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Internationalization and Local Elements: Research on Recent Amendments to the Trademark Law of China

Xiaoqing Feng

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**INTERNATIONALIZATION AND LOCAL ELEMENTS:
RESEARCH ON RECENT AMENDMENTS TO THE
TRADEMARK LAW OF CHINA**

*Xiaoqing Feng**

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INTRODUCTION

Trademark law is an important part of the intellectual property legal system of a country or region. In the modern market economy, trademark law guarantees fair competition, curbs illegitimate competition, and facilitates the healthy development of the market economy. The Trademark Law of China was first established in 1982, when the initial open and reform policy came into operation. It was the first special law in intellectual property since the founding of the People's Republic of China in 1949. It came into effect on March 1, 1983, and it was followed by two major amendments in 1993 and 2001.¹

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1. The Trademark Law of China was amended in 1993 based on the need to establish a socialist market economic system. The trademark law was born under the planned economy system and needs to be improved by means of amendment. The Trademark Law was modified in 2001

The right to exclusive use of a trademark has been effectively protected by development of the protective trademark laws. This encouraged businesses and entrepreneurs to enhance the quality of their products and services by developing the reputation of their trademark. It also protected the legal rights of customers, the order of fair competition, and played an important role in the development of the Chinese economy. In recent years, trademarks have prospered in China; the number of trademark applications and registrations has skyrocketed,² thereby increasing the number of trademark agencies with improved professional level.³ This has also contributed to China's research of trademark theory.⁴

Nevertheless, the socialist market economy system presents new challenges to the trademark legal system. A trademark is a notable mark that identifies the source of products and services. In addition to identification, trademarks also denote features such as appraisal, credit, and warranty of quality. With this function increasing with the market economy of China, the weaknesses of some articles of the 2001 Trademark Law have become more obvious, and some of them have received negative comments in practice. A case in point is the application procedure of trademark registration. Under the current Law, the procedure of application is time-consuming and can easily be hindered by malicious practices of opposition, squatting registration, and other factors.⁵ Additionally, various types of infringement are still

based on the desire to join the World Trade Organization (WTO), which requires entry into the Trade-Related Intellectual Property Agreement (TRIPS Agreement), *infra* note 44. See XIAOQING FENG, INTELLECTUAL PROPERTY LAW 392-95 (1997); XIAOQING FENG, THEORY AND PRACTICE OF INTELLECTUAL PROPERTY LAW 357-79 (2002).

2. According to the authoritative sources, as of the first half of 2012, the total number of trademark applications and registrations were 10,540,000 and 7,170,000, respectively. Of the applications and registrations, the amount of valid registered trademarks reached 6.09 million and ranked first in the world. For details, see STANDING COMMITTEE OF NATIONAL PEOPLE'S CONGRESS (NPC), AMENDMENT OF THE TRADEMARK LAW OF P.R.C (draft), *available at* <http://www.law-lib.com/fzdt/newshtml/fzjd/20121228165832.htm> (last visited Feb. 28, 2015).

3. According to the author's information from the State Administration for Industry and Commerce (SAIC), as of May 2012, the number of agencies whose business names contain "trademark" was 3349 and those containing "intellectual property" was 4076; the latter are generally involved in trademark agency related business. Take 2012 as an example: the local People's Courts nationwide received 87,419 new civil cases of the first instance in the intellectual property rights area, an increase of 45.99% from 2011; 2928 new administrative cases of the first instance in the intellectual property rights area, a growth of 20.35% from 2011; 13,104 new criminal cases in the intellectual property rights area, a 129.61% increase from 2011. STATUS OF JUDICIAL PROTECTION OF INTELLECTUAL PROPERTY RIGHTS IN CHINA (2012), *available at* <http://www.docin.com/p-639669194.html> (last visited Nov. 30, 2014).

4. See Xiaoqing Feng, *Review and Outlook: Theoretical Research on Trademark Law for 30 Years in China*, 7 INTELL. PROP. 46-54 (2012).

5. See *infra* Part II.A. In fact, one of the most important features of each revision of the

unregulated, which have hindered implementation of the Trademark Law. The new situation of Chinese market economy may, in effect, improve the existing Trademark Law over time. The National Intellectual Property Strategy,⁶ which came into effect in 2008, also determined that trademark legislation should play a more important role in the transformation of the Chinese economy as well as the mode of economic development. In recent years, the administrative enforcement and judicial practice of trademark law has also driven further amendment of the Trademark Law. The development of an international trademark system has also motivated the improvement of the trademark system in China.

As such, the State Administration for Industry and Commerce (SAIC) launched the third amendment of the Trademark Law in 2006 and, after hearing the comments from practitioners, prepared a draft of the Trademark Law of the People's Republic of China for review and revision ("the SAIC version for review"). SAIC submitted this version to the State Council for authorization. The Legislative Affairs Office of the State Council⁷ further solicited the comments from administrative departments, educational and research institutes, enterprises, and international organizations before finalizing the Draft of the Amendment of the Trademark Law. On October 31, 2012, the State Council approved the Draft at the 223rd standing conference. In December 2012, at the Thirtieth meeting of the Eleventh National People's Congress (NPC), the Draft was deliberated for the first time, and the whole draft was published in open network to seek comments from the public ("NPC Standing Committee version for consultation"). In early May and August

Trademark Law of China is the strengthening of the protections surrounding the right to exclusive use of a trademark. For example, the amendment in 2001 includes the reverse passing off into infringements upon a registered trademark. Trademark Law of the People's Republic of China art. 52, ¶ 4 (adopted by the Standing Comm. Nat'l People's Cong., Aug. 23, 1982, second amendments adopted by the Standing Comm. Nat'l People's Cong., Oct. 27, 2001) [hereinafter Trademark Law (2001)].

6. On June 5, 2008, the State Council promulgated the Outline of National Intellectual Property Strategy, which is considered the starting point of China's national intellectual property strategy project. Guo Fa, *State Council Issued a Notice of National Intellectual Property Strategy*, no. 18 (2008), available at http://www.gov.cn/zwgc/2008-06/10/content_1012269.htm.

7. The Legislative Affairs Office of the State Council is a sector of legislation responsible for the legislation and revision. In China, draft legislation is usually first put forward by the relevant ministries of the State Council (e.g., Trademark Law is proposed by the SAIC, and Copyright Law by the State Copyright Bureau), and then submitted to the State Council for review. The Legislative Affairs Office of the State Council is specifically responsible for the formulation and revision of the preliminary laws and then the submission of the draft. That draft is further examined and adopted by the executive meeting of the State Council to China's legislature, the Standing Committee of NPC (for a basic law, such as criminal law, to the Committee of NPC).

2013, NPC reviewed the Draft again;⁸ a Resolution regarding the Amendment of the Trademark Law of the People's Republic of China was authorized at the fourth meeting of the Standing Committee of the NPC on August 30, 2013 ("2013 Resolution about Amendment"). The Trademark Law, after three amendments, came into effect on May 1, 2014 ("the Trademark Law (2014)").

With the support of specialists and scholars, the amendment of the Trademark Law took more than seven years from the start to approval. In a sense, the revised Trademark Law is a product of collective intelligence. In general, the amendment is centered around localization, internationalization, and modernization. "Localization" means that the amendment addresses the reality in China and is aimed to handle the current issues arising in practice. "Internationalization" means that the amendment addresses international concerns and is influenced by the need for complete conformity with the international intellectual property treaties entered into by China. "Modernization" means that the trademark law is designed to be compatible with fast developing modern technology.

This article will explore varying aspects of the amendments of the Chinese Trademark Law. Part Two deals with detailed analysis and the reasons for the third amendment of the Trademark Law; this part is composed of five sections. The first section discusses the perfection of the application system for trademark registration, including the increase of the number of elements eligible for trademark registration, the implementation of "one trademark for multi categories," the improvement of the system of opposition, the introduction of a proposal review system, and the availability for submitting electronic applications. The second section discusses (1) the improvement of the system for the use of trademarks, (2) the promotion of good faith and fairness, (3) the strengthening of the protection features of trademarks in the order of fair competition, (4) the prohibition of the registration of trademarks, which are in prior use by others as an unregistered trademark, (5) using others' registered trademark as the name of business, and (6) the establishment of a mechanism to reject the claim for damages of compensation for registered trademarks, which are not used in practice. The third section probes into the right to exclusive use of a trademark and improvement of the protection level of trademark

8. The author had the honor to be invited by the Legal System Work Commission of NPC, the Finance Commission, and the Legal Commission ("Three-Commission") to attend a seminar of experts for the modification of the Trademark Law, which was held by the Three-Commission on May 8, 2013. The author presented detailed written comments about the amendment of the Trademark Law.

rights. The major points address: (a) bringing the intentional practice of providing conveniences for infringement of others' trademark rights and facilitating others with trademark infringement into violation of right to exclusive use of a trademark; (b) introduction of a punitive damage system for infringement of right to exclusive use of a trademark and an increase of the penalty for frequent infringements; (c) raising the level of statutory compensation for infringement of right to exclusive use of a trademark and reducing the burden of proof of the proper holder; (d) itemization of administrative penalties for infringement of the right to exclusive use of a trademark; (e) excluding the practice of litigation for infringement of using trademark for non-commercial purpose; and (f) further clarification of the preliminary injunction before prosecution and a property preservation system. The fourth section comments on the regulation of the use of trademark, promoting the use of trademarks, and the realization that trademarks carry value. The main points of this section include: (a) defining the use of trademark in trademark law; (b) confirming the principle of good faith in use of the trademarks; (c) explicitly indicating the use of trademark license without filing may not confer bona fide status on the benevolent third party; and (d) clearly stating the legal consequences of improper use or non-use for three consecutive years. The fifth section is related to the improvement of other relevant systems, such as: (a) cancelling arbitration of disputes concerning registered trademarks and establishing the declaration system of invalidating a registered trademark; (b) strengthening the stability of trademark rights, including review by the Trademark Review and Adjudication Board ("TRAB") after expiration of the statutory period of validity, and the handling of administrative cases related to trademark and the judicial process; and (c) regulating the behaviors and norms of trademark agents, improving the service quality of trademark agency, and punishment measures involving the principles of trademarks acts and misconduct in trademark agencies.

Part Three discusses some important issues that are not covered in the revised Trademark Law but are worth addressing in a further revision. The issues include: (a) the purpose of formulation of the Trademark Law, concerning whether the emphasis should be on "management" or "protection"; (b) the falsification of the concept "right to exclusive use of a trademark"; and (c) further reforms of the Trademark Law, including improving the system of trademark registration, trademark co-ownership, a protection system of the right to exclusive use of a trademark, a revocation system for unused trademarks for three consecutive years, fair use of the trademark system, and a registration system of geographical indications as trademarks.

In Part Four, this Article argues that this amendment of Trademark Law is a significant improvement of Chinese trademark legislation. The amendment has solved some urgent issues in trademark practice in China and has been conducive to China's economic and social development. However, there are still some issues that need to be addressed or resolved completely.

II. REASONS FOR THE THIRD MODIFICATION OF THE TRADEMARK LAW

Modification of the Trademark Law involves a large number of changes even though it is not a new law. From the perspective of content, both optimization of procedure and physical protection are included. Below is the analysis and exploration of the major modification.

A. *Improvement of Trademark Applications and Registration System to Facilitate Applications for Trademark Registration*

One may obtain the right to exclusive use of a trademark through trademark registration. To this effect, the trademark application and registration process plays an important role in trademark law. The basic principle of optimizing trademark application and registration is to simplify the application procedures so that the applicants can obtain the exclusive right as soon as possible. The major modifications of the Trademark Law include the provisions and improvements in the areas discussed below.

1. Expansion of the Eligible Elements in Application & Registration of Trademarks

Theoretically, the behavior of trademark registration is an act to establish private rights. Thus, trademark law should provide a variety of options for applicants to register trademarks. Therefore, judging from the development of eligible elements for trademark registration, the general trend is that the range of elements shall continue to expand. Expansion parallels the actual needs of the trademark field and the international trend in the field of trademarks. Moreover, from the limited resources available and the limit brought in to trademark application and registration, the eligible elements for trademark applications are always finite. In this case, the law should expand the range of elements for applications and registration. From the changes of Trademark Law in China, the overall trend is that the range of elements for trademark registration keeps expanding. For example, in 1993 the Trademark Law

stipulated that the eligible elements for trademark registration should be text, graphics, or a combination of both.⁹ In 2001, the Trademark Law expanded the range of elements, which are defined as any visible signs that can distinguish natural persons, legal persons, or products of one organization from other organizations. Elements include writing, graphics, alphabetic letters, numerals, 3-D (three dimension) icons, color combinations, and a grouping of these elements.¹⁰

In this modification, sound is now eligible as an element for application and registration of trademark under certain conditions. Article 8 of the Trademark Law (2014) provides: “An application for trademark registration may be filed for any mark including word, design, letter, number, 3-D mark, or color combination, or sound, or the combination of the elements above, that can distinguish the commodities of the natural person, legal person or other organization from those of others.”¹¹ Such modification shows that the elements eligible for trademark application and registration is not limited to “visibility,” but to the basic condition of “being distinguishable.”¹² Of course, sound trademark, as the mark to identify a source of commodity or services by virtue of hearing, differs from other marks in an ordinary sense. To regulate this type of application for trademark registration, it is necessary to make further provisions in Regulations for the Implementation of the Trademark Law. For example, to apply for trademark registration of sound, the sound sample must be submitted together with a statement for protection. Meanwhile, the submitted sound samples must come with requirements such as whether it is described in musical staff or notation and notes in text format. If it cannot be described in musical staff or notation, it should be able to be described in words, and the description must be consistent with the sound samples. Undoubtedly, the eligibility of sound as a trademark expands the scope of trademark registration. It is expected that together with the technological, economic, and social development, there will be more elements added to the components eligible for trademark registration.

9. Trademark Law of the People’s Republic of China art. 7 (adopted by the Standing Comm. Nat’l People’s Cong., Aug. 23, 1982, first amendments adopted by the Standing Comm. Nat’l People’s Cong., Feb. 22, 1993) [hereinafter Trademark Law (1993)].

10. Trademark Law (2001), art. 8.

11. Trademark Law of the People’s Republic of China art. 8 (adopted by the Standing Comm. Nat’l People’s Cong., Aug. 23, 1982, third amendments adopted by the Standing Comm. Nat’l People’s Cong., May 1, 2014) [hereinafter Trademark Law (2014)].

12. *Id.*

2. “One Mark for One Category” Extended To “One Mark for Multi-categories”

The 2001 Trademark Law in China enforces a “one mark for one category” system under which an applicant can select only one category of product or service instead of multi-categories in registration.¹³ Chinese enterprises, however, call for registering the same trademark for multiple products or services, as those enterprises have to reserve some room for the future diversified business based on their strategy of creating well-known trademarks. Currently, China has not explicitly implemented a defensive trademark system, so the defects of “one mark for one category” system have become more outstanding. Additionally, China has joined the Madrid Agreement for International Registration of Marks and its Protocols. Under the provisions of the Agreement, the applicant of a foreign trademark registration can enjoy the extension of territory by “one mark for multi-category” and succeed in obtaining a registered trademark featuring “one mark for multi-categories,”¹⁴ which puts Chinese enterprises in an unequal position in trademark registration. Thus, from this perspective, a “one mark for multi-categories” system should be adopted.

The term “one mark for multi-categories,” by definition, means that the same applicant can specify multiple categories of goods or services to be registered under the same trademark. According to Paragraph 2, Article 22 of the Trademark Law (2014), an applicant may apply for registration of the same mark for more than one category of goods.¹⁵ This provision established the system of “one mark for multi-categories” in applications for trademark registration. This amendment greatly benefits applicants for registered trademarks in accessing trademarks for multiple products more easily.

Introduction of the “one mark for multi-categories” system must be accompanied by appropriate institutional framework; one of the key issues to be addressed is how to handle segmentation of trademarks. For example, the Regulations for the Implementation of the Trademark Law can provide that, if the trademark to be registered shall cover two or more categories of products and only some of the goods have to be excluded from registration, the applicant may apply to the Trademark

13. See Trademark Law (2001), art. 20.

14. See Madrid Agreement Concerning the International Registration of Marks art. 3(2), April 14, 1891, 828 U.N.T.S 389 (as amended Sept. 28, 1979), which provides that “the applicant must indicate the goods or services in respect of which protection of the mark is claimed and also, if possible, the corresponding class or *classes* . . .” (emphasis added).

15. Trademark Law (2014), art. 22, ¶ 2.

Office for segmentation of those goods and make another application on the original filing date.¹⁶

3. Introduction of Comments of the Review System

In the confirmation system of intellectual property rights in China, the comments of the review system are found in the relevant provisions of Patent Law.¹⁷ The rationale of the system lies in strengthening the communication between applicants and the examiners to clarify the situation of the case and safeguarding the legitimate interests of the applicant and seriousness of the legal system. The 2001 Trademark Law in China, however, lacks similar rules. This lack of rules creates issues when an application has any defect, even non-substantive: the application may be directly rejected as a result of failing to meet the stipulations of Trademark Law and Regulations for the Implementation of the Trademark Law. Since the applicant is not given a chance to remedy the defect in the application materials, he is most likely to resubmit the application after it is rejected. This prevents the applicant from obtaining the right to exclusive use of a trademark in a timely fashion. This process is not conducive to improving the efficiency of trademark registration. In the grim situation of a large backlog of applications for trademark registration in China, the lack of comments in the review system has undoubtedly increased the workload of examiners. Thus, in the 2014 Trademark Law, the comments-of-review system is established. Article 29 provides that, during the review process, in the

16. Since the introduction of “one mark for multi-categories” registration system, the relevant provisions of the existing Regulations for the Implementation of the Trademark Law naturally needed to be modified in order to maintain the unity of legislative norms. For example, Trademark Law (2014), art. 21 states:

Where the Trademark Office grants preliminary approval to an application for the registration of a trademark to be used on some of the designated commodities, the applicant may, prior to the expiration of the demurral period, request for giving up the application. Where the applicant gives up his application for registering a trademark to be used on some of the designated commodities, the Trademark Office shall cancel the original preliminary approval, terminate the examination procedures and make a new announcement.

If the “one mark for multi-category” system is introduced, the above provisions should be modified to some extent. For example, it could be changed to read:

Where the Trademark Office rejects registration of using the trademark on designated commodities, the applicant shall receive notice of ‘partial rejection to for trademark registration’ and the Trademark Office shall also inform the applicant of the receipt of the notification to make divisional application within fifteen days from the date of receipt of the notice.

17. Patent Law of the People’s Republic of China art. 37, 38 (adopted by the Sixth Meeting of the Standing Committee of 11th Nat’l People’s Cong., December 27, 2008) [hereinafter Patent Law (2008)].

event that the Trademark Office determines the application for trademark registration requires clarification or correction, the applicant can be asked to provide an explanation or make a correction.¹⁸ Failure to make a statement or amendment does not prevent the Trademark Office from making a decision about the review.¹⁹ Under this provision, during the review of the trademark registration, an examiner can make comments about the defects in the application documents and issue a notice of comments for timely modification rather than dismiss the application altogether.²⁰ This is extremely beneficial to an applicant's ability to obtain the right to exclusive use of a trademark in a timely manner.

4. Improvement of the Opposition System of Trademark Registration

The opposition system in the Trademark Law of China is designed to guarantee that the registration of a trademark complies with the provisions of Trademark Law. Its significance is preventing the registration of a non-complying trademark, which could harm the interests of the public and competitors as well as undermine the authority of the Trademark Law. The intention of the opposition system is positive, although in practice it has been used maliciously to hinder another applicant's registration since the system does not limit the qualifications and field of the opposing party.

