqing Municipality Higher People's Court, binding for courts in that municipality, the reputation of a mark should be spread over the majority of the national territory.²²⁸ The Henan Higher People's Court set a far higher standard by requiring that the fame of a well-known mark reach at least two-thirds of the Chinese territory.²²⁹ But there have been instances of courts recognizing as well-known trademarks whose knowledge extended only over a much smaller territory, even over just one city like Beijing.²³⁰

Anyway, it would be inappropriate to have a fixed threshold, because the geographical reach of knowledge depends on the concrete circumstances of the specific market. The target consumers, price and type of goods and services, industrial sector, historical evolution of the market, all these factors should be considered. For example, a very specialized and niche market may not be spread

²²⁸ *Notice on the Standard for the Judicial Recognition of Well-known Trademarks*, Chongqing Higher People's Court, 03.08.2007.

²²⁹ Art. 9 of *Guiding Opinions on Certain Issues in Handling Cases Concerning Recognition of Well-known Trademarks*, Henan Higher People's Court, 19.04.2007.

²³⁰ *Beijing Forestry Property Management Co. Ltd. v. Beijing Cui Wei Group*, Beijing First Intermediate People's Court, 20.12. 2005.

over the majority of the Chinese territory, for example just in the most developed cities, yet if the trademark is leading in that market, it should be determined as well-known. There are also activities that for their very nature are limited only to some territories, such as mountain or seaside sports.²³¹ Moreover, the widespread use and importance of the Internet and e-commerce further confuse the way geographical range should be assessed. Lacking a unified standard, it is in any case better for right holders to prove the widest possible territorial extent of the notoriety of their mark.

Not only general knowledge may be demonstrated to obtain well-known mark protection, but also the reputation, thus not only the quantitative aspects of fame but also qualitative ones.²³² Having a very good appraisal and consideration by the relevant public, demonstrated for example by awards and surveys, is very beneficial, while having a negative record of illegal activity or quality problems with the products or services should negatively influence renown recognition.²³³ Having a good reputation should also be an important requirement, especially in light of dilution theory. However, the Chinese courts have not considered very carefully until now the reputation for the purpose of determining the scope of protection, but only to establish well-known status of the trademark.

From these considerations, we can notice that there is a complete lack of uniformity on the threshold for recognition of well-known mark. The approach taken by some courts is stricter, thus requiring that the mark be really very famous to obtain protection, as in the case of the courts of Shanghai. Other courts tend to adopt a much lower threshold, so that simply noted marks or even locally known marks are considered as well-known. This second interpretation is probably the most prevailing, since the number of marks recognized has risen to the hundreds per year, which are unlikely to be all very famous. We will analyze some statistical data in chapter 4.

²³¹ Chen, Xie, p. 214.

²³² Chen, Xie, p. 215.

²³³ Art. 10 of Henan Court's *Guiding Opinions on Certain Issues in Handling Cases Concerning Recognition of Well-known Trademarks*.

2.3.6 Conflicts between Judicial and Administrative Recognition

The standards for recognition of a well-known trademark used by the administrative bodies and the judicial authorities come in contact in the administrative cases brought in front of the Beijing courts against decisions of the TRAB. Thus, if there is some difference between them, there may be some conflict in judgments. We have already seen that there is already a point of contention, regarding the evaluation of similarity of goods, which is more rigid for the administration.

A first difference may be that the Provisions provide that, for determination of well-known status, the right holder should bring evidence of use of the unregistered or registered trademark for no less than five and three years respectively, while the Interpretation does not give such time limits.²³⁴ Likewise the Provisions consider proof of advertisement, market share, sales revenue, net profits, tax amounts and sales territory of the principal commodity only of the last three years.²³⁵ These rigid temporal limitations on evidence may be an obstacle to obtain well-known status, for example in the case that the popularity of a trademark once famous has declined in recent years. From this point of view, the recognition criteria of the courts seem more flexible and reasonable. Then, another difference is that the Interpretation considers the market reputation (市场声誉) of the trademark a condition for well-known determination.

As we have seen, Art. 5(3) Interpretation such proofs as the length of use of the trademark, industrial ranking, market investigation report, market value assessment report and previous recognition of well-known status not sufficient *per se* to prove the fame of a trademark. Instead, evidence on advertisement and market reputation could be by themselves proof of fame. For the administrative recognition, it is not clear which evidence is more relevant instead. Considering the more rigid and institutional approach usually adopted by the administration,

²³⁴ Art. 9(1)(2) Well-known Trademark Provisions.

²³⁵ Art. 9(1)(3-5) Well-known Trademark Provisions.

they may be persuaded more easily by evidence like previous recognition, value of profit, revenue, market share and the like.

2.4 Misuse and Correction of Well-known Mark Recognition

As already mentioned, between 1996 and 2003 the SAIC adopted a system of *ex ante* determination of well-known marks and a list of well-known trademarks was published each year. However, under this regime the recognition of well-known status was seen by the public not as a legal fact determination for the purpose of trademark protection, but as an honor-ranking endorsed by the government guaranteeing the quality of all goods and services under the listed trademarks.²³⁶ This misconception gave rise to a competition for public honor between companies and even between local governments, as having more local enterprises listed as well-known was seen as a good-performance indicator to obtain attention and financial benefits from the central government.²³⁷ Certain local governments thus provided monetary rewards up to 2 million RMB to trademark owners who could obtain well-known status.²³⁸ This trend had actually already been developed in the early 90s when consumer appraisals and award contests to establish “famous brands” and “excellent quality products” were already widespread.²³⁹ Indeed, with the Interim Provision 1996 the TMO was trying to avoid well-known trademark recognition slipping away into private hands.²⁴⁰ Despite the removal of the list by the SAIC in 2003 and abolishment of the *ex ante* system, the abuse of well-known trademarks by means of advertising and promotion still widely existed.²⁴¹ Local companies sometimes brought trademark infringement cases to

²³⁶ Li, Wei, Zhang, p. 569.

²³⁷ Timoteo, p. 91.

²³⁸ Feng, p. 828.

²³⁹ Liu, p. 688.

²⁴⁰ *Ibid.*

²⁴¹ Li, Wei, Zhang, p. 569.

people's courts even if the cases were meritless, falsified evidence, corrupted officials and judges or set up fake infringement cases to obtain well-known recognition. In a recent case in Henan province, an attorney was given 1,000,000 RMB to file a fake claim.²⁴² To make things worse, intermediate organizations and trademark agencies dedicated to the creation of well-known trademarks also started to emerge.²⁴³ In concurrence with this "well-known trademark craze", the number of well-known mark recognized by the administration and the judiciary quickly soared.²⁴⁴ As of 2012 the SAIC had already issued well over 1600 well-known trademarks.²⁴⁵ In the meantime, more than 300 trademarks were recognized as well-known through judicial procedures from 2001 to 2007. The number of well-known trademarks recognized through judicial procedures had been increasing each year and certain local courts had been overzealous in recognizing local companies' marks not satisfying the required conditions.²⁴⁶ In this way, the rationale of well-known trademark protection risked to be frustrated, because giving well-known status to a large number of trademarks without the necessary requirements would in practice reduce the protection enjoyed by the really well-known trademarks and produce undue competition restrictions.

To tackle these undesirable phenomena, the amended TL 2013 emphasizes that a well-known trademark shall only be recognized "upon request by the party concerned" and this recognition "only has effect in the specific dispute where a fact needs to be ascertained in the handling of the related case" (passive and single case principles).²⁴⁷ Article 14 contains also a specific new list of the situations which may give rise to well-known status determination and of the authorities entitled to make it (namely, TMO, TRAB and people's courts), which means that in any condition other than those listed recognition is unlawful. Further, Art. 14(5)

²⁴² Kossof, p. 246.

²⁴³ Liu, p. 695.

²⁴⁴ See chapter 4.

²⁴⁵ Kossof, p. 235.

²⁴⁶ Feng, p. 828.

²⁴⁷ Art 14(1) TL.

TL clearly forbids the use of the words “well-known trademark” on goods and the packaging or containers of goods, and use of the same for advertising, exhibition and other commercial activities by manufacturers and business operators. In case of violation of this provision, the AICs shall order rectification and if the violator does not comply impose a fine of 100.000 RMB.²⁴⁸ Moreover, the Well-known Trademark Provisions 2014 introduce two new articles that are directed to deter companies from filing fake claims or evidence: Article 8 provides that a party that requests the protection of a well-known trademark shall follow the principle of good faith and be responsible for the authenticity of the facts and the submitted evidential materials, while according to Article 17 if a party practices fraud, provides false evidential materials or uses any other illegal means, the TMO will revoke the determination of well-known status made on the case. Hopefully these new provisions will help to stop improper use and restore the original nature of the institution of well-known trademarks.²⁴⁹

On the other hand, with the objective of reducing the number of trademarks recognized as well-known, the SAIC promulgated the Working Rules that, as we have seen, established a complex four-level procedure of determination that is much more structured than the preceding one. In the intentions of the SAIC this will ensure that recognition of well-known status will be more transparent, standardized and in compliance with the law.²⁵⁰ The centralized review of the Well-known Trademark Determination Board should make the recognition standards more severe, reducing the soaring number of marks recognized as well-known in recent years. Surveillance by the Discipline Inspection and the Ministry of Supervision should guarantee a corruption-free procedure, or at least one that does not contradict national interests. Also in 2009 the SPC issued the Notice on Jurisdiction for Determination of Well-known Trademarks reserving recognition to intermediate people’s courts located at the capitals of the provinces in order to

²⁴⁸ Art. 53 TL.

²⁴⁹ Li, Wei, Zhang, p. 570

²⁵⁰ Art. 1 Working Rules.

reduce the number of competent courts.²⁵¹ Already in 2006 the SPC had promulgated a Notice that established a system of archival filing of judicial recognition of well-known trademarks, with the purpose of grasping and researching the situation and issues on judicial recognition of well-known trademarks.²⁵² All the people's courts have to send to the SPC legal documents and statistical forms, improving control over judicial practice. The overall effect of these provisions however has been increasing in practice the threshold level for well-known trademark recognition, as Chinese courts have been very cautious about well-known trademark recognition. Possibly as a sign of relaxation of judicial practice, the Beijing First Intermediate People's Court generated a public-awareness campaign and recognized six well-known trademarks on the same date, activities reported on 3 December 2012 by China's national TV station.²⁵³

2.5 Obstacles for Foreign Right Holders

2.5.1 Lack of Uniform Standard for Recognition

Well-known trademark recognition in China seems to be contradictory in its treatment of locals and foreigners. On one side, recognition of Chinese marks seems way too easy, as hinted by the ever rising number of marks determined every year. On the other side, foreign trademark owners lament that the threshold is too high, and many objectively famous foreign mark owners have seen their request for well-known mark protection rejected. What are the reasons for this paradox? In my opinion, this phenomenon stems from different and concurring causes that we have already in part analyzed and that require different countermeasures.

²⁵¹ Feng, p. 828.

²⁵² Notice on Building up the System of Archival Filing of Judicial Recognition of Well-known Trademarks (12.11.2006).

²⁵³ Feng, p. 829.

First of all, courts in the most advanced provinces and municipalities, such as Beijing and Shanghai, are more mature, experienced and qualified, thus will adopt a stricter standard for well-known trademark recognition. Courts in less developed regions are less professional and practiced, tend to bend to interference from local authorities or enterprises which have an interest in gaining a higher number of local well-known marks determined. Generally speaking, foreign right holders file their suits in front of the courts of developed regions where they have offices, factories or subsidiaries. Moreover, they are very active also in the Beijing jurisdiction to deal with the judicial review of TRAB decisions. Therefore, they have to face stricter criteria and may see their pleas turned down when not handling the case carefully. Local mark owners, instead, are located all over the national territory, are favored by local authorities and may even engage in forum shopping in order to more easily gain the coveted recognition. Furthermore, if a foreign trademark owner happens to file a suit in one of the less developed provinces, the court presiding the case may have a protectionist attitude, be pressured by the local government or even corrupted by the Chinese party.

There is no real solution to this problem, unless a right holder wants to engage in forum shopping, but trying to bring a suit in a less competent jurisdiction may create more problems than remedies. Thus, it is much better to try to understand the court's standards and act accordingly.²⁵⁴

2.5.2 Local Territorial Approach

The second cause is the local territorial approach. Art. 2 Well-known Trademark Provisions and Art. 1 Interpretation both define a well-known trademark as a trademark that is known by the relevant public in China, or using the words of the Interpretation, within the borders of China. These provisions not only exclude the notoriety in foreign countries, but implicitly also fame in Hong Kong and Macao, as these special administrative regions have a distinct jurisdiction. Although never

²⁵⁴ For a short analysis of statistical data on well-known trademark recognition, see chapter 4.

clearly stated by the TL, this has been the Chinese perspective on the territorial scope of reputation for many years, as exemplified by the case law. This doctrine has been applied also in the unfair competition protection of well-known commodities, whose recognition is based on factors similar to those for well-known trademark recognition, for this reason we will analyze also some unfair competition case.

This “local approach” is opposed to an “international approach”, which does not require that the trademark to be considered well-known must be famous in the country where protection is sought, but acknowledges also the fame of the trademark in other countries or more in general its international reputation. In instance, countries like the United Kingdom and Japan have adopted the international approach on territorial scope of fame in their trademark laws.²⁵⁵ In China, actually, there have been a few judgments that seemed to apply the international approach. The Dongguan Intermediate Court amply considered the international renown, in particular in Hong Kong and Macao, of moon-cake trademark “Ronghua” to determine whether it was an unregistered well-known mark.²⁵⁶ In the *Starbucks* judgment by the Shanghai Higher People’s Court, the international fame of the “Starbucks” trademark is explicitly mentioned as one of the decisive factors to recognize it as a well-known mark.²⁵⁷ In the *Ikea* cyber-squatting and *Ferrero* unfair competition cases,²⁵⁸ the lower courts had first taken into consideration the international renown of the trademarks, but in the final instance the higher courts affirmed that the courts should take into account only the Chinese public and the international notoriety could only serve as a supplementary proof.²⁵⁹

²⁵⁵ Zhu, p. 89.

²⁵⁶ Zhu, p. 88.

²⁵⁷ *Shanghai Starbucks Coffee Co. Ltd. v. Starbucks (Xingyuan) Corporation*, Shanghai Higher People’s Court, 20.12.2006.

²⁵⁸ *INTER IKEA Systems B.V. v. Beijing Guo Wang Information Ltd.*, Beijing Higher People’s Court, 15.1..2001 [Beijing (2000) Gao Zhi Zhong Zi n. 76] and *Ferrero S.p.A. v. Mengtesha Food Co. Ltd. and Tianjin Zhengtuan Distribution Co. Ltd.*, Supreme People’s Court, 04.03.2008 [SPC (2006) Min San Ti Zi n. 3].

²⁵⁹ Timoteo, p. 92-102.

As we see, while the international approach has been adopted in a few isolated cases, the local territorial approach is the overwhelmingly dominant interpretation and it has been confirmed by the said Provisions and Interpretation. The most important evidence to prove that the trademark is well-known is therefore the one that refers to the relevant public within China, while the evidence regarding the international reputation could be supporting but not determining. If only international renown is proved, the court will definitely not recognize the trademark as well-known. For example, in 2007 *Ferrari*'s prancing horse design was not recognized as well-known in China by the TMO and TRAB first and then by the Beijing Intermediate People's Court too, because of lack of evidence on use and advertisement in China and despite the fact that "Ferrari" word mark had been instead already recognized as well-known.²⁶⁰ However, this judgment has never been published and we cannot analyze the evidence provided by *Ferrari*.²⁶¹

2.5.3 Tackling the Local Approach

From the point of view of compliance to international obligations, the Paris Convention and the TRIPS support the interpretation of Chinese courts and administrative authorities. Art. 6bis of the Paris Convention protects only trademarks "well-known in that country", while Art. 16(2) TRIPS specifies that the knowledge of the relevant sector of the public includes "knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark". Also the JR 1999, while recommending that use, registration or application in the Member State should not be required, is silent on this point.²⁶² Therefore, the PRC regulations seem in compliance with international treaties.

²⁶⁰ Guo, Jie, Li, "*Prancing Horse*" design is registered, *Ferrari trademark infringement suit is finally rejected*. The case is: *Ferrari S.p.A. v. TRAB, t.p. Guangzhou Baiyun District Jiajian Sporting Products Business Department*, Beijing Intermediate People's Court, 2007.

²⁶¹ Ghosh, Luo, p. 146.

²⁶² Art. 2(3)(i) WIPO JR 1999.

On the other hand, these treaties represent a minimum standard of protection and Member States may, but are not be obliged to, implement in their law a more extensive protection than is required by the treaties.²⁶³ This local approach may not be compatible with international standards and may prejudice the rights of foreign trademark holders. The international trend moves towards the international approach, in order to better protect the rights of trademark owners in a globalized economic system and it acknowledges that a “spillover effect” may develop as awareness of a trademark grows.²⁶⁴ For example, the neighboring country of South Korea, which has also a first-to-file trademark system and is considered having “a cottage industry of very sophisticated trademark squatters”, took steps to tackle this phenomenon and lowered the standard of recognition of well-known trademark status for marks famous in foreign countries and not in South Korea.²⁶⁵ The reason behind this approach is that a trademark, famous abroad but not yet in the particular country, is easily targeted by trademark squatters who will rush to register the famous trademark before the rightful owner does. It would be very beneficial for foreign right holders if the Chinese government or judiciary finally adopt a more international approach.

In the meantime, foreign trademark owners should take measures to avoid seeing their request for protection rejected. As a consequence of the local territorial doctrine, evidence regarding the fame of the mark abroad of evidence formed abroad may be discarded or considered only as supplementary. For example, evidence that a trademark had been registered in other countries is not reckoned as a proof that it has become well-known in China.²⁶⁶ Evidence that was formed in a foreign country, including registration documents, advertisement and proof on use

²⁶³ Art. 1(1) TRIPS.

²⁶⁴ Johnson, *Pursuing Trademark Reform in China: Who Will Benefit – and Are the proposed Changes Enough?*, p. 8.

²⁶⁵ Lallemand, *Special Report Trademarks in South Korea: Branding the New Cultural Wave*, p. 8. The South Korean Trademark Law explicitly states in Art. 7(12) that a trademark may be well-known to “customers inside or outside the Republic of Korea”.

²⁶⁶ *Rising Sun Patent and Trademark Co. v. TRAB, t.p. Ding Yue’e*, Beijing Intermediate People’s Court, 20.12.2010.

in foreign countries, does not prove that the trademark has reached a degree of notoriety in China.²⁶⁷

For this issue there is only one solution: bringing all the possible evidence regarding knowledge among the Chinese relevant public, as we have seen that proving every different aspect of fame really helps to win a case. Evidence from abroad may also be attached, but we should bear in mind that it is only supplementary and corroborating with regard to the main evidence. Avoiding also other mistakes regarding evidence that we have pointed out in the preceding sections is equally important.

2.5.4 The Language Barrier

Finally, another troubling issue with regard to foreign well-known trademark protection is the language barrier. As already mentioned, although English is now widely taught in schools, the Chinese language remains in overwhelmingly dominant use among Chinese people in everyday life and the vast majority of native speakers almost never use any foreign language word.²⁶⁸ This is why a Chinese language brand name is far more recognizable and in common use among Chinese consumers than the equivalent in foreign language.²⁶⁹

There are two ways to create a Chinese language equivalent of a trademark: phonetic transliteration, i.e. by sound, or semantic translation, i.e. by meaning. In the first case, the Chinese name will use characters that have a pronunciation similar to the original trademark, like “Bao Jie” (宝洁) for *P&G*, “Jialefu” (家乐福) for *Carrefour* etc. With the second method, the Chinese name will have the same meaning of the original trademark instead, like “Pingguo” (苹果) for *Apple*

²⁶⁷ *Qingdao DongAh Tire Co. Ltd. v. TRAB, t.p. Li Tiancheng*, Beijing First Intermediate People’s Court, 19.10.2012.

²⁶⁸ Chow, *Trademark Squatting and the Limits of the Famous Marks Doctrine in China*, p. 15.

²⁶⁹ Chow, p. 18.

or “Weiruan” (微软) for *Microsoft*.²⁷⁰ However, also the phonetic transliteration must take into account the meaning of the characters used, because of course a trademark containing positive or imaginative connotation will be more attractive and distinctive in the eyes of the Chinese consumers. Characters bearing negative or unpleasant meaning may instead be disastrous for the reputation of a mark. Thus the ideal solution would be a combination of the two methods. The best example of a translation that combines both sound and meaning is the one of the *Coca Cola* trademark, which sounds “Kekoukele” (可口可樂) and means “Delicious Happiness”.²⁷¹

The Chinese language has a very big number of homophones, i.e. characters with different meaning and written in different ways but with the same sound. Thus there are many possible different translations for each foreign brand. This leaves room for a lot of creative translation of famous brands to the advantage of counterfeiters and trademark squatters, while giving a headache to the rightful owners who have to tackle them. Trademark squatters can manipulate the form, sound, or meaning of a trademark so that they can register confusingly similar marks of their own.²⁷²

2.5.5 Fame and Chinese Translations

But there is an even more worrying phenomenon. There have been many instances of squatters illegitimately registering the Chinese language translation that is most popular among the Chinese public of a famous brand, before the trademark owner ever comes to China. In the modern world of global communications via electronic media, as soon as a foreign brand name is made available on English language websites, televisions or newspapers, the Chinese media may find the brand name to be worth reporting and will invent a Chinese

²⁷⁰ Chow, p. 16.

²⁷¹ Chow, p. 17.

²⁷² Chang, *Combating Trademark Squatting in China: New Developments in Chinese Trademark Law and Suggestions for the Future*, p. 350.

language equivalent.²⁷³ This is often done without the knowledge of the owner of the brand name. Many instances of squatting of Chinese equivalent of foreign trademarks are the consequence of this phenomenon, like in the “Qiaodan” (乔丹) case involving *Nike* and basketball star Michael Jordan. Jordan helps to sell *Nike*’s *Air Jordan*, a basketball shoe, which is one of *Nike*’s most popular products. In 1993, *Nike* applied for and received a trademark registration for “Jordan”, but never applied for a Chinese transliteration trademark. However, Jordan is best known in China by the name “Qiaodan”, invented during a broadcast of the basketball games of the 1984 Olympics. This oversight allowed a Chinese company to obtain a registration for “Qiaodan” on sportswear in 1997. Jordan filed a lawsuit, claiming that the brand “deliberately and aggressively” used his name without permission and misled customers into thinking that he had authorized its products. The court however rejected his claim, reasoning that the surname Jordan is not distinctive and very common.²⁷⁴ However, Jordan or *Nike* did not file suit claiming well-known mark protection.

This is exactly what pharmaceutical giant *Pfizer* did in order to defend its ubiquitously famous trademark “Viagra”. When the product started to be advertised around the world, the Chinese media coined the translation “Weige” (伟哥), which became so popular to spread in the entire Chinese speaking world.²⁷⁵

In 2002 *Guangzhou Wellman*, a Chinese pharmaceutical producer, obtained registration of “Weige” mark in China. *Pfizer* requested the invalidation of the trademark to the TMO and TRAB but the plea was rejected. The Beijing courts rebuffed the request too, until the case reached the SPC for retrial. Also this court however did not accept *Pfizer*’s request of cancellation for infringement of an unregistered well-known mark. According to the SPC, *Pfizer* did not sufficiently demonstrate its intention to use the mark “Weige” as its own trademark nor that

²⁷³ Chow, p. 19.

²⁷⁴ Chow, p. 24-25.

²⁷⁵ The translation not only mimics the English pronunciation of the word, but also means literally “Big Older Brother”, a subtle sexual allusion in Chinese.

