

Well-known Trademark Protection in the Post-WTO Era

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Abstract: On September 16, 2021, the Chinese government formally applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). At present, the relevant system of domestic law complies with TRIPS, but CPTPP prescribes additional (TRIPS-plus) obligations for the Parties which require renewal of relevant rules of domestic benchmarking. Intellectual property rights are vital subjects within the CPTPP, and protecting legitimate trademarks, which is an important form of intellectual property, especially well-known trademarks, has always been an essential target of the Chinese government. So, this paper takes the MUJI Case as an example and discusses how to amend the current laws by comparing the intellectual property rules represented by the CPTPP and the provisions of the Trademark Law of the People's Republic of China, centering on the protection of well-known trademarks. The following suggestions are given: launching pilot projects for preferential protection of non-traditional trademarks, and establishing an international negative list of international well-known trademark access based on the principle of most-favored-nation treatment, which will give full play to Chinese characteristics so as to help realize the Chinese path to modernization and innovation.

Keywords: Chinese Path to Modernization, Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Well-known Trademark, Additional Trademark

I. INTRODUCTION

“How will history remember the 20th National Congress of the Communist Party of China”? The answer to this question lies in what the Report to the 20th National Congress of the Communist Party of China has planned for the future development of China, that is, how the Chinese path to modernization will be

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advanced more steadily, faster and better.¹ The modernization of the rule of law is an important aspect of the Chinese path to modernization, and the value attribute of “institutional innovation” and the value goal of “knowledge innovation”, which the intellectual property system possesses,² serve as the foundation of the goal of “innovation-driven nation” envisioned by the Chinese path to modernization. As stated explicitly in the Report to the 20th National Congress of the Communist Party of China, China will “strengthen legal protection of intellectual property rights, in order to establish a foundational system for all-around innovation”, “refine the systems underpinning the market economy, such as those for property rights protection, market access, fair competition, and social credit, in order to improve the business environment”, and “protect the rights and interests of foreign investors in accordance with the law, and foster a world-class business environment that is market-oriented, law-based, and internationalized”,³ all of which demonstrates China’s commitment towards better protection of intellectual property rights.

The development of intellectual property rights in the context of the Chinese path to modernization must not be separated from reality. History demonstrates that whatever development made through copying will eventually be erased. Therefore, a more international perspective should be adopted to help coordinate international and domestic intellectual property laws, and to promote a positive interaction between national modernization and world modernization in terms of law construction and innovation development.

In September, 2021, China submitted an official written letter of formal application to join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP),⁴ which basically inherits the relevant contents of the Trans-Pacific

1 Xinhuanet, Uniting Struggles for the Comprehensive Construction of a Modern Socialist Country — From the 20th National Congress of the Communist Party to Promote the Great Revival of the Chinese Nation with Chinese Path to Modernization, <https://www.chinacourt.org/article/detail/2022/10/id/6965172.shtml> (Last Visited on June 10, 2023).

2 Wu Handong, Practice and Development of China’s Intellectual Property System Modernization, *Social Science Digest*, No. 1, 2023, p. 116.

3 Xi Jinping, Hold High the Great Banner of Socialism with Chinese Characteristics and Strive in Unity to Build a Modern Socialist Country in All Respects, http://www.gov.cn/xinwen/2022-10/25/content_5721685.htm (Last Visited on June 10, 2023).

4 The TPP was originally conceived by four APEC members — Brunei, Chile, New Zealand and Singapore — as a regional economic and trade agreement to promote trade liberalization in the Asia-Pacific region, and in July, 2005, the four countries signed the Trans-Pacific Strategic Economic Partnership (TPSEP). In November, 2009,

Partnership (TPP) and represents the latest international legislative trend in intellectual property protection.⁵ China's application to join the CPTPP is a significant step towards increasing institutional openness and aligning with higher-level and higher-standard trade and investment rules of the 21st century. Through the plan, China aims to harmonize with international standards in terms of intellectual property rights and other areas of law, as well as to provide a more harmonious international trade platform.⁶ As a result, further reforms to domestic intellectual property law are required. In 2019 and 2020, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China and the Patent Law of the People's Republic of China were all amended, reflecting a trend where domestic norms are drawing closer to international standards.

On January 13, 2023, the China National Intellectual Property Administration issued the New Draft Amendment to the Trademark Law of the People's Republic of China to solicit comments from all sections of society.⁷ Compared with the current Trademark Law of the People's Republic of China, this consultation draft has made many major adjustments, expanding the current contents to 10 chapters and 101 articles. Among them, 23 new articles were added, 6 new articles were split from existing articles, 45 articles were substantially revised, and 27 existing articles were basically maintained.

the then United States President Barack Obama announced that the United States would join the TPP negotiations, and the agreement's influence spread rapidly, with seven other Asia-Pacific countries, including Australia, Japan, Canada and South Korea, also announcing their participation in the TPP negotiations. But the TPP did not really come into effect after the signing of the agreement as the successor of President Barack Obama, President Donald Trump, signed an executive order announcing the withdrawal of the United States from the agreement as soon as he took office in January, 2017. In the same year, the TPP was reorganized as the CPTPP, with Japan, the largest economy among the remaining members, leading the negotiations. In March, 2018, eleven members signed the CPTPP agreement in Santiago, Chile, after removing 22 provisions of the agreement that the United States favored but many other countries opposed. The agreement came into force on December 30, 2018. The eleven members of the CPTPP currently account for 13.2% of the world economy and 15% of total trade. Geographically, it spans both sides of the Pacific Ocean, making it the largest regional free trade organization in terms of size.

5 Michael Blakeney, Scope of the Intellectual Property Chapter of the Trans-Pacific Partnership Agreement (TPPA), *International Trade Law & Regulation*, Vol. 21, No. 1, 2015, p. 14.

