WELL-KNOWN TRADEMARK PROTECTION IN CHINA: BEFORE AND AFTER THE TRIPS AMENDMENTS TO CHINA'S TRADEMARK LAW

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I. INTRODUCTION

The contemporary establishment of a regime in China that protects well-known trademarks illustrates a transition that will bring China, in a single century, from an insular, primarily agrarian society to a participant abiding by the rules and disciplines of the global trading system. Both external pressure from the United States and other western countries and internal pressure from domestic economic growth continue to push that transition ahead. The enactment in 2001 of amendments to China's trademark laws to implement the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS") is but the latest development in that transition. Nevertheless, there remain outstanding issues rooted in the judicial institutions, culture and economics of modern China that must be dealt with before that transition can be completed. The ongoing implementation of the TRIPS in China will continue a process which reflects culture clash and integration, court system infancy and reform, and interest conflict and harmonization.

This paper starts with the historical background to trademark protection in China before the TRIPS amendments, by first outlining the legislative provisions and enforcement systems in place to protect trademarks generally and in the area of well-known trademarks specifically. It then explores the problems and issues arising under that regime, which include problems with the protection standards, institutional issues in enforcement and larger issues that indirectly affect enforcement. The next sections of the paper summarize the provisions of the Amendment and their effect, and the paper concludes by noting that although the Amendment strengthens the protections available to trademark right holders generally and well-known trademark
right holders specifically, there is much that still needs to be done to improve trademark protection in China.

II. HISTORICAL BACKGROUND

A. Pre-TRIPS Trademark Protection

Early in the Northern Song Dynasty (556-580 A.D.), Liu's Needle Store in Jinan city\(^1\) used a white rabbit mark to identify the source of its goods, thus establishing what is arguably the oldest trademark in the world.\(^2\) However, it was not until 1904, when the Qing Dynasty (1644-1911 A.D.) promulgated China's first trademark law,\(^3\) that a systematic legal regime was created in China to provide an incentive for development of commercial reputation and a market economy. That enactment responded to outside pressures from Britain and other western countries, as well as the efforts of China to establish a modern legal system after it lost the Opium War to Britain in 1840. After that War, China's traditional agrarian culture began breaking down, and China recognized the importance of learning science and trade from Western countries. The 1904 trademark law was replaced in 1923 and then 1930, when a significant economic renaissance during the 1920s and 1930s gave fruit to new trademark statutes.\(^4\)

The first effort of the People's Republic of China (PRC) to create a modern trademark system was the Provisional Regulations on Trademark Registration and the following implementing rules in 1950.\(^5\) These trademark regulations established a "race to register" system in which the first claimant to file owned exclusive rights in the mark,\(^6\) a system that continues today. In 1963, new trademark regulations emphasizing the use of trademarks to control product quality were implemented to supersede the trademark regulations of the 1950s.\(^7\) Post-Mao reforms resulted in the Chinese Trademark Law of 1982 and in its implementing regulation (Implementing Regulation) in 1983.

China began to demonstrate its adherence to international trademark norms by joining WIPO in 1980, the Paris Convention in 1985, the Madrid Agreement in 1988 and the Nice Agreement

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1. In present-day Shandong province.
4. Id.
5. Id.
7. Id. at 271.
in 1994.\(^8\) This process was accelerated when the United States and China signed the Sino-American Memorandum of Understanding (MOU) in 1992, after the United States initiated a special 301 investigation as a trade sanction threat against China. The 1992 MOU committed China to bring most aspects of its intellectual property rights (IPR) regime in line with international standards and has provided a key foundation for subsequent negotiations over enforcement.\(^9\)

In 1993, pursuant to the 1992 MOU, China again updated its trademark law. The implementing regulation, revised in 1988 and 1993, included provisions protecting well-known trademarks and service marks in order to meet the requirements set forth in the Paris Convention for the protection of well-known trademarks.\(^10\) In 1995, the United States and China reached the United States-China Intellectual Property Rights Accord, to deal with the trade war that resulted due to repeated section 301 threats. The 1995 Accord created a mechanism guaranteeing the vigorous enforcement of China's intellectual property laws.

In 1996, the United States and China negotiated yet another accord because of the United States' impatience over China's perceived lack of enforcement of intellectual property rights (IPRs). Unlike the 1992 MOU and the 1995 Accord, the 1996 Accord mostly reaffirmed China's commitment to protect IPRs.\(^11\) In August 1996, China passed the Interim Provision for the Recognition and Administration of Well-known Trademarks ("Interim Provision"). Most recently, to give effect to China's entry into the WTO and to meet the demands of TRIPS, China revised its trademark law on October 27, 2001, a revision that took effect on December 1, 2001.\(^12\)

Thus in a period of less than twenty years, China has established a modern trademark system that also protects well-known trademarks. The revisions to the trademark law and regulations described above, along with the adoption by China of major international conventions applicable to trademarks, have all been part of an ongoing conscious effort to bring China's trademark

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8. **Zhongguo shangbiao zhuang wang, supra** note 2.
laws and regulations in line with international standards. The brief history of these revisions described above also illustrates that external pressure—mainly from the U.S.—has played a very important role in developing China's trademark law.

B. PRE-TRIPS PROTECTION OF WELL-KNOWN TRADEMARKS

1. Legislative requirements

a. Trademark Law and Implementing Regulation

The 1982 Trademark Law and its Implementing Regulation (as revised) provided for the special protection of well-known trademarks, by allowing a well-known trademark right holder to invoke Article 27 of the Trademark Law and Article 25.2 of the Implementing Regulation to cancel the registered trademarks of another party if the other party violated the principles of honesty and credit by plagiarizing, or counterfeiting any well-known trademarks.

These legislative provisions were ambiguous on certain key points. It was not clear whether the provisions only applied in the trademark canceling procedures; whether the provisions also functioned with respect to unrelated goods or services; whether well-known trademarks which had not been registered in China got the same treatment as registered well-known trademarks. In practice, trademark owners used the provisions both as grounds for filing trademark oppositions and for handling trademark infringements. Well-known trademark right holders also used the provisions to defend their rights with respect to both related and unrelated goods and services.

b. Interim Provision on Well-known Trademarks

There is also an administrative regulation, called the Interim Provision, that details certain protections for well-known trademarks. First, when other parties register identical or confusingly similar marks with respect to unrelated goods or services which might damage a well-known trademark, the well-known trademark right holder has the authority under the Interim Provision to prohibit the registration or request cancellation of the mark. Second, if a well-known trademark is used by others with respect to related goods or services and implies a connection between the marked goods or services and the well-known trademark, the well-known trademark right holder has the right to request the authorities of industry and commerce (AICs) to stop the in-
fringement.\textsuperscript{15} Third, if others use the identical or confusingly similar trademark as a part of the trade name of an enterprise, a well-known trademark right holder has the right to request AICs to prohibit the registration of the trade name or to cancel it.\textsuperscript{16}

