Making Much Ado about Theory: The Chinese Trademark Law

Leah Chan Grinvald

Follow this and additional works at: http://repository.law.umich.edu/mttlr

Part of the Comparative and Foreign Law Commons, and the Intellectual Property Law Commons

Recommended Citation

This Article is brought to you for free and open access by the Journals at University of Michigan Law School Scholarship Repository. It has been accepted for inclusion in Michigan Telecommunications and Technology Law Review by an authorized editor of University of Michigan Law School Scholarship Repository. For more information, please contact mlaw.repository@umich.edu.
Although the United States has had an active hand in the implementation of trademark law in China over the past century, the same frustrations that marked the turn of the twentieth century are reflected in the twenty-first century. This Article posits that one of the reasons that the United States has not seen the desired level of progress in China's protection of trademarks lies in the imposition of an American theory of trademarks, which has inhibited U.S. reform efforts in China to date. This imposition is understandable, as little thought has been given to the Chinese theoretical justification for their trademark laws by American or Chinese scholars. However, this lack of understanding is at the root of the tension between the two countries. Such continued confrontation between the United States and China will not be productive since it will not bring about sustained change in China.

This Article will attempt to fill in this scholarly gap and provide a comprehensive and comparative analysis of the Chinese Trademark Law. Such analysis will show that a type of social planning theory has been unconsciously adopted for the theoretical justification of the Trademark Law. With this analysis, a better understanding of the Chinese perspective of trademark law can emerge. This understanding is the first step towards an improvement of the U.S. reform efforts in China and will also provide the United States with the ability to assist China with understanding its own theoretical justifications for the Trademark Law. With new revisions pending to the Trademark Law and the increased focus of the Chinese government on intellectual
property matters due to the recent 2008 Beijing Olympics and the upcoming 2010 Shanghai World Expo, the time is ripe for an internal education campaign to analyze and understand what has been unconsciously adopted over the last two decades. A better informed dialogue will benefit both the United States and China and assist the Chinese with creating a platform for deep-rooted, long-term change in their protection of trademarks.

I. INTRODUCTION

II. DEFINING THE PROBLEM

III. FOUNDATIONS OF AMERICAN AND CHINESE TRADEMARK LAW

A. Theoretical Foundations
   1. Utilitarianism
   2. Social Planning

B. Historical Foundations
   1. Genesis of Trademark Law
   2. Continuity of History
   3. Principles and Goals

IV. ADOPTION OF THEORY: LANHAM ACT V. CHINESE TRADEMARK LAW

A. The American Theoretical Justification
B. The Chinese Theoretical Justification
   1. Plain Language of the Trademark Law
   2. Judicial Decisions
C. Utilitarianism Is an Inappropriate Lens for the Trademark Law

V. MUCH ADO ABOUT THEORY: PRACTICAL APPLICATION

A. First Application: Frame Arguments in Terms of Social Planning Theory
B. Second Application: Educate Chinese Lawmakers

VI. CONCLUSION

I. INTRODUCTION

It is the view of our Government that the judicial protection of American trade-marks in China, against the infringement or dealing in infringements by Chinese vendors, is an absolute
treaty obligation undertaken by the Chinese Government which cannot be suffered to be questioned...

In 2008, the Administration will continue its concerted efforts to ensure that China fully adheres to its fundamental obligations as a WTO member, with particular emphasis on lowering [intellectual property rights] infringement levels in China...

These two statements, reflective of the U.S. view of China's protection of intellectual property rights, could have been made contemporaneously, but for the fact that the first statement was written in 1915 and the second in 2007. Why has the U.S. view of China's protection of intellectual property not changed over the course of almost a century of intense negotiations and brinksmanship? There have been some improvements in recent years, as the past twenty-plus years has seen more progress than in the first two decades of U.S. activism in China. For example, China passed its first modern trademark law in 1982; amended that law twice in 1993 and 2001; ascended to the World Trade Organization in 2001; and enacted legislation to address the problems of piracy and counterfeiting.

4. This Article uses the term "China" as an umbrella reference for mainland China that includes both the time period before the founding of the People's Republic of China in 1949 and thereafter.
5. The United States first began its involvement in China to protect American intellectual property rights at the turn of the century with the treaty that ended the Boxer Rebellion, signed in 1903. See Treaty Between the United States and China for the Extension of the Commercial Relations Between Them, U.S.-China, Oct. 8, 1903, 33 Stat. 2208, art. II, T.S. No. 430.
6. From 1903 to 1923, the United States was very active in its demands that China adhere to its treaty obligations, and the first official trademark law was passed in 1923 by the Republican government. However, not long after the passage of this law, the events of World War II began to unfold, and subsequently, little progress was made on trademark laws in China. After cutting off diplomatic relations with China from 1949 to 1979, the United States re-initiated its activism in the late 1980s. For a background of the intense negotiations and brinksmanship from 1989 to 2000, see Mertha, supra note 3, at 41–52.
Trade Organization ("WTO") in 2001 and, as a result, became a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"). In addition, China is currently drafting a third amendment to the Trademark Law that will result in its complete overhaul. However, the United States feels there is much more still to be done. The U.S.T.R. points to the problems in China of enforcing intellectual property laws, as such enforcement is bogged down by a variety of seemingly insurmountable issues. The U.S. Customs and Border Protection shows that for the fiscal year 2007, approximately 80 percent of the counterfeit products seized originated in China. Of these seized products, approximately 61 percent were counterfeited footwear, apparel and accessories, which were worth about $118.9 million.

This Article posits that one of the reasons why the United States has not seen the progress it desires in China is due to an inappropriate imposition of the U.S. theory of trademark law onto the Chinese system. Since the United States has viewed the Chinese trademark laws through the lens of U.S. theory, negotiators have crafted their arguments and
Making Much Ado About Theory

talking points based upon this U.S. theory, which has not resonated well with their Chinese counterparts.16

Arguably this imposition is understandable because there has never been a comprehensive analysis of the underlying theory of the Chinese trademark laws published in the United States or China.17 As a result, the United States has not had the opportunity to understand Chinese trademark laws from a Chinese perspective. While the United States has adopted a utilitarian justification for its trademark laws,18 it would be tempting to assume that China has done so as well, because the United States has had a heavy hand in implementing and revising China's current trademark laws since the late 1980s.19 However, China has not adopted this justification.

This Article will attempt to fill in the scholarly gap in the underlying theories and provide a comprehensive and comparative analysis of the Chinese Trademark Law. This analysis will show that a type of “social planning theory” has been adopted by China, with distributive and welfare components.20 With this analysis, a better understanding of the Chinese perspective of trademark law can emerge, which is the first step towards improving U.S. reform efforts in China.21

16. An example that highlights the misapplication of U.S. theory and the conflict between the two countries is the WTO dispute settlement filed by the United States, China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights (DS362). See Request for the Establishment of a Panel by the United States, China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights, WT/DS362/7 (Aug. 21, 2007) [hereinafter Panel Request]. The arguments put forth by the United States contain utilitarian-based concerns such as free-riding, which have not proven effective with the Chinese government. The lack of effectiveness can be inferred from the need to begin the dispute settlement process. See infra note 226. The U.S. utilitarian concerns are stated fully in the First U.S. Submission, see infra note 257, as well as in the Second U.S. Submission, see infra note 234. For a discussion of these utilitarian-based concerns contained within the Panel Request, supra, and their application, see infra Part V.A.

17. To borrow liberally from Shakespeare, “much ado” has not been made about the theory of the Chinese Trademark Law.


20. The phrase “social planning theory” was coined by Professor William Fisher as a way to group together various components that fit under the same theoretical umbrella. See William W. Fisher, III, Property and Contract on the Internet, 73 CHI.-KENT. L. REV. 1203, 1215 (1998) [hereinafter, Fisher, Property & Contract].

21. The second step, which is reconciling the two different theoretical frameworks, is beyond the scope of this Article.
The remainder of this Article is divided into four parts. Part II will provide a background in the theoretical conflict between the United States and China. Part III will then lay a theoretical and historical foundation with a brief discussion of the utilitarian and social planning theories, followed by a comparative review of American and Chinese history of trademark law. Part IV analyzes the text of the Lanham Act and the Trademark Law in order to demonstrate that the Chinese have adopted a social planning theory of trademark law. While this Article attempts only to provide the first step towards improving the U.S. efforts in China, two potential applications of such understanding of the Chinese theoretical framework can be used immediately. Part V discusses these two potential practical applications: first, a reframing of the discussions between the United States and China, and second, an improvement of the educational initiatives that are aimed at China.

II. DEFINING THE PROBLEM

The conflict between the United States and China reflects Professor Margaret Chon’s question, the “[intellectual property] balance question . . . [is] which social group (creators or users) is entitled to use of a particular type of social good (that is, an [intellectual property]-protected knowledge good.”22 With respect to trademarks, the United States is trying to increase the protection its businesses (as trademark creators) receive in China for its trademarked brands and China (as a trademark user) is attempting to provide protection for such trademarks but also allow access to the goodwill of such brands as a method of wealth redistribution.23

In attempting to resolve this conflict, the United States has approached the issue with arguments based on its theoretical framework for trademark law: utilitarianism.24 Such an approach has ignored that China

---

23. See infra Part IV.B.
has adopted a social planning theory for its trademark laws, embodying consumer welfare and distributive concepts. Of the two concepts, the distributive concept lies at the root of the conflict; gaining an understanding of this concept from the Chinese perspective is crucial to an eventual reconciliation of the two perspectives.