6 Wang Huiyao, Application for CPTPP Membership — Time Is on China's Side, *Global Times*, 2021-09-22, p. 15.

7 China National Intellectual Property Administration: New Draft Amendment to the Trademark Law of the People's Republic of China (Draft for Comments), https://www.cnipa.gov.cn/art/2023/1/13/art_75_181410.html (Last Visited on July 2, 2023).

The following are the major changes as proposed in the New Draft Amendment to the Trademark Law of the People's Republic of China: (i) It adjusts the concept and scope of trademarks, and clarifies the "other elements" as registrable elements (Amendment Article 4); (ii) It adds the requirements for trademark usage and commitments to use trademarks (Amendment Article 5) and establishes the system under which the trademark registrant shall actively state the usage of the trademark once every five years upon trademark registration (Amendment Article 61); (iii) In order to safeguard social fairness and justice as well as the market order, it further regulates malicious trademark registration (Amendment Article 14), clarifies the specific circumstances of malicious application for registration (Amendment Article 21) and the corresponding penalties (Amendment Articles 67 and 83); (iv) It punishes dishonest acts (Amendment Article 32) and intensifies credit supervision and credit punishment (Amendment Article 87); (v) It sets up the mandatory transfer system for malicious pre-emptive trademark registration (Amendment Articles 45 to 47); (vi) It refines the scope of the right to exclusively use a trademark (Amendment Article 62); (vii) It sets up access requirements for trademark agencies, and strengthens industry self-discipline and illegal penalties (Amendment Articles 68 to 70); (viii) It establishes a system for counterclaims against malicious lawsuits (Amendment Article 84); (ix) In order to improve the authorization and rights affirmation procedures of trademarks, it promotes inter-procedure coordination and avoids the wastage of administrative resources (Amendment Articles 27, 41 and 42); (x) It improves the quality and efficiency of trademark examination and dispute resolution, and shortens the time limit for trademark opposition (Amendment Articles 36 and 39); (xi) In order to combat trademark infringements, it strengthens the protection of the right of exclusive use of a trademark, adds a new provision on infringement through e-commerce activities (Amendment Article 72); (xii) It improves enforcement measures (Amendment Article 76) and allows for public interest litigation measures against trademark infringements (Amendment Article 78); (xiii) It reinforces the protection of well-known trademarks (Amendment Articles 10 and 18); (xiv) It specifies the restrictive requirements for the transfer of collective marks and certification marks (Amendment Article 57) and defines trademark violations and legal consequences thereof (Amendment Article 64), in order to strengthen

the regulation and management of trademarks.⁸

However, implementing the Report to the 20th National Congress of the Communist Party of China, or aligning with international intellectual property rules, is not a one-day process, and there is still potential for improvement in crucial parts of the domestic legal system.

This paper suggests paying more attention to well-known trademarks. Well-known trademarks, also known as “world-famous trademarks” in the Chinese Mainland, which first appeared in the Paris Convention for the Protection of Industrial Property (Paris Convention) signed in 1883 (amended 7 times till now). A well-known trademark is a vital property of the trademark owner, and it often means excellent product and service quality, so it is deeply loved and trusted by consumers. Compared with ordinary trademarks, well-known trademarks have great economic value and are an important tool for enterprises to win by surprise in market competition. Therefore, how their trademarks can be classified and protected as well-known trademarks, and how well-known trademark owners can better protect their rights and interests, has become a question that many business operators are concerned about.

China formally acceded to the Paris Convention in 1985. Like in case of other members that joined the Paris Convention, it has become an international obligation of China to give special legal protection to well-known trademarks in accordance with the provisions of the Paris Convention. At the same time, incorporating the protection for well-known trademarks into laws and regulations designed for Chinese national conditions, has also become an important part of the work that needs to be done.

In order to catch up as quickly as possible with international norms, it is necessary to compare the current domestic regulations with those of other countries and regional blocs, such as those in the CPTPP, identify the gaps, and think about workable alternatives. In this paper, the authors will analyze the pertinent laws on the protection of well-known trademarks, taking into account the demands of innovation in the context of the Chinese path to modernization, with the trademark law system at its core, in order to provide recommendations for future development.

⁸ Explanation of the Draft Amendment to the Trademark Law of the People's Republic of China (Draft for Comments), https://www.cnipa.gov.cn/art/2023/1/13/art_75_181410.html (Last Visited on July 2, 2023).

II. FORMULATION OF THE PROBLEM: THE MUJI CASE AS A GUIDE

A. Introduction to the MUJI Case

The full name of “MUJI” is derived from the first part of “Mujirushi Ryohin”, translated as “No-brand Quality Goods” on Muji’s European website. The brand was built for retail sale of a wide range of “value for money” generic products, and is widely recognized for its design philosophy of minimalism and simplicity, and a no-logo and “no-brand” policy. MUJI started its business in the food and department store sectors before transitioning into the retail sector with a wide range of businesses. In 1980, Ryohin Keikaku Co. Ltd., the parent company of MUJI, first registered its trademark in Japan. As it grew in popularity, it later applied to register “MUJI” and other trademarks in the Chinese Mainland in 1999, designating the use of goods or services in Category 16, Category 20, Category 21, Category 35 and Category 41. This did not involve Category 24 of goods (including textiles and textile goods like towels, bedsheets, curtains, etc.),⁹ which was later requested by Hainan Nanhua Industrial Trading Co. in 2000 and eventually transferred to Beijing Cotton Field Textile Co. Ltd. It resulted in a long-lasting quarrel between the two parties. In 2015, Beijing Cotton Field Textile Co. Ltd. filed a claim for infringement of the trademark for Category 24 goods, and because this company was the first to register the trademark for Category 24 goods and enjoy the corresponding exclusive rights, Ryohin Keikaku Co. Ltd. lost the case multiple times.

