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Well-Known Marks & China’s System of
Well-Known Mark Protection

An Qinghu

Editor's Note: The Trademark Reporter is very pleased to publish a translation of a valuable and informative paper on the protection of famous marks in China written by An Qinghu, Director General of the Trademark Office, State Administration for Industry & Commerce (SAIC). The paper originally appeared in 2004 in the Chinese-language newspaper, *China Industry & Commerce News*. This newspaper is published by the SAIC, which oversees the China Trademark Office.

WELL-KNOWN MARKS & CHINA'S SYSTEM OF WELL-KNOWN MARK PROTECTION

By An Qinghu
Director General of the Trademark Office, SAIC

PREFACE

The function of trademarks, commonly called signs, brands of business, brands of goods, brands, and brands of trade, is initially to distinguish different sources of products or providers of services, but trademarks may also have other connotations. Well-known trademarks, known also as famous brands, are trademarks with great popularity and reputation in a certain area. Their function goes far beyond just to distinguish sources of products or providers of services; they also represent rich connotations and comprehensive competitiveness. Trademarks are a kind of intellectual property right protected by law and well-known trademarks are an even more valuable intellectual property right, and thus more vulnerable to infringement. Therefore, well-known trademarks need broader and stronger protections by law.

I. The Origin of the Well-Known Marks Protection System

Intellectual property rights is the name for a collection of rights created by law, which are based on the achievements of creative mental work and industrial marks. The intellectual property rights protected under law mainly include copyright and related rights, trademarks, geographical indications, industrial designs, patents, layout-designs (topographies) of integrated circuits, protection of undisclosed information and control of unfair competition practices in licensing, etc.

The system of intellectual property rights originated in Europe. In 1474, the earliest rules which entitled the patents protection to inventions was issued in Venice, Italy, the cradle of modern science and technology. A more systematic patent system in the modern period was established by the Statute of Monopolies 1624 (UK), which set up the basic principles and framework of a patent system and played a profound role in later patent laws of different countries. It was the invention of papermaking and printing as well as the spread of science, technology, literature and artistic works through books that gave rise to the demand for protecting the interests of writers, printers and publishers. In 1709, the UK issued the Statute of Anne, the first law in the world to protect writers' rights. The system of trademarks protection was established a little bit later. Although as early as 1618, the UK had some trademark dispute cases, it was not until 1803 that the first statute, the Factory, Manufacture and Workplace Act, of France was issued. Then, the French government issued the second Factory, Manufacture and Workplace Act in 1809 to claim that trademarks should be protected the same as other property rights. Then another statute, Manufacture and Goods Mark Act, a trademark deposit system that embodied theories of both use-based and examination-based trademark registration systems, was published in 1857 which was the first to establish a trademarks legal system based on registration. From then on, many countries followed this system.

In 1883, in order to quickly and conveniently resolve the problem of providing mutual protection to intellectual property, the Paris Convention for the Protection of Industrial Property (hereinafter referred as to "the Paris Convention") was signed by 11 countries such as France, Belgium, etc. Industrial property rights are intellectual property rights, other than copyright, mainly used for manufacturing consumption goods and providing services. The Paris Convention, by the means of listing and summarizing, defined the meaning and scope of industrial property rights protection and established basic principles and rules, which has become the most basic and important multilateral convention in the field of intellectual property protection.

With the development of international trade in the late 19th century and early 20th century, some trademarks had obtained fairly great reputations internationally and the phenomenon that these highly-reputed trademarks were being imitated and replaced in promoting the distribution of some other businessmen's products, commonly called unfair competition, had become more serious. In 1911, at the Washington Diplomatic Conference that aimed to amend the Paris Convention, France first proposed to provide special protections to well-known marks, but unfortunately, this proposal was not accepted. Fourteen years

later, at the Hague Diplomatic Conference, the Netherlands and other countries brought forward this proposal again and finally added a protection system for well-known marks to the Paris Convention. The famous Section *6bis* of the Paris Convention was the original legal document in the field of well-known mark protection in the world. This rule requires all members to provide non-registered well-known marks protection regarding identical or similar products. Thereafter, not only members of the Paris Convention, but also other countries gradually entered into the stream of well-known mark protection.

II. China's Development in the Protection of Well-known Marks

In September 1978, the State Council issued the Notice on Establishing the General Administration for Industry and Commerce¹ (hereinafter referred to as SAIC) and two months later, the SAIC issued the Notice on Sorting Out Trademarks. In December 1978, the Third Plenary Session of the Eleventh Central Committee of the CPC established the significant strategic policy that the party would lay emphasis on the socialist modernization construction. Then, China resumed the uniform registration system of trademarks in November 1979, which had been suspended for about 14 years. This showed that our work on trademarks had stepped into a new historic period.

In November 1980, the SAIC issued the Certificate of National Famous Brand to 129 trademarks from 138 industrial enterprises around China in order to carry out the Regulation on Awarding Products of Quality approved by the State Council. At the same time, each local administration for industry and commerce in different provinces, autonomous regions and municipalities directly under the central government had issued the Certificate of Local Famous Brand to more than 2,000 trademarks. This played an active role in improving product quality and promoting social awareness of trademarks.

In August 1982, China promulgated the Trademark Law and began to re-start and strengthen the legal protection of trademarks. Then the Patent Law, the Copyright Law, and the Law Against Unfair Competition were promulgated to establish the legal basis of intellectual property protection for China's economic development.

1. The name of this government organ was changed later when the State Council decided, according to the Decision of the Standing Committee of the National People's Congress Approving the Reform Plan of the State Organ Directly under the State Council, to change the name to SAIC. On April 30, 2001, the Administration was determined to be a ministry level state organ.

In August 1984, the Ministry of Foreign Affairs, Ministry of Finance, Patent Office and the State Administration for Industry and Commerce jointly submitted the Report about Joining Paris Convention for the Protection of Industrial Property to the State Council. In that document, the Chinese translation of "well-known mark" was established.

In March 1985, China became the 95th member of the Paris Convention, hence China had the international obligation of performing this convention and China began probing practices in the aspects of well-known marks protection apart from the protection of industrial property.

Then, in August 1987, the Trademark Office of SAIC determined in an opposition case that PIZZA HUT and its roof logo of US Pizza Hut International Co., Ltd. was a well-known mark, the first well-known mark determined by China since becoming a member of the Paris Convention. SAIC rejected the application of Australian Great Corporation to register the same mark for identical services. One year later, the Trademark Office determined LUX and its Chinese translation "力士" from Unilever Ltd. to be a well-known mark and prohibited Shanghai Department Store Commodities Wholesale Section from using the mark on boxes of soaps. In March 1989, MARLBORO and its Chinese translation "万宝路" from Philip Morris S.A. was determined to be a well-known mark by the Trademark Office in order to ban Hangzhou No. 2 Wine Brewery from using the mark as part of bottle decoration. In addition, later on in November, the Trademark Office decided TONG REN TANG to be a well-known mark, thus enabling Beijing Medical Materials Company to prevent a Japanese Company from registering the mark in Japan. In March 1990, the Trademark Review and Adjudication Board cancelled the trademark SHERWOOD registered by Guangzhou Dongshen Electronic Factory because SHER WOOD of the SHER WOOD Electronic Laboratory Co., Ltd. was determined to be a well-known mark. This was the first well-known mark determined by the Trademark Review and Adjudication Board.

In December of that year, China Consumer's Journal (affiliated to the SAIC), Legal Daily and the China Central TV Station jointly initiated the program of "China Well-Known Trademarks Selected by Consumers." The products covered by the program included TV sets, refrigerators, radio sets, recording machines, washing machines, electric fans, bicycles, clocks and watches, cameras, batteries, detergent, toothpaste, cosmetics, garments, shoes, liquor and wine, beverages, cookies and candy, and cigarettes. The marks of these products had to be owned by Chinese enterprises (including foreign investment enterprises) and registered in China. 351 trademarks were submitted to the organizer, among which 337 marks were qualified. In September

1991, the organizers published the list of awards to 134 marks: 32 marks won Class A awards, 27 won Class B awards and 75 won Class C awards. The top 10 marks of the Class A awards named as China Well-known Trademarks were MAOTAI registered by China Guizhou Maotai Liquor Factory,² FEONIX registered by Shanghai No. 3 Bicycle Factory, TSINGTAO registered by Tsingtao Beer Factory, QINDAO-LIBOHAIER registered by Qindao Refrigeration Group Corporation, ZHONGHUA registered by Shanghai Cigarette Factory, POLARIS by Polaris Clock (Group) Corporation, FOREVER registered by Shanghai Bicycle Factory, XIAFEI registered by Shanghai Xiafei Daily Chemicals Factory, WULIANGYE registered by Sichuan Yibin Wuliangye Liquor Factory and LUZHOU registered by Sichuan Liquor Factory. The SAIC took part in the program as the consultant and, together with the organizers, issued certificates of China Well-known Trademarks to the 10 trademarks. Other certificates were issued to the award winners.

In December 1991, in order to protect the lawful rights of the Chinese trademark owner in stopping the squatting of the mark in Indonesia, SAIC determined BUTTERFLY registered by Shanghai Xiecong Sewing Machine Factory to be a well-known mark.

Since 1992 when the Central Committee of the CPC and the State Council made a series of decisions on deepening the open policy and developing economy after the speech by Mr. Deng Xiaoping in his tour of the South China, China's opening up and modernization construction stepped into a new stage and the number of trademark registrations increased sharply. In 1993, the number of applications rose by 40,000 on the basis of 93,000 applications in 1992, making the total applications that year exceed 100,000 and reach 132,000. By the end of 1993, the accumulated number of registered trademarks reached 425,000, almost 13.1 times that of 1979, when the uniform registration system was resumed. Simultaneously, there emerged several marks with fairly great popularity.

In February 1993, to meet with the need of economic development and safeguard fair competition in the market, the 30th meeting of the Standing Committee of the 7th National People's Congress amended the 1983 Trademark Law and imposed more severe punishments for trademark counterfeiting. Correspondingly, the State Council added an article on protection of well-known marks in the Implementation Rules of the Trademark Law. This article stated that registering another person's trademark that is already well known to the public by

2. The names of the registrants were the names then and they may have since changed.

means of duplication, imitation, translation or by other means against the principle of good faith was the obtainment of registration by deception or other improper means and the registration should be cancelled according to laws. Although in the English version, “well-known marks” was used, we can see that the protection of well-known marks here was not totally the same as that of the Paris Convention because registering and using well-known marks in good faith was not involved. But for people outside China, there might be no differences. In this respect, this document might be the first legal document protecting well-known marks in China, which means that another form of the protection of well-known marks occurred in China.

From July 1993 to September 2002 when the Implementation Rules of Trademark Law was amended again, in many opposition and dispute cases the Trademark Office and the Trademark Review and Adjudication Board applied the above-mentioned article to give a broader protection to well-known trademarks. For example, the Trademark Office confirmed that VOLVO from Sweden Volvo Co., Ltd. had great popularity in the field of automobiles and was well known to the public. Therefore, the registration of the mark on loudspeakers by a Guangzhou company would mislead consumers, thus the application was denied. In similar cases as CADILLAC of US General Motors and LANCÔME of Lancôme France, the applications for registration by non-owners were rejected.

In July 1993, in a letter from SAIC to Shanghai Administration for Industry and Commerce, the mark BIG RABBIT of Shanghai Guan Sheng Yuan Food Factory was determined to be a well-known mark. In October that year, ZHANGYU of Shandong Yantai Brewery Company was also determined to be a well-known mark.

In April 1994, the Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter referred to as “TRIPS Agreement”) was signed by all members of GATT. The TRIPS Agreement put intellectual property rights into a general framework along with trade in goods, trade in services, international investment and international technology transfer, which makes the international protection system of intellectual property cover all areas of international business transactions. As for well-known mark protection, the TRIPS Agreement made some essential supplements to the Paris Convention. For example, Article 16(1) and (2) of the TRIPS Agreement extended the well-known mark protection to service marks and to products or services that are not identical or similar. Though China was not bound by the TRIPS Agreement then, since China was negotiating access into the WTO, the TRIPS Agreement began to influence

China's legislation and practices in intellectual property protection.

In July, the State Council issued Decision on Further Strengthening the Work of Intellectual Property Protection. It stated, "the protection of intellectual property is a component part of the policy of reform and opening of China and an important system for promoting the prosperity and development of scientific, technological and cultural undertakings and ensuring the normal operation of the socialist market economy. Perfecting the intellectual property system and strengthening conscientiously the work of intellectual property protection, are currently important contents of deepening the systematic reforms in the scientific, technological and economic fields and expanding the scope of opening to the outside world, and also the basic requirements in our efforts to speed up the establishment of a system of socialist market economy and realize the link-up with the world economy."

In April 1995, the SAIC circulated documents to the Administrations for Industry Commerce of Zhejiang Province, Shandong Province and Shanghai Municipality, confirming that YULI of Zhejiang Yuli Electrics Company, DOUBLE STAR of Qingdao Double Star Group Corporation, PANDA of Panda Electric Group Corporation, HERO of Shanghai Hero Co. Ltd. and CHANGCHAI of Changzhou Diesel Engine Factory were determined to be well-known marks.

In August 1996, the SAIC issued the Interim Provisions for the Establishment and Administration of Well-known Marks (hereinafter referred to as Order No. 56) after summarizing the practical experiences of the past decades and combining the national situation with the principles of the Paris Convention, TRIPS Agreement, Trademark Law and its Implementing Rules. Order No. 56 was formulated in order to protect the legitimate rights and interests of the owner of a registered trademark, safeguard the social economic order and promote economic development. Again, in its English version, the phrase "well-known marks" was used. This order is the first legal document to protect "well-known marks." Except for the protection of non-registered well-known marks, the degree of protection in Order No. 56 met the requirements of the Paris Convention and TRIPS Agreement in that well-known marks were protected by Order No. 56 on goods which are not identical or similar to the goods to which the well-known trademark applies. Furthermore, it also defined the concept of "well-known marks," listed methods to resolve disputes between corporate names and well-known marks, and formulated a wider range of protection than the TRIPS Agreement, which represents Chinese characteristics. Until September 2002, there were two means of protection in China for those marks with fairly great popularity: one is the protection of "marks well known

to the public” under Rules for Implementation of the Trademark Law, and the other is the protection of well-known marks under Order No. 56.

Since the issuance of Order No. 56 to February 2002, the Trademark Office had determined 274 well-known marks and that played an active role in strengthening the protection of well-known marks and promoting the development of the economy and trademark strategy in different localities.

In September 1999, WIPO and the Union for the Protection of Industrial Property adopted the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks (hereinafter referred to as “Joint Recommendation”). In order to meet the development of industrial property rights, for the first time it established a common standard of international coordination in well-known marks protection. Although the Joint Recommendation had no binding force on members of WIPO and members of the Union, its guiding function cannot be ignored because it represents the trend of international protection of well-known marks.

In 1999 and 2000, in order to strengthen the adjudication of trademark cases, focus on enforcement of the law, enforce the law more strictly, and better protect registered marks and uphold the legitimate rights and interests of domestic and foreign owners of registered marks, the Trademark Office selected from the submissions of local administrations for industry and commerce, 346 registered marks with greater popularity that were targets of serious infringement and compiled the List for the protection of National Key Trademarks and distributed the List to lower level administrations. The SAIC asked the provinces, autonomous regions and municipalities directly under the central government to handle trademark disputes timely, strictly, seriously and quickly. Of the marks on the List, 198 were Chinese marks and 148 were registered by foreign corporations in China, namely companies from 19 countries, such as the US (62), Japan (28), France (12), UK (9), Switzerland (9), Germany (8), Netherlands (6), Italy (2), Korea (2) and Finland, Belgium, Sweden, Denmark, Philippines, Thailand and Singapore (the last 7 countries had 1 each).

In November 2001, the first case regarding a well-known mark was handled by the Beijing High People’s Court, which confirmed DUPONT of US DUPONT Co., Ltd. as a well-known mark and maintained the decision by the No. 1 People’s Intermediate Court canceling the domain name registration by another company. This was the first case where a well-known mark was determined by a court.

III. Trademark Law and the Implementation Rules of the Trademark Law

With the deepening of reform and opening policy as well as the development of the market economy, in order to meet the requirements of a domestic integrated market, economic globalization and China's WTO accession, the 24th meeting of the Standing Committee of the 9th NPC adopted the Decision on the Revision of the Trademark Law, which became effective on Dec. 1, 2001. Correspondingly, the Implementation Rules of the Trademark Law were issued by Decree 358 of the State Council on Aug. 3, 2002 and became effective on Sept. 15. The amended Trademark Law and its Implementation Rules further strengthened the protection of trademark rights. The well-known marks received stronger protection than ordinary trademarks.