In practice, the first two rights described above are well enforced. It is not easy however to achieve the goal of the third right. The reason is as follows: AICs do not have a central registration system and a trade name database of all enterprises in China. If the trade name of an enterprise is not the same as or similar to a registered trade name within the jurisdiction of its registration authority, the enterprise can obtain registration under the relevant regulations.\textsuperscript{17} AICs at all levels are responsible for registration of trade names, but only the Trademark Office of the State Administration for Industry & Commerce (SAIC) has responsibility for the registration of trademarks. As a result, there are coordination problems among the different entities that give rise to administration slippage. This was a significant enforcement issue until 1999, when the SAIC released a document regarding issues on trademarks and trade names, and worked out a solution to the problem of well-known trademark protection with respect to trade names.\textsuperscript{18}

c. Related Legislation

There are other related Chinese laws that provide some protection of well-known trademarks. For instance, The 1993 Unfair Competition Law contains some protection for well-known or unique brand names, along with remedies for acts of unfair competition.\textsuperscript{19} The 1995 Regulations Governing Customs Protection of Intellectual Property Rights required consignees, consignors or their agents to record with China’s Customs General Administration the intellectual property status of imported or exported goods.\textsuperscript{20} The 2000 revision of the Product Quality Law also pro-

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15. & \textit{Id.} art. 9. \\
16. & \textit{Id.} art. 10. \\
17. & \textit{Regulations of the People’s Republic of China on Company Registration} arts. 6-8 (P.R.C.); \textit{Implementing Rules on Registration of Enterprises as Legal Persons} arts. 7-10 (P.R.C.) \\
18. & \textit{Guanyu jiejue shangbiao yu qiye mingcheng zhong ruogan wenti de yijian} [Document Regarding Issues on Trademarks and Trade Names], at www.chinaiprlaw.com/flfg.htm (April 5, 1999). \\
19. & Unfair Competition Law art. 5 (P.R.C.). \\
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hibits counterfeiting goods and provides protection on geographical indication. In addition, China made trademark infringement a criminal offense punishable by up to seven years imprisonment.

2. Pre-TRIPS Problems and Issues

Prior to the TRIPS Amendment, it was recognized that there were problems with the protection of well-known trademarks in China, arising from either the legal standards for such protection or from the institutional structures for protection, or the combination of both. Some of these problems are described below.

a. Problems with Protection Standards
i. Unregistered Well-known Trademarks

As noted above, Chinese trademark law adopted the “race to register” system, a system that makes the protection of unregistered well-known trademarks difficult. China’s Trademark Law and Implementing Regulation do not explicitly protect well-known trademarks which have not been registered in China, although in practice, article 27 of the Trademark Law and Article 25.2 of the Implementing Regulation have been widely asserted as protecting unregistered well-known trademarks against infringement. By contrast, the Interim Provision defines well-known trademarks as “a registered trademark” and thus unregistered well-known trademarks cannot enjoy the special benefits under the Interim Provision.

However, this does not mean that Chinese judges lacked a solid legal basis for protecting unregistered well-known trademarks. Both the Paris Convention and 1992 MOU safeguard unregistered well-known trademarks. According to China’s General Principles of the Civil Code, such bilateral or multilateral treaties constitute part of China’s national law. Further, international treaties to which China is a signatory take precedent over domestic legislation, where conflicts between the two exist, unless the provisions are ones over which the People’s Republic

21. PRODUCT QUALITY LAW arts. 5, 31, 32, 33, 38, 39, 50 (P.R.C.).
22. CRIMINAL CODE art. 213 (P.R.C.).
23. China’s trademark law made prior use by a competing trademark irrelevant except in limited circumstances.
24. INTERIM PROVISION art. 2 (P.R.C.).
of China has announced reservations. Therefore, a Chinese court could decide a case involving unregistered well-known trademarks by basing its decision directly on the relevant international convention. Where trademark infringement is alleged, the unregistered well-known trademark right holder can directly resort to the Paris Convention to get the same protection given to the holder of a registered trademark. For instance, in 1995, the Beijing Intermediate Court directly relied on the Sino-US IPR Agreement when deciding the case *Walt Disney Production v. Beijing Publisher and Co.*

Well-known trademark right holders can also invoke unfair competition as a cause of action. The Chinese Unfair Competition Law provides that operators shall not use, without authorization, the same or confusingly similar names, packaging or decoration peculiar to well-known goods. Thus, where the labeling of a product made by a company other than the well-known trademark right holder uses packaging virtually identical to that used on the right holder’s products, the right holder may argue that such a usage is likely to constitute unfair competition in breach of the statute.

It is also worth mentioning that, in practice, it is very difficult to get protection for unregistered well-known trademarks that have not been used in China. In the opinion of Dr. Jiang Zhipei, a Justice of China’s Supreme Court, the commercial reputation of the goods or services is always tied to the market and consumers in the market. Unsurprisingly, while a mark may be popular in market A, consumers in market B may know little about the mark. Therefore, the analysis follows that the trademark cannot get protection against trademark infringement as a well-known trademark in market B. In terms of the territorial character of trademarks, those which are not registered and are not used in China are seldom afforded the status of well-known trademarks in China. Practice has shown that all multi-national corporations winning trademark infringement cases have registered their well-known trademarks before filing suit in Chinese courts. There are grounds for believing, though, that if a well-known trademark right holder finds that other parties have intentionally registered its well-known trademark in China and have exploited the commercial value of the well-known trademark before the real owner’s entry into the Chinese market, Chi-

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28. Unfair Competition Law art. 5.2 (P.R.C.).
nese courts would support the well-known trademark right holder and cancel the previous registration.29

ii. Determination of Well-known Trademarks

It is unclear whether the SAIC is the only entity that has authority to recognize well-known trademarks. Under the Interim Provision, the SAIC is the only entity that makes such decisions.30 So, for instance, the SAIC has issued determinations of well-known trademark status for 196 marks since the enactment of the Interim Provision.31 Until now, however, the SAIC has not defined any foreign trademarks as well-known trademarks within the meaning of the Interim Provision. It is for this reason that some WTO members expressed concerns prior to 2001 that China's trademark law did not provide national treatment to foreign right-holders.32

Recently, the Chinese courts have cleared the path for full recognition of the status of well-known trademarks. Take Ikea v. Guo Wang, for example.33 Inter Ikea Inc. (Ikea) has opened chain stores in 29 countries, selling house wares and furniture. The trademarks “IKEA” and the figurative trademark have been registered by the plaintiff for many commodities and services in more than 90 nations and regions, including the United States, Great Britain, France, Germany, Sweden, Hong Kong and Taiwan for several decades. In 1998, the international trademark consulting firm, “INTERBRAND,” appraised and listed 60 trademarks (brands) in the world with a $1 billion market value or more, and the trademark “IKEA” was one of them. In 1983, Ikea reregistered the trademark Ikea, the Chinese translation of Ikea and the sign of Ikea. In 1998, Ikea established stores in Shanghai and Beijing. In 1998, the company's expenses for advertising and promotion in China were 6 million RMB and the figure increased to 17 million RMB in 1999. However, when Ikea wanted to apply for a Chinese domain name, it found that Guo Wang Inc. (Guo Wang) had registered www.ikea.com.cn in

