

The Theoretical Analysis of Anti-Dilution Doctrine for China's Well-Known Trademark Protection

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Abstract—Trademark dilution doctrine embodies the expansion of trademark infringement from the traditional confusion doctrine. It provides a broad protection for the exclusive rights of well-known trademarks. Due to the fact that Chinese scholars have done much theoretical research on dilution doctrine and Chinese courts have applied the anti-dilution doctrine theoretically and practically to make some rulings in the judicial practice of well-known trademark protection, it is suggested that the anti-dilution doctrine should be incorporated in the CTL.

Keywords—Trademark dilution; well-known trademark; infringement; protection

I. INTRODUCTION

Trademark dilution, originally raised by Professor Frank Schechter, was defined as “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. [1]” In the U.S. Federal Trademark Dilution Act, dilution is deemed as the lessening of the distinctiveness or uniqueness of a famous mark without considering the existence of competition between the mark owner and other parties, or likelihood of confusion, error or deception [2]. Dilution doctrine regards the mark's power to generate sales as its primary value. The objective of the anti-dilution statute is to hinder the trademark from being diluted—i.e., weakening the sales ability and value of established trademarks through unauthorized use of dissimilar products by others [4]. The anti-dilution statute is applied to prohibit the use of famous marks on non-competitive, non-confusing goods when such use may result in an injury to the mark owners' business reputation and weaken the distinctiveness and uniqueness of the mark. Up to date, the trademark protection against dilution in China is reflected in the legal system of well-known trademark protection. The current Chinese Trademark Law (CTL), the Provisions on the Determination and Protection on Well-known Trademarks (PDPWT), and the Judicial Interpretation Regarding Applicable Laws for Several Issues Involving Protection of Well-known Trademark in Civil Dispute set the regulatory regime of well-known trademark protection, but can the anti-dilution doctrine be incorporated into Chinese trademark legal system? The following part will discuss this possibility based on the theoretical research by Chinese scholars and some judicial cases which have been decided by the courts.

II. PROTECTION OF EXCLUSIVE RIGHTS OF WELL-KNOWN TRADEMARKS

The exclusive rights of the well-known trademark are extensive. In the Opposition procedure, as well as Invalidation or Review of Refusal proceedings, a party may request for recognition of its well-known trademark in accordance with Article 13 of the CTL, submit relevant materials to prove the trademark is well-known and seek for protection. If the well-known marks are registered under the CTL, the exclusive rights extend across different categories, including all kinds of commodities and services. However, protection for registered but not well-known trademarks only extends to use in commodities or services identical or similar to those of the mark owner [5]. Where a third party has registered a well-known trademark as an integral part of its enterprise name, which is likely to cause the public confusion, regardless of whether the well-known mark is registered or not, the well-known mark holder may apply to the enterprise registry to cancel the enterprise name and demand the infringing party be accountable under the Anti-Unfair Competition Law [6]. With the fast development of the internet, the cyber-squatting to the well-known trademark is becoming increasingly serious. If a party has registered and used the domain name identical or similar to the mark holder's trademark, which may cause the public confusion, the mark owner can apply for the recognition of his mark to be well-known by the People's Courts and sue the party's infringement for unfair competition to impede him from using the mark as a domain name [7]. According to Article 4 of PDPWT, the recognition of well-known trademarks follows the principle of case by case confirmation and only upon request by the trademark owner. Protection for the well-known trademarks that are registered and unregistered is different. If infringement happens to the registered well-known trademark, the infringers should not only be prohibited the conduct of infringement, but also be liable for the civil responsibilities of paying damages. If infringement involves a reproduction, an imitation or a translation of a well-known trademark or the major part of a well-known mark of another person unregistered in China, which is likely to confuse the consumers, the infringers should cease the infringement but without bearing other civil responsibilities [8].