The most noticeable measure of the amendment was that it raised the protection of well-known marks from the ministry rules level to the statutes level on the basis of the Paris Convention, TRIPS Agreement and Joint Recommendation and in view of China's practice in this area. Thus the protection of well-known marks was strengthened. Trademark Law and its Implementation Rules each had three articles regarding well-known marks.

1. Article 13 of the Trademark Law provides: "Where the trademark of an identical or similar kind of goods is a reproduction, imitation, or translation of a well-known trademark of another person not registered in China and is likely to cause public confusion, no application for its registration may be granted and its use shall be prohibited. Where the trademark of a different or dissimilar kind of goods is a reproduction, imitation, or translation of a well-known trademark of another person registered in China and infringes the interest of the trademarks owner, no application for its registration may be granted and its use shall be prohibited."

This provision is the core or basic principle of China's protection system of well-known marks. From it, we can conclude as follows: Firstly, well-known marks are divided into two kinds, names of well-known marks not registered in China and those registered in China. Secondly, there are two ways of protection, "reject to register" and "prohibit to use." Thirdly, there are two conditions for protection: a well-known mark is applied for registration or used by means of reproduction, imitation or translation and such usage is likely to cause confusion or misleads the public. Fourthly, the two forms of protections shall only be applied on identical or similar goods when the mark is not registered in China, while they can be applied on goods which are not identical or similar when the mark is registered in China. Finally, the protection of trademarks in China is based on

registration, which means that marks not registered will not be protected. However well-known marks are an exception. As for well-known marks, even if they are not registered in China, they can be protected by law. By contrast, normal registered trademarks only have exclusive rights over goods or services which are identical or similar while registered well-known marks have exclusive rights not only on goods or services which are identical or similar, but also on those not identical or which are dissimilar. It is clear from the above that well-known marks get stronger protection than that of ordinary trademarks.

2. Article 41 (2) of the Trademark Law provides: "Where a trademark is registered in violation of the provisions of Articles 13, 15, 16 or 31 of this Law, the owner of the trademark or any interested party may, within five years from the date of registration, request that the Trademark Review and Adjudication Board make a ruling to cancel the registration. Where the registration has been obtained in bad faith, the owner of a well-known trademark shall not be bound by the five-year time limit."

This article mainly confirms the time for the trademark owner to claim his/her rights. In the procedure of registered trademark disputes, the owner of the trademark or any interested party may claim his/her rights within five years from the date of registration. Where the registration has been obtained in bad faith, the owner of a well-known trademark shall not be bound by the five-year time limit. There is no distinction between well-known marks registered or not registered in China and also there is no final time limit to claim, so that all well-known marks, whether registered or not registered in China, can make their claims without time limit.

3. Article 14 of the Trademark Law provides: "The following factors shall be considered in determining a well-known trademark:

- (a) reputation of the trademark in the relevant sector of the public;
- (b) duration of use of the trademark;
- (c) duration, degree, and geographical scope of any advertising of the trademark;
- (d) history of protection of the trademark as a well-known trademark; and
- (e) other records of protection of the mark as a well-known mark."

The Paris Convention does not have any provision to determine whether or not a mark is well-known, it only states that the authority where the trademark is registered or used has determined the mark to be well known in that country. Although the TRIPS Agreement enlarged the protection of well-known marks, it does not have provisions regarding this either. In 1996,

the Order No. 56 by the SAIC stipulated that any person applying for a well-known trademark determination should submit supporting documents in seven aspects. This showed that seven conditions would be considered in determining well-known marks by the SAIC. Three years later, the Joint Recommendation proposed that at least six factors should be considered. Taking into reference the Order No. 56 and the Joint Recommendation, the amendment of the Trademark Law provides that five factors should be considered. This is a legal requirement to the authority, requiring it to consider each and every factor according to the law, not ignoring any of them when determining a well-known mark. However, under Trademark Law, these factors are the factors that should be considered, not the conditions to be met, this is consistent with the Joint Recommendation.

4. Article 5 of the Implementation Rules of the Trademark Law specified the procedure provided in Article 13 of the Trademark Law. It provides: "Where a dispute arises in the procedures of trademark registration or trademark review and adjudication and the party concerned believes that its trademark constitutes a well-known trademark, it may, in accordance with the provisions of the Trademark Law and these Regulations, request that the Trademark Office or the Trademark Review and Adjudication Board determine whether or not its trademark is a well-known trademark, and refuse the application for trademark registration which is in violation of the provisions of Article 13 of the Trademark Law or cancel the trademark registration which is in violation of the provisions of Article 13 of the Trademark Law. When an application for this purpose is filed, the party concerned shall submit evidence proving that its trademark constitutes a well-known trademark.

At the request of the party, the Trademark Office or the Trademark Review and Adjudication Board shall, on the basis of ascertaining the facts, determine whether or not its trademark is a well-known one in accordance with the provisions of Article 14 of the Trademark Law."

In terms of the application for trademark registration which is in violation of the provisions of Article 13 of Trademark Law, "shall not be registered" means rejecting the application. The rejection can be made through three different procedures:

1. The opposition procedure by the Trademark Office;
2. The opposition review procedure by the Trademark Review and Adjudication Board;
3. The administrative litigation by people's court.

The three procedures are in sequence. In other words, the former procedure is the prerequisite of the latter one. The next procedure has the authority to change the decision of the previous

procedure. Besides, every procedure has a clear time limit and if the time expires, an application will be rejected. This is so even for the owners of well-known trademarks.

Specifically speaking, firstly, any person may, within three months from the date of publication, file an opposition against an accepted application for registration of a trademark if the published trademark is a reproduction, imitation, or translation of his/her well-known mark and claim that the published trademark shall not be registered. The person should submit evidence for the Trademark Office to make the decision. Secondly, where a party disagrees with the decision of the Trademark Office, he may, within 15 days from receipt of the notification, apply to the Trademark Review and Adjudication Board for a review. Thirdly, where a party disagrees with the decision of the Trademark Review and Adjudication Board, he may, within 30 days from receipt of the notification, bring a lawsuit with the Beijing No. 1 Intermediate People's Court.

If a registered trademark violates Article 13 of the Trademark Law, then "shall not be registered" means canceling the registration. Just as mentioned above (Article 41 (2) of the Trademark Law), firstly, the owner of the trademark or any interested party may, within five years from the date of registration, request that the Trademark Review and Adjudication Board make a decision to cancel the registration. Where the registration is obtained in bad faith, the owner of a well-known trademark shall not be bound by the five-year time limit.

5. Article 45 of the Implementation Rules of the Trademark Law makes an important supplement to Article 13 of the Trademark Law procedure of "prohibition of use." It provides that, "where a trademark being used is in violation of the provisions of Article 13 of the Trademark Law, the party concerned may request that the authority of administration for industry and commerce prohibit such use. When filing an application for this purpose, the party shall submit evidence proving that its mark is a well-known one. If the mark is determined to be a well-known trademark by the Trademark Office pursuant to Article 14 of the Trademark Law, the administration for industry and commerce shall order the infringer to stop using the well-known trademark, seize and destroy the trademark representations; where it is impossible to separate the trademark representations from the goods involved, both the representations and the goods shall be seized and destroyed."

This is an essential supplement. The Trademark Law only provides the protection procedure of registered trademarks. Article 53 provides that a party whose trademark right has been infringed "may bring a suit in a people's court, or request the administration for industry and commerce to handle the dispute." Article 54

provides that “the administrations for industry and commerce have the power to investigate any act infringing upon of right of a registered trademark.” However, the Trademark Law didn’t have clear provisions for the protection procedure of well-known marks, that is, how the owner of a well-known mark can initiate the procedure when his/her well-known mark is reproduced, imitated or translated. Therefore, the abovementioned supplement is not only important but also necessary.

6. Article 53 of the Implementation Rules of the Trademark Law provides that: A trademark owner who believes that the registration of its well-known trademark as an enterprise name by another person is likely to deceive or mislead the public may apply to the competent registration authorities of enterprise names for the cancellation of the registration of the enterprise name. The competent registration authorities of enterprise names shall handle the case in accordance with the Provisions on Administration of Enterprise Name Registration.

The Order No. 56 has special regulations regarding the conflict between enterprise names and well-known trademarks. The Joint Recommendation listed enterprise names as one of the three symbols which are likely to conflict with well-known marks. Now, the State Council wrote it into the Implementation Rules of the Trademark Law, which shows the higher-level legal concern on this issue.

IV. Provisions on the Determination and Protection of Well-known Marks

Order No. 56 was promulgated in August 1996. It has been fairly effective to regulate the well-known marks protection, to strengthen the protection of well-known marks and to promote the development of a market economy since the Order became effective six years ago. Now the substantive content concerning the protection of well-known marks has become part of the Trademark Law and for Implementations Rules of Trademark Law, Order No. 56 has completed its interim but historical envoy. On April 17, 2003, the SAIC issued Provisions on the Determination and Protection of Well-known Marks (hereinafter referred to as Order No. 5), which came into force on June 1 that year. Order No. 56 was abrogated on the same date.

Generally speaking, Order No. 56 is the administrative regulation made by the SAIC, which can be considered as one kind of institutional experiment under the circumstance where there was no clear provision of law for the protection of well-known marks. Different from Order No. 56, the recently issued and enforced Order No. 5 was based on the Trademark Law and the

Implementations Rules of the Trademark Law. It is an important part of the laws and regulations of well-known mark protection mentioned above, although it is still at the level of an administrative regulation in character. Therefore, Order No. 5 is more effective. Besides, Order No. 5 gives a further explanation of the concepts involved in Order No. 56 such as “well-known mark” and “relevant sectors of the public.”

Order No. 5 is different from Order No. 56 in the following aspects.

1. It clarifies the definition of the term “well-known mark”

Article 2 of Order No. 5 provides that “a well-known mark refers to a mark that is widely known to the relevant sectors of the public and enjoys a relatively high reputation in China. Relevant sectors of the public shall include consumers of the type of goods and/or services to which the mark applies, operators who manufacture the said goods or provide the said services, and sellers and other persons involved in the channels of distribution of the type of goods and/or services to which the mark applies.” While Article 2 of Order No. 56 stipulates that “Well-known trademarks’ refer to those registered trademarks that both enjoy a high reputation in the market and are familiar to the relevant sectors of the public.”

Compared with Order No. 56, Order No. 5 has developments in the following aspects:

Firstly, it explicitly sets that the territory of protection is China, replacing the ambiguous concept “in the market” in Order No. 56. This provision complies with the general territory principle prevailing all over the world in regard to the protection of well-known marks and also matches the basic protection level in developing countries. Article 2(3)(a) of the Joint Recommendation provides that the mark should not be required to “be well-known in any other jurisdiction other than the Member State.” At the same time, the International Bureau of WIPO said in its comments that “according to the territory principle, the exertion of well-known marks should be on the basis of state principle.” If one trademark is well known in jurisdictions other than China without being known by the relevant sectors of the public in China, it will not bring about confusion in the domestic market and thus will not sustain massive infringement of the intellectual property rights in China.

Secondly, it defines and demarcates the concept “relevant sectors of the public” by adding the quantity requirements and adjusting the “knowing” degree. The term “relevant sectors of the public” in the protection of well-known marks was first mentioned

in Article 16.2 of the TRIPS Agreement in 1994, but no definition was given. Order No. 56 in 1996 also used this term without a definition. In 1999, the Joint Recommendation considered the degree of knowledge or recognition of the mark in the relevant sector of the public as a factor in deciding whether or not the mark was well known. It further elaborated on “the relevant sectors of the public.” In 2001, Article 14 of Trademark Law stipulated that knowledge of the trademark by the relevant public should be taken into consideration in determining well-known trademarks. The Implementation Rules of the Trademark Law just referred to Article 14 of the Trademark Law without explaining the term “relevant sectors of the public” directly. Neither of them delineates the relevant public. Order No. 5 not only defined the relevant public but also changes the degree of knowledge and recognition from “well known” to “known” and “widely known” in the provision. Apparently, the requirement concerning the degree of knowledge and recognition is lower for “widely known” than “well known.” However, the “widely known” level is without a quantity requirement and actually sets up a higher and stricter standard with regard to the scope of the “well-known degree” requirement. The definition of the relevant sectors of the public given in Order No. 5 follows the spirit of the Joint Recommendation. That of course is just a basic concept, for the relevant sectors of the public is not limited to the scope listed.

Thirdly, it changed “registered trademark” into “mark.” China carries out the voluntary registration principle. Although a trademark cannot enjoy exclusive rights if it is not registered, the Trademark Law does not prohibit the use of unregistered trademarks. Moreover, the absence of registration does not prevent the unregistered trademark from enjoying a high reputation in China or from being familiar to the people concerned. Unregistered well-known marks in China will confront the same problems as registered marks will. Therefore, the corresponding protection should be given according to the provisions of the Trademark Law and the requirements of related international treaties. Furthermore, the proposal and ascertainment of the legal concept of the well-known mark was, in the first place, intended to protect unregistered well-known marks in the countries where the marks were used. As to trademark protection, some countries follow the registration-first principle, while other countries follow the use-first principle. However, pursuant with Article 6*bis* of the Paris Convention, Articles 16.2 and 16.3 of the TRIPS Agreement and the Joint Recommendation, well-known marks to be protected in a member state includes unregistered well-known marks used in other countries (or regions).

Further, the principle that well-known marks should enjoy a high reputation, though not a requirement of the Paris Convention

or TRIPS Agreement, is a consistent requirement for the protection of well-known marks in both Order No. 56 and Order No. 5. It is also a requirement of the Trademark Law. The general provision of the Trademark Law provides that the purpose of the Trademark Law is to improve the administration of trademarks, protect the right trademarks and encourage 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, producers and operators, and to promote the development of the socialist market economy. Article 7 stipulates that the user of a trademark shall be responsible for the quality of the commodities on which the trademark is used. The administrations for industry and commerce at all levels shall, by means of trademark administration, stop any practices that deceive consumers. Article 40 states that a trademark registrant may, by concluding a trademark licensing contract, authorize another person to use its registered trademark. The licensor shall supervise the quality of the commodities on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the commodities on which the registered trademark is used. The Trademark Law regulates not only the distinction function of the trademark, but also the quality of the commodities or services on which the trademark is used and trademark reputation. In China, there exist quality and quantity requirements for the ordinary trademarks. Needless to say, the requirements for well-known marks are higher, that is, well-known marks are not only required to have wide recognition but also to have a higher reputation.

2. It made changes to the categories of the evidence documents to be submitted by the parties to prove that a mark is well known

Article 5 of the Order No. 56 stipulates that when an application for the recognition of a well-known trademark is filed, the following certifying documents shall be submitted: (1) the sales volume and sales region in China of the goods with the trademark; (2) the main economic index (including annual output, total sales, profits, market share) of the goods with the trademark in the past three years and the ranking of these goods in trade in China; (3) the sales volume and sales region in foreign countries (or regions) of the goods with the trademark; (4) the advertising of the trademark; (5) the date when the trademark was first used and the period during which it has been used consecutively; (6) the registrations of the trademark in China and in foreign countries (regions); and (7) other certifying documents that can prove the trademark to be well known. While Article 3 of the Order No. 5

states that the following may serve as evidence to prove that a mark is well known: (1) documents concerning the degree of knowledge or recognition of the mark in the relevant sector of the public; (2) documents concerning the duration of the use of the mark, including those related to the history and scope of the use and the registration of the mark; (3) documents concerning the duration, extent and geographical area of any promotion of the mark, including the approach to, geographic area of, the type of media for and the amount of advertisements for the promotion of the mark; (4) documents concerning the record of successful enforcement of rights in the mark, including relevant documents certifying that the mark in question was once protected as a well-known mark in China or any other country/region; (5) other evidences certifying that the mark is well-known, including, in the past three years, the output, sales volume, sales income, profits and taxes and sales regions etc. of the principal goods to which the mark applies.

It is not difficult to find that Order No. 5 does not have the same requirements of documents related to the circumstances above which are required in Order No. 56. It adds two categories of required documents: documents concerning the degree of knowledge or recognition of the mark in the relevant sector of the public and documents concerning the record of successful enforcement of rights in the mark. This provision is in line with the five factors for recognizing well-known marks provided for in Article 14 of the Trademark Law and it is also consistent with the territory principle in the definition of well-known marks in Order No. 5.