Additionally, the confirmation procedure in the current opposition system is extremely belabored.²¹ Once the opposition procedure is started and the Trademark Office makes a decision, any party refusing to accept the decision can appeal to the TRAB for review of the opposition. Judicial relief is available if either party does not accept the result of the review.²² The judicial relief in China includes first instance, second

18. Trademark Law (2014), art. 29.

19. *Id.*

20. *Id.*

21. Trademark Law (2001), art. 33 provides that, if an opposition action is filed against a trademark that has been given preliminary examination and approval, and has been publicly announced, the Trademark Office shall hear the statements of the facts and reasons made by the opponent and the person against whom the opposition is filed. The Office, after investigation and verification, will make a ruling. If a party disagrees with the decision, it may apply to the Trademark Review and Adjudication Board (TRAB) for a reexamination within 15 days from the day on which the notification of decision is received. TRAB shall make a ruling and notify, in writing, the opponent and the person against whom the opposition is filed. If a party does not agree with the ruling of TRAB, it may bring a suit before a People's Court within 30 days from the day on which the notification is received. The People's Court shall notify the opposite party to the trademark reexamination proceedings to join in the case as the third party.

22. *Id.* ¶ 2.

instance, and retrial, which hardly avoids the malpractice of tedious process and low efficiency. As a result, during the modification of the Trademark Law, there were many appeals for improvement of the opposition system. The critical issues were limiting the qualifications of the opposition party, conditions for raising opposition, and simplification of the opposition procedure.

The Standing Committee of the NPC (for consultation) drafted Article 33 of the Trademark Law. It stipulates that a prior right holder or any interested party may raise an opposition to the Trademark Office regarding a trademark that has passed the preliminary review, within three months after the date of announcement, if he believes it violates Article 13, Article 15, first Paragraph of Article 16, Article 30, Article 31, or Article 32. If no opposition is received during the announcement period, registration shall be approved and the trademark shall be issued.²³ Such a provision remedies the aforementioned issues. However, its limitation of the opposing party's qualifications to "the prior right owner or interested party"²⁴ will cause a new problem because all other people are excluded from expressing opposition. This is not helpful in protecting the public interests and authority of the Trademark Law.

Article 33 of the Trademark Law (2014) modifies the current provision:

A holder of prior rights or an interested party may, within three months from the date of the preliminary examination announcement of a trademark, raise objections to the Trademark Office if it is of the opinion that the trademark is in violation of Paragraph 2 and Paragraph 3 of Article 13, Article 15, Paragraph 1 of Article 16, Article 30, Article 31 or Article 32 of this Law. Any party that is of the opinion that the trademark is in violation of Article 10, Article 11 or Article 12 of this Law may raise objections to the Trademark Office within the said three-month period. Where no objection is raised upon expiry of the announcement period, the Trademark Office shall approve the registra-

23. Opinions Regarding Several Issues Concerning the Trial of Administrative Cases Involving the Authorization and Determination of Trademark Rights Issued by the Supreme People's Court (effective Apr. 16, 2010) (China) states:

When the People's Court is reviewing and judging whether the disputed trademark has jeopardized the existing prior rights of others, the People's Court shall protect the prior rights prescribed by the special provisions of the Trademark Law in accordance with such provisions. In case of no such provisions, where there are legitimate rights and interests required to be protected by the provisions of the General Principles of Civil Law and other laws, such conclusive provision shall be referred to for protection.

Id. Therefore, "prior rights" cannot be understood in a narrow way, and it must also include prior lawful civil interests.

24. *Id.*

tion, issue the certificate of trademark registration and make an announcement thereon.²⁵

As far as the limitation on the opposing party's qualifications, the rationale of the provision lies in the fact that it does not exclude all people from raising opposition, but reserves an area for the "existing right holder or interested party" to put forward their opposition, as set forth by the existing law.²⁶ This provision has taken into account both the right of the general public to exercise the right to oppose, but also restricted the qualifications of opposing parties in special circumstances based on the provisions of the Trademark Law. Implementation of this provision will effectively limit abuse of the right to oppose, thus reducing the incidence of malicious opposition cases. The change restores the opposition system to its original state.

The above provisions of the Trademark Law (2014) have limited the range of opposing parties and, at the same time, have simplified the opposition procedure so that trademark confirmation is accelerated even in the event of the special opposition situation. In other words, after the Trademark Office has reviewed the opposition, if it determines the grounds for opposition do not hold, it shall directly make its decision and approve the registration rather than allow the opposing party to continue the opposition for review, possibly including the judicial review process. This amendment shows that legislators intend to improve the efficiency of trademark registration and help applicants obtain the right to exclusive use of a trademark. Confirmation of trademark rights affects the public because a trademark is a right *in rem* and binding against any organization or individual. Thus, in simplifying the procedure for opposition, other remedial programs are needed to address possible problems in approval when opposition arises.²⁷

In the case of opposition, increasing efficiency depends not only on

25. Trademark Law (2014), art. 33.

26. According to Trademark Law (2014), art. 33, a "prior right owner or any interested party" can present the following in an opposition: (a) others' use of unregistered well-known trademark on the identical or similar goods or use of registered well-known trademark on either identical or similar goods; (b) the representatives and agents register others' trademarks without permission or rush to register the trademark for a contract or business relationship or other relations or rush for registration of trademark without authorization even though the applicant knows another's prior use of the trademark; (c) trademark consists of another's geographical indication; (d) registering similar or identical trademarks already registered or in prior use on the identical or similar products; (e) the registration is against the prior application principle or prior use principle on the identical application date; (f) registration of trademarks which are likely to damage prior rights.

27. Trademark Law (2014), art. 35, ¶ 2 provides: "The opposing party, if still having objections, may request the TRAB to declare the registered trademark invalid in accordance with Article 44 and Article 45 of this Law." It will be further explored in Part III, *infra*.

the simplified procedure, but also on the Trademark Office and the TRAB, which can shorten the review cycle for disputed cases. The Trademark Law (2001) does not explicitly set forth the length of the review period for opposition and reexamination of opposition. From a practical perspective, the backlog of trademark opposition cases is serious. Admittedly, the backlog also directly relates to an increasing number of trademark applications in China. However, a lack of binding authority under the Trademark Law (2001) as to the length of review period also plays a role in the backlog. To this end, the Trademark Law (2014) clearly defines the time for the Trademark Office to review the cases of opposition and the time for the TRAB to reexamine the opposition and draw a conclusion. The Trademark Law (2014) stipulates:

Where objections are raised against a trademark for which a preliminary examination announcement has been issued, the Trademark Office shall listen to the facts and grounds submitted by both the opposing party and the opposed, make a decision on whether to approve the registration of the trademark within 12 months upon expiry of the announcement period after investigation and verification, and notify the opposing party and the opposed of relevant information in writing. Where necessary, the time period may be extended for six months under special circumstances upon approval by the Administration for Industry and Commerce of the State Council. Where the Trademark Office decides to approve the registration of the trademark, it shall issue the certificate of trademark registration to the applicant and make an announcement thereon. The opposing party, if still having objections, may request the TRAB to declare the registered trademark invalid in accordance with Article 44 and Article 45 of this Law. Where the Trademark Office decides not to register the trademark, the opposed, if having objections, may apply for review to the TRAB within 15 days upon receipt of the relevant notice. The TRAB shall make a review decision, and notify both the opposing party and the opposed in writing within 12 months upon receipt of the application. Where necessary, the time period may be extended for six months under special circumstances upon approval by the Administration for Industry and Commerce of the State Council. The opposed who has objections to the decision by the TRAB may bring a lawsuit to the competent People's Court within 30 days upon receipt of the relevant notice, in which case the People's Court shall notify the opposing party to participate in the litigation proceedings as a third party.²⁸

This provision simplified the review procedure of trademark opposition

28. Trademark Law (2014), art. 35.

and resulted in the optimization of the trademark registration procedure. At the same time, it protected the right to legal remedies for both the opposing party and the opposed.

5. Introduction of an Electronic Filing System for Trademark Registration

The electronic trademark application system is a symbol that the legal system can adapt to the requirements of the information society and is an important manifestation of modern trademark law. The electronic application system is based on the development of the Internet. In China, the Internet has grown rapidly in recent years;²⁹ this growth laid the material foundation for the electronic application system. Paragraph 2, Article 22 of the Trademark Law (2014) states, “A trademark registration application and other relevant documents may be submitted in writing or by way of data message.”³⁰ Undoubtedly, the electronic filing system will greatly facilitate applicants’ ability to access the trademark application and registration processes more easily.

The electronic filing system is different from the general application process; thus, a specific implementation rule is needed in the Regulations for the Implementation of the Trademark Law. The specific provisions of the rule must define technical terminologies and dictate procedures such as filing and arrival dates. “Data message” means “filing trademark registration and related documents in the format as specified in trademark registration authority via internet.” In terms of the filing date, there is a view that “for the documents submitted in electronic data mode, the date of receipt by Trademark Office or the TRAB is deemed the date of arrival.”³¹ In the author’s opinion, such a provision will put applicants in an adverse position in that receipt by the Trademark Office or the TRAB could be delayed. Referring to Article 16 of the Contract Law of China,³² and thus the Regulations for the

29. See generally THE CHINA INTERNET ASSOCIATION, THE CHINA INTERNET NETWORK INFO. CTR., REPORT OF INTERNET DEVELOPMENT IN CHINA (2013).

30. Trademark Law (2014), art. 22, ¶ 2.

31. On September 17, 2013, the author, accepting an invitation by the State Trademark Bureau, attended an expert panel discussion about modification of Regulations for the Implementation of the Trademark Law. At the meeting, the panel engaged in lively discussions about modifying the provision. The State Trademark Bureau has introduced the Regulations for the Implementation of the Trademark Law (internal, for consultation), and many issues need to be perfected. Fortunately, the Amendment of the Regulations for the Implementation of the Trademark Law was granted by the State Council on April 29, 2014. However, there is not any provision as to electronic filing system therein.

32. Contract Law of the People’s Republic of China art. 16 (adopted by the Standing Comm. Nat’l People’s Cong., Mar. 15, 1999) (China) provides that an offer becomes effective when it

Implementation of the Trademark Law, for submission in electronic message, the time of arrival at the designated receiver's system in the Trademark Office or the TRAB is the "time of arrival." This alternative is easier to operate and identify.

The Trademark Law (2001) does not provide for an electronic filing mode; therefore, determining the submission date is inconsistent. The relevant provisions of Regulations for the Implementation of Trademark Law can no longer meet the requirements of electronic filing and thus need to be further supplemented and improved. For example, the provision stating, "for the submission in electronic messages, the record of arrival at Trademark Office or the TRAB data base" controls. For the arrival of application documents, Article 11 of the Regulations for the Implementation of the Trademark Law (2002) has relevant provisions, but it is not suitable for electronic applications. Thus, Article 11 requires additional provisions, such as "the date of arrival of the documents from the Trademark Office or the TRAB to the parties is deemed to be the date of delivery by electronic means via Internet, unless evidence can be provided otherwise."

B. Standardized Practices in the Use of Trademarks in Order to Ensure Fair Competition

The protection of the right to exclusive use of a trademark by Trademark Law is built on standardizing the application practices. For trademark holders to build reputation and realize asset value, the trademark must be widely accepted by consumers. If a trademark cannot be fully utilized, consumers will not associate the trademark with the manufacturer, thus the manufacturer will not attract consumers who "shop by mark." The benefit of trademark protection is the reputational value that is linked to the product and the manufacturer. The right to exclusive use of a trademark incentivizes manufacturers to improve the quality of goods and services. High-quality products and services can win the favor of consumers and thus develop a "favor for brand." Hence, it will encourage manufacturers to cultivate the reputation of their trademarks through improved management and improvement of product and service quality.

Due to the value that some trademarks carry, some manufacturers

reaches the offeree. If a contract is made in the form of text in electronic data and the receiver has designated a special receiving system to receive such data text, the time at which the text in electronic data enters the designated special system shall be the time of arrival; if no special receiving system is designated, the time at which the text in electronic data first enters any of the receiver's systems shall be the time of arrival.

attempt to “steal” the reputation of others’ existing trademarks. Some manufacturers may hoard trademarks for a future claim of infringement of a registered trademark for strategic purposes. These behaviors concern the maintenance of fair competition in the field of trademark law. Indeed, trademark law is closely related to anti-unfair competition law. From the perspective of the legislative history, both developed from infringement law. Both have the same mission and the same purpose: to maintain fair competition and inhibit unfair competition. One difference, however, is that trademark law is in the form of private law, and protection of the right to exclusive use of a trademark is the basic legal forms; whereas, anti-unfair competition law takes the form of public law, and safeguarding the public interest is the basic target. The exploitation of trademarks is directly related to the maintenance of fair competition in the market and the protection of consumers’ interests. The Trademark Law (2014) has standardized the use of marks in the following fields to ensure the protection of consumers’ and competitors’ interests and to safeguard fair competition in the market.³³

1. Application for Illegal Squatting of Others’ Existing Unregistered Trademarks Shall be Rejected

There are two ways to obtain the right to exclusive use of a trademark: by registration or by practical use.³⁴ Because China practices the principle of voluntary registration of trademark, the practical reality is that there are a large number of unregistered trademarks in practice. The status of unregistered trademarks in trademark law has been one of the favored topics for researchers in the field of trademark legislation.³⁵ Arguably, even though the unregistered trademark holders have not acquired the right to exclusive use of a trademark, it does not necessarily mean the law will not protect it. This is especially true for certain well-known unregistered trademarks. Where exclusive use is obtained by registration, the *laissez-faire* use of unregistered trademarks undoubtedly causes inequitable benefits to the registrant *vis-à-vis* the true holder of

33. Trademark law has an objective for most competitive policies. *See generally* XIAOXIA LUO, THEORETICAL RESEARCH OF TRADEMARK LAW IN THE PERSPECTIVE OF COMPETITION POLICY: RELATIONS, COORDINATION AND SYSTEM CONSTRUCTION (2013).

34. There is no absolute boundary between the two points. In special cases, the prior use principle is also taken into account, and vice versa. *See* Trademark Law (2001), art. 29 and Trademark Law (2014), art. 31.

35. *See* Shujie Feng, *Mode of Right Generating Mechanism and Protection for Unregistered Trademarks*, 7 LEGAL SCI. 39-47 (2013); Shao Chong, *Exploration of Prior Use of Unregistered Trademark*, 2 WULING J. 85-90 (2013); Du Ying, *Outlining the Protection of Prior Used Unregistered Trademark – Together with Comment on the Third Amendment of Trademark Law*, 3 JURIST 123-34 (2009).

the unregistered trademark, which is against the good faith principles advocated by the Trademark Law. The amendment of the Trademark Law (2001) of China³⁶ added protections for unregistered trademarks; the protections are retained in the Trademark Law (2014).³⁷ The legal foundation of trademark law is registration and the inherent requirement that each trademarked product or service is distinct. Because unregistered trademarks already enjoy a certain reputation and are already in use, the law should prohibit others from “squatting” on the mark.

The Trademark Law (2001) in China does not adequately protect unregistered trademarks. Balancing the interest related relationships between unregistered trademarks and registered trademarks and protecting the legitimate interest of unregistered trademark owners promotes the principle of good faith. The Trademark Law (2014) clearly states that illegal squatting of unregistered trademarks already in prior use shall cease. Paragraph 2 was recently added to Article 15;³⁸ the relevant portion provides:

[A]n application for registering a trademark on the same or similar goods shall not be approved where the trademark under application is identical with or similar to an unregistered trademark already used by another party and the applicant clearly knows the existence of the trademark of such another party due to contractual, business or other relationships with the latter other than those prescribed in the preceding Paragraph; and such another party raises objections to the applicant’s trademark registration.³⁹

2. Prohibiting Acts of Unfair Competition by Registering Another Company’s Trademark as the Trade Name of a Company

Company trade names and trademarks are closely linked; both

36. Trademark Law (2001), art. 31 provides, “Anyone applying for trademark registration may not damage the existing rights of others obtained by priority, neither may it register, in advance, the trademark that has been used by others and has become influential.” As for the studies of the system, see Xiaoqing Feng & Xiaoxia Luo, *Exploration of the Protection of Prior Use of Unregistered Trademark with Influence*, 5 *ACADEMIA BIMESTRIS* 139-46 (2012).

37. See Trademark Law (2014), art. 32. Moreover, Trademark Law (2001) and Trademark Law (2014) (both provide a protection system for unregistered well-known trademark). See also Trademark Law (2001), art. 13, ¶ 1; Trademark Law (2014), art. 13, ¶ 2.

38. It provides, “If an agent or a representative registers the trademark of the principal or the represented in his/her own name without authorization, the trademark shall not be registered and shall be prohibited from use upon the opposition raised by the principal or the represented.” Trademark Law (2014), art. 15, ¶ 2.

39. *Id.*

function as a credit to a manufacturer even though they have different legal natures. Trademarks, particularly those with some reputation, are valuable and play an important role for the enterprise to enter the market and win the trust of consumers. In practice, it is common for some manufacturers to register other manufacturer's registered trademarks, with a certain reputation, as their own trade name to take advantage of the trademark's value. Such behavior is unfair competition in nature and subject to legal regulation. Therefore, it is not difficult to understand the relevant departmental rules and judicial interpretations⁴⁰ in China that prohibit registering others' registered trademarks as another company's trade name.⁴¹

Article 58 of the Trademark Law (2014) provides that “[w]hoever constitutes unfair competition by using a registered trademark or an unregistered well-known trademark of another party as the trade name of its enterprise to mislead the public shall be dealt with in accordance with the Anti-unfair Competition Law of the People's Republic of China.”⁴² This provision shows that registering another's registered trademark or unregistered well-known trademark as one's own trade name without authorization shall be handled according to the Anti-Unfair Competition Law of the People's Republic of China. The applicable provisions are invoked if the public is misled by this unauthorized trade name and this trade name results in unfair competition.⁴³

40. In China, the departmental regulations are enacted by the ministries and commissions of the State Council. Such regulations carry a lower legislative status than that of the administrative regulations formulated by the State Council. Judicial interpretations are generally enacted by the Supreme People's Court and are applied mainly to the applicable issues and are an important legal basis for the People's Courts in trying various cases.

41. With regard to departmental rules and regulations, an example is the Determination Regarding the Solution to Several Issues in Trademarks and Trade Names (gsbz No. 81 [1999]) enacted in 1999 by the SAIC (providing that registering the words in the other's name or similar words as trademark and causing the confusion of the public about the registrant of trademark and owner of trade name, or registering words identical or similar to other's trademark as the one's trade name and causing the confusion amongst the public about the registrant of the trademark and owner of trade name to constitute unfair competition shall be stopped). For another example, the Provisions on Issues Concerned in the Trial of Cases of Civil Disputes over the Conflict between Registered Trademark or Enterprise Name with Prior Right implemented by the Supreme People's Court on March 1, 2008, provided that, where the name of respondent company violates provisions of the right to exclusive use of a trademark or constitutes unfair competition, the People's Court may, upon the plaintiff's claim and the circumstances of the case, order the defendant to undertake such civil liability as stopping use and regulating use.