B. Basic Legal Analysis of the MUJI Case

The key point in the MUJI Case was the trademark registration. Ryohin Keikaku Co. Ltd. lost the case because of its failure to register a trademark under Category 24 in the Chinese Mainland. There are now two tiers of protection for well-known trademarks in the Chinese Mainland, depending on whether they are registered or not, as stated in Article 13 of the Trademark Law of the People’s

⁹ Nice classifications for Trademark Registration, <https://www.wipo.int/classifications/nice/zh/index.html> (Last Visited on June 10, 2023).

Republic of China.¹⁰ Unregistered well-known trademarks are given protection against confusion, whereas registered well-known trademarks are given protection against dilution. Another aspect of this is the cross-category protection of well-known trademarks restricted under the requirement of registration. As a result, even if a well-known trademark is registered outside of the Chinese Mainland, it is typically difficult to gain protection under the trademark rules of the Chinese Mainland because it is not registered or used in the Chinese Mainland.

What is the conflict between the Chinese domestic trademark rules and International Intellectual Property Rules? As mentioned above, the current system of protection for well-known trademarks under the Trademark Law of the People's Republic of China is the "cross-category protection under registration conditions". Looking at the international regulations, Article 6bis of the Paris Convention provides fundamental protection for well-known trademarks based on the principle of confusion.¹¹ Such a provision gives a principled direction to each state party to make further detailed provisions in its domestic law codes. Article 16 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) distinguishes between registered and unregistered well-known trademarks and gives them different degrees of protection.¹² In addition, with regard to registered well-known trademarks, the protection foundation used to be restricted to the confusion theory, mainly for the protection from "identical or similar" services and goods, and the protection level has now been raised to the level of anti-dilution protection. The main difference between Article 18.22 of the CPTPP and Article 16 of the TRIPS is in the prerequisites.¹³ The latter still requires the registration of well-known trademarks in order to obtain the anti-dilution protection of TRIPS, whereas the former grants trademark protection in black and white "whether registered or not". For this reason, the CPTPP

10 The Trademark Law of the People's Republic of China, https://www.gov.cn/guoqing/2020-12/24/content_5572941.htm (Last Visited on June 10, 2023).

11 The Paris Convention for the Protection of Industrial Property, <https://www.wipo.int/wipolex/en/text/287556> (Last Visited on June 10, 2023).

12 World Trade Organization, Agreement on Trade-Related Aspects of Intellectual Property Rights, https://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm (Last Visited on June 10, 2023).

13 Comprehensive and Progressive Agreement for Trans-Pacific Partnership, <http://www.mofcom.gov.cn/article/zwgk/bnjg/202101/20210103030014.shtml> (Last Visited on June 10, 2023).

is regarded as a TRIPS-PLUS framework, as it builds on the foundation of TRIPS and provides additional obligations and rights. Despite the fact that international conventions have increased the protection of well-known trademarks, the Trademark Law of the People's Republic of China has not yet kept pace with it, insisting on trademark registration for the acquisition of trademark rights, and still adopting the confusion theory in cases of infringement of trademarks. Therefore, even though the MUJI trademark of Ryohin Keikaku Co. Ltd. met the criterion of being "well-known to the relevant public", it could not be used to challenge the earlier registered trademark of Beijing Cotton Field Textile Co. Ltd., and Ryohin Keikaku Co. Ltd. eventually lost the case.

C. Well-known Trademark Protection Problems Reflected in the MUJI Case

As mentioned above, a trademark is used by an operator to distinguish its goods or services from identical or similar goods or services provided by other parties. Its most fundamental purpose and quality is distinctiveness, or aiding the viewers in identifying the source of goods or services. Mandatory trademark registration emphasizes that trademark rights must be acquired through the registration procedure, and that these rights are objectively acknowledged through public notice. Confusion theory, as a common theory in the field of trademark, refers to the public's and the consumers' confusion over the source of the goods or services that a trademark alludes to. The most notable advantage of trademark registration is that it serves to promote the goodwill contained in the trademark, i.e., it can better serve the establishment of the modern commercial circulation order through the stabilization of rights and effects prior to use.¹⁴ Additionally, it can make up for the confusion theory, therefore this model is somewhat tenable in that regard.

However, although strong trademark registration combined with the confusion theory is sufficient for ordinary trademarks in the traditional sense, it is not so for well-known trademarks. In accordance with the relevant provisions of the Trademark Law of the People's Republic of China, a well-known trademark

14 Zhang Peng, Systematic Interpretation of Norms to Regulate Malicious Trademark Registration, *Intellectual Property*, No. 7, 2018, p. 17.

in China is one that is well-known to the relevant public and has a positive reputation. In addition to the general characteristics of a trademark, a well-known trademark also carries the influence and competitiveness of an enterprise. Its meaning and connotation also go beyond the basic function of a trademark, symbolizing the caliber of a company's goods and its reputation. A well-known trademark is, therefore, more than just a logo; it also represents a substantial resource that the trademark owner must avoid depleting,¹⁵ and that must be linked with the appropriate protective mechanism. The most typical examples are private label brands like “Nanjiren” and “Bejirog”, which coincidentally started to rely on the selling of hang tags in recent years in order to collect expensive brand licensing fees. What they take advantage of is the latent connection between well-known trademarks and product quality, and that this connection tends to make consumers unconsciously associate with them when seeking similar goods or services. This is precisely where well-known trademark infringement risks exist. The normal operation of well-known trademarks will eventually be hindered by such labeling conduct, and this is the gap that trademark registration and confusion theory in the traditional sense cannot fill. In addition, a well-known trademark has a distinct advantage due to its popularity. Its fame is sufficient to assume the fulfillment of the public credibility function of trademark registration, which provides a justification for the application of the anti-dilution protection.¹⁶

The Trademark Law of the People's Republic of China generally follows the principle of prior application, but Article 59 of the code also supplements the rule of prior-use defense for trademarks, aiming to protect trademark owners who have already used their trademarks in connection with similar goods and have some influence but have not yet applied for registration. This way, they can continue to use their trademarks legally in the face of malicious infringement brought by later parties. The legislative purpose of this paragraph is to protect the rights and interests of those who have used a trademark in the past and have not yet registered it. It also gives them permission to keep using

15 Wang Taiping, Rights Conflict between Common Unregistered Trademark and Registered Trademark, *Intellectual Property*, No. 5, 2021, p. 38.