Wealth redistribution is one way that the Chinese government is attempting to foster its economic development vision, which is to "eliminate poverty without polarizing society into rich and poor strata." Chinese policymakers firmly believe that trademarks are one of the keys to economic success. First, providing some trademark protection lures foreign investment into China (through manufacturing and other business investment). This foreign investment, in turn, creates a positive effect on industrial development in China. Redistribution of the wealth stemming from trademark protection provides a base to Chinese entities to build up their own brands and create its own domestic businesses.

---

28. See id.
29. See Wang Qishan, Opinion, No More Chinese Knock-Offs, WALL ST. J., June 17, 2008, at A23 ("[China] will ensure a better mesh of our [intellectual property rights] policy ... to uphold people's rights to properly use the information and fruits of innovation in ways permitted by law ... and make sure that innovation achievements are shared more equitably."); see also Newsletter Regarding IPR, CHINA DAILY, Feb. 19, 2008 (translated and available at http://www.english.ipr.gov.cn (follow "Activities" hyperlink; then follow "Newsletter regarding IPR" hyperlink) (former Vice Premier Wu Yi stated, "The progress [China has made] in [intellectual property rights] protection has safeguarded the legitimate rights of [intellectual property rights] owners and guaranteed fair economic order."). Court cases give additional evidence of this strategy; for example, Pfizer was not allowed to claim the exclusive use of the mark "wei ge" for their Viagra drug, allowing other new market entrants to use the popular name for similar drugs. See Pfizer Appeals After Losing Battle for Chinese Name of Viagra, XINHUA, Feb. 7, 2007, available at LEXIS (Xinhua General News Service file). However, Pfizer did win a ruling that its trademarked shape for Viagra could be protected from infringement. See Viagra Trademark Protection Is Dangerous for Chinese Drug Makers—Lawyers, CHINA BUSINESS NEWS ON-LINE, Dec. 28, 2006, available at LEXIS (China Business News On-Line file).
This conflict over trademark protection in China has been ongoing for the last century. The U.S.T.R. has consistently placed China at the top of its list of countries that do not provide adequate intellectual property protection. In contrast, China has objected to this label, claiming to be compliant with its obligations to the United States and the international community. Until China’s ascension to the WTO in 2001, the United States was able to use coercive tactics, such as trade sanctions, when negotiations broke down in order to induce change in China. Since 2001, the ability of the United States to use such tactics has been greatly reduced, so when the United States has since resorted to similar tactics (such as its Special 301 review process or filing DS362), the lack of cooperation from the Chinese resulted in very little progress. In recent decades, the conflict has escalated, as highlighted by the WTO DS362 dispute. While the United States has only included three spe-


31. See supra note 5.


35. While the United States still threatens to use U.S. trade laws to force China to implement its WTO obligations (see 2007 Report, supra note 2, at 11–12), it is questionable whether the United States intends to employ sanctions before exhausting all other WTO remedies. See Panel Report, United States—Sections 301–310 of the Trade Act of 1974, ¶¶ 7.95–97 WT/DS152/R (Dec. 22, 1999).


37. See infra Part V.A.
cific areas of Chinese policy and law that the United States alleges violates TRIPS, there are a number of other items that the United States believes need to be changed as well. Thus, notwithstanding the outcome of the WTO panel report, the conflict between the two countries will undoubtedly continue unless there is a change in U.S. strategy.

The first step in improving the success of U.S. efforts in China, and potentially even reconciling the conflict between the two countries, is for the United States and China to come to an understanding of the Chinese social planning theory that underlies the Chinese Trademark Law. A continued misapplication of the U.S. utilitarian theory of trademark law (and an ignorance of the Chinese theoretical framework) will not produce long-lasting change in China, as it ignores the Chinese goals for its trademark law, in addition to causing anger and tensions in both countries.

This Article aims to assist American policymakers by providing them with the needed understanding of the Chinese theory of trademark law. In addition, this Article will remedy the self-admitted confusion of Chinese policymakers and jurists through a comprehensive analysis of this theory. China's current trademark laws have not been effectively

---

38. See id.
39. See, e.g., 2008 SPECIAL 301 REPORT, supra note 10, at 22 (internet counterfeiting and piracy), 23 (retailing of counterfeit and pirated products, utilizing specialized intellectual property courts, etc.).
41. See supra note 35. While it may be in China's best interest to implement short-term policies, such as government-sponsored anti-counterfeiting raids and campaigns in order to show the United States and the international community that China is committed to effective trademark protection (as was recently seen with the 2008 Beijing Olympics), history provides evidence that such policies are likely to be short-term and superficial. See MERTHA, supra note 3, at 144; MOFCOM and SAIC Require Strict IPR Protection During Olympic Period, IPR IN CHINA, July 23, 2008, www.english.ipr.gov.cn/en/news.shtml [hereinafter Strict IPR Protection] (follow “More” hyperlink under “Government” section). Persuading China that longer lasting change is needed requires an understanding of the theory underlying such laws in order to better craft persuasive arguments.
drafted and are subject to wildly varying interpretations. An understanding of the theory underlying the trademark laws will also assist Chinese policymakers with revising the Trademark Law and jurists with promulgation of judicial interpretations, as well as nationwide policies and educational programs for jurists will help curb haphazard application. As a civil law system, China's jurists need a deep understanding of the theory underlying the principles of their trademark laws to interpret and apply them as uniformly as possible. As these jurists currently lack such understanding and do not follow the process of stare decisis, the application of the Trademark Law has appeared haphazard to the United States, and this has resulted in continuous tension and anger between the two countries.

III. FOUNDATIONS OF AMERICAN AND CHINESE TRADEMARK LAW

As previously stated, the main goal of this Article is to provide American policymakers with an understanding of Chinese trademark law in order to become more effective long-term influencers of change in China. Comparison of the theoretical and historical foundations of American and Chinese trademark law will aid in the comprehension of the modern-day status quo and will aid American policymakers in under-

43. See Mertha, supra note 3, at 221.

44. An example of this haphazard application can be seen in trademark infringement cases where the Interpretations of the Supreme People's Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising From Trademarks (promulgated by the Supreme People's Ct., Oct. 12, 2002) LawinfoChina (last visited Jan. 11, 2009) (P.R.C.) [hereinafter Supreme Ct. Interpretation] has been applied. Examples can be found at http://www.lawinfochina.com (search “Civil Disputes Trademarks”) (last visited Jan. 11, 2009) [hereinafter LawinfoChina]. In Toyota Motor Corp. v. Geely Group Corp. (Beijing No. 2 Interim. People's Ct., Nov. 24, 2003), China L. & Frac., Dec. 2003, the Beijing No. 2 Intermediate People's Court held for the defendant based on an application of Article 10 of the Supreme Ct. Interpretation; but see Starbucks Corp. v. Shanghai Starbucks Cafe Co., Shanghai No. 2 Interim. People's Court, Dec. 31, 2005, upheld on appeal, Shanghai Higher People's Ct., Dec. 20, 2006, available at LawinfoChina. In that case, the Shanghai No. 2 Intermediate People's Court held for the plaintiff based on the same Article 10. To an outsider, the “Merry” mark and the “Shanghai Starbucks Cafe” mark both contain enough elements pursuant to Article 10 to warrant trademark infringement in both cases. While there could be other reasons for these varied in court decisions, to the U.S. observer, these differing results appear to be haphazard and without much logical basis.

45. The term “jurist” also refers to China's administrative agency officials, as China has a two-track enforcement mechanism that allows for trademark infringement cases to be heard by administrative agencies, rather than resorting to the more time-consuming and expensive court system. See Xiaowen Tian, Managing International Business in China 235 (2007).


47. See supra notes 33, 36.
standing the differences and similarities between U.S. and Chinese trademark law.

A. Theoretical Foundations

There are several theories justifying intellectual property rights generally and in trademark law specifically, including utilitarianism, Lockean, Hegelian, and social planning. Respectively, the United States and China have adopted utilitarianism and social planning (whether explicitly or implicitly) as the theories underlying their trademark laws. As such, while the Lockean and Hegelian theories provide interesting counterpoints to the utilitarian and social planning theories, the following section will provide a brief overview of the two theories primarily used in the United States and China today.

1. Utilitarianism

Utilitarianism, as applied to intellectual property law, is an assessment of the consequences of maximizing the benefits to society as a whole, rather than prioritizing individual benefits. Specifically, as applied to trademark law, utilitarianism in American legal jurisprudence justifies legal protection because the protection of trademarks maximizes a benefit to society, namely, reduced search costs associated with the purchase of products. Such protection provides brand owners with in-


49. Fisher, *Theories*, supra note 48, at 169–73. A Lockean theory of intellectual property rights premises protection on the natural right to the product of one's efforts. Locke's famous proviso states, "The Labour of one's Body, and the Work of his Hands, we may say, are properly his." John Locke, *Two Treatises of Government* 287–88 (Peter Laslett ed., 2d ed. 1967). An alternative to Lockean theory is Hegelian, which premises protection on the reasoning that "an idea belongs to its creator because the idea is a manifestation of the creator's personality or self." See Hughes, *supra* note 48, at 330.