“Weige” was the unequivocal translation of its trademark “Viagra”.²⁷⁶ The evidence gathered to support that “Weige” was well-known trademark *Viagra*’s translation was discarded piece by piece. A report by the China Food & Drug Administration and a dictionary entry both referring “Weige” as a translation of “Viagra” were not deemed sufficient. Media reports in China about the *Viagra* drug could not be considered as publicity, because they were not made by *Pfizer*. Finally, *Pfizer*’s Chinese subsidiary itself had published a “Lawyer’s Statement” that declared the official translation of “Viagra” to be “Fang’aike” (方艾可). This last evidence was really detrimental for *Pfizer*’s arguments and for sure a poorly calculated action.

The usurpation of the Chinese translation is a very widespread problem that has affected many other famous foreign brands, such as *Hérmes*, *France Castel* and *Tesla Motors*, but also foreign celebrities like Jeremy Lin and Britney Spears.²⁷⁷ Once they lost their suits, these trademark owners were forced to register a different translation of their trademark, leaving the one known to the Chinese public to the squatters, or tolerate a competitor with an almost identical mark as in the case of *Hérmes*. An even worse fate occurred to wine maker *France Castel*, which was sued by the squatter for trademark infringement and had to pay damages for 33.73 million RMB.²⁷⁸ Such were the dire consequences of the trademark usurpation.

2.5.6 Fighting Usurpation of Chinese Translation

When facing a case of trademark squatting, there are two possible remedies: requesting invalidation for registration in bad faith or protection for unregistered well-known trademark. If the squatter registers the Chinese translation of the mark, things are even more complicated for the rightful owner. If the trademark

²⁷⁶ *Pfizer Inc. and Pfizer Pharmaceutical Co. Ltd. v. Guangzhou Wellman Pharmaceutical Co. Ltd. et al.*, Supreme People’s Court, 24.06.2009.

²⁷⁷ Chow, p. 23 *et seq.*

²⁷⁸ Chow, p. 24.

had not been used yet within China, it could be almost impossible to demonstrate that the mark was well-known prior to the time of registration under the current local territorial doctrine. In that case, protection against bad faith registration could be a feasible remedy, however till now the Chinese TL does not have a general provision against bad faith registration, thus only the typical cases provided by the TL may be invalidated. From the point of view of foreign trademark owners this is really disadvantageous, because we have seen that in our modern information society brand names and trademarks travel in a few moments around the world, thus it is not difficult for a squatter to find a valuable trademark, preemptively register the Chinese translation to blackmail the rightful owner or to unfairly exploit the mark's reputation and notoriety. These circumstances do not fall under the scope of bad faith registration by a person that has a contractual, business dealing or other relationship with the right holder, nor under the scope of registration of a prior trademark with a certain influence, because the rightful owner should demonstrate the reputation and prior use in China of the trademark. There is clearly a loophole in the protection of foreign trademarks that has led to the spread of these illegal activities. The Chinese government should take measures to solve this problem, because it is very clear that this phenomenon has been and will be extremely harmful to foreign trademark owners, more damaging and dangerous than "plain counterfeiting", because the infringers are able to be protected by the legal system itself, while it is the rightful owner that is forbidden to legitimately use his trademark or even punished. There are two possible amendments: the first one is introducing a general provision against bad faith registration, or at least providing a new case of bad faith registration to defend foreign trademarks. The second remedy is to adopt the international territorial approach with regard to well-known trademark protection, in order to give the chance to right holders to receive protection also when not yet well-known in China, but famous at an international level.

Until the legal environment does not change, there will be instances in which it is still impossible for foreign right holders to defend their marks against a bad faith registration, especially if the courts keep on maintaining such a strict attitude

towards considering foreign reputation of the mark and evaluating the relationship between translation and foreign brand name. But foreign trademark owners should anyway strive to take actions to prevent or fight against this phenomenon. I would suggest the following measures to be taken into consideration.

- Registering the original trademark in China as soon as possible. International registration or using priority *ex Paris Convention* could be useful to become the first-filer. After all, registration in such an important and troubling market as China should be a top priority, especially for multinational companies. Spending some more money at the beginning may prevent much worse damages in the future. Having the original trademark registered may help the owner's case, because he may use registered well-known trademark protection, the scope of which is wider than that of unregistered trademark.
- Adopting, registering and using as soon as possible an official Chinese translation of the trademark. If the owner manages to be the first to file, it would be the best result, because all the trouble that befell the foreign brands examined above was a consequence of lack or delay of registration. If the trademark has already been filed or registered by a squatter, the right holder may at least demonstrate that he had adopted that name before the filing of the application for registration. Showing intention to use that Chinese translation through use on the official website, on advertisement etc is fundamental to create an unequivocal connection between the original mark and the translation. Of course, the owner must be careful that the translation he has chosen corresponds to the one used by Chinese media or more acknowledged and popular among the Chinese public. Not taking counterproductive actions like *Pfizer's* "Lawyer's Statement" is also useful.
- Taking immediate action against infringers. Once the right holder discovers an infringement or usurpation of his trademark, he should take immediately measures to fight it and not hesitate, in order to avoid difficulties in gathering evidence, strengthening the position of the infringer and incurring in the statute of limitations. The rightful owner should try to use all the different remedies available: invalidation for bad faith registration, invalidation for

infringement of unregistered or registered well-known trademark, anti-unfair competition protection for well-known commodities or unfair practices.

2.6 Comparison with Well-known Mark Recognition in Italy and the EU

Similarly to the Chinese system, the Italian law does not require that the trademark is celebrated, i.e. known to the public at large, but it is sufficient that it is known by a sufficiently large portion of the public (Trib. Monza, 8 July 1999).²⁷⁹ The notion of celebrity had been elaborated by Italian courts as covering different types of products. The renown required by the Italian law has a wider scope compared to celebrity, because a trademark is considered renowned when the conditions of unfair exploitation or damage to the distinctiveness or repute are verified, which may happen not only for celebrated trademarks but also for simply known marks.²⁸⁰ This interpretation is in accordance with the doctrine upheld by the European Court of Justice which stated that “the public amongst which the earlier trademark must have acquired a reputation is that concerned by that trademark, that is to say, depending on the product or service marketed, either the public at large or a more specialized public, for example traders in a specific sector”.²⁸¹ In contrast, in the USA a famous trademark must be known by the entire public and across the entire United States.²⁸²

The European Court of Justice has clearly stated that neither the letter nor the spirit of the Directive prescribe that the trade mark must be known by a given and defined percentage of the public.²⁸³ The only definition the Court has given is that the mark must be known by a significant part of the public concerned by the

²⁷⁹ Vanzetti, *Repertorio Sistematico 1997-2007*, p. 202.

²⁸⁰ Di Cataldo, Vanzetti, p. 261-262.

²⁸¹ *General Motors Corp. v. Yplon SA*, European Court of Justice, Case C-375/97, 14.09.1999.

²⁸² Fhima, *The Fame Standard for Dilution in the United States and European Union Compared*, p. 633.

²⁸³ *General Motors Corp. v. Yplon SA*, para. 25.

products or services which it covers.²⁸⁴ Therefore, the courts have enough discretion to decide every case based on a variety of circumstances.

Formerly, the European Court distinguished between the degree of fame of registered trademarks with a reputation (corresponding with registered well-known trademarks in China) and unregistered well-known trademarks as provided by Art. 6*bis* of the Paris Convention. In particular, well-known unregistered trademarks required higher reputation compared to registered reputed trademark.²⁸⁵ However, more recently the European Court reduced the difference between the two, stating that an unregistered trademark should be well-known at least in a substantial part of the territory of a Member State, thus applying the same geographical standard of registered reputed trademarks.²⁸⁶ There is still a difference only in the degree of knowledge, although the Court of Justice has not yet ruled on how to determine a trademark as well-known *ex Art. 6bis*. In China instead, there has never been a separation of the notion and of the threshold of a well-known trademark as registered or unregistered, only a difference for the scope of protection.

Coming to the geographical extent of the reputation, while the Chinese courts do not have a uniform standard, on the contrary, the threshold has been put in some cases at two thirds of the Chinese territory while in others at a city's territory, the European case law shows that the geographical threshold adopted by the courts is quite low. A trademark with a reputation should be known in a substantial part of the territory of the Member State, for national trademarks, or of the European Community for Community trademarks.²⁸⁷ The term "substantial part" is interpreted as a portion of the territory of the State, which is somewhere between the entire area of the State and a city and its surrounding area.²⁸⁸ With regard to Community trademarks, the substantial part of the European Community is

²⁸⁴ *General Motors Corp. v. Yplon SA*, para. 32.

²⁸⁵ *General Motors Corp. v. Yplon SA*, para. 13.

²⁸⁶ *Alfredo Nieto Nuño v Leonci Monlleó Franquet*, para. 21.

²⁸⁷ *General Motors Corp. v. Yplon SA*, para. 31.

²⁸⁸ *Alfredo Nieto Nuño v Leonci Monlleó Franquet*, European Court of Justice, Case C-328/06, 22.11.2007.

considered not only just the territory of one Member State as small as Austria, but even a portion of a Member State as small as one of the Benelux States.²⁸⁹

Regarding the factors taken into account for the practical determination of the trademark's renown, the Italian courts adopt a more flexible and open attitude instead. The courts consider the market share, the geographical extension and duration of use and the amount of the investment for the promotion of the trademark, factors that had been enunciated firstly by the European Court of Justice in the *General Motors* case.²⁹⁰ However, these factors are not explicitly established by any Italian or European written regulation, therefore the courts are not strictly bound to them and have more freedom in their evaluation. In practice, the fame requirement has always been interpreted flexibly, to the point that it has never constituted a barrier to the grant of well-known trademark protection.²⁹¹ This is in stark contrast with the stance of the Chinese courts, which tend to demand that all or most of the factors of Art. 14 TL be proven by the right holder, thus aggravating the burden of proof.

From a careful analysis of the factors and related evidence, we can notice that they are fewer in number and quite easy to prove compared to the ones in Chinese law. For example, regarding advertisement, the *General Motors* test just takes into consideration the amount of the investment of the owner and not other circumstances such as the manner, duration, geographical extent that are instead evaluated by the Chinese courts. To the contrary, sometimes bringing more evidence than needed may be detrimental to the right holder's cause. In instance, in the "Byblos" case, the plaintiff adduced a number of magazine articles which mentioned his trademark, but one of them actually made a negative assessment to the brand.²⁹²

²⁸⁹ *PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH*, European Court of Justice, Case C-301/07, 06.10.2009.

²⁹⁰ Vanzetti, *Giurisprudenza Annotata di Diritto Industriale* 2010, p. 649 and Sorrentino, p. 322.

²⁹¹ Franzosi, Scuffi, p. 251.

²⁹² Fhima, p. 645.

In sum, the Italian and European standard for recognition of renowned or reputed trademarks is fairly easy to reach, because the recognition factors are not evaluated strictly, the geographical extension of fame may be fairly small, the degree of knowledge among the public may not be particularly high. Moreover, the standard is strikingly uniform across most of the European States, thanks to the unifying role of the European Court of Justice.

The Chinese doctrine on well-known status determination is instead really uneven, with different courts adopting a very relaxed standard while others, especially the better trained and more experienced courts of developed provinces, are far more rigid. Therefore, in some cases such as for local trademark owners in more backwards provinces, the threshold is even lower than the European one. In other instances, especially those involving foreign right holders in front of more competent courts, the standard is instead really very high and extremely difficult to reach. What instead is more or less common to most of the Chinese courts is a very formal and stern appraisal of the recognition factors, in contrast with the more flexible attitude of European courts.

3 THE REMEDIES: HOW TO PROTECT TRADEMARK RIGHTS

3.1 Remedies against Trademark Registration

3.1.1 *Opposition and Review Procedure*

Protection of trademark rights, including those arising from well-known marks, may be fulfilled in two different ways: through refusal of the registration of an infringing trademark and through prohibition of the use of an infringing trademark. Protection against infringing trademark registration is under the authority of the administrative bodies of the SAIC that supervise registrations, the Trademark Office and the Trademark Review and Adjudication Body. This “preemptive” defense is aimed at preventing the registration of a trademark that may infringe upon a mark owner’s rights. In particular the most dangerous phenomenon that may be stopped through these procedures is trademark squatting.

The registration procedure in China consists of four steps: application, preliminary formal examination, substantive review, final approval. After the substantive review, the trademark application is preliminarily approved and the trademark published in the *Trademark Gazette*, so that any interested party may raise opposition (异议).²⁹³ An opposition procedure may be started by anyone that believes that the preliminary approved trademark lacks one of the absolute conditions, that are validity (Art. 10 TL), distinctiveness (Art. 11) or non-functionality (Art.12); or by a prior right holder or a materially interested party when he believes that the trademark violates the relative condition of availability

²⁹³ The *Trademark Gazette* (商 标 公 告) is available in Chinese at: <http://sbj.saic.gov.cn/sbgg/>

(Art. 13-16(1)-30-31-32 TL) or is registered in bad faith to their detriment (Art. 15-32 TL).²⁹⁴

Availability means that the trademark must not infringe others' prior legitimate rights. The TL does not explicitly state which rights fall under the scope of this condition, but in general they are all legitimate previously acquired rights arising from: registered trademark or unregistered well-known trademark on identical or similar goods or services, registered well-known trademark on different goods or services, geographic indication, right of name, copyright, invention, design and utility model patent, domain name or enterprise name.²⁹⁵ The Chinese TL gives protection through opposition also to trademarks already applied that have not yet been registered, if they are applied in bad faith by a person different from the rightful owner.

Protection against trademark squatting is the application of the principle of good faith and is an exception to the first-to-file principle at the basis of the Chinese trademark system. For this reason the legislators have been very cautious, giving protection to unregistered trademarks against bad faith registration only when the mark was previously used and acquired a certain influence (Art. 32) and when the registration was made by the agent or representative of the rightful owner (Art. 15(1)). With the 2014 revision, as we have seen, the TL now has another case of protection against squatting, when the usurper and the rightful owner are bound by some kind of legal or business relationship.²⁹⁶ Opposition may also be based on prior registration that has been cancelled or invalidated during the last year, pursuant to Art. 50 TL.²⁹⁷

The opposition application must be filed with the TMO within three months from the date of publication of the contested trademark on the *Trademark Gazette* after the preliminary approval, or the trademark will receive final approval.²⁹⁸ The

²⁹⁴ Art. 33 TL.

²⁹⁵ Ganea, Pattloch, p. 105.

²⁹⁶ Art. 15(2) TL.

²⁹⁷ Zhao, p. 102.

²⁹⁸ Art. 33 TL.

opposition applicant must submit to the TMO his identification certificates, documents to prove he is a prior right holder or interested party, the legal basis of his request and evidence materials.²⁹⁹ After checking the formal requirements of the application, the TMO sends a copy to the other party who shall reply with a statement of defense within 30 days, but the procedure will go on even if he does not reply. If any party needs to supplement his documents or evidence he must make a statement in the opposition or defense and send the supplementary elements within three months, or they will not be considered by the TMO. If there was a just reason for the delay, the materials may be accepted after cross-examination.³⁰⁰

In case of the application for extension to China of an international trademark, the objector that meets the conditions specified in Article 33 TL may, within three months after the first day of the following month since the WIPO publishes the International Trademark Announcement, submit to the TMO an objection application. The TMO shall notify the International Bureau of the information related to the opponent application in the form of a rejection decision. Differently from a domestic trademark, in this case the opposition will be raised before and not after the substantive review of the TMO.³⁰¹ The TMO shall make a decision on opposition and notify the opponent and respondent in writing within 12 months from the date of expiration of the gazette period.

All the decisions of the TMO are reviewable in front of the TRAB. First of all, when an application is rejected by the TMO the applicant can apply for review within 15 days from the date of receipt of the notification of refusal. The TRAB must decide within 9 months (plus three months if authorized by the SAIC).³⁰² If following an opposition the TMO decides to reject an application, the applicant can ask for review by the TRAB that will make a decision within 12 months.³⁰³

²⁹⁹ Art. 24 TLIR.

³⁰⁰ Art. 27 TLIR.

³⁰¹ Ganea, Pattloch, p. 107.

³⁰² Art. 34 TL:

³⁰³ Art. 35(3) TL.

Also a decision of the TMO not to renew a registration can be challenged within 15 days of receipt of notice with an application to the TRAB.³⁰⁴ The review process of the TRAB is usually conducted in writing, but based on a request of the parties or on actual needs of the case, it may conduct an oral appraisal.³⁰⁵ Usually an oral appraisal is granted if one of the parties want to cross-examine the other or when there are witnesses to be examined.³⁰⁶ In all the cases listed above, when a party is dissatisfied with the decision of the TRAB, he may challenge the decision in a people's court within 30 days upon receipt of notification. If a party does not ask for review by the TRAB or a people's court within the prescribed time limits, the decision will enter into effect.³⁰⁷ In particular, the court that is competent for the review of the TRAB's decisions is the Intermediate People's Court of the Beijing Municipality, with the possibility of appeal to the Higher People's Court of Beijing.³⁰⁸

3.1.2 Invalidation and Cancellation Procedures

Once the period for opposition is expired, the trademark will receive final approval and considered definitely registered. However, an already registered trademark may be invalidated (宣告无效) for the same reasons of the opposition procedure. First of all, the TMO may invalidate *ex officio* a registered trademark in case of violation of the provisions of Articles 10, 11 or 12 on absolute conditions for trademark registration or if registration was obtained by deceptive or other improper means. Any other entity or individual may request that the TRAB declare such trademarks invalid too.³⁰⁹ If a registered trademark violates

³⁰⁴ Zhao, p.117.

³⁰⁵ Art. 69 TLIR.

³⁰⁶ Harris, Xu, *Chinese Intellectual Property: A Practitioner's Guide*, p. 89.

³⁰⁷ Art. 36 TL.

³⁰⁸ Art. 2 of the *Interpretation of the Supreme People's Court on the Relevant Issues concerning the Scope of Jurisdiction and the Scope of Application of Laws for Hearing Trademark Cases* (25.12.2001).

³⁰⁹ Art. 44(1) TL.

the relative condition or is registered in bad faith according to Articles 13, 15, 16, 30, 31 or 32 TL, it is the prior rights holder or a materially-interested party that should, within five years from the date of registration of the trademark, request that the TRAB declare the registered trademark invalid. However, the owner of a well-known trademark is not subject to such five year time limit if the trademark was registered in bad faith.³¹⁰

The parties shall be notified in writing of a decision made *ex officio* by the TMO to declare a registered trademark invalid. If a party is dissatisfied with the decision, he may, within 15 days of the date on which he receives notification, apply for review to the TRAB. In front of the TRAB the relevant parties are notified in writing after receipt of the application and may respond within a specific period of time. When deciding invalidation for absolute grounds, the TRAB must render a ruling within nine months (with eventually an extension of three months by the SAIC), whereas for relative grounds the time limit is twelve months (plus six months in special circumstances).³¹¹ If, in the course of an examination of a request for invalidation, a determination of the prior right involved must be made on the basis of the outcome of another case being tried by a people's court or by an administrative authority, the TRAB may suspend its examination of the invalidation request.³¹²

The TMO shall publish the declaration of invalidation pursuant to Article 44 or 45 TL and the exclusive right to use such registered trademark is deemed not to have existed *ab initio*. Nonetheless, the invalidation of a registered trademark does not have retroactive force on a judgment, ruling or written mediation statement made and enforced by a people's court in a trademark infringement case, on a decision made and enforced by an AIC in a trademark infringement case, or on a trademark assignment or licensing contract that was performed before the invalidation.

³¹⁰ Art. 45(1) TL.

³¹¹ Art. 44(3) and Art. 45(2) TL.

³¹² Art. 45(3) TL.

However, the trademark registrant shall compensate for the loss incurred by others due to the trademark registrant's bad faith.³¹³

Invalidation regards trademarks that were registered even though they did not comply with all the prescribed conditions and in fact the reasons for invalidation are the same for opposition or refusal to register. However, a registered trademark may lose validity also for a cause arising after the registration, and in this case it leads to the cancellation of the mark (撤销). The first case of cancellation is if, in the course of using a registered trademark, the trademark registrant himself changes the registered trademark, or the registrant's name, address or other registered particulars. The local AIC shall order him to rectify the matter within a specified period of time and if he fails to do so, the Trademark Office shall cancel his registered trademark.³¹⁴

The other reasons for cancellation are if a registered trademark becomes the generic name of the good for which it has been approved or if it is not used for three years in succession without a legitimate reason.³¹⁵ Regarding cancellation for non-use, it is considered use of a trademark using a trademark on goods, on the packaging or a container of such goods, on documents for the transaction of such goods, in advertising and publicity, in exhibitions and in other commercial activities, in order to identify the origin of goods.³¹⁶ Art. 67 TLIR considers legitimate reasons for non-use: force majeure; policy limitations set by the government; bankruptcy liquidation; other justifiable reasons that can make the trademark registrant free from liability.

Any entity or individual is entitled to apply to the TMO to have the registered trademark canceled pursuant to Art. 49(2) TL. After acceptance, the TMO notifies the trademark registrant and orders him to submit, within two months upon receipt of the notice, the relevant material evidence of use of the trademark before the cancellation application was filed or to state the justifications for not using the

³¹³ Art. 47 TL.

³¹⁴ Art. 49(1) TL.

³¹⁵ Art. 49(2) TL.

³¹⁶ Art. 48 TL.

trademark. If he fails to submit any material evidence as proof within the time limit, or the said evidence is invalid, and it has no other justifiable reasons, the registered trademark will be canceled by the TMO.³¹⁷

If a party is dissatisfied with a decision of the TMO to cancel or not cancel a registered trademark, he may, within 15 days from the date on which it receives notification, apply for review to the TRAB. When a registered trademark is revoked, declared invalid or is not renewed upon expiration, the TMO shall not approve applications to register trademarks that are identical or similar to such trademark within one year of the date on which the trademark is revoked, declared invalid or canceled.³¹⁸ In all cases of invalidation and cancellation, if the party is dissatisfied with the decision of the TRAB, it may appeal to the People's Intermediate Court of the Beijing Municipality within 30 days.³¹⁹

3.1.3 Review of Administrative Decisions

When a party is not satisfied with a decision of administrative bodies like the TMO, TRAB and AIC departments at various levels, he may file a request for administrative reconsideration (行政复议).³²⁰ The object of reconsideration is the lawfulness and the appropriateness of the administrative act.³²¹ The party should file a request within 60 days after knowing of the decision to the same administrative authority or the one at the upper level.³²² When contesting a decision of the TRAB or TMO, the TRAB itself is competent for reconsideration.³²³ However, when the law already provides a remedy against a decision, for example review by the TRAB for TMO decisions, administrative

³¹⁷ Art. 66 TLIR.

³¹⁸ Art. 50 TL.

³¹⁹ Art. 44-45-54 TL.

³²⁰ Administrative Reconsideration Law (adopted and promulgated on April 29, 1999).

³²¹ Art. 3 Administrative Reconsideration Law.

³²² Art. 9-12 Administrative Reconsideration Law.

³²³ Art. 14 Administrative Reconsideration Law.

reconsideration will not be accepted.³²⁴ The deciding authority nullifies the contested act in the following circumstances: the main facts are not clear or essential evidence is inadequate; erroneous application of laws or regulations; violation of legal procedures; excess of authority or abuse of power; the act is clearly inappropriate.³²⁵

When a party considers that his lawful rights or interests have been infringed upon by an administrative act, the most common remedy is however to file an administrative lawsuit (行政诉讼) with a people's court, which are handled by the administrative sections of the court. Jurisdiction over suits regarding acts of a local department of the AIC is usually conferred to the local basic people's court.³²⁶ However, the most important administrative cases in IP law are by far those regarding decisions of the TRAB, in particular for refusal of registration, opposition and invalidation. For these suits, the court of first instance is the Intermediate People's Court of the Beijing Municipality, with the Higher People's Court of Beijing as appeal court.³²⁷ As a last solution it is possible to file a retrial to the SPC against decisions of the Higher Court.

Ordinarily the party must file the suit to the people's court within 30 days from notification of the contested decision. The court has the power to nullify the administrative decision for the same reasons provided for reconsideration, apart from lack of appropriateness which is exclusive for reconsideration.³²⁸ While initially this remedy was not commonly used, especially by foreign right holders, lately the number of administrative suits has greatly increased.³²⁹ Although these cases require extensive knowledge of IP law, since many times the court has to revise the entire case, facts and evidence, of the TRAB and TMO, to this day they have been handled by the administrative section of the people's court. This is the

³²⁴ Shi, *The Cases Overview of Trademark Administrative Reconsideration and Analysis in 2009*.