29. E-mail from Dr. Jiang Zhipei, Chief Justice, the Third Chamber on Civil Trial (Intellectual Property Chamber), China's Supreme Court, to Ruixue Ran (March 27, 2001) (on file with author).
30. Interim Provision art. 3 (P.R.C.).
November 1997. Ikea therefore brought suit against Guo Wang on the grounds of trademark infringement and unfair competition. Beijing's Second Appeal Court held in this case that "Ikea" had long been registered and used without interruption in many other nations. It was held that with years of tremendous investment in advertising and promotion, along with high-quality commodities and services, the trademark of the company had gained high popularity and a good reputation among consumers worldwide. In China, the trademark "IKEA" became known to relevant industries and consumer groups as a result of IKEA vigorously publicizing and promoting its unique operations and customer satisfaction. It was therefore held that the trademark "IKEA" should be identified as a well-known trademark. Therefore, the public was likely to believe the connections between Ikea and Guo Wang if Guo Wang were allowed to use a domain name with the word "Ikea". Moreover, Guo Wang had registered thousands of domain names by using other worldwide well-known international trademarks like "Dupont" and "Boss", and had left "www.ikea.com.cn" and its other domain names unused for a long period after registration. Guo Wang undoubtedly did not get permission from Ikea and intentionally exploited Ikea's commercial reputation by applying to register the domain name "Ikea"; thus, its behavior constituted unfair competition under China's Unfair Competition Law. This is the first case since the issue of Interim Provision in which a Chinese court explicitly recognized a trademark as a well-known trademark. In addition, this case establishes that courts have the power to identify and determine the status of well-known trademarks, although the Interim Provision states that only the SAIC has this power. Courts are not obligated to comply with the Interim Provision in accordance with China's current legal system, because the interim regulation is just a department rule.

iii. Originality of trademarks

The extent to which well-known trademarks can get special protection under Chinese law depends on the originality of the trademarks themselves. The Interim Provision identifies originality as one of the factors for granting protection to a well-

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36. The case was appealed to the Beijing High Court and the second instance is pending.
known trademark. In addition, China's Trademark Office and TRAB provide guidelines for their staff, stating the means and extent of protection for well-known trademarks through registration, opposition, cancellation and handling trademark infringements based on the originality requirement. An implication of the originality requirement is that it is difficult to shield weak trademarks with respect to unrelated goods or services, while strong marks do obtain such protection.

For instance, take the SAIC's determinations of the well-known trademark status of "Xiongmao" and "Haier." "Xiongmao" (Panda) is a well-known trademark owned by Panda Electronic Group with respect to televisions and other electronic products. Because "Xiongmao" is a very popular word and widely used in China, Panda Electronic Group cannot prevent other companies' registration or use of the word "Xiongmao" on products unrelated to electronics. On the other hand, the trademark "Haier" is arbitrary and meaningless in the Chinese dictionary. Thus, Haier Group succeeded in the registration of "Haier" with respect to all 42 classes of products. As a well-known trademark, Haier Group obtains the protection with respect to both related and unrelated goods or services. Haier Group itself recognizes that it greatly benefits from its well-known trademark, given that the variety of its products has increased from one refrigerator model in 1984 to its current 69 items in 10,800 varieties.

b. Institutional Issues in Enforcement

In order to protect trademark owners' exclusive rights, China's trademark law contains not only judicial remedies but also provides for administrative punishment of trademark infringers. This is the so called "double-track system." This "double-track system" for the protection of exclusive rights in trademarks is intended to prevent trademark infringements in a timely and effective manner and to protect the legitimate rights and interests of the holders of these exclusive rights. In recent years, China's administrative and judicial bodies have stepped up their efforts to protect trademark rights within their respective authority.

Administrative protection is provided primarily by AICs and supplementally by the administrative departments for Qual-

37. Interim Provision, art. 11 (P.R.C.).
40. Id.
ity Supervision, Inspection and Quarantine, and Customs. The AICs perform quasi-judicial functions and undertake the task of handling the majority of trademark infringement cases. They have the power to conduct raids, to order the cessation of unlawful activities, to impound and destroy infringing materials, and to order an infringer to pay compensation. The SAIC and its local agencies above the county level can also impose a fine upon the infringer. Additionally, the State General Administration for Quality Supervision and Inspection and Quarantine has the authority to confiscate equipment used for making counterfeit products and to seize any other evidence of infringement. Further, China's customs offices also take measures to intercept importation or exportation of goods that are proven to infringe the rights of trademarks protected in China. They are vested with authority to investigate any suspected shipment and confiscate the goods in cases where infringement is proven.

As for judicial remedies, China's courts pay special attention to the litigation of intellectual property (IP) issues. China's courts dealt with 521 trademark cases from 1989 to 1991, and 858 in the period from January 1996 to June 1998. With this growth of IP litigation, special IP trial chambers have been established in the Higher Courts in Beijing, Shanghai, Tianjin, Guangdong, Fujian, Jiangsu, Hainan, Sichuan, Chongqing, Henan, Liaoning and other cities, as well as in the Intermediate Courts of a number of cities. This type of IP trial chamber has also been established in the district courts of certain hi-tech economy development zones, focusing on IP cases and disputes of technology transfer contracts. The Supreme Court also set up its IP trial chamber in October of 1996. In those courts without an IP trail chamber, a fixed panel has gradually become the mode for handling all IP related cases. These are signs that the judiciary is rapidly moving towards specialization in the IP field.

Practice has shown that holders of well-known trademark rights take advantage of two different ways to fight for different trademark infringements. Administrative actions tend to be

41. Birden, supra note 20, at 431, 476.
43. Id.
44. Id.
47. Id.
48. Id.
more effective and to attract less publicity for trademark infringements if the infringement is found everywhere or/and the disclosure of trademark infringement will impair sale. With such infringements, most companies in China choose to pursue enforcement actions in the form of quick-strike raids and seizure actions through the administrative authorities. For example, Microsoft intends to continue exploring the option of having administrative officials sweep through electronics markets rather than instituting court proceedings only against a small number of selected infringers. Accordingly, many companies believe that it is very important to maintain a good relationship (guanxi) with the administrative organizations. In case of single or serious infringements, judicial enforcement will lead to greater compensation and publicity that will deter the potential infringers.

Nonetheless, Chinese trademark law has enforcement loopholes. First, the existing trademark right confirmation system does not offer interested parties the opportunity for judicial review. Second, the administrative measures for trademark protection have arguably been insufficient to deter further trademark infringements, since the investigatory powers of administrative authorities are limited in scope and thus insufficient to permit the effective investigation of many serious cases. Administrative authorities lack most of the investigative and police powers essential for investigations into criminal activity, particularly the power to detain infringers and to conduct searches and seizures on non-commercial premises. Third, the trademark law grants relief for trademark right holders only if the infringer knows or has reason to know of the infringement; it is silent as to who bears the burden of proof as to knowledge of the infringing nature of the activity. Fourth, the penalties imposed upon the infringers by the administrative authorities have not been sufficient to deter further infringements. Because it is difficult to find proof of illegal income, the illegal profits far exceed the amount of fines, inviting further infringement.

c. Larger Issues Indirectly Affecting Enforcement

In a recent assessment by the International Institute for Economics, China received a good rating for its intellectual property


protection. Yet, adopting domestic legislation that complies with international minimum standards, and building institutions to administer that system, goes only part of the way toward establishing full and adequate trademark protection in China.