III. THE MAIN CONTENTS OF DILUTION DOCTRINE

Trademark dilution is generally categorized into two forms: blurring, and tarnishment. Since the birth of the internet and the application of search engines to identify the web resources, cyber-squatting is considered to be the newest form of trademark dilution, because it diminishes the capacity of right holder's mark to identify and differentiate his goods and services on the internet. As a classic type of dilution, blurring is described as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. [9]" Blurring takes place when a junior, unauthorized use of a senior, famous mark is recognized by consumers, and the senior mark's distinctiveness and selling power are undermined because the consumers cannot recall the famous mark and the unique association of one mark in consumers' mental connection with another is spoiled owing to the consumers' exposure to the mark in unrelated contexts [10]. Dilution by tarnishment, is defined as "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark, [11]" and actions for dilution can be taken without considering whether there is actual or possible confusion, or competition or actual economic damage [12]. It is treated as "evaluation dilution [13]" or dilution of the "quality representation function of a trademark" [14] by some scholars. Dilution by tarnishment may occur in the situation when the junior's use of the famous mark without authorization dilutes the mark by tarnishment or degrading the distinctive quality of the senior's mark by association with unsavory images or ideas [15]. Cyber-squatting, as the newest accepted type of dilution and trademark infringement on internet, decreases "the capacity of the plaintiff's trademark to identify and distinguish the plaintiff's goods and services on the internet. [16]" Cyber-squatting happens in the situation when an applicant intends to register a domain name which is identical or similar to right holder's trademark in a bad faith, however, the holder of the domain name does not hold any other prior right in the domain name's mark or the holder knowingly reserves the domain name for the purpose of merely selling it to the mark owner for profit instead of actually using the domain name.

IV. INFLUENCE OF DILUTION DOCTRINE TO CHINESE THEORETICAL RESEARCH AND JUDICIAL RULINGS

In China there is no particular trademark dilution legislative. The trademark protection against anti-dilution is embodied in the regulation of well-known trademark protection. The CTL amended in 2001 and in 2013 stipulated the well-known trademark protection in Article 13, which reached the international level required in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). The protection scope of well-known trademark is extended to unregistered well-known trademark and registered well-known trademark which is used on the non-identical and dissimilar products. In addition, the Article 14 and 41 of the CTL, and the Article 5, 45 and 53 in the Implementing Regulation are related to the well-known trademark protection. Moreover, the Article 3, 6 and 13 in the Provisions on the Determination and Protection on Well-known Trademark give some complements. The prerequisite of well-known trademark protection is "likely to

cause confusion" and "mislead the public". So it is considered not to break away from the traditional confusion theory. The dilution doctrine is actually applied in the judicial practice in Chinese courts.

A. Import of Anti-Dilution Doctrine in Judicial Interpretation

In 2009 the Supreme People's Court (SPC) issued Interpretation on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Famous Trademarks, (Judicial Interpretation on Protection of Famous Trademarks) explaining the meaning of "likely to cause confusion" and "mislead the public" in Article 9, from the explanation it can be seen that the meaning of "misleads the public" in paragraph 2 has gone beyond the traditional confusion theory. The expressions of "lessen the trademark's distinctiveness", "tarnish the mark's market reputation" and "utilize the mark's market reputation in an improper manner" are apparently equivalent to the adoption of anti-dilution doctrine. This judicial interpretation broadens the traditional theory of trademark infringement to differentiate from confusion doctrine, which symbolizes the fact that the anti-dilution doctrine has been used to safeguard the well-known trademark in China. Although some scholars have shown great concerns and objection to the adoption of dilution doctrine, thinking that it is probable to exacerbate the imbalance between the well-known trademark owner's interests and the public interests in practice [17], the fact that many Chinese courts have applied the dilution doctrine to decide the judicial cases has proved that China's well-known trademark protection has reached a new milestone.

B. Research of Dilution Doctrine by Chinese Scholars

Since the CTL was amended in 2001, it is deemed that the confusion theory has been introduced into Chinese trademark legislative and the confusion theory has been treated as the basis of deciding trademark infringement. Article 13 of the CTL sets the standard of well-known trademark protection. Many scholars maintain that the standard is the legal basis of dilution doctrine being applied into the trademark legal system and the detailed explanation of the Article 13 of the CTL in Judicial Interpretation on Protection of Famous Trademark has established the anti-dilution protection for the well-known trademarks in China. In the light of the Article 9 of Judicial Interpretation on Protection of Famous Trademark, the conditions to initiate the remedies to trademark dilution include: (1) object of protection is registered well-known trademark in China; (2) the relevant public deem that the sued trademark has some associations with the well-known trademark on some degree; (3) the distinctiveness and the uniqueness of the well-known trademark are diluted or diminished and the market reputation of the well-known mark is degraded; (4) the well-known trademark seeks for protection on non-identical or dissimilar products [18].

