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前言

这篇论文的题目是在中国的品牌保护，尤其是在电子商务平台上的品牌保护。如今在中国，电子商务越来越重要，越来越多消费者选择在电子商务平台上买东西，因为比在实体商店价格便宜、选择范围大，很方便。尽管电子商务有很多好处，也有一些缺点。山寨的问题是最大的缺点之一。不幸的是，中国以假冒产品的生产和分销而闻名于世。随着经济的稳步发展，中国开始推动与国外的商业交流。为了提高销售额并增加收入，目前很多国际知名品牌愿意进入中国市场。电子商务和商业平台帮助了外国公司把它们的产品卖到中国，因为在这些平台上，中国消费者可以更容易地购买在实体商店找不到的各种各样的国外产品。可是在电子商务平台上控制冒牌货很难，所以很多店铺卖这种产品，消费者购买冒牌货的可能性高。在国际上，自 19 世纪以来西方国家开始通过国际条约和公约，比如说《巴黎公约》、《与贸易有关的知识产权协议》和《马德里协定》。这些条约的主要目的是规范知识产权并限制商标侵权行为。在中国，直到 80 年代，知识产权的保护监管尚不完备。为了减少甚至避免伪造问题，近些年中国政府在努力改进知识产权的保护。以国际知识产权法为榜样，中国政府最近通过了新的知识产权保护法，比如说版权法、专利法和商标法。这些法律都为中国知识产权制度做出了贡献，但是还有一些问题，因为知识产权执法力度不强。为了解决这个问题，中国政府对于保护知识产权采用了更为严格的标准，并成立了特别知识产权法院。一些电子商务平台，尤其是阿里巴巴，它们也努力采取必要的措施，以便有效地保护商标持有人的利益。并且，品牌与专门机构合作。这些专门机构为公司提供保护战略和高质量的监测服务。

这篇论文的第一章说明知识产权保护的国际情况，尤其是品牌和商标的保护。首先，最重要的是了解品牌和商标之间的区别。品牌可以是一个独特的标志或者一个词，它的使用是为了区分一家公司和其它公司的产品。商标的目的也一样，但是商标只有具体的意义，跟法律领域有关系。品牌还有抽象的意义，跟消费者对品牌的看法有关系。商标侵犯和造假之间也有区别。有两种商标侵犯。第一种是可

能产生混淆的侵犯，意思是一个商标跟别的已经注册的商标一样，用商标的产品或者服务也一样，所以消费者会错误地认为提供产品的公司一样。也有别的情况：一家公司用一个商标，如果这个商标跟一个知名品牌的商标一样，有可能这家公司故意地利用别的名誉。虽然两家公司提供的产品和服务不一样，这个情况会引起侵犯商标的问题。造假是一种商标侵权，可是跟普通的商标侵权不一样，因为造假可根据刑事诉讼予以惩罚。近年来，随着电子商务的稳步上升，世界上在线零售平台找到、购买仿冒品越来越容易。根据国际商会和国际商标协会的估计，2020年的仿冒品和盗版品的国际贸易值为9590亿美元。仿冒品对全球工业和经济有负面影响，比如说对贸易收入产生直接影响，对国家失业率和经济发展产生间接影响。为了解决全球不断增加的仿冒商品贸易问题，国际社会通过了一些国际协定和公约。在这些协定和公约中有确定商标保护标准的《与贸易有关的知识产权协议》和《巴黎公约》、确定登记制度的《马德里协定》和确定国际分类系统的《商标注册用商品和服务尼斯协定》。其中最为重要的是《与贸易有关的知识产权协议》（以下简称“协议”）。协议是1994年签署的，它最重要的条款是规定商标所有人权利的第16条。为了提高知名品牌商标的保护程度，协议和巴黎公约包括一些特定条款。比如说，巴黎公约的第6条规定：如果两个商标差不多一样，这个情况会给消费者造成混淆，所以商标所有人可以要求其它的商标注册被取消。协议包括巴黎公约的6条款，并且拓宽了知名商标保护的範圍。除了协议和巴黎公约，国际社会还通过了世界知识产权组织做出的《关于保护驰名商标的规定的联合建议》。这篇《建议》提供一套指引，它的目的是帮助国家提高驰名商标的保护力度。这些国际协议和公约对中国的知识产权保护制度有了很大的影响。中国的知识产权立法方面可以分为两部：第一个是从1978年到2000年，第二个是从2000年以来。在2001年，中国加入了世界贸易组织（以下简称“世贸”）和“协议”，所以中国只好调整国内的法律以适应世贸的规定。在2000年8月至2001年10月期间，中国政府修改了专利法、商标法和著作权法。虽然中国努力加强它的知识产权保护制度，但是还有一些问题。比如说，在2017年，美国贸易代表署做出了《2016年中国履行世贸承诺报告书》。该报告突出说明中国知识产权保护制度的弱点，比如说知识产权的执法不力，以及盗版行为和仿冒品等很多的问题。

由于中国的造假程度很高，使得很多外国企业，比如说苹果、爱马仕、路易威登等，对中国市场望而却步。为了避免这个问题，中国政府在积极努力改进原有的知识产权制度。近年来，中国政府作出了一系列的新措施。其中，最主要是商标法的修正、知识产权法院的设立和电子商务法的草案。这些新措施于 2014 年中国商标法的修正生效了。2014 商标法的主要目的是：

- 提高商标持有人利益的保护，
- 维持公平的竞争环境，
- 加强反假冒法律的执行。

这些改进后的措施提供了一些创新性的条款。比如说，它在原有的法案的基础上，添加了侵犯商标的新类型和惩罚性措施，并且提高了驰名商标的保护程度。新出的电子商务法的草案也很重要，因为它明确定义了电子商务平台的法律责任。这是第一次电子商务平台，比如说淘宝和天猫，被定义为“法律实体”。又例如，电子商务法的 55 条也禁止一些不正当竞争的行为。

第三章的内容和在线品牌保护有关系。有三种主要电子商务：企业对企业（B2B）、企业对消费者（B2C）和消费者对消费者（C2C）。其中，B2C（企业对消费者）是现有电子商务主要的类型，尤其是在中国和美国。在中国，最重要的 B2C 的电子商务平台是阿里巴巴的天猫（它占 54% 的电子商务市场）和京东（它占 22% 的市场）。最重要 C2C 平台是淘宝网。虽然中国电子商务平台的快速发展为国际品牌进入中国市场带来了便利，但是外企仍然面临一些风险。最大的风险是知名品牌的产品被伪造。在电子商务平台很容易找到并购买仿冒品，尤其是手表、手包和首饰。世界上，关于仿冒品的在线销售，所占比例最高的国家中有中国（54%）、俄罗斯（25%左右）和马来西亚（10%左右）。因此，为了有效地打击假冒品，也为了安全地把它们的产品出口到中国，品牌需要完善自己的战略和应对风险的措施。其中，第一步就是需要监督商标的注册申请正确。在中国有两种商标登记程序：第一个是通过国际注册，第二个是通过国家工商行政管理总局商标局。除了商标注册之外，品牌还需要和专业的知识产权公司制定特

殊战略。比如说，不间断监测电子商务平台、一致的执法行为、把反假冒的二维码采用到品牌的产品等。

本论文的最后一章分析中国的电子商务市场和阿里巴巴集团的重要性和它的问题。第二部分分析阿里巴巴的伪造问题、它采取的反制措施和知名品牌对阿里巴巴集团提起的诉讼。跟据统计，中国是世界上最大的电子商务市场，2019 年预计将达到全球在线零售市场的 50%。中国电子商务市场的快速增长的主要原因是中国的在线买家数目很高，在 2016 年它们为 4.7 亿人左右。中国的电子商务市场有一些主要特点，与其它国家的电子商务市场很容易区分。由于中国越来越多中国消费者对知名品牌产品感兴趣，所以提供这种产品的电子商务平台获得成功，比如说，阿里巴巴的天猫国际对消费者提供国外进口产品，它取得了很大的成功。别的特点是在中国电子商务市场，买东西的时候越来越多消费者喜欢使用他们的手机，所以移动商务有了很大的成功。在电子商务平台中，最重要是阿里巴巴集团的平台。由于阿里巴巴平台的伪造问题很大，比如说在淘宝或者天猫很容易找到仿冒品，所以阿里巴巴采取了一些新的反制措施。虽然阿里巴巴努力打击假冒品，但是伪造的问题还不解决。

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FIRST CHAPTER

BRAND PROTECTION

1.1. What is Brand Protection?

Brand protection is nowadays a common issue in the global market, especially when referring to online marketplace. It means preventing someone from illegally making and selling a product using a brand name that is owned by another company.¹ This concept is strictly related with the concept of counterfeit.² However, before focusing on brand protection, it is useful to fully understand the concepts of brand and trademark, what benefits they can bring to a company and related issues.

1.1.1. The Concepts of Brand and Trademark

The concept of “brand” (*pinpai* 品牌) is much more unclear and hard-to-define than the concept of trademark, and sometimes the two words seem to indicate the same idea. Dictionaries define a brand as “a design, a sign, a symbol, a word that is characterised by its unicity and it is used to create an image that identifies a product, differentiating it

¹ *Brand Protection*, in “Cambridge Dictionary”, <http://dictionary.cambridge.org/it/dizionario/inglese/brand-protection>, 16-03-17

² According to the definition provided in the official text of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) a counterfeit trademark goods means “any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation”. In TRIPS Agreement, there is also a distinction between counterfeits and pirated copyright goods, which are defined as “any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation”. (*Agreement on Trade-Related Aspects of Intellectual Property Rights*, Section 4, Art. 51, Footnote 14)

from products of competitors”.³ Dictionaries’ definitions are clear, but can be a little too simplistic. A brand is more than just a concrete sign, it relates to what consumers think when hearing a brand name, both in a factual and emotional way. It is therefore possible to distinguish between “brand name”, which indicates the name related to the source of a product or service, and “brand”, which implies the perception customers have of a certain product.⁴ According to this definition, the word “brand” encompasses a wide range of meanings. On the contrary, a trademark (*shangbiao* 商标) is a concept more related to the legal sphere.⁵ A trademark is a sign or a symbol, it can have a graphic representation, and its main purpose is to allow the consumer to distinguish between a certain product or service from a similar product or service provided by a different company. Trademarks are mostly visual, but can also be auditory, and it is possible to say that they are in fact the graphical or physical representation of a brand.⁶ They are protected by intellectual property rights (IPR).⁷

Branding is an important tool for businesses all over the world that aim to expand their market share in other countries. An effective way to establish a strong relationship between the brand and its consumers is to use a distinctive and easy-to-remember name: its trademark. While selecting a trademark, it is important to avoid “likelihood of confusion”⁸ and similarity with other already registered marks. In addition, it is

³ “Business Dictionary”, <http://www.businessdictionary.com/definition/brand.html>, 25-03-17

⁴ Jerry MCLAUGHLIN, *What is a Brand, Anyway?*, in “Forbes”, 2011, <https://www.forbes.com/sites/jerrymclaughlin/2011/12/21/what-is-a-brand-anyway/#23f9d4d72a1b>, 25-03-17

⁵ Mark SMITH, *What’s the difference between a brand and a trade mark?*, 2015, in “Mark Smith Attorneys” website, <http://marksmithattorneys.co.za/whats-the-difference-between-a-brand-and-a-trade-mark/>, 25-03-17

⁶ For a wider and complete explanation on what is a trademark and related issues, refer to: Daniel HUNTER, Dennis PATTERSON, *The Oxford Introduction to U.S. Law: Intellectual Property*, Chapter 4 “Trademark”, pp. 131-183, Oxford University Press, 2012

⁷ About international trademark protection, registration procedures and other relevant issues related to trademark and intellectual property rights, refer to World Intellectual Property Organization (WIPO) website, www.wipo.int

⁸ The United States Patent and Trademark Office (USPTO) states that a likelihood of confusion can exist when the trademark of the applicant and a trademark already registered are similar and the goods or services provided by the parties are related such that consumers would mistakenly believe they are provided by the same source. If trademarks are similar but the services and goods are not related, it is not enough to state that likelihood of confusion exists; the same reasoning is applicable in the reverse

recommended to choose a trademark that is considered “strong” in a legal sense, which means a trademark that is unlikely to be used by a non-authorized third party. On the contrary, choosing a so-called “weak” trademark it is considered more dangerous, due to the fact that it most likely is descriptive and other parties may be already using it to describe their goods or services, and it is therefore more difficult and costly to protect.⁹

1.1.2. Trademark Infringement and Counterfeiting

General Concepts

Trademark infringements can be divided in two types:

- Infringements involving confusion.¹⁰ In this case, a trademark infringement may occur when a company uses a trademark identical or similar to a registered trademark¹¹ for selling or promoting identical or similar products or services. The use of the trademark may create likelihood of confusion in the public, which

situation. This means that two identical marks can coexist as long as services and goods provided are not the same. (*Protecting Your Trademark*, issued by USPTO, 2014, pp.2-3)

⁹ *Protecting Your Trademark*, cit., p.5

¹⁰ Infringements involving confusion can be distinguished in two types: primary and secondary infringements. In primary infringements, the trademark used is identical to the registered trademark, and products and services traded are identical to the products and services provided under the registered trademark. In secondary infringements, a likelihood of confusion may arise because of similarity or identity between the two trademarks and products or services provided. (*The Enforcement of Intellectual Property Rights: A Case Book*, 2012, pp. 82-83, in “WIPO”, http://www.wipo.int/edocs/pubdocs/en/intproperty/791/wipo_pub_791.pdf, 12-04-17)

¹¹ In case of unregistered trademarks, there is no remedy in case of infringement. Under Common Law, some trademarks may be protected against infringement even if they have not been registered, through a practice known as Passing off. The protection of an unregistered trademark in Common Law jurisdictions (for instance Canada, United States, United Kingdom) depends on several elements, such as the extent of the similarity existing between the two trademarks, if there is likelihood of confusion, the damages that this confusion among public can damage the company, to what extent the owner of the unregistered trademark was trading using this trademark. Furthermore, the remedy of passing off is related to a particular geographical area, which means that not in every area or country this practice can be applied. Generally speaking, in Common Law countries the rights on a trademark are granted mainly by its use, while in Civil Law countries the rights on a trademark are protected through registration. (*Intellectual Property Crime and Infringement*, 2016, in “gov.uk”, <https://www.gov.uk/guidance/intellectual-property-crime-and-infringement#contents>, 12-04-17)

may mistakenly believe that the goods and services are provided by the same company, because of the similarity between the two trademarks.¹²

- Infringements may also occur if a company uses an identical or similar trademark in order to take advantage of the reputation of a registered trademark, or if the use of the trademark causes damage to a registered trademark.¹³ This situation may arise even if products and services are not similar to products and services related to the registered trademark.¹⁴ This type of infringement applies to well-known trademarks.¹⁵

If identical trademarks are used in correlation with identical products there is a rise of confusion. From an international perspective, TRIPS Agreement deals with this problem in Art. 16(1)¹⁶, where is stated that the use of identical sign for identical goods or services can give rise to presumption of confusion. In such a case the confusion is to be presumed and there is no need to prove it providing means of evidence, therefore the protection provided to the trademark owner is absolute. In order for two trademarks to be defined as identical, the overall impression given by the two marks must be the same, including elements such as conceptual and visual similarities.¹⁷

It is essential to distinguish between an ordinary trademark infringement and counterfeiting. While counterfeiting is always a trademark infringement, a trademark infringement is not always an act of counterfeiting. An ordinary infringement is a civil wrong, but an infringement by means of counterfeiting can be potentially considered a

¹² *The Enforcement of Intellectual Property Rights: A Case Book*, cit.

¹³ *Ibid.*

¹⁴ *Intellectual Property Crime and Infringement*, cit.

¹⁵ TRIPS Agreement deals with infringements not involving confusion applied to well-known trademarks in Art. 16(3)

¹⁶ "In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed." (*Agreement on Trade-Related Aspects of Intellectual Property Rights*, Section 2, Art.16(1)

¹⁷ *The Enforcement of Intellectual Property Rights: A Case Book*, cit., p. 85

crime.¹⁸ This means that against a primary or secondary trademark infringement, a civil action can be brought.¹⁹ However, for counterfeiting activities a criminal action is also possible when certain conditions exist, such as wilfulness and counterfeit for commercial purpose.²⁰ In general terms, a trademark infringement is committed when there is a possibility of likelihood of confusion between the registered mark and the infringer's mark. Counterfeiting implies that the two trademarks are identical or indistinguishable, and the likelihood of confusion alone is usually not enough. In counterfeiting activities, the goods sold by the infringer are almost identical copies of the goods sold by the owner of the trademark. The purpose is to create confusion in the public, in order to take advantage of this confusion to sell counterfeit goods (*maopai* 冒牌).²¹

¹⁸ A trademark infringement is considered a tort, which is a civil wrong that is not related to the breach of a contract. It is the infringement of a duty imposed by a law, and not by agreement, therefore the person who commits a tort does not voluntarily undertake liabilities that are imposed to him. The distinction between crime and tort is based on the legal consequences of the act. While a crime is followed by legal proceedings, a tort is followed by civil proceedings (Denis KEENAN, Kenneth SMITH, *Smith and Keenan's English Law: Text and Cases*, Pearson Education, 2007, pp. 4-5). There are some features that distinguish tort law and criminal law. Among them, the person who violates criminal law is prosecuted by the state, while in tort law is the victim who decides whether or not bring a tort claim. Criminal law usually impose more severe sanctions, the punishment is theoretically proportional to the criminal act and it includes a wider range of fault or culpability. (Kenneth SIMONS, "The Crime/Tort Distinction: Legal Doctrine and Normative Perspective", *Widener Law Journal*, Vol. 17, 2008, pp. 719-725).

¹⁹ Usually in case of infringement, an IP rights owner is required to bring a civil action against the infringer. Among remedies there are: injunction (for instance a prohibitory injunction, by which a court can make an individual to stop doing a certain defined act, in this case acts that lead to trademark infringement); award of costs (the losing party pays the costs of the claim for the winning party); damages or account of profits (the infringer must repay the rights owner of a sum derived from his unjust enrichment obtained by unlawful utilization of a trademark, or he must pay damages to compensate the IPR owner); destruction of infringing goods. (*Civil and Criminal Remedies for Intellectual Property Infringement*, 2013, in "LexisNexis", <https://www.lexisnexis.com/uk/lexispsl/ipandit/document/393990/55YX-NS31-F18F-K4JX-00000-00/Civil-and-criminal-remedies-for-intellectual-property-infringement>, 04-05-2017)

²⁰ Xavier VERMANDELE, *Trademark Counterfeiting, Copyright Piracy, Commercial Scale*, presentation for the National Workshop on Enforcement of IPRs for Law Enforcement Agencies, 2016, available at "State Agency on Intellectual Property of the Republic of Moldova", http://agepi.gov.md/sites/default/files/2016/11/Topic_5_counterfeiting_piracy.pdf, 04-05-2017

²¹ *The Enforcement of Intellectual Property Rights: A Case Book*, cit., p. 499

From an international perspective, there are some obligations that are essential to criminalize the trademark counterfeiting. For instance, in Art. 61 of TRIPS Agreement²² it is stated that the primary obligation to the application of criminal procedures and penalties in case of counterfeiting activity is that trademark counterfeiting must be wilful and conducted on a commercial scale.²³ In TRIPS Agreement, the protection against counterfeiting and infringement is granted not only to trademarks applied to goods, but also to services.²⁴ In addition to wilfulness and commercial purpose, there are also other requirements that have to be met in order to criminalize counterfeiting, such as the infringed trademark must be registered to be protected and the registration must be valid; moreover, the counterfeiting activity must be conducted without authorization by the rights owner.²⁵

The Growth of Counterfeit Goods and its Impact on World Economy

At the 2016 Global Anti-Counterfeiting (GAC) Awards²⁶, James Nurton²⁷ said that “Counterfeiting is a significant and growing challenge for all intellectual property owners, and tackling it requires a mixture of investigative resources, technology, enforcement

²² “Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale.” (*Agreement on Trade-Related Aspects of Intellectual Property Rights*, Art. 61)

²³ *The Enforcement of Intellectual Property Rights: A Case Book*, cit., p. 500

²⁴ Under the TRIPS Agreement, both goods and service marks are protected against counterfeiting. However, in most countries there is a problem on interpretation that causes failure of criminalization of counterfeit of service marks. On the contrary, in some countries there is no distinction between counterfeiting related to trademarks or service marks. (*The Enforcement of Intellectual Property Rights: A Case Book*, cit., p. 500)

²⁵ *Ibid.*

²⁶ GAC Awards are given every year at a ceremony usually held on World Anti-Counterfeiting Day, by delegates of Managing Intellectual Property and the Global Anti-Counterfeiting Group (GACG) Network. These awards are a symbol of the development of the campaign to fight counterfeit in international trade. The awards are given to organizations, companies or individuals that have contributed to relevant achievements in combating counterfeiting activities. (*The Global Anti-Counterfeiting Awards*, in “Global Anti-Counterfeiting Network”, 2017, <http://www.gacg.org/news-media/gac-awards>, 05-05-17)

²⁷ James Nurton is the managing editor of Managing Intellectual Property, a source for news and analysis on topics related to intellectual property worldwide. Information available at their website www.managingip.com

and education.”²⁸ In the last fifteen years global counterfeiting activities have increased, helped by Internet and social medias. The Organisation for Economic Co-operation and Development²⁹ (hereinafter OECD) analysed global counterfeiting and published two studies, one in 2008 and the other in 2016, estimating that international trade in counterfeit goods has increased from 1.9% of total world trade in 2007 to 2.5% of world trade, with a growth rate of 0.6%.³⁰ According to another report prepared by Frontier Economics³¹ for the International Trademark Association (INTA) and the International Chamber of Commerce (ICC)³², the estimated value of domestic production and consumption of counterfeited and pirated goods accounted for a maximum of 456 billion USD, while the value of the total international trade in counterfeit and pirated products was 461 billion USD.³³ In the report there is also a forecast for the year 2022. Due to steady growth of counterfeiting activities, the value of domestic production and

²⁸ WIPO Building Respect for IP Division receives Global Anti-Counterfeiting Award, 2016, in “WIPO”, http://www.wipo.int/enforcement/en/news/2016/news_0001.html, 05-05-17

²⁹ The OECD is an international organisation established in 1961 whose main purpose is to promote policies, in order to enhance social and economic status of people at a global level. It counts 35 member states (Australia, Canada, France, Germany, Italy, Japan, Korea, Mexico, Switzerland, United Kingdom, United States and others). Among its main tasks there are: understand what are the factors that drive economic, social and environmental changes; forecast future trends; analyse and compare statistics; set standards that are acknowledged at worldwide level; promote innovation and environmental friendly solution to develop economies. (*About the OECD*, in “OECD”, 2016, <http://www.oecd.org/about/>, 09-05-17)

³⁰ The first study was issued in 2008 with the title “The Economic Impact of Counterfeiting and Piracy”. In this first report, it was estimated that the total value of trade related to counterfeit products was 250 billion USD. According to OECD second study on counterfeiting activities, issued in 2016 with the title “Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact”, the value of trade in counterfeit goods has increased to 461 billion USD.

(First study: OECD/EUIPO, *The Economic Impact of Counterfeiting and Piracy*, 2008, OECD Publishing, Paris. Available here: <http://www.oecd.org/industry/ind/theeconomicimpactofcounterfeitingandpiracy.htm>
Second study: OECD/EUIPO, *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact*, 2016, OECD Publishing, Paris. Available here: <http://www.oecd.org/gov/risk/trade-in-counterfeit-and-pirated-goods-9789264252653-en.htm>)

³¹ Frontier Economics belong to Frontier Economics Network, composed by two independent companies, one Australian and the other European, with offices in various European cities like Brussels, Dublin and London. (FRONTIER ECONOMICS, *The Economic Impacts of Counterfeiting and Piracy*, 2017, available at “INTA”, http://www.inta.org/Communications/Documents/2017_Frontier_Report.pdf)

³² Actually the report was prepared for Business Action to Stop Counterfeiting and Piracy (BASCAP), which was launched by ICC to connect businesses belonging to different industries and countries, in order to fight counterfeit activities and piracy worldwide. More information are available on ICC website: <https://iccwbo.org>

³³ Based on OECD 2013 data for counterfeiting in international trade, and on United Nations (UN) and Gross Domestic Product (GDP) data for counterfeiting in domestic production and consumption.

consumption is expected to reach a maximum of 959 billion USD, while the estimated value of counterfeit and pirated goods in international trade is 991 billion USD.³⁴ Because of its unstoppable growth, counterfeit activities represent today a threat for industries and economies worldwide, carrying negative economic effects. It has been found that physical counterfeit has a direct negative impact on trade revenues, and an indirect impact on countries' degree of innovation, unemployment and slower economic growth.³⁵





		2013	2022 (forecast)
	Value of counterfeit and pirated goods.	US \$1.13 trillion €882.6 billion	US \$2.81 trillion €2,194.7 billion
	Displacement of legitimate economic activity.	US \$597 billion €449.6 billion	US \$1,244 billion €936.8 billion
	Wider economic and social costs.	US \$898 billion €676.2 billion	US \$1,870 billion €1,408.2 billion
	Employment losses.	2.6 million	5.4 million

Figure 1: *The Economic Impacts of Counterfeiting and Piracy*. Source: INTA, available at: http://www.inta.org/Communications/Documents/2017_impact_study.pdf

Counterfeiting has a strong impact on the economic growth for several reasons. If IP rights are not protected, the incentives towards innovation may be weaker and this

³⁴ FRONTIER ECONOMICS, *The Economic Impacts of Counterfeiting and Piracy*, 2017, p. 22, available at "INTA", http://www.inta.org/Communications/Documents/2017_Frontier_Report.pdf

³⁵ Negative impact of counterfeiting has been analyzed by several organizations. Among them there is the U.S. Government Accountability Office (GAO), which is the source of this evaluation, related to impact of counterfeiting activities on U.S. economy. At 2016, it has been estimated that counterfeiting caused the loss of 2.5 million jobs and the amount of tax revenue losses in the G20 economies is equal to 60 billion euros. (*Measuring the Magnitude of Global Counterfeiting. Creation of a Contemporary Global Measure of Physical Counterfeiting*, report issued by Global Intellectual Property Center (GIPC), U.S. Chamber of Commerce, 2016, available at "The Global IP Center", http://www.theglobalipcenter.com/wp-content/themes/gipc/map-index/assets/pdf/2016/GlobalCounterfeiting_Report.pdf, 05-05-2017)

situation directly affects economic wealth by reducing the variety of products and services available for consumers.³⁶ Another direct consequence of counterfeiting is the rise of unregulated activities that substitute the formal and legal ones, regulated by governments. These activities are illegal and their activities have an impact on tax revenues and employment.³⁷

1.2. International Efforts for IPR Protection

The negative impact of counterfeiting on world economy has pushed governments in taking actions to reduce the incidence of counterfeiting and trademark infringement by protecting IP rights in a more efficient way.³⁸ Other than governments, since trademarks are becoming more and more internationalized, also global companies and their legal departments are giving importance to a correct filing and protection of the rights for the use of a trademark.³⁹ If not correctly protected, this can lead to intellectual property (IP) infringement, which can have a strong impact on a business' manufacturing, distribution, sales and marketing. If the name of a well-known brand is damaged by numerous infringements, for example counterfeiters place on the market inferior quality goods, consumers can have different recognition or lose confidence on that brand. Sometimes companies do not fully understand what is the real financial impact of counterfeiting, but it is important to recognize the influence of this illegal activity on business. Taking preventive measures in order to avoid the problem, such as a correct registration of the

³⁶ FRONTIER ECONOMICS, *The Economic Impacts of Counterfeiting and Piracy*, cit. p. 40

³⁷ However, the real economic impact of this substitution has been contested. In fact, it has been argued that if consumers purchase counterfeit products at a cheaper price and save money, they may invest these money in other economic sectors. Other than this, it has also been argued that counterfeiting activities may help least developed countries to have cheaper access to technology, improving their economic wealth. (*Ibid.*)

³⁸ *Counterfeiting and Piracy: not just about fake watches*, 2017, in "World Intellectual Property Review", <http://www.worldipreview.com/contributed-article/counterfeiting-and-piracy-not-just-about-fake-watches>, 09-05-17

³⁹ Thomas W. BROOKE, "Globalization of the World Economy and Brand Protection", *The Metropolitan Corporate Counsel*, June 2008, p. 27

trademark, and invest on anti-counterfeiting initiatives may be decisive.⁴⁰ The practice of protecting a brand in an international environment can be challenging and presents several difficulties, because the firm has to be certain that their trademark will be fully protected also in a different country, where can be present a different legislation, trademark registration procedures may not be the same⁴¹ and enforcement measures may differ.