It is apparent that counterfeiting rates in China still remain high at an estimated 15-20%. Counterfeiting is so serious that anti-counterfeiting has become a sector in itself, comprised of specialized lawyers, investigators and non-governmental organizations. The issues and problems described in the preceding sections certainly contribute to this state of affairs, but the extent of counterfeiting in China suggests that there are other, more indirect factors at work here. Three of those factors might be the historical and cultural legacy of the "rule by man" in China, the inherent conflict between the national interest of China and its international treaty obligations, and the economic and political dependencies of the Chinese judiciary. Each of these factors is described below.

i. Legal Culture Clash: Rule by Man v. Rule of Law

According to Chinese tradition, society is ruled by man rather than by law. "Rule by man" does not mean that there was no law in traditional China, for in every dynasty the government enacted many laws. "Rule by man" instead means that the law played a less important role in governance than did the government officials.

The idea that the emperor was the supreme sovereign over the common people took root and was accepted in the Chinese mind, at a time when democracy and judicial independence were unknown in traditional China. Until recently, the Chinese, from leaders to common citizens, accepted the social norm that power and personal relationships are and should be superior to laws. Both in Confucian theory and in governmental practice, the law was a malleable instrument wielded by the government to control society:

Frequently judicial judgments based on Confucian theory went beyond the article of the code, for the ancient Chinese system allowed considerable freedom in interpreting and applying the law.

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Consequently, nowhere in the world has the clash between traditional culture and social modernization been more powerful than in China. Due to the lack of a tradition of "rule of law," the people of China have not put much trust in laws and have tended instead to obey government authority in any form. It is no wonder, therefore, that China adopted a "double-track" system and that AICs have played and continue to play such an important role in handling trademark infringements. The tradition of rule by man leads to the expanding power of AICs to enhance the trademark protection, for instance, in detaining articles that are relevant to trademark infringement. However, these expansions of power arguably distort the trademark protection system. Trademark rights are a form of property right and thus are private rights. The main function of the administrative authorities should be administration of public affairs, not private ones. Thus, the government agencies should not be the main authorities to provide trademark infringement remedies, although the government agencies have the obligation to secure fair competition in the market place by preventing infringement. To date, most IP enforcement actions in China have resulted in and from administrative measures to address infringement. However, relying too much on administrative measures alone may be detrimental to the promotion and development of more stable legal institutions capable of fostering consistent decision-making regarding the protection of intellectual property rights, guided not so much by government pragmatism as by the rule of law.


Well-known trademark protection is a sensitive issue in the developing world. The simple fact is that multi-national companies often own the majority of the well-known trademarks, while developing countries have few well-known trademarks but much counterfeiting. As a result, developing countries are reluctant to protect well-known trademarks, while developed countries like the United States regard protecting such IPRs as a major trade priority. We should remember though that the United States itself went through a stage of tolerating counterfeiting in the 19th century.

55. TRIPS pmbl.
56. Gang, supra note 31, at 88.
58. MARUYAMA, supra note 9, at 172.
century.\textsuperscript{59} In fact, countries tend to go through a stage early in their development in which counterfeiting is widely tolerated, and China appears to be still emerging from this stage.

Experience suggests that the IP regime in a developing country tends to go through three phases. In Phase I, external United States trade pressure regarding the protection on well-known trademarks centers on legal formalities—that is, revising laws and regulations to conform to international legal norms.\textsuperscript{60} In fact, it does not appear immediately profitable in economic terms for a developing country to implement a successful intellectual property regime.\textsuperscript{61} In Phase II, the United States obtains commitments by governments to launch enforcement campaigns against egregious commercial counterfeiting. The threat of trade sanctions and ensuing loss of market access forces export-oriented industries in developing countries to support steps by their governments to accommodate concerns over well-known trademark protection.\textsuperscript{62} In Phase III, IP agreements become self-sustaining and a genuine "rule of law" begins to emerge.\textsuperscript{63} In short, external pressure by the United States forces changes in the IP policy of a developing country and subtly changes the political balance, by compelling export-oriented local businesses to support government action to enforce IP laws and regulations.\textsuperscript{64} Such changes may occur anyway in the normal course of economic development, but external pressure accelerates the process. However, it is only when the developing country begins developing domestic brands, thus taking a stake in effectively wielding IP laws to protect domestic economic interests, that well-known trademark protection laws can be fully enforced. It is then that the rule of law becomes rooted in widespread domestic acceptance that well-known trademarks should be protected.\textsuperscript{65}

China is stepping from Phase II into Phase III. Trademarks like Haier have already begun to develop into well-known trademarks, and as China grows, valuable Chinese brand names will become more and more common in the international marketplace. Another sign of this shift is the export-driven strategy that China has adopted and the government efforts taken to foster an investment environment that attracts more foreign investment.

\textsuperscript{59} Id. at 206.
\textsuperscript{60} Id. at 208.
\textsuperscript{62} \textit{Maruyama}, supra note 9, at 207.
\textsuperscript{63} \textit{Id.}
\textsuperscript{64} \textit{Id.}
\textsuperscript{65} \textit{Id.}
It is no wonder that in 2000 and 2001, China also launched its own internal crackdown on fake and shoddy goods.66

Hence, it is clear that a strong IP regime is now in China’s interest. On the other hand, too strict a protection of well-known trademarks can cause damage to growing domestic industries. This conflict of interests manifests a tension in the enforcement of well-known trademark protection in China and, as the discussion below of the TRIPS Amendment shows, this tension is not resolved by TRIPS.

iii. Judicial Reform: Protection of Local/Political Interests v. Independent Courts

The rampant counterfeiting and poor enforcement of trademark rights can be traced in large measure to the absence of Chinese judicial independence, specifically, independence from local government and administrative intervention. Although Chinese law provides that the courts should conduct trials independently and impartially and should not suffer intervention by the administrative authorities, organizations and individuals,67 there is strong evidence of their lack of independence. Generally, Chinese courts have to meet the demands of senior government officials or local governments to protect local interests. Local officials and influential local businesses can and do intervene in the proceedings of a case. Succumbing to administrative or local pressures, judges may unreasonably deny motions for transfer of forum, thus rendering judgments highly favorable to some parties and highly unfavorable to others.68 Unimplemented judgments of economic disputes pile up year by year. Local courts authorized to enforce another court’s decision normally do not stop trademark infringements which generate local revenue. In 1999, the Supreme Court of China was forced to launch a campaign for the enforcement of awards.69 Given the actual or po-

67. COURT ORGANIZATION LAW art. 4 (P.R.C.).
tential administrative and local pressure, enterprises are hesitant to bring lawsuits in courts.

The instrument for interference in judicial affairs by local or government officials is the financial and operational control that administrative authorities wield over courts' internal governance. Chief Judges of local courts are elected by local congresses and the standing committee of the local congresses appoints judges. Judges have no life tenure of office and are subject to removal. Courts at the higher levels only provide legal guidance and supervise cases in accordance with the Court Organization Law of China. As to the role of China's Supreme Court, it is responsible for drafting judicial interpretation of the laws and supervising lower courts' handling of cases, but the Supreme Court does not fund the courts at the lower level. In other words, the courts have no independent power over their own finances and personnel. Rather, the government controls not only funding but also judicial selection and tenure.