51. See Amartya Sen & Bernard Williams, *Introduction to Utilitarianism and Beyond* 4 (Amartya Sen & Bernard Williams eds., 1982) ("Utilitarianism is thus a species of welfarist consequentialism—that particular form of it which requires simply adding up individual welfare or utilities to assess the consequences . . .") (emphasis in original); see also David McGowan, *Copyright Nonconsequentialism*, 69 Mo. L. Rev. 1, 8 (2004); Ramsey, *supra* note 24, at 215.

centives to improve the quality of their trademarked products. A noted American economist theorized that without trademark protection, "[t]he result would be a race to produce inferior products, rather than competition to produce better ones." In addition, since there is "information capital embodied in a trademark," trademark protection also provides incentives to owners to invest in their trademark not only by improving the quality of the underlying product but also in other ways, such as advertising. Overprotection is balanced by taking into account the costs of trademark protection, such as enforcement costs (costs to society to enforce the protection of trademarks), transaction costs (higher prices for branded products), and barriers to entry (higher costs to enter an already-established market with branded products).

Utilitarianism has been firmly adopted in the United States as the theoretical justification for American trademark law. American courts favor the objectivity of utilitarianism in order to balance the costs arising from trademark law with its benefits and arrive at an optimal level of protection. While there are many criticisms of utilitarianism, one

---

78 TRADEMARK REP. 267, 271 ("[A] trademark conveys information that allows the consumer to say to himself, 'I need not investigate the attributes of the brand I am about to purchase because the trademark is a shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier.'"). See also S. REP. No. 100-515, at 4 (1988), reprinted in 1988 U.S.C.A.N.N. 5577, 5580.

53. Robert E. Meiners & Robert J. Staaf, Patents, Copyrights and Trademarks: Property or Monopoly?, 13 HARV. J.L. & PUB. POL'Y 911, 931 (1990) ("A price premium over and above costs of production (including a normal profit) can create incentives for firms to produce high quality products. These price premiums represent the return to investment in brand-names or trademarks.").


56. See WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 173 (2003) (discussing premiums associated with brand products); Bone, supra note 24, at 2123 (discussing various enforcement costs). One of the costs not necessarily considered by jurists is the potential for "monopoly of words" or the curtailment of free speech. Professor Landes and Judge Posner make a case for the "monopoly of words" as a cost to protection of trademarks. See LANDES & POSNER, supra, at 169–72.

57. See sources cited supra note 24. Utilitarianism also provides the theoretical justification for American intellectual property laws in general.

58. See Fisher, Theories, supra note 48, at 170 ("Awareness of [the] benefits and harms should (and usually does) ... guide legislators and judges when tuning trademark law; marks should be (and usually are) protected when they are socially beneficial and not when they are, on balance, deleterious."

59. See, e.g., Sen & Williams, supra note 51, at 5 (arguing that utilitarianism is a "drastic obliteration of usable information"); McGowan, supra note 51, at 9 ("It is hard to apply rule utilitarianism to practical problems."); Alfred C. Yen, Restoring the Natural Law: Copyright as Labor and Possession, 51 OHIO ST. L.J. 517, 539 (1990) ("The normative use of economics in [intellectual property] suffers from, among other things, the problems inherent
benefit is the ability of the theory to objectively account for the costs and
benefits associated with trademark protection and actively respond to
that information, while maintaining sufficient incentives to maximize the
societal benefit gained from trademarks. This objectivism is quite differ-
ent from the more subjective analysis of social planning, as discussed
infra.

2. Social Planning

a. Overview of the Social Planning Theory

The term "social planning theory" was coined by Professor William
Fisher as a way to solidify various ideas proposing that intellectual prop-
erty rights "can and should be shaped so as to help foster the
achievement of a just and attractive culture." These various ideas in-
clude "Consumer Welfare", "A Cornucopia of Information and Ideas", a
"Sociability" and "Respect." Social planning theory primarily differs
from utilitarianism "in its willingness to deploy visions of a desirable
society richer than the conceptions of 'social welfare' deployed by utili-
tarians."

Comparing trademarks to other types of intellectual property, social
planning theory is not as widely applied to trademarks as it is to copy-
rights or patents. One reason could be the commercial aspect of
trademarks, which does not lend itself as easily to a dialogue of most of
the social planning theory concepts. While trademarks have become im-
portant symbols in daily life, extending beyond the underlying

in defining and measuring society's welfare."). See generally Bernard Williams, A Critique of
Utilitarianism, in UTILITARIANISM FOR AND AGAINST 77 (1973).
61. Id. at 1216–18 (providing a brief explanation of each theory).
63. See generally Keith Aoki, Distributive and Syncretic Motives in Intellectual Prop-
erty Law (with Special Reference to Coercion, Agency, and Development), 40 U.C. DAVIS L.
REV. 717 (2007) (presenting an analysis of copyright and patent protection with a focus on
distributional considerations); Niva Elkin-Koren, Copyright Law and Social Dialogue on the
Information Superhighway: The Case Against Copyright Liability of Bulletin Board Opera-
tors, 13 CARDOZO ARTS & ENT. L.J. 345 (1995) (arguing that in a digital environment, social
costs to dialogue and distributive choices should be considered when debating copyright prin-
ciples and doctrines); William W. Fisher, III, Reconstructing the Fair Use Doctrine, 101 HARV.
L. REV. 1744 (1988) (formulating the fair use doctrine from the perspective of the "good life"
and "good society" conceptualizations) [hereinafter, Fisher, Fair Use]; Michael Madow, Pri-
vate Ownership of Public Image: Popular Culture and Publicity Rights, 81 CAL. L. REV. 125
(1993) (questioning the right of publicity due to the costs to society of "free expression and
cultural pluralism"); Neil Weinstock Netanel, Copyright and a Democratic Civil Society, 106
YALE L.J. 283 (1996) (reframing copyright protection from a "democratic paradigm" stand-
point).
products, there may still remain a bias towards viewing trademarks as having nothing more to add to society than mere symbols used to purchase products.

While several components of social planning theory have existed as long, or perhaps longer, than the other theories, as applied to intellectual property, it is acknowledged that social planning theory as a whole is less developed and less recognized. There are at least two reasons for this. First, since defining the ideal uses of intellectual property in society is subjective, judicial decisions could vary radically based on an individual's subjective understanding of trademark law. Second, social planning has overtones of paternalism, which may help to explain why U.S. courts have traditionally shied away from using such theory to promote intellectual property, preferring to rely on more objective theories, such as utilitarianism. However, these two reasons may help explain why social planning theory has been adopted in China, as China's history is steeped in subjective governance and paternalism.

64. See Alex Kozinski, Trademarks Unplugged, 68 N.Y.U. L. REV. 960, 972-73 (1993) ("trademarks play a significant role in our public discourse"); Rochelle Cooper Dreyfuss, Expressive Genericity: Trademarks as Language in the Pepsi Generation, 65 NOTRE DAME L. REV. 397, 397 (1990) ("ideograms that once functioned solely as signals denoting the source, origin, and quality of goods, have become products in their own right, valued as indicators of the status, preferences, and aspirations of those who use them"); Jessica Litman, Breakfast with Batman: The Public Interest in the Advertising Age, 108 YALE L.J. 1717, 1727-28 (1999) ("Consumers have come to attach enormous value to trade symbols, and it is no longer uncommon to see the symbols valued far in excess of the worth of the underlying products they identify.").

65. Fisher, Theories, supra note 48, at 173 ("[a]s yet, however, this fourth approach is less well established and recognized than the other three.").

66. Fisher, Property & Contract, supra note 20, at 1215-16 ("[W]hat are the features of a just and attractive culture? The difficulty of answering that question is, I think, the principal reason the method has not gained more adherents . . .").

67. Id.; but cf. McCarthy, supra note 54, § 1:18 ("Unfair competition law is probably unique in the sense that many judges are not reluctant to reveal that they do draw upon their own conceptions of 'morality' in deciding a close case. Judicial characterizations of commercial morality may assume picturesque qualities.").

The Chinese tradition of paternalism, augmented by the socialist ideals of the current Chinese government, has created an environment where the government is not averse to imposing its vision of a better Chinese society. The two main goals of the Chinese theory of trademarks directly embody the concept of deploying a vision of the “desirable” Chinese society.

b. Consumer Welfare

Consumer welfare is defined both literally and figuratively. The literal meaning, concern for the health and safety of consumers, is apt with respect to trademarks, as “[t]rademarks fix responsibility.” The source identifier provides a way to find the manufacturer of the product. If a product turns out to be defective and harmful to the health or safety of the consumer, the original manufacturer can be tracked down and held liable. In essence, under this concept, manufacturers need to provide a level of quality in their products so as to not harm the consuming public.

Interestingly, this literal interpretation of consumer welfare appears very similar to the utilitarian concern about quality. Under the utilitarian...

---

the lack of control the national government in Beijing has over the local governments with respect to threats of retaliation against foreign businesses who complain about a lack of effective intellectual property enforcement). However, localism is threatening to cause increased widespread differences in application of trademark laws in China. See Maskus, Dougherty & Mertha, supra note 27, at 309–10 (discussing the decentralized nature of the bureaucracies in charge of enforcing intellectual property rights).

