

# Well-Known Trademark Protection in China

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## The Major Features of the Intellectual Property System in China

- **Weak IP enforcement**

- Piracy is rampant. This means that the enforcement of IP law is not effective in China
  - “China has confirmed itself as the **'king of counterfeiters'** with the building of a new shopping centre dedicated to fake brands.” (Fake brands shopping centre set to open in China, <http://www.mirror.co.uk/news/top-stories/2009/01/05/fake-brands-shopping-centre-set-to-open-in-china-pictures-115875-21018152/>)
  - People’s attitude toward piracy and counterfeiting activities reflected by the Shanzhai phenomenon.

- **Following the civil law tradition**

- IP statutes group together IP principles, rules, and standards.
- Judges only interpret IP statutes. They do not actively create legal doctrines.
  - Cases decided by judges do not have binding effect on later cases.

- **Undemocratic political system**

- Lack of separation of powers. This means that the legislature, the administration and the judiciary are not independent political branches. In fact, they all serve the interest of the Chinese Communist Party.

D&G



Sony



Adidas



KFC



Nokia



# Starbucks







dunhill v. denghaoli



# The Luxury Market

- There has been an incredible growth of the demand for luxury products in China.
  - Bain and Company found that Chinese mainland sales of luxury goods in 2010 increased 23% compared to 2009.
  - “China is expected to replace Japan as the world's top consumer of luxury goods by 2012 due to its growing demand and the declining consumption in Japan, the World Luxury Association (WLA) said Thursday.
  - The luxury goods sales value in the Chinese market, excluding private jets, yachts and luxury cars, will hit \$14.6 billion in 2012, the WLA predicted in a survey released in Beijing. That would be an increase from \$10.7 billion in a 13-month period from February 2010 to March [2011], according to the WLA.” ([http://www.chinadaily.com.cn/bizchina/2011-06/10/content\\_12670694.htm](http://www.chinadaily.com.cn/bizchina/2011-06/10/content_12670694.htm))
  - In responding to the huge business potential, luxury companies have marketed increasingly aggressively in China. For example, brands like Dunhill, Hugo Boss and Burberry have opened up 93, 89, and 50 stores in China, respectively.

# Sources of Law

- **The Trademark Law**
  - Adopted by the National People's Congress in 1982, revised in 1993 and 2001, to be revised again soon.
- **Regulations on the Implementation of the Trademark Law**
  - Adopted by the State Council in 1983, revised in 1993, 2002, and to be revised soon.
- **Supreme Court's Interpretations**
  - Interpretation of the Supreme People's Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising from Trademarks (October, 2002)
  - Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Well-Known Trademarks (April, 2009)

# Well-Known Trademarks

- Paris Convention

## Article 6*bis*

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

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

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

# Well-Known Trademarks

- TRIPS Agreement

## Article 16

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

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

# Well-Known Trademarks

## Exclusive rights conferred on owners of well-known trademarks

- **Article 13 of the Chinese Trademark Law**

A trademark that constitutes a reproduction, an imitation, or a translation, liable to create confusion, of another's well-known trademark not registered in China and that is the subject of an application for registration for identical or similar goods shall be refused registration, and its use shall be prohibited.

A trademark that constitutes a reproduction, an imitation or a translation of another's well-known trademark registered in China and that is the subject of an application for registration for dissimilar goods or services shall be refused registration, and its use shall be prohibited, if the use of such trademark would confuse the public and possibly prejudice the interests of the registrant of the well-known trademark.

- **Scope of Protection**

- Three kinds of infringing activities
- Unregistered well-known marks: protection only extends identical or similar classes of goods or services
- Registered well-known marks: protection covers all classes of goods or services

# Well-Known Trademarks

- **Article 1 of the Supreme Court Interpretations (2002)**

The following acts shall be the acts of causing other damages to the registered trademark of other people as provided in Article 52, Item 5 of the Trademark Law:

**b. Copying, imitating or translating the registered well-known trademark of another person or the major part thereof is used on nonidentical or dissimilar goods as a trademark for the purpose of misleading the general public so that the interests of the registrant of the well-known trademark may be damaged;**

- **Article 5 of the Unfair Competition Law ([http://www.ccpit-patent.com.cn/references/Law\\_Against\\_Unfair\\_Competition\\_China.htm](http://www.ccpit-patent.com.cn/references/Law_Against_Unfair_Competition_China.htm)):**

An operator may not adopt the following unfair means to carry to transactions in the market and cause damage to competitors:

(1) passing off the registered trademark of another person;

(2) using, without authorization, the name, packaging or decoration peculiar to well-known goods or using a name, packaging or decoration similar to that of well-known goods, so that his goods are confused with the well-known goods of another person, causing buyers to mistake them for the well-known goods of the other person;

(3)...

(4) forging or falsely using, on his goods, symbols of quality such as symbols of certification and symbols of famous and high-quality goods, falsifying the origin of his goods, and making false representations which are misleading as to the quality of the goods.

