

TRADEMARK SQUATTING AND THE LIMITS OF THE FAMOUS MARKS DOCTRINE IN CHINA

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I. INTRODUCTION

Although multinational companies (MNCs) have been doing business in the People's Republic of China (PRC or China) since China's watershed reforms opened its economy to international trade in 1978,¹ many continue to be baffled by China's trademark system and the problems that can arise with it. In recent years, trademark squatting in China has emerged as a serious business problem.² Trademark squatting occurs when a Chinese entity registers an MNC's English language trademark or its Chinese translation in China first and becomes the lawful owner of the trademark in China.³ Some of the world's most powerful companies, such as Pfizer, Apple, and Facebook, have made serious mistakes in managing their trademarks and brands in China. For example, Pfizer

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1. From the time of its founding in 1949 until 1978, the People's Republic of China (China) pursued a policy of isolation and self-sufficiency and did not reap the benefits of international trade. See DANIEL C.K. CHOW & ANNA M. HAN, *DOING BUSINESS IN CHINA: PROBLEMS, CASES, AND MATERIALS* 15 (2012). Beginning in 1978, China implemented a set of reforms designed to develop its economy. See *id.* at 19. These reforms included engaging with other nations in international trade, a policy that has helped propel China's economy to the second largest in the world, behind only the United States. See *id.* Until the advent of reforms in 1978, China did not recognize private rights in intellectual property. See DANIEL C.K. CHOW, *THE LEGAL SYSTEM OF THE PEOPLE'S REPUBLIC OF CHINA IN A NUTSHELL* 418 (2d ed. 2009). Only after the reforms of 1978 did China begin to enact legislation recognizing intellectual property rights. See *id.* at 422-23.

2. See David Pierson, *Trademark Squatting in China Doesn't Sit Well with U.S. Retailers*, L.A. TIMES, Mar. 28, 2012, <http://articles.latimes.com/2012/mar/28/business/la-fi-china-trademark-squatting-20120328>.

3. This definition is from the U.S. Patent and Trademark Office. See Scott Baldwin, *Don't Sit and Wait: Stopping Trademark Squatters*, INVENTORS EYE (Feb. 2013), http://www.uspto.gov/inventors/independent/eye/201302/TM_Squatting.jsp. For a discussion of the principles of trade registration and ownership in the modern international intellectual property system, see *infra* Part II.B.

does not own the Chinese trademark *Weige*, the name by which Viagra is best known not only in China but in the entire Chinese-speaking world.⁴ A Chinese company registered the *Weige* trademark first and remains its lawful owner in China.⁵ In 2010, Apple was faced with the threat of a lawsuit by a Chinese company, which was the lawful owner of the registered iPad trademark in China, which could have resulted in the shutdown of Apple operations that supply iPads to the United States and other markets around the world.⁶ Today, Facebook is considering an entry into the China market but has discovered that numerous variations of its name have already been registered as trademarks by Chinese entities in China.⁷

These results might seem surprising because the companies involved are sophisticated MNCs with experience in setting up operations overseas, large legal departments, and resources to buy the world's best legal services. Yet these examples are only three illustrations of the mistakes the MNCs and other sophisticated business entities make with trademarks in China. For example, Michael Jordan,⁸ along with his partner Nike, is seeking to cancel a registration of a Chinese trademark owned by a sports company in China for the Chinese transliteration of his name.⁹ A number of recent high profile cases involve attempts by the MNCs to cancel registrations of the Chinese translations or transliterations of their foreign language trademarks by squatters.¹⁰ In some cases, squat-

4. See *infra* Part III.C.1.

5. For a discussion of this case and its history, see *infra* Part III.C.1.

6. See Arthur Tan-Chi Yuan, *Exploring Apple's iPad Trademark Blunder: Chinese Trademark Approval Procedure Is a Trademark Protection Safeguard or Another National Protectionism?*, 11 J. MARSHALL REV. INTELL. PROP. L. 777, 778–79 (2012). Apple attempted to purchase trademark registrations for iPad from a Chinese company that had already registered the trademark in China. See Connie Guglielmo, *Apple's \$60 Million Payout over iPad Name in China Opens Door to Billions in Tablet Sales*, FORBES (July 2, 2012, 6:00 PM), <http://www.forbes.com/sites/connieguglielmo/2012/07/02/apples-60-million-payout-over-ipad-name-in-china-opens-door-to-billions-in-tablet-sales>. The problem that arose was that Apple purchased the iPad trademark from Proview Taiwan, a Taiwanese company, but it was later determined that the iPad trademark was actually owned by a Chinese subsidiary of that company, Proview Shenzhen. *Id.* The Chinese subsidiary initially refused to assign the trademark and threatened to enjoin Apple from using iPad trademark in China instead. *Id.* Ultimately, Apple paid Proview Shenzhen \$60 million to settle the dispute. *Id.*

7. See Melanie Lee & Lee Chyen Yee, *China's Trademark System Baffles Foreign Firms*, REUTERS (Feb. 16, 2012, 6:43 AM), <http://www.reuters.com/article/2012/02/16/china-trademark-idUSL4E8DG11920120216> (“While Apple is embroiled in a legal wrangle over the right to its ‘iPad’ brand, Facebook has to contend with a slew of applications for more [sic] 60 variations of its name as it weighs up whether to enter the China market.”).

8. For a discussion of this case, see *infra* Part III.C.2.

9. See *infra* Part III.C.2.

10. For a detailed discussion of some of these cases, see *infra* Part III.C.2.

ters have already registered both the MNC's foreign language trademarks and their Chinese translations before the MNC has even entered the China market.¹¹ Why do the MNCs and other powerful business entities continue to be confused by China's trademark system even though foreign companies have been doing business in China for decades?

The problems with trademark squatting that MNCs face in China can be traced to three factors. First, the protection of trademarks on an international level is subject to the principle of territoriality, a fundamental rule that applies to not only trademarks but also other forms of intellectual property and indeed all national laws.¹² The principle of territoriality, in the context of international intellectual property law, implies that all trademarks are the independent legal creatures of the national legal system that creates or extends trademark protection.¹³ This means that any single trademark must be registered in every country in which the trademark owner seeks protection and that every single registered trademark is a separate legal entity.¹⁴

Second, trademarks in most countries, including China, are subject to formalities: a set of procedures, including registration, which must be followed before an owner can receive trademark protection.¹⁵ In China, as in most countries, the owner must file an application for and receive a trademark registration issued by competent national authorities.¹⁶ The details of these formalities are determined by the country in which trademark protection is sought.¹⁷ Although international obligations relating to substantive trademark issues now apply to member countries of the World Trade Organization (WTO), including China and the United States, under the Agreement on Trade Related Intellectual Property Rights (TRIPS), issues relating to formalities are left, with

11. Facebook and Tesla Motors, a U.S. manufacturer of high-end electric cars, are currently facing this problem. For a discussion of Facebook's problem, see Emil Protalinski, *Not Just Apple: Facebook May Face Trademark Issues in China*, ZDNET (Feb. 22, 2012, 8:53 PM), <http://www.zdnet.com/blog/facebook/not-just-apple-facebook-may-face-trademark-issues-in-china/9439>. For a discussion of Tesla's problems, see Norihiko Shirouzu & Samuel Shen, *Electric Carmaker Tesla Hits Roadblock in China over Trademark*, REUTERS (Aug. 23, 2013, 6:44 AM), <http://www.reuters.com/article/2013/08/23/us-china-autos-tesla-idUSBRE97M0D920130823>.

12. See *infra* Part II.A.

13. See *infra* Part II.A.

14. See *infra* Part II.A.

15. See *infra* Part II.B.

16. See *infra* Part II.B.

17. See *infra* Part II.B.

some constraints, to individual countries.¹⁸ In China, there are two aspects of formalities that can create traps for the U.S. MNCs: first, China follows a first-to-file rule for trademarks as opposed to a first-to-use rule in the United States;¹⁹ second, China does not require proof of actual use or an indication of intent to use in trademark applications,²⁰ unlike the United States, which imposes a use requirement in all trademark applications.²¹ This lack of a use requirement facilitates trademark squatting by persons or companies that are not using the trademark on goods or services in commerce and have no intention to do so. These squatters register as many foreign-registered trademarks as possible with the intention of selling them to the original trademark owner to use in China. The prevalence of trademark squatting in China has led to the accusation that China is among the largest, if not the largest, nation of squatters.²²

Although the principle of territoriality and the formalities required for trademark registration lead to trademark squatting not just in China but in other foreign countries, the third factor in China seems to be the most baffling and confusing to MNCs: the use of Chinese language equivalents for a foreign language trademark or brand name (as in the case of celebrities) and the dominant force of Chinese language in Chinese culture.²³ A Chinese language equivalent can be either a translation or, more often, a transliteration: a collection of Chinese word sounds that mimic the foreign name in the ear of a Chinese listener. A Chinese transliteration can demonstrate a high level of skill and understanding of Chinese culture because the transliteration may contain not only sounds but a meaning that is particularly appealing to Chinese consumers.²⁴ In most of the cases discussed below, the trademark issue does not concern the ownership in China of the foreign language trademark but rather the ownership of the Chinese *transliteration* or Chinese language equivalent.²⁵

18. See *infra* Part II.B.

19. See *infra* Part II.B.

20. This is one of the most important differences between the U.S. and Chinese trademark law. See *infra* Part II.B.

21. See *infra* Part II.B.

22. See Malcolm Riddell, *China's 'Trademark Squatters'—and Facebook*, CHINA DEBATE (Feb. 12, 2012), <http://www.chinadebate.com/2012/02/chinas-trademark-squatters> (“China is among the largest if not the largest nation of squatters.”).

23. See *infra* Parts III.A, III.B.

24. See *infra* Parts III.A, III.B for examples of transliterations showing a high level of awareness of Chinese culture.

25. See *infra* Part III.C.

The MNCs do not appear to fully understand this issue or appreciate its significance, even after a number of notorious cases in which the MNCs have discovered that a Chinese company has obtained a trademark registration for a Chinese transliteration of its foreign language name. In most cases, due to the dominance of Chinese language in Chinese culture, the Chinese transliteration is far more important to the average Chinese consumer than the foreign language trademark.²⁶ One of the most famous (or infamous) cases involves the Chinese trademark for the transliteration of Viagra, *Weige* (meaning great older brother), further discussed below, which is owned by a Chinese company despite many attempts by Pfizer to cancel the trademark.²⁷ Although this case should serve as a warning of how a powerful MNC can be outfoxed by an enterprising Chinese company with only a fraction of the MNC's resources, similar cases involving other powerful MNCs still arise with regularity.²⁸ The MNCs do not appear to have learned from mistakes already made; instead they stubbornly repeat them.²⁹

Not only does the issue of Chinese language equivalents of English language trademarks confuse the MNCs, but the use of Chinese language equivalents also limits one of the major legal doctrines that trademark owners use to battle trademark squatting: the famous marks doctrine, which is now required in all WTO countries—including the United States and China—under TRIPS, one of the WTO's major mandatory treaties.³⁰ Under the famous marks doctrine, a trademark owner is able, under certain circumstances, to either prevent the registration or cancel an existing registration of its trademark by an unauthorized party in a foreign country if the trademark has already achieved fame in the foreign country even though it has never been registered.³¹ In a well-

26. See *infra* Part III.A.

27. See *infra* Part III.C.1.

28. See cases cited *infra* Part III.C.2.

29. See *infra* Part III.C.2.

30. See Agreement on Trade-Related Aspects of Intellectual Property Rights art. 16, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299 [hereinafter TRIPS]; see *infra* Part II.C for a discussion of TRIPS and the famous marks doctrine.