³²⁵ Art. 28(3) Administrative Reconsideration Law.

³²⁶ Art. 13 Administrative Procedure Law (adopted on 4 April 1989).

³²⁷ Art. 2 Interpretation Jurisdiction Trademark Cases.

³²⁸ Art. 54 Administrative Procedure Law.

³²⁹ Timoteo, p. 63-66.

reason why lately the legislature and judicature have taken steps to solve this particular issue.

3.2 Definition of Trademark Infringement

The second form of protection of trademark rights is against illegitimate use of the trademark, which is trademark infringement (商 标 侵 权) or commonly counterfeiting. According to Article 57 TL, the following behaviors shall be regarded as infringement of an exclusive right to use a registered trademark:

1. use, without the permission of the trademark registrant, of a trademark that is identical to a registered trademark on identical goods;
2. use, without the permission of the trademark registrant, of a trademark that is similar to its registered trademark on identical goods, or use of a trademark that is identical or similar to its registered trademark on similar goods, where the same is likely to cause confusion;
3. sale of goods that infringe the exclusive right to use a registered trademark;
4. forgery or unauthorized manufacture of representations of another's registered trademark, or sale of representations of a registered trademark that were forged or manufactured without authorization;
5. substituting the trademark of a trademark registrant without its consent and putting the goods bearing such substituted trademark back onto the market;
6. deliberately providing facilitating conditions for the infringement of another's exclusive right to use a registered trademark or assisting another in infringing the exclusive right to use a registered trademark;
7. causing other harm to another's exclusive right to use a registered trademark.

Article 76 TLIR specifies that Item (2) of Article 57 TL includes also the act of using a sign identical or similar to the registered trademark on identical or similar

commodities as the name or decoration of a commodity in a way misleading the general public.

Item (6) of Art. 57 TL includes among other trademark infringement acts also what is normally defined indirect infringement, like facilitating or assisting the direct infringement by another person. Article 75 TLIR details some typical behavior that constitutes indirect infringement under Item (6): providing storage, transportation, posting, printing, concealment, business place, Internet network commodity trading platform etc. As we see, any intermediary business operator coming into contact with the counterfeited goods may be liable for indirect infringement, but of course it must be demonstrated that he acted intention or negligence, or that he had the legal obligation to verify the legality of the goods.

Some particularly interesting examples of application of this provision are the *Silk Street Market* cases. The *Silk Street Market* in Beijing, as many other markets around China, is notorious for selling counterfeit goods of foreign famous brands. In the past, foreign trademark owners limited their legal actions to strike the individual sellers working in these markets, like *Montblanc* did in 2005.³³⁰ But these actions were like breaking just the tip of the iceberg, therefore in 2006 five luxury foreign brands filed lawsuits against *Silk Street Market* for indirect infringement. The Beijing No. 2 Intermediate People's Court found that the Market was indeed jointly liable with the sellers for indirect infringement, as it failed to take the measures of prevention and control to stop the selling of counterfeits.³³¹ Despite this victory, the Silk Street Market is still today "home of fake luxury goods",³³² as demonstrated by continued legal disputes between *Silk Street Market* and foreign brand owners.³³³

³³⁰ Zhou X., *A Series of Cases Concerning the Silk Street: Foreign Brands Attacking Chinese "Counterfeit Good" and the Liability Problem*.

³³¹ See one of the five cases, *Beijing Silk Street Clothes Market Co. v. Chanel S.A.*, Beijing Higher People's Court, 18.04.2006.

³³² Li, *IPR Protection Considerations on Silk Street Market Case*.

³³³ See for example, *Guccio Gucci S.p.A. v. Beijing Silk Street Market Real Estate Development Co.*, Beijing Higher People's Court, 06.01.2014.

The 2013 TL Amendment introduced a new provision on fair use of a registered trademark, in order to clearly distinguish legitimate use from infringement. A trademark owner has no right to prohibit a third party from making legitimate use of the generic name, device or model number of the goods in question, or of a direct expression of the quality, main raw materials, functions, uses, weight, quantity or other characteristics of the goods, or of place names contained in the registered trademark. He may not prohibit also the legitimate use of the shape of an item of goods arising from the nature of the item of goods itself, the shape of an item of goods necessary to achieve its technical effect, or the shape that causes an item of goods to have substantive value, such shapes being contained in a 3-dimensional registered trademark.³³⁴

Regarding the issue of exhaustion of the exclusive right on a trademark, the TL does not acknowledge a doctrine of national or international exhaustion of trademark rights nor can such a doctrine be inferred *de facto* from this law.³³⁵ Furthermore, Chinese courts have not yet examined (or avoided to examine?) the possibility of excluding parallel imports by reference to trademark protection, therefore it is still completely unclear whether the principle of exhaustion will be applied in the future.

3.3 Administrative Enforcement

3.3.1 Administration of Industry and Commerce

In protecting and enforcing trademark rights, the Chinese government has instituted since the first enactment of the Trademark Law in 1982 the so called “double-track protection system” (双轨保护体系), which comprises the administrative remedies and judicial remedies.³³⁶ Trademark owners, especially in

³³⁴ Art. 59 TL.

³³⁵ Grigoriadis, *Trade Marks and Free Trade: A Global Analysis*, p. 452.

³³⁶ Cheng, *Evolution and Transformation of Double-track Protection System of the Trademark Right*, p. 59.

the previous years, have preferred the administrative enforcement by AIC of their right to judicial enforcement. Between 2000 and 2006 the number of trademark cases handled by the judiciary was of 8,875 cases, while AIC trademark disputes were 157,186 in the same period.³³⁷

According to the TL, if the commission of an infringement of someone's exclusive right to use a registered trademark leads to a dispute, the parties should try first to resolve such dispute through consultations. If a party is not willing to hold consultations or if they are unsuccessful, the trademark registrant or a materially-interested party may file a lawsuit with a people's court, or alternatively, request the local AIC department to handle the controversy.³³⁸ The AIC has also the power to investigate infringement cases on its own initiative.³³⁹ Usually, right holders request the AIC to investigate without consultation with the infringer, in order to catch him by surprise.

The AIC may exercise the following investigation powers:

1. question concerned parties and investigate circumstances connected with the infringement;
2. consult and copy the concerned party's contracts, invoices, account books and other relevant materials connected with the infringing activities;
3. conduct an on-site inspection of the place where the concerned party is suspected of being or having been engaged in infringing activities;
4. inspect articles connected with the infringing activities and may seal up or impound the articles that are proven infringing.³⁴⁰

If, in the course of the investigation and handling of a trademark infringement case, there is a dispute as to the trademark right, or the right holder simultaneously institutes proceedings in a people's court for trademark infringement, the AIC may suspend the investigation and handling of the case. Once the reason for the

³³⁷ Cheng, p. 61.

³³⁸ Art. 60(1) TL.

³³⁹ Art. 61 TL.

³⁴⁰ Art. 62(1) TL.

suspension has been extinguished, the investigation shall be resumed or concluded.³⁴¹

When the AIC determines that an infringement has taken place, it shall order the immediate cessation of the infringing conduct and the confiscation and/or destruction of the infringing goods and the tools mainly used to manufacture the infringing goods and to forge the representations of the registered trademark. If the illegal turnover was RMB 50,000 or above, it may impose a fine of up to five times the illegal turnover. If there was no illegal turnover or the illegal turnover was less than RMB 50,000, it may impose a fine of up to RMB 250,000. If trademark infringement has occurred at least twice within five years, or if there are other serious circumstances, a heavier penalty may be imposed. If a seller was not aware of the infringing nature of the products and he can show that they were lawfully obtained and can name the supplier, the AIC will just order cessation of the sale.³⁴²

Special rules have been adopted also for fighting counterfeiting in exhibitions.³⁴³ Commercial exhibitions longer than three days will establish an office with personnel from the exhibition organizer and local AIC department, which will receive complaints and investigate on suspected counterfeit goods. If the products are confirmed to be infringing, they will be immediately removed from the exhibition.³⁴⁴ Further investigation by the AIC may follow.

Administrative enforcement through the AIC has advantages and disadvantages. On one hand, the enforcement by AIC is fast and cost-effective, especially if the infringer is taken by surprise.³⁴⁵ On the other hand, even though the transaction cost to bring an administrative enforcement action is relatively low at the outset, the complainant has limited remedies. AICs cannot award economic damages or

³⁴¹ Art. 62(3) TL.

³⁴² Art. 60 (2) TL.

³⁴³ See the Measures on Protection of IPR in Exhibitions (promulgated by the Ministry of Commerce, SAIC, SIPO and NCAC on 10.01.2006).

³⁴⁴ Timoteo, p. 51.

³⁴⁵ *Enforcement of Intellectual Property Rights in China*, p. 1.

issue injunctions that are available only through the people's courts.³⁴⁶ Other problems that right holders may encounter are local protectionism, corruption, connivance with the infringers, lack of funds and lack of qualified human resources.³⁴⁷

3.3.2 Product Quality Administration

The Chinese trademark system is still today partially tied to the principle of quality control, which characterized the pre-reform regulations on trademarks.³⁴⁸ Article 1 TL explicitly states the quality control function together with the function of protecting private rights. Article 7 TL requires trademark owners to be responsible for the quality of the goods on which the trademark is used, which means that quality should be on a constant level, not that high quality is strictly required.³⁴⁹ It is therefore not surprising that another viable option to tackle counterfeiting, especially if evidence is not enough to effectively seek the help of the AICs, is requesting enforcement to the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ).³⁵⁰ This administration is competent not only for violations of product quality and consumer safety, but also has some functions overlapping with those of trademark authorities. Indeed, the Product Quality Law, which regulates the AQSIQ functions, forbids producers and sellers to:

- forge the origin of a product and forge or illegally use another operator's name or address (Art. 30-37);
- forge or illegally use another operator's authentication marks or other product quality marks (Art. 31-38);

³⁴⁶ Ghosh, Luo, p. 136.

³⁴⁷ *Ibid.*

³⁴⁸ Paglee, p. 39, and Ghosh, Luo, p. 132.

³⁴⁹ Ganea, Pattloch, p. 84-85.

³⁵⁰ *Guide to Trademark Protection in China*, p. 6 and *Enforcement of Intellectual Property Rights in China*, p. 2.

- 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 (Art. 32-39).³⁵¹

We can see that these violations are very similar if not equivalent to counterfeiting and trademark infringement. Moreover, many times fake products not only violate the IPR owner's right, but are also shoddy or even harmful to consumers' health, thus in these cases it may be easier to collect evidence regarding the lack of quality or safety of the products. The central and local AQSIQ units usually execute random checking of products, but customers or other people may also file petitions or give information on suspected violations.³⁵² On the basis of the evidence obtained, the AQSIQ, similarly to the AIC, may decide to conduct an inspection of the production or storage place, request information to the suspects, check documents and seal up or seize the products.³⁵³

When the administrative authority ascertains that a violation has occurred, it will impose administrative sanctions on the infringer. In the case of forging or usurpation of name, address, authentication marks or other product quality marks, the infringer may be ordered to rectify the information, the products illegally produced or for sale may be confiscated, a fine not more than the value of the products may be imposed; the illegal gains will be confiscated; if the circumstances are serious, the business license will be revoked.³⁵⁴ For producers or sellers that mix impurities or imitations into a product, or substitute a fake product off as a genuine one etc, the infringer may be ordered to discontinue production or sale, the products illegally produced or for sale confiscated, he may be fined not less than 50 percent of but not more than three times the value of the products; the unlawful earnings, if any, will be confiscated; if the circumstances

³⁵¹ Product Quality Law of the PRC (last amended by the Standing Committee of the NPC on July 8, 2000).

³⁵² *Guide to Trademark Protection in China*, p. 6.

³⁵³ Art. 18 Product Quality Law.

³⁵⁴ Art. 53 Product Quality Law.

are serious, the business license will be revoked.³⁵⁵ In particularly serious cases, also criminal responsibility may be considered.

3.4 Civil Remedies

3.4.1 *Jurisdiction*

The jurisdiction of the people's courts over trademark matters are in part determined by the general rules of the Civil Procedure Law, in part by specific rules promulgated by the SPC through judicial interpretation. First we have to distinguish between the cases of appeal against a decision of the TRAB or TMO from all other cases. The cases of review of rulings of the two top administrative trademark authorities of the SAIC are under the special jurisdiction of the Intermediate People's Court of the Beijing Municipality.³⁵⁶ The other controversies that are under the jurisdiction of the people's court are: protest against an administrative action of an AIC, trademark ownership dispute, infringement of the exclusive right to use a trademark, confirmation of non-infringement of the exclusive right to use a trademark, trademark transfer contract dispute, trademark licensing contract dispute, trademark agency contract dispute, preliminary injunctions and others.³⁵⁷ For all these cases, the competent court is established through the rules of territorial and subject-matter jurisdiction.

The general rule of territorial jurisdiction establishes that a civil action instituted against a citizen or a legal person shall be under the jurisdiction of the people's court at the place of domicile or habitual residence of the defendant.³⁵⁸ An action instituted for a negotiable instrument dispute (e.g. a transfer or license contract) is under the jurisdiction of the people's court of the place of payment of the

³⁵⁵ Art. 50 Product Quality Law.

³⁵⁶ Art. 2 Interpretation of the SPC on Issues concerning the Jurisdiction over trademark Cases and Application of Law after the Entry into Force of the Amendment (10.02.2014).

³⁵⁷ Art. 1 Interpretation on Jurisdiction over trademark Cases after the Amendment.

³⁵⁸ Art. 21 Civil Procedure Law as amended on August 31, 2012.

negotiable instrument or of the place of domicile of the defendant.³⁵⁹ However, the parties to a dispute over a contract may, by written agreement, choose the people's court of the place of domicile of the defendant, of the place where the contract is performed or signed, of the place of domicile of the plaintiff, of the place where the subject matter is located or of any other place actually connected to the dispute to have jurisdiction over the dispute.³⁶⁰ Finally, a case of trademark infringement (tort) is under the jurisdiction of the people's court of the place where the tort occurs or of the place of domicile of the defendant.³⁶¹

Once territorial jurisdiction is determined, the subject-matter jurisdiction rules are applied. In fact, not all the civil courts are competent to adjudicate trademark disputes, because the SPC has concentrated the competence to a smaller number of higher-level courts in order to improve the quality and expertise of specialized IP judges. General civil trademark cases are under the jurisdiction of intermediate people's courts or people's courts at a higher level or basic people's courts designated by the SPC, as the court of first instance.³⁶² Instead, a case involving the protection of a well-known trademark is under the jurisdiction of the intermediate people's court of the capital of a province or an autonomous region, a city under separate state planning, or a municipality directly under the Central Government or an intermediate people's court designated by the SPC.³⁶³ As of 2013, the number of basic people's courts which can handle trademark disputes is 160 in addition to all intermediate courts, while 45 intermediate courts had jurisdiction over well-known trademark disputes.³⁶⁴

³⁵⁹ Art. 25 Civil Procedure Law.

³⁶⁰ Art. 34 Civil Procedure Law.

³⁶¹ Art. 28 Civil Procedure Law.

³⁶² Art. 3(1) Interpretation on Jurisdiction over trademark Cases after the Amendment.

³⁶³ Art. 3(2) Interpretation on Jurisdiction over trademark Cases after the Amendment.

³⁶⁴ *Situation of Intellectual Property Protection by Chinese Courts in 2013.*

In 2010, the SPC issued a Notice further specifying the distribution of cases on the basis of the economic value of the dispute.³⁶⁵ The basic people's courts which have jurisdiction over general IPR civil case designated by the SPC have jurisdiction when the subject-matter has a value of less than RMB 5 million and when the subject-matter has a value of more than RMB 5 million but less than RMB 10 million provided that the domiciles of all parties concerned are within the jurisdiction of the higher or intermediate people's court.³⁶⁶ A higher people's court has jurisdiction over cases of first instance when the subject-matter of the action has a value of more than RMB 200 million, and when the subject-matter of the action has a value of more than RMB 100 million provided that the domicile of a party concerned is outside the court's territorial jurisdiction, or a foreign country or region, Hong Kong, Macao or Taiwan is involved.³⁶⁷ All other cases of first instance are within the jurisdiction of the intermediate people's courts.³⁶⁸

3.4.2 *Choice of Law*

When a civil dispute regards a foreign-related civil relationship,³⁶⁹ Chinese courts should apply the provisions of the *Law of the People's Republic of China on the*

³⁶⁵ Notice of the Supreme People's Court on Adjusting the Standards for the Jurisdiction of Local People's Courts at Different Levels over Intellectual Property Rights Civil Cases of First Instance (28.01.2010).

³⁶⁶ Art. 3 Notice on Jurisdiction over IPR Civil Cases of First Instance.

³⁶⁷ Art. 1 Notice on Jurisdiction over IPR Civil Cases of First Instance.

³⁶⁸ Art. 2 Notice on Jurisdiction over IPR Civil Cases of First Instance.

³⁶⁹ According to the *Interpretation on Several Issues concerning the Application of the "Law of the People's Republic of China on the Application of Laws to Foreign-Related Civil Relations"* (promulgated by the Supreme People's Court on 28 December 2012), a civil relationship may be foreign-related due to the following circumstances: a) where one or both parties are foreign citizens, foreign legal persons or other organizations or stateless persons; b) where the subject matter is located outside the territory of the PRC; c) where the legal facts which give rise to, modify or terminate the civil relationship occur outside the territory of the PRC; d) where the habitual residence of one or both parties is outside the territory of the PRC; e) other circumstances that may be deemed foreign-related civil relationships.

Law Applicable to Foreign-Related Civil Relations.³⁷⁰ Chapter 7 of this Law is devoted to the rules for intellectual property rights. According to Article 48, in proceedings concerned with the ownership and content of intellectual property rights, the court shall apply the law of the place where protection is sought, i.e. Chinese law. This is the classical principle of *lex loci protectionis*, based on the territoriality principle of intellectual property rights. On the contrary, in proceedings which have as their object the transfer or license of IPRs, the parties may by agreement choose the law to be applied.³⁷¹ Absent any choice by the parties, the court will apply the relevant provisions of this Law on contract, therefore the court should apply the law of the place of habitual residence of the party whose performance of obligation is most characteristic of the contract or the law that is most closely connected with the contract.³⁷² Finally, if the dispute concerns the determination of liability for IPRs infringement, again the court will apply the *lex loci protectionis* (i.e. Chinese law). However, the parties may also choose to apply the law of the forum after the infringement occurs.³⁷³ Some issues may rise when IPR violations happen on the Internet, we will discuss them later on.

According to statistics of judicial practice in private international law, Chinese courts undoubtedly favor the application of Chinese law over foreign law. They choose Chinese law on the ground of evasion of law, mandatory rules or *ordre public*, or lack of proof of foreign law, or through an excessive use of the principle of the most significant relationship. Even when applying the principle of party autonomy, the parties' intents are regrettably distorted. Many times the

³⁷⁰ Adopted at the 17th session of the Standing Committee of the 11th National People's Congress, 28 October 2010. This is the first law exclusively regulating the private international law of the PRC, before that the rules were contained in the General Principles of Civil Law, in the Contract Law and in judicial interpretations.

³⁷¹ Art. 49 Law Applicable to Foreign-Related Civil Relations Law.

³⁷² Art. 41 Law Applicable to Foreign-Related Civil Relations Law.

³⁷³ Art. 50 Law Applicable to Foreign-Related Civil Relations Law.

conflict of laws is not even considered and the application of Chinese law is taken for granted, especially by the courts of central and western China.³⁷⁴

3.4.3 *Preliminary Injunctions*

The TL provides two types of preliminary injunctions (诉前责令), which are remedies that the courts may grant before a lawsuit is even started. If a trademark registrant or a materially-interested party has evidence showing that another person is carrying out or about to carry out an act of infringement upon its exclusive right to use the trademark and that failure to immediately halt such act would cause damage to its lawful rights and interests that would be difficult to remedy, he may, prior to filing a lawsuit, apply to a people's court for a preliminary injunction to stop the act and an order of preservation of property.³⁷⁵

If evidence of the infringement might be destroyed, lost or difficult to obtain later, a trademark registrant or a materially-interested party may, with the object of halting infringing conduct, apply to a people's court for an injunction for the preservation of evidence prior to the filing of a lawsuit.³⁷⁶

In order to obtain these measures, the right holder must file a petition to the people's court of the place where the infringement is committed or of the domicile of the respondent.³⁷⁷ The petition for a restraining preliminary injunction shall state: the party concerned and basic information; the specific contents and scope of the application; the reasons for filing the application, including the specific circumstances that the lawful rights and interests of the applicant will suffer from irretrievable damage if the relevant act is not stopped in time. Moreover, evidence of the ownership of the trademark right and of infringement should be attached. For the evidence preservation preliminary injunction, the petition must contain

³⁷⁴ Huang *et al.*, *Chinese Judicial Practice in Private International Law*: 2006, p. 725.

³⁷⁵ Art. 65 TL.

³⁷⁶ Art. 66 TL.

³⁷⁷ Art. 2 SPC Interpretation on the Issue concerning the Application of Law for Stopping the Infringement upon the Right to the Exclusive Use of a Registered Trademark and Preserving Evidence before Filing a Lawsuit (Preliminary Injunctions Interpretation).

also: the object which can be proven by the evidence in the request for preservation; the reasons for the application, including the specific circumstances that the evidence might be destroyed or lost, or difficult to be obtained thereafter, and neither the party concerned nor their agents *ad litem* can collect the evidence by themselves due to objective causes.³⁷⁸ Notification to the alleged infringer by the applicant is not required.

The applicant shall provide a guaranty when filing an application for a restraining preliminary injunction, while for an evidence preservation injunction the court may require the guaranty when it may lead to property loss of the respondent. The value of the guaranty depends on circumstances like the revenues from selling the goods involved, reasonable expenses for storage and custody, reasonable losses resulting from stopping the relevant act etc. The guaranty may be also in the form of warranty or mortgage. If the applicant is unable to provide guaranty, his application will be rejected.³⁷⁹ When the court, after acceptance and examination, finds that the preliminary injunction should be granted, it must render a written ruling within 48 hours and notify the respondent within 5 days. If one of the parties involved is dissatisfied, he may apply for reconsideration to the same court only once, within 10 days from the receipt of the ruling.³⁸⁰

It is important to consider that the preliminary injunctions must always be followed by a civil lawsuit. If the applicant fails to file a lawsuit regarding the infringement within 15 days after the court has taken the preliminary measure, the court will cancel the injunction. The injunction may have effect until the final decision of the main lawsuit, or be effective within a time limit set by the court or may be suspended or prolonged by the court in the course of the proceedings. If the applicant failed to file a lawsuit or made a wrongful application and caused damages to the supposed infringer, the respondent may in turn file a lawsuit to

³⁷⁸ Art. 3-4 Preliminary Injunctions Interpretation.

³⁷⁹ Art. 6 Preliminary Injunctions Interpretation.

³⁸⁰ Art. 9-10 Preliminary Injunctions Interpretation.

obtain compensation.³⁸¹ Therefore, preliminary injunctions should be requested when the case is solid enough, in order to avoid being sued in turn.

The reason behind the introduction of these special injunctions is that IPR infringements, for their very nature, cause a damage that is difficult to remedy, since a loss of clients can never be exhaustively compensated *ex post*.³⁸² Therefore, the right holder should have the instruments to tackle the infringement before filing a lawsuit, in order to avoid that, by the time that the court decides the case, the damage has already become too severe. From this point of view, the preliminary injunctions adopted by the Chinese system may be less effective compared to the injunctions available in the Italian system.