Generally, a trademark registration has no extraterritoriality effect, which means that its protection can be obtained through national or regional registration, and is therefore protected within the borders of that country. There is no true international trademark registration that covers all jurisdictions, although this term is frequently applied to the Madrid Agreement Concerning the International Registration of Marks and the related Madrid Protocol⁴². However, there are some exceptions to the territoriality principle⁴³, such as the sale of counterfeits online⁴⁴ and well-known or famous marks.⁴⁵

⁴⁰ David R. COOPER, *4 Steps to a Profitable Brand Protection Program*, in "Law 360", 2015, <https://www.law360.com/articles/649440/4-steps-to-a-profitable-brand-protection-program>, 28-03-17

⁴¹ To register a trademark, usually a formal application must be filed at the national trademark office of the country or region where the applicant wants to protect the mark, or it is also possible to use WIPO Madrid System for international registration. For the application it is usually required to provide name and address of the applicant, a representation of the mark, a list of products and services that the applicants wants to be covered, and a filing fee. In many legislations it is not required that the mark has been already used before registration. Following the application, an examiner may evaluate the nature of the mark, if the format of application meets the requirements and if the trademark is considered sufficiently distinctive and unique, comparing it to other registered trademark in that country. The country where the trademark is registered also affect whether a registration will remain valid forever as long as it is periodically renewed, or if it is necessary to prove the continue use of trademark to guarantee the registration remains in force. (*Trademark Basics: a Guide for Business*, available at International Trademark Association (INTA) website, <http://www.inta.org/TrademarkBasics/Pages/TMBasics.aspx>, 27-03-17)

⁴² The Madrid Agreement and the Madrid Protocol will be further explained in a successive paragraph of this thesis. For more details refer to WIPO website, <http://www.wipo.int/treaties/en/registration/madrid/>

⁴³ For further information on territoriality principle applied to trademarks and related issues, refer to: Irene CALBOLI, Edward LEE, *Trademark Protection and Territoriality Challenges in a Global Economy*, "Elgar Intellectual Property and Global Development", Cheltenham (UK), Edward Elgar Publishing Limited, 2014

⁴⁴ Giving the fact that online commerce is widespread at world level, a national registration may have extraterritorial effect as a result of a litigation on the enforcement of trademark rights. An example can be provided by a three-factor test developed by U.S. federal courts for such purpose. (Lanning G. BRYER, *International Trademark Protection*, New York, International Trademark Association (INTA), 2015, p. 4)

⁴⁵ As further explained in a following chapter of this thesis, a well-known mark is a trademark that possess a high degree of recognition among consumers. It is possible to make a distinction between a well-known

Several efforts have been made to provide international protection to registered trademarks, and international agreements have been signed between countries to reach this common purpose. International treaties that affect trademarks can be divided in four categories:⁴⁶

- Treaties setting trademark protection standards (such as the Paris Convention and TRIPs Agreement)⁴⁷
- Treaties establishing multilateral filings and registration systems (such as Madrid Agreement and related Madrid Protocol)
- Treaties regulating international classification of trademarks (such as Nice Agreement)
- Regional treaties (treaties regulating trademarks in macro-regions as the European Union⁴⁸)

1.2.1. TRIPS Agreement (1994)

The Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter TRIPS Agreement) is a multilateral agreement on intellectual property that was signed in 1994 and became effective on January 1, 1995. It is administered by the World Trade Organization (WTO).⁴⁹

mark (which usually is protected by jurisdictions only for goods and services already associated with the trademark itself), and a famous trademark (protected from unauthorized use also for non-related products or goods). The owner of a famous trademark can be able to protect its IP rights even on a country where this mark is not used or registered. (BRYER, *International Trademark Protection*, cit. p.5)

⁴⁶ BRYER, *International Trademark Protection*, cit., pp. 5-13)

⁴⁷ The treaties and international agreements listed here will be further discussed in the following paragraphs of this thesis.

⁴⁸ See European Union Intellectual Property Office (EUIPO) website for further details on regulations on trademarks in the European Union (EU), <https://euipo.europa.eu/ohimportal/en/trade-marks>

⁴⁹ WTO is an international organization which regulates trade on a worldwide level. It has been established in 1995 and has its Secretariat in Geneva. Its main purpose is to reduce obstacles to international trade, therefore contributing to economic growth and development. This organization provides a forum of discussion to negotiate international agreements, which consist of 16 multilateral agreements (one of them is the TRIPS Agreement), effective in all WTO member countries. The two main WTO institutional

The TRIPS Agreement⁵⁰ regulates copyright, trademarks, geographical indications, industrial designs, patents, layout-designs of integrated circuits, protects undisclosed information and controls anti-competitive practices in contractual licenses.⁵¹ TRIPS Agreement has been seen as revolutionary, since it sets international obligations and standards concerning IP law and it makes possible to enforce these obligations through trade sanctions.⁵² Section 2 of the TRIPS Agreement⁵³ regulates trademarks. Article 15 sets the standard elements concerning trademark rights: provides a definition of trademark, regulates its registrability, publication and cancellation of its registration.⁵⁴ Article 16 is particularly relevant, because it defines the rights conferred to a trademark owner. Art. 16(1) provides that:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical

bodies are the Ministerial Conference and the General Council, and both are constituted by representatives of all member countries. The WTO main activities are: the reduction of obstacles on international trade by the adoption of rules and regulations; monitoring the application of these rules; monitoring and ensuring transparency of the members' trade policies; solve WTO agreements related disputes that can arise between members; conducting trade research; etc. Currently the WTO counts 164 countries as its members, included China, that entered in 2001. China's access in the WTO was controversial. China invested significant resources and efforts to meet the requirements to join the WTO, but there were also doubts related to its reluctance to cede sovereignty to international organizations, and to its legal institutions. For these reasons, many doubted China's real commitment and stated that China could not resist to WTO obligations, especially on market access, transparency or intellectual property. (Timothy WEBSTER, "Paper Compliance: How China Implements WTO Decisions", *Michigan Journal of International Law*, Vol. 35, Issue 3, 2014, pp. 548-549)

For further information on WTO, see www.wto.org

⁵⁰ For a more exhaustive and complete explanation of the TRIPS Agreement, refer to: Antony TAUBMAN, Hannu WAGER, Jayashree WATAL (edited by), *A Handbook on the WTO TRIPS Agreement*, New York, Cambridge University Press, 2012, available in "wto.org", https://www.wto.org/english/res_e/publications_e/handbook_wtotripsag12_e.pdf

⁵¹ *Overview: the TRIPS Agreement*, in "WTO", https://www.wto.org/english/tratop_e/trips_e/intel2_e.htm#tradesecrets, 31-03-17

⁵² Leroy J. PELICCI Jr., "China and the Anti-Counterfeiting Trade Agreement – ACTA Faith, or ACT Futility?: An Exposition of Intellectual Property Enforcement in the Age of Shanzhai (山寨)", *The Penn State Journal of Law & International Affairs*, Vol. 1, Issue 1, 2012, p.128

⁵³ *Agreement on Trade-Related Aspects of Intellectual Property Rights*, Section 2, full text of the Agreement available in "WTO", https://www.wto.org/english/docs_e/legal_e/27-trips.pdf

⁵⁴ *Agreement on Trade-Related Aspects of Intellectual Property Rights*, Section 2, Art.15

goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.⁵⁵

In Articles 16(2) and 16(3) of the TRIPS Agreement contain provisions on well-known marks, and strengthen the protection already provided by the Paris Convention⁵⁶ (Art. 6bis), which is mentioned and incorporated into the TRIPS Agreement. In the Paris Convention it is stated that members are obliged to refuse or cancel a trademark registration and must not allow the use of a trademark which is conflicting with a well-known mark.⁵⁷ TRIPS Agreement provides a clear set of rules, in order to enhance the recognition and protection of well-known trademarks. Compared to Article 6bis of the Paris Convention, TRIPS Agreement extends⁵⁸ the status of well-known trademark also to service marks.⁵⁹ Besides, Art. 16(2) provide a more comprehensive method to recognize a well-known mark, based on public knowledge and promotion activities. No definitions of “public” or “promotion of the trademark” are provided, recognising a broad range of complexity and flexibility.⁶⁰ Art. 16(3), as the previous one, incorporates a reference to the Paris Convention Art. 6bis⁶¹, but extend the protection of the rights of a registered mark also to services or goods that are not associated with the well-known mark. The use of the well-known mark in association with other types of goods

⁵⁵ *Agreement on Trade-Related Aspects of Intellectual Property Rights*, Section 2, Art.16(1)

⁵⁶ The Paris Convention is further discussed in this thesis

⁵⁷ *Overview: the TRIPS Agreement*, in “WTO”, https://www.wto.org/english/tratop_e/trips_e/intel2_e.htm#trademark, 31-03-17

⁵⁸ “Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services.” (*Agreement on Trade-Related Aspects of Intellectual Property Rights*, Section 2, Art.16(2))

⁵⁹ Service marks possess legal protection like trademarks, but while a trademark distinguish a product, a service mark distinguish a service. A service mark can be a symbol, a logo, a word or a name. A trademark can appear on a product or on its package, while a service mark usually can be seen on advertisements for services. (*Service Marks Law and Legal Definition*, in “uslegal.com”, <https://definitions.uslegal.com/s/service-marks/>, 31-03-17

⁶⁰ XIAO Mu, *The Evolution of Well-Known Trademark Protection in China*, 2016, Faculty of Humanities, School of Law, University of Manchester, pp.53-55

⁶¹ “Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered” (*Agreement on Trade-Related Aspects of Intellectual Property Rights*, Section 2, Art.16(3))

or services may indicate a connection between the mark and those products, and this association may damage the interests of the owner.⁶²

TRIPS Agreement deals with the problem of counterfeiting in Art. 51 and Art. 61 and provides provisions to prevent counterfeit goods from being released into the market. These provisions are related to protection at the borders. In footnote 14 to Art. 51, TRIPS Agreement provides a definition of counterfeit trademark goods, which are defined as:

[...] any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.

In Art. 51⁶³, state members are authorized to suspend the release of goods at their border, if the goods are suspected of being counterfeit products. It also states that the suspension applies to goods originated within the country borders as well as goods originated in a foreign country which are in transit in the member country. In Art. 51 it is also specified that the suspension of goods may be applied also towards goods that are meant to be exported.⁶⁴ From Art. 52 to Art. 60, the TRIPS Agreement describes how custom authorities shall deal with suspected counterfeit goods, for instance by requesting submission of proof of ownership of trademark rights⁶⁵, requiring an assurance, allowing the release of goods through payment⁶⁶, and other information

⁶² *Overview: the TRIPS Agreement*, cit.

⁶³ In Art. 51 of TRIPS Agreement is stated that state members shall allow a trademark rights owner to adopt measures in order to suspend goods that are suspected of being counterfeit. The right holder can submit a formal application to competent authorities to make customs authorities able to suspend the free circulation of the suspected counterfeit products. The article refer both to the importation or exportation of infringing goods. (*Agreement on Trade-Related Aspects of Intellectual Property Rights*, Art. 51)

⁶⁴ Lolwa ALFADHEL, "TRIPS and the Rise of Counterfeiting: A Comparative Examination of Trademark Protection and Border Measures in the European Union and the Gulf Cooperation Council", to be published in *Journal of Trade, Law and Development*, available at "Queen Mary University of London", <https://qmro.qmul.ac.uk/xmlui/handle/123456789/12503>, 03-05-2017

⁶⁵ *Agreement on Trade-Related Aspects of Intellectual Property Rights*, Art. 52

⁶⁶ *Agreement on Trade-Related Aspects of Intellectual Property Rights*, Art. 53

about the duration of suspension⁶⁷, wrongful detention of goods⁶⁸, right of inspection and information. These provisions are not applicable to small quantities of goods which have not commercial nature (for instance, products contained in personal luggage).⁶⁹ Art. 52, which allows custom authorities to request proof of ownership of trademark rights, may pose issues for what concerns well-known trademarks. Well-known trademarks may not be registered in the jurisdiction, but they are internationally recognized and protected even without a formal registration. The procedure custom authorities must follow to suspend this type of goods is longer, because they have to ascertain the status of well-known trademark and establish if the goods are infringing owner's rights in case of absence of registration documents.⁷⁰

Almost all the WTO agreements are effective in all 164 member countries of the WTO, therefore also TRIPS Agreement is applied to all its members. Since the Agreement is to be applied to a heterogeneous range of countries, the transition periods given to members to meet the required standards in order to access the Agreement are of different length. The transition period for developed countries was one year, for developing countries and transition economies five years, and for least developed countries was in total eleven years.⁷¹ China is both a member of the WTO and a member party of TRIPS Agreement. It accessed the WTO and the Agreement in the same year, in 2001.⁷² To comply with the requirements and enter the TRIPS Agreement, China made several efforts to revise its IPR (Intellectual Property Rights) protection system; among

⁶⁷ This duration can not exceed 10 working days after notification of suspension, if custom authorities have not been informed that proceedings on the case have been initiated or the duration of the suspension has not been extended by empowered authorities. In certain cases, this suspension may be extended by another 10 working days. (*Agreement on Trade-Related Aspects of Intellectual Property Rights*, Art. 55)

⁶⁸ *Agreement on Trade-Related Aspects of Intellectual Property Rights*, Art. 56

⁶⁹ ALFADHEL, "TRIPS and the Rise of Counterfeiting: A Comparative Examination of Trademark Protection and Border Measures in the European Union and the Gulf Cooperation Council", cit.

⁷⁰ *Ibid.*

⁷¹ *Frequently Asked Questions about TRIPS in the WTO*, in "wto.org", https://www.wto.org/english/tratop_e/trips_e/tripfq_e.htm#Who'sSigned, 31-03-17

⁷² HU, "International Legal Protection of Trademarks in China", cit., pp. 91-92

them there was the amendment of its Trademark Law in 2001 (*Zhonghua Renmin Gongheguo Shangbiaofa, 2001 Xiuzheng*, 中华人民共和国商标法, 2001 修正).⁷³

1.2.2. Paris Convention (1883)

Before the existence of any international agreement regulating industrial property there were various practical problems, for instance it was difficult to obtain protection for IP rights, because of the substantial differences between laws of different countries. The development and steady growth of an international trade flow created the necessity of a harmonization of industrial property laws, in the patent and trademark fields. To solve the problem, a diplomatic conference was gathered in Paris in 1883. At the end, the Paris Convention for the Protection of Industrial Property (hereinafter Paris Convention)⁷⁴ was signed and adopted in the same year. After 1883, the Paris Convention was revised several times and the last revision dates back to 1967 at Stockholm, while last amendment was in 1979.⁷⁵

The Paris Convention can be considered the first important step towards the international protection of IP rights. It is administered by the World Intellectual Property Organization (WIPO)⁷⁶, and has 177 contracting member countries. Through the Paris

⁷³ Official English translation of Trademark Law of the People's Republic of China (2001) available in "wipo.int", http://www.wipo.int/wipolex/en/text.jsp?file_id=131395

Original Chinese version: *Zhonghua Renmin Gongheguo Shangbiaofa (2001 Xiuzheng)*, 中华人民共和国商标法 (2001 修正), available in "State Intellectual Property Office of the P.R.C. (SIPO)", http://www.sipo.gov.cn/zcfg/flfg/sb/fl/201509/t20150902_1169601.html

⁷⁴ Original text: *Convention de Paris pour la protection de la propriété industrielle (modifiée le 28 septembre 1979)* available in "WIPO" website, http://www.wipo.int/wipolex/en/treaties/text.jsp?file_id=287558

Official English translation: *Paris Convention for the Protection of Industrial Property (as amended on September 28, 1979)*, available in "WIPO" website, http://www.wipo.int/wipolex/en/treaties/text.jsp?file_id=287556

⁷⁵ *WIPO Intellectual Property Handbook: Policy, Law and Use*, Chapter 5 "International Treaties and Conventions on Intellectual Property", pp.241-242

⁷⁶ WIPO is a self-funding agency of the United Nations (UN), specialized in IP services, policy, information and international cooperation. It was established in 1967 and counts 189 member states. Its purpose is to establish and develop an effective international IP system and provides protection of IP rights and related dispute resolution in an international context, to connect IP systems through technical infrastructures, and to lead all members towards an economic development through IP use.

Notification No. 114 of 1984 also China became a contracting member, and the Paris Convention entered into force in 1985.⁷⁷ With Notification No. 178 and Notification No. 197, the application of Paris Convention was extended also to Hong Kong and Macau Special Administrative Regions, respectively in 1997 and 1999.⁷⁸

It regulates industrial property in a wide sense, including patents, trademarks, industrial design, service marks, utility models⁷⁹, trade names, geographical indications and provisions on unfair competition.⁸⁰ For what concerns the regulation of trademarks, the Convention provides some common rules that has to be followed by contracting states. Particularly relevant is the Article 6, in which the Convention states that filing and registration of trademarks must follow contracting members' domestic laws, and if a mark is registered in one contracting state, this registration is independent of its possible registration in another country.⁸¹ The Convention also deals with well-known trademarks in Article *6bis*, whose effect is to protect a trademark that is well-known in a member country even if it is not registered or used in that country.⁸² Other provisions deals with the assignment of trademarks (Art. *6quater*), and it is useful for an enterprise that wish to transfer the rights of its trademark in another member country.⁸³

For further information, see www.wipo.int

⁷⁷ *Paris Notification No. 114, Accession by the People's Republic of China, 1984*, in "WIPO", http://www.wipo.int/treaties/en/notifications/paris/treaty_paris_114.html, 30-03-17

⁷⁸ *Paris Notification No. 178, Application of the Paris Convention, with effect from July 1, 1997, to the Hong Kong Special Administrative Region, 1997*, in "WIPO", http://www.wipo.int/treaties/en/notifications/paris/treaty_paris_178.html, 30-03-17

Paris Notification No. 197, Application of the Paris Convention, from December 20, 1999, to the Macau Special Administrative Region, 1999, in "WIPO", http://www.wipo.int/treaties/en/notifications/paris/treaty_paris_197.html, 30-03-17

⁷⁹ A utility model is a registered right that safeguard exclusive use of a technical invention. It provide a fast and low-cost protection, therefore a utility model is particularly suitable for individual innovators or small and medium-sized enterprises (SMEs). (*Utility Models*, in "European Commission", https://ec.europa.eu/growth/industry/intellectual-property/patents/utility-models_en, 29-03-17)

⁸⁰ *Paris Convention for the Protection of Industrial Property*, in "WIPO", <http://www.wipo.int/treaties/en/ip/paris/>, 29-03-17

⁸¹ *Paris Convention for the Protection of Industrial Property*, Art.6, available at "WIPO", http://www.wipo.int/treaties/en/text.jsp?file_id=288514#P147_20484

⁸² *Summary of the Paris Convention for the Protection of Industrial Property (1883)*, in "WIPO", http://www.wipo.int/treaties/en/ip/paris/summary_paris.html, 30-03-17

⁸³ For further information on the Paris Convention and related provisions, see: *WIPO Intellectual Property Handbook: Policy, Law and Use*, cit., pp. 241-261

For what concerns infringing goods, in the Paris Convention there are provisions which regulate controls at the borders, in order to prevent trade of infringing and counterfeit products. Articles that deal with this issue are Art. 9 and 10.⁸⁴ Art. 9(1) and 9(2)⁸⁵ states that goods illegally bearing a trademark and counterfeit goods shall be seized by the importing country or by the country of origin; but Art. 9(3)⁸⁶ specifies that, following the country's national law, there is no obligation to provide for seizure actions. This is strengthened by Art. 9(6)⁸⁷, which provides that if neither seizure nor prohibition are allowed in the country, other measures available under national legislation shall be applied. Furthermore, the Paris Convention does not specify any measure to detect counterfeit goods or prosecute trademark counterfeiters.⁸⁸ Therefore, it is evident that there are some weak points on this issue in the Convention; they will be addressed in 1994 in the TRIPS Agreement.⁸⁹

1.2.3. Madrid Agreement and Madrid Protocol (1891, 1989)

The Madrid Agreement Concerning the International Registration of Marks (hereinafter Madrid Agreement), concluded in 1891 and revised in Stockholm in 1967, and the Protocol Relating to Madrid Agreement (hereinafter Madrid Protocol), adopted in 1989 and amended in 2007⁹⁰, govern the Madrid System for International Registration of

⁸⁴ ALFADHEL, "TRIPS and the Rise of Counterfeiting: A Comparative Examination of Trademark Protection and Border Measures in the European Union and the Gulf Cooperation Council", cit.

⁸⁵ *Paris Convention for the Protection of Industrial Property*, Art. 9(1) and 9(2)

⁸⁶ *Paris Convention for the Protection of Industrial Property*, Art. 9(3)

⁸⁷ In fact, Art. 9(6) of the Paris Convention states that "If the legislation of a country permits neither seizure on importation nor prohibition of importation nor seizure inside the country, then, until such time as the legislation is modified accordingly, these measures shall be replaced by the actions and remedies available in such cases to nationals under the law of such country." This means there are actually no obligations on seizure or prohibition for member countries, if not provided by national legislation. (*Paris Convention for the Protection of Industrial Property*, Art. 9(6))

⁸⁸ ALFADHEL, "TRIPS and the Rise of Counterfeiting: A Comparative Examination of Trademark Protection and Border Measures in the European Union and the Gulf Cooperation Council", cit.

⁸⁹ The previous chapter of this thesis deals with this issue.

⁹⁰ *Madrid Agreement Concerning the International Registration of Marks (as amended on September 28, 1979)* (Official translation), available in "WIPO", http://www.wipo.int/wipolex/en/treaties/text.jsp?file_id=283529

Marks. The Madrid Protocol is more recent, and was adopted because of the absence in the Madrid Union of some major countries, such as Japan, United States and United Kingdom. The Protocol introduces some changes in order to make the Madrid System acceptable to more countries.⁹¹ As the Paris Convention, the Madrid Agreement is administered by WIPO. The Madrid Union, which is composed by contracting parties to the Madrid Agreement and the Madrid Protocol, counts currently 98 members, covering more than 80% of the world trade in 114 countries.⁹²

The Madrid Agreement is the oldest multilateral agreement that set standards and procedures for the protection and registration of trademarks, in order to reach international simplification and harmonization. The Madrid System⁹³ provides an international registration for trademarks which is effective and recognized in all the member states. It is possible for a trademark owner that has already registered the mark in its country of origin, to file only an application for an international registration valid in up to 114 territories, including the European Union (EU).⁹⁴ This procedure facilitates the protection of trademarks among the contracting members and make it easier for the owner to complete an effective registration among the member states, avoiding as much as possible registration-related problems.⁹⁵

Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (as amended on November 12, 2007) (Authentic text), available in "WIPO" http://www.wipo.int/wipolex/en/treaties/text.jsp?file_id=283483

⁹¹ *WIPO Intellectual Property Handbook: Policy, Law and Use*, cit., p.287. It also provides a more detailed representation of the differences between the Madrid Agreement and the Protocol, such as a period of 18 months, instead of one year, for contracting parties to refuse protection, the possibility for intergovernmental organizations to join the Protocol, and other provisions.

⁹² *Members of The Madrid Union*, "WIPO", <http://www.wipo.int/madrid/en/members/>, 30-03-17

⁹³ For further information concerning the Madrid System, who may use it, the detailed procedure to submit an international application, which are the effects and advantages of an international registration, refer to: *Guide to the International Registration of Marks Under the Madrid Agreement and the Madrid Protocol*, available in "WIPO", <http://www.wipo.int/madrid/en/guide/>, or to: *The Madrid System for the International Registration of Marks*, 2016, available in "WIPO", http://www.wipo.int/edocs/pubdocs/en/wipo_pub_418_2016.pdf

⁹⁴ *Benefits of the Madrid System*, in "WIPO", http://www.wipo.int/madrid/en/madrid_benefits.html, 30-03-17

⁹⁵ Robert H. HU, "International Legal Protection of Trademarks in China", *Marquette Intellectual Property Law Review*, Vol. 13, Issue 1, 2009, pp. 86-87



Figure 2: Stages for international trademark registration process through the Madrid System. Source: WIPO

China is part of the Madrid Union, and accessed the Madrid Agreement in 1989.⁹⁶ According to statistics provided by WIPO, filing of international applications from China through the Madrid System during the first half of 2016 reached 1,827, they increased of 140% compared to statistics of the first half of 2015.⁹⁷



Figure 3. The table shows the increase of international trademark registrations via Madrid System in China. The number of registrations increased from 1346 in 2009 to 2866 in 2016. Source: WIPO

⁹⁶ In accessing the Madrid Agreement, China made some declarations that has been reported in Notifications No. 41, 91 and 125. China stated that the protection provided by international registration is valid in China only if expressly requested by trademark owner. For what concerns Special Administrative Regions, the application in Hong Kong of the Agreement is postponed, and in Macao it is not applied. Notifications No. 41,91 and 125 are available at http://www.wipo.int/treaties/en/ActResults.jsp?act_id=18

⁹⁷ International Trademark Applications from China Up 140% in 1st Half of 2016, in "China Patent Agent (H.K.) LTD.", <http://www.cpahkltd.com/EN/info.aspx?n=20161024121801353772>, 30-03-17

1.2.4. Nice Agreement (1957)

The Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks⁹⁸ (hereinafter Nice Agreement) was signed in 1957, entered into force in 1961 and its last revision was in 1977 at Geneva.⁹⁹ It is administered by the International Bureau of the WIPO. The Nice Agreement establishes the Nice Classification, whose purpose is to classify goods and services to register trademarks and service marks.¹⁰⁰ It comprises:

- A list of classes, accompanied by explanatory notes, which is constituted by 34 classes of good and 8 classes of services
- An alphabetical list of goods and services, that provides information about the class of each product and service and includes about 11,000 items¹⁰¹

A Committee of Experts¹⁰², composed by delegates of all contracting parties, periodically amends and implements both lists. The current edition¹⁰³ of the Classification is the eleventh and became effective on January 1, 2017. For the purpose of registration, the trademark offices of member states must specify, in official documents, which class of the Classification the goods or services to register belong to.¹⁰⁴

⁹⁸ Complete text of the Nice Agreement available in “WIPO”, http://www.wipo.int/wipolex/en/treaties/text.jsp?file_id=287437

⁹⁹ *WIPO Intellectual Property Handbook: Policy, Law and Use*, cit., p. 308

¹⁰⁰ *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks*, in “WIPO”, <http://www.wipo.int/treaties/en/classification/nice/>, 30-03-17

¹⁰¹ *WIPO Intellectual Property Handbook: Policy, Law and Use*, cit., p. 308

¹⁰² The Committee of Experts has the right to amend the Classification. The amendments may concern: cancellation of an item in the alphabetical list (for example if it is no longer available on the market); addition of a good or service to the list; transfer of an item to another class. (*WIPO Intellectual Property Handbook: Policy, Law and Use*, cit., pp. 309-310)

¹⁰³ The official publication of current edition of the Nice Classification, with all the classes and goods and services listed is available at “WIPO”, http://web2.wipo.int/classifications/nice/nicepub/en/fr/edition-20170101/taxonomy/class1/?pagination=no&lang=en&mode=flat&explanatory_notes=show&basic_numbers=show

¹⁰⁴ *Summary of the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (1957)*, in “WIPO”, http://www.wipo.int/treaties/en/classification/nice/summary_nice.html, 30-03-17

Even if only 84 countries are party of the Nice Agreement, the Nice Classification is used by trademark offices of about 65 other countries.¹⁰⁵ China is part of the Nice Agreement, that became effective in 1994¹⁰⁶, and it is effective also in Hong Kong (from 2013) and Macau (from 1999)¹⁰⁷. As a member, China can suggest additions and contribute to the Nice Classification.

1.3. Protection of Well-Known Trademarks

In today's marketplace, well-known trademarks (*chiming shangbiao* 驰名商标) assume an important role for trademark owners. Other than being a sign that help consumers distinguish goods and services provided by a certain brand from products provided by another one, they are also important from a marketing point of view. In fact, well-known trademarks¹⁰⁸ are seen as a symbol of the reputation and prestige of a company. Therefore, they also help companies increase sales of products and revenues, because of their positive perception among consumers. The risk for well-known trademarks to be counterfeited is higher than for common trademarks, and the necessity of increase their effective protection is growing in recent years.¹⁰⁹ International protection of well-known trademarks is not only meant to protect trademark owners' interests, but it is

¹⁰⁵ *Ibid.*

¹⁰⁶ HU, "International Legal Protection of Trademarks in China", cit., p.90

¹⁰⁷ *Nice Notification No. 131, Application of the Nice Agreement to Hong Kong, China*, in "WIPO", http://www.wipo.int/treaties/en/notifications/nice/treaty_nice_131.html, 31-03-17

Nice Notification No. 103, Application of the Nice Agreement, from December 20, 1999, to the Macao Special Administrative Region, in "WIPO", http://www.wipo.int/treaties/en/notifications/nice/treaty_nice_103.html, 31-03-17

¹⁰⁸ The definition of "well-known trademark" is frequently confused with the definition of "famous trademark", "widely-known trademark" and "trademark with good reputation". International treaties and conventions do not deal with the distinction between the previous definitions in a clear way. A well-known trademark is generally considered as known by a relevant part of the public, while a famous trademark is considered having a higher reputation than well-known trademarks, because of its international and continuous distribution worldwide. In the EU, the Community Trade Mark Regulation (CTMR) makes a distinction between well-known trademarks and trademarks with reputation. It defines a well-known trademark as extensively used and advertised in the market and known by consumers of the type of goods and services where the trademark is applied, while a trademark with reputation is not only recognized by consumers of a specific sector, but by all consumers. (Hà Thi Nguyet Thu, *Well-Known Trademark Protection. Reference to the Japanese experience*, sponsored by WIPO, 2010, pp. 8-9)

¹⁰⁹ Hà Thi Nguyet Thu, *Well-Known Trademark Protection*, cit., p. 6

also favourable for consumers who purchase goods or services to which well-known trademarks are applied, as a guarantee of the quality of the product.