69. As such, the downsides to social planning theory identified by Professor Fisher are not detracting factors from the Chinese perspective. See supra note 66 and accompanying text. The adoption of a social planning theory does not necessarily equate with a lack of compliance with TRIPS. However, there are certain provisions (or lack thereof) in the current laws that do not necessarily meet the TRIPS requirements. See infra Part V and the discussion therein.

70. Since the Chinese social planning theory is premised on consumer welfare and distributive theories, see infra Part IV.B., the former a traditional concept of trademarks and the latter a commercial utility view, this Article does not contend that the current Chinese theory is intended to foster anything but the health and safety of consumers, while at the same time redistributing the wealth gained through trademarks. While outside the scope of this Article, it would be interesting to analyze whether the other “social planning” goals identified by Professor Fisher could take root in China one day.

71. Professor Fisher describes consumer welfare with respect to intellectual property as a “guideline [that] urges us to select a combination of rules that will maximize consumer welfare by optimally balancing incentives for creativity with incentives for dissemination and use.” Fisher, Theories, supra note 48, at 192.


73. The term “source identifier” is used to distinguish between the modern trademark (a type of property embodying the goodwill of the trademark) and the symbols used to identify the source of the product. See McCarthy, supra note 54, § 5:1 (the “prime function [source identifier] was to trace defective merchandise back to workman.”)

theory, without consistent quality, consumers are not in a position to purchase products by relying only on the trademark.\(^75\)

The difference between the two theories, vis-à-vis the consumer and quality, is in their applications. The American utilitarian notion of quality is tied to an economic efficiency concept, namely, that the product should be such a quality that the consumer will continue to pay for it.\(^76\) This presents a problem for those consumers who may lack the ability to pay for products at a quality level that is safe. A utilitarian theory would allow the trademark owner to reduce quality in order to reduce prices, which would result in a race to the bottom that may harm consumers.\(^77\) Since the Chinese notion of consumer welfare is tied to a more paternalistic concept, a level of quality in trademarked products that guarantees, at a minimum, that trademarked products are safe to consume, is naturally required. In effect, the trademark law is used as a type of product safety law, in addition to the other laws that currently legislate product quality and consumer protection.\(^38\)

c. Distributive Justice

In granting a trademark registration (or recognizing a right to a trademark),\(^79\) the government provides the brand owner with exclusive

---

75. See Landes & Posner, supra note 56, at 168 ("When a brand's quality is inconsistent, consumers learn that the trademark does not enable them to relate their past to their future consumption experience; the trademark does not reduce their search costs...").

76. See McCarthy, supra note 54, § 2:4 ("[I]f there were no trademarks... a manufacturer would gain little or nothing from improving his product's quality. Consumers would be unable to recognize high- or low-quality brands, so sales would tend to go to manufacturers who reduced their price by cutting corners on quality. The result would be a race to produce inferior products, rather than competition to produce better ones."); see also Bone, supra note 24, at 2107.

77. See McCarthy, supra note 54, § 2:4. This is tempered in the United States with the application of consumer safety laws.

78. See Peter K. Yu, From Pirates to Partners (Episode II): Protecting Intellectual Property in Post-WTO China, 55 Am. U. L. Rev. 901, 953 (2006) ("If the product copy is of inferior quality, selling it under a trade mark is an offense...") (quoting Mary L. Riley, Strategies for Enforcing Intellectual Property Rights in China, in PROTECTING INTELLECTUAL PROPERTY RIGHTS IN CHINA 65 (Mary L. Riley ed., 1997)) [hereinafter Yu, Pirates to Partners]. Interestingly, commentators have long suggested that one way to enforce trademark rights in China (whether registered or not) is through a focus on quality concerns. A trademark owner can apply to either the Administration for Industry and Commerce or the Technical Supervision Bureau (the AIC's authority comes from the Trademark Law or the Anti-Unfair Competition Law, the TSB under the Product Quality Law or the Consumer Protection Law) for enforcement of trademark rights disguised as quality-related problems that harm the health of consumers. Id. at 953–54 n.255. This alternate method of enforcement is akin to the suggestions made in Part V of this Article, arguing that one way to effectively persuade Chinese policymakers to revise the Trademark Law is by reframing the issues from a consumer welfare standpoint. See infra Part V.

79. There are two bases that give rise to a trademark right. One is the first-use right, which provides protection to the first user of a trademark. The second is registration, which
rights to that trademark. A trademark grants its holder the right to exclude others from using a similar representation that would infringe upon that trademark. And in the case of new products where the trademark in effect provides the only method of description, the trademark owner has a type of "language monopoly" in describing the new product. With such "language monopoly" in describing the product, the first market entrant can discourage competition. Today, trademarks are keys to economic success for products or services. A famous or well-known trademarked product or service can garner a significant premium over a more obscure product or service, even though they may be of the same quality.

Application of a redistributive theory of trademark law would continue to grant these rights but temper them to allow as much access as possible, while still maintaining the trademark. In applying this theory in a trademark application, the scope of descriptiveness should be broad and, correspondingly, the scope of distinctiveness should be construed narrowly. This may prevent a grant of exclusivity to marks for new products which have no way other than the trademark to describe them, by deeming the new mark as descriptive of the product, and thus allowing more access to other potential users. In addition, a narrow view of trademark infringement based on similarity would eliminate exclusivity to marks unless the allegedly infringing mark was virtually identical.

---

80. See, e.g., TRIPS, supra note 8, art. 16(1) ("The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.").
81. Id.
82. LANDES & POSNER, supra note 56, at 172 (providing the examples of Kleenex, Xerox, and Aspirin).
83. See Fisher, Theories, supra note 48, at 170 ("[T]rademarks can sometimes be socially harmful—for example by enabling the first entrant into a market to discourage competition by appropriating for itself an especially attractive or informative brand name.").
84. See Landes & Posner, supra note 52, at 278–79; Meiners & Staaf, supra note 53, at 931; see also Playboy Enters., Inc. v. Baccarat Clothing Co., 692 F.2d 1272, 1275 (9th Cir. 1982).
85. Professor Fisher defines distributive justice as, "To the greatest extent practicable, all persons should have access to the informational and artistic resources [of art]." Fisher, Property & Contract, supra note 20, at 1217. Instead of providing access to "informational and artistic resources," a redistributive trademark theory provides access to the goodwill built up in a trademark in order to redistribute the wealth created by it.
86. See, e.g., Du Pont Cellophane Co. v. Waxed Prods. Co., 85 F.2d 75, 77–78 (2d Cir. 1936) (holding that the word "cellophane" was descriptive of the underlying product and as such, was a generic term for the product and not a trademark).
thus making trademarks available to more individuals. In contrast to utilitarianism, which is primarily concerned with protecting lowered search costs for consumers, a redistributive theory of trademark law extends the concern beyond the consumers; lowered search costs to the trademark owner, and even to other producers trying to enter the marketplace. According to Professor Margaret Chon, the "[intellectual property] balance question . . . [is] which social group (creators or users) is entitled to use of a particular type of social good (that is, an [intellectual property]-protected knowledge good)."87

From an economic standpoint, intellectual property was positioned as a social good by China's reform government of the 1970s.88 As one of the keys to economic success, intellectual property protection was viewed as a building block to encourage foreign investment in China. This would allow for growth across all sectors,89 a belief that persists to this day.90 China's response to the intellectual property balance question has been to allow greater access to users of intellectual property and through the trademark laws, provide access and availability to new market entrants (which may include infringers) to some of the economic value built by previous market entrants.91 Redistribution is supplemented (and balanced at times) by the consumer welfare goal, as is reflected through the text of the Trademark Law and the views of the policymakers.92

B. Historical Foundations

The roots of both U.S. and Chinese trademark law appear similar from archaeological evidence, as both Roman bricks93 and ancient Imperial-age Chinese pottery have been found with source identifiers.94 Similarly, re-

---

87. Chon, supra note 22, at 808.
89. Id. at 192.
90. See Protection in China, supra note 26.
91. See, e.g., Toyota Motor Corp. v. Geely Group Corp., CHINA L. & PRAC., Dec. 2003 (Beijing No. 2 Intern. People’s Ct., Nov. 24, 2003), and text accompanying note 44.
92. See infra Part IV.B.
94. See Abraham S. Greenberg, The Ancient Lineage of Trade-Marks, 33 J. PAT. & TRADEMARK OFF. SOC’y 876, 878 (1951) (“It is to the Chinese . . . that one must credit the first recorded marks of origin. The earliest evidence of the use of trade-marks is found on Chinese pottery of the period of the Chinese Emperor Hoang-To [2698 B.C.].”); Ke Shao, Look at My Sign!—Trademarks in China from Antiquity to the Early Modern Times, 87 J. PAT. & TRADEMARK OFF. SOC’y 654, 656–57 (2005) (“Various names of the individual commercial
cords reflect that misappropriation of source identifiers is not a new phenomenon for either country and can be traced far back in both their histories. In both regions, protection for such misappropriation was granted to the original user; however, such protection was not necessarily widespread, nor was it accomplished through judicial channels. European guilds and Chinese clans were generally responsible for policing the use of source identifiers and for taking action against misappropriators. Beyond these superficial similarities, the histories of American and Chinese trademark law are extremely different. The following historical differences will provide insight into the evolution of the current theoretical underpinnings of the two countries: (1) the genesis of trademark law in each country; (2) the continuity of trademark law; and (3) the evolution of principles and goals of each country’s trademark law.