First of all, the Italian courts usually do not require the applicant to give the specific proof that his rights may suffer irretrievable damage, easing the right holder's task to collect evidence.³⁸³ In comparison, the restraining injunction in Italy (*inibitoria*) is a more effective and versatile remedy. The applicant does not necessarily have to provide a guaranty, as the court may decide whether to request it depending on the circumstances. The restraining injunction will not be cancelled if it is not followed by the filing of a lawsuit, because it is a measure that anticipates the effects of the judgment.³⁸⁴ This rule does not apply to other types of preliminary injunction. Finally, the court may decide to set a fine for violations or delays in the execution of the restraining order.³⁸⁵

The Italian law also regulates two preliminary measures specifically aimed to collect evidence: the description (*descrizione*) and the preliminary expert evaluation (*consulenza tecnica preventiva*).³⁸⁶ The description is carried out by a judicial official that writes a description or takes pictures of the counterfeit products, the production instruments etc, in the place where infringement is taking

³⁸¹ Art. 12-13-14 Preliminary Injunctions Interpretation.

³⁸² Di Cataldo, Vanzetti, *Manuale di Diritto Industriale*, p. 556.

³⁸³ *Ibid.*

³⁸⁴ Art. 669octies(6)(7) Italian Civil Procedure Law, as modified by Law n. 80/2005.

³⁸⁵ Art. 131(2) CIP.

³⁸⁶ Art. 128-129 CIP.

place. It is very useful when the counterfeit products are not yet sold in the market and thus difficult to acquire without judicial order.³⁸⁷ The preliminary expert evaluation instead determines, before the lawsuit is started, whether there was infringement through collection and evaluation of evidence and may also quantify the damages. The judicial expert should also try mediation.³⁸⁸

In China, the right holder can only rely on the evidence preservation injunction, which is less flexible and may also be more difficult to obtain, since it is more invasive for the respondent. Moreover, evidence in China is always required to be authenticated by a notary, which delays and complicates the collection of evidence.³⁸⁹ As we can see, the strength of the injunction proceeding in the Italian IP system is such that they may be regarded as an independent remedy, since it can achieve the same results of the main trial within a shorter time, in practice the right holders most of the times may avoid to start the main trial.³⁹⁰ Also in China the preliminary injunctions are useful, but with more limitations.

3.4.4 Trial Procedure

A civil lawsuit starts when the plaintiff files to the competent court a written motion of complaint together with enough copies for all the defendants. The motion shall state: the identity and contact information of the plaintiff and of the defendant; the claims of the lawsuit and the facts and grounds on which the suit is based; evidence and its source, as well as the names and addresses of witnesses.³⁹¹ The people's court will send a copy of the motion to the defendant within five days from the date of accepting the case and the defendant may file a statement of

³⁸⁷ Di Cataldo, Vanzetti, p. 558.

³⁸⁸ Galli, *Codice della Proprietà industriale: la riforma 2010*, p. 161.

³⁸⁹ Timoteo, p. 57.

³⁹⁰ Galli, p. 150.

³⁹¹ Art. 120-121 Civil Procedure Law.

defense within 15 days from the date of receipt.³⁹² The parties may appoint up to lawyers to represent them in court, but they are not required to.³⁹³

The statute of limitations for bringing a suit for the infringement of a registered trademark is 2 years, starting from the date that the trademark registrant or a materially interested party knew or should have known about the act of infringement. Where a party brings a suit after more than 2 years, if the infringing act is still continuing and the exclusive rights to use the registered trademark are still in the period of validity, then the people's court should anyway issue judgment. The measure of damages for the infringement should be calculated by reckoning back 2 years from the date when the rights holder brought the suit before the court.³⁹⁴

Parties are responsible for submitting their own evidence and the following are those accepted by the courts: statements of the parties concerned; documentary evidence; physical evidence; audio-visual materials; electronic data; witness' testimony; expert opinions; written records of inspections. As for the evidence preservation injunction, if a party is unable to collect some proofs for realistic reasons, he may request the court to collect them. The judge enjoys a great degree of discretion in deciding whether to conduct *ex officio* investigations and use expert evaluations to solve the case.³⁹⁵

Notarization is very important in Chinese civil procedure. The people's court will take the facts and documents legalized by notarization according to legal procedures as the basis for ascertaining facts, unless there is evidence to the contrary sufficient to invalidate the notarization.³⁹⁶ Evidence formed abroad must not only be notarized, but also be certified and registered at the Chinese diplomatic representation of the place where it is collected.³⁹⁷ Any foreign

³⁹² Art. 125 Civil Procedure Law.

³⁹³ Art. 58 Civil Procedure Law.

³⁹⁴ Art. 18 Interpretation on Trademark Civil Disputes.

³⁹⁵ Art. 63-64-65 Civil Procedure Law.

³⁹⁶ Art. 69 Civil Procedure Law.

³⁹⁷ Art. 11 Regulations of the SPC on Evidence in Civil Lawsuits, in force from 1 April 2002.

language evidence has to be translated into the Chinese language and the translations, as well as the original materials have to be submitted to the court.³⁹⁸ All the evidence brought by the parties will be cross-examined during public hearings, unless when they involve state secrets, trade secrets, or individual privacy.³⁹⁹

The court usually tries to end the case by mediation, because mediation is favored to litigation and judges' performance are assessed also on the basis of the number of mediated cases. However, if no agreement is reached through mediation or if one party retracts his reconciliation before the mediation agreement is served, the people's court will render a judgment without delay.⁴⁰⁰ The people's court in the final judgment may order the following remedies: cessation of infringement; payment of damages; confiscation of the property used in carrying out illegal activities and the illegal income obtained; elimination of ill effects and rehabilitation of right holder's reputation; public apology.⁴⁰¹ In particular, the most powerful and effective measures are the order to cease the infringement and the order to pay damages to the plaintiff.

However, also the order to make public apology is a useful remedy, especially for well-known trademarks whose reputation may have been impaired by the infringing activity. The apology has therefore the function of restoring the damaged reputation. Usually, public apology is ordered by the courts when the defendant willfully engaged in conduct that harmed the reputation of the plaintiff's registered trademark.⁴⁰² For a famous trademark, even though it is not recognized as well-known, it is easier to prove that the infringer was acting in bad faith and that the public was misled. The wrongdoer must publish the apology, the content of which is subject to the court's approval, in a newspaper selected by the court, normally a newspaper that will reach the public of the concerned trademark.

³⁹⁸ Art. 70(2) Civil Procedure Law.

³⁹⁹ Art. 68 Civil Procedure Law.

⁴⁰⁰ Art. 99 Civil Procedure Law.

⁴⁰¹ Art. 134 General Principles of Civil Law.

⁴⁰² Nguyen, *Trademark Apologetic Justice: China's Trademark Jurisprudence on Reputational Harm*, p. 152.

For example, the apology for the infringement of *Yamaha* mark was published in a motorcycle trade magazine.⁴⁰³

All judgments rendered by the SPC, as well as judgments and rulings against which shall not be appealed according to law or have not been appealed within the prescribed time limit, are legally effective.⁴⁰⁴ If the judgment is appealed, it will become legally effective after the decision of the appellate court.

3.4.5 Damages

The amount of damages (赔偿) for infringement of the exclusive right to use a trademark is determined on the basis of three calculation methods: the first is to quantify the actual loss incurred by the right holder as a result of the infringement; if the actual loss is difficult to determine, the measure of damages may be determined based on the profits gained by the infringer as a result of the infringement; if both the loss incurred by the right holder and the profits gained by the infringer are difficult to determine, it will be reasonably determined as a multiple of the royalty the infringer should have paid for using the trademark. The damages should include the reasonable expenses incurred by the right holder in stopping the infringement.⁴⁰⁵

For the first calculation method, the losses suffered from the infringement are calculated according to the reduction in the sales amount of the products suffered by the right holder because of the infringement or can be calculated by multiplying the sales amount of the infringing product by the unit of profit of the products using the infringed trademark.⁴⁰⁶ As for the second method, the profits gained from the infringement are calculated by multiplying the unit of profit by the sales quantity of the infringing product. Where it is impossible to ascertain the

⁴⁰³ Nguyen, p. 161.

⁴⁰⁴ Art. 155 Civil Procedure Law.

⁴⁰⁵ Art. 63(1) TL.

⁴⁰⁶ Art. 15 Interpretation on Trademark Civil Disputes.

unit profit, the unit profit of the products using the registered trademark shall be used for the calculation.⁴⁰⁷

For the purpose of determining the measure of damages, the court may, where the right holder has used its best efforts to adduce evidence but the ledgers and documentation relating to the infringement are mainly under the control of the infringer, order the infringer to provide the ledgers and documentation; if the infringer fails to provide the same or it provides false ledgers and documentation, the court may determine the measure of damages by referring to the claims of the rights holder and the evidence provided by him.⁴⁰⁸

If even using any of the three methods it is difficult to estimate the damages, the court will impose, depending on the circumstances of the infringing conduct, statutory damages. Before the 2013 Amendment, the upper limit of statutory damages was just of RMB 500,000. Due to the incompleteness of account books and difficulties in evidence collection, the infringed party is often unable to prove effectively the actual losses it had suffered from the infringement or the infringer's profits. Consequently, infringed parties in many cases directly claimed statutory damages and the Chinese courts estimated the amount of damages in a sum below the statutory limit of RMB 500,000. The amount of damages awarded in judicial practice was so inadequate that sometimes it could not even cover the litigation expenses.⁴⁰⁹ For this reason, the legislator in the 2013 Amendment decided to raise the ceiling of statutory damages up to RMB 3,000,000.⁴¹⁰ It is also possible for the parties to make an agreement to determine the amount of damages, which the court should respect.⁴¹¹

Other two innovations brought by the 2013 Amendment have been the introduction of the third calculation method based on royalties and of punitive damages. The punitive damages (惩罚性赔偿) provision states: "If the

⁴⁰⁷ Art. 14 Interpretation on Trademark Civil Disputes.

⁴⁰⁸ Art. 63(2) TL.

⁴⁰⁹ Li, Wei, Zhang, p. 576.

⁴¹⁰ Art. 63(3) TL.

⁴¹¹ Art. 16(3) Interpretation on Trademark Civil Disputes.

infringement is made in bad faith and the circumstances are serious, the amount of damages may be multiplied up to three times the amount determined with the methods mentioned above”.⁴¹² According to civil law system theory, damages should only compensate and restore the loss suffered by the injured party. In common law systems, punitive damages are still civil damages, whose function however is to punish the infringer, because compensatory damages may not be a sufficient deterrent.⁴¹³ China is a civil law system, but the pragmatic approach of the legislator has probably dictated the introduction of this particular provision.

There are some points regarding the changes of the 2013 Amendment that need clarification: firstly, no upper limit is stipulated for the royalties calculation method, nor is explained which factors the court should consider when applying this method. When the same method was introduced for determination of damages for patent infringement, the SPC set a ceiling of three times the royalties and stated that the nature and circumstances of the conduct should be considered, which corresponds to considering the degree of intentionality and seriousness of the infringer’s behavior.⁴¹⁴ Yet, the nature of this method is not defined, because it is an alternative way to calculate the loss suffered by the right holder, but as the punitive damages may be multiplied on the basis of the infringement circumstances.

With regard to the punitive damages, what constitutes bad faith and serious circumstances must be clarified so that the courts may understand when to apply punitive damages.⁴¹⁵ Moreover, Art. 63 TL does not specify whether the statutory damages may be used as the basis to calculate punitive damages.⁴¹⁶ The punitive damages provision is contained in the first paragraph and states that “the amount calculated with the above mentioned methods” may be used as basis. The

⁴¹² Art. 63(1) TL.

⁴¹³ Luo, *Introduction and Implementation of Punitive Damages in Intellectual Property Law*, p. 28-29.

⁴¹⁴ He, Lin, Shi, *Debate on the Introduction of Punitive Damages for Intellectual Property Infringement*, p. 54.

⁴¹⁵ Luo, p. 31.

⁴¹⁶ Li, Wei, Zhang, p. 578.

statutory damages provision is instead contained in the third paragraph. From a literal interpretation, statutory damages could not be used to determine punitive damages, therefore the maximum statutory amount would still be RMB 3 million. Hopefully, the SPC will soon solve all these issues in a judicial interpretation.

If the defendant claims that the trademark had not been used for three years prior to the infringement and the plaintiff is unable to prove use of the trademark in that period, the defendant will not be liable for damages. The defendant will not be liable also when he proves that he lawfully obtained the infringing goods and identifies the supplier, but he will still be obliged to stop the infringing activity.⁴¹⁷

The criteria to determine the amount of damages in the Italian legislation are roughly equivalent to those of the Chinese TL. In sum, the damages are constituted by the actual damage (investments frustrated by the infringement and costs of litigation) and the loss of profit suffered by the trademark owner, which, when difficult to quantify, may be determined based on the income gained by the infringer or the royalties. When the three methods are not sufficient, the judge may calculate a global sum based on the evidence of the case, but no statutory limit is provided.⁴¹⁸ Abiding to its tradition of civil law system, Italy has not introduced in its tort law system punitive damages. At the same time, the rules for determination of the amount of damages have not been clearly defined by the courts. Moreover, the calculation method based on royalties in Italy is only used as a lower limit to compensation, and cannot be multiplied as in the Chinese TL, that seem to apply also here a punitive approach. The result is that the damages awarded are usually too low to be a deterrent against counterfeiting activities.⁴¹⁹ As Chinese courts encountered the same problems, the raising of the statutory damages ceiling and the introduction of punitive damages may help rectify this weakness of the Chinese trademark system.

⁴¹⁷ Art. 64 TL.

⁴¹⁸ Di Cataldo, Vanzetti, p. 563 *et seq.*

⁴¹⁹ Di Cataldo, Vanzetti, p. 562.

3.4.6 Appeal and Retrial

If a party is dissatisfied with the judgment rendered by the first instance court, he has the right to appeal (上诉) at the court at the next higher level within 15 days from the date when the written judgment is served. If instead he wants to appeal to a ruling, for example a ruling of rejection of lawsuit, the time limit is 10 days.⁴²⁰ If the first instance court was a basic people's court, the appellate court will be the intermediate court of its territory; if the first court was an intermediate court, the appellate court will be the higher court; if the original court was a higher court, the appeal will be under the jurisdiction of the Supreme People's Court. Therefore for well-known trademark cases the appellate court will always be a higher court or the SPC.

The motion of appeal shall include the names of all parties, the name of the people's court where the case was originally tried, the docket number, the cause of action and the claims and reasons of appeal. The motion is to be submitted through the court of first instance, but if it is filed directly to the appeal court, that court will transfer the motion back to the original court.⁴²¹ Within five days after receiving a motion of appeal, the people's court that originally tried the case will deliver the copies of the motion to the appellee. After receiving the copies, the appellee shall submit its motion of defense within 15 days, but failure to do so will not stop the appeal. The court, within five days from receiving the motion of defense, will deliver the copies of the motion of defense to the appellant. After receiving the motion of appeal and the motion of defense, the court of first instance will, within five days, deliver them together with the entire case file and evidence to the people's court of second instance.⁴²²

⁴²⁰ Art. 164 Civil Procedure Law.

⁴²¹ Art. 165-166 Civil Procedure Law.

⁴²² Art. 167 Civil Procedure Law.

A court of second instance reviews the facts and the law used in the appellate case, which means that there is no limitation on the claims that could be brought in appeal.⁴²³ The appeal may have the following outcomes:

1. rejection of the appeal and affirmation of the original judgment or ruling;
2. if the facts were incorrectly ascertained or the law incorrectly applied, the appellate court will issue a judgment to amend, cancel or change the original judgment;
3. if the facts were not clearly ascertained, it may make a ruling to cancel the original judgment, remand the case to the court of first instance for rehearing (重审), or may amend the judgment after investigating and ascertaining the facts;
4. if there were serious violations of legal procedures, for instance, the judgment was made without the presence of the parties concerned, the court of second instance will rule to cancel the original judgment and remand the case to the court of original instance for rehearing.⁴²⁴

The judgment of second instance is final, there is no possibility for another appeal.⁴²⁵ However, a dissatisfied party may try to raise a retrial (再审). Retrial may be initiated by a supervising court on its own initiative when suspecting some error in a judgment, otherwise one of the parties may apply to the court of the next higher level, or to the original court if one party is comprised by a large number of people or both parties are Chinese citizens.⁴²⁶ In most well-known trademark cases, the retrial court is the SPC. Differently from appeal that has no limitations, retrial may be filed only for the following circumstances:

- errors regarding evidence: there is new evidence which is conclusive enough to overrule the original judgment or ruling; the main evidence used in the original judgment or ruling was insufficient, was forged or was not cross-examined; the parties were unable to collect the main evidence of

⁴²³ Art. 168 Civil Procedure Law.

⁴²⁴ Art. 170 Civil Procedure Law.

⁴²⁵ Art. 175 Civil Procedure Law.

⁴²⁶ Art. 199 Civil Procedure Law.

the case by themselves for objective reasons and the court failed to collect such evidence despite party's request;

- there was an error in the application of the law in the original judgment;
- violations of procedure: the trial organization was unlawfully formed or the adjudicators that should withdraw have not done so; an incapable person was not represented by a legal agent or a party that should participate in the litigation failed to do so because of reasons not attributable to himself or his legal agent; a party was deprived of his right to debate; a default judgment in the absence of the party was made whereas that party was not served with summons;
- some claims were omitted or exceeded in the original judgment;
- the legal document on which the original judgment was based was cancelled or revised;
- the judicial officers had committed embezzlement, accepted bribes, engaged in malpractices etc.⁴²⁷

A retrial shall be submitted within six months after the judgment or ruling becomes legally effective or within six months after the party knows or should have known the new fact.⁴²⁸ When a court accepts a retrial, the execution of the original judgment is suspended. Retrial may be raised against any judgment or ruling, be it of first or second instance. If the original judgment was of first instance, the retrial judgment may be appealed. In most of the cases, retrial is raised against a second instance judgment, since the first instance ones may be more easily appealed.

⁴²⁷ Art. 200 Civil Procedure Law.

⁴²⁸ Art. 205 Civil Procedure Law.

3.5 Criminal Enforcement

The criminal protection of trademark rights, first introduced in China in 1979,⁴²⁹ is today provided by Articles 213, 214 and 215 of the Criminal Law of the PRC.⁴³⁰ They belong to Section 7 “Crimes of Infringing Intellectual Property Rights” that deals with crimes against trademark, patent, copyright and trade secret related rights. Section 7 is part of Chapter III of the Special Part of the Criminal Law, entitled “Crimes of Disrupting the Order of the Socialist Market Economy”. This makes clear that an infringement of an IPR is considered not only as causing damage to the individual IPR holder, but also as an act of disrupting the intellectual property administration system and of prejudicing social public interest.⁴³¹

The Criminal Law considers the following infringements as crimes: using an identical trademark on the same merchandise without permission of its registered owner;⁴³² knowingly selling merchandise under a counterfeited trademark;⁴³³ forging or making representations of other's registered trademarks without authorization or selling such representations.⁴³⁴ Full awareness of committing an infringing act is required for criminal prosecution to be possible. Such awareness is implied for example if the trademark counterfeited is well-known, if the infringer works in the same local market or is a competitor of the victim etc.⁴³⁵

The punishment for these crimes is imprisonment or criminal detention of less than three years, with a fine or a separately imposed fine; for cases of “a more serious nature”, imprisonment of more than three years but less than seven years, and a fine. The violations of Articles 213-215 constitute a crime only when they

⁴²⁹ The first provision was Article 127 of the Criminal Law of the People's Republic of China promulgated in 1979. Then in 1993 the Standing Committee issued the Provisions on Penalizing the Crimes of Counterfeiting Registered Trademarks.

⁴³⁰ The Criminal Law of the People's Republic of China as amended in 1997.

⁴³¹ Iida, Nie, *The Enforcement of Intellectual Property Rights in China*, p. 213.

⁴³² Art. 213 Criminal Law.

⁴³³ Art. 214 Criminal Law.

⁴³⁴ Art. 215 Criminal Law.

⁴³⁵ Ganea, Pattloch, p. 333.

are of “a serious nature”, which means that there is a minimum threshold under which a violation is not criminally punished. The minimum thresholds for criminalizing trademark infringement, the circumstances under which an infringement is of “a more serious nature” and other circumstances are set in detail by the *Interpretation on Several Issues on the Application of the Law to the Handling of Intellectual Property Infringement Criminal Cases*⁴³⁶ and the *Opinions on Several Issues in the Application of the Law to the Handling of Intellectual Property Infringement Criminal Cases*.⁴³⁷

These stipulations want to ensure that only serious or professional counterfeiters will be criminally prosecuted. For example, in case of use of an identical trademark on the same merchandise (Art. 213), the amount of illegal business volume must be more than RMB 50,000 or that of illegal gains more than RMB 30,000. If the infringement regards two or more trademarks, the thresholds are lowered to RMB 30,000 and 20,000 respectively.⁴³⁸ However, the rules to determine the illegal turnover are not clear, in particular which goods and price should be considered.⁴³⁹ The Criminal Law provisions are echoed by Article 67 of the Trademark Law, which states that for infringements so serious as to constitute each of the crimes of Articles 213-215 there shall be, in addition to compensation for damages suffered by the owner, investigation for criminal responsibility according to the law.⁴⁴⁰

Investigation is usually made by the Public Security or by the Procuratorate, usually after report by the right holder. Moreover, departments of the SAIC should turn over an infringement case to judicial authorities if the infringement looks to exceed the criminal threshold.⁴⁴¹ However, in 2005 less than one percent of total copyright and trademark cases handled by the administration were turned

⁴³⁶ Issued by the SPC and the SPP in 2004 and later integrated in 2007.

⁴³⁷ Jointly issued by the SPC, the SPP, the Ministry of Public Security and the Ministry of Justice on January 10, 2011.

⁴³⁸ Art. 1 of the Interpretation of 2004.

⁴³⁹ Ganea, Pattloch, p. 336.

⁴⁴⁰ Iida, Nie, p. 215.

⁴⁴¹ Art. 61 TL.

over to the police for prosecution,⁴⁴² may be this be because of lack of manpower, unwillingness by criminal authorities or lack of coordination with the SAIC. In practice, often the AICs are asked to do the actual investigation and the TMO to make a statement about registration and infringement, although this is not stipulated by the law.⁴⁴³ In the end most criminal cases are not even started.

There is also another way to bring a case in front of criminal courts, which is private prosecution.⁴⁴⁴ However, the trademark owner should collect sufficient evidence against the infringer to avoid that the criminal court rejects the prosecution, which is unlikely without the investigation powers of the police and the Procuratorate. Not only individual people are subjected to criminal responsibility for IP crimes, but also “units”, i.e. legal entities like corporations. Legal entities are fined and the persons who are directly in charge and other people directly responsible for the crime are punished in accordance with the law.⁴⁴⁵

3.6 Specialized IP Courts

3.6.1 *Specialized IP Divisions*

One of the main problems of the judiciary in China, besides corruption and lack of independence and of impartiality, is the lack of competence and professionalism of the judges. We should not forget that the judicial system was basically rebuilt from scratch after the Cultural Revolution and that law schools had been practically closed for years. When the courts started to work normally again, there were very few people with legal education or training in China. Therefore most judges were recruited from other government institutions like the public security, from organs of the Communist Party and many, especially during the 70s and 80s,

⁴⁴² Lacey, *China and the WTO: Targeting China's IPR Record*, p. 33.

⁴⁴³ Ganea, Pattloch, p. 332.

⁴⁴⁴ Art. 170 Criminal Procedure Law.

⁴⁴⁵ Art. 220 Criminal Law.

from the ranks of military officers.⁴⁴⁶ In the following decades the situation has gradually improved, but still in 1995 only 5% of all the judges nationwide had the equivalent of a 4-year Bachelor's Degree in law.⁴⁴⁷ Today, candidates to become judges must have at least a Bachelor's Degree in law or in another major with legal knowledge, perform a period of legal training and pass the unified State Judicial Examination.⁴⁴⁸

Intellectual property cases require even more specialized technical knowledge compared to other subject-matters, for this reason particular attention has been given to the training and qualifications of the judges working on IP cases. We have seen that one of the methods was to give competence over IP suits to more experienced and qualified courts. In 1998, jurisdiction for first instance IP civil cases was largely transferred to the intermediate people's courts. In recent years, due to significant increase in the number of general IP cases relating to copyrights and trademarks, designated basic people's courts were also given jurisdiction to handle such cases.⁴⁴⁹ Jurisdiction over the most complex IP cases, those involving patents, new plant varieties, topographies of integrated circuits and well-known trademarks, is conferred on even fewer highly qualified courts.