31. See Paris Convention for the Protection of Industrial Property art. 6bis, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 (revised most recently in Stockholm in 1967) [hereinafter Paris Convention]. Article 6bis has been incorporated into TRIPS so it is binding on all World Trade Organization (WTO) members, including the United States and China. See *infra* Part II.C for a discussion of the famous marks doctrine under the Paris Convention and its relation to TRIPS.

known case, further discussed below, McDonald's, an MNC in the fast food restaurant business, was able to enjoin the registration of its English language trademarks by an enterprising South African businessman even though McDonald's never did any business in South Africa and had not effectively registered its trademarks there.³² In many cases, however, the use of the famous marks doctrine in China faces the complication that the trademark owner is attempting to cancel or prevent the registration of a Chinese language equivalent of a purportedly famous foreign language trademark.³³ Unlike a straightforward application of the famous marks doctrine, as in the McDonald's case, what is often at issue in China is not the foreign language trademark but its Chinese language equivalent.³⁴ Many MNCs do not seem to fully grasp that the issue concerns the registration of a Chinese language equivalent of the foreign language trademark and that the use of a Chinese language equivalent can limit or preclude the use of the famous marks doctrine.³⁵

Perhaps most surprising is that many MNCs do not appear to have learned to take preventative measures. The most simple and effective method to deal with the problem of trade squatting or opportunistic registrations is to prevent a Chinese company from registering Chinese language equivalents of a foreign language trademark.³⁶ This can be done if the owner of the foreign language trademark first registers the Chinese language equivalents in China's first-to-file system.³⁷ A prior registration creates a legal right in the trademark owner to prevent the registration of Chinese language equivalents and is far preferable to trying to cancel a Chinese language equivalent that has already been registered by a Chinese company.³⁸ Attempting to cancel a mark that has already been registered is a difficult and uncertain process that could take years of litigation in administrative units or courts without any mea-

32. See *infra* Part II.C.

33. See *infra* Parts III.C, IV.A.

34. See *infra* Part IV.A.

35. This observation is the author's own judgment based on conversations with lawyers in law firms and in-house legal counsel at multinational companies (MNCs). The author finds that while the MNCs and their lawyers understand the famous marks doctrine, what they do not seem to grasp is that foreign language trademarks do not achieve fame in China. It is often the Chinese language equivalents that achieve fame. This fact pattern limits the use of the famous marks doctrine.

36. See *infra* Part IV.B.

37. See *infra* Part IV.B.

38. See *infra* Part IV.B.

surable results.³⁹ At the same time, while the legal battles over the disputed trademarks are waged in trademark authorities or in the courts, the contested trademark is left unprotected due to its uncertain legal status and may suffer reputational harm in the form of counterfeiting and imitations, resulting in permanent damage to the brand.⁴⁰

Why do the MNCs seem unwilling to register Chinese language versions of their foreign language trademarks? Aside from not fully understanding the problem, some MNCs might believe that it is not possible to anticipate all of the possible Chinese language equivalents of a foreign language trademark, but this belief is far from accurate.⁴¹ As further discussed below, the universe of Chinese language equivalents of foreign language trademarks is not completely unlimited and unpredictable.⁴² Certain patterns emerge with some regularity in the manner in which foreign language trademarks are given Chinese transliterations.⁴³ With so many accumulated examples of Chinese transliterations and Chinese language equivalents during the past several decades, an MNC, with the help of trademark law experts and other consultants, such as advertising companies, should be able to create and register what are likely to be the most attractive and probable Chinese language equivalents on its own and avoid the disastrous business results seen in many of the examples discussed below.⁴⁴ Preemptive registrations of Chinese language equivalents will allow an MNC to control how its brand name is used in the Chinese media and among consumers. The costs of preemptive registrations are only a fraction of a protracted lawsuit and are trivial com-

39. See *infra* Part III.C for illustrative cases. See CHINA INTELLECTUAL PROP. RIGHTS SME HELPDASK, GUIDE TO TRADE MARK PROTECTION IN CHINA 4–5 (2012), available at http://www.china-iprhelpdesk.eu/docs/publications/China_IPR_Guide-Guide_to_Trade_Mark_Protection_in_China_EN-2013.pdf; Alisa Cahan, Note, *China's Protection of Famous and Well-Known Marks: The Impact of China's Latest Trademark Law Reform on Infringement and Remedies*, 12 CARDOZO J. INT'L & COMP. L. 219, 231–41 (2004).

40. This damage occurred to *Weige*, the Chinese language name for Viagra in China. See *infra* Part III.C. Due to the legal disputes over the ownership of the *Weige* trademark and its uncertain legal status, pirates and infringers flooded the market with counterfeits and knock-offs. By some accounts, ninety percent of Viagra sold in Shanghai were fakes. See *China Court in Viagra Crackdown*, BBC NEWS (Dec. 28, 2006, 9:57 AM), <http://news.bbc.co.uk/2/hi/business/6213835.stm> (“Viagra was introduced in China six years ago and after six months on the market, state media said 90% of the blue pills sold in Shanghai were fake.”).

41. See *infra* Part IV.B.

42. See *infra* Part IV.B.

43. See *infra* Part IV.B.

44. See *infra* Part IV.B.

pared to the potential business losses that can ensue from losing a trademark registration for a popular Chinese transliteration to a Chinese company that first registers the trademark.

Part II of this Article examines the principle of territoriality that governs the international protection of trademark and other intellectual property rights. Part II also examines formalities in the protection of trademarks in China and the two features of China's trademark system that differ greatly from the U.S. approach: China's first-to-file rule and the nonrequirement of use, which together facilitate trademark squatting.

Part III examines issues of language and culture that continue to baffle MNCs in protecting their brands in China and discusses a number of illustrative cases in which the MNCs made costly mistakes resulting in lost trademark battles for the Chinese language equivalents. In addition, Part III examines the complex language and cultural aspects of brand management and protection in China, which cause MNCs so many vexing problems. Part IV then discusses how the issue of language limits the use of the famous marks doctrine to prevent trademark squatting in China. Finally, Part IV discusses how MNCs can take preventative measures to protect themselves from trademark squatting in China.

II. PRINCIPLES OF TRADEMARK PROTECTION WITHIN NATIONAL LEGAL SYSTEMS

Trademark rights are subject to two basic principles that govern their protection within national legal systems: the principle of territoriality and the doctrine of formalities. Each of these principles adds a special element of difficulty when applied to China due to issues of language and culture.

A. *The Principle of Territoriality*

All trademark rights, as well as other intellectual property rights, are limited by the principle of territoriality.⁴⁵ The principle of territoriality holds that trademark and other intellectual property rights are both created and limited by the laws of the nation that issue or recognize the rights.⁴⁶ In the case of trademarks (as well as other intellectual property rights), the laws of a nation that create the rights are generally effective only within the borders of the

45. See DANIEL C.K. CHOW & EDWARD LEE, INTERNATIONAL INTELLECTUAL PROPERTY: PROBLEMS, CASES, AND MATERIALS 16–17 (2d ed. 2012).

46. See *id.*

country.⁴⁷ A basic feature of the principle of territoriality is that trademark rights, created by national law, have no extraterritorial effect.⁴⁸ This means that a U.S. trademark is effective only within the United States and has no binding legal effect in China (or in any other country).⁴⁹ In order for the owner of a U.S. trademark to acquire protection for the same trademark in China (or in any other country), the trademark owner would need to file for and obtain a separate registration for the same trademark in China.⁵⁰ An MNC must file a separate trademark application and obtain a separate trademark registration in every country in which the MNC seeks protection for its trademarks.⁵¹ Since the principle of territoriality also holds for patents and copyrights, some MNCs have portfolios consisting of thousands of trademarks, patents, and copyrights.⁵²

A corollary to the principle of territoriality is that each trademark is a separate and independent bundle of legal rights created by the laws of the nation that issue the trademark registration.⁵³ If an MNC holds trademarks for the same brand in the United States and the United Kingdom, the two trademarks create separate and independent rights under national law, even if the brand name itself is identical.⁵⁴ The MNC has a U.S. trademark and a U.K. trademark for the same brand name.⁵⁵ While the brand name appears to be the same, the two trademarks are legally separate and independent of each other and the scope of protection of the rights provided by the trademarks may vary depending upon the interpretation and enforcement of the laws by the courts of the United States and the United Kingdom. Although international legal standards have achieved a high degree of harmonization of national trademark laws, the interpretation and enforcement of national laws that implement international standards are still a matter of sovereignty for each nation.⁵⁶ If an MNC files and

47. See DANIEL C.K. CHOW & THOMAS J. SCHOENBAUM, *INTERNATIONAL BUSINESS TRANSACTIONS: PROBLEMS, CASES, AND MATERIALS* 327 (2d ed. 2010).

48. See *id.*

49. See *id.*

50. See *id.*

51. See *id.*

52. See *id.*

53. See *id.*

54. See *id.*

55. See *id.*

56. See CHOW & HAN, *supra* note 1, at 324 (noting that although the U.S. and Chinese laws both conform to the requirements of TRIPS, there can be many differences in interpretation).

obtains a trademark for its English brand name in China, the trademark is a bundle of rights created under Chinese law and the rights are enforceable only in China by Chinese authorities in accordance with how the authorities interpret Chinese law.⁵⁷

As each trademark granted by national law is a separate and independent entity, it follows that different entities may be the owner of separate national trademarks for the same brand name in different countries. For example, it would be possible for one entity to file for and obtain a trademark registration for an English language brand name in the United States and for a different entity to file for and obtain a trademark registration in China for the same English brand name.⁵⁸ The principle of territoriality permits this result and leads to the possibility of trademark squatting. Consequently, there is often a race to file and obtain registrations for the same brand name in different countries.⁵⁹ In many instances, disputes will arise between different entities that assert competing claims for the same trademark.⁶⁰ The next Section examines how China resolves competing claims for the same trademark and how China's approach creates opportunities for trademark squatting.

B. *Formalities and China's First-to-File Rule*

In most major modern legal systems, trademarks are subject to formalities.⁶¹ In this context, formalities refer to a set of legal procedures that must be followed by an applicant in order to receive trademark protection for its brand name.

In most modern legal systems, this procedure requires a registration of the trademark,⁶² which results in a document, such as a registration certificate issued by a competent national authority.

57. See CHOW & SCHOENBAUM, *supra* note 47, at 327.

58. This describes what happened to Facebook and Tesla Motors. See *supra* note 11.

59. See HARLEY I. LEWIN, UNDERSTANDING THE CHALLENGES AND NUANCES OF DEFENDING INTELLECTUAL PROPERTY RIGHTS IN CHINA (2013), available at <http://www.mccarter.com/files/Uploads/Documents/Understanding%20the%20Challenges%20and%20Nuances%20of%20Defending%20Intellectual%20Property%20Rights%20in%20China%20100113%20Lewin.pdf>.

60. See, e.g., Benjamin Cunningham, *Where a Budweiser Isn't Allowed to Be a Budweiser*, TIME (Jan. 27, 2014), <http://business.time.com/2014/01/27/where-a-budweiser-isnt-allowed-to-be-a-budweiser>; McDonald's Corp. v. Joburgers Drive-Inn Restaurant Ltd. 1997 (1) SA 1 (A) at 9–13 (S. Afr.). The McDonald's case is discussed *infra* Part II.C.

61. See CHOW & LEE, *supra* note 45, at 101–02 (contrasting copyrights, for which there can be no formalities, with patents and trademarks).

62. See *id.* at 102. TRIPS recognizes the use of a registration system for trademarks. See TRIPS, *supra* note 30, art. 15(1).

The certificate recognizes the named person or entity as the owner of the trademark. To obtain a trademark registration, the applicant must file an application for a trademark registration that meets the requirements of the national law.⁶³ In China, all trademarks registrations are issued by the China Trademark Office (CTMO).⁶⁴ After a certain period of review, the CTMO will decide whether to issue the registration.⁶⁵ Once the registration is issued, the owner named in the trademark registration certificate is entitled to the legal protections afforded to the trademark under national law.⁶⁶

Trademarks and patents, both subject to formalities, should be contrasted with copyrights, which are not subject to formalities.⁶⁷ Under all modern legal systems, copyrights can be acquired without the use of formalities and without following any set of legal procedures.⁶⁸ Indeed, countries are forbidden from imposing formalities as a condition of obtaining a copyright.⁶⁹ To the contrary, in most countries copyright adheres in an original, tangible work from the moment of its creation without the need to take any further steps.⁷⁰ In the United States, authors of copyrights often obtain copyright registration certificates as proof of ownership in

63. See Paris Convention, *supra* note 31, art. 6(1) (“The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation.”).

64. See Zhonghua Renmin Gongheguo Shangbiao Fa (中华人民共和国商标法) [Trademark Law of the People’s Republic of China] (promulgated by the Standing Comm. Nat’l People’s Cong., Aug. 30, 2013, effective May 1, 2014) 2013 STANDING COMM. NAT’L PEOPLE’S CONG. GAZ. art. 2 (China) [hereinafter P.R.C. Trademark Law]. The 2014 Trademark Law amends and replaces the 2001 Trademark Law. Unless otherwise indicated, all references to the P.R.C. Trademark Law will refer to the 2014 Trademark Law.

65. See *id.* art. 3 (“Registered trademarks are trademarks approved to be registered by the Trademark Office.”). The period of review in China is up to nine months after receipt of the application. See *id.* art. 28.

66. See, e.g., *id.* art. 3 (“A trademark registrant shall have the right to exclusively use the registered trademark, which is protected by law.”).