42. Trademark Law (2014), art. 58.

43. Of course, whether the provision on legal application is sufficiently reasonable is also worth exploring. The relevant act concerning this provision has constituted infringement upon the right to exclusive use of a registered trademark, and the trademark law may be directly applicable. However, due to the similarity of both forms of legal liability, in judicial practice, whether it is applicable under the Trademark Law or Anti-Unfair Competition Law, the results do not differ

3. “Identified Individually and Protected Passively”: A Principle for Well-known Trademarks is Clearly Announced; “Well-known Trademarks” Shall be Prohibited in Advertising and Packaging of Products

Since China joined the Paris Convention for the Protection of Industrial Property and Trade-Related Aspects of Intellectual Property Rights (“TRIPS Agreement”), it must provide special protection for well-known trademarks.⁴⁴ This special protection includes protection for unregistered well-known marks, the right to remain free from registration by others, and recourse where registration has occurred. The recourse includes the ability to have the trademark cancelled.⁴⁵ Further, well-known registered trademarks enjoy the right to cross-category protection, i.e. the mark cannot be used on identical or similar goods by extension conditionally.⁴⁶

The special protection for well-known trademarks is fixed by legislation. Therefore, in recent years, China’s Trademark Law and Regulations for the Implementation of the Trademark Law,⁴⁷ as well as the judicial interpretation of the Supreme People’s Court,⁴⁸ have made special provisions for the protection of well-known trademarks. However, the special protection for well-known trademarks refers only to certain special protections provided for the owner of the mark when a dispute arises. Therefore, the protection for well-known trademarks is subject to the principle of “identified individually and protected passively.” “Passive protection” means that the well-known mark shall only be protected as a well-known mark when the party requests the trademark to be so recognized, rather than providing protection of well-known marks in other situations. The aforesaid Chinese Trademark Law, Regulations for the Implementation of the Trademark Law, and relevant judicial interpretations, have clearly declared the above principles.⁴⁹

materially.

44. See Agreement on Trade-Related Aspects of Intellectual Property Rights art. 65, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299; 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement].

45. See Trademark Law (2001), art. 13, ¶ 1; Trademark Law (2014), art. 13, ¶ 2. For further research, see Xiaoqing Feng, *Unregistered Well-known Trademark and Improvement of Its System*, 4 JURIST 115-27 (2012); Kun Han, *Legal Protection of the Unregistered Well-known Trademark*, 8 SOCIAL SCIENCE FORUM 47-50 (2009).

46. See Trademark Law (2001), art. 13, ¶¶ 2-3.

47. See *id.* art. 13, 14, 41; Regulations for the Implementation of Trademark Law (2014) (China) [hereinafter Regulations (2014)], art. 3, 49, 72.

48. See Interpretation Regarding Applicable Laws for Several Issues Involving Protection of Well-known Trademark in Civil Disputes (promulgated by the Sup. People’s Ct., effective July 1, 2000) Sup. People’s Ct. Gaz. (China).

49. See generally Trademark Law (2001); Trademark Law (2014); Regulations (2014).

However, some enterprises possessing well-known trademarks that are identified by “reputation” are inclined to advertise want only.⁵⁰ As the NPC Standing Committee Version for Consultation points out: “the well-known trademark recognition is only the confirmation of the facts and only valid for controversy in dispute cases. However, some owners of well-known trademarks regarded the identification of their trademarks as the government’s recognition of the product’s quality. Consequently, consumers are misled.”⁵¹

From the perspective of jurisprudence, laws should address social reality. Faced by growing alienation of well-known trademarks in China, trademark law is the means to regulate well-known trademarks. Despite the fact that the Amendment proposes to prohibit adding such words alluding to “well-known trademarks” in advertising, the Amendment met with resistance from businesses and local government. The mainstream view still holds that such a provision should be added.⁵² For these reasons, the Trademark Law (2014) for the first time, clearly states that the wording “well-known trademark” is prohibited in advertising, promotion, and on packaging or decoration of its products despite the fact that individual recognition and passive protection of well-known trademarks is provided.⁵³ Paragraph 1, Article 13 of the Trademark Law (2014) stipulates that “[a] holder of a trademark that is well known by the relevant public may request for protection of the trademark as a well-known trademark in accordance with this Law if the holder is of the opinion that its rights have been infringed upon.”⁵⁴ Article 14 provides:

Upon request by the party concerned, a well-known trademark shall be recognized as a fact that needs to be ascertained in the handling of a trademark-related case.⁵⁵ Where the party concerned claims rights pur-

50. In recent years, the number of well-known trademarks recognized by administration reached the thousands; furthermore, groups of administratively recognized well-known trademarks are being announced, which has fueled alienation. For Chinese well-known trademarks of empirical analysis, see Xiaoqing Feng & Jingjing Deng, *The Empirical Research and Theoretical Thinking of Well-known Registered Trademark — Based on Literature and Information Analysis of the Well-known Trademarks Registered between 1983-2011 in China*, 2 WULING J. 65-80 (2012).

51. Provisions and Instructions for the Amendment of the Trademark Law of People’s Republic of China (China) (Draft), art. 6, available at <http://vip.chinalawinfo.com/Newlaw2002/Slc/Slc.asp?db=lfbj&gid=1090523612> (last visited Feb. 28, 2015).

52. As noted above, on May 8, 2013, the author attended a forum of experts discussing the modification of the Trademark Law; the author also advised the Legal System Work Committee of NPC. While presenting, the author proposed the following: “The validity of well-known trademark is only limited to a fact in a trademark case to be identified. The owner of registered trademark is not supposed to mark ‘well-known trademark’ on the product or service, nor is it appropriate to apply the name of well-known trademarks in advertising or other similar activities.”

53. Trademark Law (2014), art. 14, ¶ 4.

54. *Id.* art. 1, ¶ 1.

55. *Id.* art. 14.

suant to Article 13 of this Law during trademark registration examination or during the process whereby an administration for industry and commerce investigates and punishes a case of trademark-related illegalities, the Trademark Office may recognize the well-known status of the relevant trademark as may be necessary for examination or case handling.⁵⁶ Where the party concerned claims rights pursuant to Article 13 of this Law during the handling of a trademark dispute, the TRAB may recognize the well-known status of the relevant trademark as may be necessary for case handling.⁵⁷ Where the party concerned claims rights pursuant to Article 13 of this Law during the hearing of a trademark-related civil or administrative case, the People's Court designated by the Supreme People's Court may recognize the well-known status of the relevant trademark as may be necessary for case hearing.⁵⁸ Manufacturers and business operators shall neither indicate the words "well-known trademark" on goods and the packaging or containers of goods, nor use the same for advertising, exhibition and other commercial activities.⁵⁹

Implementation of the above provisions will offset the severe punishment that comes with alienating well-known trademarks and proceed to restore the original aim of the well-known trademark system.⁶⁰

4. Establishing the Prior Use System for Unregistered Trademarks

As mentioned earlier, in the system where trademarks are obtained through registration, unregistered trademarks are not covered by the right to exclusive use. However, based on fairness, equality, and justice in law, as well as the consideration of the interest relationship between the registered and unregistered trademark owners, some countries and regions have established a prior use system for unregistered trademarks. In China, according to the provisions of The Trademark Law (2001), the protection of unregistered trademarks is limited to unregistered well-known trademarks as prescribed in Article 13. Under Article 13, unregistered trademarks that are influential, as prescribed in Article 31, are eligible for protection.⁶¹ As mentioned above, the Trademark Law (2014) specified prohibitive rules for squatting on unregistered

56. *Id.* art. 14(5), ¶ 1.

57. *Id.* art. 14(5), ¶ 2.

58. *Id.* art. 14(5), ¶ 3.

59. *Id.* art. 14(5), ¶ 4.

60. It is true that Trademark Law (2014), art. 52 provides a significantly low level of penalty and may not help curb the advertising behaviors of well-known trademarks. Further improvement of this system is expected in the future.

61. *See* Trademark Law (2001), art. 13, 31.

trademarks in special circumstances.⁶² However, if unregistered trademarks that are in-use are not given absolute protection to be used in certain conditions, the unregistered trademarks in-use are still not adequately protected. It is because the value of a trademark lies in application. In China, the right to exclusive use of a trademark is obtained through registration; registration serves as legal confirmation of the right to utilize the trademark. The system incentivizes individuals using unregistered trademarks to register the trademark in order to prevent others from taking advantage of the existing reputation of the unregistered trademark. Disallowing the protection of unregistered trademarks does nothing to protect consumer interests. In addition, prohibition of unregistered trademarks after the registration of another trademark upends the stability of legal relations surrounding trademarks.⁶³

Based on the above considerations, the introduction of a prior use system for unregistered trademarks into Trademark Law is significant. It is an important manifestation for the trademark law to coordinate an interest related relationship, establish an interests balancing mechanism, and achieve the value of fairness and justice in its pursuit.⁶⁴ Article 59 of the Trademark Law (2014) provides:

62. See Trademark Law (2014), art. 14, ¶ 2; *id.* art. 52, 58.

63. For a relevant case, see *The (Tianjin) Quan Xing Factory v. GSK Football Clubs*, which infringed upon the right to exclusive use of a registered trademark, Ref. No. 186 Nzcz (Nanjing Interim. People's Court, Jiangsu Prov., 1999) (China). In this case, Nanjing Intermediate People's Court adjudicated that the defendant, Sichuan Quanxing club and Nanjing sports equipment factory, has infringed upon the plaintiff's exclusive right to use its trademark, "Quanxing" and "Quanxing with map," registered in the goods for sports, because its sports balls attached to "Quanxing" as well as "Sichuan Quanxing club." The defendant was dissatisfied with the decision and thus appealed to the Higher People's Court of Jiangsu Province. The court held that it was legal for Sichuan Quanxing club, for the purpose of publicity, to identify themselves and use their own well-known name on its team logo, uniforms, envelopes, alumni, sports balls, and related business products. Hence, the second instance court rendered a decision that the defendant's actions did not constitute trademark infringement. See XIAOQING FENG, *THEORY OF BALANCING OF INTERESTS IN INTELLECTUAL PROPERTY LAW* 671 (2006). For other related cases, see *Shanghai Shower Room Industrial Co., Ltd. v. Shanghai Industrial Co., Ltd.* for a dispute on trademark infringement, Ref. No.42 Mmszcz (Shanghai People's Court, Minhang Dist., 2011) (China); and *Sichuan Eguchi Wine Industry (Group) Co., Ltd. v. Luzhou Millennium Wine Industry Co., Ltd.*, concerning an infringement dispute on a registered trademark, Ref. No.50 Zgfmszz (Hunan Prov. Higher People's Ct., 2006). For these cases in detail, see China IPR Judgment & Decisions, available at <http://ipr.court.gov.cn> (last visited Feb. 25, 2015).

64. The balance of interests is the basic value of intellectual property law. It is also the important legislation and judicial principle of intellectual property. Trademark law, as an important part of intellectual property law, is no exception. The establishment of a system for unregistered trademarks in prior use, in essence, is to coordinate and balance the interests between owners of unregistered trademark in prior use and registered trademark owners, which gives the unregistered party the minimum legal protection.

Where, before a trademark registrant applies for registration of the relevant trademark, another party has used ahead of the trademark registrant a trademark identical with or similar to the registered trademark on the same or similar goods, the holder of the exclusive right to use the registered trademark shall have no right to prohibit the said party from continuing to use the trademark within the original scope of use, but may require the latter to add suitable logos for distinguishing purposes.⁶⁵

Restated, if others have used identical or similar trademarks for the same or similar goods before the trademark registrant files the registration, others can continue to use the trademark within the original scope by adding some mark for distinguishing purposes.

In practice, the key to implementation of the above provision is to identify the “earlier” use of the mark, i.e. the user that has used the same or similar trademark on the same or similar product or service in business activities before the date of application for the registration of plaintiff. However, interpretation of such uses cannot be too loose, and the prior use of the unregistered trademark must be on the same or similar goods. The use of advertising nature should not be identified as prior use; to do so would damage the interests of trademark owners. Harm results where an unregistered trademark can continue to be used when other people have registered the identical trademark. Because the right to exclusive use of a trademark is obtained by registration, unregistered trademarks are in a subordinate position.⁶⁶ In order to protect his interest, the prior user can fulfill the obligations to add appropriate mark and limit use of the trademark to the original scope. The “appropriate mark” should be sufficient to distinguish between the two trademarks such that consumers will not be confused or mistaken. “Original scope” means the product or range of services on which the unregistered trademark was used before the filing date of the registered trademark.⁶⁷

5. Establishing the System of “No Compensation for Unused Registered Trademark”

The system of compensation for damages by trademark infringement is the major protection conferred by the right to exclusive

65. Trademark Law (2014), art. 59.

66. Trademark Law (2001), art. 3, ¶ 1.

67. In trademark practice in China, there have been cases that defined the scope for use of a prior used unregistered service mark, of which the service mark “glasses 88” is a typical case. See Wenyu Cui, *The Continuing Use of Service Trademarks shall be Strictly Limited*, <http://www.cipnews.com.cn/showArticle.asp?Articleid=24043> (last visited Feb. 28, 2015).

use of a trademark under the Trademark Law of China. Part II.C is dedicated to this issue. The following discussion focuses on the situations where no compensation is available for application of others' registered trademarks. Paragraph 3 of Article 56 of the Trademark Law (2001) provided for non-liability for damages compensation. The relevant portions stated, "If any person sells the commodities that have, not knowing the facts, infringed upon the right to exclusive right of a trademark and is able to prove that it has obtained those commodities legally and to specify the provider, it shall not bear the liability for compensation."⁶⁸ This provision was retained in Paragraph 2, Article 64 of the Trademark Law (2014). This behavior is not subject to liability for compensation because liability for damages for infringement in intellectual property is pre-conditioned on the subjective fault of the actor. Civil liability arising from infringement generally amounts to compensation for damages. The system utilizes a liability-for-fault principle, which balances the relationship between main body status of the market and competition against the interests of the owners of intellectual property rights and public interests owners.⁶⁹ A seller can demonstrate his innocence by showing that he obtained the right to use the trademark legally and by indicating from whom he acquired the products. In this case, it would be too harsh for the seller to remain liable for compensation for damages.⁷⁰

Questions of liability also arise where a registered trademark owner alleges infringement of a trademark that he has not utilized for a long period. Could the defendant be liable for damages in this situation? The Trademark Law (2001) and relevant judicial interpretations do not reply explicitly. Article 64 of the Trademark Law (2014) adds a new provision:

Where the holder of the exclusive right to use a registered trademark claims for compensation, and the alleged infringer counterclaims that the said holder has not used the registered trademark, the relevant People's Court may require the holder to furnish evidence of its actual use of the registered trademark during the three years prior to the lawsuit. The alleged infringer shall not be liable for compensation if the said holder is neither able to prove its actual use of the registered trademark during the three years prior to the lawsuit, nor able to prove other loss-

68. Trademark Law (2001), art. 56, ¶ 3.

69. See Xiaoqing Feng & Mengyun Hu, *A Discussion on the Doctrine of Liability Fixation on Intellectual Property – in Discussion with No-fault Liability Theorists*, 11 HEBEI LAW SCI. 54-64 (2006).

70. *Id.*

es suffered as a result of the infringement.⁷¹

This provision has supplemented the deficiency of the former law and established a “no compensation for damage of unused registered trademark” system. It was intended for the new provision to promote the effective use of trademarks and prevent hoarding, while offering protection to an alleged infringer. A system where unused registered trademarks are not eligible for compensation promotes the use of marks. Trademark holders lose the rights conferred through registration if the trademark is not used within a certain period after registration. Therefore, the holder is not only taking the risk that the trademark will be revoked, but also that he will not be entitled to compensation even if others are using the same or similar mark for identical or similar goods.⁷² If the trademark has market value, the right holder will certainly try to put it into use to derive a benefit. Because trademarks have market value, holders are encouraged to improve the quality of the trademarked goods or services to increase the value further.

The requirement set forth above, that “the holder shall furnish evidence of its actual use of the registered trademark during the three years prior to the lawsuit,” conforms with the regulation under which a registered trademark, not used for three consecutive years, is revoked.⁷³ Since a registered trademark not used for three consecutive years can result in revocation, it is not reasonable for the defendant to bear liability of compensation for damages. Damages arising from the infringement of the exclusive right to use of a registered trademark are generally calculated as the cost associated with the consumer confusing the infringer’s product with the product of the trademark holder. Where a trademark holder has not used his registered trademark on goods or services, consumers cannot be confused or mistaken. Therefore, no such damage exists. Without damage, the basis and foundation for compensation for infringement is non-existent.

However, there can still be damage to the owner of a registered trademark who has not used the mark in three consecutive years prior to claiming rights. Even where the owner of a registered trademark has not used the mark, the infringer has not possessed the commercial reputation of the registered trademark, and it is still possible for the reputation of rightful holders to be adversely affected in the future. After all, the infringer has created a “mistaken identity” and blocked the right holder from developing future paths to the market. Of course, under normal

71. Trademark Law (2014), art. 64.

72. *Id.*

73. *Id.* art. 49, ¶ 2.

circumstances, the damage that the plaintiff suffers by the infringement of the defendant is not easily ascertainable. This is especially true where the right holder delayed exercising his rights, unless he can prove the “loss out of the damage of plaintiff suffered by the infringement of the defendant.” For example, consider a case where the defendant used a registered trademark intentionally, for a long time on a wide scale, and even developed a high “credibility” in the minds of consumers. Thus, when the plaintiff attempted to use his registered trademark later, consumers thought the plaintiff was the counterfeiter and infringer. In this situation, it is likely that the plaintiff’s potential trademark credibility is transferred to the defendant. In this case, the plaintiff can claim loss due to infringement and damages.

C. Strengthening the Effective and Fair Protection of the Right to Exclusive Use of a Trademark

Article 3 of both the Trademark Law (2001) and the Trademark Law (2014) provide: “Trademark registrants shall be entitled to the right to exclusive use of their trademarks and shall be protected by law.”⁷⁴ The protection of the right to exclusive use of a trademark makes up the core of the trademark law. Without effective protection of the right to exclusive use of a trademark, the effectiveness of the trademark law will be severely limited. To strengthen the protection of the right to exclusive use of a trademark, the system must first be improved. Judging by the revisions of the Trademark Law of China in recent years, the general trend is that the level of protection of the right to exclusive use of a trademark is improving.⁷⁵ In fact, this trend is consistent with the increase in the scope of protection of intellectual property. This revision of the Trademark Law has reinforced the effective and equitable protection of the right to exclusive use of a trademark and improved the level of protection. The following is a discussion of the major amendments to the Trademark Law.

1. Optimizing the Connotation of “Infringement of the Exclusive Right to Use a Registered Trademark”

Article 52 of the Trademark Law (2001) states, in part: “using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a

74. Trademark Law (2001), art. 3; Trademark Law (2014), art. 3.

75. See Trademark Law (1982), art. 38; Trademark Law (1993), art. 52; Trademark Law (2001), art. 52.

license from the registrant of that trademark.”⁷⁶ Article 57 of the Trademark Law (2014) adds the following: “Providing, intentionally, convenience for activities infringing upon others’ right to exclusive use of a trademark, and facilitating others to commit infringement on the right to exclusive use of a trademark.” The amendment also split the above first item into two categories: (i) apply the same trademark on the same products without permission of the trademark registrant; (ii) apply a similar trademark on the same kind of goods, or similar trademarks on similar or identical products without the permission of the registered trademark. In the first situation, it is unnecessary to express the restrictive condition, “likely to cause confusion,” since there is no doubt counterfeiting will cause consumers to be confused. However, the second behavior does not necessarily confuse consumers.⁷⁷

The Trademark Law (2001) does not mention “likelihood of confusion.” Omitting the mention of confusion may bring some behaviors that are unlikely to cause confusion into the scope of infringement of the right to exclusive use of a trademark. Thus, the scope of infringement of exclusive rights for trademark use is expanded and inconsistent with the nature of infringement of the right to exclusive use of a trademark.⁷⁸ Of course, whether the “likelihood of confusion” or similar conditions should be added is controversial among the authorities in China. At the third meeting concerning amendment of the Trademark Law, organized by the SAIC in May 2009, the person in charge of the Trademark Office pointed out that various acts of trademark infringement cited in the Trademark Law (2001) include language regarding the likelihood of confusion. Arguably, this evidences the fact that it is unnecessary to make special provisions discussing the likelihood of confusion.⁷⁹ In fact, similarity in trademarks and products

76. Trademark Law (2001), art. 52.

77. Trademark Law (2014), art. 57.

78. The Trademark Law (2001) does not require the condition of “likelihood of confusion,” which also puzzles judicial practice. A prime example of such a situation is the infringement of Nike’s trademark. In this case, the owner of the unregistered trademark in China, Spanish “Nike,” started to produce in Original Equipment/Entrusted Manufacture (OEM) form in Shenzhen, but all the shoes marked “Nike” were exported. Later, the owners of the American “Nike” registered trademark in China filed a complaint for infringement. Controversies appeared when Shenzhen Intermediate People’s Court heard the case. One view was that under the Trademark Law (2001), the above acts did constitute infringement, whereas another view held that, since in the Chinese market there is no possibility of confusion amongst consumers, should not be regarded as infringement. Finally, the court found infringement. *Nike Int’l Ltd. v. Zhejiang Animal By-Products Import & Export Corp.*, Ref. No. szfzcc 55, (Shenzhen Intern. People’s Ct., 2001) (China) (regarding trademark infringement dispute).