Often, if a counterfeiting enterprise contributes greatly to local finances, the local government may depart from supporting routine protection for well-known trademarks, as emphasized by the central government, and strive to persuade the courts to shield infringers of those trademarks. Judicial reform is necessary to decrease the bad influence of local protectionism and administrative intervention, thus securing justice for well-known trademark right holders. Although improper administrative intervention will disappear only if China becomes a "rule of law" society, establishment of an independent judiciary is the first step towards preventing obstruction from senior governmental officials. Likewise, an independent judicial system can play an important role in blocking local protectionism.

III. THE TRIPS AMENDMENT

Facing pressure from the TRIPS standards, China recently revised its trademark law again. The 24th Session of the Standing Committee of the Ninth National Congress passed the second revision of the Chinese Trademark Law on October 27, 2001, primarily for the purpose of benefiting well-known trademark right holders, in accordance with China's obligations under TRIPS. These new revisions concerning well-known trademarks are discussed below.

70. Court Organization Law art. 35 (P.R.C.).
71. Id. art. 17.
72. Id. art. 30 & 33.
A. THE TRIPS LEGISLATIVE REQUIREMENTS

1. Right offered

Consistent with Articles 16.2 and 16.3 of TRIPS, which confer exclusive rights to well-known trademark right holders, China’s revision of its trademark law (the Amendment) incorporates the Interim Provision and grants stronger protection to well-known trademark right holders, especially right holders who have not registered their trademarks in China.\(^{73}\)

First, the Amendment helps well-known trademark right holders to prevent the registration of imitation marks. According to Article 13 of the Amendment, “marks by copying, imitating or translating a well-known trademark of another party with respect to goods in same or related classes, which have not been registered in China, shall be refused registration and use in case of likelihood of confusion.”\(^{74}\) The same Article also provides that “marks by copying, imitating or translating a well-known trademark of another party with respect to different or unrelated goods, which have been registered in China, shall be refused registration and use in case of likelihood of confusion and damages to the trademark owner.”\(^{75}\) This Article addresses protection of well-known trademarks at the stage of registration of imitation marks. By contrast, prior to the Amendment, the protection given was limited to remedies after infringement, though in practice well-known trademark right holders would invoke the Article giving cancellation rights as a ground for opposition.\(^{76}\)

Second, for the first time, the trademark law now explicitly offers direct protection to well-known trademarks that have not been registered in China. Some members of the Working Party (on the Accession of China) raised concerns about the protection of well-known trademarks not registered in China.\(^{77}\) The revision marks significant progress, given that Article 27 of the old trademark law and Article 25 of the Implementing Regulation did not specify whether the special protection previously given covered unregistered well-known trademarks as well as registered ones, and the (administrative) Interim Provision defined well-known trademarks only as registered trademarks. However, it remains unclear whether unregistered well-known trademarks on products that have not been seen in China will be shielded under the Amendment. To answer this question, the first step is

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\(^{73}\) Trademark Law art. 13, 14 & 41 (P.R.C.).

\(^{74}\) Id. art. 13.

\(^{75}\) Id.

\(^{76}\) Trademark Law art. 27 (1993) (P.R.C.); see also Implementing Regulation art. 25.2 (P.R.C.).

\(^{77}\) WTO Working Party on the Accession of China, supra note 32, at 77.
to inquire whether trademarks without prior registration and usage in China are well-known trademarks within the meaning of the Amendment. Undoubtedly, the definition of well-known trademarks will emerge as the central issue in this inquiry. As a result, right holders of trademarks that have not been registered and used in China will still face difficulties in seeking their recognition as well-known trademarks in China. Further, distinctiveness remains a factor in the determination of protection for unregistered well-known trademarks. After all, a weak trademark may not lead to the confusion of the public if a similar mark is used on unrelated goods or services.

Third, to meet the demands of TRIPS, the Amendment clarifies an ambiguity in previous legislation, so that different protection is provided with respect to related and unrelated goods or services. The silence of the old trademark law and implementing regulation on this point had resulted in conflicting judgments in practice.

Finally, the Amendment provides that no time limit shall apply to marks acquired by fraud or other unfair means, though the general procedure imposes a five-year time limit on a trademark owner's right to request cancellation of another's trademark registration. In this respect, the Amendment incorporates Article 6.2.3 of the Paris Convention into China's Trademark Law. TRIPS requires members to comply with Article 1 through 12, and Article 19 of the Paris Convention. Thus, this revision is also in line with the TRIPS.

2. Criteria for Determining Whether Marks are Well-Known

The Amendment lists the criteria for determining whether a mark is well known. The criteria include the following: (1) knowledge of the trademark in the relevant sector of the public; (2) the consistent period of trademark use; (3) the period, extent and territory of trademark promotion; and (4) the records of trademark protection as a well-known trademark.

The criteria of well-known trademarks under the Interim Provision were different and more prescriptive. They included: (1) the sales regions and sales volume in China of the commodities on which the trademark was used; (2) the major economic forecasts (annual production volume, sales quota, profit, market share and like matters) for the commodities on which the trade-
mark was used for the upcoming three years and a list by rank of others in the same industry in China; (3) the sales regions and sales volume in foreign countries (regions) of the commodities on which the trademark was used; (4) the advertisement release status of the trademark; (5) the date of the first use and the start of continuous use of the trademark; (6) the status of the registration of the trademark in China and other foreign countries (regions); and (7) other documents that could substantiate the trademark as well-known.83

Like TRIPS, the Amendment adopts the standard for well-known trademarks of "knowledge of the trademark in the relevant sector of the public."84 Inclusion of this standard was a big step in TRIPS, because the Paris Convention does not define well-known trademarks. The "relevant sector of the public" standard is however very flexible. Take trademarks without prior usage in China as an example: no use in China generally means little knowledge of the trademark among the Chinese public. However, whether the relevant sector has the knowledge of the trademark is uncertain and thus it is left to the discretion of the AICs and courts to decide what this means.

The key difference in the situation before and after the TRIPS revisions is that the Amendment discards the criteria in the Interim Provision which required registration and usage in China.85 This revision makes China's trademark law conform to the requirements of Article 16 of TRIPS. It is safe to say that the Amendment does not exclude the possibility of the determination of well-known trademark status for trademarks not registered and used in China. As a result, the AICs and courts have the freedom to decide whether a mark is well-known, based on the particular circumstances of each trademark case.

3. Protectable Subject Matter

In order to comply with the demands of section (2) of Article 15 of TRIPS, the Amendment expands the protectable subject matter under Chinese trademark law. First, TRIPS requires letters, numbers, colors and three-dimensional symbols capable of distinguishing goods and services to be protectable subject matter under a member country's trademark laws.86 By contrast, the pre-amendment law did not consider these signs as eligible for protection.87 The Amendment cures this deficiency by speci-
fying the registrability of letters, numbers and colors, and their combinations, and three-dimensional symbols.\textsuperscript{88}

Second, the Amendment adds the categories of collective trademarks and certification trademarks into the Chinese Trademark Law. In fact, China had previously issued regulations on collective trademarks and certification trademarks on December 30, 1994 and revised the regulations on December 3, 1998, so the Amendment's revision was actually an integration of the two previous regulations.\textsuperscript{89}

Third, the Amendment extends statutory protection to geographical indications (including appellations of origin). The trademark law, for the first time, shields geographical indications. Prior to the Amendment, only China's Unfair Competition Law and Product Quality Law provided protection for geographical indications, and this protection was weak.\textsuperscript{90}

B. THE TRIPS ENFORCEMENT SYSTEMS

The enforcement and dispute settlement provisions of TRIPS distinguish it from previous international intellectual property conventions. The TRIPS provisions add teeth to the pre-existing intellectual property conventions, which relegated the issue of effective implementation of agreed minimum standards to a purely theoretical possibility of litigation before the International Court of Justice.\textsuperscript{91} Naturally, with the revision of China's Trademark Law to bring it into line with TRIPS, the enforcement system in the Trademark Law becomes a focal point.