67. See CHOW & LEE, *supra* note 45, at 101.

68. See *id.*

69. Paris Act Relating to the Berne Convention for the Protection of Literary and Artistic Works art. 5, Sept. 9, 1886, 1161 U.N.T.S. 3 (revised most recently in Paris in 1971) [hereinafter Berne Convention]. Article 9 of TRIPS incorporates Articles 1–21 of the Berne Convention. This means that all WTO countries are bound by the major substantive provisions of the Berne Convention, including the prohibition on formalities in the acquisition of copyright. The prohibition against formalities set forth in Article 5(2) applies to only works of foreign origin so a country could in theory impose formalities on the acquisition of copyright on its own domestic authors but not on foreign authors. However, most countries do not wish to disadvantage their own authors and have abolished formalities for both foreign and domestic authors in the acquisition of copyrights. See CHOW & LEE, *supra* note 45, at 101.

70. See CHOW & LEE, *supra* note 45, at 101.

order to file a lawsuit, but the creation of the work, not the copyright certificate, creates the right.⁷¹ Trademarks, however, are treated differently. Like many countries, China requires the registration of a trademark as a condition of trademark protection.⁷²

As in many legal systems, disputes often arise in China concerning competing applications for the same trademark. To resolve these disputes, China uses a first-to-file approach,⁷³ while the United States uses a first-to-use rule.⁷⁴ Under China's first-to-file approach, also followed by most other countries, the first in time to file a trademark application, assuming that all requirements have been met,⁷⁵ receives the trademark registration.⁷⁶ For example, if Company *A* files or submits an application for a trademark registration in China on January 1, and Company *B* files or submits an application for a trademark registration for the identical brand name on a later date, then Company *A*, assuming that all other requirements are satisfied,⁷⁷ will receive the trademark registration.⁷⁸ By contrast, in the United States, Company *B* can still win

71. *See id.* at 78.

72. *See* Zhonghua Renmin Gongheguo Shangbiao Fa (中华人民共和国商标法) [Trademark Law of the People's Republic of China] (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 30, 2013, effective May 1, 2014) 2013 STANDING COMM. NAT'L PEOPLE'S CONG. GAZ. art. 3 (China) [hereinafter P.R.C. Trademark Law].

73. *See id.* art. 30.

74. *See* CHOW & LEE, *supra* note 45, at 449.

75. The other requirement includes distinctiveness, the ability of the trademark to distinguish the goods and services of the applicant from those of another. *See* P.R.C. Trademark Law art. 8. This is a basic requirement of all modern trademark laws. *See* TRIPS, *supra* note 30, art. 15(1). Some marks are prohibited from being registered as trademarks, such as the State name or national flag. *See* P.R.C. Trademark Law art. 10.

76. *See* P.R.C. Trademark Law art. 30.

77. *See supra* note 75.

78. The first-to-file approach is qualified by the ability of a trademark applicant to assert the benefit of a six-month period of priority known as "Paris Priority" under the Paris Convention, *supra* note 63, which as part of TRIPS, is now binding on all WTO members, including the United States and China. *See* TRIPS, *supra* note 30, art. 2 (incorporating Articles 1–12 and Article 19 of the Paris Convention; the right of priority is contained in Article 4 of the Paris Convention). Under Paris Priority, a trademark owner who has filed a trademark application in any Paris Convention or WTO country has a period of six months to file an application for the same trademark in any other Paris Convention or WTO country and assert the earlier filing date in the first country as the filing date in the second country. *See* Paris Convention, *supra* note 63, art. 4. For example, suppose that company *A* files a regular trademark application on January 1 in the United States. Under Paris Priority, *A* has six months or until July 2 to file an application for the same trademark in China. If *A* files a trademark application in China by July 2, *A* is entitled to claim a filing date in China of January 1. Why does the period of priority end on July 2 instead of July 1? Article 4(C)(2) of the Paris Convention provides the answer: "These periods shall start from the date of filing of the first application; the day of filing shall not be included in the period." *A*'s application will be deemed to be prior in time and to any competing application that is filed in China after January 1. China has implemented the right of priority under the Paris

the battle for the trademark if *B* can show that *B* used the trademark in commerce before *A* filed its trademark application and before *A* used the trademark in commerce.⁷⁹

In the United States and China, all trademarks must be used in commerce in connection with a product or service in order to maintain existing trademark registrations, but the United States and China differ on whether existing use is a condition of obtaining the initial registration.⁸⁰ TRIPS allows countries to “make registrability depend on use”⁸¹ with the caveat that “actual use of a trademark shall not be a condition for filing an application for [a trademark].”⁸² To comply with TRIPS, the United States allows for trademark applications based upon a statement of an “intention to use.”⁸³ Within six months of the date of application based upon an “intent to use” the trademark (as opposed to actual use of the trademark), the applicant must file a verified statement with the United States Patent and Trademark Office (USPTO) that the mark is being used in commerce along with proof of its use.⁸⁴ Otherwise, the USPTO will consider the trademark application to be abandoned.⁸⁵ By contrast, China does not have any use requirement at all for trademark applications.⁸⁶ The trademark application is not required to allege actual use or even an intention to use

Convention in Article 25 of the P.R.C. Trademark Law. Article 25 gives the applicant the right to claim a priority right in accordance with “an international treaty acceded to by both countries.” P.R.C. Trademark Law art. 25. China acceded to the Paris Convention on December 19, 1984, and to TRIPS on January 1, 1995. The United States acceded to the Paris Convention on May 30, 1887, and to TRIPS on January 1, 1995.

79. See, e.g., *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999) (“The first to use a mark is deemed the ‘senior’ user and has the right to enjoin ‘junior’ users from using confusingly similar marks in the same industry and market or within the senior user’s natural zone of expansion.”); see also 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, at 16-11 (4th ed. 2013) (“The United States, unlike many civil law nations, has a rule of priority that is based on first-to-use, not first-to-register.”).

80. See *infra* note 85 (The United States requires use or intent to use in trademark applications.); see also *infra* note 88 (China does not require use in trademark applications.).

81. TRIPS, *supra* note 30, art. 15.

82. *Id.*

83. See Lanham Act §1(b), 15 U.S.C. §1051(b) (2012).

84. See *id.* §1051(d)(1).

85. See *id.* §1051(d)(4).

86. Nothing in the P.R.C. Trademark Law requires use or a declaration of intent to use as a requirement for a trademark registration. See *Zhonghua Renmin Gongheguo Shangbiao Fa* (中华人民共和国商标法) [Trademark Law of the People’s Republic of China] (promulgated by the Standing Comm. Nat’l People’s Cong., Aug. 30, 2013, effective May 1, 2014) 2013 STANDING COMM. NAT’L PEOPLE’S CONG. GAZ. art. 2 (China) [hereinafter P.R.C. Trademark Law].

the trademark. All the applicant is required to do is allege distinctiveness of the mark⁸⁷ and indicate the class of goods or services for which the trademark will be used.⁸⁸ Once a trademark registration is issued by the Chinese trademark authorities, the trademark owner must use the trademark in commerce for the designated class of goods or services within three years or else the trademark is subject to cancellation.⁸⁹

The principle of territoriality, the first-to-file rule, and China's lack of a use requirement allow or even facilitate trademark squatting. Under China's trademark system, an applicant who has no intention of ever using a trademark can apply for a trademark, secure the rights for a minimum of three years, and offer to sell the trademarks to the highest bidder—including the owner of the trademark already registered in a foreign country but not yet registered in China. However, not all trademark priority disputes involve squatting where the registrant has no intention of using the registered trademark. A number of trademark priority disputes involve Chinese companies that have registered a Chinese language equivalent of a foreign brand name with the intention to use the Chinese language equivalent to promote their own products or services.⁹⁰

C. *Overcoming Territoriality and the Famous Marks Doctrine*

To overcome the effects of the principle of territoriality and the first-to-file rule, which can lead to trademark squatting, trademark owners often rely on the famous marks doctrine. The famous marks doctrine is set forth in Article 6bis of the Paris Convention⁹¹

87. *See id.* art. 9.

88. *See id.* art. 4.

89. *Id.* art. 44(4). The 2013 Trademark Law does not contain a similar provision. However, the Regulation for the Implementation of the Trademark Law of the People's Republic of China is still in effect and allow for cancellation for nonuse. *See* Regulation for the Implementation of the Trademark Law of the People's Republic of China (promulgated by the St. Council, Aug. 3, 2002, effective Sept. 15, 2002) (Lawinfochina) (China).

90. *See infra* Part III.C for a discussion of several of these cases.

91. Article 6bis of the Paris Convention provides as follows:

(1) 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 benefits of this Convention and used for identical or similar goods.

Paris Convention, *supra* note 63, art. 6bis. By "Union" the article refers to group of all countries that are members of the Paris Convention. *Id.* art. 1.

and Article 16 of TRIPS.⁹² It binds all WTO members, including China and the United States. In accordance with its TRIPS and Paris obligations, China has implemented the famous marks doctrine under Articles 13 and 14 of the Trademark Law.⁹³

Under the famous marks doctrine, a trademark can obtain protection in a country, even though the trademark has never been registered or used in that country, so long as the trademark has already achieved fame among the relevant sector of the public in that country before a subsequent registration by a third party.⁹⁴ The prior attainment of fame in a country allows the trademark owner to prevent the registration of an identical or similar trademark or to cancel any existing registrations of an identical or similar trademark by a third party.⁹⁵ In other words, it follows from the famous marks doctrine, as articulated in Article 6bis of the Paris Convention,⁹⁶ that the achievement of fame in a country creates a first-in-time right in the holder of the famous trademark that makes it unnecessary for the right holder to prove a prior registration or prior use in that country. The fame of the trademark acts as a legal equivalent or substitute for registration and it is the fame of the trademark that allows for the trademark to overcome the limits of the principle of territoriality. The fame of the trademark

92. TRIPS expands upon the protections set forth in the Paris Convention by providing as follows:

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 provided that the 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.

TRIPS, *supra* note 30, art. 16(3).

93. See P.R.C. Trademark Law arts. 13–14. Article 13 provides as follows:

The holder of a trademark well known by the relevant public may file a request for well-known protection under this Law if believing that there is any infringement upon its rights.

Where a trademark for registration to be used on identical or similar goods is a copy, imitation, or translation of a well-known trademark of another party which has not been registered in China and may easily cause confusion, it shall not be registered and shall be prohibited from use.

Where a trademark for registration to be used on different or dissimilar goods is a copy, imitation, or translation of a well-known trademark of another party which has been registered in China, misleads the public, and may cause damage to the interests of the registrant of the well-known trademark, it shall not be registered and shall be prohibited from use.

P.R.C. Trademark Law art. 13. Article 14 sets forth the factors used in determining whether the trademark is well known.

94. See Paris Convention, *supra* note 63, art. 6bis; see P.R.C. Trademark Law art. 13.

95. See Paris Convention, *supra* note 63, art. 6bis; see also P.R.C. Trademark Law art. 13.

96. See Paris Convention, *supra* note 63, art. 6bis.

has crossed into the boundaries of the country where protection is sought and has established itself in the minds of the relevant sector of the public.⁹⁷ Fame within the territory of a country allows the trademark to acquire protection within a country in which the trademark was never registered or used.⁹⁸ The following case is an illustration in which the famous marks doctrine was successfully used by an MNC to prevent trademark squatting or opportunistic behavior by a competitor.

In *McDonald's Corp. v. Joburgers Drive-Inn Restaurant (PTY) Ltd.*,⁹⁹ McDonald's, a U.S. corporation and one of the largest multinational food franchisers in the world, sued George Sombonos, a South African businessman, to cancel the registration of McDonald's trademarks by Sombonos in South Africa.¹⁰⁰ At the time that the dispute arose in the 1990s, McDonald's had registered a number of its trademarks in South Africa but did no business in South Africa and so had never used the trademarks.¹⁰¹ Sombonos applied to cancel the McDonald's registrations for lack of use and, at the same time, Sombonos applied for and received registrations for the McDonald's trademarks.¹⁰² Already successful in the fast food chicken restaurant business, Sombonos intended to open a new chain of fast food restaurants using the McDonald's trademarks that he registered in his name.¹⁰³ McDonald's brought an action to cancel Sombono's registrations for the McDonald's trademarks on the grounds that the trademarks were well known and

97. This proposition is derived by the author from an analysis of Article 6bis of the Paris Convention, *supra* note 31, and from the key holding in *McDonald's Corp. v. Joburgers Drive-Inn Restaurant Ltd.* 1997 (1) SA 1 (A) (S. Afr.), discussed *infra* notes 99–110 and accompanying text. Article 6bis of the Paris Convention allows the owner of famous marks that have never been registered in a country to prevent or cancel the registration of the same trademark on similar or identical goods or services. In *McDonald's Corp.*, the fast food MNC McDonald's did not have effective registrations of its trademarks in South Africa. See *infra* note 99 and accompanying text. Taking advantage of the principle of territory, Sombonos registered the McDonald's trademarks in South Africa. See *infra* note 105 and accompanying text. The South African Court of Appeal prohibited Sombonos from using the McDonald's trademarks on the grounds that the fame of the McDonalds' trademarks had already established itself in the minds of the relevant public in South Africa. The fame of the trademarks allowed McDonald's to overcome the limits of the territory principle. The fame had "crossed" into the boundaries of South Africa and has established itself in the minds of South African consumers.