A second step to improve the adjudication of IP cases was the establishment of special intellectual property divisions within the people's courts. During the 1980s, civil cases involving copyrights and industrial property rights were handled respectively by the civil and economic divisions in the people's courts. In August 1993, the Beijing Intermediate and Higher People's Courts became the first courts in the country to create dedicated IP divisions.⁴⁵⁰ In October 1996, also the SPC set up its IP division. As of 2012, all higher and intermediate people's courts and all the 141 designated basic people's courts with civil jurisdiction for IP cases have created specialized sections, for a total of 420 IP divisions across

⁴⁴⁶ Peerenboom, *China's Long March Toward Rule of Law*, p. 290.

⁴⁴⁷ *Ibid.*

⁴⁴⁸ Art. 9-51 Judge Law (promulgated in 1995 and last amended on 30.06.2001).

⁴⁴⁹ *Situation of Intellectual Property Protection by Chinese Courts 2009*.

⁴⁵⁰ *Ibid.*

the country.⁴⁵¹ After the reorganization of the internal structure of civil courts, these specialized divisions have been renamed as Third Civil Divisions.⁴⁵²

The judges of these IP divisions are selected from a pool of candidates well-versed in law and foreign language, who possess specialized technical knowledge and extensive adjudication experience. In 2012, there were 2,759 intellectual property judges, of whom 97.5% had at least a Bachelor's Degree and 41.1% at least a Master's Degree.⁴⁵³ Finally, when specialized knowledge is required for particularly complex cases, some courts have called experts from the relevant fields to be people's assessors (lay judges). The SPC and other courts have continued personnel exchanges with IP authorities such as the Patent Re-examination Board.⁴⁵⁴ IP divisions also usually employ technical experts to assist them in solving difficult disputes.

3.6.2 New IP Courts

While the IP civil cases are now always tried by specialized IP divisions, which in theory guarantee a certain degree of expertise and professionalism, the other IP disputes, namely administrative and criminal IP cases, are instead adjudicated by the ordinary administrative and criminal divisions of the people's court.⁴⁵⁵ As we can expect, judges trained and specialized in administrative and criminal cases do not have the experience to try IP controversies, especially the more complex ones. Moreover, the ordinary judges still lag behind in qualifications and training compared to IP judges, therefore they may have even more difficulties in deciding such unfamiliar disputes. Finally, the coordination between the different divisions of the people's courts is quite difficult, complicated by the fact that different

⁴⁵¹ *Situation of Intellectual Property Protection by Chinese Courts 2012.*

⁴⁵² Iida, Nie, p. 244.

⁴⁵³ *Situation of Intellectual Property Protection by Chinese Courts 2012.*

⁴⁵⁴ *Situation of Intellectual Property Protection by Chinese Courts 2009.*

⁴⁵⁵ Iida, Nie, p. 244.

courts may have jurisdiction on the same infringement, since the rules on jurisdiction are different for civil, administrative and criminal cases.⁴⁵⁶

To solve these contradictions, the SPC promoted in the last years pilot projects within some local courts where the IP division took overall responsibility for IP-related civil, administrative and criminal cases, the so called “three-in-one” adjudication (三审合一). The aim of such a concentration of adjudication power is to ensure that all types of IP disputes are tried with the same level of expertise and professionalism and also ensure coherence in all cases related to the same infringement. Also explored were the expansion of the judges panel and participation of civil judges in the adjudication of IP criminal and administrative cases.⁴⁵⁷ At end of 2012, there were 5 higher people's courts, 59 intermediate courts and 69 basic courts that have initiated a “three-in-one” pilot project, in particular the courts of Guangdong had implemented the pilot reform thoroughly and with success.⁴⁵⁸

As part of this process, in 2014 the legislature decided to take a landmark step forward, in concurrence with the renewed efforts to promote the rule of law in China, by establishing for the first time three Intellectual Property Courts (知识产权法院) in Beijing, Shanghai and Guangzhou.⁴⁵⁹ These courts started operation by the end of 2014. Differently from the IP divisions, these IP Courts are independent from existing civil courts, and not a section or panel within them. They resemble in some way independent special courts like the maritime, railway transport and military courts, but at the same time the IP Courts are still within the hierarchical structure of the ordinary people's courts, while the special courts have an independent jurisdictional hierarchy. Their level is equivalent to that of

⁴⁵⁶ *Ibid.*

⁴⁵⁷ *Situation of Intellectual Property Protection by Chinese Courts 2009.*

⁴⁵⁸ *Situation of Intellectual Property Protection by Chinese Courts 2012.*

⁴⁵⁹ Decision on the Establishment of Intellectual Property Courts in Beijing, Shanghai, Guangzhou (promulgated at the Tenth Meeting of the 12th Standing Committee of the NPC on August 31, 2014).

intermediate people's courts, since appeals to IP Courts judgments are under the jurisdiction of higher people's courts.

The three courts have jurisdiction over the same subject-matters, but there are also some differences, because Beijing and Shanghai are municipalities directly under the national government, whereas Guangzhou is the capital of Guangdong Province, so they have different hierarchical relationships with the other courts. Indeed, Beijing and Shanghai Municipalities only have one intermediate court, Guangdong Province instead has many other intermediate courts in addition to Guangzhou Intermediate Court. At the same time, Beijing IP Courts has also a special function, because it inherits the Beijing Intermediate Court exclusive jurisdiction on appeals against the decisions of PRB and TRAB.

In sum, Beijing and Shanghai IP Courts have first instance jurisdiction over:

1. civil and administrative cases regarding patent, new plant varieties, topography of integrated circuit, technical secrets, computer software;
2. administrative cases in regard to copyright, trademark, unfair competition against administrative actions from State Council departments or governments above the county level;
3. civil cases regarding the recognition of well-known trademarks.⁴⁶⁰

In addition, Beijing IP Court has jurisdiction over administrative cases concerning decisions of the PRB and TRAB.⁴⁶¹ Guangzhou IP Court has instead jurisdiction over:

1. civil and administrative cases regarding patent, new plant varieties, topography of integrated circuit, technical secrets, computer software from all Guangdong Province;
2. administrative cases in regard to copyright, trademark, unfair competition against administrative actions from State Council departments or governments above the county level from Guangzhou city only;

⁴⁶⁰ Art. 1 of SPC Regulations on Jurisdiction of Cases of Beijing, Shanghai, Guangzhou Intellectual Property Courts.

⁴⁶¹ Art. 5 SPC Regulations on Jurisdiction of IP Courts.

3. civil cases regarding the recognition of well-known trademarks from all Guangdong Province.⁴⁶²

Appeals against first instance IP cases on copyright, trademark, technology contracts, unfair competition and other IP civil and administrative disputes tried by basic people's courts in Beijing, Shanghai and Guangzhou are now competence of the three IP Courts.⁴⁶³ The Beijing, Shanghai and Guangzhou Intermediate People's Courts do not hear anymore IP cases. Other Guangdong intermediate courts however still maintain jurisdiction for appeals from other basic courts. Appeals against judgments made by the IP Courts are heard by the IP division of Beijing, Shanghai and Guangdong Higher People's Courts.⁴⁶⁴

The selection of personnel for the IP Courts is still in evolution. For example, the first 25 judges that have been selected for Beijing IP Court are probably not enough to bear an estimated workload of more than 10,000 cases in 2015.⁴⁶⁵ The SPC has issued a trial *Opinion on the Selection of IP Court Judges*, which provides that candidates for the position of judge in an IP Court may not only be judges, but also other IP law experts engaged in legal practice, research or teaching.⁴⁶⁶ The minimum qualifications are higher than for ordinary judges, as an IP Court judge should have: fourth-level senior judge qualifications; more than 6 years of relevant adjudication experience; at least a Bachelor's Degree in law; strong capacity for leading trials and drafting judgments.⁴⁶⁷ According to Judge Jin Kesheng, IP Court judges are expected to receive higher remuneration, attracting interest from many judges.⁴⁶⁸ Moreover, Beijing IP Court will also include "technology expert officials" (技术调查官) who will help resolve

⁴⁶² Art. 2 SPC Regulations on Jurisdiction of IP Courts.

⁴⁶³ Art. 6 SPC Regulations on Jurisdiction of IP Courts.

⁴⁶⁴ Art. 7 SPC Regulations on Jurisdiction of IP Courts.

⁴⁶⁵ Smith, *Update on China's New IP Courts*.

⁴⁶⁶ *Opinion on the Selection of IP Court Judges (trial)*, issued on 28.10.2014 by the SPC.

⁴⁶⁷ Art. 4 Opinion.

⁴⁶⁸ *Update on Specialized IP Courts*.

technology issues arising in the proceedings, although the courts will not rely on such experts exclusively.⁴⁶⁹

We can notice some interesting developments in the establishment of these IP Courts. First of all, civil and administrative cases are now adjudicated by a single court, a unification until now seen only in pilots and trials, not in an officially established manner. However, these courts still do not have jurisdiction over criminal IP cases, which rest with the criminal divisions of ordinary courts. This means that these IP Courts are still in a trial period, to test the efficiency of such a centralization of competences, and in the future also criminal IP cases or other subject matters could be given to the IP Courts, or removed in case of unsatisfactory results.

Another aspect that should draw our attention is the experiment of cross-region jurisdiction of the Guangzhou IP Court. This court has exclusive jurisdiction over all complex IP cases, such as those concerning patent and well-known trademark, of the entire Guangdong Province. There has never been a concentration of such a large territorial scope of all these disputes under one authority in first instance. If such a system is workable, it could ensure uniform adjudication of controversies from an entire province, a higher level of expertise by the court and minimize the problem of local protectionism. From this point of view, it is significant that the legislator chose Guangdong Province for this experiment, since this is arguably the most developed and advanced province of China but at the same time has also the heaviest workload of IP suits. If the Guangzhou model will prove efficient, it could be expanded to the entire nation.

3.7 Customs Protection

The Chinese customs authorities under the General Administration of Customs (GAC)⁴⁷⁰ play a significant part in trademark protection and enforcement.

⁴⁶⁹ *Ibid.*

Blocking counterfeit products at the border before they enter the Chinese market or they leave for foreign markets is always better than having to deal with them later on. Customs protection is now governed by the Regulations on Customs Protection of IPRs of 2010,⁴⁷¹ which forbids import or export of goods that infringe intellectual property rights, including of course trademark rights.

From the 2003 amendment of the Regulations, customs recording is no longer a prerequisite to request customs remedies against infringement, so any owner of an IPR valid and protected in the PRC can obtain them. However, it is strongly recommended to do it, because customs recording, as we will see below, greatly facilitates the protection of IPRs through the customs.⁴⁷² To apply for customs recording with the GAC, an IPR owner shall submit an application letter, which shall include the identity information of the owner, information and documents on the IPR to be protected, on the goods for which the IPR is exercised, on importers or exporters and information on circumstances of previous infringements of the IPR.⁴⁷³ Within 30 working days from the filing, the GAC will give a decision and send a notification to the applicant.⁴⁷⁴ The customs recording is valid for 10 years from the day of approval and, six months before expiry, may be renewed for other 10 years, but in any case will be cancelled when the IPR is no longer valid and protected by Chinese law.⁴⁷⁵

When an IPR holder finds that suspected infringing goods are about to be imported or exported, he may file an application to the customs at the place of entry or exit for detainment of such goods.⁴⁷⁶ He should attach to the application letter evidence sufficient to prove the obvious existence of the infringement facts.

⁴⁷⁰ The GAC is a full-ministerial-level government agency of the State Council. Unlike other administrative authorities, the Customs districts report directly to the GAC instead of the local governments.

⁴⁷¹ Regulations of the People's Republic of China on Customs Protection of Intellectual Property Rights, amended by the State Council on March 24, 2010.

⁴⁷² Gao, Qi, Zhang, *Intellectual Property Rights in China*, p. 350.

⁴⁷³ Art. 7 Regulations on Customs Protection of IPRs.

⁴⁷⁴ Art. 8 Regulations on Customs Protection of IPRs.

⁴⁷⁵ Art. 10 Regulations on Customs Protection of IPRs.

⁴⁷⁶ Art. 12 Regulations on Customs Protection of IPRs.

Moreover, he shall provide the customs with a guaranty of no less than the equivalent value of the goods, which will be used to indemnify the losses caused to the consignee or consigner due to inappropriate application, and to pay the warehousing, custody and disposal fees, etc. after the goods are detained by the customs.

Only after the application is correctly filed and the guaranty is provided, the customs will detain the suspected infringing goods, notify the IPR holder in writing, and serve the customs detainment list to the consignee or consigner.⁴⁷⁷

However, if the IPR has already been recorded with the GAC, the IPR owner has many advantages. First of all, the customs authorities will *ex officio* inspect any goods suspected to infringe the recorded IPR and immediately notify the IPR holder.⁴⁷⁸ This task is also made easier thanks to the information provided by the customs record, for example on the habitual customs of entry or exit, the legitimate importer or exporter etc.⁴⁷⁹

If the IPR owner believes that there is an infringement, he should send an application for detainment and provide a guaranty. Also on this aspect however the owner of an IPR recorded with the customs is favored: if the value of the goods is more than RMB 20,000 but less than RMB 200,000, he shall provide a guaranty which is 50% of the value of the goods; if the value of the goods exceeds RMB 200,000, he shall provide a guaranty of RMB 100,000, and not the entire value of the detained goods.⁴⁸⁰ In addition, a trademark owner who has recorded his right (this is available only for trademarks, not other IPRs) may choose to submit to the GAC a letter of guaranty issued by a bank or a non-banking financial institution to provide a blanket guaranty for the customs protection measures it requests for its exclusive right to the use of the trademark. The amount of the blanket guaranty should be equal to the sum of the storage,

⁴⁷⁷ Art. 15 Regulations on Customs Protection of IPRs.

⁴⁷⁸ Art. 16 Regulations on Customs Protection of IPRs.

⁴⁷⁹ Gao, Qi Zhang, p. 350.

⁴⁸⁰ Art. 23 Measures of the GAC for the Implementation of the Regulation of the People's Republic of China on the Customs Protection of Intellectual Property Rights.

safekeeping and disposal expenses incurred after the IPR holder applied to the customs for detainment of the goods suspected of infringement during the immediately previous year, or at least RMB 200,000. From the date on which the use of the blanket guaranty is approved by GAC to December 31 of the current year, the trademark holder is not required to provide a separate guaranty when he requests customs measures and detainment of suspected goods.⁴⁸¹

The consignee or consigner of the detained suspected goods may submit a written statement with relevant evidence to prove that he is not infringing the IPR and if the customs deem it convincing may release the goods. When the IPR protected is a patent right, he may, after providing the customs with a guaranty bond of equivalent value to that of the goods, request the customs to release his goods. If the IPR holder fails to bring a lawsuit to the people's court within a reasonable time, the customs will refund the guaranty bond.⁴⁸²

Where any detained suspected infringing goods are ascertained to have infringed upon an IPR after the investigation of the customs, they shall be confiscated by the customs. Confiscated goods may be given to welfare institutions or sold to the IPR owner. If they are unable to be used for the welfare institutions and the IPR holder has no intent of purchase, the customs may lawfully auction them after the infringement features have been eliminated, but imported goods bearing counterfeit trademarks shall not be permitted to enter the commercial channels only by eliminating the trademarks on the goods, except for special circumstances, and if the infringement features are unable to be eliminated, the customs shall destroy such goods.⁴⁸³ When the customs finds any suspected criminal case when carrying out the protection of IPRs, it shall transfer the case in accordance with the law to the public security organ for handling.⁴⁸⁴

⁴⁸¹ Art. 24 Measures of the GAC for the Implementation of the Regulation of the People's Republic of China on the Customs Protection of Intellectual Property Rights.

⁴⁸² Art. 19 Regulations on Customs Protection of IPRs.

⁴⁸³ Art. 27 Regulations on Customs Protection of IPRs.

⁴⁸⁴ Art. 26 Regulations on Customs Protection of IPRs.

3.8 Arbitration

Resorting to arbitration to enforce trademark rights is not so common in China. Part of the reason is that scholars debate whether IP related disputes are arbitrable. Some argue that arbitration should not be used to solve IP controversies since an IPR is granted by administrative authorities through special administrative procedures and whether an IPR is valid or not is a matter of public interest.⁴⁸⁵ This opinion is corroborated by Article 3 of the Arbitration Law of the PRC⁴⁸⁶ which establishes that disputes which should be handled by specific administrative organs cannot be arbitrated. Therefore regarding trademark disputes, a controversy is not arbitrable when it should be handled by the TMO or the TRAB, for example in disputes over trademark registration, validity, ownership, cancellation, administrative penalties etc.⁴⁸⁷

However, there are other kinds of disputes over IPRs that do not involve administrative bodies: contractual disputes related to trademark transfer or license and disputes over trademark infringement. Contractual disputes are clearly arbitrable according to Article 2 of the Arbitration Law.⁴⁸⁸ Infringement cases probably may be solved through arbitration too, because damages suits are considered property disputes.⁴⁸⁹

Nonetheless, trademark owners are discouraged from using arbitration because the arbitral tribunal cannot grant the most effective measures against counterfeiters, such as seizure, which can only be granted by administrative and judicial bodies.⁴⁹⁰ Moreover, *ad hoc* arbitration is not recognized under Chinese law,⁴⁹¹

⁴⁸⁵ He, Wang, *Exploration and Development of Arbitration on IP Rights (Part I)*, p. 1.

⁴⁸⁶ The Arbitration Law of the People's Republic of China 1994 was promulgated by the Standing Committee of the National People's Congress of the PRC on 31 August 1994 and came into force on 1 September 1995.

⁴⁸⁷ He, Wang, p. 2, and Tao J., *Arbitration Law and Practice in China*, p. 60-61.

⁴⁸⁸ Art. 2 provides that disputes over contracts and property rights between citizens, legal persons and organizations may be arbitrated.

⁴⁸⁹ He, Wang, p. 2.

⁴⁹⁰ Reghizzi, *L'arbitrato in Cina anche con riguardo alla tutela della proprietà intellettuale*, p. 150.

because an arbitration agreement that does not contain a specific arbitration commission registered with the administrative department of justice is invalid.⁴⁹² Despite this, *ad hoc* arbitration is sometimes informally practiced in China.⁴⁹³ The most important arbitral institution within China is the China International Economic and Trade Arbitration Commission (CIETAC), but lately many regional Arbitration Commissions also have started paying more attention on the importance of IPR arbitration and some have set up Intellectual Property Arbitration Centers, aiming at providing an effective way for IPR disputes resolution, in addition to judicial and administrative remedies.⁴⁹⁴ Parties to a contract involving “foreign interests” are entitled to agree on arbitration before a foreign arbitral institution, such as the WIPO Arbitration and Mediation Center or the ICC International Court of Arbitration.⁴⁹⁵

Due to the aforementioned limitations, arbitration is not considered the main remedy against trademark infringement, but it can be a supplementary instrument with psychological value. An arbitration clause may deter a potential infringer, since arbitration is less affected by local protectionism or corruption and is also faster compared to litigation in civil courts.⁴⁹⁶

⁴⁹¹ *Ad hoc* arbitration is a form of arbitration where parties have not selected an arbitration commission. The arbitration is conducted pursuant to rules agreed by the parties or laid down by the arbitral tribunal (Kun, *Arbitration in China. A Legal and Cultural Analysis*, p. 40).

⁴⁹² Articles 10, 16 and 18 Arbitration Law.

⁴⁹³ However, if the parties do not perform the award voluntarily, the arbitral award may be unenforceable in the Chinese courts (Kun, p. 42).

⁴⁹⁴ On February 15, 2006, the first Intellectual Property Arbitration Center was set up by the Xiamen Arbitration Commission. Wuhan, Guangzhou and Shanghai followed suit (He, Wang, *Exploration and Development of Arbitration on IP Rights (Part II)*, p. 3).

⁴⁹⁵ Art. 128 Contract Law.

⁴⁹⁶ Reghizzi, p. 150.

3.9 Trademark Enforcement in E-commerce

3.9.1 Legal Framework

A new development in the Chinese (and worldwide) business scene is the rise of e-commerce. Online shopping transactions in China in 2013 were worth RMB 1,847 billion (circa USD 300 billion), a 40.9% increase on the previous year, while the number of online shoppers rose to 302 hundred million, a 48.9% increase.⁴⁹⁷ Online markets provide an easy, fast and cost-effective way for business operators to reach consumers all over the country and the world. However, this is also true for counterfeiters. The Chinese online market is particularly affected by the circulation of products infringing trademark rights. A spokesman of the SPC admitted in 2012 that a considerable number of trademark infringement cases were triggered on the Internet, although it is difficult to make estimates.⁴⁹⁸ According to an investigation by the Japanese Ministry of Economy, Trade and Industry in 2009, infringement of trademark, design and copyright of Japanese companies occurs frequently in the Chinese online market.⁴⁹⁹

Like other sectors of the law (for example privacy and consumer protection), the ordinary regime of trademark protection is not completely suitable for application in this new context, that therefore requires the introduction of some *ad hoc* rules for effective protection against infringement. First of all, regarding conflict of laws, the fact that the violation occurs in the cyberspace or that the parties involved may be outside of China may raise some problem. Some authors suggest that the rules on infringement via Internet of personality rights,⁵⁰⁰ i.e. the law of habitual residence of the victim, should be applied to IPR Internet

⁴⁹⁷ *Market Research Report on Online Shopping in China 2013*, p.13.

⁴⁹⁸ Zhou W., *E-commerce Trademark Cases Rising*.

⁴⁹⁹ Nomura, Okada, Yoshizaki, *Features of IP Rights Enforcement in Korea and China*, p. 9.

⁵⁰⁰ Art. 46 of the *Law of the People's Republic of China on the Law Applicable to Foreign-Related Civil Relations*: "Infringement via Internet or by other means of personality rights such as right to name, right to image, right of reputation and privacy right are governed by the law of the habitual residence of the victim."

infringements.⁵⁰¹ However, the ordinary rules of conflict of laws on IPR infringement can apply also here without much problem,⁵⁰² which means that the law applicable is the *lex loci protectionis*, i.e. Chinese law, or another forum if the parties agree to choose a different one.

As for the liability of the counterfeiter himself, there is no doubt that the ordinary categories of infringement acts include also selling and advertising online counterfeit products, since what is different is simply the medium of the infringement and not the act in itself. The real problem lies in the liability of the e-commerce provider, i.e. of the entity that gives to business operators and counterfeiters the means to sell their products. Without a clear and effective responsibility, the Internet information service provider (ISP) may not have the incentive to seriously eliminate counterfeit products from its online market.

The responsibility of the e-commerce platform provider may be derived from Article 50(2) TLIR that, as we have already seen, includes amongst infringement acts also indirect, supporting activities like providing storage, transportation and other conditions that can facilitate infringement. More recently, testifying the growing importance of online counterfeiting and piracy, the SAIC promulgated the *Interim Measures for the Trading of Commodities and Services through the Internet* in 2010, which requires any internet platform to establish an inspection and supervision system to monitor trading activities.⁵⁰³ In addition, the Ministry of Commerce has issued the *Service Norms for Third-party E-commerce Transaction Platforms* which request the platform operators to undertake a reasonable and careful monitoring duty to timely delete the apparent infringing information.⁵⁰⁴ On 21 April 2011, an inter-ministerial circular was issued, which requires online service providers to adopt technological measures for filtering and

⁵⁰¹ Cavalieri, Franzina, *Il Nuovo Diritto Internazionale Privato della Repubblica Popolare Cinese*, p. 179.

⁵⁰² Art. 50 Law Applicable to Foreign-Related Civil Relations Law.