C. Application of Anti-Dilution Doctrine in Chinese Judicial Rulings

The issuance of Judicial Interpretation on Protection of Famous Trademark in 2009 establishes the legal basis for the judges to apply the Anti-Dilution doctrine. In some judicial

cases, Article 13(3) of the CTL and Article 9(2) of the Judicial Interpretation on Protection of Famous Trademark were utilized by the courts without exception when explaining the damages of interests caused by the infringement. Four modes of applying dilution doctrine are summarized in the Chinese rulings: indirect application, direct application, supplementary application and independent application.

In the indirect application, the judges are making some interpretations and explaining the consequential damages of interests which are far from the institutional explanation on the basis of the confusion doctrine, the dilution doctrine will be applied though no terms of “dilution” or “association” appear in the judgment. It seems that the judges would like to interpret and demonstrate the contents of the legal systems without using the word “dilution”. For example, in *Cartier International N.V. v. Hangzhou Cartier Grand Hotel* [19], the court of first instance, Zhejiang Hangzhou Intermediate Court applied confusion doctrine to explain the plaintiff’s damages of interests. The court confirmed that the plaintiff’s trademark “Cartier” was well-known based on all the evidences and demonstrated that the defendant, Cartier Grand Hotel’s protruding use of “Cartier” would attract the attention of the relevant public, misled them to think the defendant’s service came from the plaintiff, or it had some particular connection with the plaintiff, this misleading and confusion would diminish and lessen the distinctiveness of the well-known trademark, damaging the plaintiff’s interests. Meanwhile the defendant used “Cartier” as its enterprise name, misleading the public to think that the Cartier Grand Hotel had some connection with the plaintiff, actually taking advantage of the plaintiff’s well-known trademark’s good reputation to improve its own popularity. Hence, the defendant’s behavior of violating the principle of good faith constituted an unfair competition. When the case was appealed, Zhejiang High People’s Court reconfirmed that the registered trademark “Cartier” was well-known with high popularity and reputation, “the defendant’s outstanding use of ‘Cartier Grand Hotel’ was enough to make consumers think Cartier Grand Hotel had some special connection with Cartier International N.V., decreasing the sole and particular relationship between ‘Cartier’ trademark and the mark owner, which not only misled the public, but also damaged the interests of Cartier International N.V. [20]” Therefore, the courts were in essence applying the dilution doctrine to explain the connotation of “confusion” and “misleading the public” but did not use such terms as “dilution” or “association”. The direct application means “that judges not only apply the relevant contents of the dilution doctrine in their statement, but also directly use the term ‘dilution’ to summarize the nature and consequences of infringement. [21]” For example in *ZIPPO Manufacturing Co. v. Cixi Fuhai Tangfeng Plastic Factory* [22], Zhejiang High People’s Court recognized that the plaintiff’s trademark “ZIPPO” was well-known and applied the contents of dilution doctrine to explain that the defendant’s registering the trademark “ZIPPO” on different products and the domain name on the internet was malicious, the defendant improperly used the market reputation and good fame of the plaintiff’s well-known trademark, which was enough to mislead the public to think that the defendant had a certain connection with the well-known trademark, or think the infringed products were

produced by the plaintiff, or think that defendant’s using the well-known trademark was authorized by the plaintiff. This misleading conduct was certain to diminish the distinctiveness of well-known trademark, degrade the good reputation and dilute the publicity of well-known trademark, causing substantial damages to the plaintiff’s interest. Supplementary application refers to the situation when the judges, in demonstrating the defendant’s behavior has constituted trademark infringement and unfair competition, prove the legitimacy of their adjudications on the basis of the legal system and theoretical basis--confusion doctrine, and then they demonstrate the defendant’s behavior and its consequences may diminish the nature and cause the damages of dilution to a well-known trademark to further reinforce the legitimacy of their adjudications [22]. Independent application means the judges independently applied the dilution doctrine instead of confusion doctrine in determining whether the defendant’s conduct constituted an infringement to the plaintiff’s well-known trademark [22]. The judges made their rulings completely based on the dilution doctrine rather than confusion doctrine in demonstrating the reasonableness of their court decision.