79. See Lihua Yang, *Infringement upon the Right to Exclusive Use of A Registered Trademark by Registering A Similar Trademark to Other’s Registered Trademark on Identical or Similar Commodities: A Dispute of Right to Exclusive Use of A Registered Trademark from A*

does not necessarily lead to confusion. There are many causes for likelihood of confusion. The similarity in trademarks is neither a necessary nor a sufficient condition. For example, similar trademarks on the same or similar goods can belong to different owners; but the holders of both marks can still enjoy reputational benefits and consumers are still able to distinguish easily in a specific market. In these cases, neither party intends to confuse his own products with those of the other party or behaves improperly to cause confusion. Thus, it is not appropriate to decide whether the trademark registered earlier is infringed by the trademark registered later.

The nature of trademark infringement should be limited to inquiries regarding the likelihood of confusion for consumers. Except for trademark counterfeiting, it is inappropriate to rely solely on the proximity or similarity of trademarks or products. This principle is acknowledged in the judicial practices of many countries. For example, the European Community (EC) Court has repeatedly stressed that the basic function of trademark is to ensure consistent sources of goods and to prevent consumers from becoming confused as to who produced the product.⁸⁰ In *Charcoal Steak House, Inc. v. Staley*,⁸¹ the North Carolina Supreme Court held that trademark law and unfair competition law are products of confusion.⁸² United States Trademark Law provides that any act likely to cause confusion constitutes infringement of a trademark; specifically, anyone who utilizes a confusing or misleading word, term, name, symbol or design, or any combination thereof, has committed an act constituting trademark infringement.⁸³ The legal protection of the exclusive right to use of a registered trademark also aims to prevent consumers from being confused. In case of confusion, consumers should be able to identify the source of goods or services by trademarks. The significance of the ability to recognize marks stems from the need to prohibit confusion. The real purpose of prohibiting confusion is to protect the right to exclusive use of a trademark.

Foodstuff (Holdings) Ltd. v. A Beijing Wine Co. and Nanchang Sugar & Wine Subsidiary Food Co., Ltd., in SPECIAL FOR THEORETICAL RESEARCH & JUDGMENT OF INFRINGEMENT CASES IN TRADEMARK AREA 213 (Xiaoqing Feng ed., 2010).

80. Kai Wu, *A Number of Legal Issues in Recognizing Approximate Marks*, 9 CHINESE TRADEMARK 15-18 (2005).

81. *Charcoal Steak House of Charlotte, Inc. v. Staley*, 139 S.E.2d 185 (N.C. 1964).

82. *Id.* at 203.

83. See False Designations of Origin, False Descriptions, and Dilution Forbidden, 15 U.S.C. § 1125(a) (2012) (“Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which is likely to cause confusion . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.”).

In China, because the Trademark Law (2001) does not include the element of “likelihood of confusion” in the context of trademark infringement cases, the result is inconsistent judicial rules that are applied by different People’s Courts. Consequently, the Supreme People’s Court had to include “likely to cause confusion,” “approximate trademark,” and “similar goods” into Paragraph 2 of Articles 9 and 11 of the Interpretation Regarding Several Issues in Trial of Civil Disputes about Trademark.⁸⁴

Generally, the essence of trademark infringement is that an infringer uses the business reputation attributed to the trademark holder in order to market his own products or services. This behavior can be characterized as trespassing on the market share of the registered trademark owner. An infringer derives a benefit from confusing consumers into associating his product or reputation with that of the true trademark holder. Therefore, confusion prompts the adoption of unfair competition policies.⁸⁵ Based on the concerns surrounding consumer confusion and trademark infringement, Paragraph 2, Article 57 of the Trademark Law (2014) added the restrictive condition of “likely to cause confusion” for the above acts.⁸⁶ The inclusion of the condition helps balance the need for definition in the area of infringement of the right to exclusive use of a trademark and for preserving the interests of consumers.

2. Deliberately Promoting the Infringement of Others’ Right to Exclusive Use of a Trademark or Assisting Persons to Commit Infringement of the Right to Exclusive Use of Trademarks

Item 6, Article 57 of the Trademark Law (2014) states that “[p]roviding, intentionally, convenience for activities infringing upon others’ right to exclusive use of a trademark, and facilitating others to commit infringement on the exclusive right of trademark use” is an infringement act violating a trademark holder’s right to exclusive use of a trademark.⁸⁷ This provision was transplanted from Article 75⁸⁸ of the

84. See Several Questions on the Application of Law in Trial of Trademark Civil Disputes Cases Interpretation (promulgated by the Supreme People’s Ct., Oct. 12, 2002, effective Oct. 16, 2002), art. 9, ¶ 2; art. 11 (China) [hereinafter Trademark Interpretation (2002)].

85. See generally Yang, *supra* note 79.

86. Trademark Law (2014), art. 57, ¶ 2.

87. Trademark Law (2014), art. 57, ¶ 6.

88. Regulations for the Implementation of the Trademark Law (2002) (China) [hereinafter Regulations (2002)], art. 75: “intentionally providing facilities such as storage, transport, mailing, concealing, etc. for the purpose of infringing another person’s exclusive right to use a registered trademark” is an infringement behavior upon the right to exclusive use of a registered trademark.

Regulations for Implementation of the Trademark Law (2002), with appropriate modification. In the author's opinion, the provisions regulating the basic articles of the trademark law should be set forth in the Trademark Law instead of Regulations for Implementation of the Trademark Law, which carries a lower legislative status. Therefore, it is proper to transfer the above provisions from Regulations for Implementation of the Trademark Law into the Trademark Law.

Item 6 of Article 57 of the Trademark Law (2014) has modified the above provisions in the Regulations for Implementation of the Trademark Law (2002).⁸⁹ The changes include, on one hand, the behaviors of providing convenience, which are no longer listed; and on the other hand, restrictive conditions promoting the commission of infringement.⁹⁰

3. Introducing a Punitive Damage System for Infringement of the Exclusive Right to Use a Trademark and Aggravating Penalties for Repeated Infringement

The punitive damage system for infringement on the right to exclusive use of a trademark is among the most important systems promoting the protection of the right to exclusive use of a trademark. As early as April 12, 1986, Article 118 of the General Principles of the Civil Law provided that citizens and legal persons are entitled to stop infringement, thereby eliminating the damages and compensation for loss when the holder of the right to exclusive use of a trademark suffers from plagiarism, falsification, counterfeiting, and other violations.⁹¹ The previous trademark laws of China included detailed provisions for infringement of the right to exclusive use of a trademark. For example, Paragraph 1, Article 56 of the Trademark Law (2001) provides:

The amount of compensation for infringing upon the right to exclusive use of a trademark shall be the proceeds obtained from the infringement during the period of infringement, or the losses suffered by the

89. Trademark Law (2014), art. 57, ¶ 6.

90. The above provision of the Trademark Law (2014) still has room for improvement. In fact, the above provision also refers to the "indirect infringement" principle of American intellectual property law. The typical behavior of "indirect infringement" is abetting and helping to commit infringement. Whereas Paragraph 6 of Article 57 provides, "intentionally providing facilities for the purpose of infringing another person's right to exclusive use of a registered trademark helping others to commit acts of infringement upon trademark" is an example of a generalized violation. *Id.* The author proposes that, in the future, "abetting" could be added in order to make this system conform with international legislative trends.

91. General Principles of the Civil Law of the People's Republic of China art. 118 (promulgated by the Nat'l People's Ct., Apr. 12, 1986, effective Jan. 1, 1987) (China) [hereinafter General Principles (1986)].

infringed due to the infringement during the period of infringement, including the reasonable expenses paid by the infringed to stop the infringing acts.⁹²

The above legislative regulations and judicial interpretations have been itemized by Articles 14 to 17 of Interpretation of the Supreme People's Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes in Trademarks ("ILTCC") on October 16, 2002. The materials have systematically provided procedures for determining the amount of damages and the specific method of calculation.⁹³

The Trademark Law (2014) has modified the above provisions in the Trademark Law (2001) and moved the Article number from 56 to 63. According to Paragraphs 1 and 2 of Article 63, the amount of compensation for infringement of the right to exclusive use of a trademark is based on the actual loss of the right holder.⁹⁴ In cases where it is difficult to determine the actual loss of the holder, the damage amount is the benefit obtained by the infringer. Where the actual loss of the right holder and the benefit obtained by the infringer cannot be easily determined, the amount of compensation can be determined in accordance with reasonable multiples of licensing fees.⁹⁵ For serious malicious infringement of exclusive rights for trademark use, the amount of compensation could be 1-3 times the above calculation.⁹⁶ The amount of compensation also includes the reasonable expenses the right holder expended to stop the infringing acts.⁹⁷

The determination of the amount of compensation for the right to exclusive use of a trademark is based on the actual loss of the right holder and the benefit the infringer derived from the infringement.⁹⁸ The calculations are based on the principle that "compensation depends on your loss." Theoretically, it is the most reasonable to compensate in accordance with the actual damages. Of course, as the right to exclusive use of a trademark is an intangible property right, it is difficult to calculate the actual loss suffered in many cases. Therefore, it is necessary to consider the illegal profits from infringement and so on. Additionally, the punitive damages system of infringement was introduced for the first time in the updated law.⁹⁹

92. Trademark Law (2001), art. 56, ¶ 1.

93. See Trademark Interpretation (2002), art. 14-17.

94. Trademark Law (2001), art. 63.

95. *Id.*

96. *Id.*

97. *Id.*

98. *Id.*

99. *Id.*

The Trademark Law (2014) takes the lead in introducing punitive damages to China's intellectual property regime. As previously mentioned, the law must be based on reality, and the same is true for the improvement of the legal system. In the judicial practice related to trademark in China, the amount of compensation for the right holder is minimal¹⁰⁰ and often a case of "win the case but lose money," which has experienced a lot of criticism. However, the small amount of compensation awarded is reflective of the difficulty in estimating the loss that resulted from the infringement on the right to exclusive use of a trademark. Courts have to apply small amounts of compensation for the large number of statutory compensation cases. The introduction of punitive damages effectively curbs the spread of and deters infringement upon the right to exclusive use of a trademark. The punitive damages system has its own limit; however, it is confined to malicious behavior in serious violations of the right to exclusive use of a trademark.¹⁰¹ As such, in general conditions, the principle of "compensation depends on your loss" is still the rule of the system.

Finally, the other special laws such as Copyright Law and Patent Law in intellectual property are also under revision. One of the important features of both systems is that they introduce a punitive damages system.¹⁰² The introduction of a punitive damages system is justified when other special laws are most likely to add a punitive damages system.

4. Improving the Amount of Statutory Compensation for Infringement of the Right to Exclusive Use of a Trademark

Statutory compensation for damages implies that the amount of

100. The author has studied thousands of open cases of infringement upon the right to exclusive use of registered trademarks in recent years and found that, among those cases identified which constitute infringement upon the right to exclusive use of registered trademarks, generally the amount of compensation in the judgment is on the low side. These decisions may be accessed at INTELL. PROP. JUD. REFEREE NETWORKS OF CHINA, <http://ipr.court.gov.cn/> (last visited Nov. 30, 2014); CHINALAWINFO, <http://vip.chinalawinfo.com/> (last visited Nov. 30, 2014); LAWYEE, <http://www.lawyee.net/> (last visited Nov. 30, 2014).

101. Trademark Law (2014), art. 63, ¶ 1.

102. Paragraph 4, Article 74 of the third amendment of the Chinese Copyright Law (2012) (draft) enacted by the State Copyright Bureau states: "For more than two willful infringement upon copyright or related rights, the amount of compensation shall be twice or triple the amount based on the preceding three paragraphs." Here, the amount of compensation based on the preceding three paragraphs refers to the actual loss, benefit of the infringement, and the reasonable multiple of right transaction costs. *See also* Amendment to the Patent Law (2012), art. 65, ¶ 3 (for consultation) ("For intentional infringement upon patent right, the patent administration department or the People's Court shall increase the amount of compensation to triple the amount based on the previous two paragraphs according to the violations, size, and other factors resulting in the damage.").

compensation for damages is based on a standard of compensation specified by law. The role of the statutory compensation system is to ensure that the right holder obtains a minimum or basic amount of compensation. Meanwhile, it is also conducive for the unification of judicial standards; in the absence of a statutory compensation regime, if it is difficult to determine the aforesaid amount, the court will apply its discretion more broadly, which will result in a “different adjudication for the same case.” In recent years, some special intellectual property laws in China have added a statutory compensation system in the amendments.¹⁰³

Since the statutory compensation system came into operation, a new issue appeared in the judicial practice of intellectual property. Owing to the uncertainty of infringement damages to the intellectual property, the People’s Courts have applied a statutory compensation amount in many cases. Because of the current low statutory compensation standard, a generally low level of compensation is given for infringement of intellectual property. Policy wise, this is clearly not conducive to safeguarding the rights of the legitimate rights holder, nor is it an effective sanction on the infringer to deter infringement. Thus, in recent years, in the new round of amendments of special laws for intellectual property, raising the statutory amount of compensation has become a consensus. Based on this consensus, in Paragraph 3, Article 63 of the Trademark Law (2014), the amount of statutory compensation for damages has been raised up to RMB 3 million Yuan. Thus, in the case where the actual loss of the right holder is difficult to determine, the People’s Court can enter judgment below RMB 3 million Yuan according to the circumstances of the infringement.¹⁰⁴ The increased amount of statutory compensation for damages will undoubtedly help strengthen the efforts to protect trademark rights and deter the number of violations. Of course, this also depends on the People’s Court, which will sum up trial experience constantly and exercise discretion. Previously, the discretion was limited to awarding under RMB 500,000 Yuan, but now the limit is under RMB 3 million Yuan. In this regard, it

103. For example, Trademark Law (2001), art. 56, ¶ 2 provides: “If it is difficult to determine the proceeds obtained from the infringement referred to in the preceding paragraph, or it is difficult to determine the losses suffered by the infringer due to the infringement, the people’s court shall determine a compensation of 500,000 Yuan or below according to the circumstances of the infringing acts.” See also Patent Law (2008), art. 65, ¶ 2 (“If it is difficult to determine the losses which the right holder has suffered, the benefits which the infringer has earned, or the fee for the exploitation of the licenses patent, the people’s court may award the monetary damage at the amount not less than RMB 10,000 Yuan and not more than RMB 1,000,000 Yuan depending on the factors, such as the type of patent right, the nature and gravity of the infringing act.”).

104. Trademark Law (2014), art. 63, ¶ 3.

is also important to prevent a minor case from paying heavy damages to demonstrate the fair and impartial spirit of law.

5. Reducing the Burden of Proof Levied on Right Holders

“Based on facts and law as the yardstick” is the basic criteria utilized for all cases in Chinese courts. The disputed case of alleged infringement on the right to exclusive use of a trademark is no exception. According to Civil Procedure Law of China, the right holder shall provide evidence to prove his claim.¹⁰⁵ This is called the “who claim, who prove” principle. However, among all infringement cases of intellectual property rights, including violations of the right to exclusive use of a trademark, right holders generally find it is difficult to provide proof. Under normal circumstances, if a right holder fails to provide effective proof, the litigation will result in adverse consequences. Further, it is difficult for the right holder to win support from the court. It can be argued that the reason for the small amount of damages for infringement cases of intellectual property in China is closely related to the right holders who suffer from difficulties in providing proof. Therefore, it is necessary and appropriate to reduce the burden of proof of right holders. In order to help the defendant provide proof in cooperation with the plaintiff in trademark infringement cases, so that the People’s Court can identify the case more easily, Paragraph 2, Article 63 of the Trademark Law (2014) states:

Where the right holder has duly discharged its obligation of burden of proof, but the account books and materials involving the acts of infringement are mainly controlled by the infringer, the relevant People’s Court may, for the purpose of determining the amount of damages, order the infringer to submit account books and materials related to the infringing acts. Where the infringer fails to provide such account books and materials or provides false account books and materials, the People’s Court may render a judgment on the amount of damages by reference to the claims of the right holder and the evidence furnished thereby.”¹⁰⁶

The implementation of this provision will be conducive to the People’s Court to identify the facts and also conducive to the right holders suffering from providing proof to alleviate their burden of proof, which will combat acts of trademark infringement and safeguard the legitimate rights and interests more timely and effectively.

105. Civil Procedure Law of the People’s Republic of China art. 64 (promulgated by the Standing Comm. Nat’l People’s Cong., Aug. 31, 2012, effective Jan. 1, 2013) (China).

106. Trademark Law (2014), art. 63, ¶ 2.

6. Itemizing the Administrative Penalties for Trademark Infringement and Stipulating that Two or More Acts of Trademark Infringement or Other Serious Circumstances within Five Years shall be Punished More Severely

The right to exclusive use of a trademark, as an intellectual property right, is a private right and an important civil right. However, in China, liability for infringement of an intellectual property right includes administrative liability, especially administrative penalties. In western countries, it is very rare for the administrative authorities of intellectual property rights to directly enforce administrative liability on the infringer; this liability is usually addressed by the courts in accordance with civil proceedings. The author holds that there is a specific reason why China's administrative penalties and judicial remedies come together with the liability of infringement in intellectual property. China has a large population and a vast territory; thus, there are a great number of infringement disputes about intellectual property to be adjudicated by the People's Courts at different levels every year. Owing to the substantial regional difference during the trial of intellectual property cases, the People's Courts would be overwhelmed if they adjudicated all the infringement cases including infringement of the right to exclusive use of a trademark. In addition, the judicial process still has some disadvantages such as long process, insufficient staff, and lack of experience in ruling on specialized intellectual property rights in central and western China. In comparison, China has established an extensive administrative system of intellectual property rights at all levels,¹⁰⁷ and the staff of this system is competent for hearing cases of infringement upon intellectual property rights. Moreover, administrative treatment is more direct, rapid, mandatory, and punitive; thus, it provides more deterrence against infringement acts.¹⁰⁸ Here follows an exploration of

107. Take trademark as an example: in addition to the SAIC, administrative departments at provincial, city, and county levels have been established in China. These departments have specialized divisions for handling trademark matters and are responsible for investigation and mediation of cases involved in violations of the right to exclusive use of registered trademarks. See Xiaoqing Feng & Chong Shao, *Perfection of Intellectual Property Administrative Bodies and Regulation of Market in China*, 20 CHINA MARKET 39-46 (2012).