1. Genesis of Trademark Law

U.S. trademark laws are organic to the United States: American individuals and businesses wanted and sought trademark protection. In the United States, the earliest call for government legislation providing for trademark protection was a petition to the House of Representatives from Boston sail-cloth manufacturers in 1791. The first federal trademark law was passed in 1870, and, with a few twists and turns, culminated in producers were found to be marked on a significant amount of potteries excavated from ten tombs of the Warring States Period (403-221 B.C.) in Hebei province in 1956.

95. See ALFORD, supra note 68, at 16 (describing counterfeiting during the Northern Song dynasty, 960–1127 A.D. in China); Diamond, supra note 93, at 236 (citing examples from the thirteenth through sixteenth centuries in Europe).


98. While the early history of trademarks (as source identifiers) traces back to Roman times and the common law of trademarks is imported from England, see supra notes 93, 95, 97, statutory protection of trademarks originated from the desire of U.S. businesses.

99. Rogers, supra note 97, at 251–52 (citing JEFFERSON’S COMPLETE WORKS, Vol. 7, 563 (1854)). See also SCHECHTER, supra note 72, at 130–33; Benjamin G. Paster, Trademarks—Their Early History, 59 TRADEMARK REP. 551, 566–67 (1969). Rather than federal action, trademark law first developed at the state level. See McCARTHY, supra note 54, § 5:3.


101. The 1870 law was declared unconstitutional by the United States Supreme Court in The Trade-Mark Cases, 100 U.S. 82, 99 (1879). The authority for the 1870 law had been based on the patent and copyright clause of the Constitution, which was found unconstitutional. The Supreme Court held that Congress had inappropriately clumped the power to regulate trademarks in with the power to regulate patents and copyright. As Justice Miller stated in the Court’s opinion, “Any attempt . . . to identify the essential characteristics of a trade-mark with inventions and discoveries in the arts and sciences, or with the writings of
the Lanham Act in 1946, which remains the basis for federal trademark protection today.\textsuperscript{102} In contrast, the first official Chinese trademark legislation (enacted in 1923) was the result of China's concessions in the treaties of 1903 and 1904 after losing in the Boxer Uprising.\textsuperscript{103} However, the passage of this law did not provide real improvement in trademark protection.\textsuperscript{104} With the victory by the Communist party in 1949, trademark protection became minimal and was eventually repealed altogether.\textsuperscript{105} It was not until the late 1970s that protection for trademarks was re-established, due in part to American influences. The United States entered into the 1979 Agreement on Trade Relations with China,\textsuperscript{106} leading to China's enactment of the 1982 Trademark Law. The subsequent revisions to China's statutory and intellectual property framework are due in large part to American activism in China since the 1980s.\textsuperscript{107}

2. Continuity of History

While American trademark legal history can be viewed as an unbroken chain, the history of Chinese trademark law is more disjointed. As a common law system derived from England, the history of U.S. trademark law stretches back to the late sixteenth century, when the first judicial case granted a right of action based on mark misappropriation.\textsuperscript{108}

\begin{itemize}
  \item Cong. enacted a new law in 1881 (Act of Mar. 3, 1881, ch. 138, 21 Stat. 502), which was overhauled in 1905 (Act of Feb. 20, 1905, ch. 592, 33 Stat. 724). Throughout the ups and downs of the federal legislation, the common law continued to provide protection. \textit{See} \textit{McCARTHY, supra} note 54, § 5:2 ("By the 1850s, common law rules against ... trademark infringement were well accepted.").
  \item \textit{See} \textit{Yu, Sweet and Sour, supra} note 34, at 3 n.25.
  \item After the Communist party took control in October 1949 and created the People's Republic of China, all of the laws passed under the Republican government prior to 1949 were repealed. However, these laws continued in effect in the Republic of China based on Taiwan (including the 1923 trademark law). The Communist government initially provided for a type of protection for re-registered trademarks in the 1950s and 1960s, but very few trademarks were actually re-registered. Charles D. Paglee, \textit{Chinese Trademark Law Revised: New Regulations Protect Well-Known Trademarks}, 5 \textit{U. BALTIMORE INTELL. PROP. L.J.} 37, 38–40 (1997).
  \item Agreement on Trade Relations, U.S.-P.R.C., July 7, 1979, 31 U.S.T. 4651.
  \item \textit{See} \textit{supra} note 19 and accompanying text. Prior to the early 1990s, China lacked the legal framework to adequately handle intellectual property protection. \textit{See} \textit{ALFORD, supra} note 68, at 67.
Sixteenth century misappropriation cases have continued to serve as foundations for modern trademark infringement cases. While the federal statutory history of trademark law in the United States has not always been consistent (such as the Supreme Court declaring the first trademark law unconstitutional), there has never been a total elimination of trademark protection like in China.

Although China passed its first trademark law in 1923 during the Great Proletarian Cultural Revolution (1966–1976), all notions of trademarks, even as source identifiers, were eliminated. A popular saying in China during the Cultural Revolution highlights the prevailing sentiment: “Is it necessary for a steel worker to put his name on a steel ingot that he produces in the course of his duty? If not, why should a member of the intelligentsia enjoy the privilege of putting his name on what he produces?” Trademark protections were not reinstated until the reform government of Deng Xiaoping in the late 1970s, and the current Trademark Law was not passed until 1982.

---

109. Blanchard v. Hill, 2 Atk. 484, 26 Eng. Rep. 692 (1742), was the first English case to cite Southern v. How, 79 Eng. Rep. 1243. However, the use of Southern v. How by the plaintiff’s attorney in this case was not helpful to the plaintiff, as the court still decided against granting an injunction against the defendant. Tradition cases became more numerous during the nineteenth century. Millington v. Fox, 3 Myl. & Cr. 338, 40 Eng. Rep. 956 (1838) was the first case that provided “adequate relief against infringement”. See Rogers, supra note 97, at 251; see also Schechter, supra note 72, at 134; Stolte, supra note 108, at 517–18.

110. See supra note 101 and accompanying text.


112. See Paglee, supra note 105, at 39 (stating that only foreign marks used in China and Chinese marks on exports received protection).

113. Bryan Bachner, Back to the Future: Intellectual Property Rights and the Modernisation of Traditional Chinese Medicine, in NEW FRONTIERS OF INTELLECTUAL PROPERTY LAW 1, 11 (Christopher Heath & Anselm Kamperman Sanders eds., 2005). During the Cultural Revolution, products were sold under generic labels such as “Red Flag,” “East Wind,” and “Worker-Peasant-Soldier.” Mark Sidel, Copyright, Trademark and Patent Law in the People’s Republic of China, 21 TEX. INT’L L.J. 259, 272 (1986). From an outsider’s perspective, the result was “that quality varied widely, massive unauthorized copying occurred and consumer confusion was rampant.” Id.
3. Principles and Goals

During the European medieval period, guilds began to require their members to develop singular personal identification marks and use such marks alongside the guild mark.\textsuperscript{114} This development of the personal mark appears to have been the genesis of the optional, individual, property-rights concept in the U.S. tradition.\textsuperscript{115} Protection in the early days of the United States was sought through the court system, which provided recourse against trademark infringers based on theories of fraud upon the plaintiff.\textsuperscript{116} Courts saw the provision of this protection as being in the public interest, as well as in the interest of the trademark owner.\textsuperscript{117} The traditional principle of source identifiers as a liability evolved into viewing a trademark as an asset,\textsuperscript{118} a type of individual property meriting exclusivity and protection from misappropriators. The goal of American trademark law was (and still is) the protection of such assets, but only insofar as consumers warrant the protection.\textsuperscript{119}