1.3.1. Definition and characteristics of Well-Known Trademarks

Generally, a well-known mark is a trademark that possess a high degree of recognition among consumers. It is possible to make a distinction between a well-known trademark and a famous trademark. The first one is usually protected by jurisdictions only for goods and services already associated with the trademark, while famous trademarks usually have a wider range of international protection and require a higher degree of reputation and recognition among the public than well-known ones, which are usually protected from unauthorized use only for goods and services associated to the trademark.¹¹⁰ The owner of a famous trademark can be able to protect its IP rights even on a country where this mark is not used or registered.¹¹¹ Other terms that are frequently confused with well-known trademark are widely-known trademark and trademark with reputation.¹¹²

For what concerns well-known trademarks, two practical problems that arise are to define what is a well-known trademark and how to establish whether a trademark is to be considered well-known or not. For instance, to be recognized as well-known trademark, must the mark be well-known by all sectors of the public or is it enough to

¹¹⁰ BRYER, *International Trademark Protection*, cit., p. 5

¹¹¹ *Ibid.*

¹¹² Trademarks with reputation in the EU possess a high degree of protection. Under European Trademark Law, trademark owners that demonstrate their trademarks are trademarks with reputation can act against similar or identical trademarks used in association with similar goods or services, but also against trademark that are used on different goods and services. However, this high level of protection is guaranteed only in cases when the infringing trademark takes unfair advantage of the reputation of the earlier trademark, or it is considered detrimental for its prestige. (*Nina Ricci and the Importance of Trademark Reputation*, 2017, in "Lexology", <http://www.lexology.com/library/detail.aspx?g=38ba13ed-57d9-4e21-ab27-c5ec4b70e552>, 14-05-17). For further information on trademarks with reputation in Europe, such as assessment and proof of reputation, assessment of detriment and unfair advantage, applicability to goods and services, see: *Opposition Guidelines Part 5, Trade Marks with reputation, Article 8(5), Community Trademark Regulation (CTMR)*, 2004, available at "Euipo", http://euipo.europa.eu/en/mark/marque/pdf/part_5-EN.pdf.

be known by a relevant part of the public interested in goods and services to which the trademark is applied? To what extent must the trademark be known by the public to acquire the status of well-known?¹¹³ Some of these questions can be answered by provisions contained in international agreements, in particular in the TRIPS Agreement.¹¹⁴ To address the problem of the recognition of the status of well-known trademark, WIPO has issued some guidelines, called Joint Recommendation concerning Provisions on the Protection of Well-Known Marks¹¹⁵, to determine if that status can be granted to a trademark. Among elements that are considered relevant to give the status of well-known mark, the most important is considered to be the degree of knowledge of the mark among the public.¹¹⁶ Other indicators are duration, extent and geographical area in which the mark has been used or promoted, the number of countries where the trademark has been registered and the value related to the trademark.¹¹⁷

Another issue related to well-known trademarks arises when the mark has not been registered in a country, and there is a risk of counterfeiting. To provide solution to this problem, well-known trademarks are considered an exception to the territoriality principle.¹¹⁸ Since the application of the territoriality principle can allow a person of a country to adopt a well-known trademark that is not registered or protected in such a country, it has been developed a so-called “famous mark doctrine”¹¹⁹, under which a

¹¹³ *The Enforcement of Intellectual Property Rights: A Case Book*, cit., p. 141

¹¹⁴ This issue will be covered in chapter 1.3.2. of this thesis.

¹¹⁵ The Joint Recommendation concerning Provisions on the Protection of Well-Known Marks will be further discussed in this chapter.

¹¹⁶ Clémence LE COINTE, *Reputation and proof: protecting a well-known trademark*, 2013, in “World Intellectual Property Review (WIPR)”, <http://www.worldipreview.com/article/reputation-and-proof-protecting-a-well-known-trademark?search=Reputation+and+proof%3A+protecting+a+well-known+trademark&bgresponse=>, 12-05-17

¹¹⁷ *Ibid.*

¹¹⁸ The principle of territoriality is fundamental in public international law. From a broad point of view, the territoriality principle establish that the jurisdiction of a state is to be applied on all people, properties and events that take place within the country’s borders. For what concerns the application of territoriality principle in international IP conventions and agreements, the contracting states have a wide discretion, provided that they guarantee certain minimum rights. Enforcement of IP rights are territorially limited, for example the right to stop trademark infringement activities is limited to the country where the protection rights are granted. (Lydia LUNDSTEDT, *Territoriality in Intellectual Property Law*, 2016, Doctoral thesis, Stockholm University, Faculty of Law, pp. 122-123).

¹¹⁹ Which is adopted in the U.S. and several other countries.

well-known trademark is protected in a country, even if in that country is neither used nor protected.¹²⁰

1.3.2. International Protection of Well-Known Trademarks

Protection under the Paris Convention and the TRIPS Agreement

One of the first and most important international agreements dealing with protection of well-known trademarks is the Paris Convention of 1883.¹²¹ In Art. 6bis¹²² the Paris Convention regulates well-known marks, providing that, if requested by a trademark owner or permitted by the country legislation, it is possible to refuse or cancel a registration of a trademark if there is likelihood of confusion between this mark and another one considered to be a well-known trademark. However, the Paris Convention does not provide a clear definition of this type of trademarks, leaving competent authorities of state members to decide whether or not a trademark can be considered well-known.¹²³ In the article it is specified that, in order for a well-known mark to obtain protection, likelihood of confusion is essential.¹²⁴ Therefore, the Paris Convention does not provide an extensive protection to this type of trademarks, it focuses on defining

¹²⁰ L. Donald PRUTZMAN, "The Territoriality Principle and Protection for Famous Marks in the Americas", *NYSBA International Law Practicum*, a publication of the International Law and Practice Section of the New York State Bar Association, Vol. 20, No. 2, 2007, p. 107

¹²¹ For further information on the Paris Convention, see chapter 1.2.2. of this thesis.

¹²² "The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods." (*Paris Convention for the Protection of Industrial Property*, Art. 6bis (1))

¹²³ Mohammad Amin NASER, Tariq M. HAMMOURI, "The notion of famous, well-known trademarks and marks with repute compared", *Journal of Intellectual Property Law & Practice*, Vol. 9, No. 4, 2014, p. 313

¹²⁴ The protection provided in this article covers utilization of a similar trademark for similar or identical goods. This is based on the principle of specialty, which provides protection for a trademark only if used in relation to the same or similar goods protected by the registration. (Denis CROZE, "Protection of Well-Known Marks", *Journal of Intellectual Property Rights*, Vol. 5, 2000, p. 138)

and limiting the scope of their protection.¹²⁵ Art. 6bis is particularly important in cases involving well-known trademarks that are not protected by national or international registration (or that are not yet registered) in a given country.¹²⁶ However, Art. 6bis is applicable even in cases related to trademarks which are already protected by a valid registration, but it does not add additional protection. Therefore, even if the article is applicable, there is no need to invoke it in case the trademark is already registered in the country. In Art. 6bis(2) and 6bis(3)¹²⁷, the Paris Convention gives indications about the period of time allowed for requesting cancellation and prohibition of use of a trademark similar to a well-known trademark. In case of trademarks registered or used in bad faith, there is not a time limit to request cancellation or prohibition. It is to be noted that Art. 6bis of the Paris Convention only covers trademarks applied to goods and does not mention service marks. This issue is solved in the TRIPS Agreement, where the protection is extended also to marks related to services.¹²⁸

The second relevant international agreement that provides protection to well-known trademarks is the TRIPS Agreement.¹²⁹ This Agreement extends the protection of well-known trademarks already granted by Art. 6bis of the Paris Convention and provides additional legal standards. The most relevant provisions related to well-known trademarks in TRIPS Agreement are Art. 16(2) and 16(3), that broaden the protection guaranteed by the Paris Convention. Both articles make a direct reference to Art. 6bis of the Paris Convention,¹³⁰ but they add supplements in order to enhance protection of

¹²⁵ In the Paris Convention, the protection for well-known trademarks is provided as long as a similar trademark is used on similar or identical goods. Therefore, the concept of dilution is not included. (NASER, HAMMOURI, "The notion of famous, well-known trademarks and marks with repute compared", cit.)

¹²⁶ CROZE, "Protection of Well-Known Marks", cit., p.139

¹²⁷ In Art. 6bis(2) provides that at least five years must be allowed by state members to request cancellation or prohibition of use. For what concerns the maximum period within these requests must be submitted, the decision is to be taken by member countries. (*Paris Convention for the Protection of Industrial Property*, Art. 6bis (2))

¹²⁸ CROZE, "Protection of Well-Known Marks", cit., p. 138

¹²⁹ For further information on TRIPS Agreement, see chapter 1.2.1. of this thesis.

¹³⁰ Art. 16(2): "Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.". Art 16(3): "Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to goods or services which are not similar to those in

well-known trademarks. Art. 6bis is implemented by TRIPS Agreement in three main ways:

- In Art. 6bis, the protection is guaranteed only to goods related to the well-known trademark, while in TRIPS Agreement the range of protection is extended also to services.¹³¹
- In TRIPS Agreement the criteria to determine a well-known trademark are more flexible and reflect actual market conditions, they are related to the knowledge of the trademark among the public obtained also through promotion activities.
- The scope of protection of well-known trademark under TRIPS Agreement is broader, compared to protection guaranteed under the Paris Convention. In fact, the protection is extended not only to goods or services related to the trademark, but also to goods or services that are not associated with it.¹³²

For what concerns the second implementation, the Agreement provides a standard to determine well-known trademarks, which is not high. In fact, the trademark is required to be well-known only among consumers that have an interest in the sector of the trademark. Furthermore, this standard also takes into consideration the promotion of the trademark.¹³³ However, the standard mentioned in Art. 16 is not the only standard that is possible to take into account. To partially solve this issue, in 1999 the Assembly of the Paris Union for the Protection of Industrial Property and WIPO adopted the “Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks”,

respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.” (*Agreement on Trade-Related Aspects of Intellectual Property Rights*, Art. 16(2) and 16(3))

¹³¹ Hà Thi Nguyet Thu, *Well-Known Trademark Protection*, cit., p. 17

¹³² This is specified in Art. 16(3). This provision is applied in cases when there is likelihood of confusion between a well-known trademark and a similar or identical mark. The risk of confusion can be related to goods or services that are not associated with the well-known trademark. It is also considered the risk of damaging goodwill and reputation of the well-known trademark as a result of an improper use of the trademark by a third party. (Hà Thi Nguyet Thu, *Well-Known Trademark Protection*, cit., p. 18)

¹³³ NASER, HAMMOURI, “The notion of famous, well-known trademarks and marks with repute compared”, cit., p. 314

which contains non-mandatory guidelines and provides an international framework to establish the meaning of well-known trademark.¹³⁴

Under the provisions contained in the Paris Convention and TRIPS Agreement, an owner of a well-known trademark can base its request of cancellation of a trademark on three arguments, and at least one of them have to be recognized by the court to obtain the cancellation of the infringing trademark. The intent to take an unfair advantage using the reputation of the earlier trademark is one and the most used arguments against well-known trademark infringement.¹³⁵

WIPO's Joint Recommendation

The Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks (hereinafter Joint Recommendation) is the first implementation issued by WIPO which provides a set of guidelines and recommendations to States, in order to enhance protection of well-known trademarks.¹³⁶ It was adopted in September 1999 by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of WIPO.¹³⁷ Since in both Art. 6*bis* of the Paris Convention and Art. 16 of TRIPS Agreement there is not a clear definition of well-known trademark, standards are usually set on an independent and national level. To give clearer indications to

¹³⁴ The “Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks” will be further discussed in the following chapter of this thesis.

¹³⁵ An example of this argument can be given by the decision taken by the Court of Justice of the European Union (CJEU) and the Office for Harmonization in the Internal Market (OHIM) in 2012, called the *Botox Decision*. The company Allergan Inc., owner of the registered trademark “Botox”, launched a lawsuit for cancellation of trademark against Helena Rubinstein SNC and L’Oréal SA, which had registered their trademark “Botolist” and “Botocyl”. The OHIM considered there was no risk of confusion between the trademarks, but admitted that the last two trademarks would take unfair advantage of the already well-known trademark Botox. This decision was then confirmed by the CJEU, that did not accept the request submitted by Helena Rubinstein and L’Oréal to cancel the decision. (LE COINTE, *Reputation and proof: protecting a well-known trademark*, cit.)

¹³⁶ *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, in “WIPO”, <http://www.wipo.int/publications/en/details.jsp?id=346>, 14-05-17

¹³⁷ Vasheharan KANESARAJAH, *Protecting and Managing Well-Known Trademarks*, Thomson Scientific, 2007, available in “Thomson Reuters”, <http://ip-science.thomsonreuters.com/m/pdfs/klnl/8418407/wellknownmarks.pdf>, 14-05-17

determine whether or not a trademark should be considered well-known, the Joint Recommendation set some standards, that include not only its degree of reputation and recognition among consumers, but also other parameters. The provisions are not mandatory, but member states are recommended to take them into account and use them as guidelines.¹³⁸ Other than setting standards to determine a well-known mark, the Joint Recommendation also set the scope of protection of well-known trademarks against conflicting marks, business identifiers and domain names, providing protection shall begin from the time the trademarks becomes well-known in the member state.¹³⁹

The Joint Recommendation contains provisions related to: determination of well-known trademarks in member states,¹⁴⁰ remedies to conflict between a well-known trademark and other trademarks,¹⁴¹ business identifiers¹⁴², and domain names.¹⁴³ Particularly relevant to determine a well-known trademark is Art. 2. In Art. 2(1), the Joint Recommendation provides a list of elements that a member state may take into consideration while determining the status of well-known trademark. The first one is the degree of knowledge or recognition of the trademark among public of a relevant sector. Other factors are to be considered, such as duration, extent, the geographical area where the trademark is used, registered and promoted, the successful

¹³⁸ This recommendation is stated at the beginning of the Joint Recommendation document. The full text is available at: "WIPO", <http://www.wipo.int/edocs/pubdocs/en/marks/833/pub833.pdf>

¹³⁹ *WIPO Provisions for the Protection of Well-Known Marks*, in "INTA", <http://www.inta.org/Advocacy/Pages/WIPOProvisionsfortheProtectionofWell-KnownMarks.aspx>, 15-05-17

¹⁴⁰ *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, Part 1 (Determination of Well-Known Marks), Art. 2 (Determination of Whether a Mark is a Well-Known Mark in a Member State)

¹⁴¹ *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, Part 2 (Scope of Protection), Art. 4 (Conflicting Marks)

¹⁴² In the Joint Recommendation, business identifiers are defined as "any sign used to identify a business of a natural person, a legal person, an organization or an association." Regulations about business identifiers may be distinct from regulations about trademarks. For instance, in some jurisdictions separate rules exists for business identifiers (shop signs or website names, whose name is different from a trademark). A website name can be identical even to a well-known trademark. (*Trademark Rights and Business Identifiers*, in "INTA", <http://www.inta.org/Advocacy/Pages/TrademarkRightsBusinessIdentifiers.aspx>, 15-05-17)

¹⁴³ *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, Part 2 (Scope of Protection), Art.6 (Conflicting Domain Names)

enforcement of the trademark and its value.¹⁴⁴ In the explanatory notes, prepared by the International Bureau of WIPO, it is specified that the owner of a trademark shall produce information in order to prove that the trademark is to be considered a well-known trademark.¹⁴⁵ In Art. 2(2)¹⁴⁶ what are the meanings intended for “relevant sector of the public”.¹⁴⁷ In Art. 2(3), the Joint Recommendation provides a list of elements that should not be considered in assigning the status of well-known trademark.¹⁴⁸ For instance, it is not considered relevant that the trademark has been used or registered in the member state.¹⁴⁹ Similarly, it is not considered relevant that it is registered of well-known in another member state, or it is well-known by the public at large.¹⁵⁰ Art. 3 sets the scope for the protection of well-known trademarks against conflicting marks, business identifiers and domain names.¹⁵¹ In Art. 3(2) bad faith is taken into consideration when assessing competing interests in the application of articles 4 to 6 of the Joint Recommendation.¹⁵² In Art. 4, the Joint Recommendation reaffirms the protection already granted by the Paris Convention and TRIPS Agreement, which means a trademark is considered in conflict against a well-known mark if it is a reproduction, imitation or a translation. It adds also transliteration. Other than that, another innovative provision states that protection to a well-known trademark shall be granted

¹⁴⁴ *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, Art. 2(1)

¹⁴⁵ *Explanatory Notes prepared by the International Bureau*, Notes on Article 2, p. 14

¹⁴⁶ This Article enhances provisions contained in the Paris Convention and TRIPS Agreement. Art. 2(2) provides that a trademark is to be considered well-known if it is known by at least one relevant sector of the public, while TRIPS Agreement only provides that the knowledge and recognition of a trademark in a relevant sector shall be only taken into account. (CROZE, “Protection of Well-Known Marks”, cit., p. 142)

¹⁴⁷ It is specified that relevant sector of the public shall include the provisions in Art. 2(2), but its definition is not limited to those provisions. Among the definitions of relevant sector there are: consumers or potential consumers of the type of goods or services related to the trademark, persons involved in the distribution of that kind of goods or business circles which are somehow related to the type of goods associated with the trademark. It is also provided that the trademark may be recognized as well-known by state members even if it is known only by one of the relevant sectors of the public. (*Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, Art. 2(2))

¹⁴⁸ *WIPO Intellectual Property Handbook: Policy, Law and Use*, Chapter 5 “International Treaties and Conventions on Intellectual Property”, cit., p. 361

¹⁴⁹ *The Enforcement of Intellectual Property Rights: A Case Book*, cit., pp. 142-143

¹⁵⁰ Art. 2 provides that the trademark has to be known and recognized by a relevant sector of the public, not by public at large. (*The Enforcement of Intellectual Property Rights: A Case Book*, cit., p. 142-143)

¹⁵¹ *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, Art. 3(1)

¹⁵² In the Notes on Article 3 it is specified that a provision on bad faith is added since usually cases involving the protection of a well-known trademark are characterized by bad faith. (*Explanatory Notes prepared by the International Bureau*, Notes on Article 3)

also for goods and services not associated to the trademark.¹⁵³ Art. 5 deals with conflicting business identifiers. The provisions are similar to the ones dealing with conflicting trademarks and the protection granted to well-known trademarks is very similar.¹⁵⁴ Lastly, Art. 6 deals with conflicting domain names¹⁵⁵, and it has been the first provision in international standards treating this issue. Unlike trademarks and business identifiers, domain names are not considered distinctive signs and problems such as good faith registrations may arise. WIPO solved this issue by provide that a well-known trademark shall be in conflict with a domain name if it is a reproduction, imitation, translation or transliteration of the trademark. Member states are left free to decide about bad faith.¹⁵⁶

The Joint Recommendation prepared by WIPO was meant to implement and to provide clarifications to some issues related to well-known trademarks that remained opened in the Paris Convention and the TRIPS Agreement. However, it has been argued that some of its provisions can weaken or damage existing policies of national trademark laws.¹⁵⁷ For instance, the Joint Recommendation gives priority to a senior owner of a well-known trademark over a junior user, even if the junior's area consumers are not aware of the first owner's trademark. Therefore, even if there is no likelihood of confusion because consumers have not knowledge of the first trademark, a senior trademark owner can enjoin the junior user if the conflicting trademarks are similar. In this situation

¹⁵³ CROZE, "Protection of Well-Known Marks", cit., pp. 143-144

¹⁵⁴ However, Notes on article 5 affirm that, even though provisions are substantially the same of article 4, the differences between trademarks and business identifiers are taken into account. The main differences identified are related to substantial characteristics of trademarks and business identifiers (the first can be applied to goods and services while the second are related to businesses) and to different types of registration that characterize marks (national or regional registration) and business identifiers (registered by administrations). (*Explanatory Notes prepared by the International Bureau, Notes on Article 5*)

¹⁵⁵ *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, Art. 6

¹⁵⁶ CROZE, "Protection of Well-Known Marks", cit., p. 144

¹⁵⁷ For instance, some provisions contained in the Joint Recommendation may undermine policies provided by U.S. Trademark Law. One of the problems lies in the lack of requirement of confusion among consumers in the Joint Recommendation. It has been argued that this may damage both consumers and local entrepreneurs. (Maxim GRINDBERG, "The WIPO Joint Recommendation Protecting Well-Known Marks and the Forgotten Goodwill", *Chicago-Kent Journal of Intellectual Property*, Vol. 5, 2005, pp. 10-11, available at "Chicago-Kent Law Review", http://studentorgs.kentlaw.iit.edu/ckjip/wp-content/uploads/sites/4/2013/06/01_5JIntellProp12005-2006.pdf, 15-05-17)

consumers would have not been damaged by the junior owner's use of trademark, because they cannot compare the quality of goods or services provided by the first trademark with quality of products provided by the second. However, according to provisions contained in the Joint Recommendation, local entrepreneurs may be damaged, since they would have to invest money and resources in the creation of a new trademark.¹⁵⁸ Apart from these argumentations, WIPO's Joint Recommendation, as a flexible approach, brought several advantages and it is a valid response to the rapidly changing sector of IPR protection. WIPO's Joint Recommendation can be considered a "soft law"¹⁵⁹ approach, it is not binding and there are no legal obligations for member states. Furthermore, it can serve as a model for national legislations and for interpretation of existing treaties.¹⁶⁰

1.4. China's Compliance with International Treaties

China began its efforts to improve protection of IP rights and to adapt to international IP standards in 1979 and 1980, when it ratified the bilateral Agreement on Trade Relations Between the United States of America and the People's Republic of China¹⁶¹ and became a member of WIPO. In 1984 China signed the Paris Convention and in 1989 the Madrid Agreement. These agreements helped the promotion in China of the concept

¹⁵⁸ GRINDBERG, "The WIPO Joint Recommendation Protecting Well-Known Marks and the Forgotten Goodwill", cit., p. 10

¹⁵⁹ For further information about the concept of international soft law and its meaning, see: Andrew T. GUZMAN, Timothy L. MEYER, "International Soft Law", *Journal of Legal Analysis*, Vol. 2, Issue 1, 2010, available at "Oxford Academic", <https://academic.oup.com/jla/article/2/1/171/846831/International-Soft-Law?searchresult=1>, 15-05-17

¹⁶⁰ CROZE, "Protection of Well-Known Marks", cit., p. 145

¹⁶¹ The Trade Relations Agreement were signed by government delegations of China and U.S. in 1979 in Beijing and came into effect in 1980. This Agreement was a big step towards improved economic relations and cooperation between China and United States. In the Agreement there are provisions on most-favoured nation treatment, establishment of commercial and trade institutions and negotiations as mean to solve trade issues. More important for the purpose of this thesis are provisions related to copyrights and trademarks. (ZHOU Shijian, *China-U.S. Economic Relations: Accords and Discords*, 2012, in "China.org", http://www.china.org.cn/opinion/2012-02/27/content_24744473.htm, 16-05-17). Full text of the Trade Relations Agreement available at: *Proclamation 4697—Agreement on Trade Relations Between the United States of America and the People's Republic of China*, 1979, in "University of California Santa Barbara", <http://www.presidency.ucsb.edu/ws/?pid=31572>

of IP rights protection and the subsequent efforts to reform trademark and patent laws.¹⁶² From 1980 on, China began to adapt its laws on IP rights protection to international standards. Its IPR legislation can be divided into two main periods:

- From 1978 to 2000. In this phase China adopted the open-door policy and its legislation was mainly influenced by WIPO and United States.
- From 2000 to the present. This second phase is characterized by China's entrance in the WTO and by its efforts to adapt its legislation to provisions of TRIPS Agreement and to enhance IP protection because of internal demand of social and economic development.¹⁶³

1.4.1. First Improvements in Chinese IP System

Since the signature of the Agreement on Trade Relations with the United States in 1979, China opened its door to the outside world and began to establish a modern IP system. The revolutionary transformation of Chinese IP system began with the entrance in WIPO. From 1980 on, the United States began pressuring China to enhance its IPR protection system and to ratify some important international IP treaties and conventions,¹⁶⁴ such as the Paris Convention and the Madrid Agreement.¹⁶⁵ From a domestic point of view, China established the State Intellectual Property Office¹⁶⁶ (*Zhonghua Renmin*

¹⁶² Daniel C. FLEMING, *Intellectual Property Rights in China*, 2006, in "Wong-Fleming", <http://wongfleming.com/intellectual-property-rights-in-china/>, 16-05-17

¹⁶³ MA Zhongfa, ZHANG Yan, "TRIPS Agreement and the Enforcement of Intellectual Property Rights in China", *Journal of East Asia and International Law*, Vol. 5, 2012,

¹⁶⁴ Bryan MERCURIO, "The Protection and Enforcement of Intellectual Property in China since Accession to the WTO: Progress and Retreat", *China Perspectives*, No. 2012/1, p. 24

¹⁶⁵ During this first period to 1990, China became member of WIPO in 1980, ratified the Paris Convention in 1985, the Madrid Agreement in 1989 and signed the Integrated Circuits Treaty in 1989. (Deli YANG, "The Development of Intellectual Property in China", *World Patent Information*, Vol. 25, 2003, p. 136)

¹⁶⁶ The SIPO is divided in seven departments: the General Affairs Office, the Legal Affairs Department, the Protection and Coordination Department, the International Cooperation Department, the Patent Affairs Administration Department, the Planning and Development Department and the Human Resources Department. Among its main responsibilities there are: improve and organize national IPR protection system, implement policies about patent administration, develop IP system by analyse trends in foreign countries, coordinate international affairs related to IP issues. The SIPO was involved in the negotiations

Gongheguo Guojia Zhishi Chanquan Ju 中华人民共和国国家知识产权局) (hereinafter SIPO) and the China Trademark Office (*Guojia Gongshang Xingzheng Guanli Zongju Shangbiao Ju* 国家工商行政管理总局商标局)¹⁶⁷. During the Open Door Policy promoted by Deng Xiaoping (邓小平)¹⁶⁸, China had a strong economic development, that was intensified under the following president Jiang Zemin (江泽民)¹⁶⁹. The intensification of the Open Door Policy led to improvements also in the IP field. Between 1990 and 2001, year of the entrance of China in the WTO, other international treaties to improve IP protection were signed¹⁷⁰, and also at national level there were significant improvements. Among the new laws and implementations, the most important for the protection of trademarks were the revisions of Trademark Law (*Zhonghua Renmin Gongheguo Shangbiaofa* 中华人民共和国商标法) of 1993¹⁷¹ and 2001¹⁷² and the Implementation Regulation on the Trademark Law of 1993. Moreover, in 1993 China established specialized IP Courts.¹⁷³

and consultations about international IP regulations with WIPO and WTO. The director of SIPO is Shen Changyu (申长雨). (Information available at SIPO website, <http://english.sipo.gov.cn/about/>, 16-05-17)

¹⁶⁷ The CTMO is under the State Administration for Industry and Commerce. It deals with trademark registration and administration at national level, with the protection of trademark and well-known trademark rights, infringement, counterfeiting, trademark disputes. It also gives information about government decisions on IPR protection. (*China Trademark Office*, in “China IPR Helpdesk”, <http://www.china-iprhelpdesk.eu/content/china-trademark-office>, 16-05-17)

¹⁶⁸ Deng Xiaoping was born in 1904. He covered important positions in the government of the People’s Republic of China from 1978 to 1989. He sustained the economic liberalization and promoted the economic development of China through the opening to foreign countries. (*Deng Xiaoping*, in “Treccani”, <http://www.treccani.it/enciclopedia/deng-xiaoping/>, 16-05-17)

¹⁶⁹ Jiang Zemin was born in 1946. He covered several position in Chinese government and became president of the People’s Republic of China from 1993 to 2002, when he was replaced by Hu Jintao (胡锦涛). He sustained the economic ideas of Deng Xiaoping and the liberalization. Under his presidency, he strengthened the international position of China and promoted the entrance in the WTO in 2001. (*Jiang Zemin*, in “Treccani”, <http://www.treccani.it/enciclopedia/jiang-zemin/>, 17-05-17)

¹⁷⁰ The Berne Convention and the Universal Copyrights Convention in 1992, the Geneva Convention in 1993, the Patent Cooperation Treaty and the Budapest Treaty in 1994. (YANG, “The Development of Intellectual Property in China”, cit., p. 136)

¹⁷¹ Original Chinese text available at “WIPO”, http://www.wipo.int/wipolex/en/text.jsp?file_id=181328
English version available at “WIPO”, http://www.wipo.int/wipolex/en/text.jsp?file_id=181327

¹⁷² Original Chinese text available at “WIPO”, http://www.wipo.int/wipolex/en/text.jsp?file_id=181402
English version available at “WIPO”, http://www.wipo.int/wipolex/en/text.jsp?file_id=131395

¹⁷³ China established specialized IP Courts in Beijing in 1993, at both Intermediate and Higher People’s Courts levels. They dealt with several issues related to protection of IPR, such as trademarks, patents and copyrights. In 1994 other IP Courts were established in Shanghai municipality, Guangdong province, Fujian province and Hainan province. (Gregory S. KOLTON, “Copyright Law and the People’s Courts in the People’s Republic of China: a Review and Critique of China’s Intellectual Property Courts”, *University of Pennsylvania Journal of International Economic Law*, Vol. 17, No. 1, 1996, p. 436)

1.4.2. China's Compliance with WTO and TRIPS Obligations

The adherence to the WTO and the TRIPS Agreement in 2001 profoundly affected Chinese IP-related laws and regulations. At the beginning the U.S.A. and other countries blocked China's accession to the WTO, because of its low standards on IPR protection.¹⁷⁴

The admission of China to the WTO and the draft of an accession protocol specifically shaped for China required fifteen years of negotiations, because developed countries (in particular the USA and the European Union) set for China more requirements to permit its adherence to the WTO and TRIPS.¹⁷⁵ In 2001 they reduced these requirements, and the accession protocol was finally adopted by the WTO Fourth Ministerial Conference in 2001 at Doha, Qatar.¹⁷⁶ The China Protocol¹⁷⁷ was not a standardized document and prescribed the application of special rules between China and other WTO members. The special provisions can be divided into three main categories:

- Commitments with existing WTO rules and agreements that China would not have invoked articles that guarantee special conditions to developing country members.