3. All factors should be considered comprehensively in deciding whether or not a trademark is well known

Article 10 of the Order No. 5 stipulates that when determining a well-known mark, the Trademark Office or the Trademark Review and Adjudication Board shall comprehensively consider each and every factor under Article 14 of the Trademark Law, but it shall not be a prerequisite that the mark must satisfy all the factors prescribed therein. Article 2(1)(c) of the Joint Recommendation states that the listed factors are guidelines to assist the competent authority to determine whether or not the mark is a well-known mark; they are not pre-conditions for reaching that determination. The International Bureau of WIPO delivered the following comment on this point: "...certain factors are provided, however, the satisfaction of the factors should not be considered to be the requirement for recognizing a well-known mark."

For the parties, this principle means that they can submit any other documents of evidence in addition to all those listed in Article 3 of Order No. 5. This provision is different than the rigid enforcement of Order No. 56 in which all the listed documents should be submitted. For the competent authority it means that the recognition of a well-known mark depends on specific circumstances. The process of determination may relate to all the factors listed in Article 14 of Trademark Law in some cases, while in other cases it may only relate to some factors.

Article 10 of Order No. 5 sets down two principles on how to treat the factors stated in Article 14 of the Trademark Law in practice: to consider each and every factor comprehensively; and not to set the prerequisite that the mark should satisfy all the factors prescribed. It also provides that when determining a well-known mark, the Trademark Office or the Trademark Review and Adjudication Board shall comprehensively consider various documents of evidence submitted by the parties involved and all the factors under the Trademark Law.

4. It clarifies the procedure of the prohibition of use

Article 4 of Order No. 56 prescribed that if a trademark registrant seeks to protect his rights and interests in his or her well-known trademark, he or she shall apply to the Trademark Office of the SAIC for the recognition of the well-known trademark. The Trademark Office of the SAIC may recognize well-known trademarks for the needs of trademark registration and administration. Article 8 stipulates that where an application is made to register a trademark which is identical with or similar to a well-known trademark that is used on non-similar goods belonging to another person and may do harm to the rights and interests of the registrant of the well-known trademark, thus constituting the harmful effects referred to in Article 8, paragraph 9 of the Trademark Law, the Trademark Office of the SAIC shall reject this application for registration. If the applicant disagrees with the rejection, he or she may apply for a review to the Trademark Review and Adjudication Board under the SAIC. If the said mark is registered, the registrant of the well-known trademark may, within five years since the date of registration, apply to the Trademark Review and Adjudication Board for the cancellation of the registration. But the time limit set above does not apply if the trademark is registered in bad faith. Article 9 provides that if a trademark identical with or similar to a well-known trademark of another person is used on non-similar goods, implying a certain relationship between the goods and the registrant of the well-known trademark, and may thus harm the interests of the registrant of the well-known trademark, the

registrant of the well-known trademark may, within two years since the date he or she knows of or should have known of the matter, apply to the administration of industry and commerce for the suppression of the act.

It is obvious that although Articles 4, 8 and 9 of Order No. 56 relate to registration and administration, Article 9 just sets the principle of the procedure and lacks the detail for it to be carried out.

In April 2004, the Trademark Office issued the Notice on Relevant Issues Concerning the Application and Determination of Well-known Marks (hereinafter referred to as the Notice), which adds supplementary rules to the procedure. It provides that an enterprise applying for the recognition of well-known marks must file the related documents through the Administration of Industry and Commerce ("AIC") at the provincial level where the enterprise is located. The provincial AIC should make a preliminary review of the related documents and write their opinions thereto.

The Notice puts some conditions on the qualifications of the applicants for the recognition and highlights the importance of the protection of well-known marks. It prescribes that, under the following situations when trademark rights are harmed, an enterprise can apply for the recognition of well-known mark: when a trademark identical with or similar to a well-known trademark of another person is used on non-similar goods by other people, which may harm the applicant's interests; when other people register and/or use a trademark identical with or similar to a well-known mark as a trade name of an enterprise, which is likely to deceive and mislead the public; when the well-known mark that is applied for recognition by the applicant is used by other people abroad in bad faith, which may block the development of the business abroad of the applicant; or when the rights and interests of the trademark applied for recognition will suffer irreparable damage.

The Trademark Law clearly puts forward two forms of well-known mark protection. However, the Implementation Rules of the Trademark Law just prescribe generally that the relevant party concerned can apply for rejection of the trademark registration. The procedure of "request to prohibit the use" is under Article 13 of the Trademark Law. Order No. 5 clarifies these two procedures so that they can be carried out easily.

For example, concerning the procedure for requesting the rejection of a trademark registration, the Implementation Rules of the Trademark Law only stipulate in general that an application may be filed "when a dispute arises in the process of trademark registration and trademark appraisal." However, Order No. 5 clarifies the phrase "when a dispute arises" to be two circumstances: "where any interested party believes that another

party's preliminarily examined and published mark violates the provisions of Article 13 of the Trademark Law" and "where any interested party believes that another party's use of a mark falls within the circumstances provided for in Article 13 of the Trademark Law," which are provided in two clauses.

In another example concerning the procedure for requesting the prohibition of alleged use, the Implementation Rules of the Trademark Law only stipulates in general that the relevant party may request the AIC to interdict the use in cases where the use violates Article 13 of the Trademark Law; the Trademark Office shall decide whether or not the trademark constitutes a well-known trademark according to the provisions of Article 14 of the Trademark Law. However, it lacks provisions on the jurisdictional level of AIC and the procedures through which a case handled by the AIC can be brought to the Trademark offices.

Pursuant with the relevant provisions of Chapter 7 of The Trademark Law regarding the protection of trademark rights, the AIC at or above county level shall have the power to accept a case concerning trademark infringement. However, it has not been stipulated which level of the AIC shall deal with the case regarding infringement upon the rights of well-known marks. Accordingly, the Implementation Rules of the Trademark Law do not classify the prohibition of use as part of the scope of the protection of a registered trademark. In fact, it is included in Chapter 6 named "the Administration of the Use of Trademark" with no regulation on the jurisdictional level of the AIC responsible for accepting cases of this kind. According to the statistics (see the 2002 Statistics for AIC Administration), there were more than 2,800 administrations for industry and commerce at or above the county level in China. Among them, there are 2,389 administrations for industry and commerce at the county level, 404 at the prefecture level, and 31 provincial level administrations for industry and commerce. At which level of AIC can cases concerning well-known mark protection be handled properly? In light of the influence of such cases and the difficulties in dealing with them, it is necessary to raise the jurisdiction level in order to ensure overall working quality and enhance working efficiency. Therefore, Order No. 5 stipulates that in the process of trademark administration, where any interested party believes that another party's use of a mark falls within the circumstances provided for in Article 13 of the Trademark Law and requests protection of the interested party's well-known mark, the party may file a request in writing for the prohibition of the alleged use with the AIC at or above the city (prefecture or autonomous prefecture) level of the place where the case arises, and submit relevant documents. (Article 5)

In addition, with the purpose of enhancing working efficiency, Order No. 5 set a time limit for every stage from accepting the request and examining the pertinent documents to the Trademark Office making the determination. It requires that the city (prefecture or autonomous prefecture) AIC shall, within 15 working days from the date of acceptance of the request, report and send all the documents of the case to the provincial level AIC of the province where it is located. The provincial level AIC shall, within 15 working days, report and send all the documents of the case to the Trademark Office. The Trademark Office shall make a determination within six months from the date of receipt of the relevant documents of a case, notify the provincial level AIC of the place where the case arises of the determination and send a copy thereof to the provincial level AIC of the place where the interested party resides. That is to say, it will generally take no more than eight months from the date the interested party files the request for prohibition of use to the date when the determination is made on whether or not the trademark involved is a well-known mark. If the interested party furnishes additional materials during this period, the time for certification is likely to be prolonged. The time limit on certifying well-known marks, which is absent from Order No. 56, fully reflects that the SAIC gives priority to working efficiency in dealing with cases concerning well-known marks after China's entry into the WTO.

5. It changes the provision that no new application for recognition is necessary within three years after a mark is recognized as well known

Article 4(3) of Order No. 56 provides that a new application for recognition need not to be brought up for a well-known trademark within three years since it was recognized as well known by the Trademark Office. Although Order No. 56 makes it clear that no new application for recognition is necessary within three years after a mark is recognized as well known, it is silent on when an applicant may file a new application if the application for recognition of well-known mark status was rejected.

Order No. 5 prescribes that where a mark is not recognized as well known, the interested party shall not file a new application for the determination of the same mark on the basis of the same facts and grounds within one year from the date on which the determination is made. (Article 9) This provision is intended to maintain administrative efficiency and save administrative resources based on the fact that the degree of well known and reputation will not be raised sharply in a short time period. However, Order No. 5 does not clearly indicate the effect of the

certification after a mark is recognized as well known. This issue will be delineated later.

6. It reaffirms the way of solving conflicts between enterprise names and well-known marks

Concerning conflicts between the enterprise names and trademarks, two aspects exist in practice. On the one hand, conflicts may occur between a trademark being applied for registration and a prior existing enterprise name, which can be dealt with through the objection procedure and cancellation procedure in accordance with the provision of Article 31 of Trademark Law which requires that an application for trademark registration shall not infringe the prior rights of others. On the other hand, it has been quite a serious phenomenon to register well-known marks of others as the enterprise name of one's own and use the trade name in a way to deceive or mislead the public and infringe the legitimate rights and interests of the trademark owners. In order to solve this problem, the SAIC has made a series of efforts.

Since 1996, the SAIC has focused on conflicts between enterprise names and well-known marks. It provided in Order No. 56 that if, after the date of recognition of a well-known trademark, a person other than the registrant uses any words identical with or similar to the well-known trademark as part of the name of his or her enterprise, and may thus mislead the public, the AICs shall not register the name. If the name has already been registered, the owner of the well-known trademark may, within two years since he or she knows of or shall get to know the matter, apply to the AIC for cancellation of the registration of the name. (Article 10)

On June 9, 1998, the SAIC clarified in its reply to one local administration on the issues contained in the clause above that the phrase "may thus mislead the public" means that another person's use of a mark identical with or similar to an interested party's well-known mark on identical or similar goods will create confusion in the public in that the public misunderstands that there exists a certain relationship between the enterprise and the well-known mark, which will harm the rights and interests of the well-known mark owner. Generally speaking, when the well-known mark is used as an enterprise name in the same industry, the misleading effect shall be determined. The factors such as the distinctiveness of the trademark and the extent of being well-known should be considered comprehensively in deciding whether or not the public is misled when the well-known mark is used as an enterprise name in a non-similar industry. The phrase "within two years" should be calculated from the date when the owner of

the well-known mark gets to know or should have known of the infringement of his or her rights. If an enterprise name identical or similar to the well known mark was registered before a mark is determined to be well known, the owner of the well-known mark may apply to the administration for the cancellation of the registration after the determination is made that the mark is well known.

Subsequently, on April 5, 1999, the SAIC published Opinions on Some Issues Concerning Resolution of the Dispute between Trademarks and Enterprise Names. It points out that both the exclusive rights to the use of a trademark (hereinafter referred to as trademark rights) and the rights in an enterprise name are the legitimate rights ascertained through legal procedures. They are protected separately by the laws and regulations of trademark and those on the registration and administration of enterprise names. It also states that if the words in the trademark are identical or similar to the enterprise name and cause confusion as to the producer or origin of the goods or services (including the possibility of confusion) and therefore constitute unfair competition, the words should be prohibited according to law. In December of the same year, the SAIC provided in the Method for Implementation of Provision on Registration and Administration of Enterprise Names that if the use of a registered enterprise name is deceptive or misleading the public or harms the interests of other people, it should be determined to be improper and be rectified. (Article 41)

Article 13 of Order No. 5 states that where an interested party believes that another party has registered his or her well-known mark as an enterprise name, which is likely to deceive or mislead the public, he or she may apply to the competent authority for the registration of enterprise names for the cancellation of the registration of the enterprise name in question. The competent authority for the registration of enterprise names shall deal with the case in accordance with the Provisions for the Registration and Administration of Enterprise Names. Identical to Article 53 of the Implementation Rules of the Trademark Law, this provision eliminates the time limit and the requirement of certification of Order No. 56. It means if the interested party believes that another person's unauthorized use of a well-known mark as its enterprise name is likely to cause confusion, it can apply to the administration for industry and commerce for the cancellation of the registration for the name. It also means that the competent authority for the registration of the enterprise names will handle the case in accordance with the Provisions for the Administration and Registration of Enterprise Names without considering the certification of the well-known mark when the interested party applies for the cancellation of the registration of the name based on a conflict between the enterprise name and the well-known

mark. That is to say, when the competent authority for the registration of the enterprise names deals with the case, it should not take it as a precondition that the trademark is certified to be a well-known mark by the competent authority. Instead, the competent authority should consider whether or not the enterprise name falls under the related circumstances prescribed in Article 9(2), namely, whether or not the enterprise name “is likely to deceive or mislead the public.”

7. It strengthens the function of the local administrations for industry and commerce in the protection of well-known marks

The administrative protection is characteristic of China's trademark law and trademark administration system. The uniform and efficient administration and effective law-enforcement are highly spoken of by domestic and foreign registrants. The Trademark Law designates the Trademark Office of the SAIC to be in charge of the trademark registration and administration throughout the country. It also defines the function of the administrations at and above county level in “administration of the use of trademarks” and “protection of the rights of registered trademarks.” Although local administrations for industry and commerce at different levels have played an active role in the protection of well-known marks for so many years, only the provincial administrations for industry and commerce have the power to make the preliminary examination of the application of an enterprise and submit it to the Trademark Office in the process of certifying well-known marks. Order No. 5 further consolidates the roles of administrations for industry and commerce at different levels in well-known marks protection on the basis of Order No. 56. The provincial and the city (prefecture or autonomous prefecture) administrations for industry and commerce are authorized by Articles 6 and 7 of the Trademark Law to accept the cases concerning well-known marks and to examine the accepted cases, that is to say, the responsible authorities have the power to decide whether or not the case submitted falls within the circumstances of Article 13 of the Trademark Law and whether or not a well-known mark determination should be made before the matter can be resolved. Cases held not to fall within the said circumstances shall be dealt with timely according to the relevant provisions of the Trademark Law and its Implementing Rules. While cases held to fall within the said circumstance shall be reported and sent by the responsible authorities to the Trademark Office for certification if the mark has to be determined for its well-knownness before the case can be resolved. This provision ensures the efficiency of handling cases and prevents unnecessary cases from

being submitted to the SAIC. At the same time, it prescribes that the AIC at various levels shall enhance the protection of well-known marks, and timely transfer cases of suspected crime of counterfeiting trademarks to the competent authority concerned. This provision shows the emphasis by the SAIC on judicial protection.

8. It stresses that the distinctiveness and the extent of being well known should be considered in the protection of well-known marks

Distinctiveness is the fundamental attribute of a trademark. Distinctiveness refers to the originality, distinguishing effect and identifiability. At the same time, distinctive is a requirement for trademark registration. Without it, a trademark cannot be registered. The Paris Convention prescribes that an application for trademark registration may be denied or a registered trademark may be cancelled for the following reasons: lack of distinctive character; infringing the rights of a third party, or contrary to morality or public order, especially deceiving the public. Article 9 of the Trademark Law provides that a trademark submitted for registration shall have distinctive characteristics and be easily distinguishable, and may not conflict with the prior legal rights acquired by others. A trademark registrant has the right to mark with the words "Registered trademark" or a sign indicating that the trademark is registered.

Article 11 lists lack of the distinctiveness as one of three reasons for rejecting registration. The Trademark Law clarifies the relationship between distinctiveness and trademark registration: the trademark submitted for registration should be distinctive, while the mark which lacks any distinctive character (including the mark not obtaining distinctiveness through use and not easy to identify) should not be registered as a trademark. In other words, a registered trademark should possess distinctiveness, though the extent varies.

Article 11 of Order No. 56 states that in judging if the acts referred to in Articles 8, 9 and 10 may damage the rights and interests of the registrant of a well-known trademark, the originality and the level of renown of the said trademark shall be taken into consideration. Article 11 of Order No. 5 provides that in the protection of well-known marks, the Trademark Office, the Trademark Review and Adjudication Board and the local administrations for industry and commerce shall take into account the mark's distinctiveness and the extent of its being well known.