16 Wang Taiping, On the Anti-dilution Protection of Unregistered Well-known Trademarks in China, *Law Science*, No. 5, 2021, pp. 138-139.

the unregistered trademark under the laws and within certain limits.

There is a certain balance between the trademark prior-use defense rule and the trademark registration protection principle applied in the Chinese Mainland. According to the principle of registration protection, only those who have been examined and issued a certificate by the state are eligible to enjoy the exclusive rights, and the date of registration serves as the date on which the rights were determined.

This principle is helpful for identifying the owner of the trademark rights, unifying management, preventing disputes, encouraging fair competition, etc. The rule of prior-use defense is an exception or addition to this principle, which permits those influential but unregistered trademark owners to continue using their trademarks within the scope of their original use and protects them from subsequent registration or infringement. This rule reflects respect for the actual interests of prior users and the market order and is also congruent with the principle of honesty and good faith, public order and morality. It makes an effort to address the problems with trademark registration, but it still raises some fresh issues.

In actuality, terms like “prior”, “identical”, “similar”, “influence” and others are the foundation of the rule of prior-use defense, but there is not a clear or unified definition of these concepts or a method for evaluating them. This has left an opportunity for malicious infringers to continually apply for unregistered trademarks with influence in various regions or in respect of various goods, thus infringing on the legitimate rights and interests of prior users. At the same time, due to the different interpretations and standards of the application of the rule by the courts in various jurisdictions, it also results in inconsistent and confusing judicial decisions, which harms the effectiveness and credibility of trademark protection. Therefore, even while the rule of prior use defense in trademark cases reflects the protection and respect for prior users, it still requires further improvement and refinement since it cannot completely fill the gaps in the system of prior application and voluntary registration of trademarks.

In addition to the above, there is another important feature of the protection of well-known trademarks in the Chinese Mainland, which is to follow the

four principles of individual case identification, passive protection, identification on demand, and good faith.¹⁷ As far as specific cases are concerned, the scope of protection granted to well-known trademarks should comprehensively consider the distinctiveness, popularity of the cited trademark, similarity of trademark logos, the conditions of designated products, the degree of overlap and attention of the relevant public, and the legitimate use of the logos similar to the cited trademark by other market entities and other factors.¹⁸ For well-known trademarks already registered in the Chinese Mainland, when determining the scope of protection for dissimilar goods, attention should be paid to the extent that they are well-known. For well-known trademarks that are widely known to the public and have been registered in the Chinese Mainland, when determining the scope of protection for dissimilar goods, a wider range of protection commensurate with the degree to which they are well-known shall be granted.¹⁹ In other words, the wider and better known a trademark is, the wider the scope of protection for it should be.

D. Further Analysis on Strengthening the Protection for Well-known Trademarks

The legal basis behind the result of MUJI Case and the advantages and disadvantages of the theoretical basis of the current trademark legal system have been discussed above. It is simple to see that the current system's design for protecting well-known trademarks has several problems, but this is not the full picture. The discussion on the necessity for enhancing well-known trademarks protection from a practical point of view is continued in the following section.

Fundamentally, a trademark should be a kind of intellectual product of its owner. Its formation should make no distinction between registered and unregistered trademarks, and obviously an unregistered trademark does not change its core. The act of registering a trademark is just the result of an administrative

17 Trademark Examination and Trial Guide, <https://www.cnipa.gov.cn/attach/0/123456011.pdf> (Last Visited on July 2, 2023), pp. 334-335.

18 Provisions of the Supreme People's Court on Several Issues Concerning the Trial of Administrative Cases Involving the Authorization and Determination of Trademark Rights, <https://www.court.gov.cn/zixun-xiangqing-34732.html> (Last Visited on July 2, 2023).

19 Bao Hongguang, On the Special Protection of Well-known Trademarks, *Journal of Changchun University of Technology (Social Sciences Edition)*, Vol. 25, No. 1, 2013, p. 67.

procedure and does not change the identifiability of the trademark itself. Additionally, there are actually restrictions on what constitutes a well-known trademark in social cognition. Article 13 of the Trademark Law of the People's Republic of China defines a well-known trademark as "a trademark well known by the relevant public". Since it should be "well known", the requirement and the primary focus of the definition of a well-known trademark should be its popularity. According to Article 14 of the Trademark Law of the People's Republic of China, reputation, duration of the use, publicity and protection are among the characteristics that must be taken into account when determining popularity. In other words, a well-known trademark is built on goodwill and is unrelated to whether or not it is registered. In addition, as trademark rights are still fundamentally intellectual property rights, they share a common feature with other types of property rights: territoriality. As for the trademark registration system, its existence just emphasizes the characteristic of the right. From a different angle, the registration process is a way for state subjects to fulfill their legal obligation to protect trademark rights within the relevant territorial scope. However, as registration is merely a procedure and has no bearing on substance, it cannot alter the established and unavoidable reality of a well-known trademark. Therefore, treating a well-known trademark differently from a registered one only because it is not registered is illogical and unreasonable in operation. In addition, the authors agree with the statement made by Professor Liu Chuntian that "territoriality should not become a tool for people with improper intentions to circumvent the law and infringe upon the legitimate rights and interests of others", i.e., the territoriality of intellectual property rights should not be interpreted rigidly, and its existence should not interfere with the protection of well-known trademarks.