108. Of course, the rationale behind handling cases of infringement in China administratively is not only practical but also theoretical, as follows: (a) In reality, some serious violations of intellectual property rights have not only damaged the exclusive interests of owners of intellectual property rights, but have impeded the administration in national intellectual products and infringed the public interest so that the state administration regulations have been offended. Consequently, the offenders shall be responsible for the consequences of violating the administrative rules and legal provisions. Supporting rules can also be found in Article 110 of General Principles (1986); (b) "Civil rights" and "protection of civil rights" are different concepts, and the protection of civil rights is not limited to the civil, administrative, or even criminal method, as exemplified by the General

the basis of trademark law in China as an example.

The Trademark Law (2001) of China set forth administrative sanctions for violation of various provisions of the Trademark Law. Concretely, Article 47 provided that, in the event of a violation of the provisions of Article 5 of this Law, the local administrative department for industry and commerce shall order the violator to file an application for registration within a specified period and may, in addition, impose a fine.¹⁰⁹ Article 48 thereof provides:

In the event of any of the following acts concerning the use of an un-registered trademark, the local administrative department for industry and commerce shall stop the use of the trademark, order rectification of the situation within a specified period and may, in addition, circulate a notice on the matter or impose a fine: (a) if the trademark is falsely represented as being a registered one; (b) if the trademark violates the provisions of Article 8 of this Law; or (c) if the trademark is used on crudely manufactured commodities that are passed off as being of high quality, thus deceiving consumers.¹¹⁰

Further, Article 53 thereof provides that, in the event of any act listed in Article 52 of this Law, infringing upon the right to exclusive use of a registered trademark, and a dispute arises accordingly, the parties shall negotiate to settle it. If any party refuses to negotiate or the negotiation has failed, the registrant of that trademark or the interested persons may bring suit before a People's Court or they may request the administrative department for industry and commerce to handle the matter.¹¹¹ If the administrative department for industry and commerce concluded that an infringement occurred, it may order an immediate stop to the infringement and impose a fine; it may also confiscate or destroy the infringing commodities and the tools specially used for the manufacturing of infringing commodities and the forging of marks of the registered trademark.¹¹² If a party disagrees with this decision, it may bring a lawsuit before a People's Court within 15 days from the day of receiving notification of the determination, according to the Administrative Procedure Law of the People's Republic of China. If, at

Principles (1986), art. 111; (c) from a legal perspective, the same behavior can be involved in both a civil relationship and an administrative relationship, and both relationships could overlap and intersect. For the overlapped and intersected part, both civil provisions and administrative regulations could go hand in hand in application. *See generally* XIAOQING FENG, LAW OF INTELLECTUAL PROPERTY RIGHT 37-38 (2d ed. 2010).

109. Trademark Law (2001), art. 47.

110. *Id.* art. 48.

111. *Id.* art. 53.

112. *Id.*

the expiration of such period, the infringer has neither brought a lawsuit nor performed according to the decision, the administrative department may apply to the People's Court for compulsory enforcement of its order.¹¹³ The administrative department for industry and commerce handling the case may, upon the request of a party, conduct mediation over the amount of compensation for the infringement; if the mediation has failed, the party may bring suit before a People's Court according to the Civil Procedure Law of the People's Republic of China.¹¹⁴

The above provision is intended to sanction violations of trademark law through administrative means, in particular for infringement upon the right to exclusive use of a registered trademark. However, there is a problem in practice because these provisions lack a clear and specific standard for penalty, which may vary in different regions and different departments for similar cases. This may extend "different judgments for similar cases" from judicial departments to administrative departments. To this end, the Trademark Law (2014) improves the above provisions. To demonstrate, the Trademark Law (2014) changed Article 47 to Article 51 and modified "may be subject to a fine" to:

[I]n the case of violation of the provisions of Article 57 hereof, the local administrative department for industry and commerce shall order the violating party to file an application for registration within a specified time limit, a party with RMB 50,000 Yuan or more of illegal business revenue may be given a fine of up to 20% of the illegal business revenue, while a party with no illegal business revenue or less than RMB 50,000Yuan of illegal business revenue may be given a fine of up to RMB 10,000Yuan.¹¹⁵

Article 48 is moved to Article 52 and provides:

A party that passes an unregistered trademark off as a registered trademark or that uses an unregistered trademark in violation of Article 10 of this Law shall have its illegalities stopped by the relevant local administration for industry and commerce, be ordered to make correction within the prescribed time period, and may be circulated against a notice of criticism. Where the party has gained illegal business revenue of RMB 50,000 Yuan or more, a fine of up to 20% of the illegal business revenue may be imposed thereon; or where the party has no illegal business revenue or has gained less than RMB 50,000 Yuan of illegal business revenue, a fine of up to RMB 10,000 Yuan may be

113. *Id.*

114. *Id.*

115. Trademark Law (2014), art. 52.

imposed thereon.¹¹⁶

Article 53 shifted to Article 60, providing:

A dispute arising after a party has committed any of the acts infringing upon another party's right to exclusive use of a registered trademark as listed under Article 57 of this Law shall be resolved by the concerned parties through consultation. Where the parties are unwilling to engage in consultation or where the consultation has failed, the trademark registrant or an interested party may bring a lawsuit to the competent People's Court, or ask the relevant administration for industry and commerce to address the dispute.

When addressing the dispute, the administration for industry and commerce shall order the relevant party to immediately cease the infringing acts if it is of the opinion that infringement has been established, and shall confiscate and destroy the infringing goods and instruments mainly used for manufacturing the infringing goods and forging the registered trademark. Where the party has gained RMB 50,000 Yuan or more of illegal business revenue, a fine of up to five times the illegal business revenue may be imposed thereon; or where the party has no illegal business revenue or has gained less than RMB 50,000 Yuan of illegal business revenue, a fine of up to RMB 250,000 Yuan may be imposed thereon. The party shall be subject to heavier punishments if it has committed trademark infringement on two or more occasions within five years or falls under other grave circumstances. The administration for industry and commerce shall order the party to stop selling the products infringing upon the exclusive right to use the relevant registered trademark if the party has no knowledge of the infringing nature of such products and is able to prove that the products are obtained by legitimate means, and can provide information on the suppliers of the products.¹¹⁷

It should be noted that the Trademark Law (2014) has not only quantified the punishment standard for violations of trademark law but also raised the level of punishment.¹¹⁸

It is worth noting that the modification adds the provision that “[t]he party shall be subject to heavier punishments if it has committed trademark infringement on two or more occasions within five years or

116. *Id.*

117. *Id.* art. 60, ¶¶ 1-2. Although there is no explicit standard for an administrative penalty regarding the violations of Trademark Law (2001) (especially acts of trademark infringement), there are still applicable rules in the Regulations (2002), which come together with the law, except that the legislative effect of the Regulations (2002) is lower than the Trademark Law (2001), and its standard for prescribed punishment is lower than the Trademark Law (2014). *See* Regulations (2002), art. 52.

118. Trademark Law (2014), art. 60.

falls under other grave circumstances.”¹¹⁹ Such provisions are intended to (1) stop the repeated infringement and other violations of serious circumstances and (2) help curb the existing acts of group and repeated infringements of trademark rights. The above provisions of the Trademark Law (2014) will undoubtedly increase the operability of the law, increase the cost of violation and infringement, and help raise the efforts of trademark protection so as to realize the purpose of legislation for trademark.

7. Excluding Infringement of Using Others’ Trademark for Non-trademark Purposes

The right to exclusive use of a trademark, like other intellectual property rights, should be subject to certain restrictions to ensure a reasonable balance between the interests of right holders and the interest of the public. However, unlike patent law, copyright law, or other special laws of intellectual property, The Trademark Law (2001) has no specific provision regarding restrictions of trademark rights except for some expressions seen in the Regulations for the Implementations of Trademark Law (2002), which is at a lower legislative status.¹²⁰ This legislative model does not match other laws concerning intellectual property rights. Theoretically, the right to exclusive use of a trademark, like other intellectual property rights, is not a right absolutely free of restrictions. Rather, intellectual property rights are restricted in the scope of protection. Restrictions of the right to exclusive use of a trademark, in addition to exhaustion of right, time constraints, geographical restrictions, and other factors, are often demonstrated by using the trademark for non-trademark purpose, which does not constitute infringement. It is known as “fair use of trademark” in trademark law, and is not the same as “fair use” in copyright law.

From the provisions of case law and legislation in other countries or regions, fair use of trademark mainly includes narrative fair use, indicative fair use, and descriptive fair use. Among these, the narrative use is the introduction of a product or service, address, name, and country of origin to provide basic information of products and services, which is not restricted by owners of the right to exclusive use of a

119. *Id.* ¶ 2.

120. Regulations (2002), art. 49 provides that, where a registered trademark consists of the generic name, design, or model of the goods in question, or directly shows the quality, main raw materials, functions, intended purposes, weight, quantity or other characteristics of the goods in question, or consists of geographical names, the proprietor of the exclusive right to use the registered trademark shall have no right to prohibit the fair use thereof by another person.

trademark. Such fair use is to ensure the manufacturer's right to describe appropriately its products or services. Justice Holmes once said: "If the use of the trademark does not intend to deceive the public but merely to tell the truth rather, we do not see why this should be prohibited."¹²¹ The narrative fair use in the United States is also confirmed from time to time in judicial practice. In the case of *Playboy Enterprises Inc. v. Wells*, the court held that trademark owners cannot prevent others from using a correct description of product features; thus, it is inappropriate to take the right used for general description of the mark as monopoly.¹²²

The indicative fair use means telling of the characteristics and uses of goods or services and using another person's registered trademark in their production and business activities. In the United States, this principle of fair use has developed from judicial cases.¹²³

The descriptive fair use is the rational use of descriptive terms. Relevant international and regional legislative documents have explicit provisions for this type of fair use. For example, Article 17 of the TRIPS Agreement provides that "[m]embers may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties."¹²⁴ Article 64 of Trademark Ordinance of Hong Kong provides: "Trademark registration shall not interfere with any person's use of their own name or the name of the place of business in good faith, nor interfere with any person's description of the characteristic of their goods and services in good faith."¹²⁵

Fair use always has the following elements: (a) the purpose is legitimate, and (b) the behavior is in good faith and justified. Internationally, it is a general trend¹²⁶ to summarize experience in judicial practice and elevate the experience to the legislative level to

121. *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924).

122. *Playboy Enters., Inc. v. Wells*, 7 F. Supp. 2d 1098, 1103 (S.D. Cal. 1998) ("The 'fair use' defense, in essence, forbids a trademark registrant to appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods.") (quoting *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992)).

123. See *New Kids on the Block*, 971 F.2d at 308. This case is considered to be the first case of nominative fair use since it was established in the United States. See Min Wu, *Initial Exploration of Fair Use System of Trademark*, 8 CHINESE TRADEMARK 38-41 (2002); Xiaoqing Feng, *Research in Restrictions of Trademark Right*, 4 ACADEMIA BIMESTRIS 137-46 (2006).

124. TRIPS Agreement, *supra* note 44.

125. Trade Marks Ordinance, (2003) Cap. 559, 24, § 64 (H.K.).

126. For example, EC Trademarks Regulations provide that the trademark owner has no right to stop any third parties to use your own name or address in business, or any mark of variety, quality, quantity, price, country of origin and other feature, as long as they are used in accordance with honest practices in industrial and commercial practice. See Feng, *supra* note 123, at 137-46.

regulate the fair use of the right to exclusive use of a trademark. In judicial practices in China, fair use involving the right to exclusive use of a trademark is not uncommon.¹²⁷ The SAIC issued Proposals for the Issues Involving Legal Enforcement in Trademark, which pointed out that neither of the following, in good faith, are acts of infringement of the exclusive use of a trademark: (1) the use of a name or address; (2) an explanation of the nature or feature of the goods or services, especially a description of quality, uses, geographic origin, type, price, and date.

Article 59 of the Trademark Law (2014) provides:

The holder of the exclusive right to use a registered trademark shall have no right to prohibit others from properly using the generic name, graphics or models of a commodity, or information directly indicating the quality, main raw materials, functions, purposes, weight, quantity or other features of the commodity, or the names of geographical locations as contained in the registered trademark. The holder of the exclusive right to use a registered trademark that is a three-dimensional symbol shall have no right to prohibit others from properly using the forms shaped by the inherent nature of a commodity, commodity forms necessary for achieving technological effects or forms that bring substantive value to the commodity as contained in the registered trademark.”¹²⁸

This provision is significant in many ways. First, in terms of the theory of trademark law, it has sworn to protect and restrain the right to exclusive use of a trademark with the same strain, highlighting the importance of unity and contrasting relations between protection of private rights and public interests, together with the establishment of public domain.¹²⁹ Second, from a practical standpoint, it is conducive to

127. For a case on point, see *Jurong City Lianyou Halogen Products Factory v. Bo Daiti*, where one infringed the exclusive right to use of a registered trademark by using the place name registered as a trademark, which shows that, before the trademark has produced a second meaning, the operator in the place is entitled to use the place name to identify the source of goods, and it does not constitute trademark infringement. See *Jurong City Lianyou v. Bo Daiti*, Zhen Min San Chu Zi no. 21 (Jiangsu Province Interim. People’s Court, 2003) (China) and *Su Min San Zhong Zi no. 3* (Jiangsu High People’s Court, 2004). See also *Lee v. Hunan Paper Co., Ltd.*, Min Chu Zi no. 15269 (Beijing First Interim. People’s Court, 2006) (the court for the first instance held that “Lavender,” the name of a plant and a spice, which is its first meaning, is part of the public sphere in the public vocabulary, hence anyone can use it); CASES AND ACADEMIC STUDIES OF LEGITIMATE EXERCISE OF INTELLECTUAL PROPERTY RIGHTS (LIMITS OF RIGHTS) 337-52 (Xiaoqing Feng ed., 2010). For these cases in details, see China IPR Judgment & Decisions, available at <http://ipr.court.gov.cn> (last visited Feb. 26, 2015).

128. Trademark Law (2014), art. 59.

129. The fair use of the right to exclusive use of a trademark is essentially a legal mechanism to determine the public domain in trademark law. It is significant for the protection of the interests

maintaining the proper relationship between the protection of private rights and safeguarding public interests when the People's Court addresses infringement disputes related to the right to exclusive use of a trademark.

8. Further Confirmations of the Preliminary Injunction and Property Preservation System

In China, the preliminary injunction and property preservation were first seen in legislation of intellectual property rights. During amendment of the Patent Law in 2000, the provision of enjoining infringement of trademark rights and property preservation before litigation was added for the first time.¹³⁰ In 2008, the amendment concerning evidence preservation before litigation was added to the Patent Law.¹³¹ In 2001, the amendment of Copyright Law and Trademark Law referred to the preliminary injunction and property preservation system of Patent Law and the evidence preservation system before litigation.¹³² In recent practice, the Chinese courts have achieved much success in the use of preliminary injunctions, the property preservation system, and the evidence preservation system.¹³³

Owing to the significance of timely and effective protection of the legitimate interests of the right holders by preliminary injunction and property preservation, the Civil Procedural Law of China has regulated this system comprehensively since the modifications on August 31, 2012. Therefore, it was necessary for this amendment of Trademark Law to adopt the relevant provisions of the Civil Procedure Law of China. Article 65 of the Trademark Law (2014) provides:

If the registrant of a trademark or an interested person has the evidence

of the public and the competitors. *See* Xiaoqing Feng, *Theory of Public Domain in Intellectual Property Law*, 3 INTELL. PROP. 3-11 (2007).

130. *See* Patent Law of the People's Republic of China art. 61 (adopted by the Standing Comm. Nat'l People's Cong., Dec. 27, 2008) (China).

131. *Id.* art. 67. This additional provision can be said to refer to some specifications in Copyright Law and Trademark Law of China.

132. For example, Trademark Law (2001), art. 57 provides that, if the registrant of a trademark or an interested person has the evidence to prove that another person is conducting or is going to conduct acts infringing upon its right to the exclusive use of a registered trademark, and if irreparable damage will occur to its legal rights and interests if the acts are not stopped promptly, it may apply to a people's court for an order stopping the relevant acts and for attachment.

133. The people's courts, at all levels throughout China, accepted 27 applications at law for preliminary temporary injunction related to intellectual property, of which 83.33% were supported by the ruling; 320 applications for pretrial evidence preservation were accepted by law to alleviate the burden of proof of parties, of which 96.73% were supported by the ruling; and 74 applications for pretrial property preservation were accepted, of which 94.67% were supported by ruling. STATUS OF JUDICIAL PROTECTION OF INTELLECTUAL PROPERTY RIGHTS IN CHINA, *supra* note 3.

to prove that another person is conducting or is going to conduct the acts infringing upon its right to the exclusive use of a registered trademark, and if the acts are not stopped promptly, irreparable damages will occur to its legal rights and interests, it may apply to a People's Court for an order of measures for stopping relevant acts and for attachment.¹³⁴

Article 66 provides that, "[i]n order to stop the infringing acts, the registrant of a trademark or the interested person may, in accordance with the law, apply to a People's Court for preservation of evidence before filing the suit if the evidence may get lost or will be hard to acquire afterwards."¹³⁵ Apart from other modifications, the above changes and modifications mainly aim to suit the previously revised Civil Procedure Law of China.

D. Regulating Behaviors, Including Use and Assignment of Trademark, to Promote Use of Trademarks and Realization of Its Value

As mentioned above, the application of trademark has important value in terms of Trademark Law. Only by using its trademark can a company receive incremental benefits related to trademark, especially the value of credit and assets generated because of the trademark recognition. Because of the importance of trademark use, trademark legislation should regulate the use of trademarks to promote the realization of the value of trademark assets. In addition, trademark assignment is also an important application of the right to exclusive use of a trademark. Thus, it is also necessary to regulate the behaviors in trademark assignment. The Trademark Law (2014) has acted in the following aspects.

1. Explicitly Defining Trademark Application in the Trademark Sense

Application of trademarks has a specific meaning in trademark law, and the basic requirement should link a mark with some good or service so the trademark can identify the source of the good or service. As to the definition of trademark use, Article 3 of the Regulations for the Implementation of the Trademark Law (2002) provides that the use of a trademark includes the use of the trademark on goods, packages or containers of the goods or in trading documents, and use of the

134. Trademark Law (2014), art. 65.

135. *Id.* art. 66.

trademark in advertising, exhibition, or any other business activities.¹³⁶ As mentioned above, the basic issues in trademark legislation are specified in the Trademark Law rather than in the Regulations for the Implementation of the Trademark Law. To this effect, it is necessary to make specific provisions about trademark use in the sense of trademark law. Meanwhile, use of trademarks in the trademark sense has a significant deficiency in the interpretation of the trademark application, mainly because the nature of trademark use is not clearly defined as “identification of the source of goods or services.” Accordingly, Article 48 of the Trademark Law (2014) provides: “For the purpose of this law, use of trademarks shall refer to the use of trademarks on goods, the packaging or containers of goods and the transaction documents of goods, or the use of trademarks for advertising, exhibition and other commercial activities for the purpose of identifying the sources of goods.”¹³⁷ Compared with the previous provisions, the main emphasis lies in “acts of identifying the source of goods,” which provides guiding significance in dealing with disputes in judicial practice.¹³⁸

2. Explicit Confirmation of Implementing the Good Faith Principle in Use of Trademarks

Article 4 of the General Principles of the Civil Law states: “In civil activities, the principles of voluntariness, fairness, making compensation for equal value, honesty and credibility shall be observed.”¹³⁹ Trademark use should also follow the general principles of civil activities. In China, during application for trademark registration and use, bad faith conduct does exist, such as malicious squatting registration, malicious opposition, malicious litigation, and abuse of the right to exclusive use of a trademark. These acts have hindered the operation of trademark legislation and have damaged the legitimate rights and interests of parties and the public. Thus, it is still necessary to make provisions specifically under the principle of good faith in the trademark law.¹⁴⁰

136. Regulations (2002), art. 3.

137. Trademark Law (2014), art. 48.

138. Of course, this provision does not indicate explicitly the use of a service mark, since it only provides “identifying sources of commodities.” Strictly speaking, this provision is undistributed and needs to be further improved.