98. See Paris Convention, *supra* note 31, art. 6bis; see also P.R.C. Trademark Law art. 13.

99. *McDonald's Corp.*, 1997 (1) SA 1.

100. See *id.* at 9–11.

101. See *id.*

102. See *id.* at 10–11.

103. See *id.* at 10.

had achieved fame in South Africa before Sombonos registered them.¹⁰⁴

After losing in the trial court, McDonald's won a reversal on appeal.¹⁰⁵ The appellate court held that McDonald's had achieved worldwide fame through extensive overseas business operations and spent over \$900 million annually in advertising.¹⁰⁶ These activities and other promotional activities—including sponsorship of sporting events—created fame in the relevant sector of the public in South Africa: potential franchisees and a substantial part of the persons interested in buying the goods or services provided by McDonald's.¹⁰⁷ After reaching this result under the famous marks doctrine, the court of appeals entered an order permanently restraining Sombonos from using or imitating any of McDonald's trademarks in South Africa.¹⁰⁸

In *McDonald's*, the appellate court's holding in favor of McDonald's did not rely on any trademark registrations held by McDonald's; rather the court found that the trademarks owned by McDonald's had achieved fame in South Africa prior to the registrations by Sombonos.¹⁰⁹ The prior fame of the McDonald's trademarks was the source of the legal right that McDonald's was able to assert in preventing Sombonos from using the McDonald's trademarks.¹¹⁰ McDonald's fame created the equivalent of a prior property right in McDonald's to its trademarks in South Africa and allowed McDonald's to overcome the limits created by the principle of territoriality. McDonald's was able to receive trademark protection in South Africa even though McDonald's did not have valid trademark registrations there.

McDonald's is a good illustration of how the famous marks doctrine can be used to prevent trademark squatting in foreign countries, which is made possible by the combination of the principle of territoriality and the first-to-file principle. As already noted, China has implemented the famous marks doctrine in Articles 13 and 14 of the PRC Trademark Law in a manner that appears to be substan-

104. *See id.* at 13.

105. *See id.* at 32–33.

106. *See id.* at 22–23.

107. *See id.* at 27–28.

108. *See id.* at 32–33.

109. *See id.* at 28–29. The requirement that the well-known trademark must have achieved the well-known status before the registration of the reproduction or imitation trademark is implicit in of Trade Marks Act 194 of 1993 § 35(3) (S. Afr.).

110. *See McDonald's Corp.*, 1997 (1) SA at 27–28, 32–33.

tially consistent with TRIPS and the WTO.¹¹¹ Nonetheless, there are several issues that complicate the use of the famous marks doctrine in China.

In *McDonald's*, the trademarks at issue in South Africa were English language trademarks.¹¹² McDonald's claimed prior rights to the English language trademarks based upon fame in South Africa,¹¹³ and Sombonos asserted a superior right to the same English language trademarks based upon his first registration in South Africa.¹¹⁴ The issue was simply whether McDonald's English language marks had achieved fame in South Africa prior to their registration by Sombonos.¹¹⁵ The court resolved this issue by examining McDonald's expenditures in promoting its products and by examining consumer surveys in South Africa indicating consumer awareness of the McDonald's trademarks.¹¹⁶

In China, the use of the famous marks doctrine often involves a claim to the trademark for a Chinese language transliteration of a foreign language trademark, not a claim to the foreign language trademark itself.¹¹⁷ In many cases, the Chinese language equivalents are not created by the brand owner—the Viagra and Michael Jordan cases, discussed below,¹¹⁸ are prime examples—but by the Chinese media, Chinese consumers, or a competing Chinese company. The brand owner is asserting a claim to the use of a Chinese language name that it did not even create.

An additional complication is that there is often more than one way to create a Chinese language equivalent of a foreign trademark or brand name. Due to the existence of many homophones or similar sounding words in Chinese, there may be several Chinese language equivalents of any one foreign brand name.¹¹⁹ These issues complicate the use of the famous marks doctrine in China as a defense against Chinese entities who first file for a registration for the Chinese language equivalent to use in competing products.

111. See Zhonghua Renmin Gongheguo Shangbiao Fa (中华人民共和国商标法) [Trademark Law of the People's Republic of China] (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 30, 2013, effective May 1, 2014) 2013 STANDING COMM. NAT'L PEOPLE'S CONG. GAZ. arts. 13–14 (China) [hereinafter P.R.C. Trademark Law].

112. See *McDonald's Corp.*, 1997 (1) SA at 9–10.

113. See *id.* at 13.

114. See *id.* at 11 (letter from Sombonos' attorney claiming that “[t]he true proprietor of the [McDonald's] marks is Joburgers Drive-Inn Restaurant” owned by Sombonos).

115. See *id.* at 22–23, 27–28.

116. See *id.* at 22, 25–26, 27–28.

117. See *infra* Part III.C.

118. See *infra* Part III.C.

119. See *infra* Part IV.B.

Perhaps even more importantly, these language and cultural issues seem to utterly baffle and confuse MNCs, which do not seem to fully understand them and continue to repeat the same mistakes in managing their brands in China. Next Part examines these issues of language and culture in detail and analyzes several cases in which these issues played a major role in causing the MNCs to lose their rights to the Chinese language equivalents of their trademarks and brand names.

III. LANGUAGE, CULTURE, AND TRADEMARK RIGHTS IN CHINA

A. *The Dominance of Chinese Language*

Although English is now widely taught at schools in China and English signs are used on some signs in public areas, Chinese language remains overwhelmingly dominant among Chinese persons in everyday life.¹²⁰ With few exceptions, Chinese consumers do not use English words at all in their everyday conversations¹²¹ unless they are speaking with native speakers of a foreign language in a business or social setting. English has not crept into everyday Chinese usage in China—as opposed to some other countries, such as in Europe.¹²² The vast majority of native speakers of Chinese almost never use any foreign language words when speaking with each other.¹²³ Rather, commonly used words or terms that have their origin in English or other foreign languages are translated into Chinese. For example, terms such as the World Trade Organization (*Shi Mao Zuzhi*), the United Nations (*Lien Heguo*), intellec-

120. See *Chinese People Have Low Proficiency in English: Education First*, WHAT'S ON XIAMEN (Nov. 3, 2012), <http://www.whatsonxiamen.com/education/4928.html> (quoting Dean of School of Foreign Languages of Peking University, stating “[e]specially in the Chinese mainland, English is still rarely used in our daily life because people can read only Chinese on many items such as road signs and food wrappers”).

121. See Fabio Giacobello, *Breaking Down the Great Wall of Languages*, INTELL. PROP. MAG. (Nov. 2011), <http://www.i-law.com/ilaw/doc/view.htm?id=276259> (“The large majority of Chinese people do not speak foreign languages . . .”).

122. The author often watches official State run Chinese language news programs and does not recall a single use of a foreign language name (as opposed to a Chinese transliteration of the word) used in State media programming. Indeed, the Chinese government has a policy of banning the use of foreign language words, especially English, in the media. See Dexter Roberts, *China's War on English*, BLOOMBERG BUSINESSWEEK (May 22, 2014), <http://www.businessweek.com/articles/2014-05-22/china-moves-to-protect-its-language-from-english> (“Chinese authorities are waging a war on American culture and the use of English.”); Lam Chug Sang Johnson, *China Bans English Words in Media*, BBC NEWS ASIA-PAC. (Dec. 21, 2010 7:55 AM), <http://www.bbc.com/news/world-asia-pacific-12050067> (“China has banned newspapers, publishers and website-owners from using foreign words—particularly English ones.”).

123. See Giacobello, *supra* note 121.

tual property (*zhishi chan quan*), and trademarks (*shang biao*) have well-known standard Chinese translations.

Creating a Chinese language equivalent, however, becomes more complicated when dealing with a proper name or a brand name because the name often carries no inherent meaning that can be translated. For example, proper names such as “Clinton” or “John” cannot be translated into Chinese as they have no inherent meaning. Instead, the Chinese language equivalent is a transliteration, also with no inherent meaning, created by combining existing Chinese words that together sound like “Clinton” (*Ke Lin Dun*) or “John” (*Yue Han*) to a Chinese speaker although not recognizable to many English speakers. Written Chinese consists of about one thousand to thirty-five hundred ideograms or characters with standard pronunciations.¹²⁴ All Chinese words use either a single character or a combination of characters, which means that sounds in spoken Chinese language are limited by the possible combinations of the written characters. Unlike English, in which new words can be created through inventive use of the alphabet, new words in Chinese can be created only through different combinations of the existing sounds of Chinese characters.

Similar issues arise in connection with brand names of foreign origin. Some brand names have a meaning that can be translated into Chinese. For example, the brand name “Microsoft” is known in Chinese as “*Wei Ruan*,”¹²⁵ and “Apple” is known as “*Ping Guo*,”¹²⁶ both direct translations. But many brand names lack an inherent meaning so a direct translation into Chinese is not possible. For example, “Colgate” is a brand name for toothpaste, “Pepsi” is a brand name for a soft drink, and “McDonald’s” is a brand name for food and services, but none of these names has an inherent meaning—a translation into Chinese is impossible. Other brand names might be capable of a direct translation into Chinese, but such a translation would only confuse consumers. For example, “Head and Shoulders,” a brand of shampoo, could be directly translated into Chinese but such a translation would only confuse consumers and would not be an effective Chinese trademark. Therefore, a transliteration (*Hai Fei Si*) that mimics the brand name is used

124. See *The Basics About Chinese Characters*, ABOUT.COM CHINA NEWS, <http://chineseculture.about.com/library/symbol/blc basics.htm> (last visited July 2, 2014).

125. See William F. Heinze, *Translation and Transliteration in Chinese Trademarks*, I/P UPDATES (Nov. 30, 2005), <http://ip-updates.blogspot.com/2005/11/translation-and-transliteration-in.html>.

126. See *Apple's Ping Strikes Good Note in Chinese*, GOOD CHARACTERS NAMING BLOG (Sept. 1, 2010), <http://goodcharacters.com/blog/blog.php?id=135>.

instead. In the same way that a proper name such as “Clinton” (*Ke Lin Dun*) is given a Chinese transliteration, brand names without an inherent meaning or with a meaning that cannot be translated are given transliterations into Chinese.

In the case of brand names, as opposed to proper names of persons, a further complexity arises. While a foreign brand name may not have a meaning that can be directly translated into Chinese, it is possible to create a Chinese transliteration of the foreign language brand name that not only mimics the sound to a Chinese consumer but also has a meaning in Chinese that appeals to consumers. For example, Procter & Gamble, a consumer products company, is a brand name that has no meaning and so must be transliterated—not translated—into Chinese. However, the Chinese transliteration of Procter & Gamble is “*Bao Jie*,”¹²⁷ which not only mimics the sound of “P&G” but also has a meaning in Chinese of “Precious Cleanliness.”¹²⁸ The transliteration of Coca Cola into Chinese is “*Ke Ko Kelu*,”¹²⁹ which not only mimics the sound to a Chinese consumer but also means “Delicious Happiness.”¹³⁰ In fact, in many cases, the most clever and successful Chinese transliterations not only mimic the sound of the foreign name but also have a meaning.¹³¹ Creating such transliterations, as in the case of Coca Cola and P&G, requires skill, talent, a mastery of Chinese language, and a sophisticated understanding of Chinese culture.¹³²

The dominant use of Chinese language and the use of Chinese language equivalents for foreign names are not only prevalent among consumers for products and services but also in every part of life in China among the native population.¹³³ Anyone who watches a news program or a sporting event on television in China will find that the announcers rarely use foreign language names but instead Chinese language equivalents only.¹³⁴ For example, a

127. *Name Analysis—P&G*, LAB BRAND (Oct. 13, 2008), <http://www.labbrand.com/brand-source/name-analysis-pg-%E5%AE%9D%E6%B4%81>.