Order No. 56 provides that originality should be considered, while Order No. 5 stipulates that distinctiveness should be taken into account. What is the difference between originality and

distinctiveness? From the perspective of the meaning of the words, the scope of the word “originality” is a bit narrower, which is limited to the novelty and uniqueness of the trademark design, while the scope of distinctiveness is comparatively broader. Besides novelty and uniqueness of the trademark design, distinctiveness can also be obtained for a non-unique design when used together with certain commodities or services. Distinctiveness can also be obtained through use even though a mark does not satisfy the above-mentioned conditions. The first two kinds of distinctiveness are considered to be inherent distinctiveness, while the third kind of the distinctiveness should be regarded as acquired distinctiveness. In terms of the legal expression, the word distinctiveness is more accurate than the word originality.

In addition, the distinctiveness of a well-known mark is different than the distinctiveness of a trademark being applied for registration. The distinctiveness of ordinary trademarks mainly comes from the design itself. The distinctiveness of well-known marks not only results from the design itself but also from use in the marketplace, including its function, quality, advertising, market share or the reputation and extent of being well known in the public for the commodities or services the marks represents. Although a well-known mark is more distinctive than an ordinary trademark, the distinctiveness of well-known marks varies with respect of their designs and use. Though well-known marks get stronger and broader protection than ordinary marks, the strength and scope of protection could vary according to the degree of the distinctiveness (“being comparatively distinctive” or “being distinctive per se”).

V. Criminal Law, Standards for Prosecuting Criminal Cases and Prosecution Standard

The protection of trademarks by the criminal law against infringements is the most effective and powerful legal penalty for both the violation and violators. Early in July 1979, the Criminal Law of the People’s Republic of China (hereinafter referred to as the Criminal law) adopted at the Second Session of the Fifth National People’s Congress stipulated the punishment for the crimes of counterfeiting registered trademarks. Article 127 provided that any industry or commercial enterprise that, in violation of administration regulations, counterfeits the registered trademark of another enterprise shall be sentenced to fixed-term imprisonment of not more than three years, criminal detention, or be fined.

In February 1993, the Thirtieth Session of the Standing Committee of the Seventh National People’s Congress examined the bill of Trademark Law Amendment and decided to amend the

1982 Trademark Law. This was the first amendment to the Trademark Law since its adoption, and it strengthened the punishment for the infringement of trademarks. Meanwhile, Supplementary Provision Concerning the Crimes of Counterfeiting Registered Trademarks was adopted, which specifically provided:

1. Where any person uses, without the authorization of the registrant of the trademark, a trademark that is identical with the registered trademark in question in respect of the same goods, and the amount of his illegal income is considerable or the person has committed other serious acts, he shall be sentenced to fixed-term imprisonment of not more than three years, criminal detention, and/or a fine; where the amount of his illegal income is enormous, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and concurrently to a fine.

Where any person knowingly sells goods bearing a counterfeited registered trademark, and the amount of his illegal income is considerable, he shall be sentenced to fixed-term imprisonment of not more than three years, criminal detention, and/or a fine. Where the amount of his illegal income is enormous, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and concurrently to a fine.

2. Where any person counterfeits, or makes without authorization, representations of a registered trademark of another person, or sells such representations, and the amount of his illegal income is considerable or he has committed other serious acts, he shall be punished according to the provisions of Article 1 (1).

In December of the same year, to safeguard the economic order of a socialistic market and the legitimate rights and interests of the people, the Supreme Procuratorate made and promulgated the Standards for Prosecuting Criminal Cases Concerning the Counterfeiting of Registered Trademarks, which provides that:

If the producer or seller violates the administrative law and regulations on trademarks and counterfeits another's registered trademark and the matter reaches the standard for filing a case under these regulations, then criminal liability shall be pursued.

There are standards in three kinds:

1. If the illegal earnings (sales income) from counterfeiting another's registered trademark reaches the following standard, such cases shall be filed:

(a) Without permission of the trademark owner, uses the same trademark on the same merchandise and the illegal earnings is above RMB 20,000;

(b) Knowingly sells merchandise bearing a counterfeit registered trademark and the illegal earnings are above RMB 20,000.

(c) Forges or produces another's registered trademark representation without permission or sells forged or unauthorized representations and the illegal earnings are more than RMB 10,000.

People who conspire with the violators who counterfeit other registered trademarks or who facilitate in the manufacture, sales, utilization, warehousing, delivery or concealing, shall be pursued for their criminal liabilities as complicities of counterfeiting registered trademark.

2. In cases of counterfeiting another's registered trademark, if one of the following situations occurs, it shall be considered as a serious case and shall be filed.

(a) In cases of violations under paragraph 1 of Article 2, and the illegal earnings are above RMB 100,000;

(b) In cases of violations under paragraph 3 of Article 2, which is to forge or produce more than 20,000 sets of another's registered trademark representation without permission or to sell more than 20,000 sets of forged or unauthorized trademark representations.

3. In cases of counterfeiting another's registered trademark, if such violations do not meet the conditions of paragraphs 1 and 3 of Articles 2 or 3, but it has the following situations, it shall also be considered a serious case and shall be filed:

(a) To counterfeit another's registered trademark after having been penalized by administrations for industry and commerce two times because of counterfeiting another's registered trademark;

(b) To counterfeit a registered trademark on medicine for human use;

(c) To conduct sales promotion through a bribe for merchandise bearing a counterfeited trademark or forged or unauthorized trademark;

(d) To counterfeit another's registered trademark and cause bad social and/or international impact.

In January 1995, The Supreme People's Procuratorate issued the Notice Concerning Prosecuting Intellectual Property Infringement Crimes According to Law, requiring procuratorates at all levels to take the prosecution of intellectual property infringement crimes as important work. In this document, the Supreme People's Procuratorate raised, for the first time, the issue of protecting domestic and foreign well-known marks.

On March 14, 1997, the Fifth Session of the Eighth National People's Congress made an amendment to the Criminal Law. In this amendment, the crimes of infringing intellectual property rights first emerged as a special crime stipulated in a separate

section. There are three articles concerning the crimes of infringing a trademark:

Article 213: Whoever, without permission from the owner of a registered trademark, uses a trademark which is identical with the registered trademark on the same kind of commodities shall, if the circumstances are serious, be sentenced to fixed-term imprisonment of not more than three years, to criminal detention and/or be fined; if the circumstances are especially serious, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined.

Article 214: Whoever knowingly sells commodities bearing counterfeit registered trademarks shall, if the amount of sales is relatively large, be sentenced to fixed-term imprisonment of not more than three years, criminal detention and/or be fined; if the amount of sales is huge, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined.

Article 215: Whoever forges or without authorization of another makes labels of the person's registered trademarks or sells such representations shall, if the circumstances are serious, be sentenced to fixed-term imprisonment of not more than three years, criminal detention or public surveillance and/or be fined; if the circumstances are especially serious, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined.

In December 1997, the Supreme Court adopted Provision on Implementing the Criminal Law and Determining Name of Crimes. The criminal offences concerning the infringement on trademark were respectively provided as: crimes of counterfeiting registered trademarks, crimes of selling counterfeit registered trademarks, crimes of illegally producing or selling illegally made representations of a registered trademark.

All the abovementioned laws and regulations, whether the Criminal law, Prosecution Standard or Provision on Imputation, are aimed at criminal offenses towards registered trademarks. Although the well-known trademark is not directly mentioned in these laws and regulations, usually, those trademarks which are not well known will not be infringed, whereas the well-known trademarks will. Therefore, these laws and regulations actually protect well-known trademarks or trademarks which are familiar to the public and constitute an extremely important part of China's well-known trademark protection system. Therefore, in order to understand China's well-known trademark protection system, it is very important to learn about these laws and regulations.

In April 2001, in order to further deepen the reform and the opening to the outside world, and create a sound environment for a sustained, rapid and healthy development of the national economy, the State Council made the Decision to Rectify and Regulate the Order of Market Economy, which demanded that the administrative departments and law enforcement agencies strengthen coordination, punish severely the criminal offence of sabotaging the market economy order, and attack the illegal activities of producing and selling fake and inferior commodities. In the same month, the Supreme People's Procuratorate and Ministry of Public Security jointly issued the Provisions Regarding Prosecution Standards for Cases Involving Economic Crimes (hereinafter referred to as Prosecution Standards), in which Crimes of counterfeiting registered trademarks, crimes of selling goods with counterfeit trademarks, and crimes of illegally producing or selling illegally made trademark representations of another person, were stipulated as three kinds of cases; and it stipulated ten specific standards. Thus, it makes the criminal punishment for criminal offences regarding trademarks more severe:

Article 61 Cases of counterfeiting registered trademarks (Article 213 of the Criminal Law):

Where a trademark identical to a registered trademark is used on products of the same kind without the permission of the owner of the registered trademark, prosecution should be pursued when one of the following circumstances is suspected:

- 1) where an individual counterfeits the registered trademark of a third party and the illegal turnover equals or exceeds RMB 100,000;
- 2) where an entity counterfeits the registered trademark of a third party and the illegal turnover equals or exceeds RMB 500,000;
- 3) where a well-known trademark of a third party or a trademark used on pharmaceuticals for human use is passed off;
- 4) where the foregoing monetary amount has not been reached but the person/entity involved has already been subject to administrative penalties on two or more occasions for counterfeiting a registered trademark of a third party and then again counterfeits a registered trademark of a third party;
- 5) where a very bad effect is created.

Article 62 Cases of selling products with counterfeited trademarks (Article 214 of the Criminal Law):

Where products are sold with the clear knowledge that they counterfeit a registered trademark, prosecution should be pursued where the illegal turnover equals or exceeds RMB 100,000 in the case of an individual, or exceeds RMB 500,000 in the case of an entity.

Article 63 Cases of illegally producing and/or selling illegally produced trademark representations (Article 215 of the Criminal Law):

Where trademark representations of a third party are counterfeited or produced without authorization or where such labels are sold, prosecution should be pursued when one of the following circumstances is suspected:

1) where the number of representations illegally produced or the number of illegally-produced representations of a registered trademark sold equals or exceeds 20,000 pieces (sets), the illegal gains equal or exceed RMB 20,000, or the illegal turnover exceeds RMB 200,000;

2) where representations of a well-known trademark are illegally produced or illegally produced representations of a well-known trademark are sold;

3) where the monetary amount has not been reached but the person/entity involved has already been subject to administrative penalties on two or more occasions for illegally producing or selling illegally produced representations of a registered trademark of a third party and then again illegally produces or sells such illegally produced representations;

4) where illegal methods such as bribery, etc., are used to promote the sale of the illegally produced representations of registered trademarks.

Most of these ten prosecution standards provide the business volume, sales amount, the quantity of illegal production, amount of the illegal income and number of illegal acts, etc. However, the prosecution standard does not make restrictions of quantity, amount or number of times of acts for counterfeiting well-known trademarks or illegally producing and/or selling illegally produced representations of well-known trademarks. That means as long as the above-mentioned criminal offences have been made towards a well-known trademark, no matter whether the amount is large or small, they are within the scope of “shall-be-prosecuted.” This was the first time that the Supreme People’s Procuratorate and Ministry of Public Security clearly stipulated to protect well-

known trademarks. It reflected China's procurator and public security organ's great attention towards the protection of well-known trademarks and law enforcement. It should be remembered that what the Criminal Law and Prosecution Standard protects is registered trademarks, thus the abovementioned well-known trademarks are the well-known trademarks registered in China. The scope of protection only covers the same commodities and services.

The promulgation and enforcement of the Prosecution Standards play an active role in the protection of exclusive rights of registered trademarks. However, there are still things to be improved. In February 2002, the Economic Crime Investigation Bureau of the Ministry of Public Security, Trademark Office and Department of Fair Trade of SAIC, and the Coordination and Administration Department of the State Intellectual Property Office held the first joint working conference of that year and discussed issues on the implementation of the Prosecution Standards. A Memo of the first meeting was formed and five opinions were agreed upon by the participants. The third opinion related to well-known trademarks. It stated that "Item 3 of Article 61 of the Prosecution Standards provides for a situation where 'a well-known trademark of a third party or a trademark used on pharmaceuticals for human use is passed off.' It did not provide a minimum amount for charging criminal liabilities. This may cause others to think that all violations of counterfeiting the well-known trademarks of others or trademarks on medicine for human-use, regardless of the seriousness of the situation, shall all be pursued for criminal liabilities. According to the actual situation of dealing with counterfeiting registered trademarks and the duty allocation between AIC and Public Security organs, and pursuant to the principle of the consistency between crime and liability thereto, we suggest that the Ministry of Public Security and The Supreme People's Procuratorate make further supplementary rules to that document. Before the issuance of the supplementary rules, for cases regarding counterfeiting another's well-known trademark or trademark on medicine for human-use, if the illegal earnings do not reach the amounts set in Items 1 and 2 of Article 61 of the Prosecution Standard, the situation of the case shall be considered. If it is determined that the offence reaches the serious level required under the Criminal Law, it shall be prosecuted." This opinion clearly reflected the inclination of the participants in applying the Prosecution Standards, that is, it is not correct to charge all offenders in counterfeiting others' well-known marks and trademarks on medicine for human use with criminal liabilities without distinguishing the specific situation of the offense. The circumstances of a case should be considered and a

person will be charged with criminal liability only when the requirement of the criminal law is met.

VI. Judicial Interpretation by the Supreme People's Court

The protection of trademarks in China has two aspects: the protection by civil law and that by criminal law. Therefore, the judicial interpretations are also in two aspects.

1. Judicial interpretation in the civil law aspects

The amended Trademark Law enhances the judicial function of people's courts in the process of registration and management of trademarks. With the enactment and implementation of the Trademark Law and its Implementing Rules, in order to resolve specific problems of application of the law and the specific implementing procedure that the people's court faced, the Supreme People's Court adopted and promulgated the Interpretations on the Jurisdiction and Scope of Application of Laws Concerning the Trial of Trademark Cases [Fa Shi (2002) No. 1], the Interpretation on Application of Laws Regarding Pretrial Stopping Infringement of Trademarks and Evidence Preservation [Fa Shi (2002) No. 2], and the Interpretation on Issues Concerning the Application of Laws in Trademark Civil Cases [Fa Shi (2002) No. 32]. Thus, besides the Trademark Law and its Implementing Rules, these three interpretations will also be applied by courts in the trial of trademark cases. Then, what do these three judicial interpretations provide concerning the well-known trademark?

1. Well-known trademarks registered in China are included in the protection scope of registered trademarks.

Article 1 of Fa Shi (2000) No. 32 provides that: The following conduct causes other damage to another person's registered right provided under Article 52 (5) of the Trademark Law:

- (a) To use prominently words which are identical with or similar to another's registered trademark as the business name of an enterprise for the same or similar products, which will easily cause confusion to the public;

- (b) To copy, imitate or translate a well-known trademark or the main part of such trademark registered by another and to use it as a trademark on different or dissimilar products and mislead the public, which may cause damage to the interests of the holder of the well-known trademark.

- (c) To register a domain name by using words which are identical with or similar to another's registered trademark and to

conduct trading of product on the Internet via such domain name, which will easily cause incorrect recognition by the public.

These three behaviors mentioned above are behaviors of “using a trademark.” However, such behaviors are not mentioned in the two chapters of the Trademark Law, namely “Use and Administration of Trademarks” and the “Protection of the Trademark rights.” It is only in a chapter of the Implementation Rules of the Trademark Law, “Use and Administration of Trademark,” that the second behavior described above is mentioned. Through judicial interpretation, the Supreme People’s Court included these three behaviors as behaviors which will cause other damages to another person’s exclusive right of registered trademarks under Article 52 (5) of the Trademark Law. It means that the people’s courts formally include well-known trademarks in the protection of trademark rights. Although, in Fa Shi (2000) No. 32, “well-known trademarks” is only mentioned in the second behavior described above, the provisions (1) and (3) also apply to well-known trademarks. Provision (1), which is a solution to the conflict between enterprise names and well-known trademarks, is in compliance with Article 53 of the Implementation Rules of Trademark Law; and the provision (3) is in compliance with relevant regulations of Fa Shi (2001) No. 24, which deals with conflicts between domain names and well-known trademarks. Furthermore, these three behaviors are in complete correspondence with the three aspects of the conflicts concerning well-known trademarks as described in Chapter 2, the Protection Scope of Well-known Trademarks, of the Joint Recommendation. The above judicial interpretation issued by the Supreme People’s Court is very important for the well-known trademark protection system of China.

2. “Identical trademark” and “similar trademark” are defined, and principles in determining identical or similar marks are provided.

Article 9 of Fa Shi (2002) No. 32 provides that: The “identical trademark” under Article 52 (1) of the Trademark Law means that basically the accused trademark has no visible difference, compared with the registered trademark of the plaintiff.