\begin{itemize}
\item \textsuperscript{114} \textit{Schechter}, supra note 72, at 38, 44; Rogers, supra note 97, at 244.
\item \textsuperscript{115} \textit{See Schechter}, supra note 72, at 47.
\item \textsuperscript{116} For one of the earliest U.S. trademark cases, \textit{see} Thomson v. Winchester, 36 Mass. 214 (1837). Chief Justice Shaw stated:
\begin{quote}
The Court are of opinion, that if the defendant made and sold medicines, calling them "Thomsonian Medicines," and sold them, or placed them in the hands of others to sell, as and for the medicines made and prepared by the plaintiff, so that persons purchasing the same supposed and believed that they were purchasing the medicines made and prepared by the plaintiff, it was a fraud upon the plaintiff, and an injury to his rights, for which the law will presume some damage.
\end{quote}
\textit{Id.} at 216.
\item \textsuperscript{117} \textit{See} Amoskeag Mfg. Co. v. D. Trainer & Sons, 101 U.S. 51, 55, 62 (1879). In his dissenting opinion, Justice Clifford stated:
\begin{quote}
[It] is equally true that the owners of such trade-marks are entitled to the protection of a court of equity in the exclusive use of the symbols they have thus adopted and affixed to their goods, the foundation of the rule being that the public interest as well as the interest of the owner of the trade-mark requires that protection.
\end{quote}
\textit{Id.} at 62.
\item \textsuperscript{118} \textit{Schechter}, supra note 72, at 47 ("In the course of time in certain trades, these police marks or liability marks gradually became... asset marks,—that is to say, they became valuable symbols of goodwill.").
\item \textsuperscript{119} \textit{See}, e.g., McLean v. Fleming, 96 U.S. 245, 255 (1878) (finding of trademark infringement by McLean based on the mark creating a "false impression" in the mind of the consumer, since if the consumer is able to "discriminate the one from the other" after an "ordinary" inspection, then there is no infringement). As such, the right to exclude another in using a trademark actually stems from the consumer's perception of the trademark. \textit{See} McCarthy, supra note 54, § 2:14. This consumer confusion test is the same one which continues to be applied today. \textit{See} Lanham Trademark Act of 1946 §32(1)(a), 15 U.S.C. § 1114(1)(a) (2006):
\begin{quote}
(1) Any person who shall, without the consent of the registrant—(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered
\end{quote}
\end{itemize}
In contrast, the traditional concept of source identifiers as a way to fix liability and guarantee quality was carried into the Chinese trademark laws promulgated in the twentieth century. In 1963, the Regulations Governing the Control of Trademarks was promulgated by the State Council which declared that its purpose was to guarantee the quality of products.\(^{120}\) The 1982 Trademark Law, seen as a break with old concepts of trademarks,\(^{121}\) stated, “Any user of a trademark shall be responsible for the quality of the goods in respect of which the trademark is used.”\(^{122}\) This quality requirement fulfilled the need to protect the health and safety of consumers in an environment that traditionally did not have strong consumer protection laws.\(^{123}\)

In addition, it was not until recently that it was possible to conceive of trademarks as a type of property right, from either the consumer’s point of view or that of the trademark user.\(^{124}\) As such, the concept of trademarks as a type of asset (as embodied by the goodwill of the trademark) never took root in China. It was not until the reform government of the 1980s that trademarks began to be perceived as a means to improve the economy. After the Cultural Revolution, the reform government under the reign of Deng Xiaoping reinstituted the pre-Cultural Revolution trademark law regime in the hopes that China could

\(\text{Id. (emphasis added).}\)

\(^{120}\) Shangbiao guanli tiaoli, art. 3 [Regulations Governing the Control of Trademarks] (promulgated by the State Council, Apr. 10, 1963), available at http://www.lawyee.net/Act/Act_Display.asp?ChannelID=1010100&RID=83990&KeyWord= (in Chinese only) (“Trademarks represent the quality of commodities.”).

\(^{121}\) See ALFORD, supra note 68, at 74 (“[T]he Trademark Law of 1982 was widely heralded by both Chinese and foreign observers as representing a clean break from previous efforts to regulate [trademarks].”).

\(^{122}\) Trademark Law, supra note 7, art. VI (1982 version). This is now embodied in the current Trademark Law at Article VII.

\(^{123}\) ALFORD, supra note 68, at 63, 75. Although the concern for health and safety was encouraged by the Communist government (see Yu, Pirates to Partners, supra note 78, at 953), the reality was a lack of effectiveness, which remains the case today. See, e.g., WAYNE M. MORRISON, CHINA-U.S. TRADE ISSUES 9–10 (Cong. Research Serv., CRS Report for Congress Order Code RL 33536, July 11, 2007), available at http://www.fas.org/sgp/crs/row/RL33536.pdf; Nicolas Zamiska, Jason Leow, & Shai Oster, China Confronts Crisis Over Food Safety, WALL ST. J., May 30, 2007, at A3.

\(^{124}\) Until 2004, there was no legal protection for an individual’s right to own property. The Chinese Constitution was amended in 2004 to provide for individual property rights, and the first property law was enacted in 2006. See infra note 172. However, some scholars argue that a concept of individual property was embodied in pre-modern China source identifiers. See Shao, supra note 94, at 658, 662–65, 678 (discussing the various codes, policies and archaeological evidence to argue that the concept of rights was embodied in the source identifiers used during pre-modern China).
catch up economically and industrially to Western nations through Western investment in China.\textsuperscript{125} The reform government recognized that, at the very least, providing an outward appearance of protection of intellectual property rights in China would encourage foreign investment of technology in the country.\textsuperscript{126} With such growth, it was believed that the resulting wealth could then be redistributed in order to alleviate the widespread poverty,\textsuperscript{127} while protecting the health and safety of consumers. While the 1982 Trademark Law was passed partly as a result of American influences, the goals of the law remained Chinese. The 1982 Trademark Law embodied the goals of consumer protection and redistribution.

These three differences between the American and Chinese trademark legal histories are crucial to a complete understanding of the current system in China. Whereas the Lanham Act was the culmination of an organic movement for trademark protection,\textsuperscript{128} the growth of Chinese trademark law failed to develop past medieval clan protection until American influ-

\begin{footnotesize}
\begin{itemize}
\item{126} See Yu, China Puzzle, supra note 88, at 191–92; see also Pitman B. Potter, The Chinese Legal System: Globalization and Local Legal Culture 1 (Routledge 2001) (discussing the link seen by China between legal reforms and economic development).
\item{127} Lo, supra note 25, at 29.
\item{128} Since the passage of the Lanham Act, American individuals and businesses have pushed for expanded trademark protection, even going beyond the traditional utilitarian theory of American trademark law. The most recent pressure for expanded protection culminated in the passage of the Federal Trademark Dilution Act in 1995. With the subsequent passage of the Trademark Dilution Revision Act in 2006, the traditional theory of trademarks as protecting consumers’ search costs has been pushed to its outer limits. Dilution is a cause of action that can technically provide a trademark owner with complete exclusivity over her trademark, without looking to consumer perception. The TDRA provides that the owner of a famous and distinctive mark is entitled to protection from dilution caused by another’s use of such mark, “regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.” 15 U.S.C. § 1125(c)(1) (2007). For a further discussion of dilution, see generally Robert Bone, Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law, 86 B.U. L. REV. 547, 550 (2006); Mary LaFrance, No Reason to Live: Dilution Laws as Unconstitutional Restrictions on Commercial Speech, 58 S.C. L. REV. 709 (2007); Graeme B. Dinwoodie & Mark D. Janis, Dilution’s (Still) Uncertain Future, 105 Mich. L. REV. FIRST IMPRESSIONS 98 (2006), available at http://students.law.umich.edu/mlr/firstimpressions/vol105/dinwoodie.pdf.; Sara Stadler Nelson, The Wages of Ubiquity in Trademark Law, 88 Iowa L. Rev. 731, 756 (2003). While exceptions exist, such as fair use, see 15 U.S.C. § 1125(c)(3), concerns remain that dilution may create a chilling effect. Lisa P. Ramsey, First Amendment Limitations on Trademark Rights, in 3 INTELLECTUAL PROPERTY AND INFORMATION WEALTH: ISSUES AND PRACTICES IN THE DIGITAL AGE 147, 153 (Peter K. Yu ed., 2007) (arguing that dilution may “unconstitutionally suppress and chill commercial speech protected by the First Amendment.”). As trademark owners can effectively corner a segment of the English language with their trademarks, developments in dilution have implications in the First Amendment area. See generally id., at 160–61.
\end{itemize}
\end{footnotesize}
ences forced further growth of such laws in China. The lack of a popular, organic Chinese movement for trademark laws has theoretically effected the current system. Without an organic movement, Chinese policymakers’ efforts to introduce external intellectual property rights into the Chinese legal system have faced a steep implementation curve. In addition, the elimination of trademarks during Mao-era China curtailed a natural evolution of trademark theory. A great many of China’s current legal scholars, jurists, and practitioners were raised during the Cultural Revolution, and as such, their experience of modern trademark law literally began with the 1982 Trademark Law. As China has raced (under pressure) to catch up to the rest of the world, its legal profession has focused on the drafting and revising of trademark legislation over the past two decades. With such focus on legislation, there has been little time or interest for Chinese scholars, jurists, or practitioners to consciously reflect on the various theories that may underlie trademark law and adopt any one particular theory. Thus, the twin goals of consumer welfare and economic growth (on both macro and micro levels) have been an outgrowth of the historical and philosophical notions of trademark laws, and are reflected in the text and interpretation of the current law.