⁵⁰³ Tao Q., *Legal framework of online intermediaries' liability in China*, p. 65.

⁵⁰⁴ Announcement No. 8 of the Ministry of Commerce, 12 April, 2011.

removing materials and information relating to the manufacture and sale of counterfeit products, IP infringement and inferior products.⁵⁰⁵

A significant breakthrough occurred in 2011 with the promulgation of the Tort Law.⁵⁰⁶ Article 36 of the said law specifically refers to tort liability of the ISP. First of all, when a network user commits a tort through the network services, the victim of the tort is entitled to notify the network service provider to take such necessary measures as deletion, block or disconnection. If, after being notified, the network service provider fails to take necessary measures in a timely manner, it shall be jointly and severally liable for any additional harm with the network user.⁵⁰⁷ The second case in which the ISP is jointly liable is when it knows that a network user is infringing upon a civil right or interest of another person through its network services, and fails to take necessary measures.⁵⁰⁸ This provision clearly states the conditions at which the e-commerce platform may be responsible for the user's infringement and when not, but actually it leaves to judicial interpretation to determine pivotal concepts, in particular what may be considered "necessary measures" and what constitutes knowledge of the infringement.⁵⁰⁹

3.9.2 *The Taobao Cases*

The top online marketplace operator in China is *Alibaba-owned Taobao* (淘宝), which in 2011 accounted for approximately 90% of China's online consumer-to-

⁵⁰⁵ *Circular for Further Pushing Forward the Crackdown on Intellectual Property Right Infringement and Manufacturing and Sale of Counterfeits and Inferior Products in Online Shopping Sector*, jointly issued by the Ministry of Commerce, the Ministry of Industry and Information Technology, the Ministry of Public Security, the People's Bank of China, the GAC, the SAIC, the AQSIQ, the General Administration of Press and Publication and the State Intellectual Property Office.

⁵⁰⁶ Tort Law of the People's Republic of China, adopted at the 12th session of the Standing Committee of the 11th National People's Congress on December 26, 2009.

⁵⁰⁷ Art. 36(2) Tort Law.

⁵⁰⁸ Art. 36(3) Tort Law.

⁵⁰⁹ Fei, *Liability for an Online Marketplace Provider's Trademark Infringement – Practice and Latest Development of Chinese Law*, p. 575.

consumer transactions.⁵¹⁰ It is no wonder that *Taobao* has been involved in many trademark infringement disputes, as happened to *eBay* in various countries around the globe. Nonetheless, we must first acknowledge that *Taobao* has taken many measures to prevent and tackle infringement on its e-commerce platform. Sellers on the website are required to ensure that their goods do not infringe IPRs and other rights detailed in its User Agreement. Moreover, *Taobao* uses keyword filters to prevent sellers from posting banned items and price filters meant to weed out luxury commodities sold at extremely low prices.⁵¹¹ Teams scan the site and manually remove listings that infringe IPRs. In 2010 the company removed 14 million listings for IPR infringement, and in the first half of 2011 alone it deleted 47 million listings.⁵¹²

In 2010 more severe punitive measure have been adopted, with sellers infringing IPRs penalized through the deduction of points; when more points are deducted, *Taobao* imposes increasing restrictions to sell and screens the seller account for a longer time, with permanent closure of the account as extreme punishment.⁵¹³ In 2011, *Taobao* launched an online reporting system in compliance to Chinese regulations that allows brand owners to report product listings they believe to be fakes by filing complaints with identification data, certification of their IPR, the product listings deemed to be infringing and additional proofs. If the complaint seems valid, *Taobao* will begin to take down the involved product listings and the seller in violation can appeal by submitting a counter-notification.⁵¹⁴ Despite these mechanisms, counterfeiting continues to present a serious challenge for *Taobao*. The United States Trade Representative still listed *Taobao* as the most notorious online market for counterfeit products in 2011.⁵¹⁵

⁵¹⁰ Bergman, *The eBay of the East: inside Taobao, China's online marketplace*.

⁵¹¹ *Ibid.*

⁵¹² *Ibid.*

⁵¹³ Art. 48 Taobao Regulations. <http://rule.taobao.com/detail-62.htm?spm=0.0.0.0.PvIn9K>

⁵¹⁴ Art. 66-69 Taobao Regulations.

⁵¹⁵ *Out-of-Cycle Review of Notorious Markets*, p. 3.

Of the many trademark infringement disputes involving *Taobao*, some were settled out of court through private settlement.⁵¹⁶ In the other cases, *Taobao* was sued in front of the Chinese people's courts, with little results at the beginning. Indeed, the prevalent opinion of the judges was that an ISP could not bear the too heavy burden of monitoring all the activities of the sellers and that it is required to take just the minimum necessary measures, therefore the ISP easily avoided liability for infringement. One of the earliest and exemplar judgments of this kind is the one of *Puma* case,⁵¹⁷ in which the court considered that *Taobao* should not bear responsibility as the measures taken were compliant to its internal rules. Moreover, the court deemed that there was no legal ground for requiring *Taobao* to review the legality of all the products sold on its platform.⁵¹⁸

The 2011 *E-Land* case may be seen as a turning point in the judicial interpretation of ISP liability for IPR infringement, as the Shanghai Pudong New District Court finally condemned *Taobao* and the appeal to the Shanghai Intermediate Court confirmed the judgment of first instance.⁵¹⁹ In this case, the court reasoned that *Taobao* was fully aware of the nature of the activities of the infringer. In fact, from September to November 2009, Korean company *E-Land* had filed 131,261 complaints and accordingly 117,861 infringing links had been deleted.⁵²⁰ Of these, 7 complaints were against seller Du Guofa and these links had been all deleted by *Taobao*, which however did not take any further necessary measure to prevent infringement, like deducting points of the seller, in violation of its own internal rules. The number of complaints and the number of deletions showed that *Taobao* was aware of the high incidence of infringement and also knew that

⁵¹⁶ Fei, p. 575.

⁵¹⁷ *Puma Aktiengesellschaft Rudolf Dassler Sport v. Zhejiang Taobao Network Co., Ltd. & Chen Yangrong*, Guangzhou Higher People's Court, 8 October 2006.

⁵¹⁸ Fei, p. 576.

⁵¹⁹ *E-Land International Fashion (Shanghai) Co v. Zhejiang Taobao Network Co., Ltd. and Du Guofa*, Shanghai No. 1 Intermediate People's Court, 25.04.2011.

⁵²⁰ Chen Jianmin, *Case Comment: Yinian (Shanghai) Garments Trading co. Ltd. v. Zhejiang Taobao Network Co. Ltd. and Du Guofa*, p. 287.

merely deleting the infringing material was not an effective way of dealing with infringement of *E-Land*'s trademark rights.⁵²¹

According to the court, also other circumstances clearly showed *Taobao*'s awareness: the justifications and evidence brought by *E-Land* in its complaints, the statements and guilty behavior of the seller himself, who did not file even one counter-claim after each take down.⁵²² Thus the ISP had full knowledge of the activities of the counterfeiter. As the biggest Chinese ISP in e-commerce, *Taobao* should be capable of managing infringing acts of its users, but did not take any other penalty measures except for simply deleting infringing goods information. *Taobao*'s behavior intentionally facilitated Du Guofa in selling counterfeit goods and constituted contributory infringement, therefore *Taobao* was judged jointly and severally liable for the infringement with Du Guofa.⁵²³ The importance of this judgment is underlined by the fact that it was published by the SPC as one of the 10 Big Cases on IPR protection of the year 2011.

3.9.3 Current Interpretation of ISP Liability

By analyzing the case law following the 2011 *E-land* judgment, we may try to summarize the current judicial interpretation on the liability of e-commerce platform providers. First of all, we must distinguish between the situations of direct infringement and the ones of indirect, contributory infringement. The distinction is important because in case of direct infringement, Art. 51-52-56 TL apply and therefore the infringer will have to independently compensate the damages caused to the right holder with his unlawful behavior. Instead, if the act is qualified as contributory infringement, Art. 36 Tort Law applies and he will bear joint liability with the main infringer within the scope of further loss caused by his behavior. Reading the judgments involving e-commerce platforms, most of the plaintiffs qualify the liability of the ISP as responsibility for direct

⁵²¹ Fei, p. 577.

⁵²² Fei, p. 578.

⁵²³ Chen J., p. 289.

infringement of their trademark right. But the courts clarified that the e-commerce platform providers do not directly commit any infringing activity, but simply supply the means, i.e. the e-commerce website, through which the violation occurs.

Therefore the classical e-commerce platform exemplified by *Taobao* and *eBay* falls within the scope of Art. 36 Tort Law. But there are also other models of e-commerce website that should be taken in account. For instance, in the *DESCENTE* case, the counterfeit goods were publicized and sold on *Didatuan*, the most popular Chinese group buying website. The provider of *Didatuan*, *Beijing Today City* company, had signed a “promotion contract” with the supplier, had conducted an active promotion and advertising campaign specifically for the infringing goods and had directly gained economic benefits from the sale.⁵²⁴ For this reason, the presiding court determined that this behavior constituted direct infringement of the trademark right. The ISP did not simply provide the usual e-commerce service, but had also taken an active role in the infringement.

Coming back to the cases of contributory infringement, Art. 36 Tort Law considers two situation in which the ISP bears liability. In the first one, the right holder sends a notification to the ISP that should take accordingly and in a timely manner the necessary measures to stop the infringement. Contrarily to what many plaintiffs believed, not any kind complaint gives rise to responsibility of the ISP. According to the *GBW Zhuhai* judgment, the complaint of the trademark owner must have the appropriate content requirements to be deemed valid as for Art. 36 Tort Law.⁵²⁵ The court interestingly cited the *Regulations on Protection of the Right of Dissemination through Information Network*, issued by the State Council to regulate the responsibility for online copyright infringement.⁵²⁶ Due to the lack

⁵²⁴ *DESCENTE Ltd. v. Shenzhen Zouxu Network Technology Co., Ltd. & Beijing Today City Information Technology Co., Ltd*, Beijing Higher People’s Court, 19.12.2012.

⁵²⁵ *Ginseng Board of Wisconsin Inc. v. Zhuhai SEZ Yuezhu Pharmaceutical Company, Lu Xiaotao & Zhejiang Taobao Network Ltd.*, Zhuhai Intermediate People’s Court, 05/08/2012.

⁵²⁶ *Regulations on Protection of the Right of Dissemination through Information Network*, issued by the State Council on 18 May 2006, amended 30 January 2013.

of a specific provision on the complaint in the Tort Law or other regulations on online transactions, the court decided to use this article by analogy to determine whether a notification was valid.

Article 14 of the regulation requires the following content: the name, contact information and address of the right holder; the title and web address of the infringed work that must be deleted or the web addresses of the link that must be disconnected; the preliminary evidence materials of commission of infringement. The web address or link of the infringing information is necessary for the ISP to take measures to stop the infringement. The plaintiff most probably can easily get and provide this information to the ISP, because it must have acceded before to the incriminated webpage in order to discover the infringement. On the contrary, it may be very difficult if not impossible for the ISP to find the links by himself without the necessary information and to distinguish the infringing from the legitimate ones, therefore the trademark owner cannot expect that the ISP take the initiative to actively review every shop on his website after receiving a general complaint. This principle was affirmed also in the *GBW Jilin* judgment,⁵²⁷ which was included amongst the 50 model cases on IPR protection of 2012.⁵²⁸

The same goes for the preliminary evidence of infringement: it should be supplied by the right holder, since he has all the information and proofs about his right and the counterfeit goods. Without this evidence, the ISP cannot distinguish between a legitimate complaint and a pretentious one. Therefore, the ISP is not legally responsible for not taking the necessary measures, since it was the right holder who did not act with duty of care, as exemplified by the *E-land Hangzhou* judgment.⁵²⁹ The notification by *E-land* company was not deemed in compliance with statutory requirements, because it lacked an expert evaluation of the alleged counterfeit products and cited as main criterion to distinguish the counterfeits only the price, without however providing the price of the genuine products. As we can

⁵²⁷ *Ginseng Board of Wisconsin v. Zhejiang Taobao Network Ltd. & Jilin Ginseng Xiangguibao Specialties Ltd.*, Jilin Higher People's Court, Civil case No. 3 of 2012.

⁵²⁸ Issued by the SPC on 15.04.2013.

⁵²⁹ *E-land (Shanghai) v. Xu Min & Taobao Zhejiang Ltd.*, Hangzhou Yuhang District Court, 11.10.2012.

see, the trademark owners should be clearly aware that they have first to comply with their obligation by correctly filing the notification to the ISP, in order to produce the corresponding obligation of the ISP to stop the violation.

The second case of online intermediary joint liability is when the ISP knows of the infringement but fails to take the necessary measures. Although the Tort Law does not define what constitutes “knowledge” of the infringement, the authoritative opinion of the Vice-Director of the Law Committee of the Standing Committee of the NPC and the Grand Justice Xiaoming Xi of the SPC is that the term “know” in Art. 36 includes the meaning of both “actually know” and “should have known” (明知或应知).⁵³⁰ They correspond respectively to the two types of fault, intention and negligence. From the analysis of the case law, we can confirm that this is the interpretation in practice adopted by the courts.

However it is not easy to find a practical application for this provision apart from the cases already included in the preceding paragraph. Since the e-commerce provider is not legally obliged to monitor every shop on his platform, the most recurrent situation in which he will be aware of the violation is when he receives a valid complaint by a right holder. When the complaint content does not comply with the requirements we have analyzed, the courts tend to dismiss the opinion that the ISP should be anyway aware of the infringement because “the information of the infringing commodities on the website does not constitute a clearly illegal or infringing circumstance”.⁵³¹ Probably, we may imagine one situation to which Art.36(3) Tort Law may apply, that is when the e-commerce provider receives a consistent number of complaints by the customers, not the right holder, but does not take the punitive measures against the seller of counterfeit goods. But the ISP in this case would have the incentive to take action, to avoid customer dissatisfaction for the service and the risk that they will not use it in the future, therefore it is unlikely that such a situation happens. Moreover, the information

⁵³⁰ Tao Q., *The Knowledge Standard for the Internet Intermediary Liability in China*, p. 3.

⁵³¹ *E-land (Shanghai) v. Xin Zhangma & Taobao Zhejiang*, Hangzhou Yuhang District Court, 06.12.2013. Also in other judgments.

about the buyers' complaints would be in the hands of the ISP himself and it would be impossible for the trademark owner to obtain it.

From the available case law, we have just two judgments that refer to possible proofs of knowledge of the ISP, one is the 2011 *E-land Shanghai* case. The presiding court cited, in addition to the notifications and evidence sent by the right holder, the statements written by the seller on the very webpage of his shop (that candidly admitted that some of the products were "high quality counterfeits") and his self-admitting behavior of not protesting to the deletion of the links. The court didn't specify if this type of evidence may be sufficient to demonstrate knowledge, because it was cited only as one of many concurrent circumstances. But we may assume that a serious breach of the reasonable duty of monitoring and installing technological measures to eliminate infringing content, as required by the administrative rules on ISPs, should fall within the scope of Art. 36(3) Tort Law.

Finally, regarding the meaning of "necessary measures", Art. 36(2) Tort Law explicitly requires the ISP, when receiving a complaint, to take down the content in dispute, block access to the content, disconnect the link and the like. But if the seller persists in the infringement, the *E-land Shanghai* judgment asserted that simply deleting the infringing links is not sufficient and stronger punishments are necessary, such as limiting the release of information by the seller and freezing or shutting down the online shop. These punitive measures and the deductive points systems have been adopted, as we have seen, by *Taobao* in its User Regulations, but also by other e-commerce platform providers, indicating that there is a clear trend to self-regulating in order to avoid legal liability.⁵³² The *E-land Hangzhou* judgment adds also another possible measure: disclosing to the right holder the seller's identity and contact information. In the case of *Taobao*, sellers are required to use their ID and other data to register on the platform, therefore

⁵³²For example, see *Jingdong User Rules* Art. 5.3 <http://help.jd.com/Vender/question-851.html> and *Dangdang User Rules* Art. 30-32 http://t.dangdang.com/20130624_3deu?wide_type=1

Taobao knows the real identity of the sellers and is required to transmit it to the trademark owner so that he may take administrative or judicial actions.

3.9.4 The Chinese Approach in Comparison

The novelty of the phenomenon of e-commerce counterfeiting and its global reach has resulted in widely different standards of protection in the legal systems of different countries. In the USA, the courts have adopted a softer attitude towards the liability of e-commerce providers, as exemplified by the *Tiffany* case.⁵³³ In that judgment the Court of Appeals ruled that general knowledge of the infringement was not sufficient to establish the ISP liability, because contributory trademark infringement requires the proof of specific knowledge of the infringement, which had not been proven by *Tiffany* despite having filed some complaints to *eBay*.⁵³⁴ Moreover, the court further reasoned that *eBay* had taken necessary measures to tackle counterfeiting, investing millions of dollars in activities such as the VeRO program, and control of every possible infringement was an impossible task.⁵³⁵ Finally, *eBay* had removed violating listings when *Tiffany* had specifically indicated them, but the complaints were not sufficient evidence to justify permanent banning of the seller.⁵³⁶

On the contrary, European courts have a stricter approach compared to the US doctrine. *eBay* was repeatedly condemned by the French courts and recently also the European Court of Justice had the opportunity to intervene on the subject. According to the EU Directive 2000/31, the ISP is liable for the conduct of its user only when it has actual knowledge of illegal activity or information, or is aware of facts or circumstances from which the illegal activity or information is apparent, and fails to expeditiously remove or disable access to the information.⁵³⁷

⁵³³ *Tiffany Inc. v. eBay, Inc.*, US Court of Appeals for the 2nd Circuit, April 1 2010.

⁵³⁴ *Tiffany v. eBay, Inc.*, 600 F.3d 93, p. 107.

⁵³⁵ *Tiffany v. eBay, Inc.*, 600 F.3d 93, p. 109.

⁵³⁶ *Ibid.*, p. 106.

⁵³⁷ Article 14(1) of Directive 2000/31.

However, the Member States cannot impose a general obligation on providers to monitor the information which they transmit or store, or a general obligation to actively seek facts or circumstances indicating illegal activity.⁵³⁸

In the *L'Oréal* judgment, building upon this legal framework, the European Court of Justice stated that knowledge by an online market provider of illegal content on its platform should be determined case-by-case, taking into account any relevant circumstance, including the fact that it had been notified about the infringement. However, the mere notification is not sufficient to establish responsibility, because it may contain inaccurate or unproven information about the infringement.⁵³⁹ The court further specified that the operator of an online marketplace should be deemed to have knowledge or control of the infringement if it played an “active role”, such as using the trademark to promote its marketplace or services in the sale or promotion of goods, thereby expanding the area of responsibility.⁵⁴⁰ It stated also that the Member States of the EU have the obligation to ensure that the courts are able to order the operator of an online marketplace to take measures which contribute, not only to stop infringements by users of the online marketplace, but also to prevent further infringements of that kind. The measures required must be fair and proportionate and must not be excessively costly, for example systems to make it easier to identify customer-sellers.⁵⁴¹

The previous Chinese judicial doctrine, more favorable towards the ISP, may be compared to the US approach, where knowledge of infringement is determined only when explicit complaint is filed to the ISP, while simple measures such as the deletion of the information are considered enough to avoid liability as long as the ISP is undertaking general activities against counterfeiting. The advantage of this standard is that the online marketplace provider is not burdened by too many

⁵³⁸ Article 15 of Directive 2000/31.

⁵³⁹ Tescaro, *Schemi Legali e Opposte Tendenze Giurisprudenziali in tema di Responsabilità Civile dell'Internet Provider*, p. 2600.

⁵⁴⁰ *L'Oréal SA and Others v. eBay International AG and Others*, Case C-324/09, 12/07/2011.

⁵⁴¹ *Ibid.*

restrictions and monitoring duties that could hinder the development of this new business sector. On the other side however, the burden of dealing with counterfeiting lies almost entirely on the shoulders of the right holders and if this is already quite onerous for big multinational companies, it is impossible to cope with for small and medium enterprises. Moreover, deletion of listings is rather ineffective against infringement, given that it is very easy for counterfeiters to post new listings and ultimately the only way available to trademark owners to solve at the source the problem would be to turn to administrative and judicial remedies. In this way, there will also be an increase in administrative and judicial cases, as it is already happening now, which of course it is not a positive trend and may strain the resources of these authorities.

The new development of judicial doctrine after the *E-Land* case is strikingly close to the stricter EU approach, because the knowledge of infringement is evaluated on the basis of a variety of factors, restricting the “safe harbor” within which the ISP can avoid responsibility. It is remarkable also that both the *L’Oréal* and *DESCENTE* cases consider the situation where the ISP has an “active role” in the infringement. Moreover, both doctrines consider mere deletion of information of the infringing goods not sufficient to deal with counterfeiting and require that stronger measures are taken, in particular with the aim to prevent future infringement and suggest the use of an identification system of the sellers. The burden on the e-commerce platform is heavier than under the US approach, but it is not excessive, since both the European Court of Justice and the Chinese people’s courts have carefully taken into account measures that are cost-effective for the ISP.

Regarding the trademark owners, the current judicial doctrine gives them more effective tools to cope with counterfeiting and encourage cooperation with the ISP since also the right holders have to act with duty of care in filing their notifications. There are positive consequences also for the administration and the courts, because more effective self-policing of the e-commerce platforms means also a reduction of actions that will be activated by right holders. Looser protection till 2011 had helped the counterfeiters to thrive in the online markets.

The current judicial interpretation of the law, instead, helps trademark owners to incisively tackle infringement and at the same time does not require a too cumbersome monitoring activity by the ISP, thus probably reaching a good balance between protection of trademark rights and promotion of e-commerce. However, the fight against counterfeit goods on online marketplaces like *Taobao* and *eBay* is far from won and more restrictive measures should be adopted in the future if there is no improvement, especially with regard to self-policing.

4 A STATISTICAL PERSPECTIVE ON WELL-KNOWN TRADEMARKS

4.1 Administrative Protection Statistics

4.1.1 General Administration Statistics

To understand the evolution of well-known trademark protection and recognition in China, we have to compare it to the general trend of the trademark system. First, we will review the administrative protection of trademarks. As we may expect from a developing economy that has grown on an annual average of more than 8 % in the last decade, also the number of trademark applications and registration surged at a similar pace. Between 2004 and 2013, the number of applications, including those from domestic and foreign persons, has tripled, while the number of trademarks approved has grown fourfold (see Table 1).

TABLE 1. TRADEMARK REGISTRATIONS 2004-2013⁵⁴²

Year	Filed	Approved	Foreign
2004	587,925	266,619	-
2005	664,017	258,532	-
2006	766,319	275,641	-
2007	707,948	263,478	-
2008	698,119	403,469	-
2009	830,477	837,643	100,415
2010	1,072,187	1,349,237	137,809
2011	1,416,785	1,022,698	96,368
2012	1,648,316	1,004,897	84,946
2013	1,881,546	996,724	87,183

⁵⁴² *Annual Development Report on China's Trademark Strategy 2013*, p. 111.

⁵⁴³ *Annual Development Report on China's Trademark Strategy 2009*, p. 110; *2010*, p. 129; *2011*, p. 112; *2012*, p. 119; *2013*, p. 107.

TABLE 2. TRADEMARK REVIEW CASES⁵⁴⁴

	2009	2010	2011	2012	2013
Review of Rejected Applications	28,594	29,985	26,840	42,778	108,301
Review of Trademark Oppositions	3,822	5,931	6,082	7,087	30,232
Disputes over Registered Trademarks	3,989	2,901	1,890	197	5,042
Review of Cancellation of Trademarks	597	403	231	2,442	607
Administrative Reconsideration	84	104	188	64	241

If we look at the trademark review cases data, we may notice a surprising development. The number of reviews of rejected applications and trademark oppositions increased dramatically in 2012 and even more in 2013 (see Table 2). This surge is not the result of an actual increase of oppositions by right holders or more severity from the administrative bodies. Instead, it is a consequence of renewed efforts by the SAIC to reduce the backlog of review cases accumulated through the years. Slow procedures and lack of personnel had unduly delayed the opposition and review procedures, to the detriment of rightful trademark owners. The SAIC then decided to take strong measures to tackle this problem and obtained significant success, especially in 2013 when the TMO and TRAB settled a number of cases equivalent to the sum of the workload of the past four years and the review period was shortened to 17 months.⁵⁴⁵

⁵⁴⁴ *Annual Development Report on China's Trademark Strategy* 2009, p. 115; 2010, p. 134; 2011, p. 117; 2012, p. 124; 2013, p. 112.