As an intangible asset bearing popularity and recognition, a well-known trademark can provide enough competitive advantages and significant economic benefits to the business in the market; therefore, it is deserving of special protection. This characteristic also makes well-known trademarks susceptible to trademark infringement and the focus of disputes. Moreover, with the spread of globalization and rapid economic expansion, well-known trademarks need to

be given special attention because they are significant participants in the world-wide market. In this regard, whether from the perspective of promoting fair competition or protecting the rights and interests of rights holders and consumers, the issues related to well-known trademarks are an important component of the trademark legal system. Thus, the protection of well-known trademarks should be stricter than the minimal “weak protection” under the current circumstances, the latter is obviously not consistent with the original intention of the well-known trademark protection. In the MUJI Case, the Japanese original right holder’s trademark was maliciously appropriated because it failed to register its trademark in the Chinese Mainland in a timely manner, and encountered difficulties in judicial determination of it being a well-known trademark during the litigation process. This goes against the original intention which called for specific legal protection for well-known trademarks rather than the bestowing of an honorific label of “well-known trademark” on a brand.

Firstly, in the globalized market environment, foreign entities and international enterprises may be wary of the heavy cost of securing legal protection for their trademarks when entering the Chinese market, and such an onus may cause other international enterprises to also be suspicious and distrustful of the local intellectual property rights protection system and judicial procedures. They may consider that the local government and courts’ standards for determining well-known trademarks are unclear or unfair, or that the protection of well-known trademarks is either inadequate or tardy. This could make it more difficult for them to protect their rights and they may lose confidence in this process. One of the top four brands of running shoes, Brooks, for instance, lost its trademark dispute with ANTA, because its brand logo was considered highly similar to ANTA’s logo, and so it withdrew gradually from the Chinese market. Secondly, international companies may raise the prices and risk creating and sustaining their brand’s reputation in the regional market. They may need to invest more time, effort and money in legal proceedings or negotiations with malevolent cyber-squatters or infringers, and may not be able to fully recover the original value and reputation of their brands. Also, they may encounter queries or misunderstandings from customers regarding the quality, security and

reliability of their goods or services. Even more, it might have an impact on China's standing as a country with an open, fair, and well-regulated market economy.

After all, for business operations, making a trademark well-known is not an easy task. The gestation and cultivation of well-known trademarks often require long-term energy, material investment and maintenance. And its value status is not static, and is often affected by many factors. Therefore, if the trademark owner wants to maximize the advantages of its well-known trademark in market competition, he needs to actively and continuously promote and use his trademark, continuously improve the brand's popularity and influence, and maintain good evidence retention. In addition, trademark owners also need to take legal measures actively to combat other brand names which maliciously appropriated the trademark of owners, so as to prevent well-known trademarks from being diluted, thereby weakening the distinctiveness and the extent of protection of those well-known trademarks.

It is easy to see from the MUJI Case that the current legal framework is still mostly ineffective in defending well-known unregistered trademarks. Instead of having global cross-category protection, well-known trademarks are still only protected in relation to similar goods or services. Although the protection of well-known trademarks has long been explicitly covered in the Trademark Law of the People's Republic of China, there are only two such articles, namely Article 13 and Article 14, and such protection is granted subject to the premise that the trademark has already been determined as well-known. Besides, the supporting Provisions on Determination and Protection of Well-known Trademarks (2014)²⁰ are also formulated to regulate the determination of well-known trademarks — this indicates that well-known trademarks now have relatively little protection. In addition, China's intellectual property laws firmly adhere to the general traits, and uphold a sizable sense, of territorial limitations. In the MUJI Case, the court held that the trademark's continued widespread use and popularity in Japan did not indisputably demonstrate that it is

20 Provisions on Determination and Protection of Well-known Trademarks, https://www.gov.cn/gongbao/content/2014/content_2758497.htm (Last Visited on June 10, 2023).

well known to the public. It also held that the trademark's successful registration and protection in Japan does not automatically entitle it to similar protection in the Chinese Mainland. This is also a strong indication of the territorial limits of intellectual property rights.

Of course, there is some justification for China's current provisions. China joined the World Trade Organization (WTO) and signed a blanket agreement, including TRIPS, in 2001. In order to integrate into the international communication environment as quickly as possible, to dovetail with the prevailing international practices, and to meet the needs of the development of market economy, the provisions for the protection of unregistered well-known trademarks were formulated to meet the basic requirements of TRIPS, namely the minimum requirements to be fulfilled by the contracting parties. China has followed the consistent rules.

However, in the face of the deepening of the global integration process and innovations in the field of science and technology, the supporting rules have not been updated for a long time. Since the WTO/TRIPS agreement was signed in 1994, only one amendment to Article 31 was proposed in 2005, and the amendment came into effect in 2017.²¹ Therefore, during this period, some members of WTO, including the United States and European Union, pursuing a higher level of intellectual property protection standards, shifted the battlefield of intellectual property-related games from WTO and World Intellectual Property Organization (WIPO) to free trade agreements, that is, entered the post-WTO era.²² On the one hand, the TRIPS agreement was signed based on the framework of the WTO, with many members and a wide range of influence, and it is the cornerstone of the world intellectual property structure; but on the other hand, the TRIPS agreement is a result of the tug-of-war between developed countries and other countries. As a result, the TRIPS agreement's balance is precarious in the face of two utterly dissimilar interests and demands. As the leader and maker of the WTO system, the United States regards

21 Amendment to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), https://www.wto.org/english/tratop_e/trips_e/tripsfactsheet_e.htm (Last Visited on June 10, 2023).