¹⁷⁴ ZHANG Liguo, Niklas BRUUN, "Legal Transplantation of Intellectual Property Rights in China: Resistance, Adaptation and Reconciliation", *International Review of Intellectual Property and Competition Law (IIC)*, Vol. 48, Issue 1, p. 10, available at "Springer", [http://link.springer.com/article/10.1007/s40319-016-0542-](http://link.springer.com/article/10.1007/s40319-016-0542-1)

¹⁷⁵ Due to the fact that after fifteen years of negotiations the situation was still uncertain, the United States and the EU proposed to insert in the accession protocol a provision which concerned the Transitional Review Mechanism (TRM), that was then integrated in Art. 18 of the protocol. The TRM is a system of periodical reviews of China's compliance, conducted by Chinese government, member states and WTO Secretariat, for a period of eight years after the entry of China in the WTO. The purpose of TRM was monitoring the domestic reforms issued by Chinese Government through the control of trade activities and the promotion of the transparency. (Maria Concetta LENOCI, *La tutela giuridica del marchio d'impresa in Cina e in Italia*, 2012, Faculty of International Relations, Ca Foscari University of Venice, pp. 71-72)

¹⁷⁶ Maria Concetta LENOCI, *La tutela giuridica del marchio d'impresa in Cina e in Italia*, cit., p. 71

¹⁷⁷ WTO, *Accession of the People's Republic of China*, 10 November 2001, WT/L/432. The China Protocol is available at "WTO", https://www.wto.org/english/thewto_e/acc_e/completeacc_e.htm, along with the "Report of the Working Party on the Accession of China" (WT/ACC/CHN/49).

- WTO-plus obligations, such as requirements on transparency, judicial reviews, foreign investments, national treatment of foreign investors, economic reforms and others.¹⁷⁸
- WTO-minus rights, rules that reduce China's rights as a WTO member country. Among these provisions, there are special rules for antidumping, anti-subsidy and safeguard measures.¹⁷⁹

Since entering WTO and TRIPS Agreement requires some minimum standards for availability, scope, use and enforcement of IP rights, China had to implement or revise some of its existing laws. For instance, from August 2000 to October 2001 Chinese government had to amend the Patent law (*Zhuanli Fa* 专利法)¹⁸⁰, the Trademark Law and the Copyright Law (*Zhuzuoquan Fa* 著作权法).¹⁸¹

¹⁷⁸ WTO-Plus obligations are related to several areas, such as transparency, judicial review, uniform administration, national treatment, foreign investment, market economy and transitional review. Transparency was particularly important, since it is a fundamental value of WTO system. Several multilateral agreements administered by WTO contains provisions on transparency, such as the TRIPS Agreement. Among duties required to Chinese government, there were the enforcement of trade related laws that were already published and could be consulted by the public, creation of a journal for laws publications, obligation to respond to requests of further information in a maximum of 30 days, translation of trade laws in a WTO official language. This last request was not generally included in other WTO agreements. (QIN, "WTO-Plus Obligations and their implications for the World Trade Organization Legal System – An Appraisal of the China Accession Protocol", cit., pp. 489-509)

¹⁷⁹ Some of these rules are temporary, such as rules on antidumping and special measures, but other are permanent for China, for example provisions on special subsidy rules. (Julia Ya QIN, "WTO-Plus Obligations and their implications for the World Trade Organization Legal System – An Appraisal of the China Accession Protocol", *Journal of World Trade*, Vol. 37(3), pp. 489-491, available at "Research Gate", https://www.researchgate.net/publication/228298089_%27WTO-Plus%27_Obligations_and_Their_Implications_for_the_World_Trade_Organization_Legal_System_-_An_Appraisal_of_the_China_Accession_Protocol)

¹⁸⁰ Chinese Patent Law was amended for the second time on August 2000 by the Standing Committee of the Ninth National People's Congress. The amendment was adopted in order to comply with TRIPS Agreements requirements and reduce the gap between international standards and Chinese system. In this version of the Patent Law, new provisions were added in accordance with TRIPS Agreement. The changes made were mainly about content and scope of the exclusive right of patentees (which were the same as in TRIPS Agreement), procedures of enforcement, acquisition and maintenance of IPR and other related issues. (Xiang YU, "The Second Amendment of the Chinese Patent Law and the Comparison between the New Patent Law and TRIPS", *The Journal of World Intellectual Property*, Vol. 4, Issue 1, 2001, available at "Wiley Online Library", <http://onlinelibrary.wiley.com/doi/10.1111/j.1747-1796.2001.tb00167.x/abstract>, 20-05-17

Original Chinese text available at "WIPO", http://www.wipo.int/wipolex/en/text.jsp?file_id=181395

English version available at "WIPO", http://www.wipo.int/wipolex/en/text.jsp?file_id=125983

¹⁸¹ In 2001 Chinese government amended its Copyright Law in order to meet the international standards of IPR protection required to adhere to WTO and TRIPS Agreement. In this amendment the scope of

For what concerns Trademark Law, it was amended by Chinese Government in 2001 in order to meet the requirements to enter WTO and TRIPS, and in 2002 Chinese Government issued the Regulations for the Implementation of the Trademark Law of the People's Republic of China (*Zhonghua Renmin Gongheguo Shangbiao Fa Shishi Tiaoli* 中华人民共和国商标法实施条例)¹⁸². Some provisions were added to the newly amended law. In the Law there are 45 amendments, which mainly cover infringement of exclusive rights of registered trademarks, the preservation of evidence prior to litigations, protection of geographic indicators¹⁸³ and protection of well-known trademarks.¹⁸⁴ This last point was particularly relevant to foreign investors and multinational companies, which have always had concerns about the protection of their well-known trademarks in China. Since both the Paris Convention and TRIPS have provisions about well-known trademarks, some standards have been added to the Trademark Law Amendment of 2001.¹⁸⁵ The amended law dealt with well-known trademarks in Art. 13 and Art. 14. Art. 13 guarantees a certain level of protection to well-known trademarks not registered in China, if some requirements are met: the trademark must be a reproduction, imitation or translation of a well-known mark, there is likelihood of confusion among public and it has to be applied to similar or identical goods to which the well-known trademark is applied. In presence of these requirements the article specifies that “no application for its registration may be granted and its use shall be

protection is broadened and includes acrobatic performances, architectural designs and literary and artistic works published on Internet. Furthermore, new legal measures and penalties had been added in 2001 amendment. Other adaptations are related to collective administration of copyrights, protection to foreign copyright holders. (*China amends Copyright Law, 2001*, in “China.org”, <http://www.china.org.cn/english/2001/Nov/22246.htm>, 20-05-17)

Original Chinese text of 2001 Copyright Law Amendment available at “WIPO”, http://www.wipo.int/wipolex/en/text.jsp?file_id=181384

English version available at “WIPO”, http://www.wipo.int/wipolex/en/text.jsp?file_id=125980

¹⁸² *Regulations for the Implementation of the Trademark Law of the People's Republic of China (2002)*, original Chinese text available in “WIPO”, http://www.wipo.int/wipolex/en/text.jsp?file_id=181827

English version: http://www.wipo.int/wipolex/en/text.jsp?file_id=125979

¹⁸³ The protection of geographic indicators was guaranteed in the Implementing Rules and Regulations to the Trademark Law in 2003. Geographic indicators are usually important to foreign investors. (FLEMING, *Intellectual Property Rights in China*, cit.)

¹⁸⁴ FLEMING, *Intellectual Property Rights in China*, cit.

¹⁸⁵ *Trademark Law Amended to Better Protect Famous Brands, 2001*, available at “Hong Kong Trade Development Council”, <http://info.hktdc.com/alert/cba-e0111d.htm>, 20-05-17

prohibited".¹⁸⁶ The same protection is granted in case the trademark is applied to different or dissimilar goods, but in this case the trademark must be misleading for public and cause damage to the interests of the well-known trademark owner. In Art. 14¹⁸⁷, there is a list of factors that help to define well-known trademarks.¹⁸⁸ Other provisions concerning disputes related to well-known trademarks are contained in Art. 41.¹⁸⁹

1.4.3. China's IP Issues in Post-WTO Era

Despite the commitment of Chinese government to comply with WTO obligations and provisions of TRIPS Agreement, and despite the improvement of IPRs protection system, China struggled to fulfil some obligations¹⁹⁰ and is still weak on many IP rights rules.

WTO Dispute Resolution Action: WT/DS362

In order to monitor China compliance after the accession to WTO, the United States Trade Representative (USTR)¹⁹¹ used twenty federal agencies to control and evaluate on annual basis China's activities. On the basis of these evaluations, the USTR acknowledged Chinese efforts to develop its IP system and to implement commitments,

¹⁸⁶ *Trademark Law of the People's Republic of China (2001)*, Art. 13

¹⁸⁷ *Trademark Law of the People's Republic of China (2001)*, Art. 14

¹⁸⁸ Among the elements that defines well-known trademarks there are degree of public recognition in areas where the mark is traded, duration of its utilization, duration, extent and geographical area, protection obtained as well-known trademark and other relevant elements. (*Trademark Law of the People's Republic of China (2001)*, Art. 14)

¹⁸⁹ *Trademark Law of the People's Republic of China (2001)*, Art. 41

¹⁹⁰ In particular, China was criticized for its lack of transparency and for its weak intellectual property protection.

(Timothy WEBSTER, "Paper Compliance: How China Implements WTO Decisions", *Michigan Journal of International Law*, Vol. 35, Issue 3, 2014, pp. 553-554, available at "Michigan Journal of International Law", http://repository.law.umich.edu/mjil/vol35/iss3/2/?utm_source=repository.law.umich.edu%2Fmjil%2Fvol35%2Fiss3%2F2&utm_medium=PDF&utm_campaign=PDFCoverPages)

¹⁹¹ The USTR is an agency that counts more than 200 professionals and was established in 1962. Its main purposes are the negotiation of trade agreements with foreign countries, the resolution of international disputes, the development and coordination of U.S. international trade and foreign investment policies. (*Mission of the USTR*, in "Office of the United States Trade Representative", <https://ustr.gov/about-us/about-ustr>, 21-05-17)

but it also pointed out some failures concerning the limited market access to foreign goods and enterprises, transparency (which is also regulated by Art. 63 of TRIPS Agreement)¹⁹², and weak enforcement of IPRs.¹⁹³

In February 2005 several U.S. trade groups pushed U.S. government to take WTO action against China. Among those trade groups there were the International Intellectual Property Alliance (IIPA)¹⁹⁴ and the U.S. Chamber of Commerce which expressed their concern on the lack of enforcement of IPRs, piracy and counterfeiting in China. In 2005 the USTR issued the Special 301 Report,¹⁹⁵ which highlighted the still existing counterfeiting and piracy problems in China, and which contained the analysis of Chinese IP system and its compliance with TRIPS Agreement obligations. In 2005 Special 301 Report were also published the results of the out-of-cycle review (OCR)¹⁹⁶ on Chinese IP system of the same year. The review concerns IPR infringement, protection and enforcement in China. The review detected problems on China's compliance with TRIPS obligations, especially for what concerns provisions on transparency and criminal enforcement of IPRs. Among the main problems, it was found that trademark counterfeiting had not been significantly reduced since WTO accession and there was lack of transparency on IPR infringement data, enforcement procedures and rulemaking.

¹⁹² "Laws and regulations, and final judicial decisions and administrative rulings of general application, made effective by a Member pertaining to the subject matter of this Agreement (the availability, scope, acquisition, enforcement and prevention of the abuse of intellectual property rights) shall be published, or where such publication is not practicable made publicly available, in a national language, in such a manner as to enable governments and right holders to become acquainted with them. [...]" (*Agreement on Trade-Related Aspects of Intellectual Property Rights*, Art. 63(1))

¹⁹³ WEBSTER, "Paper Compliance: How China Implements WTO Decisions", cit., pp.553-554

¹⁹⁴ The International Intellectual Property Alliance is a coalition formed in 1984 to represent over 3,200 U.S. companies which produce and distribute materials protected by copyright. Among their main activities, they submit the annual Special 301 Report, encourage efforts towards legal and enforcement reforms and against infringement, piracy and criminal actions. *International Intellectual Property Alliance*, <http://www.iipawebsite.com/aboutiipa.html>, 21-05-17

¹⁹⁵ The Special 301 is issued every year by USTR and shows the results of a review concerning protection and effectiveness of IPRs in 90 countries. (*2005 Special 301 Report – Executive Summary*, available at "USTR", https://ustr.gov/archive/assets/Document_Library/Reports_Publications/2005/2005_Special_301/asset_upload_file195_7636.pdf, 23-05-17)

¹⁹⁶ *Out-of-Cycle Review Results*, 2005, available at "USTR", https://ustr.gov/archive/assets/Document_Library/Reports_Publications/2005/2005_Special_301/asset_upload_file835_7647.pdf, 23-05-17

Furthermore, Art. 61 TRIPS Agreement¹⁹⁷ provides the establishment of a criminal IPR enforcement system with deterrent effect, but China's criminal enforcement did not show significant deterrent effects. On the contrary, China was accused to have pursued criminal prosecution in few cases, especially for what concerned copyright. Due to China's failure in fully compliance with its TRIPS Agreement and WTO obligations, in 2005 OCR document the U.S. Government stated¹⁹⁸ that they will have considered to carry procedures against China.

Since under the TRIPS Agreement all disputes among state members must be solved through the mandatory WTO dispute settlement process¹⁹⁹, the U.S. filed a formal complaint with the WTO Dispute Settlement Body against China in April 2007 (DS362), charging China of the violation of TRIPS obligations concerning copyright, customs and criminal law.²⁰⁰ In 2009 the WTO issued a Panel, which stated that some weak points were found in Chinese IP system.²⁰¹ The first claim of U.S. against China was related to weak copyright protection in China. The Panel sentenced that Art. 4 of Chinese copyright law was not consistent with Art. 9(1) of TRIPS Agreement,²⁰² For what concerns the second claim, related to custom regulations, the Panel stated that they violated the TRIPS Agreement, since Chinese custom authorities permitted the circulation of

¹⁹⁷ "Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. [...]" (*Agreement on Trade-Related Aspects of Intellectual Property Rights*, Art. 61)

¹⁹⁸ 2005 Out-of-Cycle Review Results, cit.

¹⁹⁹ Art. 64 of TRIPS Agreement deals with dispute settlement. Under the rules of the WTO process, a member state must take on all the action allowed by the rules before taking retaliatory measures. Since both China and the United States are WTO members, the United States could not impose unilateral sanctions but must undertake a process that includes consultations, negotiations, dispute settlement and arbitration. (Peter K. YU, "From Pirates to Partners (Episode II): Protecting Intellectual Property in Post-WTO China", *American University Law Review*, Vol. 55, 2005, pp. 924-925, available at "SSRN", https://papers.ssrn.com/sol3/papers.cfm?abstract_id=578585)

²⁰⁰ *China — Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, in "WTO", https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds362_e.htm, 23-05-17

²⁰¹ *China — Measures Affecting the Protection and Enforcement of Intellectual Property Rights — Report of the Panel*, 2009, in "WTO", https://www.wto.org/english/tratop_e/dispu_e/362r_e.pdf, 23-05-17

²⁰² Chinese copyright law did not guarantee IPRs protection to works prohibited in China, such as censored books. (WEBSTER, "Paper Compliance: How China Implements WTO Decisions", cit., p. 558)

counterfeit goods after the removal of infringing items.²⁰³ The third U.S. claim about criminal prosecution for trademark and copyright infringement was not declared valid.²⁰⁴

Further Developments

In 2009 China informed WTO Dispute Settlement Body (DSB)²⁰⁵ and U.S. that, to comply with requirements requested by the Panel, it would have needed a reasonable period of time, which was then agreed to be one year. Within 2010 China affirmed to have satisfied the requirements set by the Panel. In fact, in 2010 there was the revision of Chinese Copyright Law²⁰⁶ with the modification of Art. 4²⁰⁷ and the amendment of custom regulations. All these modifications contributed to improve IPR protection and enforcement in China, and showed China's engagement and efforts to comply with WTO and TRIPS Agreement obligations, which had a significant role in shaping China's IP system.²⁰⁸

In 2008 China State Council (*Zhonghua Renmin Gongheguo Zhongyang Renmin Zhengfu* 中华人民共和国中央人民政府)²⁰⁹ issued the "Outline of the National Intellectual

²⁰³ *Regulations on Customs Protection of Intellectual Property Rights (Zhonghua Renmin Gongheguo Zhishi Chanquan Haiguan Baohu Tiaoli 中华人民共和国知识产权海关保护条例)*, 2003, Art. 27

²⁰⁴ WEBSTER, "Paper Compliance: How China Implements WTO Decisions", cit., p. 559

²⁰⁵ WTO Dispute Settlement Body manages disputes that may arise between WTO member countries. The DSB can issue and adopt dispute settlement panels (such as the Panel related to DS362 between China and U.S.), monitor that rules and regulations contained in the panels are implemented and suspend concessions if these rules are not respected by the parties. (*Dispute Settlement Body*, in "WTO", https://www.wto.org/english/tratop_e/dispu_e/dispu_body_e.htm, 26-05-17)

²⁰⁶ *Copyright Law of the People's Republic of China (Zhonghua Renmin Gongheguo Zhuzuoquan Fa 中华人民共和国著作权法)*, 2010. Original Chinese text available at "WIPO", http://www.wipo.int/wipolex/en/text.jsp?file_id=182065. English version available at "WIPO", http://www.wipo.int/wipolex/en/text.jsp?file_id=186569.

²⁰⁷ "When exercising its/his/her copyrights, a copyright holder may not violate the Constitution or laws, or harm the public interest. The state shall regulate the publication and transmission of works in accordance with the law." (*Copyright Law of the People's Republic of China*, 2010, Art. 4)

²⁰⁸ Natalie P. STOIANOFF, "The Influence of the WTO Over China's Intellectual Property Regime", *Sidney Law Review*, Vol. 34, 2012, pp. 80-82

²⁰⁹ The State Council is a Chinese administrative body. It acts following the directives issued by the National People Congress (NPC). Among the State Council functions, there are: formulation of administrative measures and regulations, supervising and direction of China's ministries and other

Property Strategy” (*Guojia Zhishi Chanquan Zhanlüe Gangyao* 国家知识产权战略纲要) (NIPS),²¹⁰ to improve the protection and enforcement of IPRs at national level. This Strategy has been implemented until 2014, when SIPO and other departments issued the “Further Implementation on the National IP Strategy Action Plan 2014-2020” (*Shenru Shishi Guojia Zhishi Chanquan Zhanlüe Xingdong Jihua* 深入实施国家知识产权战略行动计划 2014-2020 年),²¹¹ whose purpose is to further enhance China IP system through a seven years plan which implements the NIPS. According to this plan, the level of IPR creation and utilization in China will grow, and protection will increase. The Action Plan is built around twelve targets, four main objectives²¹² and three infrastructure projects.²¹³ Three main concepts and objectives characterize the Action Plan:

- Strive to make China a strong IPR country (*nuli jianshe zhishi chanquan qiangguo* 努力建设知识产权强国)²¹⁴

organizations, drafting of national plans for economic and social development. Furthermore, it operates in several fields, such as economy, education, science, culture and public health. The leader of the State Council is the premier, who currently is Li Keqiang (李克强). Official website: <http://www.gov.cn>

²¹⁰ Original Chinese text available at “WIPO”, http://www.wipo.int/wipolex/en/text.jsp?file_id=181394
English version available at “WIPO”, http://www.wipo.int/wipolex/en/text.jsp?file_id=125982

²¹¹ Original Chinese text available at “National Intellectual Property Strategy”, <http://nipso.cn/onews.asp?id=24266>

English version available at “Quality Brands Protection Committee of China Association of Enterprises with Foreign Investment (*Zhongguo Waishang Touzi Qiye Xiehui Youzhi Pinpai Weiyuanhui* 中国外商投资企业协会优质品牌委员会) (QBPC)” <http://www.qbpc.org.cn/view.php?id=2532&cid=95>,

²¹² The four main objectives identified by Chinese Government are: promotion of IP creation and utilization, the strengthening of IPR management and protection (which involves also improvement of IPR enforcement), and expansion of cooperation with foreign countries on IP-related issues, through enactment of laws regulating foreign trade and support to Chinese enterprises which aim to internationalize. (*China Issues The Further Implementation of the National IP Strategy Action Plan 2014-2020*, 2015, in “SIPO”, http://english.sipo.gov.cn/news/official/201501/t20150114_1061802.html, 29-05-17)

²¹³ The IP infrastructures mentioned in the Action Plan are (1) the IP information service project, whose purpose is sharing information related to IP issues; (2) IP survey and statistics projects, established in order to monitor the IP industry and revise the national accounting system; (3) IP talent construction, through specific curricula aimed to train specialized personnel. (*China Issues The Further Implementation of the National IP Strategy Action Plan 2014-2020*, cit.)

²¹⁴ *Action Plan for Further Implementation of the National IP Strategy (2014-2020) Approved*, 2014, in “China IPR”, <https://chinaipr.com/2014/12/30/action-plan-for-further-implementation-of-the-national-ip-strategy-2014-2020-approved/>, 29-05-17

- Promotion of IP creation and utilization (*cujin zhishi chanquan chuangzao yunyong* 促进知识产权创造运用)²¹⁵
- Development of IP industries (*zhishi chanquan miji xing chanye fazhan* 知识产权密集型产业发展)

Main Expectation Indicators for Implementation of IP Strategy in 2014–2020

Indicators	2013	2015	2020
Number of invention patents possessed by every 10000 people	4	6	14
Number of patent applications submitted through the Patent Cooperation Treaty (in 10000)	2.2	3.0	7.5
Average maintenance period (years) of domestic invention patents	5.8	6.4	9.0
Number of registered copyrights of works (in 10000)	84.5	90	100
Number of registered copyrights of computer software (in 10000)	16.4	17.2	20
Total transaction amount of the technology contracts registered on the national technology market (in trillion yuan)	0.8	1.0	2.0
Amount of IP pledge financing year (in 100 million yuan)	687.5	750	1800
Export income from royalties and franchise fees for proprietary rights (in 100 million USD)	13.6	20	80
Average annual growth rate of the operating income of IP service industry (%)	18	20	20
Social satisfaction at IP protection (points)	65	70	80
Cycle of average substantive examination of invention patent applications (month)	22.3	21.7	20.2
Average examination cycle of trademark registration (month)	10	9	9

Figure 4: Expectations on the implementation of NIPS from 2014 to 2020. Source: Action Plan for Implementing the National Intellectual Property Strategy (2014–2020)

After the Action Plan, in 2016 China’s government issued a new policy: the “Opinion of the State Council on Accelerating the Construction of Intellectual Property Powers for China as an Intellectual Property Strong Country under the New Situation – Division of Tasks” (*Guowuyuan guanyu xin xingshi xia jiakuai zhishichanquan qianguo jianshe de ruogan – zhongdian renwu fengong fang’an* 国务院关于新形势下加快知识产权强国

²¹⁵ Action Plan for Implementing the National Intellectual Property Strategy (2014–2020), section 2 (Main Actions)

建设的若干意见-重点任务分工方案).²¹⁶ This new plan promotes the acceleration of measures related to IPRs, for instance by focusing on compensatory and punitive damages in case of IPR infringements, on international cooperation in criminal enforcement and on a stronger support to TRIPS Agreement, in order to reach the status of a strong IP country.²¹⁷ In 2017 China issued another five year plan (2016-2020) to improve cooperation with foreign countries on IP-related issues. Other than set targets for what concerns IP protection and legal system, the plan foresees that by 2020 there will be an expected growth of both domestic and foreign patent inventions, that will reach 12 patents per 10,000 people for Chinese patents and 60,000 for international applications.²¹⁸

Is China Fully Compliant with International Agreements?

In 2017, after 15 years since accession to WTO and signature of TRIPS Agreement, China has strongly improved its IP system.²¹⁹ However, some weak points still persist. In 2017 the USTR issued the Report on China's WTO Compliance in 2016²²⁰ and the Special 301 Report.²²¹ The rise of new problems have been identified, especially related to IP civil enforcement in courts and counterfeit goods sold in online marketplaces. According to the China's WTO Compliance Report, China's efforts to improve IPR protection and

²¹⁶ Chinese text available at: "Gov.cn", http://www.gov.cn/zhengce/content/2016-07/18/content_5092397.htm, 29-05-17

²¹⁷ *New State Council Decision on Intellectual Property Strategy For China as a Strong IP Country*, 2016, in "China IPR", <https://chinaipr.com/2016/07/24/new-state-council-decision-on-intellectual-property-strategy-for-china-as-a-strong-ip-country/>, 29-05-17

²¹⁸ At the release of this new plan, Gao Shaoning, deputy director of SIPO, affirmed that China's IP system is internationally recognised, adding that even the neo-elected U.S. President Donald Trump had applied for trademark registrations in China, which shows the improvements of Chinese IP protection system and its compliance with international standards. (Olivier LE MOAL, *China to enhance IP cooperation, releases five-year plan*, 2017, in "WIPR", <http://www.worldipreview.com/news/china-to-enhance-ip-cooperation-releases-five-year-plan-12857>, 30-05-17)

²¹⁹ William NEW, *After 15 Years In WTO, China Still Weak On Many IP Rights Rules, US Says*, 2017, in "Intellectual Property Watch", <https://www.ip-watch.org/2017/01/10/15-years-wto-china-still-weak-many-ip-rights-rules-us-says/>, 24-05-17

²²⁰ *2016 Report to Congress on China's WTO Compliance*, issued by USTR, 2017, in "USTR", <https://ustr.gov/sites/default/files/2016-China-Report-to-Congress.pdf>, 24-05-2017

²²¹ *2017 Special 301 Report*, issued by USTR, 2017, in "USTR", <https://ustr.gov/sites/default/files/301/2017%20Special%20301%20Report%20FINAL.PDF>, 24-05-2017

comply with international agreements have been acknowledged. However, Chinese IP system still poses some issues and China have been placed on the Priority Watch List issued by USTR, contained in the Special 301 Report. Among the main problems, it has been found a growth of trademark registrations in bad faith and of online piracy, and counterfeit goods are still a huge concern.²²²

²²² *2016 Report to Congress on China's WTO Compliance*, cit., pp. 126-139

SECOND CHAPTER

BRAND PROTECTION IN CHINA

2.1. Trademark Protection in China

Following the economic development, Chinese government is trying to take concrete actions in order to avoid infringement of IP rights, such as the Amendment to the Trademark Law in 2014, the recent Draft of E-Commerce Law, an Action Plan for further implementation of national IP strategy, and the development of new policies against trademark infringement. Together with laws and regulations, Chinese government has established special IP courts in Beijing, Shanghai and Guangzhou, in order to improve enforcement. These courts are issuing progressive decisions to protect IP owners and to respond to their complaints against infringements occurring in trade platforms. These decisions may enhance cooperation between brands and platforms.²²³

2.1.1. Statistics on Trademark Registrations

Intellectual property (IP) is a strategic national resource for the development of innovation, and an important element that can be determinant for a country that wants to compete in international markets. Since the adoption of its policy of reform and opening up²²⁴, the Chinese government has been paying increasing attention to the role

²²³ Dan PLANE, *China Trade Marks: New Measures to Address Online Counterfeiting*, 2014, in “Managing Intellectual Property”, <http://www.managingip.com/Article/3362390/China-trade-marks-New-measures-to-address-online-counterfeiting.html>, 05-04-17

²²⁴ In 1978 China started a period of reforms and opening up policies toward a market-oriented economy. During this period, foreign trade and foreign investment were encouraged through the so-called open-door policy (*menhu kaifang zhengce* 门户开放政策). Before the economic reform, China was mainly a closed economy. This policy, promoted by Deng Xiaoping (邓小平), fostered the opening of China to foreign imports and exports. This reform was accompanied by institutional and administrative changes.

that IP plays in socioeconomic development. China is trying to improve registration, use, protection and management of trademarks²²⁵. Trademark applications filed in China over the last decade have soared from 766,319 in 2006 to 2,876,048 in 2015²²⁶. Among those applications, in 2015 176,893 has been filed by foreign applicants, and the 6.15% of all applications received by the China Trademark Office has been filed under the Madrid System for International Registration of Marks. By April 2016, the number of foreign trademark registrations increased up to 10.68% of all CTMO trademark registrations.²²⁷ In 2016 China handled in total almost 3.7 million trademark applications and resulted for the fifteenth year the first IP office in the world.²²⁸ According to the State Intellectual Property Office of the P.R.C. (SIPO), the increase in the number of registrations was due to IP reforms and the amendment of Trademark Law in 2014, and the growth was 28.4%, compared with 26.9% in 2015.²²⁹

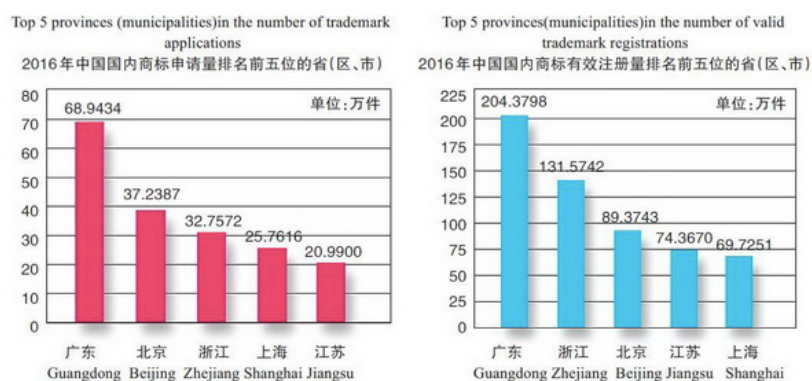


Figure 5: China's trademark applications and trademark registrations in 2016 divided for the top five municipalities.