128. This is the author’s own translation.

129. See Michael Wines, *Picking Brand Names in China is a Business Itself*, N.Y. TIMES, Nov. 11, 2011, <http://www.nytimes.com/2011/11/12/world/asia/picking-brand-names-in-china-is-a-business-itself.html?pagewanted=all&r=0> (calling Coca Cola’s Chinese name “the paradigm” for all MNC brand names in China).

130. This is the author’s own translation.

131. See Wines, *supra* note 129 (noting that the Chinese transliterations of Nike and BMW translate to “enduring and persevering” and “precious horse,” respectively).

132. *Id.*

133. See *supra* notes 120 and 121.

134. The author often watches Chinese programming and noticed this pattern in State programming—such as news and coverage of sports events, like the Olympics. The State

news broadcaster who mentions the name “Clinton” will use the Chinese language equivalent (*Ke Lin Dun*), recognizable as Clinton, or “*Bu Xi*,” recognizable as “Bush” to the vast bulk of its Chinese audience.¹³⁵ In a news program or sporting event (such as the 2008 Beijing Olympics) that is not entirely scripted, the announcers will invent a Chinese transliteration for the foreign name of a politician or an athlete on the spot during the broadcast.¹³⁶ During a broadcast of basketball games during the 1984 Olympics, Chinese broadcasters created the transliteration “*Qiaodan*” for Michael Jordan,¹³⁷ which instantly became and continues to be the name by which Jordan is best known in China.¹³⁸

Although there are many possible explanations for this cultural and linguistic usage, which go beyond the scope of this Article, it is sufficient for present purposes to note that the vast bulk of Chinese consumers find foreign language names hard to pronounce. They remember and prefer to use Chinese language equivalents instead.¹³⁹ The important point is the dominance of Chinese language and the overwhelming use in China of Chinese language equivalents for foreign names rather than of the foreign language names themselves. Any foreign language name that is used in the Chinese media or by Chinese consumers will be given a Chinese language equivalent that will be used in place of the foreign language name. This is a dominant trait of Chinese culture in China

has a policy against the use of foreign language words in the official media. *See supra* note 122. For example, Amy Qin noted the following:

In 2010, CCTV, the state television broadcaster, was reported to have received a notice urging it to remove from its programs Western abbreviations such as “NBA” (National Basketball Association) and “MP3” in favor of their long-winded Chinese translations: “Meiguo guojia lanqiu xiehui” and “dongtai yingxiang zhuanjia yasuo biao zhun yinpin cengmian 3,” respectively.

Amy Qin, *An Alarm over the Incursion of Foreign Words*, N.Y. TIMES (Apr. 29, 2014, 9:37 PM), <http://sinosphere.blogs.nytimes.com/2014/04/29/an-alarm-over-the-incursion-of-foreign-words>.

135. This observation is based upon the author’s own observations in China in listening to news broadcasts, reading Chinese newspapers, and discussing about Presidents Clinton and Bush with academics, lawyers, and persons from all walks of life in China.

136. *See* Wang Wen, *Qiaodan Sports Countersues Jordan over Company Name*, CHINA DAILY (Apr. 10, 2013, 8:00 AM), http://www.chinadaily.com.cn/kindle/2013-04/10/content_16389215.htm.

137. *See id.*

138. *See id.*

139. This is a longstanding cultural characteristic readily apparent to any observer of Chinese society. The author’s own experience living and working in China confirms this cultural trait. *See* Giacopello, *supra* note 121.

and in other Chinese-speaking countries or territories, such as Taiwan and Hong Kong.¹⁴⁰

B. Chinese Language Equivalents for English Language Trademarks

In the area of trademarks for consumer products, this dominant cultural trait is evidenced on packaging by the use of a Chinese language equivalent in combination with the foreign language brand name. For example, Head and Shoulders (*Hai Fe Si*)¹⁴¹ is a popular shampoo, Colgate (*Gao Lu Jie*)¹⁴² is a popular toothpaste, and BMW (*Bao Ma*)¹⁴³ is a brand for automobiles known among consumers in China. All of these are transliterations because either the foreign brand name has no inherent meaning or a direct translation of the meaning would make no sense to the Chinese consumer. In the case of shampoos and toothpaste, the English trademark is placed on the bottle or tube with the Chinese language equivalent underneath or adjacent to the English language name.¹⁴⁴ Procter & Gamble, the owner of the Head and Shoulders brand name, and Colgate, the owner of the toothpaste brand name, have registrations for both the English names and the Chinese language names for these products in China.¹⁴⁵ These brands were well established on a global level before these MNCs entered China and the companies created Chinese language equivalents.

What many MNCs might not realize is that in the vast majority of cases, the Chinese language name is far more recognizable in China and in much more common use among Chinese consumers.

140. This is longstanding dominant cultural characteristic of Taiwan and Hong Kong where Chinese language is also spoken in daily life. This observation is confirmed by the author's own experience. He has lived in Taiwan and Hong Kong for several years. See *id.*

141. See *Translating for the Chinese Market—It's All About the Characters*, MORNINGSIDE TRANSLATIONS (Aug. 19, 2011), <http://www.morningtrans.com/blog/translating-chinese-market-characters> (discussing Head and Shoulder's Chinese transliteration *Hai Fei Si*).

142. See Wines, *supra* note 129.

143. See *id.*

144. A typical example is the following advertisement that includes an image of a Head and Shoulders shampoo bottle with the English language in large letters followed by the Chinese characters underneath. See *Head & Shoulders China—Packshot*, DIGITAL MEDIA GROUP, INC., <http://digitalmgi.com/portfolio/head-shoulders-china-packshot> (last visited Dec. 5, 2014), for example.

145. This is indicated by the use of a trademark registration symbol on the product next to the English language trademark and Chinese language trademark. The use of the registration symbol is permitted only if the trademark owner has a registered trademark. See Trademark Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 23, 1982, effective Mar. 1, 1983, amended Oct. 27, 2001) art. 9 (China) [hereinafter 2001 P.R.C. Trademark Law].

For example, a Chinese consumer who walks into a department store and asks for the English brand names “Head and Shoulders” shampoo or “Colgate” toothpaste will most likely be met with puzzled looks of incomprehension.¹⁴⁶ The vast majority of consumers in China do not refer to products by their English language brand names. On the other hand, if the consumer asks for “*Hai Fei Si*” (Head and Shoulders) shampoo or “*Gao Lu Jiè*” (Colgate) toothpaste, the store clerk will probably respond immediately because these are popular brands in China and are stocked in a majority of stores that carry household products.¹⁴⁷

These examples can be repeated countless times, not only for consumer products but also for most products, services, or company names. This trait is true not only for English language brand names but also for other foreign brand names in French, German, or Japanese. All foreign brand names are given a Chinese language equivalent that is used instead by the Chinese media and Chinese consumers.¹⁴⁸ In most cases, brand names are given Chinese transliterations, not translations, because either the brand name has no inherent meaning or a direct translation into Chinese would make no sense to the average consumer. It is simply a dominant cultural trait in China that Chinese consumers never use a foreign language name for a product or service when there is a Chinese language equivalent. Rather, they invariably use the Chinese name.

Just as a broadcaster of a news program or a live sporting event will invent a Chinese language equivalent for a foreign name on the spot if necessary, the Chinese media and consumers will invent on the spot a Chinese language equivalent, most likely a transliteration, for a foreign brand name. In the modern world of electronic global communications, this means that as soon as a foreign brand name that the Chinese media find worth reporting is made available on foreign websites, television, or newspapers, they invent a

146. The author first discovered the importance of Chinese language brand names while working as in-house counsel at Procter & Gamble (China), Ltd.

147. Most stores, large or small, will carry products by Colgate and P&G. The author visits China on a regular basis and visits many retail stores to check on consumer products for trademark issues.

148. See Wang Xing, *Choosing the Right Chinese Name for a Foreign Firm*, CHINA DAILY (Feb. 1, 2010), http://www.chinadaily.com.cn/business/2010-02/01/content_9407525.htm (“[O]nly a few companies which already have a strong brand that is very well-known in China can afford to [use an English name].”); Angela Doland, *Why Western Companies Like LinkedIn Need Chinese Brand Names*, AD AGE (Mar. 5, 2014), <http://adage.com/article/global-news/pick-chinese-company/291960> (“In general, ‘there’s no question anymore whether you need a Chinese name.’”); see also Giacopello, *supra* note 121.

Chinese language equivalent.¹⁴⁹ This is often done without the knowledge of the owner of the brand name, who is often an MNC whose executives have no knowledge of Chinese language or of the dominant cultural trait of creating a Chinese language equivalent for every foreign name by the Chinese media.

C. *Trademark Disputes and the Famous Marks Doctrine in China:
Some Case Studies*

1. Pfizer's Trademark Disputes

One of the earliest and still the most notorious examples of a Chinese transliteration invented without the knowledge or consent of the brand owner involves Pfizer and its drug, Viagra. Even before Pfizer filed a U.S. trademark application for Viagra with the USPTO on April 12, 1996, Pfizer began using the brand name "Viagra" in the press, igniting immediate interest worldwide and reporting from all forms of international media.¹⁵⁰ When the Chinese media began reporting about "Viagra," there was never any doubt that the media would use a Chinese language equivalent for the English brand name. The average person in China in the 1990s or today would not be able to even read, pronounce, or remember "Viagra," the brand name created by Pfizer for its drug.¹⁵¹

Sometime in 1996, it appears that the Chinese media created the transliteration "*Weige*" as the Chinese language equivalent for Viagra, which is not capable of a direct translation, and began using the Chinese name in the media.¹⁵² The Chinese name "*Weige*" falls into the category of transliterations that both mimic the sounds of the English brand name and has a meaning in Chinese. "*Weige*" means "Great Older Brother" and is a lighthearted, humorous, and clever name that became an immediate sensation not only in China but in the entire Chinese speaking world.¹⁵³

149. See Giacopello, *supra* note 121.

150. See, e.g., *Pfizer Says Aricept May Get Quick FDA Filing*, REUTERS NEWS, Mar. 25, 1996 (stating that a Pfizer executive discussed Viagra by name at a London conference).

151. This observation is based upon the author's own experience in China as a former in-house counsel for a multinational consumer products company and as a frequent visitor to China to conduct research on intellectual property and trade law issues.

152. See YAHONG LI ET AL., ASIA CASE RESEARCH CTR., VIAGRA IN CHINA: A PROLONGED BATTLE OVER INTELLECTUAL PROPERTY RIGHTS 3, 29 (2006) (suggesting that a Chinese newspaper in the United States coined the term).

153. See FLORA HO, FINTRADE-MERCER GRP., TECHNOLOGY PROTECTION AND CHINA IPR (2013), available at http://www.tekes.fi/PageFiles/7112/China_IPR_10%2010%202013.pdf.

One month after Pfizer launched “Viagra” in the United States in 1998, several Chinese companies filed trademark applications in China for the Chinese language name “*Weige*.”¹⁵⁴ Guangzhou Viamen, a Chinese pharmaceutical company, filed the first application for “*Weige*” on May 20, 1998.¹⁵⁵ Three months later, Pfizer filed an application for “*Weige*” on August 12, 1998.¹⁵⁶ Under China’s first-to-file system, the CMTO resolved the priority dispute about the “*Weige*” trademark based upon a simple determination of who was the first in time to file an application, and on June 21, 2002, over the objections of Pfizer, the CTMO issued the registration for the “*Weige*” trademark (along with several variations) to Guangzhou Viamen.¹⁵⁷ Pfizer then filed an objection, but the Trademark Review and Adjudication Board (TRAB) upheld the decision of the CTMO.¹⁵⁸

Having exhausted its administrative remedies, Pfizer then filed a lawsuit in court arguing that it had acquired a right to the “*Weige*” trademark under the famous marks doctrine.¹⁵⁹ A comparison of the facts in the *McDonald’s* and *Pfizer* cases indicates how much more difficult and complicated it was for Pfizer to assert the famous marks doctrine in China. In *McDonald’s*, the trademarks at issue were McDonald’s English language trademarks.¹⁶⁰ The legal issue was whether McDonald’s English language trademarks had achieved fame in South Africa before the registration by Somboonos, the South African businessman and claimant to the trademarks.¹⁶¹ By comparison, Pfizer had a far more difficult task because Pfizer was not attempting to prevent squatting of its English language trademark but rather attempting to prevent a company from registering a Chinese transliteration of its English language trademark. Article 13 of the PRC Trademark Law, governing famous marks, provides as follows: “Where a trademark for registration to be used on identical or similar goods is a copy, imitation, or translation of a well-known trademark of another party

154. See LI ET AL., *supra* note 152, at 29.

155. See *id.*

156. See *id.*

157. See *id.*

158. See *id.*

159. See *id.* For a discussion of the famous marks doctrine, see *supra* Part II.C.

160. See *McDonald’s Corp. v. Joburgers Drive-Inn Restaurant Ltd.*, 1997 (1) SA 1 (A) at 10–11 (S. Afr.); *supra* Part II.C for a discussion of this case.