# Well-Known Trademarks

## Protection of Well-Know Trademarks

- **Protection Through the Administrative Procedure**

Procedure for opposing registration of a mark

Procedure for canceling a registered mark

Procedure for opposing use of a mark

- Jing "Brad" Luo & Shubha Ghosh, "Protection and Enforcement of Well-Known Mark Rights in China: History, Theory and Future," 7 *Northwestern Journal of Technology and Intellectual Property* 119 (2009)

- **Protection Through the Judicial Procedure**

Whether a trademark can be recognized as a well-known trademark

Whether there is a likelihood of confusion



# Recognition of Well-Known Trademarks

- **Article 5 of the Trademark Regulations:**

If a dispute arises in the course of trademark registration or trademark review and adjudication and a relevant party considers his trademark to constitute a well-known trademark, such party may submit an application to the Trademark Office or the Trademark Review and Adjudication Board, as the case may be, for recognition of the trademark as a well-known trademark and rejection of the trademark registration application that violates Article 13 of the Trademark Law or cancellation of the trademark registration that violates Article 13 of the Trademark Law.

Based on the application of the party and ascertainment of the facts, the Trademark Office or the Trademark Review and Adjudication Board shall, pursuant to Article 14 of the Trademark Law, determine whether or not his trademark constitutes a well-known trademark.

- **The same procedure applies to the judicial protection of well-known trademarks.**

- **“Passive” Recognition System:**

1. Application for recognition as a well-known trademark is a way for a trademark owner to obtain well-known trademark protection where another party is trying to register, has registered, or is using a well-known trademark.

2. Trademark owners bear the burden of proof. They have to prove that their marks are well-known marks.

# Recognition of Well-Known Trademarks

- **The Chinese Trademark Law lists the relevant factors to be considered in determining whether a mark is well-known.**
- **Article 14 of the Chinese Trademark Law**  
When recognizing a well-known trademark, the following factors shall be considered:
  - (1) The awareness of the trademark among the relevant public;
  - (2) The duration of trademark use;
  - (3) The duration, degree and geographical range of all the publicity operations carried out for the trademark;
  - (4) Records of protection provided for the trademark as a well-known trademark;
  - (5) Other factors related to the trademark's well-known status.
- **Article 4 of the Supreme Court's Well-Known Trademark Interpretations**  
The people's court shall determine whether or not a trademark is well-known based on the facts proving the well-know status of the trademark involved and by comprehensively taking into consideration of all factors specified in Article 14 of the Trademark Law, unless the specific conditions of the case provide sufficient grounds for the court to recognize the trademark's well-know status without considering all factors specified in such Article to recognize a trademark's well-known status.

# Recognition of Well-Known Trademarks

- Evidence to be submitted by the plaintiff

## Article 5 of the Supreme Court's Well-Known Trademark Interpretations

If a party concerned alleges that its trademark is well-known, it shall, based on the specific situations of the case, provide the follow evidentiary materials to prove that when the alleged act of infringement of trademark right or unfair competition occurs, its trademark has already been well-known:

- (1) the market share, marketing regions, profits, taxes of the goods using the trademark; ;
- (2) the duration in which the trademark has been continuously used ;
- (3) the method, duration, extent, input of funds, and geographic coverage of the advertising and promotional activities of the trademark;
- (4) the records of protection of the trademark as a well-known trademark;
- (5) the reputation that the trademark in the market;
- (6) other facts that can demonstrate that the trademark is well-known.

The duration, coverage, and method of use of the trademark involved in the preceding paragraph shall also include the circumstances of continuous use of the trademark before the trademark is approved to be registered.

With respect to the evidentiary materials such as how long the trademark has been used, its ranking in the relevant industry, market research report, market value evaluation report, and whether the trademark has been recognized as a well-known trademark, the people's court shall, by taking into consideration other evidence for recognizing a trademark's well known status, conduct thorough examination.



HERMÈS  
PARIS





## Hermes v. Dafeng

- In February 2012, Hermes lost a lawsuit against China's Trademark Appeal Board over its refusal to cancel a trademark similar to the Chinese name of the French luxury producer.
- Hermes registered its English name as a trademark in 1977 in China, but did not register the Chinese version (translation) of its name (爱马仕).
- The Guangdong-based fashion outlet Dafeng Garment Factory registered a trademark, which is very similar to how Hermes is pronounced in Chinese.
  - **Hermes 爱马仕 (Ai Ma Shi) vs. Dafeng 爱玛仕 (Ai Ma Shi)**
- The court's view:
  - Hermes' Chinese version was not well-known in mainland China.
  - The court said that most of the evidence that Hermes had provided related to periods after the disputed trademark had been registered. The evidence was also mainly related to media reports about the Chinese name of Hermes in Hong Kong, and this did not prove it was well-known among consumers on the Chinese mainland.

## Hermes v. Dafeng

- Precious Lessons Learned From Hermès' Unregistered Trademark In China , <http://ipdragon.blogspot.com/2012/02/love-for-horses-love-for-gems-precious.html>
  - **Protect your trademark name together with the Chinese version of your trademark**, otherwise either the public will come up with a, possibly not so positive Chinese name, or worse a competitor will take unfair advantage of your reputation and/or will confuse the public into believing that your company is the origin of the products of your competitor.
  - **Unregistered trademarks can be protected only if they are famous/well-known**. That is famous in China, not in other countries, and not even in Hong Kong or Macau which are special administrative regions with their own jurisdiction.
  - **The plaintiff has to prove that his trademark is famous before the trademark dispute**. Because otherwise it is hard to prove that the public knows your trademark or that of your competitor who is using an identical or similar trademark.