Source: SIPO

(Gregory C. CHOW, "Economic Reform and Growth in China", *Annals of Economics and Finance*, Vol. 5, pp. 127-152, 2004)

²²⁵ ZHANG Mao, *China's new Trademark Law*, September 2014, http://www.wipo.int/wipo_magazine/en/2014/05/article_0009.html, 19-03-17

²²⁶ JEWELL, Catherine, *China's trademark activity continues to soar*, in "Wipo Magazine", June 2016, http://www.wipo.int/wipo_magazine/en/2016/03/article_0001.html, 19-03-17

²²⁷ *Ibid.*

²²⁸ *China Trademark Applications Hit 3.7 Million in 2016*, February 2017, in "World Intellectual Property Review", <http://www.worldipreview.com/news/china-trademark-applications-hit-3-7-million-in-2016-13617>, 24-05-17

²²⁹ *China's trademark application amounts to 3.691 million in 2016, 2017*, in "SIPO", http://english.sipo.gov.cn/news/iprspecial/201702/t20170222_1308458.html, 24-05-17

As shown by the table, the top five Chinese provinces or municipalities for trademark registration in 2016 were Guangdong, Beijing, Zhejiang, Shanghai, Jiangsu. At the first place there is Guangdong, with 689,434 applications, followed by Beijing with 372,387 applications.²³⁰ Most of the applications were filed online (81.3%), while in 2015 only the 69.3% were filed through Internet.²³¹

2.1.2. Amendment to the Trademark Law (2014)

The first Trademark Law of the People's Republic of China has been promulgated in 1982.²³² Following the evolution of Chinese market economy and its internationalization, since 1982 there have been three amendments, the first two in 1993 and 2001. To further enhance China's intellectual property system, on May 1, 2014 the newly amended Trademark Law (*Zhonghua Renmin Gongheguo Shangbiaofa* 中华人民共和国商标法) entered into force.²³³ Some weaknesses have been highlighted in the new Trademark Law. However, it is considered an important development for Chinese IP system.

²³⁰ The top five provinces or municipalities for trademark registrations are the same of 2015. For what concerns other provinces, in 2016 Sichuan and Henan reached 100,000 registrations. Other provinces that obtained high numbers of registrations were Shandong, that reached 184,490 registrations, Fujian with 175,392, Henan with 129,946 and Sichuan with 126,300. (*China's trademark application amounts to 3.691 million in 2016*, cit.)

²³¹ *China Trademark Applications Hit 3.7 Million in 2016*, cit.

²³² The first Trademark Law of 1982 was the beginning of modern China's IP and trademark system. The Law was enacted to start a rapid economic growth and to attract foreign investments, that needed protection for their trademarks. However, the theory behind the 1982 Trademark Law was not aligned with more developed countries. For instance, while in Western nations trademark laws were based on the notion of asset and owners' rights protection, in China the purpose of trademark law was consumer protection and wealth redistribution. (Jayanth S. SWAMIDASS, Paul M. SWAMIDASS, "The trajectory of China's Trademark Systems Leading up to the New Trademark Law Taking Effect in May 2014", *Journal of the Patents and Trademark Office Society*, 2014, Vol. 96(1), available in "Research Gate", <https://www.researchgate.net/publication/260991612> The trajectory of China's Trademark System leading up to the new Trademark Law taking effect in May 2014)

²³³ 中华人民共和国商标法(2013 修正) (Trademark Law of the People's Republic of China), original text available in "WIPO", http://www.wipo.int/wipolex/en/text.jsp?file_id=302623, 05-04-17

Objectives and Innovative Provisions

This amendment streamlines trademark registration procedures and improve the legal protection of trademark in China, this way moving closer to international standards. This amendment mainly pursues three purposes:

- the protection of legitimate rights and interests of trademark owners (“The owner of a registered trademark shall enjoy the exclusive right to the use of the trademark, which shall be protected by law”)²³⁴
- the maintenance of competitive and fair market conditions (“Whoever uses a registered trademark or an unregistered well-known trademark of another party as the trade name in its enterprise name and mislead the public, which constitutes unfair competition, shall be dealt with in accordance with the Anti-Unfair Competition Law²³⁵ of the People's Republic of China.”)²³⁶
- the enforcement of the rules against trademark infringement.

The third amendment makes several, significant changes to Chinese Trademark Law. It introduces new categories of trademark infringements, including for well-known trademarks (*gongzhong suo shuzhi de shangbiao* 公众所熟知的商标)²³⁷, and stronger

²³⁴ *Trademark Law of the People's Republic of China*, Chapter 1, Art.3, English translation available in “WIPO”, http://www.wipo.int/wipolex/en/text.jsp?file_id=341321

²³⁵ The legislative affairs office of the State Council has recently released (February 2016) a draft amendment of the Chinese Anti-unfair Competition Law (*Zhonghua Renmin Gongheguo Fan Buzhengdang Jingzheng Fa* 中华人民共和国反不正当竞争法). The original Chinese text is available at “IPKey”, <http://www.ipkey.org/zh/ip-law-document/32-ip-competition-law-policy/3904-anti-unfair-competition-law-of-the-people-s-republic-of-china-draft-amendment-for-review>, English translation is available at “IPKey”, <http://www.ipkey.org/en/ip-law-document/item/3905-anti-unfair-competition-law-of-the-people-s-republic-of-china-draft-amendment-for-review>

²³⁶ *Trademark Law of the People's Republic of China*, Chapter 7, Art.58

²³⁷ *Trademark Law of the People's Republic of China*, Chapter 1, Art. 13

punitive measures to crack down on trademark free-riding²³⁸ and squatting²³⁹. In particular, the last one in China has been a big roadblock for multinational corporations that were looking to enter the Chinese market, and it has affected many well-known businesses, including Apple, Land Rover, Ferrari and Hermes.²⁴⁰ The process of trademark registration has been simplified, because applicants only need to submit one application for multiple classes and types of goods.²⁴¹ Article 7 of the Amendment introduces the principle of good faith (*chengshi xinyong yuanze* 诚实信用原则) in trademark use and registration.²⁴² In the law has been added provisions on the principle of honesty and integrity, and the explicit prohibition of trademark hijacking.²⁴³ Article 57 of the newly amended law lists all the acts that constitute an infringement on the rights for the use of a registered trademark. Among them there are using a trademark that is identical to a registered one without obtaining licensing from the registrant, using a trademark similar to a registered one, counterfeiting, altering a registered trademark without permission.²⁴⁴ Besides, Chinese Trademark Law covers not only direct

²³⁸ The term 'free riding' is often described as one of the component of unfair competition. According to the World Intellectual Property Organization (WIPO), free riding is defined as 'any act that a competitor or another market participant undertakes with the intention of directly exploiting another person's industrial or commercial achievement for his own business purposes without substantially departing from the original achievement'. (Carolina OLIVEIRA, Alena KAPACHOVA, *Free-riding on the repute of Trademarks*, in "Blog of Intellectual Property and Knowledge Management", April 2015, <https://law.maastrichtuniversity.nl/ipkm/free-riding-on-the-repute-of-trademarks-does-protection-generate-innovation/>, 20-03-2017)

²³⁹ Trademark squatting is an act of registering other people's brand as their own by squatters in other countries in order to take benefits from original marks or real trademark owners. (Kitsuron SANGSUVAN, *Trademark squatting*, 2013, https://hosted.law.wisc.edu/wordpress/wilj/files/2014/01/Sangsuwan_final_v2.pdf, 20-03-2017)

²⁴⁰ Sunny CHANG, "Combating Trademark Squatting in China: New Developments in Chinese Trademark Law and Suggestions for the Future", *North western Journal of International Law and Business*, Volume 34, Issue 2, 2014, p. 339

²⁴¹ *Trademark Law of the People's Republic of China*, Chapter 2, Art.22

²⁴² "申请注册和使用商标，应当遵循诚实信用原则。" ("The principle of good faith shall be upheld in the application for trademark registration and in the use of trademarks.") (*Trademark Law of the People's Republic of China*, Chapter 1, Art.7)

²⁴³ Trademark hijacking usually involves a company or person registering the trademark of a foreign company in China without the knowledge or consent of the foreign company. This can have serious implications for the foreign company as it can be prevented from supplying goods or services in China. ("Trademark Hijacking in China: the Importance of Trademark Registration", 2013, <http://www.revomark.co.uk/trademark-hijacking-in-china-the-importance-of-trademark-registration/>, 20-03-17)

²⁴⁴ *Trademark Law of the People's Republic of China*, Chapter 7, Art. 57

infringement, but also intentional facilitation of IP rights violations.²⁴⁵ The Implementing Regulations of the Trademark Law (*Zhonghua Renmin Gongheguo Shangbiaofa Shishi Tiaoli* 中华人民共和国商标法实施条例), revised in 2014, expands the scope of “facilitating infringement”, with the inclusion of “warehousing, transportation, postage, printing, concealment, business premises and online commodities trading platforms”.²⁴⁶

The amended law allows for a stronger protection system for trademarks owners, because it makes easier to prove an infringement and it allows courts to order the infringer to provide its accounting books and relevant materials necessary to calculate damages. Statutory damages have been increased from RMB 500,000 to RMB 3,000,000.²⁴⁷ The amendment also allows punitive damages up to three times normal damages: it is the first time punitive damages have been introduced into Chinese intellectual property laws.²⁴⁸

Furthermore, the State Administration for Industry and Commerce (*Guojia Gongshang Xingzheng Guanli Zongju* 国家工商行政管理总局) (hereinafter SAIC)²⁴⁹, the government agency responsible for administering China’s trademark system, is implementing a range of complementary regulations to enhance the quality and delivery of its trademark-related services for both foreign and domestic businesses. According to Zhang Mao (张茅)²⁵⁰, director of the SAIC, they are promoting and improving the use of

²⁴⁵ LIU Yongpei, “E-commerce intellectual property rights protection in China”, in *Intellectual Property & Technology Law Journal*, Volume 28, N. 8, 2016, p. 14

²⁴⁶ “Regulations for the Implementation of the Trademark Law of People’s Republic of China”, Chapter 8, Article 75, available in “WIPO”, http://www.wipo.int/wipolex/en/text.jsp?file_id=425590

²⁴⁷ *Trademark Law of the People’s Republic of China*, Chapter 7, Art. 63

²⁴⁸ CHANG, “Combating Trademark Squatting in China...”, cit., pp. 352-353

²⁴⁹ The State Administration for Industry and Commerce operates directly under the authority of the State Council, and it has to supervise and regulate the market, and to ensure the related law enforcement through administrative means. SAIC is the organ in charge of maintaining market order, guarantee fair competition, and safeguard trademark owners and consumers’ rights. At provincial level, SAIC works in coordination with local Administrations for Industry and Commerce (AICs). The minister of SAIC is appointed by the Premier of the State Council. Information available at “State Administration for Industry and Commerce of the People’s Republic of China”, <http://www.saic.gov.cn/english/aboutus/Mission/>, 06-04-17

²⁵⁰ Zhang Mao is minister of the SAIC since 2013. He covered positions in the party at Beijing municipality level until 2006, when he became vice-chairman of the National Development and Reform Commission.

information technologies to increase efficiency. They are also establishing a cross-departmental collaborative governance mechanism to crack down on infringements more effectively. Speaking of Trademark Law enforcement, an integrated online platform is under development to help boost transparency and consumer confidence. In the future, they expect to increase the effectiveness of law enforcement terms and to provide greater coordination between administrative and judicial systems and market regulators.²⁵¹

Unsolved Issues

Since the Amendment to the Trademark Law, significant progress has been made by local AICs across the country. By 2016, AICs have investigated around 65,000 trademark cases involving infringements worth 860 million yuan, and fines and confiscations worth 720 million yuan.²⁵² However, even if Chinese government by the adoption of these dispositions is trying to enhance its IP system and to combat trademark infringements, the situation is still far from being completely solved. The 2014 implementation of Chinese Trademark Law is undoubtedly a significant step in China's movement towards increased protection of trademarks, but these changes are unlikely to fully guarantee trademark protection. The changes in the Trademark Law are unlikely to fully prevent trademark infringements because the primary reason they persist is a not lack of law, but lack of enforcement of the law. Actual enforcement of IP rights within China are still proving insufficient. Some weak points have been highlighted in the new Trademark Law.

Before leading the SAIC, he was secretary of the Ministry of Health (since 2009) and member of the Central Committee (since 2012 until present). (*Zhang Mao*, in "China Vitae", <http://www.chinavitae.com/biography/2104>, 06-04-17)

²⁵¹ JEWELL, China's trademark activity..., cit.

²⁵² JEWELL, China's trademark activity..., cit.

For instance, the process of enforcement,²⁵³ registrations in bad faith²⁵⁴ and trademark squatting still pose some problems that are not properly addressed in the new trademark law.

Some of the provisions of the new Trademark Law are of unclear interpretation and seem to leave room for misapplications which may prove favourable only to Chinese infringers in certain cases. One of these norms is Article 57.2 defining trademark infringement by similarity of the mark or of the goods.

(二)未经商标注册人的许可，在同一种商品上使用与其注册商标近似的商标，或者在类似商品上使用与其注册商标相同或者近似的商标，容易导致混淆的；

(2) Using a trademark that is similar to a registered trademark on the same kind of goods, or using a trademark that is identical with or similar to the registered trademark on similar goods without obtaining licensing from the registrant of the registered trademark, and is likely to cause confusion.²⁵⁵

The norm has in fact added the requirement that the similarity causes "likelihood of confusion", a requirement which was not present in the older Trademark Law. This new requirement may be subject to restrictive interpretations by the enforcement authorities. In fact, if they consider the principle of "use of trademark in the territory in China", this may lead to the denial of enforcement when an infringer can prove that his trademark counterfeits were only meant for export and not for use in China, by arguing that the use in China is an implied requisite for the assumption of "likelihood of confusion" among the Chinese consumers. Such a restrictive interpretation would allow infringers to freely export products with trademarks similar to those registered in China

²⁵³ The enforcement system is strong in big cities, such as Beijing and Shenzhen, because counterfeiting activities can be monitored there more efficiently. This way counterfeiters tend to move their activities to places where the enforcement process is weaker, to harder-to-regulate provinces. This poses a big problem for trademark owners. In fact, their trademark rights may be threatened even with this new Trademark Law, since the enforcement is still weak. Chinese Government must enhance enforcement budget to reach all provinces and crack down counterfeiting. (SWAMIDASS, "The trajectory of China's Trademark Systems Leading up to the New Trademark Law Taking Effect in May 2014", cit, p. 23)

²⁵⁴ China has a registration-based system, called first-to-file (FTF) system, which means that an owner cannot own a trademark until it is registered. This type of system lead to bad faith registrations.

²⁵⁵ *Trademark Law of the People's Republic of China*, Chapter 7, Art. 57(2)

by a foreign company. The impact of such an interpretation may be detrimental for the fight against trademark counterfeiting.²⁵⁶

Furthermore, in the amendment is specified the maximum amount for civil damages in case of infringement, but it is not indicated a minimum amount, and damages are not calculated on a consistent basis. Specific criteria would guarantee a more appropriate compensation in cases involving bad faith counterfeit activities, recidivist infringers, and other serious issues.²⁵⁷

Probably, the most important issue that is not properly covered by the new trademark law is online counterfeiting, which is a top priority for foreign companies and is becoming more and more relevant as e-commerce expands globally.²⁵⁸ This issue is not covered in a detailed manner, and do not properly support the enforcement work conducted by authorities and rights holders. It would be recommendable to add provisions that set liabilities of trade platforms, to encourage them to cooperate in taking down trademark infringers. Currently, right holders and administrative enforcement authorities, such as the local Administrations for Industry and Commerce (*Gongshang Xingzheng Guanliju* 工商行政管理局) (hereinafter AICs)²⁵⁹, appear to lack

²⁵⁶ “New trademark law of China unsolved issues undermining brand protection and enforcement”, in “Lexology”, 2015, <http://www.lexology.com/library/detail.aspx?g=15aade19-ff0b-4882-ad5f-a41c810bcbd2>, 21-03-17

²⁵⁷ When accused of illegal activities, infringers have to provide transactional records. If they fail to provide them, the courts may award damages based upon the evidence. This encourages early settlements and leverage infringers to disclose the source of fakes. In the amended law, questions of compensation can also be mediated by AICs, if requested by the parties. This can pose corruption problems, since no guidelines have been adopted by SAIC. (*Comments on PRC Trademark Law Revision*, Global Intellectual Property Center – US Chamber of Commerce, 2013. Unpublished confidential document.)

²⁵⁸ Online protection of IPR is covered in a more detailed manner in the Draft of E-Commerce Law of 2016, but at 2017 this law is still not in force in China.

²⁵⁹ AICs are the local branches of SAIC. Their main functions are: implementation of laws, regulations, guidelines and policies of the state at a local level; organization of the registration and inspections of both local and foreign-invested enterprises in their territory; protection of the legal rights of consumers and deal with cases of trademark infringements; protection of registered trademarks through inspections of units using or printing trademarks and other responsibilities related to economic activities conducted in a certain territory. (*Beijing Municipal Administration of Industry and Commerce (Beijingshi Gongshang Xingzheng Guanliju* 北京市工商行政管理局), in “E Beijing (Official website of the Beijing Government)”, <http://www.ebeijing.gov.cn/Government/Departments/t929916.htm>, 06-04-17)

the legal authority to investigate online infringements effectively, for example by identifying the responsible individuals and tracing their stocks and assets.²⁶⁰ In 2012 Beijing Higher People’s Court (*Beijingshi Gaoji Renmin Fayuan* 北京市高级人民法院) (hereinafter BHPC) issued the “Answers to Various Questions Regarding Hearing of Intellectual Property Rights Disputes Involving E-Commerce”²⁶¹ (hereinafter BHPC Answers) that can be useful to resolve civil disputes and to enhance cooperation between rights holders and online service providers in order to strengthen enforcement. BHPC Answers state that “rights holders or e-commerce platform operators that are capable of preventing or stopping infringements at a low cost shall take necessary measures in an active and timely manner”. Furthermore, they suggest that online service providers undertake direct liability if the vendors using their sites cannot be identified, and if they fail to take necessary measures in a timely manner in case of trademark infringement is detected.²⁶²

2.1.3. Chinese IP Courts

In addition to the amendment to the Trademark Law, in 2014 the Standing Committee of National People’s Congress (*Quanguo Renmin Daibiao Dahui Changwu Weiyuan Hui* 全国人民代表大会常务委员会) (NPCSC)²⁶³ has established specialized IP courts in

²⁶⁰ *Comments on PRC Trademark Law Revision*, cit., p.4

²⁶¹ For further information on the provisions contained in this document and on general IPR protection by Chinese courts in 2012, refer to: *Intellectual Property Protection by Chinese Courts in 2012*, in China Patent Agent (CPA)”, <http://www.cpahktd.com/en/info.aspx?n=20130427105951810216>

²⁶² *Comments on PRC Trademark Law Revision*, cit., p.5

²⁶³ The National People’s Congress (NPC) Standing Committee is composed by the Chairman, Vice Chairmen and other members, and it is the permanent body of the NPC. All members are appointed by NPC and they remain in office for five years. At 2017, the Chairman of the NPCSC is Zhang Dejiang (张德江), who has been appointed by the 12th NPC in 2013. The NPCSC generally meets every two months, and makes reports on the work of NPC. It has legislative power, supervisory power, and can take decisions concerning major state issues. (*Standing Committee*, in “The National People’s Congress of the People’s Republic of China”, http://www.npc.gov.cn/englishnpc/Organization/node_2847.htm, 06-04-17)

Beijing, Shanghai and Guangzhou, that are playing a key role in cracking down on abuse of trademarks.²⁶⁴

Beijing Intellectual Property Court was founded in Beijing in November 2014 and it is the first IP Court in China, born as an experiment in Chinese judicial reforms. It deals with all types of IP cases. According to IPHouse²⁶⁵ and its report about the work of Beijing IP Court in 2015, which analyses 5,022 judgement and closed cases in 2015,²⁶⁶ the Beijing IP court shows a growing trend in the number of cases closed, as shown by the table below.

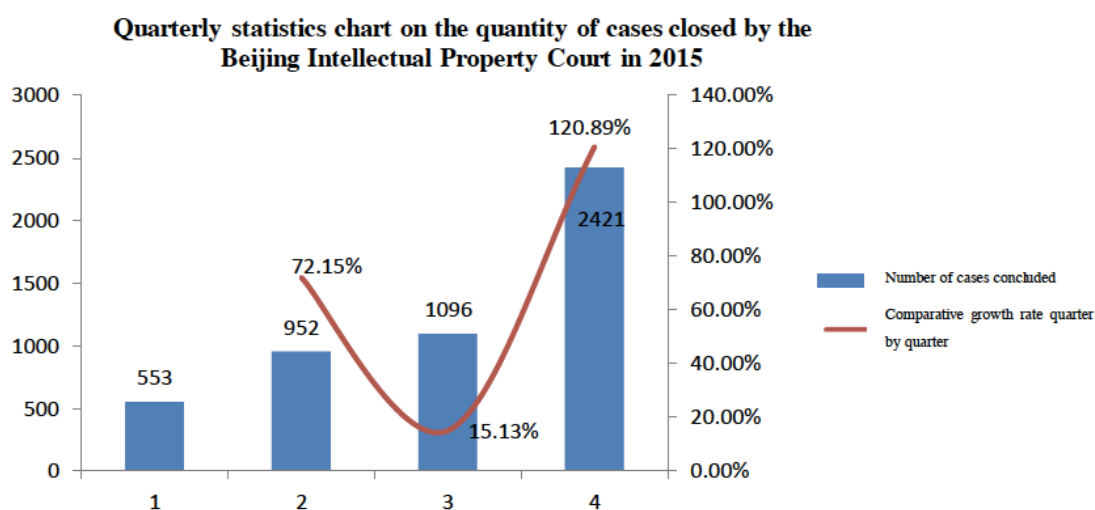


Figure 6: The table shows the growing trend of closed cases by Beijing IP Court in 2015. Source: Judicial Protection Data Analysis Report of the Beijing IP Court, issued by IPHouse.

²⁶⁴ LI Mingde (李明德), *Current IP Issues in China and the Multilateral Trading System*, Intellectual Property Center, 2015, presentation available in “WTO”, https://www.wto.org/english/tratop_e/trips_e/Li_Mengde.pdf, 06-04-17

²⁶⁵ IPHouse is a database for judicial cases and contains more than 200,000 Chinese IP-related cases. It was founded in 2016 and its director is the former SIPO commissioner Gao Lulin, who now collaborates with Beijing East IP Law Firm. (Mark COHEN, *IPHouse and IP Litigation Strategies*, 2016, in “China IPR”, <https://chinaipr.com/2016/12/22/iphouse-and-ip-litigation-strategies/>, 25-05-17)

²⁶⁶ The report was prepared under request of Beijing IP Court itself, in order to statistically analyse the activities of the court. It includes data on every type of case. Moreover it includes foreign-related activities, practices of individual judges and summarizes the cases analysed. *Beijing Intellectual Property Court – Judicial Protection Data Analysis Report*, issued by IPHouse, 2015, available at “China IPR”, https://chinaipr2.files.wordpress.com/2016/12/bjipc_judicial-protection-data-analysis-report-20151.pdf, 25-05-17

2.2. China's Policy on E-Commerce

2.2.1. Chinese Government's Opinions

On May 2015, the State Council (*Zhonghua Gongheguo Guowuyuan* 中华共和国国务院) issued the "Opinions of the State Council on Striving to Develop E-commerce to Speed Up the Cultivation of New Economic Driving Force"²⁶⁷. Six months later, the General Office of the State (*Zhonghua Renmin Gongheguo Guowuyuan Bangongting* 中华人民共和国国务院办公厅) delivered a new policy, the "Opinions of the General Office of the State Council on Strengthening the Governance of Infringement and Counterfeit Activities"²⁶⁸, in order to consolidate the governance of infringements and counterfeit activities on the Internet. The aim of this new policy is to enhance laws and regulations that affect e-commerce, promote the cooperation on law enforcement across departments, and limit infringements and counterfeiting online. The first draft has been completed by the State Council, and submitted to the National People's Congress (*Quanguo Renmin Daibiao Dahui* 全国人民代表大会) for deliberation.²⁶⁹

Through these two Opinions, that are strengthened by the Draft of E-commerce Law, China promotes further investigation and sanctions against the selling of counterfeited brands and foreign trademark goods in order to fight online piracy. All the areas affected by copyright, including internet, are monitored and supervised. There is also a widening

²⁶⁷ *Guowuyuan guanyu dali fazhan dianzi shangwu jiakuai peiyu jingji xin dongli de yijian* 国务院关于大力发展电子商务加快培育经济新动力的意见 (Opinions of the State Council on Striving to Develop E-commerce to Speed Up the Cultivation of New Economic Driving Force), 2015, chinese version available in "LexisNexis", <http://hk.lexiscn.com/law/law-chinese-1-2584785-T.html>, 24-03-17

²⁶⁸ *Guowuyuan bangongting guanyu jiaqiang hulianwang lingyu qinquan jiamao xingwei zhili de yijian* 国务院办公厅关于加强互联网领域侵权假冒行为治理的意见 (Opinions of the General Office of the State Council on Strengthening the Governance of Infringement and Counterfeit Activities), 2015, chinese version available in the official site of Chinese government, http://www.gov.cn/zhengce/content/2015-11/07/content_10276.htm, 24-03-17

²⁶⁹ LIU, "E-commerce intellectual property rights protection in China", cit.

of the scope of copyright regulations, that are extended to intelligent mobile terminal third-party applications, network cloud storage space, microblogging and WeChat (*Weixin* 微信); together with these efforts, owners are better positioned to protect their IP rights. Like the Draft of the E-commerce Law, the Opinions state an implementation of trading platforms' responsibilities and a direct action of the government, which urge online platforms to implement the "notifying-deleting" obligation and adopt necessary measures such as deleting, shielding or disconnecting against online infringers.²⁷⁰

On a press conference on March 2016, the Minister of Commerce Gao Hucheng (高虎城) stated that Chinese Government will focus on e-commerce development and regulation through five steps: promote a legislation in e-commerce, specifying responsibilities of e-commerce platforms and operators; establish a unified e-commerce credit system which will help in cracking down on infringement and counterfeit activities, enhance IPR protection and establish a fair market; establish an interregional and interagency mechanism that will enhance cooperation between administration and criminal justice system to strengthen enforcement and supervision; facilitate relevant information exchange between regulators and e-commerce platforms, in order to improve the tracking ability for counterfeit activities. Furthermore, the Government intends to supervise the quality of products sold on e-commerce platforms and monitor not only trading platforms, but also social-networking platforms such as WeChat, where counterfeited goods can be sold.²⁷¹

²⁷⁰ *Ibid.*

²⁷¹ *Shangwubu zhaokai lixing xinwen fabuhui* 商务部召开例行新闻发布会 (Regular Press Conference of the Ministry of Commerce), March 17, 2016, chinese version available at "Zhonghua Renmin Gongheguo Shangwubu" website, <http://www.mofcom.gov.cn/xwfbh/20160317.shtml>, english version available at "Ministry of Commerce, People's Republic of China" website, <http://english.mofcom.gov.cn/article/newsrelease/press/201603/20160301278807.shtml>, 24-03-17

2.2.2. Draft of Chinese E-Commerce Law

In addition to the amendment to the Trademark Law, China is also improving the regulation of its e-commerce market through issuing a specific E-commerce Law. An official draft of this new law has been released on 27 December 2016 by the National People's Congress of China. It has been open to public comments until 17 January 2017, in accordance to standard law-making process in China. After this date the draft entered the process of revision by the legislator, process that is going to take from few months up to more than one year.²⁷²

Framework of the Draft

The Draft could differ from the final version of the Law, but it is already possible to make some assumptions about its scope. It regulates both domestic and cross-border e-commerce, and sets specific obligations not only for platforms, but also for operators. IP rights issues relate to the relationship between the subjects of electronic commerce, and the trading platform operators' responsibilities. Because of the direct involvement of trading platforms in intellectual property infringements, it is therefore essential to set platforms liabilities, as well as how an IP rights owner can protect its interests.²⁷³

The Draft includes provisions on:

- General principles, such as the purpose of the legislation, legal relationship between business operators and trading platforms;
- E-commerce transactions and services, including electronic contracts, electronic payments, delivery logistics;

²⁷² Marie FEREY, Nicola APORTI, *China publishes draft e-commerce Law*, in "Lexology", 2017, <http://www.lexology.com/library/detail.aspx?g=629d16f4-93f9-4f36-98f1-5ea7315d8aaa>, 22-03-17

²⁷³ LIU Yongpei, "E-commerce intellectual property rights protection in China", cit.