161. See *McDonald’s Corp.*, 1997 (1) SA at 13.

which has not been registered in China and may easily cause confusion, it shall not be registered and shall be prohibited from use.”¹⁶²

Because Pfizer was attempting to prevent a Chinese company from registering “*Weige*,” a Chinese language translation or transliteration of Viagra, in the same class of goods, Pfizer would be required to first demonstrate that its English language trademark had achieved fame in China and that “*Weige*” was a “translation of another’s well-known trademark.”¹⁶³

To achieve recognition of fame for its trademark in China, a trademark owner must obtain a formal written certification of fame from either the CTMO or a court.¹⁶⁴ Article 14 of the PRC Trademark Law sets forth the factors considered in determining fame:

- (1) Reputation of the trademark to the relevant public.
- (2) Duration of the use of the trademark.
- (3) Duration, extent, and geographical area of any publicity of the trademark.
- (4) Records of protection of the trademark as a well-known trademark.
- (5) Other factors relevant to the determination of a well-known trademark.¹⁶⁵

Although the presence of these factors on an international level might be relevant, the trademark owner must prove that these factors exist in China and that the trademark achieved fame in China.¹⁶⁶ Under China’s implementation of the famous marks

162. See Trademark Law of the People’s Republic of China (promulgated by the Standing Comm. Nat’l People’s Cong., Aug. 23, 1982, effective Mar. 1, 1983, amended Oct. 27, 2001) art. 13 (China) [hereinafter 2001 P.R.C. Trademark Law]. Under the second paragraph, Article 13 states that for famous trademarks that are registered, the owner can prevent registration or use on dissimilar goods. For example, if McDonald’s had achieved fame not only in South Africa but also in China but had not yet registered its trademarks, it would be able to prevent the registration of its trademarks in the food and service categories but not in a dissimilar category, such as clothing. If McDonald’s had registered its trademarks in China and its marks had achieved fame, then McDonald’s could prevent the registration of its trademark in all other categories, such as clothing, electronics, and daily use products like shampoo.

163. See *id.* The Trademark Law does not distinguish between translation and transliteration, but according to the author’s experience, the term used in the Trademark Law (*Fan Yi*) is commonly used for both translation and transliteration in China.

164. See *id.* art. 14 (stating that certification of fame can be issued by the China Trademark Office, the Trademark Review and Adjudication Board, or a people’s court).

165. See *id.*

166. See *id.* art. 14(1) (citing as a factor “[r]eputation of the trademark to the relevant public”); see also Provisions on Determination and Protection of Well-Known Marks (promulgated by the St. Admin for Indus. & Commerce, Apr. 17, 2003, effective June 1, 2003) ST. COUNCIL GAZ., Dec. 20, 2003, art. 2 (China) (“A well-known mark refers to a mark that is widely known to the relevant sectors of the public and enjoys a relatively high reputation in China.”).

doctrine, the legal issue is whether the fame of the mark was achieved in China before a third party filed to register the contested trademark.¹⁶⁷ The fame of the mark overcomes the limits created by the principle of territoriality by creating a right in a well-known trademark that was never registered. The right in the well-known trademark, created by fame, protects the trademark in China by preventing a trademark squatter that seeks to first register the trademark.¹⁶⁸

Pfizer thus had to prove that the English name Viagra achieved fame in China before the transliteration of Viagra into the Chinese language name “*Weige*.”¹⁶⁹ This requirement is set forth in Article 13 of the PRC Trademark Law, which states that “Where a trademark for registration . . . is a . . . translation of a well-known trademark of another party which has not been registered in China . . . it shall not be registered and shall be prohibited from use.”¹⁷⁰ Under this provision, the well-known mark is the English name “Viagra” and the “translation” is the Chinese name “*Weige*.” If Pfizer proved that its English language trademark Viagra had achieved fame in China prior to its unauthorized translation into Chinese (“*Weige*”), then Pfizer would have been entitled to cancel the trademark for the unauthorized translation. For Pfizer, this proved to be a difficult, and ultimately impossible, task. In 1998, when the competing applications for the “*Weige*” trademark were filed, Pfizer had not even obtained approval to sell Viagra in China.¹⁷¹ As Pfizer was just beginning to market the product, the English language trademark Viagra had not been promoted in China so the “reputation of the trademark to the relevant public” or the “duration, extent, and geographical area of any publicity of the trademark”¹⁷² would have been low. In addition, a large majority of Chinese consumers would never refer to a product by its English language name, and cultural barriers meant that few Chinese consumers would have heard of or remember the English lan-

167. See P.R.C. Trademark Law art. 13. The owner can seek protection under Article 13 only if there is a prior determination that the trademark is well known under Article 14 of the Trademark Law.

168. See *id.*

169. See *id.*

170. *Id.*

171. Pfizer obtained approval to sell Viagra from the China State Food & Drug Administration in July 2000. See YAHONG LI ET AL., *supra* note 152, at 29.

172. See P.R.C. Trademark Law art. 14 (setting forth the elements of a well-known trademark).

guage name.¹⁷³ Moreover, the Chinese media had already created a highly successful transliteration “*Weige*,” which immediately became the name by which Viagra was known in China. Ironically, while “*Viagra*,” the English language name, was not well known in China, “*Weige*” had become quite well known in the entire Chinese speaking world as the name of the product.¹⁷⁴

Because Pfizer knew it could not prove that the English name *Viagra* had achieved enough fame in China to allow Pfizer to block a registration of a transliteration of *Viagra*—the “*Weige*” name—Pfizer decided on another approach. Pfizer filed a lawsuit in Beijing arguing that “*Weige*” had achieved fame as Pfizer’s own trademark in China; that “*Weige*” was associated with Pfizer in the minds of Chinese consumers, creating a priority right in Pfizer before competing Chinese companies filed their applications for trademark registrations.¹⁷⁵ But, of course, this also proved impossible because it was factually untrue. Pfizer did not create the Chinese language equivalent “*Weige*”; an unrelated party, the Chinese media, had created the name, making it an overnight sensation and highly popular.¹⁷⁶ Moreover, Pfizer never expended resources in promoting “*Weige*” as the name for its own product¹⁷⁷ because Pfizer most likely never intended to use “*Weige*” as the Chinese language trademark for *Viagra*. Perhaps Pfizer’s real goal was to prevent Chinese competitors and copycats from using the “*Weige*” trademark for their products and causing consumer confusion.

To prevent Chinese companies from using the “*Weige*” trademark, Pfizer would need to block Chinese companies from registering the trademark. But to do so, Pfizer would have to prove that “*Weige*” had achieved fame as its own Chinese language trademark prior to the competing registrations—a claim that was wholly inconsistent with the record.¹⁷⁸ Pfizer found itself caught in a situation for which there seemed no solution under the famous marks

173. See Giacobello, *supra* note 121 (“When entering into business in China . . . it is important to use a trademark in Chinese language The large majority of Chinese people do not speak foreign languages, and they might find it difficult to read and remember foreign words.”).

174. See HO, *supra* note 153, at 13.

175. See Pfizer Inc. v. Beijing Health New Concept Pharm. Co. (Beijing First Interim. People’s Ct., Dec. 30, 2006), in ROBERT H. HU, RESEARCH GUIDE TO CHINESE TRADEMARK LAW AND PRACTICE 48 (2009).

176. See LI ET AL, *supra* note 152, at 8.

177. See Leah Chan Grinvald, *A Tale of Two Theories of Well-Known Marks*, 13 VAND. J. ENT. & TECH. L. 1, 33 (2010) (deeming Pfizer’s showing that consumers identified *Weige* mark with Pfizer to be inadequate).

178. See *id.* at 32–33.

doctrine. Pfizer could not successfully argue that the English language name had achieved fame in China because the drug was not yet even sold in China,¹⁷⁹ and Pfizer could not argue that “*Weige*” had achieved fame as Pfizer’s own intellectual property in China before the registrations by the competing Chinese companies.¹⁸⁰

In January 2007, the Beijing Intermediate People’s Court rejected Pfizer’s claim to the “*Weige*” trademark based on the famous marks doctrine, and in 2009, the Supreme People’s Court rejected Pfizer’s final appeal that it owned the “*Weige*” trademark.¹⁸¹ Presently, the “*Weige*” trademark is owned by a Chinese company, Guangzhou Viamen.¹⁸² Pfizer subsequently obtained a registration for its own transliteration of “Viagra”—“*Wan Ai Ke*”¹⁸³—a Chinese name that is dull and uninspired in comparison to “*Weige*,” which continues to be the name by which Viagra is best known in China.¹⁸⁴

2. Recent Cases: Hèrmes, Castel, and Michael Jordan

Although Pfizer’s trademark problems were known to MNCs, in 2012, Hèrmes, a French fashion MNC that manufactures and sells luxury fashion accessories, lost a similar trademark battle with Dafeng Garment Company based in Guangdong Province.¹⁸⁵ Hèrmes had registered its “Hèrmes” brand name in Latin characters in China as early as 1977 but never registered its Chinese transliteration “*Ai Ma Shi*” by which Hèrmes became known to Chinese consumers.¹⁸⁶ In 1995, Dafeng filed an application to register “*Ai Mai Shi*” and, no doubt concerned about the filing, Hèrmes filed its own application for “*Ai Mai Shi*” in 1996.¹⁸⁷ Because the filing by the Chinese company was prior to Hèrmes’s filing, Dafeng obtained the trademark registration for “*Ai Ma Shi*.”¹⁸⁸

179. See *supra* note 171.

180. See Grinvald, *supra* note 177, at 33.

181. See LI ET AL., *supra* note 152, at 29.

182. See *id.* at 10.

183. See George Chan, *Branding Strategies for Pharmaceutical Trademarks in China*, WORLD TRADEMARK REV., May–June 2008, at 82.

184. See HO, *supra* note 153, at 13.

185. See *Hèrmes and Chivas—The Disadvantages of Not Being the First to File Applications for Trade Marks in China*, CNP UPDATE, Mar. 28, 2012, available at <http://www.cnplaw.com/cnpupdate/Media/Content/Articles/2012/02/Hermes%20and%20Chivas%20-%20The%20Disadvantages%20of%20Not%20Being%20the%20First%20to%20File%20Applications%20for%20Trade%20marks%20in%20China.pdf>.

186. See *id.*

187. See FABIO GIACOPELLO, IS YOUR FAMOUS BRAND JUST ANOTHER MARK LOST IN TRANSLATION (2012), available at <http://www.hfgip.com/downloads/0005.pdf>.

188. See *id.*

Since 1997, Hèrmes has been engaged in litigation to cancel the “*Ai Ma Shi*” trademark owned by the Chinese company.¹⁸⁹ In 2012, the CTMO ruled against Hèrmes on the ground that Hèrmes failed to prove that it was a famous trademark known to Chinese consumers prior to the registration of “*Ai Ma Shi*” by the Chinese company.¹⁹⁰ Under Article 13 of the PRC Trademark Law, Hèrmes had to prove that its Latin character name had achieved fame in China prior to 1995 in order to cancel any registration as trademark of any unauthorized Chinese transliteration. It should not be surprising that Hèrmes failed to meet its burden of proving fame in China. In 1995 (and also today), the vast majority of Chinese consumers would not even be able to read or pronounce the French word “Hèrmes” but would only know the name of the company and its products through its Chinese transliterations.¹⁹¹

Not only have MNCs found that they might not be able to cancel Chinese transliterations of their foreign brand names, but they have also discovered that they could be found liable for using the Chinese transliteration of brand names already registered by a Chinese competitor. In August 2013, a Chinese court held that France Castel Frères (France Castel), a French wine maker selling wines under the brand name “Castel,” infringed the trademark “*Kasite*,” the Chinese name by which Castel wine is best known to Chinese consumers.¹⁹²

By the late 1990s, with China’s economic rise, many Chinese entrepreneurs and consumers had acquired a taste for imported wines, including “Castel,” which was transliterated into Chinese as “*Kasite*.”¹⁹³ In 1998, Li, a Chinese entrepreneur, filed an application to register “*Kasite*” and obtained the registration in 2000.¹⁹⁴ By the time Castel began to bottle wine in China in 1999, Castel was already known in China to wine consumers as “*Kasite*,” the name registered as a trademark by Li.¹⁹⁵ In 2008, Li established a wine

189. See *Hermès and Chivas—The Disadvantages of Not Being the First to File Applications for Trade Marks in China*, *supra* note 185.