- Has the foreign well-known trademark doctrine been adopted in China?
  - Foreign well-known trademark doctrine proposes that trademarks that have achieved a certain degree of fame or recognition in a foreign country ought to be accorded domestic protection without a showing of domestic use in commerce.



# Likelihood of Confusion

- Whether a trademark is recognized as a well-known trademark

- **Whether there is a likelihood of confusion**

Article 9 the Well-Known Trademark Interpretations:

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

Two types of likelihood of confusion:

- a. confusion concerning **sources of goods or services**
- b. confusion concerning **sponsorship or association**

## Likelihood of Confusion

- **Article 10** of the Supreme Court's Well-Known Trademark Interpretations  
Where a plaintiff files a request to stop the defendant from using a trademark or enterprise's name which is identical or similar to the plaintiff's well-known registered trademark on dissimilar goods, the people's court shall, based on the specific situation of the case, make the judgment after comprehensively considering the following factors:
  - (1) Degree of distinctiveness of the well-known trademark;
  - (2) Degree of awareness of the well-known trademark among the relevant members of the public who use the goods bearing the disputed trademark or enterprise's name;
  - (3) Degree of association between the goods bearing the well-known trademark and the goods bearing the disputed trademark or enterprise's name; and
  - (4) Other relevant factors.
- (4) Other relevant factors  
Kohler v. Kele (Kele Kitchenware Co., Ltd): the defendant changed its former trade name "WEIHAO" into "KELE" (changed in bad faith with the intention to take advantage of Kohler's reputation )  
<http://www.kohler.com/>

# RITZ v. RITS

**P:** Ritz hotel Ltd, a UK company formed in 1896



**D:** Shanghai Huangpu Lichi Leisure and Fitness, a Chinese company formed in 2004



Note: Ritz-Carlton is licensed to use the "Ritz"-trademark.

## RITZ v. RITS

1. Is the “RITZ” mark a well-known mark?
2. Is there a likelihood of confusion?

# RITZ v. RITS

## Issue One : Recognition of Well-Known Trademark

Comprehensively consider factors listed in Article 14 of Trademark Law:

Plaintiff's trademark -

- (1) widely-known among the relevant public;
- (2) registered and used in China for many years;
- (3) operations/business carried out internationally and territorially to China

*The plaintiff's trademark is recognized as a well-known trademark*

## RITZ v. RITS

- Issue Two: Likelihood of confusion

The plaintiff's arguments:

- "Ritz" is a highly reputable registered trademark
- The defendant used RITS in a variety of ways such as independently on the surface of slippers, in a combination design of "丽池 [Lichi] RITS & Design", and as "RITS UNION", etc
- The defendant's use of RITS is likely to cause confusion or mistake among consumers because the trademarks are used in similar classes services and their pronunciations are similar.

## RITZ v. RITS

Defendant's counter-arguments:

- The trademark, RITZ, has not been independently used in China so the mark itself is not distinctive or famous
- "RITS" was used in combination as "丽池 RITS & Design"
- Therefore, no confusion will likely be created

# RITZ v. RITS

In the judgment the court found for the plaintiff. The decision focused on:

- The fact that “RITS” and “RITZ” had identical letters, in the same order with similar pronunciation.
- High popularity of the trademark and that “RITZ” is very popular and distinctive in China.
- The court examined the business location and the promotional material of defendant. It concluded they were targeting “high-end persons” and the mark would catch the attention of and confuse consumers.
- The services of the plaintiff and the defendant were essentially the same.
  - “That [food, drink and accommodation] do not constitute the major services of the defendant does not influence the court’s judgment.”



## The Future of IP Protection in China

- **Any well-known trademarks from China?**  
2011 Ranking of the Top 100 Brands  
[www.interbrand.com/en/best-global-brands/best-global-brands-2008/best-global-brands-2011.aspx](http://www.interbrand.com/en/best-global-brands/best-global-brands-2008/best-global-brands-2011.aspx)
- **What's wrong with Chinese trademarks? What should brand owners in China do?**

## The Future of IP Protection in China

- **Innovation and labor-intensive economy**

Slicing an Apple

[www.economist.com/blogs/dailychart/2011/08/apple-and-samsungs-symbiotic-relationship?fsrc=scn/tw/te/dc/slicinganapple](http://www.economist.com/blogs/dailychart/2011/08/apple-and-samsungs-symbiotic-relationship?fsrc=scn/tw/te/dc/slicinganapple)

Component manufacturers receive \$178, the assembly company Foxconn makes \$14, and Apple receives \$368 to compensate for design, software, and marketing of each iPhone. An iPhone may be made in China, but the profits go to California.

- **Thank you and good bye, Foxconn?**
- **What should Chinese companies do?**
- **What should the Chinese government do?**