The “similar trademark” under Article 52 (1) of the Trademark Law means that the accused trademark is similar to the registered trademark of the plaintiff in the shape, pronunciation and/or meaning of its letters or the composition and colors of the drawing, or the overall effect of the combination of various factors, or the combination of its shape or colors, and will easily cause the public mistake as to the origin of the products or think the such products have connection with commodities bearing the plaintiff’s registered trademark.

Article 10 of Fa Shi (2002) No. 32 provides that: People's courts should follow the following principles when determining identical or similar trademarks according to Article 52 (2) of the Trademark Law:

(a) Use the normal attention of relevant sector of the public as the criteria;

(b) Conduct comparisons of both the entire trademark and the main part of the trademark. Such comparisons shall be conducted with the involved trademarks in isolation;

(c) When judging whether or not trademarks are similar, the distinctiveness and renown of the trademark applying for protection shall be considered.

"Identical trademark," "similar trademark" and the determination that marks are identical or similar are the most basic and important matters in trademark registration and administration, and also important factors in the determination and protection of well-known trademarks. Both the Trademark Office and the Trademark Review and Adjudication Board make relevant examination standards regarding identical and similar trademarks for the purpose of its internal working process. However, for a long time, the Trademark Law and the Implementation Rules of the Trademark Law did not have specific provisions in this regard. Fa Shi (2002) No. 32 is a regulation stipulated by a high level state organ that provides definitions. Such definitions not only apply in the trial of normal civil trademark cases, but also in the trial of well-known trademark disputes. Also, since the Trademark Law has made the people's court the final institution in deciding whether or not a registration should be granted, the definitions of same and similar trademarks and the working principles for determining the matter as provided for by the Supreme People's Court are an important reference for the Trademark Office in trademark registration and administration, and for the Trademark Review and Adjudication Board in trademark review and the protection of well-known trademarks.

3. People's courts have the authority to determine whether or not a trademark is a well-known trademark and the jurisdiction by forum level and territorial jurisdiction of trademark cases are provided.

Article 22 of Fa Shi (2002) No. 32 provides that: the People's court may determine whether or not the involved trademark is a well-known one in light of a request made by the parties and the specific situation of the case.

The determination of well-known trademarks shall be done by following Article 14 of the Trademark Law.

When one party requests protection of a mark which has been determined by administrative authorities or the people's court to be a well-known trademark and the other party has no objection, the people's court will not examine the merits. If there is objection, the people's court shall examine the case in light of Article 14 of the Trademark Law.

Article 2 of Fa Shi (2002) No. 1 provides that: The intermediate people's courts or higher shall have jurisdiction as courts of first instance over civil trademark cases.

With the approval from the Supreme People's Court, high people's courts may designate one or two basic people's courts in relatively big cities to have jurisdiction as courts of first instance over civil trademark cases in light of the specific situations of the areas under its jurisdiction.

Article 6 of Fa Shi (2002) No. 32 provides that: in civil litigation arising from infringements of trademark rights, the people's court at the place where the infringement is committed, or where the infringing commodities are stored, or where the property has been sealed up or detained, or where the defendant has his domicile shall have jurisdiction in light of Articles 13 and 52 of the Trademark Law.

The above-mentioned place where the infringing commodities are stored refers to the place where infringing commodities are stored and concealed in large amount or, frequently, the place where the property has been sealed up or detained refers to the place where an administrative institution such as Customs, the administration for industry and commerce, etc., seals up or detains infringing commodities.

As to people's courts' determination of whether or not a trademark is well known, the Supreme People's Court had adopted and promulgated the Interpretations on Issues Concerning Application of Laws when Trying Civil Dispute Cases Relating to Network Domain Names in June, 2001, four months earlier than the amended Trademark Law was published and five months before the Law became effective. It provided that: based on the request of a party and the specific situation of a case, the people's court may determine whether or not the trademark involved is a well-known trademark. However, this interpretation is limited to domain name dispute cases, while Article 22 of Fa Shi (2002) No. 32 applies to all trademark dispute cases.

As to jurisdiction by forum level, the judicial interpretation provides that the jurisdiction of trademark civil cases shall be vested in intermediate people's courts or above. That means cases involving well-known trademarks will also be adjudicated, at first instance, by a people's court at or above the intermediate level or by a basic court approved by the Supreme People's Court. Currently, there are 404 intermediate people's courts in China and

the basic people's courts which have been approved by the Supreme People's Court include Haidian District People's Court and Chaoyang District People's Court of Beijing, Pudong New District Court and Huangpu District Court People's Courts of Shanghai, Shinan District Court of Qingdao, Lixia District People's Court of Jinan, Dongshan District People's Court of Guangzhou, Nanshan District People's Court of Shenzhen and Nanhai District People's Court of Foshan.

As to territorial jurisdiction, Fa Shi (2001) No. 1 categorizes the territory into four kinds, i.e., the place where the infringement is committed, where the infringing commodities are stored, where a property has been sealed up or detained, and where the defendant has his domicile, and provides that any civil cases arising from infringement of exclusive rights of registered trademarks shall be under the jurisdiction of the corresponding people's court in that area. It also provides that in an action against several defendants concerning different places where infringement is committed, the plaintiff can choose the corresponding people's court of the place where one of the defendants committed the infringement to exercise jurisdiction. In an action brought only against one of the wrongdoers, only the people's court at the place where the defendant committed the infringement has jurisdiction.

4. The protection scope of well-known trademarks is different depending on whether or not a trademark is registered in China.

The protection of trademarks under judicial interpretation is based on the trademark registration in China. The three behaviors described in Article 1 of Fa Shi (2003) No. 32 are all infringements to the exclusive rights of another's registered trademark provided for by Article 52(5) of the Trademark Law. Therefore, the well-known trademark protected under this article can only be a well-known trademark registered in China. Well-known trademarks not registered in China are not covered. Accordingly, Article 22 of Fa Shi (2003) No. 32 provides that the "People's court may determine whether or not the involved trademark is a well-known one in light of a request made by the parties and the specific situation of the case." It does not say whether the court shall decide an un-registered trademark involved is well known or not. Also, Fa Shi (2002) No. 2 only applies to registered trademarks. Before this interpretation, Article 6 of Interpretations of the Supreme People's Court on Issues Concerning Application of Laws when Trying Civil Dispute Cases Related to Network Domain Names also provides that the people's court can determine whether or not the trademark involved is well known in light of the requirements of the party and specific situations of the case in

the trial of domain name dispute cases. Still, it doesn't stipulate whether an un-registered trademark can be a well-known trademark.

Fa Shi (2003) No. 32 is an important document in protection of well-known trademarks by people's courts. Although it provides for protection of non-registered well-known trademarks, it only provides that people's courts may determine well-known trademarks, it does not explicitly provide that courts can determine non-registered trademarks to be well-known. This author thinks that it is worth noticing the practice of the court in protection of non-registered well-known trademarks in trying trademark dispute cases.

The liability for infringing a well-known trademark is different for trademarks registered in China and those not registered in China. If the infringement falls within the scope of Article 1.2 of Fa Shi (2002) No. 32, i.e., a conduct under the fourth interpretation of Article 52 (5) of the Trademark Law, as a kind of conduct infringing the exclusive rights of a registered trademark, one shall liable for all the civil liabilities including paying damages. If the infringement is within the scope of Article 2 of Fa Shi (2002) No. 32, i.e., Article 13 (1) of the Trademark Law, in that the accused mark is a reproduction, an imitation, or a translation of a well-known trademark or the major part of a well-known mark of another person not registered in China and is likely to cause confusion, one shall bear the civil legal liability of stopping the infringement, but not to bear other civil liabilities.

5. Issues such as "relevant sector of the public" and statutory limitation have been clarified.

Article 8 of Fa Shi (2002) No. 32 stipulates that "relevant sector of the public" mentioned in the Trademark Law refers to the consumers related to the commodities or services bearing the trademark and other operators who have a close relationship with such commodities or services. Actually, there is only one article that uses the term "relevant sector of the public" in the Trademark Law, that is the first item of the factors to be considered in determining a well-known trademark provided for in Article 14 of the Trademark Law. Such definition in Article 8 shall be understood as an interpretation of the term "relevant sector of the public" contained in Article 14 of the Trademark Law. However, the application of the term "relevant sector of the public" in Fa Shi (2002) No. 32 is not limited only to well-known trademarks. This term appears in nine places.

Article 53 of the Trademark Law provides for a statutory limitation. It provides that "When a dispute arises as a result of any of the acts of infringing upon another person's exclusive right of a registered trademark as mentioned in Article 52 of this Law,

the parties involved may settle the dispute through consultation. Where the parties are not willing to do so or where consultation fails, the owner of the registered trademark or any interested party may bring a suit in a people's court or request the administration for industry and commerce to handle the matter. When the said administration determines that the fact of infringement is established, it shall order the infringer to immediately stop infringing that right, and it shall confiscate and destroy the goods involved and the tools specially used to manufacture the said goods and counterfeit the representations of the registered trademark, and may also impose a fine. Where the party is dissatisfied with the decision of the administration, he may, within fifteen days from the date the notification is received, bring a suit in a people's court in accordance with the Administrative Procedure Law. Where the infringer neither brings a suit at the expiration of the time limit nor complies with the decision, the administration for industry and commerce may request the people's court to enforce its decision. The administration for industry that handles the dispute may, as requested by the party, mediate as a settlement on the amount of damages for the infringement of the exclusive rights of the trademark. Where mediation fails, the party may, in accordance with the Civil Procedure Law, bring a suit in a people's court." This article provides for three situations under which a law suit may be brought in court. Except for the second situation, where a statutory time limitation has been provided, there is no limitation for the first and third situations.

In addition, Article 18 of Fa Shi (2002) No. 32 provides, "The time limitation for initiating an action against infringement of registered trademark is two years from the day when the holder of the registered trademark or interested party knows or should have known of the infringement. Where the holder of the registered trademark or the interested party starts an action after two years expires, if the infringement is still continuing, and it is during the effective period of the registered trademark, the people's court shall order the respondent to stop its infringement and the damages for the violation shall be calculated for two years from the day when the action is initiated." This provision is only supplementary to Article 53 of the Trademark Law and only applies to the time limitation under the first situation described in this article.

Fa Shi (2002) No. 32 has categorized the situations under Article 13 (2) of the Trademark Law as violations of the exclusive rights of registered trademarks. Besides, it does not make other provisions regarding the time limitation for initiating an action against violations of exclusive rights of registered trademarks. Therefore, the time limitation for initiating an action against

violations of exclusive rights is the same for holders of well-known trademarks and normal registered trademarks, which shall be two years.

The Supreme People's Court clearly provides for the statutory limit for initiating an action against violations of the exclusive rights of registered trademarks, but the Trademark Law, the Implementation Rule of Trademark Law and Order No. 5 of the SAIC do not provide the time limit for submitting an application to AIC requesting violations to stop under Article 13 of the Trademark Law. In such case, in a dispute regarding a well-known trademark, the parties can sue at a people's court as a case of violating exclusive rights of a registered trademark as well as request AIC's resolution of such a case as a violation in using a trademark under Article 13 of the Trademark Law. On the other hand, although the people's court follows the statutory limitation and AIC has no time limitation, AIC generally deals with disputes according to Article 135 of the General Principles of Civil Law, which provides that "The time limitation for requesting protection of civil rights from people's court shall be two years." Under such situations, the interested parties can choose whether to initiate a lawsuit or ask for an administrative resolution.

2. Judicial interpretation in the criminal law aspects

The Chinese government strengthened the protection of intellectual property rights in 2004. In March, the office of the National Leading Group for Rectifying and Regulating Market Order³ deployed the plan to organize a campaign of striking counterfeiting goods and protecting intellectual property rights in key areas and industries. In April, the Main Points in the Work of Rectifying and Regulating Market Order in the Country, which was approved by the State Council, set intellectual property protection as one of the three major tasks of the work in 2004.⁴ The Working Group of Intellectual Property Protection was set up by

3. In April 2001, the State Council held a meeting for rectifying and regulating market order in the country, and decided to establish the National Leading Group for Rectifying and Regulating Market Order. Vice Premier Li Lanqing was the director of the Group, Vice Premier Wu Banguo and State Councilor Wu Yi being the deputy directors. Leaders from 31 governmental organs, such as the Ministry of Public Security, Ministry of Commerce, Ministry of Culture, the State Administration for Industry and Commerce, the State Administration for Quality Supervision, Inspection and Quarantine, the State Intellectual Property Office, the State Copyright Office, the Customs Service, the Supreme People's Court, the Supreme People's Procuratorate, composed the Group. The responsibility of the Group is to lead the work of rectification and regulation of market order in the whole country. After the State Council changed its leaders in 2003, Vice Premier Wu Yi became the Director.

4. The other two major tasks were food safety and striking down illegal blood supply.

the State Council in August that year⁵ to direct and coordinate the work of intellectual property protection in the country and to supervise the handling of significant cases. In order to effectively stop infringement of trademark rights, copyrights and patent rights, to improve the awareness of the whole society in intellectual property protection, to create a sound atmosphere for hi-tech industries, to fulfill the commitment made to the WTO, and to maintain market order, the State Council approved the Plan for Special Actions on the Protection of Intellectual Property. It was decided to use one year to launch the special actions of intellectual property protection in the country. The Plan urged the correct understanding and handling of the relationship between intellectual property protection and improvement of investment atmosphere, promoting technical progress and prop up economic development. The Plan also set up the principle of “fulfilling commitment, matching the national situation, improving the system and active protection” to bring the intellectual property protection to a new stage. Accordingly, pertinent departments under the State Council carried out various activities in intellectual property protection according to their respective duties. Since the Prosecution Standard no longer fit the situation of intellectual property protection, the call for lowering the threshold of criminal law protection got stronger. As early as 2002, the Supreme People’s Court set the protection of intellectual property through criminal law as a major project. In 2003 the Supreme People’s Court and the Supreme People’s Procuratorate put on their agenda the draft of a judicial interpretation. Vice Premier Wu Yi made a promise at the 15th Sino-America Commerce and Trade Joint Committee in April 2004 that China will publish judicial interpretation regarding lowering the threshold of criminal law protection by the end of 2004. For the purpose of punishing intellectual property infringement crimes, maintaining market order and keeping Vice Premier’s promise, the Supreme People’s Court and the Supreme People’s Procuratorate held a news conference at the State Council Information Office on December 21 to make public the Interpretation by the Supreme People’s Court and the Supreme People’s Procuratorate on Certain Issues of Application of Law in Handling Criminal Cases of

5. In August 2004, the State Council decided to set up a Working Group of Intellectual Property Protection under the National Leading Group for Rectifying and Regulating Market Order. Vice Premier Wu Yi acted as the Group Director, leaders from 13 governmental organs, such as the Ministry of Public Security, Ministry of Commerce, the State Administration for Industry and Commerce, the State Intellectual Property Office, the State Copyright Office, the Customs Service, the Supreme People’s Court, the Supreme People’s Procuratorate, were members of the Group. The responsibility of the Group is to lead the work of intellectual property protection order in the country, and to supervise the handling of significant cases.

Infringing Intellectual Property (Fa Shi (2004) No. 19), which became effective the next day.

Fa Shi (2004) No. 19 has 17 articles, which provide specific interpretation of the seven types of crimes in the Criminal Law. Seven articles directly relate to trademarks and two indirectly relate to trademarks. The seven articles directly relate to trademarks are as follows:

Article 1—Using an identical trademark on the same merchandise without permission of its registered owner in any of the following circumstances falls under the definition of “the circumstances are serious” stipulated in Article 213 of the Criminal Law and shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall also, or shall only, be fined for committing the crime of forging registered trademarks:

(1) the amount of illegal business volume being more than RMB 50,000 or that of illegal gains being more than RMB 30,000;

(2) forging more than two registered trademarks, the amount of illegal business volume being more than RMB 30,000 or that of illegal gains being more than RMB 20,000;

(3) other circumstances of a serious nature.

Whoever having any of the following acts that falls under the definition of “the circumstances are especially serious” stipulated in Article 213 of the Criminal Law shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined for committing the crime of forging registered trademarks:

(1) the amount of illegal business volume being more than RMB 250,000 or that of illegal gains being more than RMB 150,000;

(2) forging more than two registered trademarks, the amount of illegal business volume being more than RMB 150,000 or that of illegal gains being more than RMB 100,000;

(3) other circumstances of an especially serious nature.