- Security related issues, such as guarantee safe e-commerce transactions, electronic commerce data information, fair competition, consumers' protection;
- Cross-border e-commerce;
- Legal liabilities²⁷⁴

The E-commerce Law is based on Chinese Tort Law, which prescribes that if a network user has committed a violation, the infringed party has the right to notify the network service provider to adopt the necessary measures against the infringer. If the network service fails to provide such measures promptly, it shall sustain the network user cover damages caused by the infringement.

E-commerce platforms, such as *Taobao* (淘宝) and *Tmall* (*Tianmao* 天猫), are defined as a “legal person or other organization providing cyber space, virtual business premises, transaction matching, information distribution and other services to two or more parties to an e-commerce transaction so that the parties may engage in independent transactions”, while e-commerce operators are defines as “any natural or legal person or other organization, other than e-commerce business entity, that sells goods or provide services using the Internet or other information networks”.²⁷⁵

The draft of e-commerce law seems to concentrate on some points considered very important for fighting counterfeits and trademark infringers. In particular, it highlights the importance of real name registration, setting that a person engaged in e-commerce activities should provide genuine identity and valid contact information, that must be examined and registered by an e-commerce third party platform. This will make easier for firms and authorities to identify a potential IP rights infringer. The draft also refers to other important issues that are vital to safeguard consumer and his rights, such as

²⁷⁴ *Ibid.*

²⁷⁵ Chapter 2, Article 11 of the E-Commerce Law of the People's Republic of China (Draft), 2016, text available in “IPKey”, <http://www.ipkey.org/en/ip-law-document/item/4188-draft-e-commerce-law-of-the-people-s-republic-law>, 22-03-17

privacy, electronic payments, logistics and a regulated termination of platforms and business operators' services.²⁷⁶

E-commerce platforms will have specific duties, among them they shall guarantee products quality, consumers' protection and use service agreements and trade policies to regulate their relationship with business operators and customers. Transparency will be the keyword for e-commerce platforms: contracts shall be clearly displayed and made available on the platform website and filed with authorities. In case of modifications, any stakeholder will be able to comment and to any operator shall be given the possibility to disagree with modifications or to exit the platform.²⁷⁷

Due to the fact that IP rights are particularly exposed to violation on Internet, some provisions concerning unfair competition and brand protection have been included in the Draft. It strengthens the protection of intellectual property rights and sets a list of the unauthorized activities that constitute unfair competition:

第五十五条

从事电子商务活动,不得有下列不正当竞争行为:

- (一)擅自使用与他人域名主体部分、网站名称、网页等知名商业标识相同或者近似的商业标识,误导公众,导致市场混淆;
- (二)假冒链接、混淆链接等不正当链接;
- (三)攻击或者入侵其他经营者的网络系统、恶意访问、拦截、篡改其他经营者的网络店铺,影响正常经营活动;
- (四)擅自使用政府部门或者社会组织电子标识,引人误解;
- (五)利用服务协议等手段,限制交易、滥收费用或者附加不合理交易条件;(六)法律、法规规定的其他不正当竞争行为。²⁷⁸

²⁷⁶ FEREY, APORTI, *China publishes draft e-commerce Law*, cit.

²⁷⁷ E-Commerce Law of the People's Republic of China (Draft), Chapter 2, Articles 22-23

²⁷⁸ *Zhonghua Renmin Gongheguo Dianzi Shangwu Fa (Cao'an)* 中华人民共和国电子商务法(草案) (Draft of E-commerce Law of the People's Republic of China), Article 55, 2016, text available in "Souhu" 搜狐, <http://mt.sohu.com/20161228/n477213111.shtml>, 24-03-2017

Article 55

The following unfair competition activities shall be prohibited in the course of e-commerce:

- (1) To use a commercial mark that is identical or similar to another's main part of domain name, website name, webpage or other well-known commercial mark without authorisation, misleading the public and causing confusion in the market;
- (2) To use fake links, confusing links or other fraudulent links;
- (3) To attack or hack another business operator's network system, maliciously visit, block or tamper another business operator's online shop, affecting the normal business operation;
- (4) To use electronic mark of a governmental department or a social organisation, causing misunderstanding;
- (5) To use terms of services or other means to restrict transaction, impose unreasonable charges or other unreasonable trading conditions; and
- (6) Other unfair competition activities provide by laws and regulation²⁷⁹

E-commerce entities that engage in prohibited activities may face fines of up to RMB 500,000²⁸⁰, and could have business licenses revoked for violations. It is given to trademark rights owners the possibility to report to the platform IP abuses by e-commerce operators; the platform will then take protective measures to ensure rights are respected (these measures are unspecified) and at the same time inform the business operator, who can reply to accusations. If the operator declares that he is not violating IP rights, the platform will promptly terminate the measures taken against him. This can be a problematic issue for an IP owner, that in this case could only inform the authorities and report the infringement to them. The conclusion is that, while the Draft seems theoretically aimed at reaching an equal balance between the interests of IP owners and operators, in practice this procedure seems more favourable for operators. In fact, it leaves a heavy burden upon IP owners, which may be pushed to solve an IP rights violation mostly through litigation. Besides, in the Draft there is no provision prohibiting, for example, blurred photos of products or brands on the e-shops, that frequently are used by infringer to claim that they were not offering a counterfeit product.²⁸¹

²⁷⁹ E-Commerce Law of the People's Republic of China (Draft), Chapter 4, Section 2, Article 55

²⁸⁰ E-Commerce Law of the People's Republic of China (Draft), Chapter 7, Article 84

²⁸¹ FERREY, APORTI, *China publishes draft e-commerce Law*, cit.

In the future, E-commerce Law, together with Trademark Law, Anti-Unfair Competition Law, Patent Law and Copyright will provide a set of rules that will constitute a solid legal base for a healthier development of e-commerce in China.²⁸²

²⁸² LIU, "E-commerce intellectual property rights protection in China", cit.

THIRD CHAPTER

ONLINE BRAND PROTECTION

3.1. Brand-Related Issues in Online Marketplaces

3.1.1. The Growth of E-Commerce

In recent years, there have been dramatic changes in the way global customers buy products, with a huge shift from shopping in local stores to having access to goods by shopping online. In 2014 in the world there were 1,139 billion people who purchased goods online²⁸³. In the United States, in 2016 online shopping surpassed shopping in stores. According to an annual survey, 51% of shoppers' purchases are online, compared to 48% in 2015 and 47% in 2014.²⁸⁴ At worldwide level, retail online sales are expected to continue growing, as shown in the chart below.

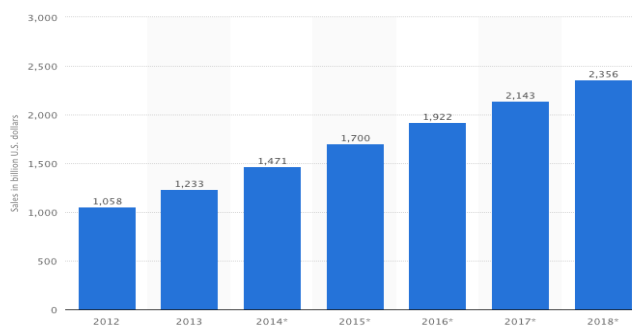


Figure 7. **Retail e-commerce sales worldwide from 2014 to 2018.** It is expecting that retail e-commerce sales from 2016 will increase of 434 billion U.S. dollars in the next two years. Source: Statista

²⁸³ Reinout Van MALESTEIN, *Sharing the Importance of Anti-Online Counterfeiting from an Economic and Business Point of View*, presented in the EU-China Seminar on Online IP Protection & E-Commerce, 2 June 2016, available in "IPkey.org", <http://www.ipkey.org/en/resources/ip-information-centre/21-internet-related-legislation-and-ip-protection-online/4000-eu-china-seminar-on-online-ip-protection-e-commerce-presentation-from-mr-reinout-van-malenstein>, 03-04-17

²⁸⁴ Madeline FARBER, *Consumers Are Now Doing Most of Their Shopping Online*, in "Fortune", 2016, <http://fortune.com/2016/06/08/online-shopping-increases/>, 01-04-17

There are three main types of e-commerce: B2B (business-to-business)²⁸⁵, B2C (business-to-consumer)²⁸⁶ and C2C (consumer-to-consumer).²⁸⁷ According to statistics, B2B e-commerce keeps growing at worldwide level, with an increase of 15.9% in 2016.²⁸⁸ The growth has been particularly relevant in China (34.4% in 2016, 29.4% expected for 2017).²⁸⁹ China, United States and United Kingdom have been the countries with the largest B2C e-commerce market in 2015 and 2016, followed by Japan, France and Germany, as shown by the chart.

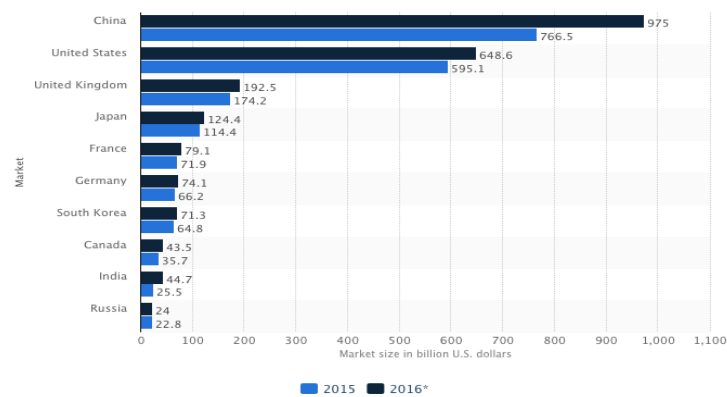


Figure 8. Countries with the largest B2C e-commerce markets in 2015 and 2016 (estimates). China's B2C e-commerce markets are in first position, with an estimated market size of 975 billion U.S. dollars for 2016. Source: Statista.com

²⁸⁵ B2B concerns business transactions between companies, it is not related to the final consumer. This kind of transactions usually involves a limited number of business subjects, but the amount of transferred money is generally high and it is managed off-line. Mostly of the important business conducted in virtual marketplaces are business-to-business. (Alessandra VERZELLONI, *Le Tipologie di E-Commerce (The Types of E-Commerce)*, in "Hyperlabs.net", <http://www.hyperlabs.net/ergonomia/verzelloni/commercio/03.html>, 03-04-17

²⁸⁶ B2C is the most famous kind of e-commerce, and involves the purchase by the final consumer of goods or services. This kind of e-commerce allowed businesses to sell products to consumers from all over the world, and allowed consumers to get access to an extraordinary variety of products. One of the most popular B2C platform is Amazon. (VERZELLONI, *Le Tipologie di E-Commerce (The Types of E-Commerce)*, cit.)

²⁸⁷ C2C is a more recent type of e-commerce where individuals can buy and sell products, and it is becoming more and more popular thanks to online platforms who create a virtual environment where consumers can interact and manage transactions. The amounts of money are usually limited and online payment systems as Paypal are used to make easier for consumers to send and receive money. One of the first and most famous C2C platform is eBay. (VERZELLONI, *Le Tipologie di E-Commerce (The Types of E-Commerce)*, cit.)

²⁸⁸ Reinout Van MALESTEIN, *Sharing the Importance of Anti-Online Counterfeiting from an Economic and Business Point of View*, cit.

²⁸⁹ *Ibid.*

Chinese e-commerce shoppers in 2014 were about 360 million in 2014, and they are expected to reach 750 million in 2020.²⁹⁰ Currently, B2C and C2C e-commerce types are widespread in China, and there are several platforms and websites where it is possible to conduct business transactions. The most popular B2C platforms are Tmall (*Tianmao* 天猫)²⁹¹ that occupy the 54-58% of the market, and JD (*Jingdong* 京东)²⁹², that possess the 22-28%.²⁹³ For what concerns C2C, the most popular online marketplace in China is Taobao (*Taobao Wang* 淘宝网)²⁹⁴, owned by Alibaba Group (*Alibaba Jituan* 阿里巴巴集团).²⁹⁵ Through online platforms, it is also possible to buy and sell foreign products (cross-border e-commerce). The top five foreign products that chinese consumers buy online are cosmetics and personal care products, products for children, food, clothing and footwear; these goods mostly come from the United States, Japan, South Korea, Germany, Australia, United Kingdom, New Zealand and France.²⁹⁶

²⁹⁰ *Ibid.*

²⁹¹ Tmall is owned by Alibaba Group, and it is China's largest online B2C marketplace selling chinese and foreign branded products. At the end of 2015, Tmall had around 375 millions active buyers, and at 2016 sold over 70,000 branded products through around 50,000 online stores. (Ben DAVIS, *A Beginners' Guide to Alibaba Tmall*, 2016, in "Econsultancy.com", <https://econsultancy.com/blog/67771-a-beginners-guide-to-alibaba-s-tmall/>, 03-04-17). In 2013 Alibaba launched a new marketplace for international brands, Tmall Global (*Tianmao Guoji* 天猫国际), where foreign firms can sell their products. A qualified retailer can access this marketplace only through the "invitation" of a third party. (*Tmall, Yihaodian e JD a Confronto*, in "Camera di Commercio Italo Cinese", <http://www.china-italy.it/it/tmall-yihaodian-e-jd-confronto>, 03-04-17)

²⁹² JD is China's biggest society of online direct sales. JD owns seven supply centers and 166 storehouses located in 44 cities. JD allows businesses to open virtual shop windows and possesses the license to directly import food, drinks, clothing and footwear. JD Worldwide (*Jingdong Quanguo Gou* 京东全球购) is JD's cross-border service, that allows firms to directly sell products to chinese consumers without having physical presence in China. Compared to Tmall Global, JD Worldwide is more actively promoted at international level, and is characterized for a "zero tolerance" policy towards counterfeited products. (*Tmall, Yihaodian e JD a Confronto*, cit., 03-04-17)

²⁹³ Reinout Van MALESTEIN, *Sharing the Importance of Anti-Online Counterfeiting from an Economic and Business Point of View*, cit.

²⁹⁴ Taobao is a chinese online shopping platform, owned and launched by Alibaba Group in 2003. Its business is customer-to-customer. On Taobao it is possible to buy a wide range of products and services. According to iResearch, in 2015 Taobao has been the largest mobile commerce platform accessed by chinese active users. (*Taobao Marketplace*, in "Alibaba Group", <http://www.alibabagroup.com/en/about/businesses>, 03-04-17)

²⁹⁵ Further information about Alibaba Group will be provided in the following chapter of this thesis.

²⁹⁶ Reinout Van MALESTEIN, *Sharing the Importance of Anti-Online Counterfeiting from an Economic and Business Point of View*, cit.

3.1.2. Online Counterfeiting

E-commerce make easier buying and selling goods from one country to another. On the one hand, this can be profitable for both sellers and buyers, on the other hand this global environment may pose relevant issues, such as the selling of counterfeit products online. Thanks to the advent and spread of e-commerce, counterfeiters take advantage of new channels to promote and sell their goods to consumers. In recent years there has been a big increase in the sale of counterfeits through the Internet, in 2014 an increase of 15% was reported,²⁹⁷ in 2016 over 4,500 internet domain names were seized by Europol for selling counterfeit items.²⁹⁸

Several elements make easier for counterfeiters to sell their products in online marketplaces:

- People from all over the world may potentially purchase goods online, therefore, compared to the number of consumers that can be reached through non-virtual selling channels, counterfeiters can reach a huge number of buyers both within or outside their country.²⁹⁹
- With the advent of online payment systems³⁰⁰, the sale of counterfeits online can be addressed not only to consumers, but also to retailers, wholesalers and

²⁹⁷ *Counting the Cost of Counterfeiting*, 2015, in “NetNames”, <https://www.netnames.com/assets/shared/whitepaper/pdf/NetNames-Counterfeiting-Report-A4-2015-FINAL.pdf>, 04-04-17

²⁹⁸ *Over 4,500 Illicit Domain Names Seized for Selling Counterfeit Products*, 2016, in “Europol”, <https://www.europol.europa.eu/newsroom/news/over-4500-illicit-domain-names-seized-for-selling-counterfeit-products>, 04-04-17

²⁹⁹ *Addressing the Sale of Counterfeits on the Internet*, 2009, in “International Trademark Association (INTA)”, p. 1, available at: <http://www.inta.org/Advocacy/Documents/INTA%20Best%20Practices%20for%20Addressing%20the%20Sale%20of%20Counterfeits%20on%20the%20Internet.pdf>, 04-04-17

³⁰⁰ For instance, in China online paying systems are widespread, even if they have been introduced relatively recently. One of the most used by consumers is Alipay (*Zhifubao* 支付宝), developed by Alibaba Group. As the end of 2015, Alipay represented almost the 70% of Chinese online payment market, and about 700 million people possess an Alipay account. (Val KAPLAN, *What You Need to Know About Chinese Online Payment Systems*, in “Sampi”, <http://sampi.co/chinese-online-payment-systems/>, 04-04-17) Alipay is expanding not only in China, but also to Europe and the United States. It is having great success and in September 2016 has been adopted by more than 80,000 retailer located in 70 countries, including several international airports. (Helen H. WANG, *Alipay Takes On Apple Pay and PayPal on Their Home Turf*,

re-sellers; this may worsen the situation and further spread the sale of counterfeited products.³⁰¹

- Selling through the Internet makes easier for counterfeiters to cheat consumers, as they can mistakenly be sure to purchase a genuine branded product, not a fake one. In fact, if consumers wish to buy a branded product and search for it using a search engine, they can find in the first pages a variety of websites selling this brand. Online purchasers may think those websites sell genuine products since they are listed by a reliable search engine, but this may not be true. Online counterfeiters can use the name of the trademark as a keyword to be listed in the first pages by a search engine, as genuine trademark owners do. Furthermore, in e-commerce platforms counterfeiters can cheating consumers³⁰² by posting pictures of genuine branded products, even if in reality the products they are selling are counterfeits.³⁰³

Some brands are more targeted by counterfeiters than others. High-value, designer accessories (such as watches, jewellery, handbags and wallets) and luxury brands are extremely lucrative for counterfeiters, therefore they are usually the most targeted. American fashion brands are the most faked (20%), followed by Italian (14%) and French brands (12%).³⁰⁴ For luxury brands and their fight against counterfeits, a big challenge is constituted by social media. Brands are taking advantages of opportunities offered by

2016, in "Forbes", <https://www.forbes.com/sites/helenwang/2016/10/30/will-alipay-dominate-global-mobile-payments/#27197ee960af>, 04-04-17)

³⁰¹ For further information concerning the impact that may have online payment service providers on the counterfeits market, see: J. Bruce RICHARDSON, "With Great Power Comes Little Responsibility: The Role of Online Payment Service Providers with regards to Websites Selling Counterfeit Goods", *Canadian Journal of Law and Technology*, Vol. 12(2), 2014, pp. 189-218

³⁰² It is possible to make a distinction between two types of counterfeits: deceptive and non-deceptive. Deceptive counterfeiting occurs when consumers purchase a product without having knowledge that the product is a counterfeit, while non-deceptive counterfeiting occurs when consumers are aware of the fact or have strong reasons to suspect that the product they are buying is not authentic. The two examples listed above refer to deceptive counterfeiting behaviour. (John A. NARCUM, Joshua T. COLEMAN, "You can't fool me! Or can you? Assimilation and contrast effects on consumers' evaluations of product authenticity in the online environment", *Journal of Asian Business Strategy*, Vol. 5(9), 2015, pp. 200-207)

³⁰³ *Addressing the Sale of Counterfeits on the Internet*, cit.

³⁰⁴ *The Risks of the Online Counterfeit Economy*, 2016, in "NetNames", <https://www.netnames.com/assets/shared/whitepaper/pdf/The-Online-Counterfeit-Economy-web-FINAL.pdf>, p.26

social media to increase sales and customer loyalties, but since there is little or no regulation governing them, counterfeiters also use this new channel to promote their products in a zero-cost and efficient way, by social profiles impersonating official brands or through their personal profiles, which are harder to detect.³⁰⁵ In addition to social media, counterfeiters continue to sell their fake luxury products online also through e-commerce sites, paid search³⁰⁶, peer-to-peer auctions and marketplace listings.³⁰⁷

Tracing the countries where websites selling counterfeits operate, it is possible to make a list of the top five countries involved in online sale of counterfeit goods. China (54.83%) is first, followed by Russia (25.76%), Malaysia (10.56%), Indonesia (4.69%) and Ukraine (4.15%).³⁰⁸

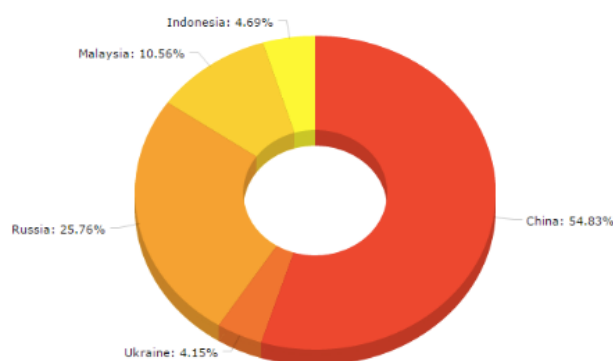


Figure 9. **Top five countries involved in online sale of counterfeit products.** Source: STROPPA, DI STEFANO, PARRELLA, “Social Media and Luxury Goods Counterfeit”, cit.

³⁰⁵ For further information about the sale of counterfeited luxury products, refer to: Andrea STROPPA, Daniele DI STEFANO, Bernardo PARRELLA, *Social Media and Luxury Goods Counterfeit: a Growing Concern for Government, Industry and Consumers Worldwide*, 2016, report available at “Washington Post”, https://www.washingtonpost.com/blogs/the-switch/files/2016/05/IG_A2016_ST2.pdf

³⁰⁶ The term “paid search” indicates a type of marketing by which a company can advertise its products within the sponsored listings of a search engine or a partner site. There are two kinds of paid search: pay-per-click is the most common and it means that the company have to pay every time the advertisement is clicked; less common is cost-per-impression, where the company pays every time the sponsored advertisement is displayed. (Christopher RATCLIFF, *What is paid search (PPC) and why do you need it?*, 2013, in “Econsultancy”, <https://econsultancy.com/blog/63783-what-is-paid-search-ppc-and-why-do-you-need-it/>, 05-04-17)

³⁰⁷ *The Risks of the Online Counterfeit Economy*, cit., p.29

³⁰⁸ STROPPA, DI STEFANO, PARRELLA, *Social Media and Luxury Goods Counterfeit*, cit., p. 31

3.2. Practices for Brand Protection and Enforcement in China

In recent years, foreign companies have expressed concerns about counterfeits in Chinese market, which is a very well-known issue for all enterprises willing to enter in this complex but full of opportunities market. It has been estimated that a single fake Prada factory can manufacture over 3,000 counterfeited bags in just one month. For what it concerns cosmetics, “Fortune” magazine states that fake goods constitute approximately 20% of the market. In July 2015, in Beijing a company producing 41,000 fake iPhones per year was shut down by local police.³⁰⁹ Reading these figures, it is easy to understand that a proper protection of its IP rights may be complicated for a foreign company that has little familiarity with Chinese market. In particular, Chinese e-commerce can be intimidating to foreign brands.

3.2.1. Trademark Registration

China presents some specific challenges for trademark owners in several ways. For an enterprise willing to enter the Chinese market, it is important to tailor its brand protection strategy to address the problem of Chinese counterfeits and to adapt to the special challenges presented by enforcement in China. As underlined by the specialized brand protection group Mark Monitor, a company is suggested to follow some steps in order to guarantee effective protection to its brand in China in the online marketplace.³¹⁰ Before entering the Chinese market, enterprises should be aware of IP protection situation in China and therefore study an adequate strategy to protect their

³⁰⁹ Frank LAVIN, *Selling to China: Five Steps to Protect Your Intellectual Property*, in “Alizila”, 2015, <http://www2.alizila.com/selling-china-five-steps-protect-your-intellectual-property>, 21-03-17

³¹⁰ *Brand Protection in China: the do's and don'ts*, in “Global Legal Post”, 2015, <http://www.globallegalpost.com/global-view/brand-protection-in-china-the-dos-and-donts-79718416/>, 20-03-17

brands. In China the trademark can be registered in two ways and both of them have their own specificities:

- National registration through CTMO
- International Registration

For what concern national trademark registration, an enterprise should properly register its trademark at the China Trademark Office (CTMO), in order to allow enforcement in case of infringement.³¹¹ According to Maarten Ross, an international IP lawyer settled in Shanghai, registering the trademark is the first and most important step to ensure the protection of a brand under Chinese law. One peculiarity of Chinese trademark system is that it is “first-to-file”, which means that the registration of a certain mark or product is open to third parties. A good example is given by Michael Jordan, who owns the trademark to his name and related brands in the United States, but does not have full ownership in China. This is due to the fact that there is a third Chinese party that owns his Chinese translation, “Qiaodan”, which possess the right to sell shoes and athletic apparel in Jordan’s Chinese name.³¹² Unlike the standard used by WIPO, the China Trademark Office has a peculiar classification system and divides each class used in the WIPO system into subclasses. Determining which class should be used to register a trademark requires experts who understand the CTMO classification system. In addition, there are procedural details that must be met to guarantee intellectual property rights. For instance, some online marketplaces in China will accept trademark registration documents only if they are in colour and affixed with an official local government seal as evidence. Without these requirements, the marketplace may not

³¹¹ For foreigners owner of trademark rights, who do not have residence in China, it is required that an agent deals with the CTMO. On CTMO official website it is possible to find a list of qualified trademark agents. If a trademark owner decides to use CTMO registration, he is required to file a separate trademark application for each class of goods or services he wants to ensure protection, consulting the International Classification of goods and services established by the Nice Agreement, adopted by China. (*Guide to Trade Mark Protection in China*, issued by China IPR Helpdesk, 2012, available at “China IPR Helpdesk”, http://www.china-iprhelpdesk.eu/sites/all/docs/publications/China_IPR_Guide-Guide_to_Trade_Mark_Protection_in_China_EN-2013.pdf, 25-05-17

³¹² LAVIN, *Selling to China...*, cit.

cooperate with enforcement requests sent by the company. It is recommended to register trademarks in advance of the launch of new products or services in each region in which the business is conducted. Because of all these elements, an important best practice for China is to consult local legal counsel to verify the trademark rights and to help with local requirements. This is especially important with the changes to Chinese trademark law.³¹³

3.2.2. Strategies Against Online Counterfeiting

In order to limit the relevant counterfeiting problem existing in China, disrupting the counterfeiters' business and making it difficult for consumers to find counterfeited versions of a product is a priority. Brands must monitor the volume of cases of infringement and the marketplaces and sites on which the cases are found. Successful enforcement depends on the assessment of the scope of brand infringement, an efficient strategy for action and well-prepared documentation. The first step to develop an effective enforcement strategy consists on understanding the marketplaces that attract the most traffic, and constantly monitor them to ensure that all the products being sold are legitimate. Since counterfeiters follow traffic, the greatest number of enforcements occur on popular marketplaces. Currently, the most highly trafficked Chinese marketplace is the online platform Taobao, that counts around 136 million users per day, followed by Aliexpress and Alibaba. Becoming a so-called "hard target" through consistent enforcement in cases of counterfeits can significantly reduce the overall volume of infringement, since counterfeiters will rather focus to other targets, called "softer targets". One of the most effective means to identify infringements is technology.³¹⁴ For instance, technology can be useful for monitoring online sales in search of counterfeits. A firm can also engage in a mystery shopper program to confirm the quality of its products, adding anti-counterfeiting codes to products so consumers can confirm authenticity (a measure currently used by Elizabeth Arden and Shiseido),

³¹³ *Brand Protection in China...*, cit.