IV. ADOPTION OF THEORY: LANHAM ACT v. CHINESE TRADEMARK LAW

Although no single theoretical justification for trademark law necessarily precludes another, and while some theories can coexist, this Article chooses to focus on the most influential theoretical justifications that underlie trademark laws in the United States and in China. These primary justifications will be discussed through a textual and comparative analysis of the relevant laws, with an examination of the intent of each law as found in the text of the original legislation. This Article

129. See supra note 6 and accompanying text.
130. See Maskus, Dougherty & Mertha, supra note 27, at 311.
131. This Article will follow the general principle that the intent of the law should be interpreted through the unambiguous plain language of the law. See, e.g., Vienna Convention on the Law of Treaties art. 31, May 23, 1969, 1155 U.N.T.S. 331 (in interpreting a treaty, “in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose.”); see also United States v. Alvarez-Sanchez, 511 U.S. 350, 356 (1994) (“When interpreting a statute, we look first and foremost to its text.”); Park ’N Fly, Inc. v. Dollar Park & Fly, Inc., 469 U.S. 189, 194 (1985) (“Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose.”); Botosan v. Paul McNally Realty, 216 F.3d 827, 831 (9th Cir. 2000) (“Statutory interpretation begins with the plain meaning of the statute’s language.”).
will then consider relevant legislative history in which the original drafters or legislators may have stated their purposes in enacting such laws.\textsuperscript{132} Lastly, in order to demonstrate that these theories have remained the same over time, this Article considers the text and legislative history (if any) of significant amendments, as well as current case law and judicial statements of the application and purposes of such laws.\textsuperscript{133}

A. The American Theoretical Justification

Traditionally, the theoretical justification of U.S. trademark protection in the Lanham Act and the common law has been utilitarianism.\textsuperscript{134} However, some scholars have argued that other theories justify recent court decisions and legislative actions, which are being used to expand trademark protection.\textsuperscript{135} However, these are new developments, and there is insufficient evidence that the utilitarian theory of American trademark law has changed.

The Lanham Act codified common law trademark protection; it was not an enactment of radical legislation.\textsuperscript{136} The explicit utilitarian intent of the Lanham Act is found in Section 45, which has never been amended:

\begin{itemize}
  \item[132.] Both the Lanham Act and the Chinese Trademark Law will be analyzed to provide a juxtaposition to highlight the differences between the two laws, and the legislative and judicial processes of the two countries.
  \item[133.] While there is a difference between legislative intent and abstract theoretical principles, it can be a fine distinction. In the case of the Lanham Act, the legislative intent mirrors the principles of American utilitarianism in trademark law, as the Lanham Act merely codified the common law and its underlying theory. In the case of the Chinese Trademark Law, the opposite is true, as the theoretical principles of welfare (consumer and distributional) were used unconsciously as reasons to adopt the law.
  \item[134.] See, e.g., MERGES, MENELL \& LEMLEY, supra note 24, at 10 ("Utilitarian theory, and the economic framework built upon it, has long provided the dominant paradigm for analyzing and justifying the various forms of intellectual property protection."); BENKLER, supra note 24, at 59–60 ("[T]he basic ideological commitment of American intellectual property is actually heavily utilitarian, not Lockean or Hegelian. The Supreme Court has held consistently and unanimously that American law explicitly treats intellectual property rights in utilitarian terms, as limited monopolies granted to the extent necessary to create incentives for production."); see also, BONE, supra note 24, at 2105–08; RAMSEY, supra note 24, at 194, 249.
  \item[135.] For example, the passage of the Federal Trademark Dilution Act (superseded by the Trademark Dilution Revision Act in 2006) has been seen as an expansion of trademark law protection. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (1995), superseded by Pub. L. No. 109-312, §2, 120 Stat. 1730 (2006) (codified as amended at 15 U.S.C. §1125(c)). Compare GLYNN S. LUNNEY, JR., TRADEMARK MONOPOLIES, 48 EMORY L.J. 367, 439–40 (1999) (arguing that the proportionization of trademarks accounts for this expansion), with BONE, supra note 24, at 2122–23 (posing that enforcement costs are an alternative explanation for some of the expansive trademark doctrines); see also MERGES, MENELL, LEMLEY, supra note 24, at 618 (noting that, since the codification of trademark law in the U.S., trademark protection has been on an expansive track).
  \item[136.] S. REP. No. 79-1333, at 1 (1946), as reprinted in 1946 U.S.C.C.A.N. 1274, 1274 ("The purpose of this bill is to place all matters relating to trademarks in one statute and to eliminate judicial obscurity, to simplify registration and to make it stronger and more liberal,
The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.  

The first and fourth phrases in this paragraph, "making actionable the deceptive and misleading use of marks in such commerce," and "to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks," embody the principal utilitarian goal behind U.S. trademark law; namely, to protect against consumer confusion that would erode the lowered search costs that trademarks bring. Evidence of this intent to carry over the utilitarian justifications from the common law is found in the legislative history of the Lanham Act, which states repeatedly, "One [goal] is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get." The second phrase of the Act, "to protect registered marks used in such commerce from interference by State, or territorial legislation," acknowledges that a trademark is an exclusive right, which cannot be

to dispense with mere technical prohibitions and arbitrary provisions, to make procedure simple, and relief against infringement prompt and effective."). See Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 861 n.2 (1982) (White, J., concurring) (citing S. Rep. No. 79-1333 (1946) (noting that "the purpose of the Lanham Act was to codify and unify the common law of unfair competition and trademark protection").

137. 15 U.S.C. § 1127 (2007). Congress had a dual purpose in stating its intent. The first was to explain the theory underlying the law. The second was to explicitly cite the authority that gave Congress the power to enact the Lanham Act, which is the Commerce Clause (U.S. Const. art. I, § 8, cl. 3).


violated by the States. 140 This purpose is further reflected in Section 40 of the Lanham Act, which holds the U.S. federal government (including "agencies and instrumentalities thereof") and individual States liable for infringement in certain cases. 141 While Congress may have overstepped its constitutional authority, this explicit acknowledgement (even if unenforceable at times 142 ) of an individual’s right in her trademark is noticeably absent from the Chinese Trademark Law.

The third phrase of the Act, "to protect persons engaged in such commerce against unfair competition," embodies the second utilitarian goal of trademark law, which is to protect an owner’s investment in her mark and in so doing, provide incentives for continued quality control. 143 As the Senate Committee on Patents report states, “where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law protecting both the public and the trade-mark owner.” 144 American jurisprudence acknowledges that the owner of a trademark needs to substantially invest in her trademark in order to gain traction with the consuming public. 145 Out of this investment comes goodwill, which is the intangible property that the owner’s trademark symbolizes. 146 In order to be able to provide

---


142. There have been Congressional attempts to rewrite these provisions so as to validly exercise its authority to abrogate State and federal immunity. The most recent example has been the Intellectual Property Protection Restoration Act of 2003 (H.R. 2344 and S. 1191, 108th Cong. (2003)).

143. Landes & Posner, supra note 56, at 203–04 ([I]f stripped of trademark protection, A would have less incentive either to develop a strong trademark or to produce a high-quality good.”); Dogan & Lemley, supra note 138, at 466 (without trademark protection, firms would be disincentivized to invest in the quality and goodwill of their products and services).


145. See, e.g., Chemical Corp. of Am. v. Anheuser-Busch, Inc., 306 F.2d 433, 434 (5th Cir. 1962) (Plaintiff had spent over $40 million in advertising its products and slogans. “Plaintiff advertised Budweiser beer with the slogans and trademarks on radio stations, television, national billboards, newspapers and national circulated magazines. The evidence shows that plaintiff’s sales have increased since 1956 and a great portion of the increase is attributable to the success of plaintiff’s advertising.”).

146. See McLean v. Fleming, 96 U.S. 245, 254 (1878) (“[A] trade-mark may consist of a name, symbol, figure, letter, form, or device, if adopted and used by a manufacturer or merchant in order to designate the goods he manufactures or sells to distinguish the same from
the benefits of reduced search costs for consumers that an established trademark provides, it is assumed that brand owners need incentives to keep the quality of their underlying product and service consistent.\footnote{147} Such incentives are provided through the protection by trademark law of the owner’s goodwill that she builds into her trademark through consistent quality and advertising. More recently, the utilitarian justification for the Lanham Act was affirmed in the Report of the Senate Committee on the Judiciary for the Trademark Law Revision Act of 1988, in which it was stated that part of the purpose of the act was “to improve the law’s protection of the public from counterfeiting, confusion and deception.”\footnote{148} In addition, the report goes on to recite the dual purposes of the Lanham Act:

Trademark law protects the public by making consumers confident that they can identify brands they prefer and can purchase those brands without being confused or misled. Trademark laws also protects [sic] trademark owners. When the owner of a trademark has spent considerable time and money bringing a product to the marketplace, trademark law protects the producer from pirates and counterfeitors.\footnote{149}

While the Federal Trademark Dilution Act of 1996 and other more recent doctrinal developments provide some support that the consumer-focused utilitarianism is moving toward a more property-based theory,\footnote{150} it does not appear that dilution is gaining much momentum in the courts.\footnote{151} Recent case law demonstrates continued entrenchment of utili-

\footnotesize{147. See Landes & Posner, supra note 56, at 173 (“trademark law induces its owner to invest in maintaining uniform product quality”).


149. Id. at 4, 1988 U.S.C.A.N.N. at 5580.

150. But see Mark McKenna, The Normative Foundations of Trademark Law, 82 Notre Dame L. Rev. 1840 (2007) (arguing that the traditional basis for trademark protection was founded on an intention to protect property interests of producers against unfair competition by direct competitors).