⁵⁴⁵ *Annual Development Report on China's Trademark Strategy* 2013, p. 27.

Well-known trademark protection may be requested through trademark opposition and invalidation procedures, thus if the number of oppositions and invalidations increases, we may expect an increase also of well-known marks recognized through these proceedings. From the available statistics, there was indeed a rise in opposition cases, with a spectacular pinnacle in 2013, while invalidation cases diminished until 2012 and then regained in 2013. If we combine the number of cases of both type, the sum was constant around 7,000-8,000 cases until 2012, while in 2013 the total number was of roughly 35,000. We may expect then that the number of well-known marks recognized through review procedures may have a significant surge in 2013.

The other administrative procedure through which well-known marks may receive protection is the AIC enforcement. These cases are started at the local level, but the recognition of well-known status is carried out by the TMO and TRAB. According to SAIC data, the number of trademark infringement cases handled by the AICs between 2009 and 2013 peaked in 2011 and then decreased almost back to 2010 level (see Table 3). Strikingly, also the cases involving foreign parties followed the same pattern. Luckily, we have also access to the number of AIC cases regarding well-known trademarks. Also these cases increased in 2011 (from 64 to 228) and then remained more or less stable (see Table 4).

Taking into account both review and infringement cases, we expect to find an increase of well-known trademarks recognized until 2011, and then probably a peak in 2013. Of course, other factors have an influence on the number of trademarks recognized by administrative authorities. Moreover, we cannot be sure whether data provided by Chinese authorities are reliable and consistent.

TABLE 3. TRADEMARK INFRINGEMENT AND COUNTERFEITING
CASES HANDLED BY AIC⁵⁴⁶

	2009	2010	2011	2012	2013
Total Number of Cases	43,596	48,548	68,836	59,085	49,971
Number of Foreign-related Cases	10,259	11,386	16,513	14,033	11,636
Total Value of Cases (ten thousand Yuan)	57,631.32	79,682	89,737	108,270	65,230
Amounts of Fines (ten thousand Yuan)	35,839.21	41,237	53,092	47,878	46,406
Cases Transferred to Judicial Organs	92	175	421	576	362

TABLE 4. AIC CASES INVOLVING ART. 13 TL VIOLATION⁵⁴⁷

Year	Number of Cases	Total Value (10,000 RMB)
2009	69	137
2010	64	161.45
2011	228	248
2012	173	274
2013	232	310

⁵⁴⁶ *Annual Development Report on China's Trademark Strategy 2009*, p. 119; *2010*, p. 136; *2011*, p. 120; *2012*, p. 126; *2013*, p. 114-115.

⁵⁴⁷ *Annual Development Report on China's Trademark Strategy 2009*, p. 116; *2010*, p. 135; *2011*, p. 118-119; *2012*, p. 125; *2013*, p. 113.

4.1.2 Well-known Trademarks Recognized by the SAIC

TABLE 5. WELL-KNOWN TRADEMARKS RECOGNIZED BY TMO⁵⁴⁸

Date of publication	Number from Opposition Procedure	Number from Trademark Management	Total Number of Well-known Trademarks
25.02.2004	-	-	43
19.06.2004	11	15	26
12.11.2004	4	58	62
23.06.2005	5	59	64
05.01.2006	10	77	87
01.06.2006	-	-	62
16.10.2006	-	-	87
14.09.2007	-	-	130
25.03.2008	33	136	169
25.04.2009	22	277	299
15.01.2010	21	293	314
08.10.2010	11	217	228
27.05.2011	24	289	313
29.11.2011	28	350	378
27.04.2012	39	410	449
04.01.2013	27	492	519

According to data provided by the SAIC, the number of well-known trademarks recognized by the administrative authorities has significantly increased from 2004 to 2012. This trend is not surprising, as we have seen that it is consistent with the development of the trademark system in general. What is revealing, instead, is the magnitude of the rise in number of well-known marks. For example, the number of recognitions by the TMO between June 2004 and June 2005 was of 126 trademarks, whereas between April 2012 and January 2013, in just 8 months, the TMO had determined that 519 trademarks were well-known, which is more than five times from a year to year comparison (see Table 5). This pattern is even more noticeable with regard to cases handled by the TRAB, where the number of recognitions between 2004 and 2012 looks multiplied almost by ten (see Table 6).

⁵⁴⁸ Trademark Office Website (in Chinese) <http://sbj.saic.gov.cn/cmsb/>.

The statistics for the year 2013 are not very clear instead. This is because of the new attitude of the SAIC towards publication of data on well-known mark recognitions, a consequence of the abuse of well-known status recognition. If until 2012 not only the numbers, but also the list of trademarks recognized was published on its website, no data is available for succeeding years. The section on well-known trademarks contained in the *Annual Development Report on China's Trademark Strategy* of previous years has disappeared from the 2013 Edition. There is only a brief mention, stating that 330 well-known marks have been recognized in 2013 in review cases, and 147 already recognized marks have been determined again.⁵⁴⁹

TABLE 6. WELL-KNOWN TRADEMARKS RECOGNIZED BY TRAB⁵⁵⁰

Date of Publication	Number of Well-known Trademarks
18.11.2004	11
24.06.2005	15
05.01.2006	11
05.06.2006	12
16.10.2006	19
14.09.2007	51
25.03.2008	59
25.04.2009	91
15.01.2010	72
08.10.2010	68
27.05.2011	83
29.11.2011	100
27.04.2012	150
31.12.2012	180

⁵⁴⁹ *Annual Development Report on China's Trademark Strategy 2013*, p. 29.

⁵⁵⁰ Trademark Office website (in Chinese) <http://sbj.saic.gov.cn/cmsb/>.

Not only these data are just mentioned in passing, but the language is also not clear making difficult to understand what is referring to. The 330 marks are determined in “review cases”, it is not clear whether it refers to any case handled by the SAIC or just by the TRAB, whose cases are usually called “review cases”. The same goes for the re-determined marks, it is not specified if they are included or not in the 330 total cases.

Luckily, we may infer the real number from other sources. According to deputy director of the SAIC Yan Shi, from 1985 to July 2014 the administrative authorities had recognized a total of 5,557 well-known trademarks.⁵⁵¹ In another interview on April 2009, a spokesperson from the SAIC had stated that the total number of recognized marks since 1985 was of 1,624 trademarks.⁵⁵² If these data are reliable, it means that the number of marks determined between April 2009 and July 2014 is of 3,933. From the released statistics, the total number of marks recognized between April 2009 and December 2012 is 2,854. This would put the number of marks determined as well-known by the SAIC between December 2012 and July 2014 to 1,079. If we compare this to the 1,298 marks determined by TMO and TRAB between November 2011 and December 2012, we notice a decrease which had never happened in previous years, which is even more striking if we take into account the surge of oppositions in 2013.

May be this a sign that the SAIC is now less willing to grant well-known status? We cannot say with certainty. First of all, we should wait to see whether this trend will continue in the next few years or not. Secondly, Chinese authorities are reluctant to release clear-cut data and many of those published are inconsistent and ambiguous. For example, data about Art. 13 cases handled by the AIC (Table 4) do not correspond to the number of well-known marks recognized through management procedures (Table 5).

⁵⁵¹ *Online interview: Deciphering the new “Rules on Determination and Protection of Well-known Trademarks”.*

⁵⁵² *Ye, Person in charge of the Trademark Office and TRAB of the SAIC answers questions by Industry & Commerce News reporter related to recognition and protection of well-known trademarks.*

Regarding foreign trademarks, as of April 2009, 98 had been recognized as well-known, accounting for 6% of the total.⁵⁵³ Although we do not have a clear reference, the ratio between domestic and foreign trademarks recognized by the SAIC in most recent years has not changed significantly. This highlights the difficulty for foreign marks to obtain such protection, which is instead not so hard for local right holders.

4.2 Judicial Protection Statistics

4.2.1 General Court Statistics

Compared to administrative remedies, trademark and general IP judicial protection has seen a considerable development only in recent years. From 2009 to 2013, the number of civil trademark cases of first instance has more than tripled (see Table 7). The increase in number of cases handled by the courts is the result of improved efficiency and expertise of the judges, which translated in increased trust from right holders, that are now more than ever eager to use this efficacious remedy. This means that the civil remedies will play a more prominent role in the future of IPR enforcement in China.

The trend of administrative cases, especially those of first instance, has not been linear, although there has been a moderate rise between 2009 and 2013 (see Table 7 and 8). This is probably because the administrative cases depend on the pattern of administrative remedies. What is really noteworthy about administrative suits is that around half of them are filed by or against foreign persons (see Table 9). Since most of the administrative cases are those against decisions of the TRAB, this means that foreign parties are those that are more willing to challenge the decisions of the trademark authorities. The administrative suits against the TRAB are adjudicated by the Beijing courts, in particular from then end of 2014 by the Beijing IP Court. The judgments and doctrines by these courts are therefore extremely important for foreign trademark owners.

⁵⁵³ *Ibid.*

TABLE 7. TRADEMARK CASES BY FIRST INSTANCE CIVIL COURTS⁵⁵⁴

	Civil Cases	Administrative Cases
2009	6,906	1,376
2010	8,460	2,026
2011	12,991	1,767
2012	19,815	2,150
2013	23,272	2,161

TABLE 8. ADMINISTRATIVE CASES ADMITTED BY BEIJING COURTS⁵⁵⁵

	2009	2010	2011	2012	2013
First Instance	1,346	1,815	1,704	2,525	1,760
Second Instance	465	703	903	919	881
Retrial	32	17	56	52	57

TABLE 9. TOTAL IP ADMINISTRATIVE CASES⁵⁵⁶

	Number of Total Cases	Number of Foreign-related Cases	Percentage of Foreign-related Cases to Total
2010	2391	1004	41.99%
2011	2470	1237	50.08%
2012	2899	1349	46.53%
2013	2901	1312	45.23%

⁵⁵⁴ *Situation of Intellectual Property Protection by Chinese Courts 2009-2010-2011-2012-2013.*

⁵⁵⁵ *Annual Development Report on China's Trademark Strategy 2009*, p. 115; *2010*, p. 134; *2011*, p. 117; *2012*, p. 124; *2013*, p. 112.

⁵⁵⁶ *Situation of Intellectual Property Protection by Chinese Courts 2010-2011-2012-2013.*

4.2.2 Well-known Trademarks Recognized by the Courts

Judicial protection of well-known trademarks has a shorter history compared to administrative protection, beginning just in 2001 with the *Interpretation on Domain Name Disputes* and the revision of the TL. According to current statistics, during the period from July 2001 to October 2002, there were only three trademarks which were recognized as well-known mark through judicial procedures in China. This number increased dramatically from October 2002 to September 2005, when the total number increased to 72; from October 2005 to September 2006, 115 trademarks were recognized, for a total of 187.⁵⁵⁷ Until 2007, more than 300 trademarks had been determined by about 300 different courts.⁵⁵⁸ According to these data, the number of recognitions has increased year by year (see Table 10).

The number of trademarks being granted well-known status by various local courts varies largely, with the more experienced courts proceeding more cautiously when granting such status upon trademarks. From 2001 to the end of 2006, only six well-known trademarks were affirmed by the courts in Beijing at all levels. In Guangdong province, from July 2001 to June 2006, 18 well-known trademarks were affirmed by the courts at different levels. The Shanghai courts determined just two well-known trademarks instead. The number of intellectual property cases handled by the courts of the above three regions are among the highest in China and it is also generally recognized that the judges in these courts dealing with intellectual property disputes are more experienced than their counterparts in other regions of the country.⁵⁵⁹ However, the trademarks recognized by these courts comprise just a small portion of the total.

The report of the Beijing First Intermediate People's Court IP Task Group of 2007 makes clear that inconsistency of standards utilized to recognize well-known

⁵⁵⁷ Cui Wenyu, "Speed Limitation" Needed for Judicial Affirmation of Well-known Trademarks.

⁵⁵⁸ Xu, Zhao, *Judicial Recognition of Well-known Trademarks in China*, p. 1 and Feng, p. 828.

⁵⁵⁹ Xu, Zhao, p. 2.

marks is remarkable throughout courts in China. In some regions, the ratio of trademarks recognized as well-known was more than eighty percent, whereas less than thirty percent were recognized by Beijing courts in the same time period.⁵⁶⁰ As a result, varying standards may lead to forum shopping by trademark owners, especially Chinese ones, in order to obtain well-known mark protection and status for their marks.

TABLE 10. WELL-KNOWN TRADEMARKS RECOGNIZED BY COURTS
2001-2005, BY YEAR⁵⁶¹

Year	Number of Well-known Trademarks
2001	3
2002	0
2003	7
2004	19
2005	43

Looking at 2001-2005 data, the most prolific courts in the period between 2001 and 2005 have been the courts of Shandong with 9 and of Fujian with 18 (see Table 11). Despite the fact that these two provinces are quite developed and industrialized, they are not comparable to others like Guangdong and Zhejiang. Furthermore, all the trademarks determined by the above mentioned Shandong and Fujian courts are local brands, while among the just 5 recognized by Beijing and Shanghai courts there are 3 foreign trademarks, “Dupont”, “Rolex” and “Safeguard”.⁵⁶² This is another hint showing that not only there is a lack of uniform standard, but also some form of local protectionism in some jurisdictions.

⁵⁶⁰ Beijing First Intermediate People’s Court IP Task Group, *Existing Issues in and Solutions for Judicial Protection of Well-Known Marks*, p. 55.

⁵⁶¹ *Ibid.*

⁵⁶² Chen Si, *Statistic Chart of Well-known Trademarks Recognized in Effective Court Decisions from July 2001 to October 2005*.

TABLE 11. WELL-KNOWN TRADEMARKS RECOGNIZED BY COURTS
2001-2005, BY PROVINCE/MUNICIPALITY⁵⁶³

Province or Municipality	Number of Well-known Trademarks
Anhui	2
Beijing	4
Chongqing	1
Fujian	18
Gansu	1
Guangdong	5
Hainan	2
Hebei	2
Heilongjiang	1
Henan	4
Hubei	7
Jiangsu	4
Jiangxi	1
Liaoning	2
Shandong	9
Shanghai	1
Tianjin	1
Yunnan	2
Zhejiang	5

To this day, Shanghai courts are still the strictest ones in terms of granting well-known mark protection, as it recognized only in 2011 its third well-known trademark “Johnnie Walker”, which like “Safeguard” and “Starbucks” is a foreign brand.⁵⁶⁴ The courts that have seen instead a dramatic rise of recognitions are those of Beijing, probably due to the high number of foreign mark owners that apply for invalidation of infringing registrations. In the just few cases that we have analyzed in this paper, the Beijing courts have determined a good amount of foreign trademarks (such as Heinz, Rolling Stone, Hermes, etc).

⁵⁶³ *Ibid.*

⁵⁶⁴ Nie K., *Johnnie Walker's successful suppression of trademark dilution*.

CONCLUSION

At the end of this research, we may dare to make some considerations. First of all, we should note that, notwithstanding the problems and shortcomings of the Chinese trademark system, many of the obstacles that foreign right holder encounter when entering the Chinese market or dealing with Chinese partners are born out of lack of understanding of the Chinese law, judicial practice and cultural environment. Researchers, professionals and trademark owners should make renewed efforts to increase their awareness of all these aspects of Chinese economic and legal life and thus manage to take effective actions in order to defend their rights and valuable assets.

Secondly, in comparison to the Italian and European trademark systems, the Chinese system is very young and from many points of view still immature. However, not everything that is different is necessarily wrong, because the cultural background and the legal, economic development are peculiar to China and cannot be viewed strictly through the cultural and legal lenses of the West. On the other hand, the Chinese have a very practical and pragmatic approach that sometimes results in ingenious and admirable solutions. There are many lessons to be learned from the errors and successes of the Chinese legal system, as the Chinese are doing with ours.

In sum, there are still many issues that the Chinese trademark system has to solve in order to effectively protect trademarks from counterfeiting and squatting, may they be well-known or not, but at the same time, we should admire and praise the efforts and improvements that this system has experienced through just 35 years from its first establishment.

Laws & Regulations

NATIONAL PEOPLE'S CONGRESS

- Trademark Law of the People's Republic of China (Adopted at the 24th Session of the Standing Committee of the 5th National People's Congress on August 23, 1982. First amended in accordance with the Decision to Amend the Trademark Law of the PRC at the 30th Session of the Standing Committee of the 7th National People's Congress on February 22, 1993. Amended for the second time in accordance with the Decision to Amend the Trademark Law of the PRC at the 24th Session of the Standing Committee of the 9th National People's Congress on October 27, 2001. Amended for the third time in accordance with the Decision to Amend the Trademark Law of the PRC at the 4th Session of the Standing Committee of the 12th National People's Congress on August 30, 2013).
- Anti-Unfair Competition Law of the People's Republic of China (promulgated at the 3rd Session of the Standing Committee of the 8th National People's Congress on September 2, 1993).
- Product Quality Law of the PRC (Adopted at the 30th Meeting of the Standing Committee of the Seventh National People's Congress on February 22, 1993, and amended at the 16th Meeting of the Standing Committee of the Ninth National People's Congress on July 8, 2000).
- Tort Law of the People's Republic of China (Adopted at the 12th session of the Standing Committee of the 11th National People's Congress on December 26, 2009 and in force from July 1, 2010).

STATE COUNCIL

- Implementing Regulations of the Trademark Law of the People's Republic of China (Order No.358 of the State Council of the PRC on August 3, 2002 and revised under Order No.651 on April 29, 2014).
- The Regulation on Internet Information Services of the People's Republic of China (Adopted by the State Council on 20 September 2000).
- Regulations of the People's Republic of China on Customs Protection of Intellectual Property Rights (Promulgated by the Order No.395 of the State Council of the PRC on December 2, 2003; Amended on March 24, 2010).

- Regulations on Protection of the Right of Dissemination through Information Network (Order No.468 of the State Council of the PRC on 18 May, 2006; Amended on January 30, 2013).

STATE ADMINISTRATION OF INDUSTRY AND COMMERCE

- Interim Provisions on the Determination and Administration of Well-Known Marks (Issued by Order No. 56 of the SAIC on August 14, 1996 and revised by Order No. 86 of the SAIC on December 3, 1998). [Abrogated]
- Provisions on the Determination and Protection of Well-Known Trademarks (Issued by Order No. 5 of the SAIC on April 17, 2003 and revised by Order No. 66 of the SAIC on July 3, 2014).
- Working Rules on the Recognition of Well-Known Trademarks (Issued by the SAIC on April 21, 2009).
- Provisions on the Review and Adjudication of Trademarks (Issued by Order No. 65 of the SAIC on June 1, 2014).
- Certain Measures on Prohibiting Unfair Competition Activity Concerning Imitating Specific Names, Packaging or Decoration of Famous Commodities (Issued by Order No. 33 of the SAIC on July 6, 1995).

GENERAL ADMINISTRATION OF CUSTOMS

- Measures of the General Administration of Customs of the PRC for the Implementation of the Regulation of the People's Republic of China on the Customs Protection of Intellectual Property Rights (Issued by Order No. 183 of the GAC on March 3, 2009).

SUPREME PEOPLE'S COURT

- Interpretation on the Application of Law for Stopping the Infringement upon the Right to the Exclusive Use of a Registered Trademark and Preserving Evidence before Filing a Lawsuit (a. 25.12.2001, e. 22.01.2002).
- Interpretation on the Relevant Issues concerning the Scope of Jurisdiction and of Application of Laws for Hearing Trademark Cases, (a. 25.12.2001, e. 21.01.2002).

- Interpretation Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising from Trademarks (a. 12.10.2002, e. 16.10.2002).
- Notice on Building up the System of Archival Filing of Judicial Recognition of Well-known Trademarks (a. 12.11.2006).
- Provisions on Several Issues Concerning the Trial of Cases of Civil Disputes over the Conflicts between Registered Trademarks or Enterprise Name with Prior Right (a. 18.02.2008, e. 01.03.2008).
- Notice on the Jurisdiction over Cases of Civil Disputes involving the Determination of Famous Trademarks (a. 05.01.2009).
- Interpretation on the Application of Laws concerning Several Issues in Hearing Cases of Civil Disputes Related to the Protection of Well-Known Trademarks (a. 22.04.2009, e. 01.05.2009).
- Notice on Adjusting the Standards for the Jurisdiction of Local People's Courts at Different Levels over Intellectual Property Rights Civil Cases of First Instance (a. 28.01.2010).
- Opinions on Several Issues Concerning the Trial of Administrative Cases Involving the Authorization and Determination of Trademark Rights (a. 20.04.2010).
- Interpretation on Issues concerning the Scope of Jurisdiction and of Application of Law for Trademark Cases after the Entry into Force of the Decision on Amending the Trademark Law (a. 10.02.2014, e. 01.05.2014).
- Regulations on Jurisdiction of Cases of Beijing, Shanghai, Guangzhou Intellectual Property Courts (a. 27.10.2014).
- Provisions on Several Issues Concerning the Hearing of Administrative Cases Involving the Granting and Confirmation of Trademark Rights (Draft).

Case Law

UNITED STATES

- *Tiffany Inc. v. eBay, Inc.*, US Court of Appeals for the 2nd Circuit, April 1 2010 (Tiffany v. eBay, Inc., 600 F.3d 93).

EUROPEAN UNION

- *General Motors Corp. v. Yplon SA*, European Court of Justice, Case C-375/97, 14.09.1999.
- *Davidoff & Cie SA and Zino Davidoff SA v. Gofkid Ltd.*, European Court of Justice, C-292/00, 09.01.2003.
- *Adidas-Salomon AG and Adidas Benelux BV v. Fitnessworld Trading Ltd.*, European Court of Justice, Case C-408/01, 23.10.2003.
- *Alfredo Nieto Nuño v Leonci Monlleó Franquet*, European Court of Justice, Case C-328/06, 22.11.2007.
- *Intel Corporation Inc. v. CPM United Kingdom Ltd.*, European Court of Justice, Case C-252/07, 27.11.2008.
- *PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH*, European Court of Justice, Case C-301/07, 06.10.2009.
- *L'Oréal SA & Others v. eBay International AG & Others*, European Court of Justice, Case C-324/09, 12/07/2011.