1. Judicial Review

To limit the abuse of government agencies' power, many countries use the judicial power to balance the administrative power, by way of judicial review of administrative actions. So, for instance, under the federal administrative law of the United States, "a person suffering legal wrong because of agency action, or adversely affected or aggrieved by agency action within the meaning of a relevant statute, is entitled to judicial review thereof."\textsuperscript{92} Consistent with such principles, Article 41 of the TRIPS reads: "Parties to a proceeding shall have an opportunity

\textsuperscript{88} TRADEMARK LAW art. 8 (P.R.C).
\textsuperscript{89} WTO Working Party on the Accession of China, supra note 32, at 70.
\textsuperscript{90} UNFAIR COMPETITION LAW art. 5 (P.R.C.); PRODUCT QUALITY LAW art. 4, 18, 25, \& 41 (P.R.C).
\textsuperscript{92} ADMINISTRATIVE PROCEDURE ACT § 10(a) of 5 U.S.C. 702 (1996).
for review by a judicial authority of final administrative decisions.\textsuperscript{93}

The Amendment establishes a judicial review system under which the parties may request courts to review all administrative decisions determining trademark rights, including decisions on opposition, cancellation, refusal of registration and trademark infringement.\textsuperscript{94} The old trademark law of China did not provide for judicial review of the Trademark Review and Adjudication Board (TRAB) decisions on the trademark rights.\textsuperscript{95} That is to say, it was the TRAB that had the power to make the final decision on opposition, cancellation and refusal of registration.\textsuperscript{96} In contrast, the decisions of the AICs regarding trademark infringement were subject to judicial review\textsuperscript{97} and well-known trademark right holders also had the opportunity to directly seek judicial remedies in cases of trademark infringement.\textsuperscript{98} With the Amendment, trademark right holders now have the opportunity to seek judicial review of any administrative decision they are not satisfied with. Judicial review becomes a general tool that can be used to prevent administrative agencies from abusing their powers in trademark matters. In China, courts have not had a tradition of limiting the behavior of administrative authorities. With the promulgation of China's Administrative Procedure Law, courts became authorized to use judicial review to balance the influence of administrative authorities. The current revision of the trademark law, under the Amendment, furthers the growth of the judicial review system and can therefore be seen as part of the effort to push China toward a society ruled by law.

The Amendment also revised the judicial review procedures for trademark infringements. The old trademark law required administrative review of the AICs to be first conducted at a higher level, before the parties could file their cases in court.\textsuperscript{99} The Amendment provides that the parties have the right to request direct judicial review.\textsuperscript{100} The purpose of the Amendment

\begin{itemize}
\item \textsuperscript{93} TRIPS art. 41.
\item \textsuperscript{94} Trademark Law art. 32, 33, 34, 43 & 49 (P.R.C.).
\item \textsuperscript{95} Trademark Law art. 20, 21, 22, 29 & 35 (P.R.C.).
\item Under China's old trademark law, two non-judicial institutions have been established to administer Chinese trademarks. Under China's trademark law, a bureau of SAIC, the Trademark Office, is responsible for registration and administrative control of trademark nationwide. Another bureau of SAIC, the Trademark Review and Adjudication Board (TRAB), takes charge of handling trademark disputes and make a final decision on opposition, cancellation, refused application for registration, assignment and renewal.
\item \textsuperscript{96} Id.
\item \textsuperscript{97} Trademark Law art. 39 (1993) (P.R.C.).
\item \textsuperscript{98} Id.
\item \textsuperscript{99} IMPLEMENTING RULES art. 40 & 44 (P.R.C.).
\item \textsuperscript{100} Trademark Law art. 50 & 53 (P.R.C.).
\end{itemize}
here is to prevent infringers from being able to misuse administrative review procedures so as to stop or delay lawsuits on trademark infringement. The past practice had the effect that during the period of the administrative review procedure, infringers were able to continue to profit from infringing activity, while rightful owners of trademarks lost out in the marketplace.

2. Administrative Remedies

After the Amendment, administrative protection still remains an important remedy for trademark holders and AIC authorities remain a necessary strategy in trademark enforcement. Although, as mentioned above, the Amendment subjects all administrative decisions to judicial review, it simultaneously strengthens administrative protection that is available to trademark right holders.

First, the Amendment enhances power of local AICs. Any trademark infringement dispute can be handled by the local AICs that have jurisdiction. The old trademark law required the authority at the county level or higher to handle the dispute. Second, regarding infringement damages, the Amendment directs the local authorities to mediate a settlement between the parties, provided that the parties agree to such mediation. The old trademark law did not grant AICs the power of mediation. Third, the Amendment enhances the local AICs’ function in investigating and handling trademark infringement matters. Prior to the Amendment, the AICs could inquire of the interested parties about the case, check up such articles relating to the infringing act, and order to seal the above articles where necessary, investigate into acts involved in the infringement, and examine or reproduce such contracts, account books and any other commercial data connected with the infringement. The Amendment adds to those powers, by allowing the AICs to also view the scenes of potential infringement, and detain articles which the evidence shows are relevant to the infringement. The Amendment therefore strengthens the AICs’ powers to deal with trademark infringements and is very important to well-known trademark owners who seek administrative remedies.

3. Preliminary Injunction

Articles 42-49 of TRIPS spell out the “civil and administrative procedures and remedies” which develop the framework of fair and equitable procedures, including injunctions available to

101. Id. art. 53.
102. Id. art. 55.
103. IMPLEMENTING REGULATION art. 42 (P.R.C.).
aggrieved rights holders. Section 3 addresses the need for preliminary injunctions to prevent future infringements and to preserve relevant evidence. To comply with these expeditious remedy requirements of TRIPS, the Amendment specifically provides that if a plaintiff can prove that the putative infringer is engaging in or will conduct infringement activities, and the plaintiff will incur irreparable loss, the plaintiff may seek an order of injunction from the court and take measures to stop infringement. The Amendment also states that the trademark registrant or concerned parties may apply to the court to protect evidence if evidence is likely to be destroyed or made difficult to acquire in the future.