V. SUGGESTIONS TO ESTABLISH ANTI-DILUTION SYSTEM IN CHINESE TRADEMARK REGIME

Considering the fact that much research on the dilution doctrine has been done and many Chinese courts have utilized Anti-Dilution doctrine to adjudicate cases, the anti-dilution system should be established in Chinese trademark regime and it is necessary and feasible to import anti-dilution system in Chinese trademark legislation.

A. Feasibility of Importing Anti-Dilution Doctrine in the Well-Known Trademark Protection

In the CTL, although the regulation in Article 13 of “may mislead the public and cause damages to the interests of the well-known trademark owner” is different from that in the Article 16(3) of the TRIPS, the meaning of “mislead the public” contains both “confusing others” and “associate others with”, which includes the meaning of “blurring” and “tarnishment”. The explanation of the Article 13 of the CTL in the Judicial Interpretation on Protection of Famous Mark embodies the Chinese resolution to fulfill the commitment of strongly protecting international well-known trademarks after accession to World Trade Organization, as well as provide forceful protection for the domestic well-known trademarks [23]. The regulation of Article 13 in the CTL and judicial interpretation show that the legal basis of dilution doctrine has been established in China.

B. Hearings in the Judicial Practice Have Built the Foundation for Adding Anti-Dilution in the Trademark Law

Since the well-known trademark was introduced into the trademark regime, the Chinese courts have begun the trial and cognizance of well-known trademarks. The SPC and the local courts often publish “Ten Classical Well-Known Trademarks Cases”. Taking the ten classical well-known trademark cases issued by SPC in 2005 as examples, in the second case *China*

Sinochem Group Corp. v. Zhejiang Sinochemical Network Inc. and Shanghai Sinochem Network Co. Ltd. [24], Beijing No.1 Intermediate Court held that the plaintiff's trademark "SINOCEM" was well-known, and the defendant's business scope was related to the chemical area. The defendant's intention was obviously to free-ride the plaintiff's reputation, causing the well-known trademark "SINOCEM" to be diluted, and constituting an infringement and unfair competition. The cognizance of well-known trademarks by the peoples' courts, such as "SINOCEM", "SAFEGUARD", "GOME", "ROLEX", "WALMART", "NIPPONPAINT", "DUPONT", etc. as well as other well-known trademarks, such as, "ZIPPO", "CARTIER", "NIKON", "QINGHUA", "INTEL", "JEEP", "SWAROVSKI", "ASTON MARTIN", "TISSOT", "MOBIL", "HÄAGEN-DAZS", "MICHELIN" and so on have shown that anti-dilution doctrine has been applied several times in the Chinese judicial practice. All the hearings involving the above well-known trademarks made by the courts indicate that the foundation of applying anti-dilution doctrine has been established in the judicial practice.

C. Prospect of Establishing Anti-Dilution Doctrine in the Trademark Law

The development of Dilution Doctrine in the west and theoretical study and application of Dilution Doctrine in China indicate that in the well-known trademark protection, we cannot ignore the foreign theories and practices are constantly bringing forth new ideas, and we cannot avoid the issues of basic theory in the judicial cognizance of well-known trademarks, as well as the issues of well-known trademarks protection with Chinese characteristics. It can be said that Article 9 (2) of Judicial Interpretation on Protection of Well-known Trademark has milestone significance in the development of anti-dilution system in China's registered well-known trademark protection [25]. After a period of historical progress, the anti-dilution system of well-known trademark stands at the new starting point of protection, facing new protection situation and demand, and further strengthening the standardization of judicial protection for the well-known trademark as the focus of the new historical period [26].

VI. CONCLUSION

The well-known trademark holders input a great deal of labor on their trademark, making the trademark possessing independent property value, which cannot be fully safeguarded only by traditional confusion theory. The development of trademark dilution theory reflects the expansion of trademark infringement from the confusion doctrine. The CTL provides well-known trademark protection, however, it is just limited to the traditional confusion doctrine. The fact that Chinese scholars have done much theoretical research on dilution doctrine and Chinese courts have applied the anti-dilution doctrine theoretically and practically to make some rulings in the judicial practice indicates that it is feasible and significant to import and establish anti-dilution system in Chinese trademark legislation. Although there still exist many different opinions and oppositions, it cannot be denied that the legal basis to incorporate anti-dilution doctrine in the CTL has been

set up, so it is strongly recommended that a prospective anti-dilution system with Chinese characteristic be established.

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