Article 2—Whoever knowingly sells commodities bearing counterfeited registered trademarks, if the amount of sales is more than RMB 50,000, and thus falls under the definition of “the amount of sales is relatively large” stipulated in Article 214 of the Criminal Law shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall also, or shall only, be fined for committing the crime of selling commodities bearing counterfeited registered trademarks.

Whoever selling such commodities of more than RMB 250,000 in value falls under the definition of “the amount of sales is huge”

stipulated in Article 214 of the Criminal Law and shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined for the crime of selling commodities bearing counterfeited registered trademarks.

Article 3—Whoever forges or makes representations of another person's registered trademarks without authorization of the person or sells such representations in any of the following circumstances and thus falls under the definition of "the circumstances are serious" stipulated in Article 215 of the Criminal Law shall be sentenced to fixed-term imprisonment of not more than three years, criminal detention or public surveillance and shall also, or shall only, be fined for committing the crime of illegally making registered trademarks and selling illegally-made registered trademarks:

(1) the amount of the representations of other person's registered trademarks forged or made without authorization or that of the sold representations of other person's registered trademarks forged or made without authorization being more than 20,000 copies, or the amount of illegal business volume being more than RMB 50,000, or the amount of illegal gains being more than RMB 30,000;

(2) the amount of the representations of other person's registered trademarks forged or made without authorization or that of the sold representations of more than two of other person's registered trademarks forged or made without authorization being more than 10,000 copies, or the amount of illegal business volume being more than RMB 30,000, or the amount of illegal gains being more than RMB 20,000;

(3) other circumstances of a serious nature.

Whoever having any of the following acts that falls under the definition of "circumstances of an especially serious nature" stipulated in Article 215 of the Criminal Law shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined for committing the crime of illegally making registered trademarks and selling illegally-made registered trademarks:

(1) the amount of the representations of other person's registered trademarks forged or made without authorization or that of the sold representations of other person's registered trademarks forged or made without authorization being more than 100,000 copies, or the amount of illegal business volume being more than RMB 250,000, or the amount of illegal gains being more than RMB 150,000;

(2) the amount of the representations of other person's registered trademarks forged or made without authorization

or that of the sold representations of more than two of other person's registered trademarks forged or made without authorization being more than 50,000 copies, or the amount of illegal business volume being more than RMB 150,000, or the amount of illegal gains being more than RMB 100,000;

(3) other circumstances of an especially serious nature.

Article 8—"Identical trademarks" as stipulated in Article 213 of the Criminal Law refers to the trademarks either identical to the registered trademarks infringed on, or showing no notable visual difference from the trademarks infringed on and thus being misleading to the public.

"Use" as stipulated in Article 213 of the Criminal Law refers to such acts as applying registered trademarks or counterfeited registered trademarks to commodities, commodity packing and containers, commodity user guides and commodity transaction documents, or using registered trademarks or counterfeited registered trademarks for advertisement, publicity, exhibitions and other business activities.

Article 9—"Amount of sales" as stipulated in Article 214 of the Criminal Law refers to all the illegal incomes gained or ought to be gained by selling commodities bearing counterfeited registered trademarks.

Any of the following circumstances shall be regarded as falling under the definition of "knowingly" stipulated in Article 214 of the Criminal Law:

(1) Knowing that the registered trademarks on the commodities that he/she sells have been altered, replaced or covered;

(2) Selling the same commodities for which one has already been given administrative penalty or has borne civil responsibilities for selling commodities bearing counterfeited registered trademarks;

(3) Counterfeiting or altering the authorization documents of the registrant or knowing such documents have been counterfeited or altered;

(4) Other circumstances in which the fact that the registered trademarks borne by the commodities are counterfeited is known.

Article 12—"Illegal business volume" as stipulated in the Interpretation refers to the value of the products produced, stored, transported and sold by the doer in the course of infringing on intellectual property. Value of the products produced by infringing on intellectual property shall be computed according to the prices at which such products are actually sold. Value of the products produced by infringing on intellectual property produced, stored, transported, and those not sold shall be computed according to the

labeled prices or the actual prices found to be sold at after investigation. Value of the products produced by infringing on intellectual property without labeled prices or whose actual prices are impossible to be ascertained shall be computed according the middle market prices of such products.

Values of illegal business volume, illegal gains and amount of sales shall be computed cumulatively in cases of repeatedly infringing on intellectual property where such acts have not yet been given administrative penalty or have not so far initiated criminal procedures.

“Copies” as stipulated in Article 3 of the Interpretation refers to one piece of representation of the complete logo of the trademark.

Article 13—Committing the crime of counterfeited registered trademarks stipulated in Article 213 of the Criminal Law while selling commodities bearing such counterfeited registered trademarks and thus constituting a crime shall be convicted and punished in accordance with provisions of Article 213 of the Criminal Law for committing the crime of counterfeiting registered trademarks.

To whoever that commits the crime of counterfeiting registered trademarks stipulated in Article 213 of the Criminal Law while knowingly selling commodities bearing registered trademarks counterfeited by another person and thus constituting a crime, a combined punishment for several crimes shall be applied.

The two articles indirectly relate to trademarks are as follows:

Article 15—Where a unit commits any of the crimes stipulated in the Articles 213 through 219 of the Criminal Law, it shall be convicted and sentenced according to the criteria that are as three times higher as those for convicting and sentencing individuals committing same crimes according to the Interpretation.

Article 16—Whoever knowingly provides loans, funds, bank accounts, invoices, certificates, licenses, production and operation places, as well as facilities and assistance in producing, storing and import-export agency services shall be deemed an accomplice in the crime of infringing on intellectual property.

Comparing Fa Shi (2004) No. 19 with the Prosecution Standard, there are several differences:

1. The standard of crime determination is different.

(a) The standard for the crime of forging registered trademarks and the crime of selling commodities bearing counterfeited registered trademarks has been changed from no less than RMB 100,000 as provided in the Prosecution Standard to RMB 50,000 (Articles 1 and 2).

(b) The standard for the crime of illegally making registered trademarks and/or selling illegally-made

registered trademarks has been changed from no less than RMB 200,000 as provided in the Prosecution Standard to RMB 50,000 (Article 3).

(c) The standard for determining the commitment of a crime by a unit is changed from five times to three times that of the amount committed by an individual. (Article 15).

(d) The provision in the Prosecution Standard has been eliminated that criminal liability may be charged even though the amount has not been reached if a person forges another's registered trademark after twice receiving administrative penalties for forging another's registered trademark.

From the change of the standards, one can find out the following:

(1) The standard for crime determination has been lowered dramatically. Fa Shi (2004) No. 19 changes the standard for the crime of forging registered trademarks and the crime of selling commodities bearing counterfeited registered trademarks from no less than RMB 100,000 to RMB 50,000, which is a 50% decrease. It changed the standard for the crime of illegally making registered trademarks and/or selling illegally-made registered trademarks from no less than RMB 200,000 to RMB 50,000, which is a 75% decrease. The standard for determining the commitment of a crime by a unit is changed from five times that of the amount committed by an individual to three times. This means the standard has been changed from RMB 500,000 to RMB 150,000, a more than two thirds decrease.

(2) The function of "number of times" has been lessened. Fa Shi (2004) No. 19 eliminates the provision that committing the forging of another's registered trademark after receiving two administrative penalties is a crime. However, Article 9.2 (2) still recognizes the function of "number of times." It provides that when determining "knowingly," whether or not one has already been given administrative penalty or has borne civil responsibilities shall be considered, while "knowingly" is a requirement in determining the crime of knowingly selling commodities bearing counterfeited registered trademarks as prescribed in Article 214 of the Criminal Law. Therefore, the "number of times" is still a factor to be considered in crime determination.

2. New standards are added.

Fa Shi (2004) No. 19 added some new standards where no such standards were found in the Prosecution Standard.

(a) A crime can be determined if the illegal income is higher than RMB 30,000. (Articles 1 and 3).

(b) The amount of illegal business turnover being more than RMB 250,000 or that of illegal gains being more than RMB 150,000 becomes the standard to determine “the especially serious circumstances.” (Articles 1 and 3).

(c) Providing funds, certificates or licenses, production and operation places, as well as facilities and assistance in producing, storing and import-export agency services is regarded as accomplice in the crime of intellectual property infringement. (Article 16).

(d) Forging more than two registered trademarks or selling representations of more than two of another person’s registered trademarks forged is “serious circumstances” or “especially serious circumstances” provided in the Criminal Law. The standard of crime determination is much lower than other crimes. (Articles 1 and 3).

(e) Definitions to the 12 terms of “serious circumstances,” “especially serious circumstances,” “identical trademarks,” “use,” “relatively large sales amount,” “huge sales amount,” “amount of sales” and “knowingly” in Articles 213, 214 and 215 of the Criminal Law and “illegal business turnover” and “pieces” in the Interpretation have been made. (Articles 1, 2, 3, 8, 9 and 12).

The added provisions play a positive role in the protection of registered trademarks by criminal law.

i. It made complete the standard in determination of crime and penalties. Fa Shi (2004) No. 19 adds “illegal gains” as a new standard of crime and penalty determination, thus, facilitating the criminal investigation, prosecution and trial. At the same time, it also makes it clear for the trademark administrations to fix the time of transferring a case.

ii. Fa Shi (2004) No. 19 provides that those who facilitate the infringement would be regarded as an accomplice in the crime of intellectual property infringement. This makes it possible to strike down trademark infringement at all stages. This inevitably increases the deterrence of the Criminal Law.

iii. Fa Shi (2004) No. 19 provides that forging more than two registered trademarks or selling representations of more than two of another person’s registered trademarks forged is “serious circumstances” or “especially serious circumstances” provided in the

Criminal Law. The term “zhong”⁶ appears four times in Article 2.4 of the document. While decreasing the function of “number of times,” the judicial interpretation is strengthening the function of “zhong” in crime determination.

iv. Fa Shi (2004) No. 19 enlarges the “minefield.” Article 9 Fa Shi (2002) No. 32 provides that “identical trademarks as stipulated in Article 52.1 of the Trademark Law refers to a situation where comparing the alleged infringing mark with the plaintiff’s registered trademark, no visible difference is shown. This provision explained the term “identical trademark” in the Trademark Law. While Fa Shi (2004) No. 19 explained the same term in the Criminal Law, it provides that “identical trademarks” as stipulated in Article 213 of the Criminal Law refers to the trademarks either identical to the registered trademarks infringed on, or showing no notable visual difference from the trademarks infringed on and thus being misleading to the public. The Trademark Law and the Criminal Law were stipulated at different times, and the terms are also different. Fa Shi (2002) No. 32 and Fa Shi (2004) No. 19 are made at different times, the interpretations are thus different. Comparing the two, one can find that the latter is clearer. As for the interpretation of “identical trademark,” the latter is not limited to “exactly identical” but expands the coverage of “identical trademark,” and thereby enlarges the “minefield” to the crime of counterfeiting registered trademarks.

v. Fa Shi (2004) No. 19 defines the key terms in the Criminal Law. It defines 12 terms in the Criminal Law and the document itself. It gives clear standards for the terms “serious circumstances,” “especially serious circumstances,” “relatively large sales amount” and “huge sales amount.” This is actually a control of the discretion by pertinent departments in the criminal investigation, prosecution and trial. It also provides reference for trademark administration.

3. The difference in authoritativeness

Looking at the content, one can see that Fa Shi (2004) No. 19 is an addition and supplement to the Prosecution Standard. However, looking at the drafters of the documents, the Prosecution Standard was drafted by the Supreme People’s

6. This is the Chinese word for “type.”

Procuratorate to provide guidelines for prosecution departments and public security organs in investigation and prosecution, while Fa Shi (2004) No. 19 was drafted by the Supreme People's Court and Supreme People's Procuratorate, which not only provides guidelines for prosecution departments and public security organs in investigation and prosecution, but also directly guides the people's courts in trial.

It is quite clear that compared with the Prosecution Standard, Fa Shi (2004) No. 19 increases the strength in trademark protection. It also augments the strike over trademark infringement and deterrence on criminal intention.

Apart from all of this, Fa Shi (2004) No. 19 has deeper influence on the protection of registered trademarks by administrative and criminal law.

1. The demarcation between guilty and not guilty has been adjusted. Fa Shi (2004) No. 19 lowered the threshold of crime determination in trademark infringement cases. Many of the activities, which were not crimes before, now constitute crimes.

2. The Scope of registered trademark protection by criminal law has been adjusted. Fa Shi (2004) No. 19 enlarges the scope of trademark protection by criminal law and reduces the scope of trademark administrative protection. Many activities that should receive administrative sanction are now under criminal penalties.

3. The function of the administrative and judicial organ in trademark protection has been adjusted. Fa Shi (2004) No. 19 adjusted the demarcation of guilty and non-guilty, adjusted the scope of protection by administrative law and criminal law. Accordingly, Fa Shi (2004) No. 19 enlarges the function of the judicial organ and reduces the function of the administrative organ in punishing trademark infringement cases. Many cases, which were under the jurisdiction of administrative organs, are now under the judicial organs.

Further, according to the Prosecution Standard, forging another's well-known trademark, illegally making trademark labels of well-known trademarks, or selling well-known trademark labels illegally made was one of the causes of criminal charge. Any act relating to well-known trademarks, regardless of the situation or amount, is a crime. Fa Shi (2004) No. 19 does not make any special provision for well-known trademarks. Whether it is an infringement of a well-known trademark or an ordinary trademark, a crime will be determined according to the sales amount of the infringement. However, this does not mean that Fa Shi (2004) No. 19 provides a lower level of protection. Most of the

marks that are frequently infringed are well-known trademarks. Well-known trademarks have much higher value compared with ordinary trademarks. The price of goods or services using well-known trademarks are usually higher than that of goods or services with ordinary trademarks. Therefore, it is easier for well-known trademarks to meet the requirement of quantity or sales amount established in Fa Shi (2004) No. 19. Thus, we can say that Fa Shi (2004) No. 19 has a profound effect on well-known trademark protection in China.

It is worth noticing that the interpretation in Fa Shi (2002) No. 32 was in conformity with the Trademark Law amendment. It provided that the people's courts should not only protect registered trademarks but also protect non-registered trademarks in handling trademark civil cases. Fa Shi (2004) No. 19 is an interpretation of the Criminal Law. Since the Criminal Law only protects registered trademarks, Fa Shi (2004) No. 19 makes it clear that people's courts, in handling trademark criminal cases, only protect registered well-known trademarks and do not protect non-registered well-known trademarks. The different provisions in the Criminal Law and the Trademark Law in this respect reflect the intent of the legislature. The difference between Fa Shi (2004) No. 19 and Fa Shi (2002) No. 32 shows the difference in protection of non-registered trademarks by people's courts with criminal law and civil law.

VII. Announcement of the General Administration of Customs, Regulation of the PRC on the Customs' Protection of Intellectual Property Rights and the Customs Law of the People's Republic of China

Customs is also an important governmental institution for protecting well-known trademarks.

On July 5, 1994, the Decision of the State Council of the PRC Concerning Further Strengthening the Work of Intellectual Properties Protection provides that for the sake of fulfilling China's obligations under the Paris Convention and the Berne Convention and strengthening the protection of intellectual property involved in foreign trade and trade in technologies, the Customs' role must be enhanced in protecting intellectual property rights and preventing the entry and exit of infringing goods. Necessary border measures must be taken so as to effectively prevent the import and export of infringing goods. Customs shall strengthen its contact and cooperation with relevant authorities, strictly enforcing the border protection measures for intellectual property rights according to law.

On September 1, 1994, the Customs General Administration of the PRC issued its announcement on the control measures taken

for protection of intellectual property and prevention of the entry and exit of infringing goods. The major measures out of the total of seven are as follows:

a. No goods that infringe upon intellectual property (including trademark rights, copyrights and patents) shall be allowed to be imported or exported.

b. When proprietors of intellectual property rights protected by Chinese law find that goods infringing on their property rights are to be imported or exported, they can report the cases to Customs at the place where the goods are to be imported or exported and request that Customs examine and deal with said goods upon their entry or exit. In doing so, they shall present to Customs their intellectual property registration certificates, sample copies of their works of which they have copyright, and other relevant data that are sufficient to prove their proprietary rights, take the responsibility to produce evidence of the infringement of their proprietary rights during the import and export of goods, assist Customs to investigate the cases, and bear the costs arising from the assessment of the goods and investigations and other related expenses.

c. When the Customs discovers that the denounced goods or other goods suspected of the infringement of intellectual property rights are being imported or exported, it has the power to ask the consigners and consignees of the goods to produce legal evidence for their use of relevant intellectual property rights and make supplementary declarations to Customs of the status of the intellectual property rights in their goods. In cases where no legal evidence can be produced, the goods shall be shut out.