139. General Principles (1986), art. 4.

140. The value of the additional provision of honesty and credit principle also shows that the trademark authorities or the people’s court may come across difficulties involving applicable law in dealing with relevant trademark cases. Where the conduct of the parties can be judged against the principle of honesty and credit, it may be used as a basis of applicable law. In fact, similar situations may occur under other relevant law. For example, Anti-Unfair Competition Law art. 2 (adopted at the Third Session of the Standing Committee of the 8th National People’s Congress, Sept. 2, 1993)

Paragraph 1, Article 7 of the Trademark Law (2014) provides: “The principle of good faith shall be upheld in the application for trademark registration and in the use of trademarks.”¹⁴¹ This principle helps to regulate trademarks, prevent and eliminate counterfeiting, prevent trademark squatting, and maintain the solemnity of the Trademark Law.

3. Explicitly Confirming that Trademark License without Record Filing Shall Not be Held Against the Bona Fide Third Party

Trademark licensing uses an agreement between the licensor (registered trademark owner) and licensee for the use of the trademark. Since 1982, the filing system of a trademark license was included in the Trademark Law of China and its accompanying Regulations for Implementation of Trademark Law.¹⁴² Since then, the filing system has been retained,¹⁴³ but it did not specify its relationship to a bona fide third party. From the judicial practice of trademark, it does appear that some registered trademark owners signed an exclusive or non-exclusive licensing contract after signing an exclusive licensing contract with another party. If the second licensee does not know that a prior exclusive licensing contract exists, the commodities made by both licensees are prone to “come across each other” in the market, which could lead to a

(China) has specified such a principle. As some acts featured by unfair competition in practice have not been specifically enumerated, the people’s court dealing with the case can apply this principle and address it.

141. It is noteworthy that, in the NPC Standing Committee (draft), *supra* note 2, this provision is in Paragraph 2. In the submitted legislative proposal, the author suggested that it be upgraded to Paragraph 1, showing that the proposal is adopted (of course, other experts may have made the same proposal).

142. Trademark Law (1983), art. 26, ¶ 2 states: “The licensing contract for trademark use shall be filed to Trademark Office for record.” Regulations for Implementation of Trademark Law, art. 18 (1983) (China) states: “Where the trademark registrant licenses another person to use his or its registered trademark and sign trademark licensing contract shall file separate copies to local industrial and commercial administration departments of the parties for records, in addition to file the trademark license contract to The Trademark Office at the same time.”

143. The Trademark Law only makes principles for the specified filing system, and the specific details of the provisions shall be confirmed in Details for Implementation of Trademark Law (renamed to Regulations for Implementation of Trademark Law in 2002). Among them, versions of Details for Implementation of Trademark Law in 1985, 1993, 1995, and 1999 provide that behaviors of non-performance of the licensing contract or filing of signed contract shall be liable for administrative penalty, and the registered trademark may even be revoked in some serious cases. Article 43 of Regulations (2002) provides that where “licensing another person to use its registered trademark, the licensor shall, within three months from the date of conclusion of the license contract, submit the copy of the contract to the Trademark Office for the record.” Since then, no specification has been formulated about an administrative penalty for non-performance of signed contract or filing for record. This shows that legislators have gradually strengthened the nature of private rights in the right to exclusive use of a trademark to avoid excessive administrative intervention in treatment of private rights.

dispute about the right to exclusive use of a trademark. In this case, the second licensee shall be treated as a bona fide third party. In filing the case, because the information in the record is well known, the licensee of the prior licensing contract is likely to be against the bona fide third parties. To complement the deficiency of existing regulations, Paragraph 1, Article 19 of the ILTCC states: “The trademark licensing contract without filing does not affect the validity of the contract, unless otherwise agreed.”¹⁴⁴ Paragraph 2 thereof provides: “Trademark licensing contract without filing the Trademark Office may not be against bona fide third party.”¹⁴⁵

Judging from the perspective of improving the trademark legislation system, this modification of Trademark Law also pays attention to and absorbs the provisions of judicial interpretation and trial experience. In Paragraph 3, Article 43 of the Trademark Law (2014) modified the previous Article 40, which stated “the trademark licensing contract shall be submitted to the Trademark Office for the archivist purpose.” It now states, “[a] licensor who licenses others to use the registered trademark shall submit the trademark licensing to the Trademark Office for record-filing and to be announced by the said Office. Without record-filing, the trademark licensing is not effective against bona fide third parties.”¹⁴⁶ This provision is in favor of protecting the bona fide third parties and coordinating the interested relationship between a bona fide third party and the exclusive right owner of a trademark to demonstrate the justice of law. It is also conducive to implementation of the filing system provision and urging the owners of registered trademarks to file the licensing contracts with the Trademark Office in time.

4. Defining Explicitly the Legal Consequences of Improper Use or Non-use of a Registered Trademark for Three Consecutive Years

The aforementioned use of trademark should be legitimate and regulated. In reality, it is common for owners of the registered trademark to use their trademarks in non-standard ways that are currently improper and illegal in nature and must be regulated. Non-standard use of a registered trademark by the owner includes: changing the registered trademark; changing the name, address, or other registered matters; assigning the registered trademark without permission; or not using the

144. Trademark Interpretation (2002), art. 19, ¶ 1.

145. *Id.* ¶ 2.

146. Trademark Law (2014), art. 43, ¶ 3.

trademark for three consecutive years. Article 44 of Trademark Law (2001) provides the following measures: “Trademark Office shall order rectification of the situation within a specified period or shall revoke the registered trademark.”¹⁴⁷ There are several reasons why this provision is defective. First, the parties are not explicitly given the opportunity to correct their mistakes because the Trademark Office can cancel the registered trademark in addition to “rectification in limited time.” Because the trademark right is a private right in itself, cancellation of a registered trademark must be done in accord with strict adherence to regulations. In spite of the fault of the right holder, the holder should have an opportunity to remedy rather than face cancellation of the registered trademark directly by the Trademark Office. This opportunity demonstrates the humane care and principle of appropriate tolerance by the trademark law. Second, in practice, it could result in non-consistent exercise of trademark law because in some cases the Trademark Office may cancel the trademark when the owner fails to rectify the situation within a specific time frame and in other cases the trademark may be cancelled directly. To this end, Article 49 of the Trademark Law (2014) distinguishes between different situations.¹⁴⁸ For “[a] trademark registrant that changes, without authorization, the registered trademark, the name or address of the registrant or other registration items during the use of the registered trademark,” the Trademark Law provides: “[h]e or it shall be ordered to make correction within the prescribed time period by the Trademark Office, and shall have his or its registered trademark cancelled by the Trademark Office if he or it fails to make correction by the prescribed deadline.”¹⁴⁹ For the situation “[w]here a registered trademark has become the generic name of the goods for which its use is approved or has not been in use for three consecutive years without justification,” it provides: “any entity or individual may apply to Trademark Office for cancellation of the registered trademark, and Trademark Office shall make a decision within nine months upon receipt of the application. Where necessary, the time period may be extended for three months under special circumstances upon approval by the administration for industry and commerce of the State Council.”¹⁵⁰

With regard to the provision that a registered trademark that has not been used for three consecutive years shall be cancelled, the Trademark

147. Trademark Law (2001), art. 44.

148. Trademark Law (2014), art. 49.

149. In fact, a similar provision is found in Paragraph 1, Article 39 of the Regulations (2002) but does not appear in the Trademark Law, as it may cause problems in understanding and implementation.

150. *Id.*

Law (2014) is featured in two ways. First, the “Trademark Office shall no longer give the opportunity to rectify within a prescribed period” and “any organization or individual may apply to the Trademark Office for cancelling the registered trademark.”¹⁵¹ This seems harsher than the previous law because the Trademark Office will cancel a registered trademark that is not used for three consecutive years.¹⁵² Second, it has added the restrictive condition of “without justification.”¹⁵³ This restriction is very important to avoid revocation of registered trademarks unused in three consecutive years by “one size fits all.” As for the newly added provisions, it is easy to understand why “the trademark which is the generic name of designated goods shall be revoked,” because at this time the registered trademark has lost its distinctiveness; namely, it has lost the foundation and legitimacy for legal protection.

5. Restraining the Conditions for Trademark Assignment to Ensure that an Assigned Registered Trademark not be Confused or Mistaken

The assignment system for registered trademarks is also important for the application of the right to exclusive use of a trademark. Its significance lies in that it gives play to the credibility and the asset value of trademarks, revitalizes intangible assets, and increases the use of the trademark. As the registrant may have registered similar trademarks for the same or similar goods, the Regulations for the Implementation of the Trademark Law makes corresponding provisions about the assignment of certain trademarks on specific commodities to avoid confusion.¹⁵⁴ As

151. *Id.*

152. It must be noted that Paragraph 2 of Article 35 of the Trademark Law (2014) states: With respect to the act referred to in Article 44 (4) of the Trademark Law, any person may apply to the Trademark Office for the cancellation of such registered trademark, and state the relevant circumstances. The Trademark Office shall notify the trademark registrant to, within two months from the date of receipt of the notification, provide evidence of use of the trademark prior to the submission of the application for cancellation, or explain proper reasons for non-use. If, at the expiry of the time limit, no evidence of use is provided or the evidence provided is invalid and there are no proper reasons for non-use, the Trademark Office shall cancel the registered trademark. The evidence referred to in the preceding paragraph includes the evidence of use of the registered trademark by the trademark registrant and the evidence of licensing another person by the trademark registrant to use its registered trademark.

It is obvious that the above provision of the Trademark Law (2014) is partly transplanted from Regulations (2002).

153. Undoubtedly, the specific provisions on “unjustified” situations can be specified by Regulations for Implementation of Trademark Law, including those that cause failure to use resulting from liquidation, force majeure, or restrictive policies of government as well as other legitimate circumstances not attributable to the trademark registrant.

154. *See* Regulations (2002), art. 25.

registered trademark assignment is the basic issue, the Trademark Law (2014) has transplanted a provision from the Regulations for the Implementation of the Trademark Law and made appropriate modifications. Paragraph 2, Article 42 states: “When assigning a registered trademark, a trademark registrant shall also assign the trademarks similar to the registered trademark that are registered on the same goods, or the trademarks identical with or similar to the registered trademark that are registered on similar goods.”¹⁵⁵ Paragraph 3 provides: “Trademark Office shall not approve the assignment of a registered trademark that is likely to cause confusion or result in other unfavorable effects, and shall notify the applicant concerned in writing and explain the reasons therefore.”¹⁵⁶ On the one hand, the above provisions show the importance of the assignment system of registered trademarks. On the other hand, they also show that it is always the basic purpose of trademark law to prevent confusion and avoid being mistaken by consumers. The reason is simple. The basic requirement for trademark registration is its distinctiveness (i.e. it should distinguish the source of goods or services). Any activity, act, or the consequence thereof that shall dilute or damage such function is subject to regulation of trademark laws. As for the assignment of a registered trademark, if the trademark owner can retain “the similar trademark for the same kind of goods or the same trademarks for similar goods,” confusion will happen because the owner’s trademark and goods will be the same or similar to those of the post-assignee of the trademark, which fails to protect consumers’ rights. It is therefore adequately justified to make the above provision.

E. Improvement and Supplement of Other Relevant Regulations

1. Establishing the Invalidating System for Registered Trademarks and Removing the Concept of Determination of Disputes Concerning Registered Trademarks

The Trademark Law (2001) does not clearly specify “the invalidating system for registered trademarks,” but it has established the system of “determination of disputes concerning registered trademarks.”¹⁵⁷ The invalidating system for registered trademarks is important for removing the registered trademark obtained by means against the Trademark Law, protection of prior registrant, and public interest. It is also a system involving trademark registration and ensures

155. Trademark Law (2014), art. 42, ¶ 2.

156. *Id.* ¶ 3.

157. *See* Trademark Law (2001), art. 41-43.

that the trademark registration complies with the provisions of trademark law. If the approved trademark fails to meet the legal requirements of Trademark Law but cannot be eliminated in a certain way, implementation of the legal system of trademark rights will be affected adversely. Because the expression “determination of disputes concerning registered trademarks” itself does not clearly indicate the intention of the system, the Trademark Law (2014) refers to relevant legislation in other countries and changes the language to “invalidating system of registered trademarks” and makes clear specifications in Article 44, Article 45, and Article 46.¹⁵⁸

These provisions have two effects: (a) change the existing provision of “cancelling the registered trademark by Trademark Office” to “declaring invalidation of the trademark by Trademark Office”; and (b) clearly define the timeframe of the TRAB decision, which is conducive to the timely conclusion of involving disputes and safeguarding the interests of the parties and the public as well as the stability of social relations. For example, Paragraph 2 of Article 44 states:

Trademark Office shall notify the party concerned in writing of the decision on declaring the registered trademark invalid. The party concerned, if having objections to the decision by the Trademark Office, may apply for review to the TRAB within 15 days upon receipt of the notice. The TRAB shall make a decision and notify, in writing, the party concerned within nine months upon receipt of the application. Where necessary, the time period may be extended for three months under special circumstances upon approval by the administration for industry and commerce of the State Council. The party concerned who has objections to the decision by the TRAB may bring a lawsuit to the competent People’s Court within 30 days upon receipt of the relevant notice.¹⁵⁹

The third paragraph also makes similar provisions as to the invalidating declaration by the TRAB, based on another entity or individual’s request.¹⁶⁰

2. The Stability of Trademark Confirmation and the Link between Administrative Processing and Judicial Procedures of Trademark

Trademark Law is procedural law because it involves a number of procedural requirements, which includes filing, opposition, and

158. Trademark Law (2014), art. 44-46.

159. *Id.* art. 44, ¶ 2.

160. *Id.* ¶ 3.

invalidation. Meanwhile, in the TRIPS Agreement, the administrative confirmation of trademark needs to experience judicial review.¹⁶¹ In China, protection of the right to exclusive use of a trademark still enjoys administrative processing and judicial protection (i.e. “co-processing in two ways”). Therefore, there must be stability of confirmation and a link between administrative processes and judicial proceedings. In addition, when a trademark is declared invalid, the administrative penalties for the previous behavior concerning the trademark use, compensation based on judicial decisions, and the licensing fee of the trademark need to be clarified. The Trademark Law (2014) has responded mainly with the following modifications.

a. Validity of administrative ruling after expiration date.

Article 36 of the Trademark Law (2014) provides:

Where a party concerned fails to apply for review of the decision on dismissal of registration application or decision on non-registration made by the Trademark Office, or fails to bring a lawsuit to the competent People’s Court against the review decision by the TRAB upon expiry of the statutory time limit, the decision on dismissal of registration application, the decision on non-registration or the review decision shall come into effect.

Where a trademark is approved to be registered after the objections raised are found to be unsubstantiated upon examination, the time when the trademark registration applicant obtains the right to exclusive use of the trademark shall commence from the date of expiry of the three-month period of the preliminary examination announcement.¹⁶²

As stated earlier, the Trademark Law gives applicants the opportunity for judicial review. If judicial review is waived, then when the given statutory period expires, the administrative decisions come into force automatically. The above provision seeks to clarify the validity of an administrative decision when the applicant abandons judicial review.

b. The decision of cancellation by the Trademark Office and the validity of review by TRAB from the expiration of the statutory period.

Article 55 of the Trademark Law (2014) provides:

161. See TRIPS Agreement, *supra* note 44, art. 31(i)(j) (“the legal validity of any decision relating to the authorization of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member”).

162. Trademark Law (2014), art. 36.

Upon expiry of the statutory time limit, if the party concerned fails to apply for review of the decision by the Trademark Office on cancellation of a registered trademark, or fails to bring a lawsuit to the competent People's Court against the review decision by the TRAB, the decision on cancellation of the registered trademark or the review decision shall come into effect.

The Trademark Office shall announce a registered trademark that is cancelled. The right to exclusive use the registered trademark shall terminate upon the date of announcement.¹⁶³

Similar to the foregoing provisions, if the parties do not apply to the Trademark Office for reexamination of the cancellation of a registered trademark or do not file a lawsuit for review of the TRAB decision to the People's Court, it means that the right to subsequent relief is given up; when the statutory period expires, these decisions shall come into effect.

c. The link between administrative proceedings of trademark cases and judicial process

Paragraph 3, Article 45 of the Trademark Law (2014) provides:

When reviewing an application for declaring a registered trademark invalid pursuant to the preceding Paragraph, the TRAB may suspend the review if the prior rights involved can only be ascertained based on the outcomes of another case currently under the hearing by a People's Court or under the handling by an administrative organ. The TRAB shall resume the review procedures once the circumstances for suspension are eliminated.¹⁶⁴

The third paragraph of Article 62 states:

During the investigation and handling of a case concerning trademark infringement, an administration for industry and commerce may suspend the investigation of the said case if there are disputes over the ownership of the trademark or if the right holders simultaneously bring a trademark infringement lawsuit to a competent People's Court. The administration for industry and commerce shall resume the procedure of investigation and handling of the case after the circumstances for suspension are eliminated.¹⁶⁵

The two provisions seek to coordinate the relationship between administrative and judicial processes to avoid the conflicts resulting

163. *Id.* art. 55.

164. *Id.* art. 45, ¶ 3.

165. *Id.* art. 62, ¶ 3.

from varied application. Additionally, it is also useful to simplify the procedures, which avoids unnecessary waste of administrative or judicial resources.

In addition, Paragraph 1, Article 47 of the Trademark Law (2014) provides: “A registered trademark that is declared invalid in accordance with Article 44 or Article 45 of this Law shall be announced by the Trademark Office, and the right to exclusive use the registered trademark shall be deemed as non-existent *ab initio*.”¹⁶⁶ Paragraph 2 states:

The decision or ruling on declaring a registered trademark invalid shall have no retroactive effect on the judgment, ruling or mediation statement on a trademark infringement case having been rendered and enforced by a People’s Court, the handling decision on a trademark infringement case having been made and enforced by an administration for industry and commerce and a trademark assignment or licensing contract already performed prior to such declaration. However, the trademark registrant shall be liable for compensating the losses caused for his or its *mala fide* to other parties.¹⁶⁷

Paragraph 3 states: “Damages of the infringement against the right to exclusive use of a trademark, trademark assignment fees or trademark royalties shall be refunded fully or partially if the non-refund thereof pursuant to the preceding Paragraph is in obvious violation of the principle of fairness.”¹⁶⁸ These provisions are transplanted from Regulations for the Implementation of the Trademark Law (2002) and the Patent Law (2008).¹⁶⁹ It seeks to maintain the stability of the legal relationship of trademark and avoid damage to the stability of social relations by subsequent actions. Meanwhile, the principle of good faith and fairness still receive respect in priority. It is another issue if the right holder acts maliciously; it would be contrary to the legal principle of fairness if he would not change the act.

3. Regulating the Acts and Upgrading the Service Quality of Trademark Agency

As the filing of an application for trademark registration is highly professional, the Trademark Law (2001) of China established a trademark agency system. The ideology and professional quality of

166. *Id.* art. 47, ¶ 1.

167. *Id.* art. 47, ¶ 2.

168. *Id.* art. 47, ¶ 3.