22 Yang Jing, *Study on Intellectual Property Provisions in Free Trade Agreements*, Law Press China, 2013, pp. 23-24.

the WTO's advantage of reducing tariffs and barriers as the key to unlocking global trade. When the key is no longer under the control of the United States, the United States seems to want to close the door to globalization, or in other words, raise the entry threshold, and a typical representative of this threshold is the protection of intellectual property rights.²³ After all, the United States has been the most aggressive country in the intellectual property arena.²⁴

In addition, although China's current provisions meet the minimum protection standards prescribed by the international conventions on intellectual property rights, they do not meet the requirements for the protection of well-known trademarks in practice. Firstly, this type of "weak protection" for unregistered, well-known trademarks is actually just a protection for domestically registered trademarks, which is not helpful to international trade and, to some extent, hurts the interests of foreign businesses that have certain influence and popularity and want to enter the Chinese market to expand their business. Secondly, if the starting point of the provisions is to meet the requirements of the TRIPS agreement as soon as possible, then, although the cross-class protection of unregistered well-known trademarks is neither a requirement of the TRIPS nor Paris Convention, but since China has decided to join the CPTPP, the relevant provisions on intellectual property protection should also be aligned with those of the CPTPP as soon as possible in preparation for joining the CPTPP.

III. POSSIBLE BREAKTHROUGHS AND MEASURES FOR IMPROVEMENT

A. Legislative Response — Consistency with the Corresponding Provisions of CPTPP

As a result of the description above, it can be concluded that, regardless of the

23 Ma Zhongfa and Li Yilin, Changes and Impacts of US Intellectual Property International Protection Appeals in the Post-TRIPS Agreement Era, *Hebei Law Science*, No. 8, 2020, p. 49.

24 Susan K. Sell, Post-TRIPS Developments: The Tension between Commercial and Social Agendas in the Context of Intellectual Property, *Florida Journal of International Law*, Vol. 14, No. 2, 2002, p. 195.

function of the trademark itself, the general needs of the market or the international environment, the protection of well-known trademarks needs to be strengthened, but it is necessary to keep in mind that it cannot be done all at once. The reasons are as follows. First, the ideal state necessary for system implementation is still far from the existing Chinese domestic business environment, and the degree of attention and punishment for infringement still needs to be enhanced. This is the foundation upon which effective trademark protection must be built, otherwise, a lack of coordination between the system implementation and the business environment may lead to detrimental effects, or may even be counterproductive. Second, even as the public's awareness of intellectual property protection has grown recently, it is still not widespread common knowledge among the general public due to its inherent technical nature, therefore, the transition process cannot be rushed. Moreover, since the legal framework for domestic trademarks differs from that for international trademarks, the transition phase must allow the domestic well-known trademark protection system to develop and flourish under more favorable circumstances.

In light of this viewpoint and the general background of the CPTPP rules, the authors believe that cross-class protection of unregistered well-known trademarks is the norm, but in order to make progress from nothing to something, the initial steps must be small. To be more precise, this type of cross-category protection can be implemented from the inside out by first establishing cross-category protection for unregistered well-known trademarks in the Chinese Mainland, so that the domestic trademark environment can become accustomed to the atmosphere of such protection, and then during the introduction of foreign well-known trademarks, specific problems can be analyzed and given specific protection in a targeted manner. This practice is not unfounded: firstly, cross-class protection is a necessity for the protection of well-known trademarks as well as for China's accession to the CPTPP in order to meet the conditions and obligations imposed on the contracting parties; secondly, further optimization of the domestic business environment is needed to combat counterfeiting activities and stop piracy in order to protect copyright. Then, the conduct of "taking advantage of" and "riding the wave of" well-known trademarks can

be countered by sanctions for breaking cross-category protection rules. Additionally, it can help consumers who are unable to distinguish the origin of goods or services in the market to make better informed decisions and avoid harm to their legal rights due to maliciously and deliberately created confusion. Of course, this inside-out spread also provides room for domestic brands to think about fresh potential for growth as a result of system transformation. It is also reasonable to take into consideration well-known trademarks from other countries that enter China. As in the case of “New Balance”, which also attracted a lot of attention, the brand had a good reputation, but failed to do basic research and investigation before entering the Chinese market, and did not respect existing Chinese domestic brands. As a result, it was not only sued, but also ordered to pay damages.

The use of the dilution hypothesis is yet another important aspect of the CPTPP regulations. In his scholarly paper titled the Rational Basis of Trademark Protection, Frank Schechter makes it clear that trademark dilution occurs when a non-rights holder uses a well-known trademark for non-competing goods or services, causing the uniqueness and the selling power of the well-known trademark to be gradually lost.²⁵ As was mentioned above, the most fundamental confusion theory is no longer adequate to support the legislative intention of achieving suitable protection for well-known trademarks in light of the present commercial developments. The dilution theory, which specifically mentions well-known trademarks, is a development and supplement to the confusion theory. The dilution theory is apparent in the relevant provisions of Chinese law. For instance, the Interpretation on Several Issues Concerning the Application of Law in Civil Dispute Cases Involving the Protection of Well-known Trademarks promulgated by the Supreme People’s Court of the People’s Republic of China in 2009 interprets the phrase “misleads the public, and may cause damage to the interests of the registrant of the well-known trademark” in Article 13 of the Trademark Law of the People’s Republic of China as “sufficient to cause the relevant public to believe that the trademark being sued has a substantial connection with the well-known trademark, thereby diminishing the distinctiveness of the well-known trademark, disparaging the

25 Frank I. Schechter, *The Rational Basis of Trademark Protection*, *Harvard Law Review*, Vol. 40, No. 6, 1927, pp. 830-832.

market reputation of the well-known trademark, or improperly taking advantage of the market reputation of the well-known trademark”.²⁶ But since the other provisions are ambiguous, it is impossible to claim that the Chinese legislation adopts the dilution theory.