On May 20, 1995, to further strengthen the work of intellectual property protection and consolidate its position with regard to protecting intellectual property rights and preventing the entry and exit of infringing goods, the Customs General Administration, based on the abovementioned announcement, issued a second announcement with three measures, out of the total of five, concerning trademarks as follows:

a. No goods that infringe upon intellectual property rights protected by the laws and regulations of the PRC shall be allowed to be imported or exported.

b. Goods for import or export (including CD, LD, CD-ROM infringing upon copyrights and goods infringing upon the trademark rights) that are confirmed to have infringed upon the copyrights or the trademark rights protected by the laws and administrative regulations of the PRC shall be confiscated by Customs.

c. The goods confiscated by Customs for their infringement upon trademark rights shall be destroyed; however, those whose infringing trademarks can be removed and after being so removed could be used for the public welfare shall be provided for the government's use or be sold by public auctions to those other than the infringing parties. Any proceeds from these auctions shall be turned in to the state treasury.

Compared to the first announcement, the protection provided by this one is still based on the proprietor's report. However, significant changes can be found in its provisions: a. More emphasis has been placed on the concept of rights "protected by the laws and administrative regulations of the PRC"; b. It expressly provides that goods for import or export that are confirmed to have infringed upon the copyrights or the trademark rights protected by the laws and administrative regulations of the PRC "shall be confiscated" by Customs; c. It specifically introduces methods to deal with goods confiscated by Customs for their infringement upon trademark rights, such as destroying the goods.

On July 5, 1995, in order to enforce Customs' protection for intellectual property rights, promote international economy and trade, and the exchange of technology and culture and safeguard the public interest, the State Council, according to the relevant PRC laws, promulgated the Regulation of the People's Republic of China on the Customs' Protection of Intellectual Property Rights. This regulation is applicable to intellectual property including copyright, patent and trademark rights, relating to imported or exported goods and protected by the laws and administrative regulations of the People's Republic of China. Its main points are as follows:

a. The import or export of goods is forbidden if they infringe the intellectual property rights protected by the laws and administrative regulations of the People's Republic of China. (See Article 3).

b. Where intellectual property right owners and their agents require Customs to enforce the protection of intellectual property relating to imported or exported goods, they shall report their intellectual property rights to Customs for the record and file an application with Customs to take protection measures when considered necessary. (See Article 6).

c. Customs has the power to detain goods suspected of infringing intellectual property rights recorded with them. If the goods are so detained, the Customs Administration must serve either the consignee or consignor with a Customs

detaining receipt and also notify the intellectual property owner in writing. (See Article 18).

d. If the seized goods are confirmed by Customs, the appropriate intellectual property authority, or by the people's court to have infringed another's intellectual property rights, the goods will be confiscated. (See Article 23).

e. Customs shall destroy the confiscated goods that infringe upon trademark rights unless the infringing trademark can be removed therefrom. If the trademarks can be removed and the goods are still useful, the trademarks should be destroyed and the goods used either for public welfare undertakings or sold by public auctions to those other than the infringing parties. (See Article 24).

f. If the consignee or consignor knew or should have known that their goods infringed upon intellectual property rights, Customs may impose a fine against the consignee or consignor in an amount no more than the CIA price for importing or FOB price for exporting the goods. (See Article 28).

This regulation launches Customs protection for intellectual property rights and replaces the "protection based on report" system with a new mechanism of "recordation protection," which not only makes it more convenient for intellectual property owners to seek protection for their rights, but also strengthens Customs' active protection for intellectual property rights based on records. However, it is noteworthy that with regard to trademarks, this regulation is applicable only to the import or export of goods, which are protected by the laws and administrative regulations of the PRC. Therefore, those without trademark rights because of their failure to be registered are beyond the scope of protection under this Regulation.

On July 8, 2000, the sixteenth meeting of the Standing Committee of the Ninth National People's Congress adopted the Decision on revising the PRC Customs Law. The amended Customs Law added two articles concerning intellectual property protection, upgrading Customs' protection for intellectual property rights from the level of administrative regulation to that of law:

a. Customs shall protect the intellectual property rights related to imported or exported goods in accordance with laws and administrative regulations. If requested, the consigner or consignee or its agent of the exported or imported goods shall make truthful declarations about the intellectual property rights of the goods to Customs and shall provide the necessary legal documents as stipulated by the law. (See Article 44).

b. The importation or exportation of goods in violation of intellectual rights protected by the law and administrative

regulations of the People's Republic of China shall be sanctioned by Customs by confiscating the goods and imposing a fine, or criminal charges in case of a crime. (See Article 91).

On November 26, 2003, the State Council amended the Regulation of the PRC on the Customs' Protection of Intellectual Property Rights and on December 2, 2003, issued the amendment, which mainly modified the provisions inconsistent with the TRIPS Agreement, adjusting Customs' function in protecting intellectual property rights and improving relevant procedures so as to accelerate the process of going through customs formalities. The major contents of the amendment are as follows:

a. If the applicant requests Customs to detain the goods suspected of infringement, the applicant should submit guarantees not exceeding the value of the goods. (See Article 14). This article abolishes the original requirement of the regulations that the applicant should submit the guarantees in the form of "cash deposit" by providing that the applicant should submit guarantees not exceeding the value of the goods without prescribing the specific form of the guarantees.

b. The intellectual property rights owners may, in accordance with this regulation, apply to Customs for recordation of their intellectual property rights; if they so apply, the intellectual property rights owners should submit written applications. (See Article 7). This article changes Customs' protection based on recordation of intellectual property rights from compulsory to voluntary recordation by substituting the word "may" for "shall" employed in the original article.

c. If Customs suspects that the imported or exported goods infringe upon recorded intellectual property rights and it notifies the intellectual property owner, who after being notified requires Customs to detain the suspected goods, Customs should within 30 working days from the date the goods are detained investigate and decide whether the detained goods infringe upon the recorded intellectual property rights. Where it cannot be decided, Customs should notify the intellectual property owner in writing. (See Article 20). This article changes the original regulation's provision that Customs should conduct an investigation upon all the detained goods and decide whether they infringe upon intellectual property rights. The new article stipulates that Customs need only examine on its own initiative whether the imported or exported goods infringe upon recorded intellectual property rights and investigate and decide the cases involving goods suspected of violating recorded intellectual property rights after being examined. With regard to other cases concerning goods suspected of infringement, the intellectual

property rights owner may request the people's courts to decide whether the goods infringe upon intellectual property rights. Therefore, the scope of cases where Customs is required to decide whether the suspected goods infringe upon intellectual property rights has been narrowed.

d. The amendment prescribes the circumstances under which "Customs shall release the goods detained for being suspected of infringement." (See Article 24). In contrast with the original regulation, which failed to prescribe a specific period for the detention of the goods suspected of infringement, it expressly provides for the period, which not only promotes the Customs' protection for intellectual property, but also accelerates the process of undergoing Customs' formalities.

From the promulgation of the Announcement of the Customs General Administration in September 1994 through the formulation of the Regulation of the PRC on the Customs' Protection of Intellectual Property Rights in July 1995, and the revision of the Customs Law of the PRC in July 2000, to the amendment of the Regulation of the PRC on the Customs' Protection of Intellectual Property Rights in November 2003, from "protection based on report" to "protection based on recordation," China's system of Customs' protection of intellectual property rights has improved gradually with protection strengthened steadily. Whereas none of the above-mentioned legal documents has mentioned the issue of protection of well-known trademarks, well-known trademarks have been naturally included for all the documents that have based Customs protection of trademarks on "the trademark rights" and covered all the registered trademarks related to imported or exported goods.

Since October 1, 1995, when the Customs commenced enforcing the system of recordation protection for intellectual property rights, the trademarks filed for recordation and actually added by Chinese Customs into the General Catalogue of Trademark Rights Record Series have reached 3,891 by the end of 2004, out of which 2182 are Chinese trademarks (including 168 from Hong Kong and 55 from Taiwan), accounting for 56.1% of the total, and 1,709 are foreign trademarks accounting for 43.9%. Among all the recorded trademarks, 87 have been recognized by the Chinese competent authority as well-known trademarks with 72 being Chinese and 15 being foreign (including the U.S. DU PONT, Gillette, 达克宁, M device, 迪士尼, Barbie 霍尼韦尔, Marlboro and device; Dutch: lux and 力士、飞利浦, PHILIPS and device, CARTIER; French: LANCOME, 梦特娇 and device; German: BOSS; Swiss: TISSOT).

VIII. Competent Authority for Determining Well-Known Trademarks

Article 6*bis* of the Paris Convention confers the right to determine whether or not a trademark is a well-known mark upon the competent authority of the country of registration or use by employing the language “a mark considered by the competent authority of the country of registration or use to be well known in that country.” However, the Paris Convention does not define the “competent authority.” Whereas Article 16 of TRIPS contributes important supplementations to article 6*bis* of the Paris Convention, it fails to address the definition of the “competent authority.” The Joint Recommendation defines the “competent authority” as “an administrative, judicial or quasi-judicial authority of a Member State which is competent for determining whether or not a mark is a well-known mark, or for enforcing the protection of well-known marks.” The International Bureau of WIPO in its notes to the Joint Recommendation explains the definition as follows: “the legal nature of the ‘competent authority’ will depend on the national system of a given Member State. The definition has been drafted broadly in order to accommodate all systems that exist in Member States.” As early as 1982 when China drafted its Trademark Law, it was already provided that “the Trademark Office of the SAIC under the State Council shall be responsible for the registration and administration of trademarks throughout the country.” This article remains intact through both the 1993 and 2001 amendments; thus, to “be responsible for the registration and administration of trademarks throughout the country” is a legitimate function of the Trademark Office. In the course of registration and administration of trademarks, determination of whether or not a trademark is a well-known mark is an important step in the legal basis for the working procedures to resolve trademark disputes and provide extended protection to well-known trademarks. Since China’s accession to the Paris Convention, the Trademark Office has taken full responsibility to launch its work on determination and protection of well-known trademarks in China.

In March 1995, the representatives of Chinese and U.S. governments, on the basis of the memorandum of understanding reached by the governments of the two countries in 1992, undertook rounds of negotiations and finally signed the 1995 Sino-US Exchange and Annex Concerning Intellectual Property Rights (hereinafter referred to as “the Exchange”). The governments of the two countries pledged to provide sufficient and effective measures for the protection of intellectual property rights and agreed to make these measures available to the nationals of their own countries. The annex to the Exchange provides that “the Trademark Office of the SAIC shall be responsible for the

registration and administration of trademarks throughout the country” and that “the Trademark Office of the SAIC shall punish the conduct of infringing and counterfeiting trademarks and handle complaints of infringement of trademarks and cases involving determination of well-known trademarks.”

In August, 1996, based on the spirit of the Exchange and the function provided by the Trademark Law, the SAIC formulated Order No. 56 to the effect that “the Trademark Office of the SAIC shall be solely responsible for the recognition and administration of well-known trademarks; no other organizations or individuals shall be allowed to recognize well-known trademarks directly or in other disguised forms.” In the six years thereafter, the SAIC has recognized 274 well-known trademarks in accordance with Order No. 56.

In October 2001, the Standing Committee of the National People’s Congress amended the Trademark Law and provided protection for well-known trademarks in the form of “refuse to register” and “prohibit the use” and thereby expressly brought protection to well-known trademarks under the legal framework of registration and administration of trademarks. Article 33 stipulates “where the party is dissatisfied with the Trademark Office’s decision on the objection, he may, within thirty days from receipt of the notification, bring a suit in a people’s court. The people’s court shall notify the other party involved in the trademark review proceedings to participate in the legal proceedings as the third party.” Article 41 provides that “Where a trademark is registered in violation of the provisions of Articles 13, 15, 16 or 31 of this Law, the owner of the trademark or any interested party may, within five years from the date the mark is registered, request the Trademark Review and Adjudication Board to make an adjudication to cancel the registered trademark. Where the registration has been made in bad faith, the owner of a well-known trademark shall not be bound by the five-year time limit.”

The Implementation Rules of the Trademark Law specifies the procedures involved in the registration and administration of trademarks where the Trademark Office and the Trademark Review and Adjudication Board may determine well-known trademarks by providing that “according to the provisions of the Trademark Law and these Rules, when a dispute arises in the process of trademark registration or trademark appraisal and the relevant party concerned believes that the trademark thereof constitutes a well-known trademark, he may apply to the corresponding Trademark Office or Trademark Review and Adjudication Board for recognition and refuse the trademark registration application that violates Article 13 of the Trademark Law or cancel the trademark registration that violates Article 13 of the Trademark Law. When filing the application, the party

concerned shall submit evidentiary materials to prove that the trademark constitutes a well-known trademark” (See Article 5) and that “In case any use of trademarks violates Article 13 of the Trademark Law, the relevant parties concerned may request the administration for industry and commerce to interdict the use. If the Trademark Office affirms on the basis of Article 14 of the Trademark Law that the trademark constitutes a well-known one, the administration for industry and commerce shall order the infringer to stop using the well-known trademark. The representations of the trademark shall be confiscated and destroyed. If the representations of the trademarks can not be separated from the commodities, they shall be confiscated and destroyed together.” (See Article 45)

In July 2001 before the second amendment of the Trademark Law, the Supreme People’s Court adopted Fa Shi No. 24 [2001], which provides that “when trying cases of disputes over a domain name, the people’s court may determine whether or not the involved registered trademark is well known according to the request of the parties concerned and the specific circumstances of the case. The court, however, may do so only in the civil cases involving disputes over domain names and registered trademarks.

In January 2002, one month after the amended Trademark Law came into force, the Supreme People’s Court adopted Fa Shi No. 1 [2002], which provides that the intermediate people’s courts and courts above the intermediate level shall have jurisdiction as courts of first instance over civil cases involving trademark disputes. The higher people’s courts may, at the approval of the Supreme People’s Court and based on the factual situation within their respective jurisdictions, authorize one to two basic people’s courts of comparatively larger cities to entertain civil cases involving trademark disputes as courts of first instance.” This interpretation only prescribes the jurisdiction of forum level courts but fails to specify whether the courts may determine whether or not the involved trademark is well known while exercising jurisdiction over or entertaining the civil cases involving trademark disputes. In October 2002, the Supreme People’s Court adopted Fa Shi No. 32 [2002], which explicitly provides that “in the hearing of cases involving trademark disputes, the people’s court may, according to the request of the parties concerned and the particular situations of the cases concerned, decide by law whether or not the registered trademark involved is a well-known one or not.” This document extended the scope of cases where people’s courts can determine well-known marks from computer network cases to trademark civil cases, but still restricted the marks to registered trademarks.

Therefore, under the existing Chinese system of well-known trademark protection, the Trademark Office of the SAIC, the

Trademark Review and Adjudication Board and the people's courts (Beijing No. 1 Intermediate People's Court, Beijing Higher People's Court and the Supreme People's Court) may, based on the particular circumstances of the cases involving a "refuse to register" issue, determine whether or not a trademark is a well-known one. The Trademark Office of the SAIC and the people's courts (Beijing No. 1 Intermediate People's Court, Beijing Higher People's Court and the Supreme People's Court) may, based on the particular circumstances of the cases involving the "prohibit to use" issue, determine whether or not the trademark is a well-known one.

IX. Effect and Impact of the Recognition of Well-Known Trademarks

1. Direct Effect of the Recognition—Effect in Cases

Since Order No. 56 of the SAIC was issued in 1996, its provision that "a new application for recognition need not be brought up for a well-known trademark if it has not been over three years since it was recognized as well-known" has become a concern of relevant communities. While some people interpret it as a provision of the effect of the recognition of well-known trademarks, others simply make a conclusion from it that "once recognized as a well known trademark, the recognition will be effective for three years." From these interpretations, it seems that the effect of the recognition simply lies in the term of the effective period and that only those marks recognized as well-known trademarks enjoy a high reputation within the effective period of the recognition, or that those that never undergo the recognition process or the recognition as well-known trademarks has expired, are not well-known.

In fact, the relationship between well known and recognition has been well defined since the formulation of Article 6*bis* of the Paris Convention. It should be in such a sequence that a trademark enjoys a high reputation in a certain market at first, then the infringement of the well-known trademark takes place, then laws designed to protect the well-known trademark follow and finally give rise to the issue of recognition and protection. The fact that a trademark enjoys a high reputation in a particular market is an objective situation preceding the recognition by a competent authority as a well-known trademark and a prerequisite for the competent authority to consider it as a well-known trademark. The recognition by the competent authority is only a judgment and confirmation of the existing fact of the popularity of the trademark in a particular market, rather than a selection or assessment.