190. See *id.*

191. This observation is based upon the author’s own experience in China where most French names are considered even harder to read and pronounce than English names.

192. See Nina Fan Feng, *Castel Loses Trademark Infringement Case in China*, DECANTER.COM (July 18, 2013), <http://www.decanter.com/news/wine-news/584172/castel-loses-trademark-infringement-case>.

193. See *id.*

194. See *id.*

195. See *id.*

company to import wines from France under the brand name “*Kasite*.”¹⁹⁶

In 2009, Li sued France Castel for trademark infringement of the “*Kasite*” trademark.¹⁹⁷ Li’s argument was simple: he was the owner of the registered trademark “*Kasite*” and France Castel was using the trademark without Li’s permission.¹⁹⁸ A Chinese court ordered France Castel to cease using the “*Kasite*” trademark on its wines, issue a public apology, and pay damages in the amount of RMB 33.73 million (about \$5.5 million).¹⁹⁹ France Castel registered a different transliteration “*Kasidaile*,” which it now uses on its wines.²⁰⁰ As in the case of “*Weige*,” the MNC lost the battle for the more popular Chinese transliteration of its own product and had to settle for a less desirable alternative.

Nike and one of its most well-known celebrity partners, Michael Jordan, face a similar problem, compounded by the lapse of the statute of limitations for actions to cancel trademarks.²⁰¹ In 1984, during broadcasts of the Olympics, Chinese broadcasters referred to Michael Jordan as “*Qiaodan*,” a transliteration of Jordan, and he has been known in China by this name ever since.²⁰² Jordan helps to sell Nike’s Air Jordan, a basketball shoe and one of Nike’s most popular products.²⁰³ In 1993, Nike applied for and received a trademark registration for “Jordan” but never applied for a Chinese transliteration trademark.²⁰⁴ This oversight allowed a Chinese company to obtain a registration for “*Qiaodan*” in 1997.²⁰⁵ Subsequently, in 2000, the Chinese company changed its name to Qiaodan Sports Ltd. (Qiaodan Sports)²⁰⁶ and registered for over one hundred similar trademarks using “*Qiaodan*,” including marks containing the number 23 (Jordan’s uniform number).²⁰⁷

196. *See id.*

197. *Id.*

198. *See id.*

199. *See id.*

200. *See id.*

201. *See* Steve Daroci, *Michael Jordan Playing Offense Not ON the Court but IN Court*, FORDHAM INTELL. PROP. MEDIA & ENT. L.J. (Mar. 26, 2012), <http://iplj.net/blog/archives/4623>.

202. *See* Wang Wen, *Qiaodan Sports Countersues Jordan over Company Name*, CHINA DAILY (Oct. 4, 2013, 8:00 AM), http://www.chinadaily.com.cn/cndy/2013-04/10/content_16388237.htm.

203. *See* Daroci, *supra* note 201.

204. *See id.*

205. *See id.*

206. *See* Doris Li, *The Allure of Celebrities—The Jordan Trademark Case in China*, CHINA INTELL. PROP. (May 3, 2012), <http://www.chinaipmagazine.com/en/journal-show.asp?id=804>.

207. *See* Daroci, *supra* note 201.

Jordan and Nike brought several actions to cancel the trademark registrations but lost—most recently in 2012.²⁰⁸ The court rejected Jordan's attempt to cancel the "Qiaodan" trademark on the grounds that "Qiaodan" is not unique to Michael Jordan but is a common name.²⁰⁹

Qiaodan Sports now sells sportswear in fifty-seven hundred outlets throughout China, including basketball jerseys with the number 23.²¹⁰ Qiaodan Sports has risen to become a top ten athletic apparel company in China, with revenues reaching RMB 2.9 billion (about \$460 million) in 2010.²¹¹ In 2012, Qiaodan Sports was completing an initial public offering (IPO) when Jordan sued the company for using his name and jersey without his permission.²¹² In response, Qiaodan Sports decided not to proceed with its IPO and instead filed a countersuit against Jordan asking for \$8 million in compensation.²¹³ Due to Jordan's popularity in China and the ubiquitous use of "Qiaodan" to refer to Jordan, some consumers in China believe that Qiaodan Sports is officially associated with Jordan.²¹⁴ A recent poll indicates that ninety percent of youths in China's second-tier cities believe that Qiaodan Sports has ties with Jordan.²¹⁵

The parties may ultimately settle this case, but Jordan's legal claims will be difficult to prove. If Jordan (or Nike) seeks to cancel the Chinese company's registration of the "Qiaodan" trademark, Jordan will be faced with the five-year statute of limitations under Article 41 of the 2001 PRC Trademark Law.²¹⁶ Qiaodan Sports

208. See Howard Shih, *Michael Jordan's Trademark Suit Rejected by Beijing Court*, WANT CHINA TIMES (Mar. 1, 2012, 11:53 AM), <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20120301000051&cid=1102>.

209. See *id.*

210. See Gwynn Guilford, *A Chinese Sportswear Company Has Trademarked Michael Jordan's Sons' Names*, QUARTZ (Apr. 29, 2013), <http://qz.com/79234/michael-jordan-versus-qiaodan-sports>.

211. See Li, *supra* note 206.

212. See Sophie Song, *Michael Jordan Sues Qiaodan Sports Company, a Chinese Company Bearing His Chinese Name*, INT'L BUS. TIMES (May 1, 2004), <http://www.ibtimes.com/michael-jordan-sues-qiaodan-sports-company-chinese-company-bearing-his-chinese-name-1226149>.

213. See *id.*

214. See Li, *supra* note 206.

215. See Song, *supra* note 212.

216. See Trademark Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 23, 1982, effective Mar. 1, 1983, amended Oct. 27, 2001) art. 41 (China) [hereinafter 2001 P.R.C. Trademark Law]. The 2001 P.R.C. Trademark Law has been revised and reissued. The new Trademark Law was promulgated on Aug. 30, 2013, and comes into effect on May 1, 2014. See Zhonghua Renmin Gongheguo Shangbiao Fa (中华人民共和国商标法) [Trademark Law of the People's Republic of

obtained the registration in 1998, and the statute has long lapsed. Nonetheless, under Article 41 of the 2001 PRC Trademark Law, the five-year statute of limitations does not apply in the case of bad faith registration of a well-known trademark.²¹⁷ This leaves Jordan and his allies in the same quandary seen in the cases discussed above. Jordan must prove that his brand name achieved fame before the registration of the “*Qiaodan*” trademark in 1998. The issue in this case, as in the *Pfizer* case, is that as soon as Jordan appeared on television in 1984 and was given the name “*Qiaodan*” by the media, he became known as “*Qiaodan*” to the vast bulk of Chinese consumers.²¹⁸ By 1993, before the registration of the “*Qiaodan*” trademark, Jordan likely had already achieved fame in China but under a Chinese name he did not create or even know about until recently.²¹⁹

To prove fame under Article 13 of the 2001 Trademark Law,²²⁰ Jordan would need to show that his English brand name “Jordan” had become famous before 1993 and that under Article 13 he has the right to cancel “*Qiaodan*,” which was the “translation of a well-known trademark not registered in China.”²²¹ However, this might be difficult because even today, most Chinese consumers would not be aware that “Jordan” is Michael Jordan’s English name; they know him as only “*Qiaodan*.”²²² If Jordan can show that his English brand was famous in China before 1993, he can then avoid the five-year statute of limitations under Article 41 of the 2001 Trademark

China] (promulgated by the Standing Comm. Nat’l People’s Cong., Aug. 30, 2013, effective May 1, 2014) 2013 STANDING COMM. NAT’L PEOPLE’S CONG. GAZ. arts. 13–14 (China) [hereinafter P.R.C. Trademark Law]. Article 41 of the 2014 Trademark Law has a similar five-year statute of limitations. *Id.*

217. See 2001 P.R.C. Trademark Law art. 41.

218. See Wen, *supra* note 136.

219. The name “*Qiaodan*” was created during the 1984 Olympic broadcasts in China when sportscasters spontaneously invented this name. *Id.* Jordan claims that he did not know about his Chinese name until recently. See Shih, *supra* note 208.

220. Article 13 of the 2001 P.R.C. Trademark Law, applying to well-known marks, is substantially similar to revised Article 13 of the 2014 P.R.C. Trademark Law. For the purposes of this Article, the most important point is the same under both the 2001 and 2014 versions of Article 13: the owner of the English language trademark must establish that the English name had become famous in China before the name was translated into Chinese in order to cancel the Chinese trademark registration obtained by a trademark squatter.

221. See 2001 P.R.C. Trademark Law art. 13; P.R.C. Trademark Law art. 13.

222. This observation is based upon the author’s own experience living and working in China and on the research about trademark and other intellectual property law issues in China.

Law but only if he can further show that Qiaodan Sports registered the Chinese name “*Qiaodan*” with bad faith.²²³

As further discussed below, a showing of bad faith requires meeting a high burden of proof. Given these legal obstacles and Qiaodan Sports’ success in its own right as a mid-tier sports company for over fifteen years,²²⁴ a court might be reluctant to cancel the company’s “*Qiaodan*” trademark. Jordan and Nike may need to offer Qiaodan Sports a large settlement to stop the company from using the trademark. Perhaps this is really what Qiaodan Sports was seeking all along from Nike and Jordan. But if Nike had simply registered “*Qiaodan*” at the same time that Nike registered “Jordan” in China in 1993, these legal troubles might have been avoided altogether.

Jordan is not the only Nike partner who faces these problems. Jeremy Lin, a Chinese-American professional basketball player and also a Nike partner, is widely popular in China.²²⁵ A Chinese sports equipment company that sells basketballs has already registered several variations of his English name, Chinese name, and combinations of both.²²⁶ Likewise, Britney Spears—a successful U.S. pop singer and music celebrity—recently failed in an attempt to cancel the Chinese registrations of the transliterations of her name.²²⁷

Although Nike’s troubles and Pfizer’s debacle with its Viagra trademark are well known,²²⁸ the MNCs continue to repeat the

223. See 2001 P.R.C. Trademark Law art. 41 (“And the owner of a well-known trademark shall not be subject to the limit of 5 years to request the revocation of bad-faith registration.”). Article 44 of the 2014 P.R.C. Trademark Law also permits a waiver of the five-year time limit in the case of a malicious registration.

224. See Song, *supra* note 212 (“Qiaodan is a second-tier sporting goods chain with more than 5,700 stores all over China. It has become a highly successful franchise . . .”).

225. See Alicia Jessop, *The NBA’s Unprecedented Growth in China Fueled by Jeremy Lin and Media Platforms*, FORBES (July 27, 2012, 3:09 PM), <http://www.forbes.com/sites/aliciajessop/2012/07/27/the-nbas-unprecedented-growth-in-china-fueled-by-jeremy-lin-and-media-platforms>; Kurt Badenhausen, *Jeremy Lin Nike Shoe Still a Month Away from Stores*, FORBES (Feb. 23, 2012, 3:35 PM), <http://www.forbes.com/sites/kurtbadenhausen/2012/02/23/jeremy-lin-nike-shoe-still-a-month-away>.

226. See Benjamin Kang Lim, *Trademark Dispute Looming over Who Discovered Jeremy Lin*, REUTERS (Feb. 27, 2012, 3:35 AM), <http://www.reuters.com/article/2012/02/27/us-nba-china-trademark-idUSTRE81Q0QC20120227>.

227. See *Britney Fame Claim Hits Wrong Note with Chinese Court*, CHINA.ORG.CN (Jan. 9, 2012), http://www.china.org.cn/arts/2012-01/09/content_24356718.htm (U.S. singer Britney Spears’ attempt to cancel the trademark “Britney” and its Chinese transliteration was rejected by the Trademark Review and Appeals Board).