B. Negative List System

As a member of the WTO/TRIPS regime, China should follow and implement the relevant principles and rules. The first principle is that of the most-favored-nation treatment — it requires the WTO members to accord the most favorable tariff and regulatory treatment to “like products” of all other members at the time of import or export. This is a bedrock principle of the WTO. When it comes to finding a solution for foreign well-known trademarks, the negative list system is a good choice.²⁷

First and foremost, foreign well-known trademarks must adhere to Chinese basic rules in order to receive the same protection as domestic trademarks in the Chinese Mainland. In the last few years, many well-known brands have “made a mistake” by challenging China’s bottom line, neither respecting the Chinese market, nor accurately predicting Chinese consumers. These brands should undoubtedly pay a price for their disrespect. If they were to obtain equivalent protection for well-known trademarks in the Chinese Mainland, it would be both emotionally and legally improper. As a result, the implementation of a negative list system would be justified. For well-known trademarks that are prepared to enter or have already entered the Chinese market, they would be evaluated by this list, and for those that have not yet entered the Chinese market, this list would serve as an entry barrier. As an illustration, a fundamental evaluation standard is given: the popularity of the brand is evaluated, its negative behaviors are noted, and a thorough examination is done to determine whether it may enter and what level of protection it should receive. And for the brand that

26 Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of Law in Civil Dispute Cases Involving the Protection of Well-known Trademarks, <https://www.court.gov.cn/zixun-xiangqing-62> (Last Visited on June 10, 2023).

27 The idea of “most-favored-nation” treatment has a long history. Prior to the GATT, a most-favored-nation treatment clause was often included in bilateral trade agreements, and as such it contributed greatly to the liberalization of trade. Unknown, Part II Chapter 1 Most-favored-nation Treatment Principle, <https://www.meti.go.jp/english/report/downloadfiles/gCT0212e.pdf> (Last Visited on July 4, 2023).

has entered, this is a “tightening spell”, which will force it to respect China’s fundamental sovereignty, and accept the cultural differences between China and other countries when competing in the Chinese market. The Chinese market does not need a superior, complacent subject to upend the established order.

A credit scoring mechanism that assigns classifications depending on the outcomes of the evaluation could be used in conjunction with this system. Firstly, positive scores could be determined based on the popularity range of the brands, and the indication could be quantified into precise values. For instance, based on the responses from a randomly selected sample of respondents, brand popularity could be classified as “not known”, “not very well known”, “known”, “fairly well known” and “very well known” before being converted into a score using the Likert scale. Secondly, scores could be subtracted based on the brand’s negative behavior. For instance, if the brand has previously been punished for unfair competition, then it would lose points from its score. How many points would be taken away depends on the severity of the punishment. If it is a matter of principle, a warning would be issued immediately, and if the situation is not redressed, no more protection should be offered. Finally, following an extensive evaluation based on their typical performance and credit scores, brands could be classified as “excellent”, “good”, “pass” or “fail”. According to different grades, the excellent grade brands could receive full protection and relatively lax oversight and management, while the lower grade brands could be considered not entitled to similar protection and treatment and should be strictly regulated in the market.

According to the National Plan for Protection and Application of Intellectual Property Rights during the 14th Five-year Plan Period,²⁸ China aims to “build a working pattern of strict protection, extensive protection, fast protection, and equal protection, comprehensively improve the protection capacity, and strive to create a fair and competitive market environment”. Thus, the anticipated laws, regulations, policies, and supporting measures must not only be implemented as soon as possible before 2035, but also keep up with the national strategy and constantly track social development, reality, and market demands.

28 National Plan for Protection and Application of Intellectual Property Rights during the 14th Five-year Plan Period, http://www.gov.cn/zhengce/content/2021-10/28/content_5647274.htm (Last Visited on June 10, 2023).

C. Expanding the Granted Range of Trademarks: Well-known Trademarks as Demonstration

Article 4 of the New Draft Amendment to the Trademark Law of the People's Republic of China adjusts the concept of trademark and the scope of the elements that can be used as registered trademarks: the term trademark in the Trademark Law of the People's Republic of China, including commodity trademarks and service trademarks, refers to trademarks that can be used to identify and distinguish goods or services. Signs of service sources, including words, graphics, letters, numbers, three-dimensional signs, color combinations, sounds or other elements, as well as combinations of the above elements, may all form basis for applications for registration of trademarks according to law. Compared with Article 8 of the current Trademark Law, the Chinese word “deng” (with the same meaning of “etc.”) is explicitly replaced by “other elements”.²⁹ The adjustments to the definition and scope of trademarks in the draft circulated for comments are not only a reflection of more refined legislative techniques, but also respond to actual needs and, as a result, the registration of non-traditional trademarks (such as smell trademarks and taste trademarks) will be able to have clearer basis. For the moment, traditional trademarks still make up the great majority of the existing trademark rights in China. Here, the traditional trademark means flat visual signs composed of words, graphics or a combination thereof.³⁰ Three particular features must be present in traditional trademarks. First, the trademark must have distinguishability, or ability to stand out. This refers to its capacity to clearly distinguish itself from similar goods or services of different origin. Second, a trademark must be a sign or a symbol. Third, a trademark must have visibility, that is, people should be able to observe it through their sense of sight/vision. Visibility is a key factor in separating traditional trademarks from non-traditional trademarks, and is also the feature that sets Chinese domestic law apart from international law. As is widely known, a

29 Comparison Table of Amendments to the Draft Amendment to the Trademark Law of the People's Republic of China (Draft for Comments), https://www.cnipa.gov.cn/art/2023/1/13/art_75_181410.html (Last Visited on June 10, 2023).