Whereas theoretically, all trademarks enjoying a high reputation should be specially protected by law, nevertheless when considering a specific trademark, a trademark that is well known as a matter of fact will not automatically gain special protection by law or merely by self-claiming that it is well known. A trademark will not be entitled to the extended or special protection by law unless it is harmed by conduct considered illegal by law and is recognized as a well-known trademark by the competent authority.

The recognition is a precondition to enjoy special protection, the result of the recognition gives rise to direct legal effect. Only when a factually well-known trademark is recognized as a well-known trademark by the competent authority are the laws protecting well-known trademarks applicable to it or it is entitled to the special or extended protection by law, which leads to the competent authority's refusal to register or prohibition of the use of the conflicting trademarks. In contrast, those that fail to be recognized as well-known trademarks by the competent authority will not enjoy the extended or special protection by law. This shows the two sides of the direct effect of the recognition or, to be more specific, the direct effect of the recognition of well-known trademarks is found in the procedures as follows:

a. In the objection procedures concerning the registration of a trademark, if the objection application filed by the owner of a well-known trademark against an accepted and published application for trademark registration is justified, the Trademark Office shall make a decision to refuse to register the trademark in conflict with the well-known trademark. In the review procedure for the decision made by the Trademark Office, if the objection application filed by the owner of a well-known trademark against an accepted and published application for trademark registration is justified, the Trademark Review and Adjudication Board shall make a decision to refuse to register the trademark in conflict with the well-known trademark. If the case finally develops into an administrative proceeding, the court will decide to refuse to register the trademark in conflict with the well-known trademark.

b. In the trademark invalidation procedures, if the request for invalidation by the owner of a well-known trademark against a registered trademark is justified, the Trademark Review and Adjudication Board shall make a decision to cancel the trademark registered by the Trademark Office in conflict with the well-known trademark.

c. In the course of the administration of the use of a trademark, if the request by an owner of a well-known trademark (or the party) is justified, the administration for industry and commerce shall "order the infringer to stop using

the well-known trademark which is against the provisions of Article 13 of the Trademark Law. The representations of the trademark shall be confiscated and destroyed. If the trademark signs can not be separated from the commodities, they shall be confiscated and destroyed together.”

d. In the procedures for the registration and administration of trademarks, if the application for recognition as a well-known trademark fails, the applicant may not file a second application based on the same trademark and the same facts and grounds within a year from the date the decision for the first application is made. In the objection and dispute procedure, if a party disagrees with the decision, a petition may be raised in a subsequent procedure within prescribed time.

e. In civil proceedings involving trademark disputes, if the grounds forwarded by the owner of a registered well-known trademark (the plaintiff or the defendant) are justified, the infringer may assume various civil liabilities, including but not limited to damages, such as stopping the infringement, removing obstacles, clearing up adverse effects, etc., and may also be subject to civil sanctions such as a fine, confiscation of such properties as the infringing commodities, forged mark signs and the material, tools, equipment, etc. for producing the infringing commodities. If the grounds forwarded by the owner of an unregistered, well-known trademark are justified, the infringer will assume the civil liability to stop infringement.

2. Indirect Effect of the Recognition— Effect as the Record of Protection as a Well-known Trademark

In the registration, invalidation, administration and judicial procedures of trademarks, the recognition of a well-known trademark can serve as a “record of protection as a well-known trademark” in later cases in addition to its direct effect. The record itself is one of the legal factors that the competent authority shall take into consideration in handling similar cases thereafter or determining whether or not the trademark is well-known. This means that the result of the recognition and handling of the cases will, as legal evidence of the historical protection of the trademark as a well-known trademark and a legal factor for the competent authority to take into consideration in determining whether or not the trademark is well-known, have a long-term (far more than three years) and important effect upon the administrative procedures (trademark registration, invalidation and administration) as well as judicial proceedings.

a. Effect upon Administrative Procedures

Article 12 of Order No. 5 of the SAIC provides that “where a party requests protection under Article 13 of the Trademark Law for its trademark, the party may submit the historical record of protection of the trademark as a well-known trademark by the Chinese competent authority.”

“Where the scope of protection involved in the case is basically the same as that of the earlier cases of protection as a well-known trademark and the opposing party fails to raise an opposition against the well-known nature of the trademark or if so raised, fails to provide the evidentiary materials to support that the trademark is not well known, the administration for industry and commerce accepting the case may make a decision over or otherwise deal with the case based on the protection record.”

“Where the scope of protection involved in the case is different than that of the earlier cases of protection as a well-known trademark or the opposing party raises an opposition against the well-known nature of the trademark and successfully provides evidentiary material to support that the trademark is not well known, the Trademark Office or the Trademark Review and Adjudication Board shall review the materials of the well-known trademark and make a new decision accordingly.”

b. Effect upon Judicial Proceedings

The above-mentioned Fa Shi [2002] No. 32 provides that when trying cases concerning trademark disputes, “where any of the parties concerned pleads for protecting the well-known trademark as recognized by the administrative authorities in charge or the people’s court, and the opposite party has no objection to the well-known nature of the trademark involved, the people’s court does not need to make further examinations. If the opposite party has objection, the people’s court shall examine the well-known nature of the trademark involved according to Article 14 of the Trademark Law.”

c. Under the above-mentioned provisions, in the administrative and judicial procedures, if the opposing party raises opposition against the well-known nature of the trademark concerned, the competent authority shall review the evidentiary materials regarding the well-known trademark and make a new decision thereupon. The historical record of protection as a well-known trademark serves as a legal factor that should be taken into consideration by the competent authorities in determining whether or not the trademark is well known. In addition, Article 10 of Order No. 5 of the SAIC provides that satisfaction with all the factors prescribed by Article 14 of the Trademark Law is not the precondition of recognition of a trademark as a well-known trademark. Taking into account this Article and together with

Article 12 of Order No. 5, it reasonably may be concluded that in the administrative procedures, where the trademark concerned satisfies the requirements of paragraphs 2 and 3 of Article 12 of Order No. 5, the competent authority may even deem the historical record of protection as a well-known trademark as the decisive factor and make a new decision on whether or not the mark is well-known. It follows that the competent authority accepting cases may also handle the cases in such a manner.

d. Under all the above-mentioned procedures, where a trademark applied for protection as a well-known trademark fails to be recognized as a well-known trademark by the competent authority, the trademark will not be entitled to the special protection granted to well-known trademarks.

e. Given that the people's procuratorate and the public security department do not determine, in the course of prosecution, whether or not a trademark is a well-known trademark, the historical record of the mark's protection as a well-known trademark operates when the people's procuratorate and the public security department decide whether or not to initiate the prosecution according to the Prosecution Standard.

f. Well-known trademark is a generally accepted concept and such marks enjoy worldwide protection. When a well-known trademark recognized and protected by the Chinese competent authority sustains infringement in any of the member states of WIPO (with a total of 179 member states) and the World Trade Organization (with a total of 146 members), according to the Paris Convention and the TRIPS Agreement, if the owner of the well-known trademark pleads for protection in the country where the infringement takes place, the record of protection as a well-known trademark in China will also be one of the factors that the requested state's competent authority shall take into consideration in determining whether or not the trademark concerned is a well-known trademark.

3. Efficiency of Work for Determination and Protection

In regard to the issue of the effect of recognition, the efficiency of the work for determination and enforcement of protection is also related to the effect arising from the recognition and the protection record. Order No. 56 of the SAIC explicitly provides that a new application for recognition need not be brought up for a well-known trademark if it has not been over three years since it was recognized as a well-known trademark. The reason for such a provision is not that the recognition by the competent authority is effective only for three years, but that there is little possibility that a trademark can today become well-known overnight but then

suddenly become obscure tomorrow. A trademark has to undergo a long process before it becomes known and enjoys a relatively high reputation among the public concerned in a country. Once a trademark becomes well known, its popularity and goodwill will remain stable for a comparatively long or quite long period. It is in this stable well-known period that the trademark may more than one time or even frequently sustain infringements in the form of application for registration or use of trademarks out of reproduction, imitation or translation of the well-known mark. Therefore, the competent authority or authority accepting cases may accept the cases involving infringements and handle them one by one, but it has every reason to refuse to examine repeatedly whether or not the mark with a strong popularity is well known in every case involved.

This point has obviously been realized by both the SAIC and the Supreme People's Court, which formulated similar provisions concerning the protection of well-known trademarks. (Article 12 of Order No. 5, Article 22 of Fa Shi (2002)). These provisions are not only quite reasonable in light of promoting the efficiency of administrative and judicial work, ensuring the efficiency of the enforcement of protection and saving administrative resources, but also fairly necessary in terms of the factual situations of China's present market order and trademark protection.

4. Collateral Effect of the Recognition

The high popularity and goodwill enjoyed by well-known trademarks among the relevant sector of the public or even the general public are the result of long-term efforts in the competitive market by the enterprises. These trademarks are golden signboards with a strong appeal in the competitive market and an objective existence preceding the determination by the competent authority. However, according to law, well-known trademarks are not entitled to broader and more effective protection in contrast to ordinary trademarks unless they get recognized as well-known trademarks by the competent authority. In other words, a mark can get extended or special protection only after being determined by competent authorities to be a well-known mark.

Whereas a trademark in a specific case may be recognized as a well-known trademark for the sake of protection and this has a direct effect upon the handling of the case concerned, it does not mean that the recognized well-known trademark is well known only against the conflicting trademark involved in the case. But rather, according to the factors that should be taken in to consideration for the determination of a well-known trademark as prescribed by Article 14 of the Trademark Law and the definition of well-known trademark provided by Order No. 5 of the SAIC,

well-known trademarks shall at least be familiar to the relevant sector of the public and enjoy a high reputation for the type of goods and/or services on which it is used.

The purpose as well as the effect of the recognition of a well-known trademark is to protect the well-known trademark. However, the impact of recognition as a well-known trademark by the competent authority is far-reaching. The definition of well-known trademark indicates that where a trademark is recognized as a well-known trademark, it is recognized as a matter of fact that the trademark “is familiar to the relevant sector of the public in China and enjoys a comparatively high reputation.” While the former kind of recognition as a well-known trademark grants direct protection to the trademark when it is involved in disputes and is beneficial to its protection in later cases, the latter type has a great significance and impact upon the enterprise concerned and even the public. Recognition of the latter kind is an acknowledgement of the popularity and goodwill of an enterprise and an incentive for the enterprise to seek a better development in the future. Therefore, the enterprise should increasingly treasure the well-known trademark as an intellectual property of steadily growing value. Acknowledgement by the competent authority of the popularity of the enterprise will enhance the market competitiveness of the goods or services on which the well-known trademark is used as well as the trademark’s appeal to or influence upon consumers. In a sense, the relatively long-term and broad collateral impact upon the enterprise and even upon society that is created by the recognition of a trademark as a well-known trademark is much more profound than the transient and limited direct effect of the recognition itself upon specific cases. The collateral effect is an objective phenomenon not hinging upon the will of persons, it is also the underlying reason why many enterprises and local governments place great emphasis on trademark strategies (or brand strategies) and are dedicated to building up well-known trademarks.

Since well-known trademarks are not created by election or appraisal, the effect of being a well-known trademark does not rely upon recognition by the competent authority or the effective period of the recognition but depends upon how long the enterprise can maintain the position of its trademark as “familiar to the relevant sector of the public and enjoying a comparatively high reputation” in the competitive market. As long as an enterprise can keep pace with the times, maintain its creativeness and consolidate its foundation with its product or service being attractive to the consumers and keeping strong market competitiveness with its trademark remaining “familiar to the relevant sector of the public and enjoying a comparatively high reputation,” the trademark will stay well known. Under such a well-known condition, where the

trademark is harmed by infringing conduct under the law and its owner files a request for protection with the competent authorities, which recognize the trademark as a well-known trademark, the trademark will be entitled to the extended or special protection granted by law to a well-known trademark. Contrarily, where an enterprise is exceeded by its competitors, its trademark may be replaced by the emerging well-known trademarks of others in the same field and be forgotten by the relevant sector of the public. Where the enterprise falls into serious credit crisis, its trademark may even be spurned by consumers in a short period and as a result, possibly no one will inquire about the products or services on which the trademark is used. Under such circumstances, it is impossible that the trademark will continue to be entitled to more and stronger legal protection than ordinary trademarks.

Correspondently, if a trademark fails to be recognized by the competent authority as a well-known trademark, that will also give rise to a collateral impact.

CONCLUSION

The recognition and protection of well-known trademarks in China have gone through three stages. The first stage (March 1985 – July 1996) is the period after China became a member of the Paris Convention and before the SAIC enacted the Interim Regulations on Recognition and Protection of Well-Known Trademarks. During this period, well-known trademarks were recognized and protected by reference to Article 6*bis* of the Paris Convention. The second stage (August 1996 – November 2001) is the period after the SAIC enacted the Interim Regulations on Recognition and Protection of Well-Known Trademarks and before the Trademark Law was amended for the second time. Well-known trademarks were protected according to the Interim Regulations on Recognition and Protection of Well-Known Trademarks. The third stage (December 2001 – present) starts from the second amendment of the Trademark Law. Well-known trademarks have been protected according to the Trademark Law and relevant regulations. Through the 20 years' development, the well-known trademark protection system started from zero, improved step by step, strengthened the degree of protection, and finally formed the current comparatively all-around, systematic, perfect protection system with the Trademark Law, the Implementation Rules of the Trademark Law, Judicial Interpretations by the Supreme Court, Rules of the Supreme People's Procuratorate and the Ministry of Public Security, the Customs Law and the Regulations on Customs Protection of Intellectual Property Rights. Furthermore, five different departments including the administrations for industry and commerce, the people's courts, the people's procuratorates, the

public security institutions and the Customs authorities work in coordination with a due division of labor and strengthen the enforcement of intellectual property protection of well-known marks. Such a protection system is the epitome of China's trademark legal system under protection by administration and judiciary, which is deemed a Chinese characteristic where no other countries have the same system.

A trademark's success in market competition depends on its long-time, hard working, indomitable struggle, continuous innovation, offering products suitable to the market's demand; providing good quality, advanced technology, high reputation and good advertisements and marketing strategies, etc. As long as some consumers purchase products because of the trademark, such a trademark is more than just a mark, which distinguishes product source or service supplier. Furthermore, if such a trademark gets the status of great popularity and reputation, it will be determined as a well-known mark. Since well-known marks have good reputations and strong market competitiveness, the products or services associated with such well-known marks must be famous products or services, in other words, well-known marks are all golden-lettered signboards. On the other hand, well-known marks as intellectual property rights and intangible properties are invaluable compared with normal trademarks. That's why we also call well-known marks signboards made of gold. In addition, the number of well-known marks, especially the world's well-known marks, is a standard to measure the competitiveness, even comprehensive competitiveness of a country. Consumers are fond of well-known marks and the products or services with rich connotations and those marks are more likely to be targeted by some illegal imitations. China has already established a fairly good legal system of well-known marks protection. Although the system needs to be improved continuously, our future task will focus on how to effectively implement and strengthen the determination and protection of well-known marks⁷ in order to attack

7. According to a survey by this author, since the coming into force of the amended Trademark Law, Trademark Implementation Regulation and Order No. 5 of the SAIC, from June 2003 to November 2004, the Trademark Office of the SAIC and the Trademark Review and Adjudication Board have affirmed 153 well-known marks, 116 of them were decided by SAIC and 14 cases were determined in trademark objection cases, 1 in international registration objection, another 22 were decided in trademark dispute cases. Among the 153 well-known trademarks affirmed by SAIC or Trademark Review and Adjudication Board, 132 are registered by Chinese registrants (including 1 by Taiwan and 2 by Hong Kong registrants), 21 by foreign registrants (United States 12, Dutch 3, Swiss 2, British 1, Italian 1, German 1, French 1). It is also said that since the Judicial interpretation became effective, 10 well-known trademarks have been affirmed by people's courts in trial. Among them at least four are registered by foreign registrants (United States 3, Japan 1). Up to the present, these 450 well-known trademarks have been affirmed by the Trademark Office or Trademark Review and Adjudication Board.

infringements, protect well-known marks, protect the advance of productive forces, safeguard rights and interests of consumers, maintain the market order, promote the level of protection of intellectual property and propel the development and prosperity of a socialist market economy.

This author also discovered that the SAIC had affirmed some well-known trademarks in objection decisions in the 1990s, most of which were registered by foreign registrants. After this project is finished, the number of well-known trademarks mentioned above will definitely increase.