169. *See* Regulations for Implementation of Trademark Law (2002), art. 36; Patent Law (2008), art. 47, ¶ 2.

trademark agencies directly relates to the quality of trademark matters. Since 2013, law firms may fully start the trademark agency business in China. It is worthwhile to explore how to regulate the behaviors of agents and agencies involving trademark so these entities can fulfill their professional codes and constantly improve their level of business. The Trademark Law (2001) was insufficient with respect to trademark agency,¹⁷⁰ especially the professional standard for trademark agency and industry organizations, which does not match the growing number of Chinese trademark agencies and the increasing number of issues. In response, the Trademark Law (2014) updated some provisions accordingly. For example, consider the following:

(i) Explicitly indicating two modes of handling trademark matters: on one's own or entrusting an agency. Meanwhile, the criterion for foreign agencies is relaxed. Paragraph 1, Article 18 of the Trademark Law (2014) provides: "A party may apply for trademark registration or handle other trademark-related matters on its own or by entrusting a duly-established trademark agency."¹⁷¹ Paragraph 2 provides: "Where a foreigner or foreign enterprise applies for trademark registration and handling other trademark-related matters in China, he or it shall entrust a duly-established trademark agency to act as."¹⁷² The above provisions indicate the combined mode of handling matters on one's own and entrusting an agency. At the same time, a nationally recognized trademark agency is no longer required for foreign-related trademark affairs. That is to say, any duly-established trademark agency can be involved in trademark agency activities. The provisions in Paragraph 2 of the above Article 18 are too important to ignore because they are suitable for the trend of current Chinese trademark agencies' market-oriented reform and conducive to breaking the monopoly in the foreign agency business and promoting fair competition. Therefore, this modification will have a very positive and profound impact on the foreign trademark agency business in China.

(ii) Explicitly defining the behavioral codes for trademark agencies and professional organizations. Article 19 of the Trademark Law (2014) provides: "Trademark agencies shall uphold the principle of honesty and credibility, comply with laws and administrative regulations, apply for trademark registration or handle other trademark-related matters according to the entrustment of principals, and keep confidential the principals' trade secrets that come to their knowledge during the agency

170. See Trademark Law (2001), art. 18; *id.* art. 69, ¶ 2.

171. Trademark Law (2014), art. 18, ¶ 1.

172. *Id.* ¶ 2.

process.”¹⁷³ Article 20 states:

A trademark agency industry association shall, pursuant to its articles of association, strictly enforce the conditions for admitting members, and mete out disciplinary sanctions against members in violation of industry self-disciplinary standards. The trademark agency industry association shall promptly make public information on the members it admits and the disciplinary sanctions against its members.¹⁷⁴

(iii) Clearly defining the punitive measures for misconducts of trademark agent. Article 68 of Trademark Law (2014) provides:

A trademark agency that commits any of the following acts shall be ordered to make correction within the prescribed time period by the relevant administration for industry and commerce, be given a warning, and be subject to a fine of not less than RMB 10,000 Yuan but not more than RMB 100,000 Yuan; its primary person-in-charge subject to direct liabilities and other personnel subject to direct liabilities shall be given a warning and be subject to a fine of not less than RMB 5,000 Yuan but not more than RMB 50,000 Yuan; where criminal offenses are constituted, criminal responsibility shall be investigated for in accordance with the law: (1) fabricating or altering legal instruments, seals or signatures, or using fabricated or altered legal instruments, seals or signatures during the handling of trademark-related matters; (2) soliciting trademark agency business by defaming other trademark agencies, or disrupting the order of the trademark agency market by improper means; or (3) violating Paragraph 3 or Paragraph 4 of Article 19 of this Law. Any acts under the preceding Paragraph as committed by the trademark agency shall be recorded in its credit files by the administration for industry and commerce; under grave circumstances, the Trademark Office or the TRAB may concurrently decide to stop accepting the trademark agency business handled by the trademark agency, and shall make an announcement thereon. The trademark agency shall bear civil liabilities in accordance with the law if it violates the principle of honesty and credibility to the detriment of the legitimate rights and interests of a principal, and shall be given disciplinary sanctions by the trademark agency industry association pursuant to its articles of association.¹⁷⁵

These provisions help fight against the misconduct of the trademark agencies in practice, purify agencies and institutions, and promote the healthy development of trademark industry in China.

173. *Id.* art. 19.

174. *Id.* art. 20.

175. *Id.* art. 68.

III. FURTHER UPGRADING OF THE 2014 TRADEMARK LAW

In contrast to Trademark Law (2001), the Trademark Law (2014) achieved significant progress by optimizing the process for trademark registration to facilitate applications, regulating the acts of trademark use, strengthening the fair and effective protection of the right to exclusive use of a trademark, and reinforcing the maintenance of fair competition of market economy. All measures reflect the improvement of the Trademark Law (2014) to the Chinese trademark legal system. However, based on the basic idea of the amendment of “fixing” rather than re-establishment of legislation, coupled with the major differences on some important issues from various departments and other reasons, the Trademark Law (2014) still did not make substantial changes to the problems in Chinese trademark legal system. Limited by length and research, only some of the important issues will be explored in the following sections for reference and information.

A. *The Legislative Purpose of Trademark Law*

The purpose of legislation is of extreme importance for understanding the value and basic spirit of a particular law. From the legislation about trademark abroad, the function and goals of trademark law are established by the correct demonstration of the link between a specific commodity and a certain trademark in order to prevent consumers from confusion or being misled and to finally ensure the interests of manufacturers and consumers. Therefore, trademark law has started to suppress fraud and confusion from the outset. In common law countries, the protection of trademark seeks to prevent the sale of fraudulent merchandise to the public by fraudulent means. The purpose of trademark law is concretely embodied in a country’s trademark law and has different characteristics in legislative style. For example, a 1946 report of the U.S. Congress explains that the dual objectives of The Lanham Act (U.S. trademark law) are: (a) protecting the public so it can confidently get what it needs based on a particular trademark; and (b) protecting the investments of all people. When the trademark owner has invested effort, time, and money in order to provide goods to the public, that investment shall seek to end behaviors of piracy and fraudulence on that investment.¹⁷⁶ Based on the two purposes, the law reaffirmed its prohibition of the confusion involving the initial source of goods. The

176. S. Rep. No. 1333, at 3 (1946) (Conf. Rep.); see generally Xiaoqing Feng, *Proper Utilization of Trademarks and Quasi-Authorization of the Owner of the Trademark - Perspective of Expansion Theory of Trademark Right*, 7 CHINESE TRADEMARK 7-11 (2004).

report of the U.S. Congress also pointed out that the protection of trademark law is exhibited in two ways: (1) preventing others from copying trademarks with distinctive features and (2) maintaining the right to exclusive use of a trademark in commercial value created through advertising and the like.¹⁷⁷ This is the fixed rule for protection of the public and the trademark holder. In the Lanham Act, the purpose of trademark law is defined to include the protection of consumers against confusion and monopolized interests and protection of the producer's investment in the trademark. In the United States, protection of consumers originates from state law and has been largely confirmed by the federal trademark law.¹⁷⁸

China's legislative style is to capture the legislative purpose of laws in the first article of its special laws. For example, Trademark Law (2001) has as its first article:

This Law is formulated for the purpose of improving the administration of trademarks, protecting the right to exclusive use of trademarks and encouraging producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers and of producers and operators, and to promote the development of the socialist market economy.¹⁷⁹

This statement is retained exactly in Article 1 of the Trademark Law (2014). The major issue is that the Trademark Law has put too much emphasis on its managerial functions so that "protecting the right to exclusive use of a trademark" is placed before "improving the administration of trademarks." To the contrary, the order of "improving the administration of trademarks" and "protecting the right to exclusive use of a trademark" should be reversed to indicate the nature of the privacy right to exclusive use of a trademark so as to dilute the managerial functions of trademark law and strengthen the protection of the right to exclusive use of a trademark.

Trademark Law (2001) undoubtedly highlights the managerial function and the target value of the trademark law, which is largely the result of value-oriented management of Chinese trademark legislation. Undoubtedly, the reason for this is complex, including the loss of a sense of private right in planned economy and the lack of institutional inertia.¹⁸⁰ There are several reason why legislators "stick to" the

177. S. Rep. No. 1333, at 3.

178. Feng, *supra* note 123, at 140.

179. Trademark Law (2001), art. 1.

180. **For relevant research, see Jingfeng Han, *A Perspective of Management as to the***

managerial feature of the trademark law. For example, strengthening the administration of trademark is an important part of trademark law, such as the administration of registered trademarks, administration of unregistered trademarks, and punishment for improper use of registered trademarks. Strengthening administration is also valuable to the protection of trademark rights. Also, Article 1 of the Trademark Law (2001) puts emphasis on “strengthening the administration of trademarks” but does not have essential impact on the protection of the right to exclusive use of a trademark or direct influence on the application of law, as the legislators have adopted the principle of “keep whatever possible” and maintained the current status.¹⁸¹ However, the purpose of this article is the foundation for trademark legislation, basic positioning, and value of the whole law. If the right to exclusive use of a trademark has been widely acknowledged as a private right and that trademark law is a private law, the nature of privacy this exclusive right should be highlighted in the Article in order to strengthen the positioning of protecting private right as the core value. Additionally, the transpositioning of the above expression should not have any negative impact on strengthening trademark administration; rather, it should comply with the specific regulation and critical points of the Trademark Law. Based on this, it is recommended that it be modified in the future when the Trademark Law is upgraded.

B. Perfection of the Terminology, “The Right To Exclusive Use Of A Trademark”

China’s Trademark Law has another important feature: “the right to exclusive use of a trademark” replaces the “trademark right” used widely in foreign countries. Except for specific occasions when “the right to exclusive use of a trademark” needs stressed, “trademark right” is preferred under normal circumstances, for the following reasons.

First, whether judging by the Chinese translation of “trademark right” or referring to the expressions of “copyright” or “patent right” in special laws on intellectual property such as Copyright Law or Patent Law, “trademark right” is more appropriate.

Second, “the right to exclusive use of a trademark” is not sufficient to fully cover the contents contained in “trademark right.” From the view of property rights in a general sense, starting from the category of ownership, substantive rights (including the right to exclusive use of a trademark, right of trademark assignment, right of trademark licensing,

Development and Reform of China’s Trademark Law, 10 INTELL. PROP. 38-43 (2011).

181. See Trademark Law (2001), art. 1.

right of trademark pledge, right of trademark renewal, and others) can derive from trademark rights, in addition to other procedural rights of trademark litigation generated on the basis of the substantive rights.¹⁸² Therefore, the right to exclusive use of a trademark does not cover everything for a “trademark right,” only the major legal characteristics that distinguish it from other tangible property. Undoubtedly, “the right to exclusive use of a trademark” belongs to the trademark right, but the current law makes it equivalent to the trademark right, which will make the extent of protection insufficient.

Third, modification of “the right to exclusive use of a trademark” to “trademark right” aims to stress that trademark law not only protects the right to exclusive use of a trademark but also other rights. Moreover, this does not impede trademark law from using the term “the right to exclusive use of a trademark” when it is necessary to emphasize the exclusive right.

Of course, legislators have their own reasons to retain the term of “the right to exclusive use of a trademark” in Trademark Law (2014). These reasons could include: “exclusive right of trademark,” “exclusive right for special trademark,” and “the right to exclusive use of a trademark.” These concepts have been used since 1904 when the first legislative codes of trademark law, known as the Pilot Charter for Trademark Registration, came into force, which was then followed by the first legal codes in 1950 after New China was founded.¹⁸³ The term “trademark right” has never been officially used. In this sense, it can be described as conventional. Coupled with the fact that Chinese trademark legislation attaches more attention to “administration” rather than “protection,” the use of “the right to exclusive use of a trademark” is more in line with the concept under the trademark system in an administrative sense. It has just shown that the government only gives the trademark owner the right to use the registered mark exclusively, but essentially, it is just a right to use, which indicates that the government still owns the mark. However, the legislative inertia apparently has its specific historical background and reasons. The contemporary market economy is different from the past so that in the new situation, when private right is strengthened and intellectual property protection is reinforced, the legislator should move the sense of “administration” out from the altar and restore the true appearance of trademark right. In addition to the aforementioned modification of the legislative purpose,

182. See, e.g., 15 U.S.C. §§ 1051-1141 (2012).

183. See XIAOQING FENG, RESEARCH AND LEGISLATIVE PRACTICE OF CHINA TRADEMARK LAW-ANNEXED BY TRADEMARK LAWS AND REGULATIONS IN THE PAST 100 YEARS 79, 159, 165 (2013).

use of the “trademark right” concept is also an important step.¹⁸⁴

C. Perfection of the Restrictive System for the Right to Exclusive Use of a Trademark

As mentioned above, the right to exclusive use of a trademark is not an absolute right. In addition to the fair use prescribed in Trademark Law (2014), the exhaustion of right or the first sale doctrine is an important system for the restriction of the right to exclusive use of a trademark. “Exhaustion of right” means that when the owner of the right to exclusive use of a trademark or its licensee has started to sell goods attached to the trademark, other persons can use or sell the goods without the trademark owner’s control. Exhaustion of right is reasonable in that it can balance interests between the registered trademark owners and the property owners whose goods have been annexed to protect normal flow of the goods in the market and promote normal economic and trade activities. Its essence is the owner’s restrictions of goods annexed with trademark for the right to exclusive use of a trademark.¹⁸⁵

As the legal system limits the right to exclusive use of a trademark, the “exhaustion of right” principle is seen in some international conventions in some regions and in the trademark laws of some countries. For example, Article 13 of EC Trademark Regulation provides that when an owner of trademark right in the Community or the person with the owner’s consent has put goods annexed with trademark in the Community market, the owner of trademark rights shall not disable the use of the trademark on the product.¹⁸⁶ In Germany, Paragraph 1, Article 24 of the Protection Law of Trademarks and Other Marks provides that the right holder or others with its consent, after having sold goods with the use of its trademark or other sign in the German market, or the other markets in the European Union or other parties in the EEA Agreement, the right holder of the trademark shall not prohibit the use of the mark on the above products.¹⁸⁷ Meanwhile, the principle of exhaustion of right also has its restrictions in use, and no one should modify, fabricate, or damage the trademark on goods or it will

184. It is also worth noting that, after all, the core of the trademark right is the right to exclusive use of a trademark, and the key to the protection of trademark rights by trademark law is to ensure that the right to exclusive use of a trademark can be realized. Thus, the Trademark Law (2014) does not change the Trademark Law (2001) terminology and will not substantially affect the effective implementation of trademark law.

185. See generally Feng, *supra* note 123, at 137-46.

186. Regulations on the Community Trade Mark (EC) No. 207/2009 of 26 February 2009, art.13, 2009 O.J. (L78).

187. See Feng, *supra* note 123, at 137-46.

constitute an infringement of the right to exclusive use of the trademark. The reason lies in that if the person alters, transforms, or damages commodities in the circulation of goods with the trademark, then the consistency between the trademarks and goods will be destroyed, which would block the registered trademark owner's hopes for the commodities to be accepted by consumers in the market and require efforts to improve the reputation for the trademark. In fact, the countries or regions that clearly define the exhaustion doctrine, while accepting the principle of exhaustion of right, also have some restrictions for the application of this principle. For example, the EC Trademark Regulation emphasizes that trademark owners are justified to oppose further circulation of goods, especially when the quality of the goods in the market has been changed or damaged, when the provisions of exhaustion of right does not apply.¹⁸⁸ Article 13 thereof provides that European Community owners of trademark rights or persons with their consent are not entitled to prohibition of using a Community trademark on goods with the trademark to be placed in the European Community market.¹⁸⁹ If the owner of the trademark has legitimate reasons to oppose the sale of such goods, especially when the quality of the goods is changed or damaged in the market, Paragraph 1 of the above section does not apply.¹⁹⁰ Paragraph 2 of Article 24 of German Protection Law for Trademarks and Other Marks stipulates: "In the event that the trademark owner has a legitimate reason to oppose this product to further commercial exploitation cases, Paragraph 1 does not apply, especially when the condition of the commodity has been changed or damaged."¹⁹¹

188. Regulations on the Community Trade Mark (EC) No. 207/2009 of 26 February 2009, 2009 O.J. (L78).

189. *Id.* art. 13.

190. *Id.*

191. There are relevant judicial precedents in other countries. For example, the *Davidoff* case heard by the EC Court put forward the following principles of restrictions: adverse change of original physical condition of the products inside the packaging; adverse change of the external experience and odor and repackaging which change the logo of the trademark owner. See Mingqin Xiong, *Studies on Principle of Exhaustion of Trademark Rights*, 1 ELEC. INTELL. PROP. RIGHTS 59-61 (2003). Another example is *Davidoff & Cie, S.A. v. PLD Int'l Corp.*, 263 F.3d 1297 (11th Cir. 2001). There, the Eleventh Circuit ruled that if the defendant's product does not meet the quality of the product of the trademark owner, it shall be identified as not genuine. If the alleged infringer interferes with the trademark owner's ability to control the quality of the goods, the trademark owner's request cannot be rejected because of the existence of quality defects. The defendant's conduct would unreasonably put the trademark owner at risk of damaging the reputation of the trademark. *Id.* at 1301-04. A similar case happened in China. In its hearing of the case of trademark infringement in *Michelin Group Corp. v. Hu Yaping*, Changsha Intermediate People's Court pointed out that although the tires sold by the defendant were made in Japan, the resale of the tires of which the speed level information originally on the tires were changed shall still cause confusion among consumers and, thus, constitute infringement upon a registered trademark of the plaintiff. Ref. No.

The Trademark Law (2001) and the Trademark Law (2014) do not expressly stipulate an “exhaustion of right” principle, although this does not violate protection standards of the TRIPS Agreement. However, clearly defining the principle of “exhaustion of right” and its restrictions shall facilitate coordination of the relations between free movement of goods made in China and protection of trademark rights, especially at the moment when China has become the largest trading nation and the number of cases related to transformed or fabricated trademarks of commodity is increasing. The introduction of this principle can, on one hand, sort out the relationship between the protection for tangible goods property and the protection for intellectual property rights. On the other hand, it is also good for regulating the restrictions (anti-restriction) and blocking the deliberate modification, fabrication and damage, which weaken the special connection between trademark and commodity and harm the interests of the owner of registered trademarks.

Based on the above considerations, the author proposes that future amendments of the Trademark Law should include a timely addition of the following provision about restrictions and anti-restriction:

Trademark right owners or other persons with their consent shall have no right to prohibit further flow of the goods when the goods have been in the market. But if others put the merchandise into the market again via altering, modification, etc., so that the conditions of the goods have been changed or damaged, the owners of the trademark right are entitled to prevent further commercial distribution of this product.¹⁹²

D. Upgrading the System for Trademarks Unused for Three Consecutive Years

As mentioned above, Paragraph 2, Article 49 of the Trademark Law (2014), for a registered trademark not used for three consecutive years, provides the appropriate measures formulated, featured by the limit of “not used for three consecutive years without justified reason” instead of cancellation under any circumstances.¹⁹³ In summary of the trademark practice as to the registered trademark unused for three consecutive years and practice in foreign legislation, the behavior should be treated differently rather than by “one size fits all.” This is because, in some cases, by the time other people advocate a cancellation for the reason of no use in three consecutive years, the trademark had been used and

czmsz 0072 (Changsha Interim People’s Ct., 2009).

192. Specifically, Trademark Law (2014), art. 59, ¶ 4.

193. *Id.* art. 49, ¶ 2.

developed high reputation. In other cases, a registered trademark may be obtained from the third party. If the “three consecutive years without use” happened before the trademark was assigned, and the assignee has achieved high reputation in the market after years of use, and even made it a well-known trademark among consumers, it would be unfair for the trademark to be cancelled by any one’s application. Neither is it conducive to the maintenance of normal social and economic order. The substance of the proposal is that for those trademarks justified for non-use for three consecutive years, the trademark shall not be revoked in a rush. This proposal has been substantially adopted.