³¹⁴ *Ibid.*

and make full use of loyalty and affinity programs to increase the value of genuine product.³¹⁵

In some cases, counterfeited products are created because they meet specific needs of customers, needs that may not be perceived or fulfilled by the brand. In these cases, counterfeiters identify and capitalize on market gaps serving the market with fake versions of the branded product. To prevent these “market-filling” counterfeits, the brand can analyse geographic purchase patterns for this kind of products and deepen its understanding of consumer buying patterns from a global to a local level. This can help the company to make more informed manufacturing and merchandising decisions, and also generating more revenue and attracting new customers.³¹⁶ If the company starts filling the market gap by actively selling the product required by customers, it would be easier for consumers to have access to the authentic product rather than buy counterfeited goods. It has been found that upwards of 50% counterfeits disappear when the product is legally available on the market.³¹⁷

To help foreign companies fight against counterfeits, popular Chinese e-commerce platforms like Alibaba’s Group Tmall.com and Taobao have recently developed their own systems to conduct takedown procedures. Alibaba also introduced an English complaints option to TaoProtect, the Tmall/Taobao IP protection system. This new option facilitates foreign companies in reporting illegal activities and improper use of their brand on these online platforms.³¹⁸

³¹⁵ LAVIN, *Selling to China...*, cit.

³¹⁶ *Ibid.*

³¹⁷ LAVIN, *Selling to China...*, cit.

³¹⁸ *Brand Protection in China...*, cit.

3.2.3. Enforcement Strategies

Brand Owners' Enforcement Strategies

In case of trademark infringement, IPR holders have developed some strategies to protect their rights and to guarantee enforcement. When an IP rights infringement has been detected, there are some legal and administrative steps that firms can follow. Among them they can send a Cease & Desist letter³¹⁹ to the infringer with the help of a lawyer, file a complaint and present it to administrative authorities (China's Administration for Industry and Commerce or Intellectual Property Office), file a civil lawsuit or a complaint with the local Public Security Bureau.³²⁰

For what concerns well-known trademarks' owners, they adopt a multi-area strategy to enforce their rights on e-commerce platforms. For instance, Chanel mainly bases its enforcement strategy on establishment of collaborations with e-commerce platforms and local authorities, outline of best practices for trade platforms and trademark owners, promotion of stricter measures to fight counterfeiting and adoption of a zero tolerance behaviour.³²¹

³¹⁹ There are some steps that need to be followed when a Cease & Desist letter is submitted. Firstly, the trademark infringer need to be detected and the infringement properly verified. Secondly, IPR owners have to include information in the letter about products that has been infringed, along with reliable proofs. Then relative laws against trademark infringement need to be cited. For well-known trademark there are specific rules to write a Cease & Desist Letter. (*Example Trademark Cease & Desist Letter*, 2010, in "Patent Trademark Law", <http://www.patent-trademark-law.com/trademarks/trademark-infringement-dilution/trademark-cease-desist-letter/>, 15-06-17)

³²⁰ *Brand Protection in China...*, cit.

³²¹ Along with e-commerce platforms, Chanel bases its strategy against counterfeiters using keywords, suspiciously low prices and sellers' behaviour to monitor platforms and find out online shops which sell fake products. Chanel also works with online marketplaces to track suspicious advertisements that can potentially be linked to online shops selling counterfeits. (*EU-China Seminar on Online IP Protection & E-Commerce – Presentation from Mr Alvin YUNG: Alvin YUNG, Chanel. E-Commerce Platforms: Best Practices (Dianshang Pingtai: Zui Jia Shijian 电商平台：最佳实践)*, 2016, available in "IP Key", <http://www.ipkey.org/en/resources/ip-information-centre/21-internet-related-legislation-and-ip-protection-online/3990-eu-china-seminar-on-online-ip-protection-e-commerce-presentation-from-mr-alvin-yung>, 15-06-17)

Chinese Government Enforcement Practices

Since 2012, Chinese Government is trying to enhance IPR protection in the country. For what concerns enforcement, special IP courts³²² have been established, but there were also other improvements. Three main trends have been identified:

- Increasing importance of Civil litigation: it is reported that in 2012 the number of civil cases in courts related to IPR protection registered a growth of almost 45%.³²³
- Increasing support and supervision by administrative authorities.
- Criminal enforcement for trademark infringements.³²⁴

Challenges for Enforcement in China

When conducting enforcement activities against counterfeits in online marketplaces, proper registrations are vital to prevent and avoid problems, along with precise enforcement codes and the provision of careful documentation to justify takedown requests. It is recommended to make all delisting requests reviewed by professionals with local language expertise and knowledge of Chinese culture. In China, the help of local experts can have a tremendous positive impact on the enforcement process.³²⁵ Equally important can be the help of institution that share similar interests, such as trade associations, chambers of commerce, embassies, domestic and international law firms, as well as e-commerce service providers. Sometimes a brand need to look outside its

³²² Other than these specialized IP courts, the Chinese court system is structured in different levels: the Supreme People's Court deals with national cases, at provincial level there are the Higher People's Courts, then there are court also at city and district levels. (Haoyu FENG, Xiaoming LIU, *Litigation Procedures and Strategies: China*, in "World Trademark Review", <http://www.worldtrademarkreview.com/Intelligence/trademark-litigation/2017/Country-chapters/China>, 15-06-17)

³²³ *Intellectual Property Protection by Chinese Courts in 2012*, in "China Patent Agent HK", <http://www.cpahkltd.com/en/info.aspx?n=20130427105951810216>, 15-06-17

³²⁴ *Ibid.*

³²⁵ *Brand Protection in China...*, cit.

internal corporate capabilities to enlarge its situational awareness and better face trademark-related issues.³²⁶

Another unique challenge to enforcement in China is that some marketplaces permit the sale of lookalike brands and products. In these cases, counterfeiters sell slightly changed products, for example with a misspelled brand name or with a little difference in the logo design. They may also create products that do not exist in the original product line and apply trademarked terms or logos. Unfortunately, in many Chinese marketplaces this is seen as fair use or entrepreneurship and they will not carry on delisting requests for counterfeiting against these sellers. In these cases, local experts with well-established relationships within the marketplace can play a critical role in helping the brand solving the situation. It is of critical importance working hard with regional marketplaces to build trust and sense of partnership, because it can produce higher compliance rates for enforcement efforts. If brands are too aggressive with delisting requests or do not provide a proper justification for takedown requests, they can face additional scrutiny and removal time for all delisting requests.³²⁷

³²⁶ LAVIN, *Selling to China...*, cit

³²⁷ *Brand Protection in China...*, cit.

FOURTH CHAPTER

COUNTERFEITING AND BRAND PROTECTION ON ALIBABA

4.1. The E-Commerce Market in China

Thanks to its rapid economic growth³²⁸, it is reported that China in 2016 reached the first place for what concerns the online shopping market. The 36% of Chinese population order online at least once a week and this trend is expected to grow in the near future. Among the others, some reasons behind China's online market success lie on the increasing number of stores operating online and on the development of internet financial services that permit online and mobile payments³²⁹, which makes Chinese people more confident in e-commerce purchases and permit an easier penetration of the market.³³⁰

4.1.1. Statistics and Figures

According to statistics, in 2016 China has been the largest e-commerce market in the world and it is expected to further grow by next year, reaching a market value of 1.6

³²⁸ In 2016 China's GDP registered a growth of 6.7% and generally speaking China is becoming more powerful in recent years from an economic point of view. (Mélodie VAAST, *Chinese E-Commerce Market Growth, Statistics' Report 2016, 2017*, in "ECN", <https://www.ecommerce-nation.co/chinese-ecommerce-market-growth-statistics-report-2016/>, 02-06-17)

³²⁹ Online payment systems in China reported a significant increase, which was particularly relevant in mobile payment systems, and this trend is expected to continue. According to specialists, in 2019 China's mobile payments are expected to reach a growth 7.4 times higher than in 2015. (VAAST, *Chinese E-Commerce Market Growth, Statistics' Report 2016*, cit.)

³³⁰ VAAST, *Chinese E-Commerce Market Growth, Statistics' Report 2016*, cit.

trillion dollars.³³¹ Chinese online retail market has experienced a rapid growth in few years, and in 2015 it represented the 35% of the global online retail market. This percentage is expected to grow, reaching the 50% in 2019.³³² Comparing sales through e-commerce with the total sales in the country, e-commerce sales represented the 15.5% of the total retail sales with a turnover of 5.16 trillion RMB.³³³ For what concerns the number of internet users in China, it reached 632 million users and the 47% purchase goods online.³³⁴ The number of Chinese online shoppers has registered a steady growth in recent years: in 2006 there were approximately 34 million online buyers, while in 2014 this number amounted to 361 million users, and it reached 466.7 millions in 2016.³³⁵

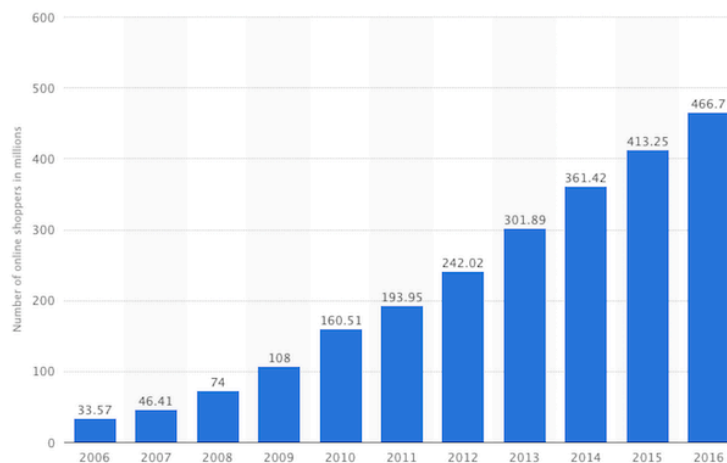


Figure 10: Number of online shoppers in China from 2006 to 2016 (million users).

Source: Statista

³³¹ 2016 China E-Commerce Market, 2016, in "Pfs Web", <http://www.pfsweb.com/blog/2016-china-ecommerce-market/>, 01-06-2017

³³² Despite of its importance at world level, the development of Chinese online retail market and its growth rate are becoming more stable compared to the fast growth of previous years, and a further slowdown is expected in next years. For instance, the growth rate of Chinese online retail market in 2015 was 36.2%, while in the first semester of 2016 it slowed down to 28.2%. It was the first time since 2011 that the growth rated was below 30%. Source: *China E-Retail Market Report 2016*, issued by Deloitte and China Chain Store and Franchise Association (CCFA) (*Zhongguo liansuo jingying xiehui* 中国连锁经营协会), 2016, pp. 4-5, available at "Deloitte", <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/cip/deloitte-cn-cip-china-online-retail-market-report-en-170123.pdf>, 02-06-17

³³³ VAAST, *Chinese E-Commerce Market Growth, Statistics' Report 2016*, cit.

³³⁴ *China, E-Commerce, 2017*, in "Export.gov", <https://www.export.gov/article?id=China-ecommerce>, 03-06-17

³³⁵ The online shopping penetration in China is very high compared to the rest of the world. In 2013 China's online shopping penetration rate was about 50%, while in the rest of the world the average percentage did not surpass 41.3%. (*Number of online shoppers in China from 2006 to 2016 (in millions), 2017*)

For what concerns cross-border e-commerce, China's market is experiencing a fast growth, maintaining a growth rate of 30% even after the 2008 world economic crisis. In 2008 Chinese cross-border e-commerce turnover was 800 billion RMB, while in 2015 it registered a steady increase reaching 5.2 trillion RMB.³³⁶ The big growth in cross-border e-commerce in China began in 2011, when there was an increase of internet users and Chinese families began to familiarize with e-commerce marketplaces. Through online shopping platforms, online shoppers could find and purchase imported foreign goods that were not available in Chinese market. Cross-border e-commerce has also been supported by Chinese government through the issue of specific policies.³³⁷ For instance in 2016 only, three specific policies have been issued. In January, the State Council issued the "Official Reply of the State Council on Approving the Establishment of Cross-Border E-Commerce Comprehensive Pilot Zones in Tianjin and Other 12 Cities" (*Guowuyuan guanyu tongyi zai Tianjin deng 12 chengshi kuajing dianzi shangwu zonghe shiyanqu de pifu* 国务院关于同意在天津等 12 城市跨境电子商务综合试验区的批复), which established cross-border e-commerce pilot cities in Tianjin, Shanghai, Chongqing and other cities.³³⁸ In April the Ministry of Finance (*Zhonghua Renmin Gongheguo Caizhengbu* 中华人民共和国财政部) issued a "Notice on Taxation Policy on Cross-border E-commerce Retail Imports", which has an impact on online imported foods and

³³⁶ By 2020 China is expected to become the world biggest cross-border e-commerce market, thanks to the growth of internet users, of Chinese consumers interested in foreign goods and overseas travel. According to eMarketer, it is estimated that 40% of Chinese online shoppers buy foreign branded products coming from cross-border e-commerce. This generated a turnover of 259 billion RMB in 2015, which corresponds to about 6% of China's total consumer e-commerce. This percentage is expected to reach an annual growth of 50% in the next years. (*E-Commerce in China: Opportunities for Asian Firms*, issued by International Trade Center, 2016, available at "Intracen", <http://www.intracen.org/uploadedFiles/intracencorg/Content/Publications/E-COMMERCE%20IN%20CHINA%20Low-res.pdf>, 03-06-17)

³³⁷ For instance, the General Administration of Customs of the People's Republic of China (*Zhonghua Renmin Gongheguo Haiguan Zongshu* 中华人民共和国海关总署) (GACC) recognized the importance of cross-border e-commerce and imports from foreign countries in a State Council Notice in 2014. Furthermore, Chinese Governments designed some cities which are considered important in the field of cross-border e-commerce. In 2016, the number of these cities is 13. Among them there are Hangzhou, Tianjin, Shanghai, Chongqing, Shenzhen and others. (*E-Commerce in China: Opportunities for Asian Firms*, cit.)

³³⁸ 国务院关于同意在天津等 12 城市跨境电子商务综合试验区的批复, 2016, Chinese text available at: "PKU Law", http://www.pkulaw.cn/fulltext_form.aspx?Db=chl&Gid=262851, 07-06-17

beverages and on single and annual transaction amounts.³³⁹ Then in May, the General Administration of Customs issued the “Notice on Implementing New Regulation Requirements of Cross-border E-commerce Retail Imports”, which sets new requirements on the import of goods in e-commerce retail.³⁴⁰

4.1.2. Features of Chinese E-Commerce Market

Chinese e-commerce market presents some peculiar features, that are becoming trends in the last few years. Among them it is possible to distinguish some main characteristics, such as the predominance of B2C trade platforms, the increasing sale of premium quality and branded products, and the presence of mobile e-commerce (m-commerce).

Rising Demand of Branded Products

At the beginning of e-commerce era in China, Chinese people were more interested in generic and low-cost products, and non-branded products proliferated. In 2008 Alibaba Group launched Tmall which contributed to create a unified online marketplace for branded products, allowing Chinese consumers to easily access branded goods.³⁴¹ Nowadays, the most purchased products by Chinese shoppers are premium quality goods or imported goods, which are usually not available in brick-and-mortar shops.³⁴² Therefore, some online trade platforms that offer such products are having huge success among consumers, such as Tmall Global (*Tianmao Guoji* 天猫国际), owned by Alibaba

³³⁹ *The Tax Policy on Cross-Border E-Commerce of Imported Food (B2C) will be Seriously Strengthened*, 2016, in “Chemical Inspection and Regulation Service (CIRS)”, [http://www.cirs-reach.com/news-and-articles/the-tax-policy-on-cross-border-e-commerce-of-imported-food-\(b2c\)-will-be-seriously-strengthened.html](http://www.cirs-reach.com/news-and-articles/the-tax-policy-on-cross-border-e-commerce-of-imported-food-(b2c)-will-be-seriously-strengthened.html), 07-06-17

³⁴⁰ *Future of Global Trade: Connecting the World through E-Commerce*, 2016, issued by Alibaba Research Institute and Ali Cross-border E-Commerce Research Center, available in “Ali Research”, <http://i.aliresearch.com/img/20160901/20160901171708.pdf>, 07-06-17

³⁴¹ *China's E-Commerce: the new Branding Game*, issued by Bain & Company, 2015, available in “AliResearch”, <http://i.aliresearch.com/img/20160126/20160126162151.pdf>, 03-06-17

³⁴² VAAST, *Chinese E-Commerce Market Growth, Statistics' Report 2016*, cit.

Group,³⁴³ which doubled its sales in 2016. In order to offer visibility to foreign goods, Tmall has created specific pages called “Country Pavilions” for overseas brands and goods, that cover several countries and regions.³⁴⁴ According to Alibaba, there has been an increase of sales of branded products of 7% between 2011 and 2014. The 65% of sales on online platform Alibaba is represented by branded goods. From a national point of view, this percentage represent the 4% of total China’s retail market, with a value of 1 trillion RMB.³⁴⁵

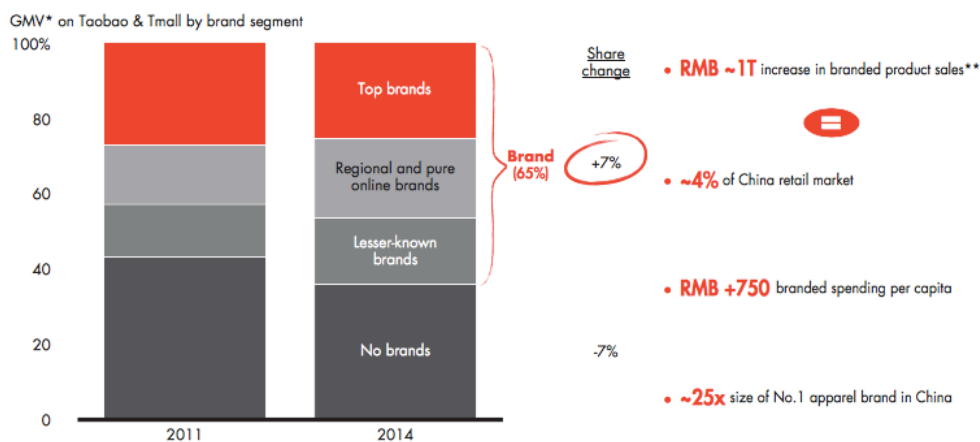


Figure 11: Branded goods sales on Alibaba platform in 2011 and 2014. The figure shows an increase of 7% of sales of this type of products. Source: China’s E-Commerce: the new Branding Game, cit.

Alibaba on its platform Tmall Global sells about 14,500 foreign brands coming from 63 countries and divided in 3700 categories.³⁴⁶ A high percentage of these brands,

³⁴³ Tmall Global is a division of Tmall, which sells premium quality goods coming from foreign countries, allowing foreign brands to enter Chinese market without a physical presence in the country. In order to sell goods on Tmall Global, the main offices of the company must be located abroad, the company must be qualified and must own an overseas registered trademark. On Tmall Global there are three types of stores that can be settled: flagship stores, specialty stores and franchise stores. (*Tmall Global China Cross-Border E-Commerce Sales*, in “Web to Asia”, <https://www.web2asia.com/china-e-commerce-lead/tmall-global-international-cross-border-sales/>, 03-05-17)

³⁴⁴ In 2016 16 macro-regions and countries were covered, such as Australia, France, Italy, Japan, the Republic of Korea, the United Kingdom and the United States. (*E-Commerce in China: Opportunities for Asian Firms*, cit.)

³⁴⁵ According to researches, the growth of sales of smaller brands was higher than the growth of top brands. Lesser-known brands growth rate was about 69%. (*China’s E-Commerce: the new Branding Game*, cit.)

³⁴⁶ These high sales have been fostered by favourable import taxes applied on foreign goods, such as cosmetics or sporting goods (for instance Nike and Adidas shoes). This helped the penetration of the

equivalent to 80%, has never been sold in China before, neither online nor in stores. The rising demand of foreign goods and the size of Chinese e-commerce market³⁴⁷ are a great opportunity for foreign brands and companies willing to internationalize and expand their business to China.

M-Commerce

A peculiarity of Chinese e-commerce market is the success of mobile commerce, which was helped by the development of mobile networks in recent years. Online transactions made through mobile phones accounted for only 1.5% of the total in 2011, but it registered an incredible growth, reaching the 55.5% after four years.³⁴⁸ In 2015 half of China's total e-commerce sales were represented by mobile commerce, that accounted for approximately 334 billion USD.³⁴⁹ This share is expected to grow in the next years, reaching 70% share by 2020.³⁵⁰ This rapid increase of the relevance of m-commerce in China is mainly due to the spread of smartphones among Chinese consumers. Smartphones made their way in Chinese market thanks to budget smartphones, which made possible for all Chinese people to easily access internet. Some of the best-sellers low-budget smartphones in China are represented by Xiaomi (小米),³⁵¹ Oppo (Oupo 欧

market and the spread of foreign branded products among middle-class shoppers. (Frank TONG, *Thousands of foreign brands enters China through E-commerce*, 2017, in "Digital commerce 360", <https://www.digitalcommerce360.com/2017/01/19/foreign-brands-enter-china-through-e-commerce/>, 08-06-17)

³⁴⁷ Every year about 443 million consumers buy from Alibaba platform alone. This number is almost equivalent to the total population of U.S., Canada, Australia and U.K., which gives a hint of the huge sales opportunities for foreign brands in the Chinese e-commerce market. (Wade SHEPARD, *As Amazon Floods with Chinese Sellers, Western Brands Move into China's Booming E-Commerce Market*, 2017, in "Forbes", <https://www.forbes.com/sites/wadeshepard/2017/03/14/as-amazon-floods-with-chinese-sellers-western-brands-move-into-chinas-booming-e-commerce-market/#4fd0121c57cd>, 08-06-17)

³⁴⁸ Teresa LAM, Christy LI, *Understanding China's E-Commerce and Internet Sectors: A Guide for Global Retailers*, issued by Fung Business Intelligence, 2016, p. 4, available at "Fung Business Intelligence Group", https://www.fbicgroup.com/sites/default/files/China's_e-com.pdf, 08-06-17

³⁴⁹ *China, E-Commerce*, cit.

³⁵⁰ *China's E-Commerce: the new Branding Game*, cit.

³⁵¹ Xiaomi was founded in 2010 by Lei Jun and focuses on hardware, software and internet services. It mainly produces and sells mobile phones, televisions, headphones, power banks and other accessories. It is based in China, but it is becoming an international brand with branches in Taiwan, Hong Kong, Singapore, Malaysia, India and South-East Asia. (Information available in Xiaomi website, <http://www.mi.com/en/about/>, 08-06-17)

珀)³⁵² and Meizu (魅族). Mobile commerce presents some important benefits. For instance, buyers are constantly connected and can purchase goods in every moment and it is quicker and easier than PC-based e-commerce. Brands and online business platforms are starting to develop their own mobile apps, in order to provide customers with advanced functionalities, such as localization that permits to visualize specific products, special deals and discounts, user accounts and mobile payments.³⁵³

Among the m-commerce market platforms, Alibaba was the first for market share in 2015 with a percentage of 84.2%.³⁵⁴ Other important players are JD.com, which occupies the 5.7% of the market, and VIP.com (Weipinhui 唯品会),³⁵⁵ with the 2.4%.

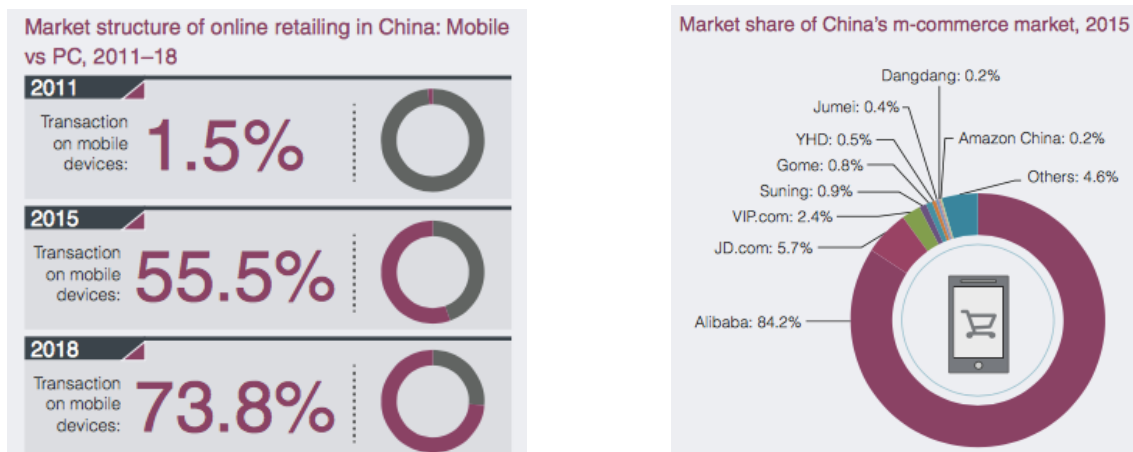


Figure 12: Evolution of m-commerce in China from 2011 to 2015 and m-commerce market share in China in 2015.