30 Lai Xiaopeng, *Intellectual Property Law (Fourth Edition)*, China University of Political Science and Law Press, 2019, p. 347.

trademark traditionally refers to a visible sign. Due to the ongoing development of social life, even though some signs are not visually recognizable, they are still distinguishable and have an objective need to exist. Thus, they are also included within the scope of permissible objects of trademark applications, such as sound trademarks. This expansion of scope can be seen as early as in Article 15 of the TRIPS agreement which states that: “Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark”. Although it does not specifically include non-visible trademark applications, this formulation has reserved space for the registration of non-traditional trademarks. Drawing on the legislative experience of other nations as well as China’s own long evolution of trademark law, the 2013 amendment to the Trademark Law of the People’s Republic of China finally made explicit provisions for the registration of sound trademarks and the “visibility” clause was removed.³¹ The previous draft of the amendment proposed to include single color and scents as constituent and permissible elements of a valid trademark, but it was rejected during the deliberation process because of the limited resources of a single color and the fact that other forms of trademarks are too advanced in comparison. So, it was finally not reflected in the following two amendments to the Trademark Law.³² In Article 4 of the New Draft Amendment to the Trademark Law of the People’s Republic of China, “other elements” are added to the registration scope of trademarks. Although scents as trademarks have not yet been explicitly included within the scope of protection in the Chinese Mainland, there has been some deliberation on whether or not this non-traditional trademark should be allowed to be registered and protected. There have already been many brands using scents as their trademarks, such as the Chinese domestic home furnishings company “Beast” founded in 2011, and the scent-focused company “Scent Library”, etc. Therefore, it is necessary to reevaluate the category of items for which trademarks can be registered, in order to

31 Trademark Law of People’s Republic of China (2013), <http://ipr.mofcom.gov.cn/zhuanli/jkblh/iplaws/trademark/sbf1.pdf> (Last Visited on June 10, 2023).

32 Letter from the State Intellectual Property Office in Response to Proposal No. 1618 of the Second Session of the 13th National People’s Congress, https://www.cnipa.gov.cn/art/2019/7/2/art_516_146777.html (Last Visited on June 10, 2023).

include such non-traditional trademarks. There are several countries or regions in the world that allow scents to be objects of trademark registration, and the existing framework of the CPTPP has also further loosened the space relative to the TRIPS' standards by stating that "each Party shall make best efforts to register scent marks". In light of this, it is hereby suggested that consideration of sounds and scents can be given priority when determining a well-known trademark. First of all, the implementation of such protection can be possible due to the sound or scent mark's distinctiveness and representativeness, and can be used to conduct a pilot program to gather experience for the future direction of development. Second, the premise that sound and scent trademarks can be registered is based on the fact that they are distinctive, and the currently registered examples of such trademarks all enjoy considerable popularity. Therefore, recognizing them as well-known trademarks could serve as a demonstration.

At present, China is undergoing changes unseen in a century, and both the government and the people are proactively pursuing the CPTPP membership. On March 31, 2023, the United Kingdom government announced that it had substantially concluded the negotiations for its accession to the CPTPP and, thus, become the first non-founding country to join the CPTPP.³³ On the one hand, its successful accession shows the potential for CPTPP's expansion, and on the other hand, the high level of the evaluation by the CPTPP members in this process may serve as a caveat that China's application may go through a difficult and long negotiation process. This requires China to address the shortcomings or weaknesses in its domestic intellectual property laws and suit the amendments to the situation. As for the provisions that are not concerned with principles, they should be adopted as soon as possible into the current legislative framework, in order to pave the way for China to join the CPTPP. Just one month following the application, China released the National Plan for Protection and Application of Intellectual Property Rights during the 14th Five-year Plan Period. This also shows China's determination to reform its intellectual

33 Conclusion of Negotiations on the Accession of the United Kingdom of Great Britain and Northern Ireland to the Comprehensive and Progressive Trans-Pacific Partnership, <https://www.gov.uk/government/publications/comprehensive-and-progressive-agreement-for-trans-pacific-partnershipcptpp-conclusion-of-negotiations/conclusion-of-negotiations-on-the-accession-of-the-united-kingdom-of-great-britain-and-northern-ireland-to-the-comprehensive-and-progressive-trans-pac> (Last Visited on June 10, 2023).

property protection standards. Of course, on the other hand, it is also important to maintain the position and be aware of the possible risks. After all, as a typical concept of intellectual property laws, well-known trademarks have also frequently been the focus of legal disputes in practice. The Chinese domestic rules should keep approaching the CPTPP by comprehending both the specific and the overall situation. It is not only a crucial prerequisite for China's own development, but also a useful way to protect the interests of rights holders. Through multi-level measures centered around well-known trademarks, innovative ideas and methods, a more comfortable environment for the improvement of trademarks protection and overall intellectual property rights can be created. This will have the desired impact of energizing the market as well as boosting the economy.

IV. CONCLUSION

It is a common sense that preferential trade agreements, such as bilateral free trade agreements and regional trade agreements, have multiplied and are gaining momentum since the past 20 years. In terms of both the scope of the issues discussed and the intricacy and sophistication of the legal standards, the US-led regional negotiations have been a breakthrough in the Doha Round of world trade negotiations.³⁴ It is also a fact that China now is a member of the Regional Comprehensive Economic Partnership (RCEP), which follows the rules and spirit of the WTO/TRIPS regime.

The CPTPP sets out in detail the standards of protection for each type of intellectual property rights and makes strict regulations for their implementation. Its protection of intellectual property rights is more flexible than that of RCEP.³⁵ These intellectual property rights enforcement provisions are from the free trade agreements related paradigm represented by the United States and the European Union.³⁶ It is time to launch pilot projects for preferential protection

³⁴ Liu Jingdong, MTA vs PTA: Dilemma and Prospect of Rule of Law of International Trade, *Chinese Review of International Law*, No. 5, 2015, pp. 92-93.

³⁵ Quan Yi, Comparison of CPTPP and RCEP Agreement Framework and Its Rules, *Fujian Tribune (The Humanities & Social Sciences)*, No. 5, 2022, p. 60.

³⁶ Su-Ju Kang, Convergences and Divergences of Intellectual Property-related Provisions in the EU-Asia-Pacific Trade Partnership Agreements, *International Business Law Journal*, No. 5, 2020, p. 798.

of well-known trademarks, combined with local characteristics in the Chinese Mainland, and to establish an international negative list of international well-known trademark access based on the principle of most-favored-nation treatment, which will give full play to Chinese characteristics so as to help realize the Chinese path to modernization and innovation.