It should be noted that the above new provision on preliminary injunctions in the Amendment merely reinforces the injunctive protection already available to trademark right holders. Before this revision of the trademark law, Chinese law did not deny the availability of the equivalent of the preliminary injunction. With respect to procedural law, under China’s Civil Procedure Law §92-§99, the court can grant such equivalents, including property preservation and advance execution. Article 92 provides for the preservation of property through an application by an interested party. Article 93 provides that an interested party may request property preservation even before filing a complaint in urgent cases, if the party concerned has interests that are at stake, and has legitimate rights and interests that may be damaged beyond remedy. Trademark right holders could also rely on tactics of property preservation such as raid and seizure of infringement goods, labeling, and packaging to obtain immediate relief. Article 97 provides for “advance execution”, allowing a court at any time upon the application of the plaintiff to issue an order prohibiting the defendant from taking certain actions, including continuation of counterfeiting or infringing activity where “urgent circumstances require advance execution.” In regards to substantive law, the General Principles of Civil Law of China provides that the main methods of dealing with civil liability include: cessation of infringements, removal of obstacles and elimination of dangers. An interested party may request the

104. TRIPS, art. 42-49.
105. TRADEMARK LAW art. 57 (P.R.C.).
106. Id. art. 58.
108. In deciding to take measures for preservation of property or advance execution, the people’s court may order the applicant to provide a guarantee; in case of property preservation before filing an action, the applicant shall provide a guarantee.
court to make the decision in advance under article 162 of the Implementing Rules of General Principles of Civil Law. As a result, the Amendment includes a provision that the parties may request the court to take measures of cessation of infringements.

In practice, Chinese judges not only issue orders similar to permanent injunctions of infringement, but also issue orders similar to temporary injunctions. In cases where termination of infringements or removal of immediate threats become necessary, Chinese courts may make an advance order upon the request of applicants or on the basis of their inherent authority. That is, in intellectual property litigation, even in a preparatory phase, the courts may issue orders to eliminate the threat of infringement.

As for the preservation of evidence, prior to the Amendment, other laws also contained provisions on evidence preservation. China’s Arbitration Law provides that the parties may apply to the court to preserve the evidence if evidence is likely to be destroyed or made difficult to acquire in the future. A judicial interpretation released by the Supreme Court in 1998 restated this principle. The new provision inserted by the Amendment reinforces the effectiveness of this measure for trademark right holders, since it is especially important in the determination of infringement and the amount of compensation.

4. Infringement Liability of Sale Without Knowledge

Article 56 of the Amendment provides a narrower exception to innocent infringement than existed under the old trademark law, which stated that "where an entity or individual sells products without knowing that it or he violated the exclusive rights of the trademark right holders, such entity or individual is not liable for damages if it or he can prove that the product comes from a legitimate source." The innocent infringement exception prior to the Amendment thus made the enforcement of trademark rights difficult, since the seller of trademark-infringing products could always use the "without knowing" re-
quirement as an excuse. Accordingly the Amendment states that it shall be an infringement of the exclusive right to use a registered trademark "to sell goods that bear a passed-off registered trademark" unless the seller can prove that the goods come from a legitimate source. That is to say, the Amendment adopts a presumptive fault doctrine to determine the civil responsibility of the infringer. When the presumptive fault doctrine applies, the burden of proof is shifted from the trademark right holder to the alleged trademark infringer. China's General Principles of Civil Code provides that the fault principle will be the fundamental principle of liability\textsuperscript{116} and that torts should be construed on a fault basis if the basis of liability is not otherwise specified. Article 106 of the General Principles of the Civil Code, however, allows that for certain infringing acts, liability should be imposed based on the presumptive fault doctrine.\textsuperscript{117} In the case of trademark law, the harsher liability regime imposed by the presumptive fault doctrine is appropriate in light of the policy goals of trademark law and enhances the possibility that the trademark owner will be able to efficiently stop widespread infringement activity.

5. Calculation of Damages

Article 45 of TRIPS requires that the judicial authorities shall order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered, include appropriate attorney's fees, or order recovery of profits and/or payment of pre-established damages in appropriate cases.\textsuperscript{118} To meet these requirements, the Amendment provides that the trademark infringement damages shall be determined by reference to the profits received by the infringer from the infringement or the losses incurred by the trademark right owner as a result of the infringement, including the reasonable expenses incurred for stopping the infringement.\textsuperscript{119} When it is difficult to determine the loss or profit, the damages shall be decided by reference to the circumstances of infringement and the compensation to be granted shall not be higher than RMB 500,000 (about $60,000).\textsuperscript{120}

The Amendment adopts the standards of previous laws and practices. The pre-Amendment law and practice included three methods that were used to calculate the damages: actual loss of

\textsuperscript{116} General Principles of Civil Code art. 106 (P.R.C.).
\textsuperscript{117} Id.
\textsuperscript{118} TRIPS art. 45.
\textsuperscript{119} Trademark Law art. 56 (P.R.C.).
\textsuperscript{120} Id.
trademark right holders, the infringer’s illegal benefit and the reasonable license fees for the trademark.\textsuperscript{121} Some courts have ordered payment of legal fees as a part of the compensation.\textsuperscript{122} The Amendment is different from past law and practice in that it sets out standards to be applied in case of difficulties in deciding the amount of compensation. China’s old trademark law did not provide standards for determining infringement damages or for clarifying the loss or benefit, but the courts generally capped the extent of damages at RMB 500,000.\textsuperscript{123} The Amendment appears to reflect judicial practice on this issue.

IV. EFFECT OF THE TRIPS CHANGES

C. JUDICIAL SYSTEM

The courts are the biggest winner in the revision of the trademark law instituted by the Amendment. Now that decisions on both the determination of trademark rights and of trademark infringements are subject to review by judges, we can predict a rising caseload for the courts and the increasing influence of the courts. We can also predict that the establishment of preliminary injunctions and the evidence preservation system in the trademark law will encourage trademark right holders to file more trademark infringement cases with the courts. Where a party filing suit in court invokes the preliminary injunction procedure, the parties are generally more likely to continue the case in court. Furthermore, the Amendment offers judges great discretion in deciding matters such as the amount of compensation and the well-known trademark status of marks on goods that have not entered into China.

The enforcement of judicial review may also cause reform of China’s court system. Which judges will undertake the judicial review of trademark cases? According to current Chinese laws, the administrative chamber of courts shall handle the judicial review of administrative actions, for instance, the review of the decisions by the TRAB and AICs. However, judges other than those of the IP chamber, including judges of administrative chambers, are not well-versed in intellectual property. To resolve the problem, some experts believe an IP appeals court should be established to deal with all IP-related appeal cases. Such an IP appeals court could unify legal interpretations across

\begin{itemize}
\item\textsuperscript{121} Id.
\item\textsuperscript{122} Jiang Zhipei, Mainland Trial System and IP Judicial Protection System, at http://www.chinaiprlaw.com/fgrt/fgrt63.htm.
\item\textsuperscript{123} Id.
\end{itemize}
China, ending conflicting interpretations in different courts.\textsuperscript{124} Implementing such a court would have to be a long-range plan, since it would be a big step to restructure the court system. In the meantime, a more short-term solution may be, as Professor Zheng Chengsi has suggested, that the IP chamber in a court should handle all IP-related cases, whether the case is a criminal, civil, or administrative case.\textsuperscript{125} Justice Jiang Zhipei has expressed the same opinion.\textsuperscript{126} There are distinct advantages to this short-term solution. In the past, when a trademark right holder brought a trademark infringement suit in court, a common tactic of the defendant was to file a cancellation application with China’s TRAB in order to delay the suit. Court procedures would then have to be suspended to await the decision of the TRAB. Now, because of the judicial review procedure, the courts may review the administrative decision on the trademark right as well as decide the trademark infringement case. If two different chambers of the court - like the IP chamber and the administrative law chamber - were to separately handle the two issues of the same case, much time could be wasted and there is a potential for conflict between decisions of the different chambers. It is interesting that the Pudong Court, Shanghai, has already succeeded in allocating all IP-related cases to its IP chamber,\textsuperscript{127} even though this procedure, strictly speaking, does not comply with the current court rules (since judicial review cases involving trademarks are still actually administrative suits that only the administrative law chamber can handle). Nevertheless, this appears to be a realistic and pragmatic course, and these kinds of short-term arrangements may be the first step towards the goal of an IP appeals court.