Nevertheless, the provision that a registered trademark is not used for three consecutive years must be improved. Specifically, when modifying the Trademark Law in the future, the following proposal can be adopted and added into Paragraph 2, Article 49 of the Trademark Law (2014): “*Except that the registrant has used it for more than one year before others file cancellation of the registered trademark.*” Meanwhile, the following can be added to Paragraph 3: “*For a registered trademark cancelled in accordance with the preceding two Paragraphs, if the reason for cancellation is limited to part of the goods or services as authorized, the validity of the revocation shall only apply to this part of the goods or service.*” The reasons are as follows:

First, cancellation of a registered trademark not used for three consecutive years clears the idle trademarks without justified reasons, revitalizes the trademark assets, and urges the registered trademark owner to use the trademark as soon as possible. Based on this, if anyone requests revocation, but the registered trademark has been used for a certain period, then there is no basis for revocation. Therefore, in order to stabilize social relations and the appreciation of legislation for the opportunity to correct, the registered trademark should not be cancelled. In fact, similar legislation does exist in the foreign advanced countries. For example, Article 46 of British Trademark Law provides that cancellation can be avoided if the trademark is used three months before the request for cancellation is made.¹⁹⁴ Article 42 of the Italian Trademark Law provides that the trademark cannot be cancelled if it has been used between the expiration date of the five-year period when the mark is not used and the date of request for cancellation or the date of counterclaim for revocation.¹⁹⁵ The reason for suggesting “one year” instead of “three months” is that assessment of the stability of trademark

194. Trade Marks Act, (1994), art. 46(3) (U.K.), available at <http://www.legislation.gov.uk/ukpga/1994/26/section/46> (last visited Feb. 27, 2015).

195. Decreto Legislativo 15 Aprile 1996, n. 198 (It.).

use takes some time. One year should be appropriate.

Second, in practice, sometimes the reason a registered trademark is revoked is only limited to part of the approved goods or services included in the scope of the registered trademark. Article 41 of the Regulations for the Implementation of the Trademark Law (2002) provides that, where the Trademark Office or TRAB cancels a registered trademark, when the grounds for the cancellation involve only part of the designated goods only, the registered trademark used on such goods shall be cancelled.¹⁹⁶ Because this provision is at the lower level of legislation, the revocation of a registered trademark is clearly among the basic issues of trademark legislation. Therefore, this provision must be integrated and transplanted to Article 49 of the Trademark Law (2014). This provision is not limited to the situation in which a registered trademark has to be revoked because it was not used for three consecutive years. It also includes the situation described in Paragraph 1, Article 49 of the Trademark Law (2014).

E. Upgrading the Provisions Regarding Infringement Upon the Right To Exclusive Use of A Trademark

Infringement upon the right to exclusive use of a trademark is a violation of law by using a registered trademark or an approximate logo to the trademark that is likely to cause confusion of consumers without approval from the trademark owner or eligibility for special exceptions to the law. The Trademark Law of China, including Trademark Law (2014), has a list of provisions about the infringement behaviors of the right to exclusive use of a trademark. The law has made significant progress regarding infringement upon the right to exclusive use of a trademark, especially by means of defining “likely to cause confusion among consumers” as the general condition for the infringement. However, Article 57 of the Trademark Law (2014) is not yet comprehensive enough and should be perfected. It is recommended that: (1) refer to Article 50 of Regulations for the Implementation of the Trademark Law (2002) and relevant provisions about the Interpretation of Several Issues on Trial of Civil Disputes about Trademark by the Supreme People’s Court, and (2) learn from foreign legislative achievements and add other types of violations of trademark rights to increase the operability in judicial practice and increase the crackdown of trademark infringement.

Specifically, Article 56 is modified as follows:

196. Regulation (2002), art. 41.

(7) Use similar words to other's trademark as the name of a company on identical or similar goods which will cause misunderstanding of the relevant public; (8) Copy, imitate or translate others' registered well-known registered trademark or use the trademark on the main part of identical or similar goods as a trademark, so as to take advantage of the reputation of the well-known trademarks and significantly mislead the public and result in the interests impaired; (9) register the same or similar words to another's registered trademark as one's domain name and be engaged in e-commerce transactions by means of the domain name so that the relevant public tends to be misled; (10) other case in which others' registered trademark rights is damaged or likely to be damaged or harmed.¹⁹⁷

“[L]ikely to be damaged” is added because the right to exclusive use of a trademark is both a property right and an absolute right. The infringement not only incurs the type of liability to compensate for damages known as “debt of compensation for damages,” but it also produces the type of liability of “prejudice exclusion” and “eliminating danger” on the basis of its rights-based property characterized by the nature of absolute right. The addition of the provision “likely to be damaged” expands the scope of protection of trademark rights and improving liability for infringement. In addition, as mentioned above, Paragraph 6, Article 57 of the Trademark Law (2014) can add “abetting” behavior so that it is reasonable to expand the scope of infringing upon the right to exclusive use of a trademark and improve the efforts for protection of the right to exclusive use of a trademark. As to whether it is necessary to make any provisions for trademark infringement in Original Equipment/Entrusted Manufacture (OEM) production, the general principle is to follow the social development and face the urgent trademark infringement while modifying the trademark law. With the expansion of China's foreign trade, infringement involved in OEM production has become more popular so that it is necessary to regulate timely. For example, the rights and obligations of the processing undertaker and the client must be specified. If the processing party fails to examine carefully the obligations of a registered trademark before production, the behavior is trademark infringement with convenience for infringement. Additionally, “reverse confusion” can be specified for registered trademarks for fair and reasonable¹⁹⁸ protections for owners of

197. Trademark Law (2014), art. 56.

198. Reverse confusion means that the post-registered trademark is more well-known than the prior registered trademark whose use on the identical or similar goods will lead to consumers' misunderstanding that the use of the prior registered mark caused the confusion, which thus deprives the opportunity of the owner of the prior trademark to accumulate credibility. For relevant

prior registered trademarks and post-registered trademarks and for maintaining the order and justice of the trademark law and the valued target of fairness and equality.

F. Perfection on The Joint Ownership of Registered Trademarks

From the theory of civil law, joint ownership of intellectual property rights is within the larger category of joint ownership of property rights. However, intellectual property rights, as intangible property rights, have many special features in common and must be regulated. By exploring the special legislation regarding intellectual property of China, we can find that both the Trademark Law (2001) and Patent Law (2008) provide for a system of joint ownership of rights.¹⁹⁹ However, unlike the Patent Law (2008), the provisions of the Trademark Law (2001) are relatively simpler. To this effect, it included specifications about basic issues such as the exercise of co-ownership, the relationship between the rights and obligations of co-owners, and coordination of the relationship between co-owners and third parties. The Trademark Law (2014) does not have any provisions on these issues, which is, in fact, a major flaw of the system of joint ownership of trademark rights. In addition, in the transaction of the joint right, protection of bona fide third parties might be involved. Its institutional arrangements require further empirical analysis and theoretical exploration.

The following paragraphs should be added after Article 5 of the Trademark Law (2014):

Proposed additional Paragraph No. 2: *“In the event that the co-owners of the right to exclusive use of the trademark reached an agreement, the agreement must be followed. If not, any co-owner of the registered trademark can implement the trademark individually.”*

Proposed additional Paragraph No. 3: *“For the management fees and other burdens, if there is an agreement, the agreement must be followed; if there is no agreement or the agreement does not specify, the co-owners shall undertake the cost by the amount of shares held by each owner, whereas all co-owners shall undertake the burden together.”*

Proposed additional Paragraph No. 4: *“Unless there is a contrary*

research, see Chaoying Huang, *Researches in the Legal Issues Related to Reverse Confusion of Trademark*, in SPECIAL FOR THEORETICAL RESEARCH & JUDGMENT OF INFRINGEMENT CASES IN TRADEMARK AREA, *supra* note 79, at 40-66; and Joel R. Feldman, *Reverse Confusion in Trademarks: Balancing the Interests of the Public, the Trademark Owner, and the Infringer*, 8 J. TECH. L. & POL'Y 163 (2003). For a relevant case, see *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365 (10th Cir. 1977).

199. See Trademark Law (2001), art. 5; Patent Law (2008), art. 15.

agreement, any individual co-owner of the exclusive right may, for his own interest and without the permission of the other co-owners, request administrative processing or commence judicial proceedings against infringement upon the right to exclusive use of the trademark; but the proceeds shall be allocated among the co-owners, except when the other co-owners abandon the gains.”

Proposed additional Paragraph No. 5: *“Unless otherwise agreed among the co-owners, the exercise of the following rights shall be subject to the consensus of all co-owners: (a) assignment of the right to exclusive use of the trademark; (b) giving up the right to exclusive use of the trademark; (c) pledge the right to exclusive use of the trademark; (d) funded with the right to exclusive use of the trademark. When an individual of co-owners by share assigns his or its total share of the right to exclusive use of the trademark, the other co-owners shall enjoy the priority of assignment under the same conditions.”*

Among the above proposed provisions, the second one refers to part of the provision in Patent Law (2008),²⁰⁰ the third and fourth provisions are designed for the co-owners to exercise their rights and bear obligations, and the fifth provision is aimed to adjust how to utilize the right to exclusive use of a trademark. The foregoing provisions clearly define the process of a co-ownership relationship when rights and obligations are involved and help improve the trademark ownership system in China.

G. Application of a Registered Trademark

Application of a registered trademark is the basic form of realizing the asset value of a trademark. It is also an important guarantee for owners of the right to exclusive use of a trademark, the basic and major body of business, who apply the approved registered mark in production and business activities, implement trademark strategy (brand strategy), and revitalize the invisible assets. With regard to the application of registered trademarks, the Trademark Law (2014) has experienced limited modification compared to the Trademark Law (2001), mainly concerning restrictions on assignment and licensing. In light of the important value of utilizing a registered trademark and given the background of China’s vigorous efforts in implementing intellectual property strategy, the trademark law should broaden the statutory form of application of registered trademarks and provide a larger space for

200. The influence of common licensing of patents and trademark on the right holder is slightly different, so the provision about using patent rights by the ordinary mode of licensing is not referred to.

manufacturers to apply for registered trademarks. Specifically, a generalizing provision could be added in Chapter IV of the Trademark Law (2014): “*The owner of a registered trademark can make use of his or its registered trademark by licensing, assignment, pledge, or other forms accepted by law.*” Meanwhile, with the systems for assignment and licensing specified, the following additional clause can be supplemented: “*In the event of a pledge of the right to exclusive use of a trademark, the pledgor and the pledgee shall sign a pledge agreement and jointly apply to the Trademark Office for pledge of registration, followed by announcement of Trademark Office.*” This additional specification should facilitate the application of trademark assets in China and widen the form of utilization of trademarks asset. Thus, it will promote economic and social development in China.

H. Perfection of Other Provisions

Other relevant provisions of the Trademark Law (2014) may also be further improved in the future. This section focuses on some of those key points.

I. Elements that Can be Registered as A Trademark

With social development, the number of constituent elements of a registered trademark will be increased. In terms of this modification, a type of “sound mark” has been added. In addition, Article 8 of the trademark law submitted for review by the Standing Committee of NPC added “single color” trademarks in addition to sound marks.²⁰¹ Although the Trademark Law (2014) ultimately did not decide the issue of single color trademarks, it may still be considered in the scope of trademark registration in the future.

Establishment of a single-color application system for trademark registration means that whenever a particular color could have special features to distinguish the origin of goods, the trademark consisting of the single color can also get legal protection. This modification is in line with the TRIPS Agreement and fits with the legislation about trademark in some foreign countries. However, even if this system is later introduced into the law, special attention should be paid to the constraints for the exclusive right because the single color used on goods or packaging must meet the requirement of “obtaining distinctiveness through application and thus distinguish one type of goods from another type.” Otherwise, there will be a great many hidden risks for

201. Article 8 of the Trademark Law (2014) only provides “combination of colors.”

infringement disputes. For example, the simple three-line trademark of Adidas has experienced litigation in some countries (including China), however many defendants did not use it in the trademark sense. Therefore, in the future, when introducing a single-color trademark registration system, the following restrictive recommendation should be added: “*Any reasonable use of a single color should not be prohibited.*” Thus, when a single color is approved as a trademark, the owner of the registered trademark shall not claim a violation of his rights when others use the color solely as a basic color. This should inhibit multiple trademark owners from asserting trademark infringement against the other owners.

1. The Logo that Shall Not be Used as a Trademark

Paragraph 8, Article 10 of the Trademark Law (2014) has retained the same provision as the Trademark Law (2001) (i.e. “those detrimental to socialist morality or customs, or having other harmful influences” cannot be used as a trademark).²⁰² This provision discloses the ins and outs to avoid missing anything. It facilitates the handling of disputes regarding trademark registration and judicial practice and enhances the adaptability of the law to society. However, it is necessary to have an additional generalizing provision. Therefore, in the future, a fallback provision is necessary as the ninth proposed provision: “*Other situations in which a trademark is deceptive to the public or causes confusion and its features are inconsistent with and unsuitable for its use as a trademark.*”

3. Application System for Registration of Trademarks

a. Provision of Valid Evidence

With regard to trademark registration, Article 4 of the Trademark Law (2014) has specified the main body of application for trademark registration and procedure.²⁰³ In future amendments, it will be necessary to comply with any international conventions China has newly joined. Therefore, we can refer to “evidence” in Article 3 of the Singapore Treaty on the Law of Trademarks.²⁰⁴ Any application document that may not be authentic must be manifested by additional evidence.

202. Trademark Law (2001), art. 10, ¶ 8.

203. Trademark Law (2014), art. 4.

204. See Singapore Treaty on the Law of Trademarks art. 3, Mar. 27, 2006, S. Treaty Doc. No. 110-2.

Namely, an additional provision could state: “*While applying for trademark registration or handling other trademark matters, Trademark Office may reasonably doubt the authenticity of the application documents of any applicant, and the applicant shall submit valid evidence to prove the authenticity.*”²⁰⁵ The purpose of this provision is to strengthen the effectiveness of evidence and the communication between the Trademark Office and the parties so as to improve the quality of examination and avoid (or reduce) improper registration behavior.

b. Protection of the Prior Rights in Registration of Trademarks

Articles 9 and 32 of the Trademark Law (2014) provide protection of prior rights from the perspectives of inherent requirements for trademarks and trademark registration, respectively.²⁰⁶ This general requirement is necessary, but there is no provision as to the basic meaning of prior rights and scope as well as the way to show protection of the prior rights by trademark law. In fact, many situations may involve prior rights to a trademark. Based on the purpose of protecting prior rights, it is proposed that in future modifications of the Trademark Law (2014), Article 9 be supplemented with a Paragraph 2: “*Trademark registration shall be rejected when it is determined by a judgment that it infringes the right of name, portrait, patents, copyrights or other rights enjoyed by prior right owner.*”

c. Registering Geographical Indications as Trademarks

Geographical indications are among the recognizable landmark explicitly protected by the TRIPS Agreement.²⁰⁷ Owing to the vast territory and abundant resources of China, the protection of geographical indications is of special significance. Because geographical indications are significant in origin identification and show the unique style of the special products from a particular region, it is logical to include it in the protection of trademark law. However, there are many problems on the protection of geographical indications, including: (i) the coordination of relationship between the protection of geographical indications and trademark protection, and (ii) the relationship between the regional owner of right and the users related to geographical indication. There is no change made to the registration of geographical indications in the

205. *Id.* art. 8(3)(c).

206. Trademark Law (2014), art. 9, 32.

207. *See* TRIPS Agreement, *supra* note 44, § 3, art. 22.

Trademark Law (2014).²⁰⁸ Considering the importance of protecting geographical indications, Article 6 of the Regulations for the Implementation of the Trademark Law (2002) provisions should be transplanted into the Trademark Law together with appropriate modifications. Specifically, Article 16 of the Trademark Law (2014) can be modified and the following added as the first Paragraph: “*Geographical indication can be registered as a certification mark or collective mark.*” The first Paragraph can be changed to the second Paragraph and amended as follows: “*If the trademark to be registered by natural person or company has a geographical indication, the registration shall be rejected and use of the mark will be prohibited. However, the mark which has already been registered in good faith shall continue to be valid.*” Below are the reasons for this modification.

First, Article 16 of the Trademark Law (2014) provides no direct provision about the registration of geographical indications as a trademark.²⁰⁹ In light of the importance for geographical indications to be registered as collective mark or certification mark, it should be clearly specified in amendments to the Trademark Law (2014), especially to promote agricultural development in China. At the same time, the provision “*geographical indications can be registered as certification marks or collective marks*” confirms the qualification of the main body of groups and associations and excludes the monopolized use of geographical indications by natural persons and companies.

Second, geographical indications have different characteristics from normal trademarks, whether the right to exclusive use of a trademark is obtained through a collective mark or certification mark. The legislative priority of ordinarily registered trademarks is to strengthen the attributes of a trademark as a private right and to dilute the administration overtone of that trademark. Such legislation does not apply to geographical indications. Geographical indications are the property of a particular public in the region, and it is unfair to allocate it to any private party. With regard to the legislative focus of geographical indications, the emphasis should be on its ownership, use, management, and supervision

208. Article 16 of the Trademark Law (2001) provides that, if a trademark contains the geographic mark of the commodities while the commodities do not come from the region indicated by that mark, and thus misleads the public, the trademark shall not be registered and shall be prohibited from use; however, those that have been registered in good faith shall continue to be valid. The geographic mark mentioned in the preceding Paragraph refers to the mark that indicates the region the commodities come from. The specific quality, reputation or other characteristics of the said commodities are determined mainly by the natural factors or human cultural factors of that region.

209. Trademark Law (2014), art. 16.

rather than the attributes of private right.²¹⁰ Based on the special features of geographical indications, any individual citizen or enterprise should be prohibited from registering geographical indications in the ordinary form of trademark registration. However, in order to maintain the stability of social relations, the marks that have been registered previously in good faith shall remain valid.

IV. CONCLUSION

Trademark law is the product of a commodity economy. With the development of the contemporary market economy, trademark law plays an increasingly important role in the protection of legitimate rights and interests of the trademark owners in promoting the development and effective use of trademark assets, maintaining the market order of fair competition, and promoting economic and social development. The improvement in legislation is undoubtedly a reflection of the law while adapting it to the changes in social life and facing social practice.

The Trademark Law of China experienced three major modifications in 1993, 2001, and 2014, which represent the important institutional guarantee of trademark legislation for reform. These modifications should expand and develop China's market economy system. This modification of Trademark Law optimized the registration procedures of trademark, facilitated applicants in accessing trademark registration in time, regulated trademark behaviors, improved the protection of the right to exclusive use of a trademark, and strengthened the function and role of trademark law in regulating fair competition in the market. It also focused on coordinating and balancing the relations among trademark laws and achieved an effective balance between protection of private rights and public interest in order to achieve the target of fairness and justice expected by trademark laws.

In modern times, the intellectual property right, including the trademark right, is generally defined as a private right. Although the revision of the Trademark Law has not completely eradicated previous institutional "administrative thinking" typical in Chinese history of trademark law, in a substantial sense, it has sufficiently highlighted the respect and protection of trademark rights and focused on a more reasonable adjustment of the legal relationship involving trademarks. Of course, due to huge controversies on some issues and for many other reasons, this modification is not perfect, and some issues still remain for further improvement. Regardless, the revised Trademark Law (2014) is a

210. FENG, *supra* note 183, at 10-11.

law of intellectual property featured by its localization, internationalization, and modernization. Its implementation is bound to play an extremely important role in the development of China's market economy.