PEOPLE'S REPUBLIC OF CHINA

- *INTER IKEA Systems B.V. v. Beijing Guo Wang Information Ltd.*, Beijing Higher People's Court, 15.11.2001. [(2000) 高知终字第 76 号]
- *Shandong Bo Pump Technology Co. Ltd. v. Boshan Chishang Yulong Food Processing Plant*, Zibo Intermediate People's Court, 17.06.2005. [(2005) 淄民三初字第 1 号]
- *General Tobacco Group Co. Ltd. (Jinan Cigarette Factory) v. Jinan Lijun Packaging Materials Co. Ltd.*, Jinan Intermediate People's Court, 02.08.2005. [(2005) 济民三初字第 35 号]

- *Beijing Forestry Property Management Co. Ltd. v. Beijing Cui Wei Group*, Beijing First Intermediate People's Court, 20.12. 2005. [(2005) 一中民终字第 14387 号]
- *Beijing Silk Street Clothes Market Co. v. Chanel S.A.*, Beijing Higher People's Court, 18.04.2006. [(2006) 高民终字第 334 号]
- *Puma Aktiengesellschaft Rudolf Dassler Sport v. Zhejiang Taobao Network Co., Ltd. & Chen Yangrong*, Guangzhou Higher People's Court, 08.10.2006.
- *Procter & Gamble Company v. TRAB*, Beijing First Intermediate People's Court, 20.10.2006. [(2006) 一中行初字第 851 号]
- *Guangdong Yajie Wujin Co. Ltd. v. Shenzhen Yasida Wujin Plastic Cement Co. Ltd.*, Foshan Intermediate People's Court, 22.11.2006. [(2006) 佛中法民三终字第 5 号]
- *Shanghai Starbucks Coffee Co. Ltd. v. Starbucks (Xingyuan) Corporation*, Shanghai Higher People's Court, 20.12.2006. [(2006) 沪高民三(知)终字第 31 号]
- *Ferrari S.p.A. v. TRAB, t.p. Guangzhou Baiyun District Jiajian Sporting Products Business Department*, Beijing Intermediate People's Court, 2007.
- *Bloomberg L.P. v. Shanghai Bloomberg Finance and Economics Information Co. Ltd. & Shanghai Bloomberg Data and Information Network Co. Ltd.*, Shanghai Intermediate People's Court, 15.06.2007. [(2007) 沪一中民五(知)终字第 2 号]
- *TRAB v. Sichuan Huashu Animal Pharmaceutical Co. Ltd., t.p. Chongqing Zhengtong Pharmaceutical Co. Ltd.*, Supreme People's Court, 31.08.2007. [(2007) 行提字第 2 号]
- *Zhao Xifeng v. Beijing Ethnic Tang Palace Seafood Co. Ltd*, Beijing First Intermediate People's Court, 2008 [(2008) 一中民终字第 16709 号].
- *Ferrero S.p.A. v. Mengtesha Food Co. Ltd. & Tianjin Zhengtuan Distribution Co. Ltd.*, Supreme People's Court, 04.03.2008. [(2006) 民三提字第 3 号]
- *Pfizer Inc. and Pfizer Pharmaceutical Co. Ltd. v. Guangzhou Wellman Pharmaceutical Co. Ltd. et al.*, Supreme People's Court, 24.06.2009. [(2009) 民申字第 313 号]
- *Fangna Garment Co. Ltd v. Zhejiang Taobao Network Co. Ltd.*, Wuhan Intermediate People's Court, 16.12.2010.

- *Rising Sun Patent and Trademark Co. v. TRAB, t.p. Ding Yue ' e*, Beijing Intermediate People's Court, 20.12.2010. [(2010) 一中知行初字第 192 号]
- *E-Land International Fashion (Shanghai) Co. v. Zhejiang Taobao Network Co., Ltd. & Du Guofa*, Shanghai No. 1 Intermediate People's Court, 25.04.2011. [(2011) 沪一中民五(知)终字第 40 号]
- *Diageo Brands D. V. & Diageo (Shanghai) Overseas Wines Co. Ltd. v. Xiao Shaoli, Changzhou Bishuang Bio-Tech Co. Ltd. & Wuxi Yongru Bio-Cosmetic Products Co. Ltd.*, Shanghai Second Intermediate People's Court, 20.05.2011. [(2010) 沪二中民五(知)初字第 31 号]
- *Ginseng Board of Wisconsin Inc. v. Zhuhai SEZ Yuezhong Pharmaceutical Company, Lu Xiaotao & Zhejiang Taobao Network Ltd.*, Zhuhai Intermediate People's Court, 05.08.2012. [(2012) 珠中法知民初字第 1 号]
- *E-land International Fashion (Shanghai) v. Xu Min & Taobao Zhejiang Ltd.*, Hangzhou Yuhang District Court, 11.10.2012. [(2011) 杭余知初字第 317 号]
- *Qingdao DongAh Tire Co. Ltd. v. TRAB, t.p. Li Tiancheng*, Beijing First Intermediate People's Court, 19.10.2012. [(2012) 一中知行初字第 1028 号]
- *OSIM International Co. Ltd. v. TRAB, t.p. Li Lijiang*, Beijing First Intermediate People's Court, 13.12.2012. [(2012) 一中知行初字第 2682 号]
- *Cixi Shunda Industry Co. Ltd v. Nice Group Co. Ltd.*, Supreme People's Court, 18.12.2012. [(2012) 知行字第 92 号]
- *DESCENTE Ltd. v. Shenzhen Zouxiu Network Technology Co., Ltd. & Beijing Today City Information Technology Co., Ltd.*, Beijing Higher People's Court, 19.12.2012. [(2011) 二中民初字第 11699 号]
- *Ginseng Board of Wisconsin v. Zhejiang Taobao Network Ltd. & Jilin Ginseng Xiangguibao Specialties Ltd.*, Jilin Higher People's Court. [(2012) 吉民三涉终字第 3 号]
- *YKK Co. Ltd. v. TRAB, t.p. Ruian Engine Components Co. Ltd.*, Beijing Higher People's Court, 17.10.2013. [(2013) 高行终字第 1275 号]
- *E-land International Fashion (Shanghai) v. Xin Zhangma & Taobao Zhejiang*, Hangzhou Yuhang District Court, 06.12.2013. [(2013) 杭余知初字第 106 号]
- *TRAB v. Sotheby's Auction House, t.p. Sichuan Sotheby's Auction House Co. Ltd.*, Beijing Higher People's Court, 20.12.2013. [(2013) 高行终字第 627 号]

- *Guccio Gucci S.p.A. v. Beijing Silk Street Market Real Estate Development Co.*, Beijing Higher People's Court, 06.01.2014. [(2013) 高民终字第 39 号]
- *Martin Audio Limited v. Ruifeng Audio Technology Co. Ltd.*, Nansha People's Court, 02.2014. [(2013) 穗南法知民初字第 322 号]
- *TRAB v. Guangzhou Medicine Group Co. Ltd., t.p. Hong Jianzhong*, Beijing Higher People's Court, 16.04.2014. [(2014) 高行终字第 661 号]
- *Foshan Leyi Ceramics Co. Ltd. v. Zhaofeng Ceramics (Beijing) Sanitary Ware Co. Ltd.*, Guangdong Higher People's Court, 28.05.2014. [(2014) 粤高法民三终字第 329 号]
- *Exxon Mobil Corporation v. Guilin Aisuo Technology Co. Ltd. & Guilin Aisuo Car Maintenance Center Co. Ltd.*, Guangdong Higher People's Court, 11.09.2014. [(2014) 粤高法民三终字第 244 号]
- *Shanghai Shexin Industrial Co. Ltd. v. Guangdong Camel Clothing Co. Ltd. & Chen Qifa*, Chongqing Higher People's Court, 17.10.2014. [(2014) 渝高法民终字第 00050 号]
- *Heinz Co. v. TRAB, t.p. Sheng Ying*, Beijing Higher People's Court, 17.12.2014. [(2014) 高行终字第 1537 号]

Bibliography

ARTICLES AND BOOKS

- *Annual Development Report on China's Trademark Strategy*, Trademark Office / Trademark Review and Adjudication Board, China Industry & Commerce Press, 2009 - 2013 Editions.
- *Enforcement of Intellectual Property Rights in China*, China IPR SME Helpdesk, 2013.
- *Guide to Trademark Protection in China*, China IPR SME Helpdesk, 2012.
- *Market Research Report on Online Shopping in China 2013*, China Internet Network Information Center, 2014.
- *Out-of-Cycle Review of Notorious Markets*, United States Trade Representative, 2011.
- *Report on EU customs enforcement of intellectual property rights 2011*, Publications office of the European Union, 2012.
- *Situation of Intellectual Property Protection by Chinese Courts*, Supreme People's Court, 2009 - 2013 Editions.
- Beijing First Intermediate People's Court IP Task Group, *Existing Issues in and Solutions for Judicial Protection of Well-Known Marks* (驰名商标司法保护中存在的问题及解决对策), China Trademark and Patent (中国专利与商标), No. 1, 2008.
- Cavalieri Renzo, Franzina Pietro, *Il Nuovo Diritto Internazionale Privato della Repubblica Popolare Cinese*, Giuffrè Editore, 2012.
- Chang Sunny, *Combating Trademark Squatting in China: New Developments in Chinese Trademark Law and Suggestions for the Future*, Northwestern Journal of International Law & Business, Vol. 34, 337-358, 2014.
- Chen Jianfu, *Chinese Law: Context and Transformation*, Martinus Nijhoff Publishers, 2007.
- Chen Jianmin, *Case Comment: Yinian (Shanghai) Garments Trading co. Ltd. v. Zhejiang Taobao Network Co. Ltd. and Du Guofa*, Tsinghua China Law Review, Vol. 4, 2012.

- Chen Si, Xie Xiaoyao, *Research on Categorization of Judicial Cases on Well-known Trademarks* (驰名商标司法案例类型化研究), *Zhongshan University Law Review* (中山大学法律评论), Vol. 8, No. 1, 191-256, 2010.
- Chen Yangyue, *Should China Protect Trademarks Against Dilution? A Critical Look at the Experience of the United States and the Prospects for Application in China*, Munich Intellectual Property Law Center Master Thesis Series (2009/10).
- Cheng Hao, *Evolution and Transformation of Double-track Protection System of the Trademark Right* (中国商标权双轨保护体系: 历史演进与未来转型), *Hebei Law Science* (河北法学), Vol. 32, No. 9, 58-64, 2014.
- Chow Daniel C.K., *Trademark Squatting and the Limits of the Famous Marks Doctrine in China*, *George Washington International Law Review*, (forthcoming).
- Correa Carlos M., *Trade Related Aspects of Intellectual Property Rights. A Commentary on the TRIPS Agreement*, Oxford University Press, 2007.
- Dell'Arte Salvo, *I Marchi d'Impresa nella Comunità Europea*, *Experta*, 2011.
- Di Cataldo, Vanzetti, *Manuale di Diritto Industriale*, Giuffrè Editore, 2012.
- Fei Lanfang, *Liability for an Online Marketplace Provider's Trademark Infringement – Practice and Latest Development of Chinese Law*, *International Review of Intellectual Property and Competition Law*, Vol. 44, No. 5, 569-584, 2013.
- Feng Shujie, *How are Unregistered Trademarks Protected in China?*, *International Review of Intellectual Property and Competition Law*, Vol. 44, No. 7, 815-830, 2013.
- Fhima Ilanah Simon, *The Fame Standard for Dilution in the United States and European Union Compared*, *Journal of Transnational Law and Contemporary Problems*, Vol. 18, No. 3, 631-666, 2008.
- Franzosi Mario, Scuffi Massimo, *Diritto Industriale Italiano*, CEDAM, 2013.
- Frymark Julie C., *Trademark Dilution: A Proposal to Stop the Infection from Spreading*, *Valparaiso University Law Review*, Vol. 38, No. 1, 165-216, 2003.
- Galli Cesare, *Codice della Proprietà industriale: la riforma 2010*, IPSOA, 2010.
- Ganea Peter, Pattloch Thomas, *Intellectual Property in China*, Kluwer Law International, 2005.

- Gao Gordon, Qi Fang, Zhang Dixon, *Intellectual Property Rights in China*, Thomson Reuters, 2011.
- Ghosh Shubha, Luo Jing, *Protection and Enforcement of Well-Known Mark Rights in China: History, Theory and Future*, Northwestern Journal of Technology and Intellectual Property, Vol. 7, No. 2, 119-161, 2009.
- Gong Hongbing, *The Protection of Non-Registered Trademarks in China*, in Timoteo Marina, *Regimi e tutela della proprietà intellettuale in Cina*, Tielle Media, 2008.
- Guo Shoukang, Huang Hui, *China Trademark Laws & Cases*, EU-China IPR2 Project, 2010.
- Greatrex Roger, *The Authentic, the Copy and the Counterfeit in China: an Historical Overview*, in Timoteo Marina, *Regimi e tutela della proprietà intellettuale in Cina*, Tiellemmedia Editore, 2008.
- Greene Stephanie M., *Protecting Well-Known Marks in China: Challenges for Foreign Mark Holders*, American Business Law Journal, Vol. 45, No. 2, 371–398, 2008.
- Grigoriadis Lazaros G., *Trade Marks and Free Trade: A Global Analysis*, Springer, 2014.
- Harris Gordon, Xu Jian, *Chinese Intellectual Property: A Practitioner's Guide*, Intellectual Property Publishing (知识产权出版社), 2012.
- He Yudong, Lin Shengye, Shi Hongyan, *Debate on the Introduction of Punitive Damages for Intellectual Property Infringement* (知识产权侵权引入惩罚性赔偿之辩), Intellectual Property (知识产权), No. 3, 2013.
- He Wei, Wang Yaxi, *Exploration and Development of Arbitration on IP Rights (Part I of II)*, King&Wood IP Bulletin, July 2009.
- He Wei, Wang Yaxi, *Exploration and Development of Arbitration on IP Rights (Part II of II)*, King&Wood IP Bulletin, October 2009.
- Heath Christopher, Liu Kung-Chung, *The Protection of Well-known Marks in Asia*, Kluwer Law International, 2000.
- Huang Jin, Li Qingming, Long Weidi, Song Lianbin, *Chinese Judicial Practice in Private International Law: 2006*, Chinese Journal of International Law, Vol. 8, No. 3, 715–740, 2009.
- Iida Keisuke, Nie Jianqiang, *The Enforcement of Intellectual Property Rights in China*, Cameron May, 2006.

- Johnson Nadine Farid, *Pursuing Trademark Reform in China: Who Will Benefit – and Are the proposed Changes Enough?*, *Landslide*, Vol. 3, No. 3, 2011.
- Kossof Paul, *Chinese National Well-Known Trademarks and Local Famous Trademarks In Light of the 2013 Trademark Law: Status, Effect, And Adequacy*, *John Marshall Review of Intellectual Property Law*, Vol. 13, 225-250, 2013.
- Kun Fan, *Arbitration in China. A Legal and Cultural Analysis*, Hart Publishing, 2013.
- Lacey Kevin C., *China and the WTO: Targeting China's IPR Record*, *Landslide*, Vol. 2, No. 3, 33-36, 2010.
- Lallemand Jeroen, *Special Report Trademarks in Korea: Branding the New Cultural Wave*, Thomson Reuters, 2012.
- Lehman Edward E. et al., *Well-Known Trademark Protection in the People's Republic of China - Evolution of the System*, *Fordham International Law Journal*, Vol. 26, No. 2, 257-271, 2003.
- Li Yanbing, Wei Lizhou, Zhang Weijun, *The Third Revision of Chinese Trademark Law – Analysis and Comment*, *International Review of Intellectual Property and Competition Law*, Vol. 45, No. 5, 556-586, 2014.
- Li Yougen, *Analysis of the Influence of Dilution Theory in Trademark Case judgments - Research on 100 Decisions Related to Well-Known Marks* (“淡化理论”在商标案件裁判中的影响分析 -对 100 份驰名商标案件判决书的整理与研究), *Law and Business Research (法商研究)*, No. 3, 134-145, 2008.
- Liu Kung-Chung, Tao Xinliang, Wang Eric, *The Use and Misuse of Well-known Marks Listings*, *International Review of Intellectual Property and Competition Law*, Vol. 40, No. 6, 685-697, 2009.
- Luo Li, *Introduction and Implementation of Punitive Damages in Intellectual Property Law* (论惩罚性赔偿在知识产权法中的引进及实施), *Law Science (法学)*, No. 4, 2014.
- Nguyen Xuan-Thao, *Trademark Apologetic Justice: China's Trademark Jurisprudence on Reputational Harm*, *University of Pennsylvania Journal of Business Law*, Vol. 15, 2012.
- Nomura Takashi, Okada Saori, Yoshizaki Takeshi, *Features of IP Rights Enforcement in Korea and China*, *Institute of Developing Economies*, 2013.

- Paglee Charles D., *Chinese Trademark Law Revised: New Regulations Protect Well-Known Trademarks*, Baltimore Intellectual Property Law Journal, Vol. 5, 37-81, 1996-1997.
- Peerenboom Randall, *China's Long March Toward Rule of Law*, Cambridge University Press, 2002.
- Qu Sanqiang, *Intellectual Property Law in China*, Kluwer Law International, 2012.
- Reghizzi Gabriele Crespi, *L'arbitrato in Cina anche con riguardo alla tutela della proprietà intellettuale*, in Timoteo Marina, *Regimi e tutela della proprietà intellettuale in Cina*, Tielle Media, 2008.
- Shao Ke, *Look at my sign!: Trademarks in China from antiquity to early modern time*, Journal of Patent and Trademark Office Society, Vol. 87, 654-682, 2005.
- Sorrentino Federico, *Il Marchio d'Impresa*, ARACNE editrice, 2014.
- Sun Xiujun, Tang Dehua, *New Explanation and Comments on the Trademark Law and its Complementary Regulations* (商标法及配套规定新释新解), Renmin Law Faculty Press (人民法院出版社), 2002.
- Tan Ying, *Determination of Infringement and Responsibility for Conflict between Enterprise Name and Trademark* (企业名称与商标冲突的侵权认定和责任承担), People's Judicature (人民司法), No. 10, 108-111, 2010.
- Tao Jingzhou, *Arbitration Law and Practice in China*, Kluwer Law International, 2008.
- Tao Qian, *Legal framework of online intermediaries' liability in China*, info (Emerald Insight), Vol. 14, No. 6, 59-72, 2012.
- Tao Qian, *The Knowledge Standard for the Internet Intermediary Liability in China*, International Journal of Law and Information Technology, Vol. 20, No. 1, 2011.
- Tescaro Mauro, *Schemi Legali e Opposte Tendenze Giurisprudenziali in tema di Responsabilità Civile dell'Internet Provider*, Giurisprudenza di Merito, No. 12, 2584-2604, 2013.
- Timoteo Marina, *La difesa di marchi e brevetti in Cina: percorsi normativi in un sistema in transizione*, Giappichelli, 2010.
- Vanzetti Adriano, *Giurisprudenza Annotata di Diritto Industriale 2010*, Giuffrè, 2011.

- Vanzetti Adriano, *Giurisprudenza Annotata di Diritto Industriale. Repertorio Sistematico 1997-2007*, Giuffrè, 2011.
- Wang Jason, *Conflict between Enterprise Name and Prior Trademark – Comment and Analysis on Article 58 of the Chinese Trademark Law 2013* (企业名称与在先商标的冲突—新《商标法》第五十八条评析), *China Trademark* (中华商标), No. 12, 33-37, 2013.
- Wang Qian, *Course of Intellectual Property Law* (知识产权法教程), 4th Edition, Renmin University Press (人民出版社), 2014.
- Xu Jing, Zhao Ye, *Judicial Recognition of Well-known Trademarks in China*, *King&Wood IP Bulletin*, 2008 Special Issue.
- Zhang Aiguo, *The Judicial Determination and Protection of Well-Known Marks in China in the 21st Century*, *University of Louisville Law Review*, Vol. 48, 959-976, 2010.
- Zhao Xibing, *Interpretation of the New Trademark Law* (新商标法解释), Renmin Law Faculty Press (人民法院出版社), 2002.
- Zheng Chengsi, *Intellectual Property Enforcement in China*, Butterworths, 1999.
- Zhu Jianjun, *The Protection of Well-known Trademarks* (驰名商标认定与保护的规制), China Law Press (法律出版社), 2011.

ONLINE ARTICLES

- *Online interview: Deciphering the new “Rules on Determination and Protection of Well-known Trademarks”* (在线访谈: 解读新“驰名商标认定和保护规定”全文实录), SAIC website, 21.07.2014, http://www.saic.gov.cn/spw/sbfxa/201407/t20140721_146902.html .
- *Update on Specialized IP Courts*, China IPR, 31.10.2014, <http://chinaipr.com/2014/10/31/update-on-specialized-ip-courts/> .
- Bergman Justin, *The eBay of the East: inside Taobao, China’s online marketplace*, Time, 02.11.2011, <http://www.time.com/time/world/article/0,8599,2098451,00.html> .
- Chan Allan K.K., Huang Yue Yuan, Wu David X., *Chinese Brand Names and Global Brand Names: Implications from Two Corpus Analyses*, <http://www.wbiconpro.com/13%5B1%5D.%20Allan-HK.pdf> .
- Chen Si, *Statistic Table of Well-known Trademarks Recognized in Effective Court Decisions from July 2001 to October 2005* (2001年7月—2005年10月法院生效判决认定的驰名商标统计表), China Court website, 11.03.2006, <http://old.chinacourt.org/public/detail.php?id=197996> .
- Cui Wenyu, *“Speed Limitation” Needed for Judicial Affirmation of Well-known Trademarks* (司法认定驰名商标要“限速”), China Intellectual Property News, 07.03.2007, <http://www.cipnews.com.cn/showArticle.asp?Articleid=4255> .
- Giacobello Fabio, *Similarities between Goods and Services under Chinese Law*, HFG Law Firm, <http://www.hfgip.com/downloads/0004.pdf> .
- Guo Jingxia, Jie Huang, Li Song, *“Prancing Horse” design is registered, Ferrari trademark infringement suit is finally rejected* (奔马图形被注册, 法拉利起诉商标侵权终被驳), Legal Daily, 11.07.2007, http://www.legaldaily.com.cn/fycj/content/2007-07/11/content_658080.htm .
- Li Doris, *IPR Protection Considerations on Silk Street Market Case*, China IP Magazine, April 2009, <http://www.chinaipmagazine.com/en/journal-show.asp?id=483> .
- Hui Yu, *Preliminary Research on the Judicial Judgment of Similar Goods in Trademark Infringement Cases*, China IP Magazine, <http://www.chinaipmagazine.com/en/journal-show.asp?id=207> .

- Nie Kevin, *Johnnie Walker's successful suppression of trademark dilution*, China IP Magazine, 01.11.2011, http://ipr.chinadaily.com.cn/2011-11/01/content_14016680.htm .
- Shi Xinzhang, *The Cases Overview of Trademark Administrative Reconsideration and Analysis in 2009*, China IP Magazine, June 2010, <http://www.chinaipmagazine.com/en/journal-show.asp?id=618> .
- Smith Tim, *Update on China's New IP Courts*, Rouse The Magazine, 15.12.2014, <http://www.rouse.com/magazine/articles/news-and-articles/update-on-chinas-new-ip-courts-what-they-mean-for-foreign-ip-owners/> .
- Ye Yougang, *Person in charge of the Trademark Office and TRAB of the SAIC answers questions by Industry & Commerce News reporter related to recognition and protection of well-known trademarks* (国家工商总局商标局、商标评审委员会负责人就驰名商标认定和保护工作的有关问题答中国工商报记者问), Trademark Office website, 25.04.2009, http://sbj.saic.gov.cn/cmsb/200904/t20090425_54944.html .
- Zhou Wenting, *E-commerce Trademark Cases Rising*, China Daily, 18.04.2012, http://www.chinadaily.com.cn/china/2012-04/18/content_15073477.htm .
- Zhou Xiaobing, *A Series of Cases Concerning the Silk Street: Foreign Brands Attacking Chinese "Counterfeit Good" and the Liability Problem*, China IP Magazine, 01.06.2007, <http://www.chinaipmagazine.com/en/journal-show.asp?id=158> .

INTERNET SOURCES

- Taobao User Regulations, <http://rule.taobao.com/detail-62.htm?spm=0.0.0.0.PvIn9K> .
- Jingdong User Rules, <http://help.jd.com/Vender/question-851.html> .
- Dangdang User Rules, http://t.dangdang.com/20130624_3deu?wide_type=1 .
- Peking University Legal Information Center, <http://en.pkulaw.cn/> .
- Trademark Office of the State Administration for Industry and Commerce of the PRC, <http://www.saic.gov.cn/sbjEnglish/> .
- State Administration for Industry and Commerce of the PRC, <http://www.saic.gov.cn/english/Home/> .
- Supreme People's Court of the PRC (in Chinese), <http://www.court.gov.cn/> .
- World Intellectual Property Organization, <http://www.wipo.int/portal/en/> .
- China Knowledge Resource Integrated Database, <http://www.cnki.net/> .
- Judicial Opinions of China, <http://www.court.gov.cn/zgcpwsw/> .
- The Trademark Gazette (in Chinese), <http://sbj.saic.gov.cn/sbagg/> .
- Office of the United States Trade Representative, <http://www.ustr.gov/> .
- Xinhua News Agency (in Chinese), <http://www.news.cn/> .