228. See, e.g., Laurie Burkitt, *Nike Sues in Chinese Trademark Dispute*, WALL ST. J. (Dec. 5, 2012, 10:38 AM), <http://online.wsj.com/news/articles/SB10001424127887324640104578160680028574790>; Shannon Pettypiece, *Pfizer Wins Viagra Trademark Case in China, Gets Public Apology*, BLOOMBERG (Dec. 28, 2006, 4:43 PM), <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=acBltZOUOH5c>; Dan Harris, *Chinese Court Holds Firm on Viagra*

same mistakes. Facebook is considering an entry into China but has found that variations of its English and Chinese language names have already been registered by Chinese companies.²²⁹ Similarly, Tesla Motors, which manufactures electric cars, has found that its English and Chinese names and its T shaped logo have already been registered as trademarks in China by an entrepreneur who plans to make electric cars under the Tesla brand name.²³⁰

IV. MEASURES TO PREVENT TRADEMARK SQUATTING

A. *Limits on the Use of the Famous Marks Doctrine in China*

The use of the famous marks doctrine to protect MNCs from trademark squatting is seriously limited by several legal barriers such as China's first-to-file system, the lack of a requirement of use,²³¹ and the barriers created by language and culture.²³² Though the legal barriers may be known and understood by MNCs, it appears that issues of language and culture continue to baffle them. An analysis of these language and cultural issues follows below.

First, any foreign language trademark reported in the global media that draws the interest of the Chinese media will immediately be given a Chinese language equivalent. This can occur before the trademark owner even enters the Chinese market or achieves fame there. A Chinese company then files a trademark registration for the Chinese language equivalent, not the English or foreign language trademark itself. The MNC owner of the foreign language trademark has now fallen into a trap from which it will be difficult to escape using the famous marks doctrine.

If the MNC attempts to argue that the foreign brand name is famous, it will need to show that the foreign brand name acquired fame *in China* before a Chinese company filed for registration of the Chinese language transliteration. In many cases, this will be a difficult or impossible task because the Chinese transliteration was created before the MNC even entered the Chinese market. In addition, it is quite difficult for a foreign language name to

Trademark Infringement, CHINA L. BLOG (Dec. 29, 2006), http://www.chinalawblog.com/2006/12/chinese_court_holds_firm_on_vi.html.

229. Protalinski, *supra* note 11.

230. See Angelo Young, *Tesla Motors' (TSLA) Trademark Problem in China: What Multinational Companies Can Learn from Tesla About Securing a Trademark on the Mainland*, INT'L BUS. TIMES (Aug. 30, 2013, 9:06 PM), <http://www.ibtimes.com/tesla-motors-tsla-trademark-problem-china-what-multinational-companies-can-learn-tesla-about-1401973>.

231. See *supra* Part II.B.

232. See *supra* Part III.A–B.

become well known to Chinese consumers due to culture and the dominance of Chinese language in everyday life in China. The vast bulk of Chinese consumers do not listen to foreign language broadcasts or read foreign language newspapers regularly. Rather than using a foreign language name, the Chinese media and consumers will use a Chinese language equivalent.

Thus, as Pfizer, Castel, and Nike have discovered, proving the fame of a foreign language name in China in order to cancel a Chinese transliteration of their trademarks is a difficult hurdle to overcome. Moreover, in many cases, the Chinese transliteration or translation, not the foreign language name, becomes the famous name.²³³ Even today, the use of foreign brand names for widely used and popular consumer products, such as brand name shampoos, will have little recognition among the vast bulk of consumers, who know those products by their Chinese names.²³⁴ At this point, an MNC, such as Pfizer, is placed in the position of arguing that it acquired a prior right to the Chinese transliteration under the famous marks doctrine. This argument is often untenable because it is factually inaccurate. For example, Pfizer never created the transliteration “*Weige*” for Viagra and never promoted the transliteration as its own name.²³⁵

As a result, the famous marks doctrine, as it is currently formulated under Chinese law, is of limited use in many cases in China. Indeed, one could argue that many cases do not even involve an application of the famous marks doctrine at all because the foreign language name never achieved fame in China. Though the Pfizer and Jordan examples do involve bad faith registrations, there is no clear provision of the PRC Trademark Law or Anti-Unfair Competition Law that prohibits these types of actions. However, the 2001 PRC Trademark Law does contain a provision prohibiting the registration of trademarks based upon “deceptive or other improper means,”²³⁶ which has been interpreted to prevent so-

233. The author’s own experience indicates that the Chinese names “*Weige*” for Viagra and “*Qiaodan*” for Jordan are far more well known in China than their English language equivalents.

234. See *supra* Part III.B.

235. See *supra* Part III.C.1.

236. See Trademark Law of the People’s Republic of China (promulgated by the Standing Comm. Nat’l People’s Cong., Aug. 23, 1982, effective Mar. 1, 1983, amended Oct. 27, 2001) art. 41 (China) [hereinafter 2001 P.R.C. Trademark Law]. The same language is contained in the revised Trademark Law that will come into force on May 1, 2014. See *Zhonghua Renmin Gongheguo Shangbiao Fa* (中华人民共和国商标法) [Trademark Law of the People’s Republic of China] (promulgated by the Standing Comm. Nat’l People’s

called “bad faith” registrations. Nevertheless, under China’s current approach the burden of showing bad faith is a high one.²³⁷

According to one expert, the trademark owner must show that the squatter was simply trying to extort money from the trademark owner or that the squatter had some direct connection with the trademark owner in the past and knew that the owner was planning to move into China.²³⁸ This can be a difficult burden to meet for MNCs because it is likely not the case. As noted above, the Chinese transliteration is often created by the media and an unrelated trademark squatter or a competitor then files for registration without any contact with the trademark owner.

Given this high burden of proof, and perhaps in response to these concerns, a provision was added to the new PRC Trademark Law, which will become effective on May 1, 2014.²³⁹ Article 19 of the amended law imposes a general requirement of “good faith.”²⁴⁰ This general requirement might provide a basis for cancellation of bad faith registrations. But “good faith” under Article 19 is not further defined, so MNCs would be ill advised to rely entirely on this new provision—or any changes in Chinese legislation in the future—to protect them from trademark squatting via Chinese language names. Any attempt to cancel the registration of a Chinese language trademark, once issued, is a time consuming process fraught with uncertainty and numerous pitfalls.²⁴¹ Rather, the most prudent cause of action is to take preventative measures.

B. *Preventative Measures for Protecting Trademarks*

The MNCs need to understand that as soon as a brand name is introduced to the media in any country, the Chinese media will create a Chinese transliteration if the MNC has not already created one. The most prudent course of action is to create such transliterations as early as possible in the marketing process, even before a new product is launched, and then to register both the English

Cong., Aug. 30, 2013, effective May 1, 2014) 2013 STANDING COMM. NAT’L PEOPLE’S CONG. GAZ. art. 44 (China) [hereinafter P.R.C. Trademark Law].

237. See Young, *supra* note 230.

238. See *id.*

239. See P.R.C. Trademark Law art. 19; see also *supra* note 216.

240. See P.R.C. Trademark Law art. 19. The good faith requirement applies to only trademark agents who handle the trademark applications for the applicant. It is unclear whether trademark applicants themselves have to act in good faith.

241. See *supra* Part III.C for a discussion of the Pfizer, Hermès, Castel, and Michael Jordan cases, which are good examples of how difficult it can be to cancel an existing Chinese trademark registration. See, e.g., CHINA INTELLECTUAL PROP. RIGHTS SME HELPDISK, *supra* note 39.

brand name and its Chinese transliteration or translation in China. Once the Chinese language equivalent is registered, the MNC can encourage the Chinese media to use the official Chinese language name, a registered trademark in China.

Not only should the MNC create a transliteration but it should also create a number of common transliterations due to the existence of many homophones in the Chinese language. That said, the MNC should understand that the number of possible transliterations is not unlimited or completely unpredictable. Now, with so many transliterations of Latin character names into Chinese, certain standard transliterations and patterns have emerged. For example, names such as “John” (*Yuehan*) and “David” (*Dawei*) have standard transliterations. If the MNC engages a skilled trademark lawyer in China and an advertising company, these experts should be able to create the most common and attractive transliterations.

Also, the MNC should apply for registrations immediately. Once the trademarks are registered, the MNC has the legal right to block any subsequent registrations based upon the first-to-file rule, which is simple, straightforward, and preferable to the confusing famous marks doctrine. If Facebook and Tesla Motors had followed this approach, they would not have to contend with the legal headaches now before them in China.

The MNC should also register the *pinyin* (the official phonetic system for transcribing the Mandarin pronunciations of Chinese characters into the Roman alphabet) words. In the Michael Jordan case, Qiaodan Sports registered not only “*Qiaodan*” in Chinese characters but also the domain name “*Qiaodan*” in romanized characters and set up a website using the Latin characters “*Qiaodan*.”²⁴² Registering *pinyin* or Romanized Chinese transliterations of foreign brand names as domain names is a common tactic for squatters and counterfeiters.²⁴³

If the English or Latin character brand name is capable of a translation and a transliteration, then the trademark owner should create both Chinese translations and transliterations. For example, “Hero” can be translated as “*Ying Xun*” or transliterated as “*Ai You*.” Both registrations are necessary, as the following case illustrates.

Diego Brands, the owner of the “Johnny Walker” brand name for whiskey, has owned the registered trademark for a Chinese transliteration “*Zun Ni Huo Jia*” for Johnny Walker since the 1990s.²⁴⁴ In

242. See Daroci, *supra* note 201.

243. See GIACOPELLO, *supra* note 187, at 99.

244. See *id.*

2001, a Chinese company applied for the trademark “*Yue Han Zou Lu*” in Chinese characters, which means “Johnny Walks.”²⁴⁵ Diego Brands obtained a trademark for the transliteration of the Johnny Walker brand name but overlooked the possibility that a Chinese company would file an application for a translation. Diego Brands then tried to use the famous marks doctrine under Article 13 to prove that “Johnny Walker” had acquired fame in China prior to 2001 and, once again, the doctrine failed.²⁴⁶ On November 23, 2011, the Beijing Intermediate Court upheld a decision by the TRAB rejecting Diego’s cancellation request.²⁴⁷ Whenever a Chinese translation and transliteration are both possible, registering just one will not protect the trademark owner from trademark squatting of the other.

Finally, the MNC should register the foreign and Chinese language equivalents of brand names in many different classes of goods. In March 2012, a court ruled against the owner of the English and Chinese language trademark of Chivas Regal in China permitting a garment maker in Zhejiang Province to use the Chivas Regal brand as its own trademark for clothing.²⁴⁸ Trademark squatters often attempt to register well-known foreign marks for clothing and fashion accessories, such as sunglasses, watches, belts, and handbags.²⁴⁹ These are inexpensive items that can benefit from taking a free ride on a well-known brand.

Nonetheless, the categories of goods in which trademark squatters or competitors register the English or Chinese language trademarks are not totally unlimited or unpredictable. Patterns have emerged from the more than two decades of trademark squatting, so that an MNC, with the help of experts, will be able to predict the most likely categories in which trademark squatters will seek to register their marks. Since use is not required for trademark registrations in China, the MNC can simply register its marks in popular categories of clothing and accessories—prime targets for squatters and free riders.

The discussion above is not meant to be exhaustive but merely attempts to highlight the types of preventative measures that can

245. *See id.*

246. *See id.*

247. *See id.*

248. *See Hermès and Chivas—The Disadvantages of Not Being the First To File Applications for Trade Marks in China*, *supra* note 185.

249. This observation is based upon the author’s own experience in enforcing trademark rights in China both as a former in-house counsel at an MNC and as a current consultant to law firms on protecting trademarks in China.

be taken by MNCs. Of course, every trademark is different, and an MNC would be wise to seek expert advice on how to create a translation or transliteration and on what preventative steps to take for each trademark. These preventative measures could avoid the far more expensive and time-consuming costs of litigation and, perhaps most importantly, any harm to the brand that occurs due to squatting.

V. CONCLUSION

Although MNCs have decades of experience doing business in China, they continue to be baffled by China's trademark system and face many problems in protecting their trademarks from squatters and opportunists.

This Article has argued that even today, many MNCs do not fully understand the issues of language and culture in China that create traps for the unwary brand owner. Many MNCs do not seem to appreciate the threat posed to their trademarks by the creation of Chinese language equivalents. The Chinese media and consumers create these equivalents immediately after the introduction of the foreign language name into any form of international media.

Once a trademark squatter or opportunist has obtained a registration for the trademark in China, cancelling the trademark requires a complex and time-consuming process fraught with uncertainty. In particular, the use of the famous marks doctrine—the legal tactic most often used by the MNCs in attempting to cancel Chinese language trademarks—is subject to serious limitations.

Ultimately, the most prudent and simple method for avoiding the disastrous business results that companies such as Pfizer, Castel, and many others have encountered is to take preventative measures by registering Chinese language equivalents in China as soon as possible. However, even before any preventative measures are taken, the first step must be for the MNCs to understand and appreciate the dominant roles of language and culture in brand management and protection in China.