D. Legislative Impact

1. Implementing Regulation

There are potential conflicts between the Amendment and the Implementing Regulation that need to be worked out, and detailed stipulations need to be made for the new content in the Amendment. For instance, because of the requirements for judicial review, Articles 17, 19, 23, 24, 25 and 37 of the Implementing Regulation—which provide the procedure for refusal, registration, renewal, opposition, cancellation and trademark infringe-
ment—should be revised to conform to the Amendment. The Implementing Regulation may also need to provide more technical details to better protect well-known trademarks. For example, China's past practice required evidence of actual sale in order to calculate the illegal benefit of the infringer, disregarding inventory and past activity. As a result, the damages amount that was calculated was often inadequate to compensate for the injury that the right holder suffered. The Implementing Regulation may need to further clarify that the inventory and past activity of infringers can be used to calculate the compensation for trademark right holders.

2. Interim Provision

As a result of the Amendment, the Interim Provision may need to be revised and may even cease to be effective. Otherwise, it will conflict with the Amendment on fundamental issues like the definition and standard of well-known trademarks. While the Interim Provision emphasizes trademark registration and usage in China in the determination of well-known trademarks, the Amendment eliminates these requirements and leaves the door open for the recognition of well-known trademarks which have not been registered and used in China.

Furthermore, the Amendment integrates key provisions of the Interim Provision into the trademark law. The value of the Interim Provision for well-known trademark right holders lay in the detailed provisions which allowed them to stop other parties using well-known trademarks as trade names, block other parties' registration of the same or similar mark regarding unrelated goods or services, and prevent other parties from using the same or similar mark in related goods or services. The SAIC has now promulgated a department rule that deals with the trade name problem, and the Amendment specifies the availability of protection in the other two situations. Thus, the Amendment abrogates the need for the Interim Provision in the near future.

Most importantly, the Amendment renders the Interim Provision largely irrelevant by changing the system for recognizing well-know trademarks from one dominated by the SAIC. The Interim Provision required that only the SAIC had the power to decide the status of well-known trademarks. The revision to the trademark law under the Amendment enables judicial review to break up the existing system for determination of well-known trademarks by the SAIC. Decisions on well-known trademarks will face review by judges according to the principles of TRIPS.

which state that the parties must have the opportunity to appeal all administrative decisions to the courts.\textsuperscript{129} Further, as courts begin to decide the status of well-known trademarks, the importance of recognition by SAIC will be weakened. Considering the advantages of the judicial determination—higher compensation, the convenience of the preliminary injunction and the possibility of judicial review of administrative decisions—we can anticipate that more trademark right holders will resort to the courts and the determination of well-known trademarks by SAIC will not be as important as it used to be.

\textbf{E. Implications of Larger Issues Affecting Enforcement}

From the description of the Amendment and its effects set out above, it should be clear that the larger issues indirectly affecting enforcement, described in Section [II.B.2(c)] above, have not been completely resolved by the Amendment. By establishing the judicial review system for trademarks, the Amendment refocuses the conflict between rule of law and rule by man from the administrative enforcement system to the court system. According to Chinese traditional culture, judicial power, instead of being separate from other powers, was controlled by administrative power; this was particularly true in the Ming and Qing Dynasties.\textsuperscript{130} The development of the judicial review system under the Amendment is undoubtedly an important step to push China towards accepting rule of law, but it does not eliminate the conflict. Rather, the previous rights, responsibilities and burdens on administrative authorities arising from resolving that conflict shall now be shifted to the courts. Moreover, the continuing role of administrative authorities in trademark protection under the Amendment also reflects the clash of the cultures between rule by man and rule of law and the compromise resulting from such a clash.

A different kind of conflict is also perpetuated under the Amendment: that between international treaty obligations and the national interest. Under the Amendment, it will be the courts that will face these conflicts and thus have to struggle to balance the different kinds of interests. This struggle will be particularly evident in court cases where it is important to judicially interpret what is meant by the “relevant sector of the public” standard of well-known trademarks. This ambiguity may lead to disputes that are not the fault of the lawmakers in China. Both

\begin{itemize}
\item 129. TRIPS, art. 41.4.
\end{itemize}
TRIPS and the Amendment adopt the standard of "the public of relevant sector," and TRIPS itself does not clarify the standard. In the case of trademarks which have not been registered and used in China, some local courts may be tempted to take advantage of the standard and hold that such trademarks are not well-known trademarks in order to protect local interests. This problem will not be resolved as long as ambiguities in the TRIPS language exist. We can expect the possibility of appeals filed by multinational companies against Chinese decisions on well-known trademarks in the near future. The WTO Dispute Settlement Body may be a good forum to resolve such disputes on well-known trademark protection between China and other countries, but it will be comparatively rare for this forum to be invoked and it will be used only as a last resort; in the past, most such disputes have been settled through negotiation to avoid damage to international trade relationships, especially in the case of important trading partners. It will not be an easy task for China to keep a balance between its international treaty obligations and its national interests in these areas.

Further, we cannot expect that the Amendment, by itself, will be able to change the problems of judicial independence that make it difficult for China's courts to stand apart from local, political intervention in their judicial decision-making. In fact, it is to be expected that in a situation where the courts are granted so much more potential power, government officials or local governments might increase their efforts to influence and intervene in court cases. It is unlikely that simply strengthening the courts' control over their administration and requesting local sacrifices will root out local protectionism. During the transition from a centrally-planned economy to a market-based economy, it is inevitable that consciousness grows in every province and city of its own individual interests. Nevertheless, a court system that is independent from both local and central administrative authorities is an important measure necessary to prevent local or central administrative authorities from shaping the outcome of court cases.

China's top judge vowed recently to accelerate judicial reform in a bid to enhance independent court trials. Speaking at the opening ceremony of a national conference for senior judges in Beijing, Supreme Court President Xiao Yang said that all levels of courts should conduct court trials independently and impartially. President Xiao's remark came shortly after the cen-

132. Id.
Central government in Beijing announced a series of measures—most of which will come into effect on January 1, 2002—to improve the professional standards of judges. The reforms include an amended Judge Law that stipulates the minimum education and work experience required for all levels of prosecutors and judges. (According to one of the amendments, a candidate for a higher court judgeship must have a master in legal studies and have been practicing for at least three years.) A regulation requiring all potential judges to pass an exam before they are appointed will also be implemented in 2002. The Supreme Court also recently introduced a regulation stipulating the procedures required to remove incompetent or corrupt judges. These measures to improve the professional standards of judges are very noteworthy. However, without fundamental support for the judicial system, judges with excellent legal backgrounds and trial skills may still have to abide by instructions from local government or senior officials. An independent judicial system is the only guarantee of non-interference from local government officials and ministries to compel China forward on its way to becoming a nation ruled by law.

133. Id.
134. Id.
135. Id.
136. Id.
137. Id.