Source: Fung Business Intelligence

³⁵² Oppo is a brand producing mobile phones that has become well-known in China, and it focuses its production in making low budget smartphones with good quality cameras. In 2016 Oppo was the fourth brand manufacturing mobile phones in the world. The trademark was registered in 2001 and launched in China in 2004. At the beginning its production focused on mp3 and mp4 players, in 2008 it launched its first mobile phone and in 2011 its first smartphone. Oppo is now working on becoming a global firm. It opened its first branch in Thailand and sells in 21 countries around the world. (Information available in Oppo website, <http://www.oppo.com/en/about-us>, 08-06-17)

³⁵³ LAM, LI, *Understanding China's E-Commerce and Internet Sectors: A Guide for Global Retailers*, cit., p. 4

³⁵⁴ *Ibid.*

³⁵⁵ VIP is a Chinese e-commerce website selling branded quality products at discounted prices. In 2012 it was listed in New York stock exchange and reached over 28 million members. VIP focuses its business on Chinese and overseas well-known brands, and on the sale of products like clothing, shoes, make up, accessories and many others. More than 10 thousand brands are sold in the platform. (Information available on VIP website, <http://support.vip.com/contact/?act=en>, 09-06-17)

4.1.3. B2C, C2C E-Commerce Platforms and the Rise of Alibaba

China has developed a different type of e-commerce than the European and American one. In fact, in China's e-commerce market independent online retailers generates only the 10% of the total online sales, while online marketplaces grouping independent sellers are predominant.³⁵⁶ China's e-commerce market is dominated by business-to-consumer (B2C) and consumer-to-consumer (C2C) platforms. In particular, B2C e-commerce marketplaces play an important role in China's e-commerce market. In 2014 B2C e-commerce was expected to generate 275 billion USD.³⁵⁷ Despite the slowdown of the growth of B2C sales in 2012, in 2013 B2C market value was still about 1% of China's GDP.³⁵⁸ The growth was led in 2013 by three e-commerce "giants": Tmall, belonging to Alibaba Group, JD and Suning (*Suning Yunshang* 苏宁云商).³⁵⁹ According to statistics³⁶⁰, in 2016 the top e-commerce platforms were JD at first place, followed by Tmall and YHD (*Yihaodian* 1 号店).³⁶¹ For what concerns C2C e-commerce platforms based in China,

³⁵⁶ The 90% of online sales are generated by e-commerce marketplaces. The sellers in this kind of markets can be big or small retailers and also individuals. (*E-Commerce in China: Opportunities for Asian Firms*, cit., p. 6)

³⁵⁷ *Number of online shoppers in China from 2006 to 2016*, in "Statista", <https://www.statista.com/statistics/277391/number-of-online-buyers-in-china/>, 09-06-17

³⁵⁸ *Gross merchandise volume (GMV) of China's online shopping market from 2008 to 2018 (in billion yuan)*, 2013, in "Statista", <https://www.statista.com/statistics/278555/china-online-shopping-gross-merchandise-volume/>, 08-06-17

³⁵⁹ Suning was founded in 1990 in Nanjing. It started selling home electric appliance, but in 2005 shifted type of business, opening its own B2C e-commerce platform: Suning.com. The platform soon reached the top three of China's most successful e-commerce retailers, also thanks to its already well-established logistics system and well-known brand. Suning offers some advantages to suppliers: among them there are no entry fee, it offers professional services, such as online promotion, and sharing of information. (Shailja DIXIT, Amit Kumar SINHA, *E-Retailing Challenges and Opportunities in the Global Marketplace*, 2016, IGI Global, pp. 264-265) Suning has been partially acquired by Alibaba (almost 20%) in 2015. (*Alibaba to Invest \$4.6 Billion In Electronics Retailer Suning*, 2015, in "China Internet Watch", <https://www.chinainternetwatch.com/14201/alibaba-to-invest-4-6-billion-in-electronics-retailer-suning/>, 08-06-17)

³⁶⁰ *Top E-Commerce Platforms in 2016*, 2016, in "China Internet Watch", <https://www.chinainternetwatch.com/19470/ecommerce-platforms-2016/>, 08-06-17

³⁶¹ Yihaodian was founded in 2008 and is China's biggest e-commerce platform selling food and beverages coming from foreign countries. The platform is owned by American retail chain Walmart. In 2013 it reached 250 million of sold products from overseas. (*China's Top E-commerce Platforms for Foreign Companies*, 2016, in "E-commerce China Agency", <http://ecommercechinaagency.com/guide-chinas-top-e-commerce-platforms-foreign-companies/>, 08-06-17)

Taobao is considered to be in a predominant position, with its 435 million buyers and 7.1 million sellers in 2016. Even if in early years its growth has been slow, the provision of some services, such as free registration for both consumers and sellers, and the creation of online payment service Alipay, which contributed to increase trust in consumers, eventually contributed to Taobao and Alibaba success.³⁶²

Alibaba: China's E-Commerce Giant

As already said in the previous chapters, Alibaba Group owns some of China's most important and successful e-commerce B2C and C2C platforms, such as Tmall (B2C) and Taobao (C2C), and offers also mobile payment services, such as Alipay (*Zhifubao* 支付宝). The story of Alibaba Group was established in Hangzhou in 1999, when the B2B platform Alibaba.com was founded and launched by Jack Ma (*Ma Yun* 马云)³⁶³ and other founders to permit Chinese manufacturers to sell overseas.³⁶⁴ Between 2003 and 2008 Alibaba expanded its business by opening a C2C marketplace, Taobao, and a B2C platform, Tmall, that focused on the sale of branded products and online retail.³⁶⁵ In 2010 Juhuasuan (聚划算),³⁶⁶ a marketplace focused on digital offers and flash sales for mainland China, Hong Kong and Taiwan has been opened. Between 2010 and 2016 other major innovations were introduced, such as the creation of Tmall Global in 2014, setting

³⁶² Junhong CHU, Puneet MANCHANDA, "Quantifying Cross and Direct Network Effects in Online Consumer-to-Consumer Platforms", *Marketing Science*, Vol. 35, No. 6, 2016, p. 873

³⁶³ Jack Ma was born in 1964 in Hangzhou. During his early life he struggled to reach success and failed many times. For instance, he failed primary, middle school and college tests several times, he was also refused for most jobs he applied after university. As an adolescent, he taught English several years, became a translator and then accepted a government job. In 1998 he quitted his job and launched Alibaba, which is now one of the most successful business in China. (Mohamed JALLOH, *Jack Ma: Success Story*, 2015, in "Investopedia", <http://www.investopedia.com/university/jack-ma-biography/jack-ma-success-story.asp>, 09-06-17

³⁶⁴ *Alibaba Group – Statistics and Facts*, in "Statista", <https://www.statista.com/topics/2187/alibaba-group/>, 09-06-17

³⁶⁵ *Annual Revenue of Alibaba Group from 2010 to 2017*, in "Statista", <https://www.statista.com/statistics/225614/net-revenue-of-alibaba/>, 09-06-17

³⁶⁶ On this platform product are sold at very discounted prices. There is a broad range of products, such as clothing, electronics and toys, and well-known brands. In 2012 transaction value reached 20 million dollars. (Josh STEIMLE, *A Beginner's guide to Alibaba Group*, 2015, in "Forbes", <https://www.forbes.com/sites/joshsteimle/2015/01/26/a-beginners-guide-to-alibaba-group/>, 09-06-17

a direct sale channel between Chinese consumers and international brands, and the creation of OneTouch Service data in 2015 in order to develop international B2B e-commerce. In 2016, together with China's National Development and Reform Commission (*Zhonghua Renmin Gongheguo Guojia Fazhan he Gaige Weiyuanhui* 中华人民共和国国家发展和改革委员会) (NDRC),³⁶⁷ Alibaba launched the project Rural Taobao and established e-commerce pilot cities in order to develop online commerce in rural areas.³⁶⁸ Alibaba Group owns also AliExpress (*Alibaba Quanqiu Sumaitong* 阿里巴巴全球速卖通), a global retail marketplace, and offer several other services, such as cloud computing and internet-related services.³⁶⁹ For what concerns revenues, in 2016 revenues generated by domestic e-commerce accounted for 13 billion USD, while international commerce generated 1.2 billion USD. The 79% of the total revenues of the company were generated by retail e-commerce.³⁷⁰ Total revenues of the group accounted for 101 billion yuan in 2016.³⁷¹ The number of employees is growing along with the growth of revenues. As of 2017, the number of full-time employees was 50,092, and registered a growth of more than 13,000 employees compared to 2016.³⁷²

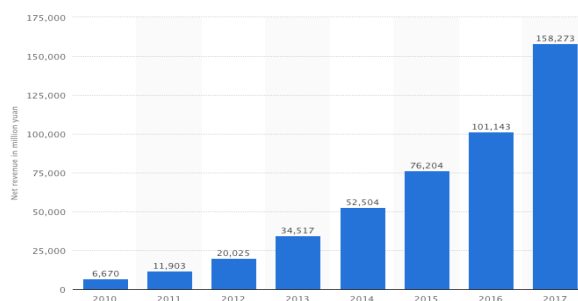


Figure 13: Revenues generated yearly by Alibaba Group, from 2010 to 2017. Source: Statista

³⁶⁷ China's National Development and Reform Commission is an agency which operates under the Chinese State Council. Its main functions are monitoring China's economy and society and issuing plans, such as long-term economic plans, development plans and strategies, and provide forecasts of future situations. (*Main Functions of the NDRC*, in "NDRC" website, <http://en.ndrc.gov.cn/mfndrc/>, 13-06-17)

³⁶⁸ *E-Commerce in China: Opportunities for Asian Firms*, cit., p. 7

³⁶⁹ *Our Businesses*, in "Alibaba Group", <https://www.forbes.com/sites/joshsteimle/2015/01/26/a-beginners-guide-to-alibaba-group/>, 09-06-17

³⁷⁰ *Annual Revenue of Alibaba Group from 2010 to 2017*, cit.

³⁷¹ *Alibaba Group – Statistics and Facts*, cit.

³⁷² *Number of full-time employees at Alibaba from 2012 to 2017*, 2017, in "Statista", <https://www.statista.com/statistics/226794/number-of-employees-at-alibabacom/>, 10-06-17

Since 2014, Alibaba Group is listed in New York stock exchange, being acknowledged at worldwide level as one of the biggest internet companies.³⁷³ However, the entrance of Alibaba in the US market encountered some big issues, because of the presence of well-established e-commerce companies, such as Amazon and eBay. In China Alibaba took advantage of the lack of developed commerce infrastructures and big e-commerce competitors. Furthermore, the expansion of Alibaba to the US market may be difficult also because of cultural differences existing between the two countries, which can make American buyers distrustful and sceptical towards the Chinese e-commerce giant, plus differences in logistics, supply chains and work ethics.³⁷⁴ Even though in the overseas e-commerce market Alibaba situation is still uncertain, in China the opposite happened. When eBay tried to enter Chinese C2C market by acquiring a domestic e-commerce platform in 2002, it failed in the process, because of both external and internal factors and due to lack of experience in Chinese complicated commercial environment and lack of knowledge of Chinese consumers. eBay could not compete with Alibaba's successful C2C platform Taobao, and in 2008 it admitted its failure.³⁷⁵ Alibaba's business strategy has been proven successful in China thanks to some peculiar features, such as the utilization of information technology to accelerate international trade, the unique services offered to customers and the importance that has been given to them by the company.³⁷⁶ Finally, the deep knowledge of Chinese domestic market and consumers played an important role in its rapid success.

³⁷³ *Gross merchandise volume (GMV) of China's online shopping market from 2008 to 2018*, cit.

³⁷⁴ Another difficulty is represented by the fact that Alibaba Group lacks experience in managing e-commerce platforms and services outside China. Furthermore, in China Alibaba was the first mover in e-commerce market, while in the US its brand is not well-known as the competitors', and it has to earn consumers' loyalty before becoming successful. (Jae C. JUNG, Majiri A. UGBOMA, Alvin K. LIOW, "Does Alibaba's magic work outside China?", *Thunderbird International Business Review*, Vol. 57, No. 6, 2015, pp. 511-512, available at "Wiley Online Library", <http://onlinelibrary.wiley.com/doi/10.1002/tie.21739/abstract>)

³⁷⁵ Lara RODRIGUEZ VALERO, *How and Why Ebay Failed and Alibaba/Taobao had success in the Chinese Market?*, Master Thesis, Faculty of Economics and Business Administration, Norwegian School of Economics, 2016, p. 8

³⁷⁶ Alibaba places the consumer at the centre, following the so-called "stakeholder philosophy", which means putting employees before shareholders and consumers before anyone else, focusing on their needs and feedbacks. (Casimir BARCZYK, Gideon FALK, Lori FELDMAN, Charles RARICK, "Alibaba: Changing

4.2. Alibaba and Its Massive Counterfeit Problem

Despite its huge success both in China and overseas, Alibaba is facing a problem that currently seems impossible to solve: counterfeiting. Alibaba C2C e-commerce platform Taobao has always been sadly famous for the presence of counterfeit goods. Since 2014, Alibaba has strived to face this challenge and limit the sale of counterfeits on its platforms,³⁷⁷ in order to attract international well-known brands. Despite its efforts, in 2016 Taobao has been included again in the “Notorious Counterfeit Markets” List³⁷⁸, after being removed in 2012. Against this decision, Alibaba claimed that in 2016 380 million infringing products were removed 180,000 online shops were stopped. However, counterfeit and piracy levels on Taobao are still extremely high. For instance, it has been estimated that about 90% of New Balance products listed on Taobao are fakes.³⁷⁹ Alibaba’s counterfeit problem has also being raised by Zhang Mao, chief of Chinese SAIC, who warned Jack Ma to be more strict in IPR enforcement. In the 2016 Out-of-Cycle Review of Notorious Markets³⁸⁰, the USTR encourages Chinese Government to enhance IPR enforcement in order to crack down infringing products listed on Alibaba platforms, and in particular on Taobao. In the report, that estimates a percentage of 95% of total branded products sold on Taobao as fakes, the USTR indicates some actions Chinese

the Way Business is Conducted in the Information Economy”, *Journal of the International Academy for Case Studies*, Vol. 17, No. 8, 2011, p. 107)

³⁷⁷ Ke CHEN, *Counterfeit as a Challenge to Chinese E-Commerce Platform – The Case of Alibaba*, Thesis for Bachelor’s Degree, Faculty of Business Administration, University of Boras, 2016, p. 1

³⁷⁸ The “Notorious Markets” list is issued by the US Office of the Trade Representative. The document contains a list of both physical and online marketplaces where there is a high percentage of trademark infringement or copyright piracy. In the document are listed markets from all over the world, that are reported to be involved in counterfeiting activities that may damage US economy. The purpose of the list is to raise IPR protection importance at international level and to encourage countries in increasing efforts on IPR enforcement. (*2016 Notorious Markets List Spotlights Fight against Global Piracy and Counterfeiting of American Products*, 2016, in “USTR”, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/december/2016-notorious-markets-list>, 15-06-17

³⁷⁹ Scott CENDROWSKI, *Why Alibaba Can’t Complain About Its Return to the “Notorious” Counterfeit Market List*, 2016, in “Fortune”, <http://fortune.com/2016/12/22/alibaba-taobao-counterfeit-goods-platform/>, 14-06-17

³⁸⁰ *2016 Out-of-Cycle Review of Notorious Markets*, issued by the Office of the United States Trade Representative, 2016, available at “USTR”, <https://ustr.gov/sites/default/files/2016-Out-of-Cycle-Review-Notorious-Markets.pdf>

Government should take to lower this percentage, such as simplify registration and enforcement requests submitted by brands and companies, which are particularly difficult for SMEs, and accelerate the process of counterfeit products removal and establish penalties for shops which sell fake and counterfeit goods.³⁸¹

4.2.1. Alibaba's IP Enforcement Programs

Alibaba has developed strategies and methods in order to limit the sale of counterfeit goods on its e-commerce platforms and to discover infringements. Some examples of mechanisms developed to reach this purpose are the Taobao xiaoer (淘宝小二), the Blue Star Program (*Mantianxing Jihua* 满天星计划), AliProtect and IPP Platform systems. Other than that, it has also established a special IP division in order to take down counterfeit products from its sites and hired qualified employees, specialized in IPR enforcement.

Specialized IPR Enforcement Employees

Alibaba is hiring qualified employees in order to detect and stop counterfeiting activities. Taobao xiaoer³⁸² can be an example, even if their role is not limited to detect illegal activities. They are in charge of customer care and monitor and mediate between buyers and sellers in case of dispute. The average age of these employees is 27 years old. They have the power to shut down online shops, but also to promote shops through marketing campaigns. For these reasons, it is not unusual that shops' owners sometimes try to bribe them in order to obtain visibility on the platform.³⁸³ But Alibaba did more than simply hire customer care operators. In 2015, after the US Trade Representative

³⁸¹ *Ibid.*, p. 13

³⁸² Duncan CLARK, *Alibaba. La storia di Jack Ma e dell'azienda che ha cambiato l'economia globale*, Hoepli, 2017

³⁸³ When xiaoer and shops get caught in such situations, Alibaba closes these shops and an internal disciplinary unit is in charge of controlling employees' behaviour, transparency and impartiality. (*Alibaba. La storia di Jack Ma e dell'azienda che ha cambiato l'economia globale*, cit.)

expressed its concern towards the lack of enforcement on its e-commerce platforms, Alibaba added Matthew J. Bassiur³⁸⁴ to its team, who is an international expert on IPR protection that had already helped Apple in fighting cyber-crimes, and was also a security officer.

Technological Solutions and Online Report Systems

In 2014 Alibaba launched an anti-counterfeiting program called Blue Star Program. It consists in the possibility to scan a QR code,³⁸⁵ already used by well-known brands, in order to trace the real origin of the product and therefore to understand if the product sold by the online shop is a counterfeit or an original one.³⁸⁶ These QR codes are called “dotless visual codes”. Through Taobao and Tmall mobile apps, consumers can scan the code applied to the product, which is unique for every product, and receive information about its authenticity. Many well-known brands, such as L’Oréal and Ferrero, contributed to launch this program in partnership with Alibaba.³⁸⁷ This program is not only useful for consumers, but also for companies and firms. In case of counterfeiting activity, it is possible to detect where an original QR code has been scanned to create a fake one and stop infringers.³⁸⁸

³⁸⁴ Matthew Bassiur’s role in Alibaba was to establish collaborations with international well-known brands and industry associations. Due to his knowledge of Chinese environment and laws, he also established ties with government regulators. (Yue WANG, *Alibaba taps Matthew Bassiur for Global Anti-Counterfeit Fight*, 2015, in “Forbes”, <https://www.forbes.com/sites/ywang/2015/12/21/alibaba-taps-matthew-bassiur-for-global-anti-counterfeit-fight/#3cb43c583964>, 14-06-17)

³⁸⁵ This particular QR code is provided by a start-up based in Israel and partially owned by Alibaba, which is called Visualead. (Phil TAYLOR, *Alibaba turns to tech to tackle counterfeit controversy*, 2015, in “Securing Industry”, <https://www.securindustry.com/cosmetics-and-personal-care/alibaba-turns-to-tech-to-tackle-counterfeit-controversy/s106/a2346/#.WUF9zsbkVE4>, 14-06-17)

³⁸⁶ CBBC – *Alibaba IP Roundtable*, issued by China-Britain Business Council (YingZhong Maoyi Xiehui 英中贸易协会) (CBBC), 2016, available at “Anti-Copying In Design”, http://www.acid.uk.com/tl_files/2016/Meeting%20Record_CBBC-Alibaba%20IP%20Roundtable_18%20March.pdf, 14-06-17

³⁸⁷ TAYLOR, *Alibaba turns to tech to tackle counterfeit controversy*, cit.

³⁸⁸ Jim ERICKSON, *Alibaba is turning the lowly QR code into a fakes fighter*, 2015, in “Alizila”, <http://www.alizila.com/alibaba-turning-lowly-gr-code-fakes-fighter-2/>, 14-06-17

In 2016 other improvements were made and Alibaba launched the IP Joint-Force System (*Quanliren gong chuang hui* 权利人共创会),³⁸⁹ in collaboration with famous brands.³⁹⁰ This system permits to share information between IPR owners participating in the program and Alibaba, which is able to access to suspected counterfeit listings that could not be directly detected by Alibaba, and take down infringing shops. The listings are removed without further confirmation from the brand, thanks to this two-way communication system. Before the launch of this project, Alibaba, as a third party, was not able to directly confirm the authenticity of goods.³⁹¹ This program is a further enhancement of Alibaba already existing online IP protection system, which allows brands to report infringers and counterfeit activities on its platforms. These systems are AliProtect and IP Protection Platform (IPP Platform). IPR owners can submit complaints and report counterfeit activities via IPP Platform; these complaints are then processed by online system AliProtect.³⁹² The process of reporting an infringement is divided in two steps. Firstly, the IPR owner identity and trademark registration must be verified. After this verification process Alibaba sends an e-mail and the owner can submit its complaint, specifying which is the infringing product and providing explanation and proofs that the product is really a counterfeit.³⁹³ In 2015 the system and upgraded system was released and English language option was added to report trademark, copyright and patent infringements. This system is called TaoProtect, and is similar to

³⁸⁹ Tim LINCE, "Our only choice is to join forces"; *Alibaba launches new anti-counterfeiting platform, urges more collaboration*, 2016, in "World Trademark Review", <http://www.worldtrademarkreview.com/Blog/detail.aspx?g=413795c5-28c3-4388-8a71-fe6ce73e5f3c>, 15-06-17

³⁹⁰ Brands allowed to participate to the program were already participating in another program called "Good Faith Takedown" program, which was launched in 2015. Thanks to the program, brands' owner could file counterfeit complaints and submit them to Alibaba, which subsequently shut down infringing shops and removed counterfeit listings. In 2016 there were more than 700 brands participating in the program. Among them there were well-known brands such as Adidas, Apple and Procter & Gamble. (*Alibaba Group Hosts Inaugural Summit for International IP Rights Holders*, 2016, in "Alibaba Group", <http://www.alibabagroup.com/en/news/article?news=p160701>, 15-06-17)

³⁹¹ *Alibaba Group Hosts Inaugural Summit for International IP Rights Holders*, cit.

³⁹² *Intellectual Property Rights (IPR) Protection Policy*, 2017, in "Alibaba", <https://rule.alibaba.com/rule/detail/2049.htm>, 15-06-17

³⁹³ Theodore BAROODY, *How to Successfully Use Alibaba's AliProtect*, 2014, in "Law 360", <https://www.law360.com/articles/586193/how-to-successfully-use-alibaba-s-aliprotect>, 15-06-17

AliProtect. While AliProtect covers Alibaba.com, AliExpress and 1688.com, TaoProtect covers Taobao and Tmall Platforms.³⁹⁴

4.3. Counterfeit Luxury Goods

As already said in the previous chapter, the problem of counterfeit luxury goods is relevant in China. Since in China's e-commerce market sellers can hide their identity and the enforcement of IPRs in case of trademark infringement is still weak, the American Chamber of Commerce (AmCham) reported that lot of brands were forced to reduce their investments in China in order to avoid counterfeiting problem.³⁹⁵ Counterfeit luxury goods can be easily found on Alibaba platforms, such as Taobao. In addition to the measures listed previously that has been taken by Alibaba to crack down on counterfeiting, the Chinese e-commerce giant also signed several Memorandum of Understanding (MoU). Their purpose is to establish profitable collaborations and to cooperate to enhance IP protection. Among them, there is the MoU signed with the CBBC and another one signed with the famous brand Louis Vuitton.³⁹⁶ But not everytime Alibaba could reach an agreement or set a cooperation strategy with luxury brands.

4.3.1. The Case: Alibaba vs. Kering

Alibaba has been sued several times by companies owning IP rights, and especially by famous companies such as Kering, owner of the brand Gucci, Yves Saint Laurent, Stella McCartney, Alexander McQueen, Balenciaga, Bottega Veneta, Puma and others.³⁹⁷ The first lawsuit that Kering filed against Alibaba was in 2014 in the U.S., but it was

³⁹⁴ Jim ERICKSON, *Alibaba's Counterfeit Reporting System Gets and Upgrade*, 2015, in "Alizila", <http://www.alizila.com/alibabas-counterfeit-reporting-system-gets-an-upgrade/>, 15-06-17

³⁹⁵ Andrew BROWNE, *U.S. Firms Chafe at Costs of China Piracy*, 2005, in "Wall Street Journal", <https://www.wsj.com/articles/SB112560351344129354>, 20-06-17

³⁹⁶ Fredericka ARGENT, *Online Enforcement of Counterfeit Luxury Goods: the China Problem*, 2014, in "Global Legal Post", <http://www.globallegalpost.com/big-stories/online-enforcement-of-counterfeit-luxury-goods-the-china-problem-62665863/>, 20-06-17

³⁹⁷ More information available at <http://www.kering.com/en/brands>

withdrawn after an agreement was reached between the two parties. Then in 2015, Kering sued Alibaba again for “knowingly encourage, assist, and profit from the sale of counterfeits on their online platforms”.³⁹⁸ To sustain this statement, Kering also affirmed that Alibaba used site algorithms to help consumers find counterfeit products on their online platforms, such as the utilization of the word “replica” to easily find faked products. Kering also provided an example of a counterfeit Gucci handbag sold for 2\$ on Alibaba’s platforms, while the original is worth almost 800\$. Alibaba rejected the accusations and started to improve its IP protection measures, such as the adoption of QR codes through which consumers can verify the authenticity of a branded product.³⁹⁹ In November 2015, Kering decided reconsidered its filed lawsuit and decided to pursue good-faith mediation to solve the case, under suggestion of U.S. District Judge Kevin Castle.⁴⁰⁰ On May 2016 the case continued, and the racketeering accusations filed against Alibaba and other 14 companies were dismissed by the judge, due to lack of concrete proofs. However, the other parts of the lawsuit concerning trademark claims, were not dismissed.⁴⁰¹

³⁹⁸ Sophia YAN, *Alibaba Gets Sued by Gucci for Fakes... Again*, 2015, in “CNN”, <http://money.cnn.com/2015/05/17/investing/alibaba-lawsuit-fakes/>, 20-06-17

³⁹⁹ Jen KING, *Alibaba Refines Authentication practices in face of Kering counterfeit lawsuit*, 2015, in “Luxury Daily”, <https://www.luxurydaily.com/alibaba-refines-authentication-practices-in-face-of-kering-counterfiet-lawsuit/>, 20-06-17

⁴⁰⁰ Matthew BULTMAN, *Kering to Resume Mediation in Alibaba Counterfeit Case*, 2015, in “Law 360”, <https://www.law360.com/articles/726682/kering-to-resume-mediation-in-alibaba-counterfeit-case>, 20-06-17

⁴⁰¹ Seerat CHABBA, *Counterfeits on Alibaba: US Judge Dismisses part of Lawsuit by Gucci, Other Luxury Brands*, 2016, on “International Business Times”, <http://www.ibtimes.com/counterfeits-alibaba-us-judge-dismisses-part-lawsuit-gucci-other-luxury-brands-2397955>, 20-06-17

CONCLUSIONS

Counterfeiting and trademark infringement have always represented a major concern for foreign brands willing to expand their business in China, and especially in the constantly growing Chinese e-commerce market. Since the 80s and its accession to the WTO and adherence to TRIPS and other international agreements, China has strived to improve its IP system and fight trademark infringement, in order to comply with international standards and consequently attract foreign investments. To reach this objective, there has been major improvements for what concerns China's Trademark Law, that was amended in 2014, and the recently drafted E-Commerce Law. Some major innovations have been introduced, such as legal liability for e-commerce platforms in case of counterfeiting activities and trademark infringement and criminal prosecution for counterfeiting. However, despite its efforts, China is not yet fully compliant with international IP standards, as international reports on counterfeiting suggest.

The main problem can be mainly identified in the weak enforcement of IP rights. In fact, even if IP laws have been created and amended to further develop Chinese IP system, it is still difficult to find and prosecute counterfeiters. China has recently established specialized IP courts to improve enforcement, obtaining good results. Some famous business platforms, such as the e-commerce giant Alibaba, have created strategies and methods to find and crack down on counterfeiting. However, all these efforts still seem not enough, especially when it comes to online counterfeiting. To protect their brand in China, trademark owners need to adopt a multi-area strategy, that involves cooperation with government and local experts, e-commerce platforms and private specialized agencies that can help companies monitoring the authenticity of products listed on online marketplaces and provide support in case of infringement and counterfeiting activities.

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GLOSSARY

(CHINESE – ENGLISH)

Chinese	Pinyin	English
阿里巴巴集团	<i>Alibaba Jituan</i>	Alibaba Group
保护	<i>baohu</i>	protection
财政部	<i>Caizhengbu</i>	Ministry of Finance
诚实信用原则	<i>chengshi xinyong yuanze</i>	principle of good faith
电子商务	<i>dianzi shangwu</i>	e-commerce
电子商务法	<i>dianzi shangwu fa</i>	e-commerce law
电子商务平台	<i>dianzi shangwu pingtai</i>	e-commerce platform
仿冒品	<i>fangmaopin</i>	counterfeit goods
纲要	<i>gangyao</i>	outline
高级人民法院	<i>Gaoji renmin fayuan</i>	Higher's People Court
工商行政管理局	<i>Gongshang xingzheng guanliju</i>	AIC
国家知识产权局	<i>Guojia zhishi chanquan ju</i>	State Intellectual Property Office
国务院	<i>Guowuyuan</i>	State council
京东	<i>Jingdong</i>	JD.com
马云	<i>Ma Yun</i>	Jack Ma
满天星计划	<i>Mantianxing Jihua</i>	Blue Star Program
门户开放政策	<i>menhu kaifang zhengce</i>	Open Door Policy

品牌	<i>pinpai</i>	brand
商标	<i>shangbiao</i>	trademark
商标法	<i>shangbiaofa</i>	trademark law
商标局	<i>shangbiaoju</i>	China Trademark Office
商标侵犯	<i>shangbiao qinfan</i>	trademark infringement
商务部	<i>shangwubu</i>	Ministry of Commerce
申请	<i>shenqing</i>	application
实施	<i>shishi</i>	to implement
淘宝网	<i>Taobao wang</i>	Taobao
天猫	<i>Tianmao</i>	Tmall
天猫国际	<i>Tianmao Guoji</i>	Tmall Global
微信	<i>weixin</i>	WeChat
行动计划	<i>xingdong jihua</i>	action plan
战略	<i>zhanlüe</i>	strategy
支付宝	<i>Zhifubao</i>	Alipay
知名商标	<i>zhiming shangbiao</i>	well-known trademark
知识产权	<i>Zhishi chanquan</i>	Intellectual property rights
专利法	<i>zhuanlifa</i>	patent law
注册	<i>zhuce</i>	registration
著作权法	<i>zhuzuoquan fa</i>	copyright law

LIST OF ABBREVIATIONS

AICs	Administrations for Industry and Commerce
B2B	Business-to-business
B2C	Business-to-consumer
BASCAP	Business Action to Stop Counterfeiting and Piracy
BHPC	Beijing Higher People's Court
C2C	Consumer-to-consumer
CBBC	China-Britain Business Council
CIRS	Chemical Inspection and Regulation Service
CJEU	Court of Justice of the European Union
CTMO	China Trademark Office
CTMR	Community Trademark Regulation
DSB	Dispute Settlement Body
EU	European Union
EUIPO	European Union Intellectual Property Office
GACC	General Administration of Customs of the P.R.C.
GACG	Global Anti-Counterfeiting Group
GAO	Government Accountability Office
GIPC	Global Intellectual Property Center
ICC	International Chamber of Commerce
IIPA	International Intellectual Property Alliance
INTA	International Trademark Association

IPR	Intellectual property rights
NDRC	National Development and Reform Commission
NIPS	National Intellectual Property Strategy
NPC	National People's Congress
NPCSC	Standing Committee of the National People's Congress
OCR	Out-of-Cycle Review
OHIM	Office for Harmonization in the Internal Market
SAIC	State Administration for Industry and Commerce
SIPO	China State Intellectual Property Office
UN	United Nations
USTR	United States Trade Representative
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

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_____ **Errore. Il segnalibro non è definito.**

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