151. As an example, only 186 trademark infringement cases have been decided since 1996 where the Federal Trademark Dilution Act or the Trademark Dilution Revision Act was discussed. Of these cases, only 57 were decided since the Trademark Dilution Revision Act was passed on October 6, 2006. These numbers are based on the author’s search of www.lexis.com of the “U.S. combined federal case law” file on February 10, 2009 using “di-}
tarianism in the United States. As Judge Posner stated in *Ty Inc. v. Perryman*, "The fundamental purpose of a trademark is to reduce consumer search costs by providing a concise and unequivocal identifier of the particular source of particular goods." And in *Qualitex Co. v. Jacobson Co.*, the Supreme Court, citing Professor McCarthy's treatise, stated, "In principle, trademark law, by preventing others from copying a source-identifying mark, 'reduce[s] the customer's costs of shopping and making purchasing decisions ...'" Although there may be other theories that threaten to become the primary justification for U.S. trademark law, such theories do not appear to have gained widespread acceptance.

**B. The Chinese Theoretical Justification**

In stark contrast to American trademark law, the Chinese Trademark Law lacks any acknowledgement or debate of any theoretical justification. The 2007 Intellectual Property Rights Action Plan states that one of China's objectives is "[t]o strengthen the study on criminal, civil, administrative and judicial protection of [intellectual property rights], and try to produce theoretical outcomes, thus providing a theoretical basis for

---

152. See, e.g., Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 34 (2003) ("Federal trademark law 'has no necessary relation to invention or discovery,' but rather, by preventing competitors from copying 'a source-identifying mark,' 'reduce[s] the customer's costs of shopping and making purchasing decisions,' and 'helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product'" (citations omitted)); Sport Supply Group, Inc. v. Columbia Cas. Co., 335 F.3d 453, 460 (5th Cir. 2003) (a trademark "aids consumers by assuring them that products with the same trademark come from the same source"); Interactive Prods. Corp. v. a2z Mobile Office Solutions, Inc., 326 F.3d 687, 696 (6th Cir. 2003) ("The ultimate issue in this case, however, is not defendants' intent, but whether the presence of [plaintiff's trademark] in the URL post-domain path for [defendant's] web page is likely to cause confusion among consumers regarding the origin of the [plaintiff's] product."); Sunrise Jewelry Mfg. Corp. v. Fred S.A., 175 F.3d 1322, 1325 (Fed. Cir. 1999) ("The Lanham Act provides national protection of trademarks in order for owners of marks to secure the goodwill of their businesses and in order to protect the ability of consumers to distinguish among competing producers." (citation omitted)); EMI Catalogue P'ship v. Hill, Holiday, Connors, Cosmospulos Inc., 2000 U.S. App. LEXIS 30761, *13 (2d Cir. Sept. 15, 2000) (stating that trademarks "enable consumers to recognize and repurchase goods with which they have previously been satisfied."). See also Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003) (Note that while the Supreme Court upholds the traditional utilitarian view that "[trademark] law broadly prohibits uses of trademarks, trade names, and trade dress that are likely to cause confusion about the source of a product or service[,]" *Moseley* itself is about a more recent expansion of trademark doctrine, namely dilution.).


revising and improving [intellectual property rights]-related laws." As discussed in Part III.B., supra, one of the reasons for this lack of self-awareness is that the Chinese trademark system has been implemented into the Chinese legal system by foreigners. Without a strong organic legal tradition for such protection, China has been focusing primarily on drafting and revising its trademark laws. However, with the pending revisions to the Trademark Law, a change in focus is urgently needed. Without a better understanding of the current theoretical underpinnings of the Trademark Law, future application of the revised Trademark Law may continue to appear haphazard to foreigners, most especially the American government and businesses, which is likely to lead to continued conflict between the United States and China.

To complicate matters, any theoretical analysis is hampered by the lack of publicly available information. In China, there is no recorded legislative history similar to that in the United States. In contrast to the Congressional Record, where statements made on the floors of the House and Senate are in the public record, no such records are available in China. In addition, legislative activity is quite complicated in China, with several different governmental organs possessing the ability to pass nationally-binding legislation. Furthermore, legislation that is passed reflects a behind-the-scenes consensus building, meaning that if a particular law is strongly opposed by powerful governmental organs, it is likely that the introduction of such law will be deferred until a consensus of the government can be reached. A recent example of this process is the Property Law, which was ready for enactment in 2006 but was deferred

156. See ALFORD, supra note 68, at 33. While the Chinese government (led by Deng Xiaoping) positioned intellectual property rights as a necessary item for the development of the Chinese economy (see Yu, China Puzzle, supra note 88, at 190–91), subsequent changes to the Trademark Law (and other intellectual property laws) have been U.S.-driven. See MERTHA, supra note 3, at 35–76 (describing the U.S. pressure and the legislative changes that resulted from such pressure).
157. As discussed, application of the Trademark Law by Chinese jurists appears haphazard to U.S. observers. See supra note 44.
159. See CHOW, supra note 46, at 152 (2003) (discussing the rules for implementation of national legislation and the fact that while departmental rules make up the majority of the legislation passed by the State Council, one of the governmental entities with legislating authority, there is no legal requirement to make its rules publicly available).
160. Id. at 143 ("At the national level, the [National People’s Congress], the NPC Standing Committee, and the State Council all have intrinsic legislative power.").
for official passage until 2007. While this is not unlike the behind-the-scenes consensus building among U.S. Congressional legislators, the difference is that in China, it is not necessarily the voting members (or constituents) of the National People’s Congress whose consensus is needed before such law is introduced for a vote. As such, in lieu of legislative history, this Article will look at statements issued by high-ranking governmental officials regarding trademark protection, which can serve as an analogue to legislative history, as these high-ranking government officials were, and continue to be, instrumental in enacting the Trademark Law and its subsequent revisions.

Similarly, an analysis of judicial decisions in China cannot be identical to an analysis of U.S. decisions. To begin with, Chinese courts are not bound by stare decisis. A lack of stare decisis means that a judicial interpretation of the Trademark Law may not bind future interpretations or decisions outside that court’s jurisdiction. While cases coming from more influential jurisdictions, such as Beijing and Shanghai, may be looked to for persuasive value by other regions, they are not binding. One example is the Beijing No. 2 Intermediate Court decision holding the landlord of the infamous Silk Market in Beijing (the hot spot for counterfeit products in Beijing) liable for the sales of counterfeit product at the market. This was heralded by trademark owners as a landmark decision, but its reach is limited as merely persuasive in other cities with similarly infamous markets, such as Shanghai or Shenzhen. The reach of this case will be further limited as China has yet to develop a comprehensive system of reporting appellate-level cases (either officially or


163. CHOW, supra note 46, at 212; LUO, supra note 46, at 105. Only official interpretations of the law promulgated by the Supreme People’s Court are treated as binding principles of law. These interpretations are intended to clarify the law, but only provide guidance with regard to specific vagaries left by legislative drafting and it remains within a particular court’s discretion as to the application of the principles. See HONG XUE & CHENGSI ZHENG, CHINESE INTELLECTUAL PROPERTY LAW IN THE 21ST CENTURY xxxvii (Sweet & Maxwell Asia, 2002).

unofficially), so the text of the judgment is not widely available.\textsuperscript{165} Another factor that hampers the analysis of judicial decisions is the jurists’ lack of awareness of the social planning theory underlying the Trademark Law, which can generate haphazard results. An analysis of Trademark Law cases reflects this lack of awareness.\textsuperscript{166}

Even with such drawbacks, an analysis of the modern justification of the Chinese Trademark Law is still worthwhile. While a handful of scholars have concluded that the Trademark Law is based on notions of social planning, there has yet to be a comprehensive analysis of the available materials similar to the one undertaken in this Article.\textsuperscript{167}

As discussed in Part III.B., supra, the Chinese notion of consumer welfare as the protection of consumer health and safety is a traditional value in China and continues to be, as more effective product safety laws develop.\textsuperscript{168} The Chinese notion of distributive justice is a more recent

\textsuperscript{165.} See Luo, supra note 46, at 248 ("Although more and more publications of Chinese cases and judgments have become available, China still lacks a comprehensive official or unofficial reporting system in which all appellate cases that have precedent value would be reported and published."). While this case was selected as one of the top intellectual property cases for 2006 (see Joseph Simone, In the Courts: Holding the Landlord Liable—New Tools for the Counterfeit Crackdown in China, WIPO Mag., Nov. 2007, available at http://www.wipo.int/wipo_magazine/en/2007/06/article_0006.html), the prevailing sentiment remains in favor of the landlords. Xu Chao, the vice-director of the copyright department of the National Copyright Administration, highlights this sentiment: "It is often difficult to shut down shops selling pirated products . . . . Many malls let out counters, and each counter is run independently. If they do something illegal, you would have to shut down the entire mall." Xie Chuanjiao, Better IP Protection “Takes Time”, China Daily, Apr. 18, 2008, at 3, available at http://www.chinadaily.com.cn/cndy/2008-04/18/content_6625873.htm. In addition, anecdotal evidence from the author’s personal experience indicates that places removed from Beijing, such as Shenzhen, are unwilling to give much weight to this decision.

\textsuperscript{166.} See supra note 44 and accompanying text.

\textsuperscript{167.} See Alford, supra note 68, at 75 (stating that the Trademark Law “was looked to, at least by some in China’s leadership, as providing an interim device for bringing order to a fledgling market.”); Yu, China Puzzle, supra note 88, at 191 (concluding that a “[social planning] justification therefore fitted well with China in the early 1980s, and economic modernization provided the needed ‘social planning’ justification for a new intellectual property system.”); Charles L. Miller, II, A Cultural and Historical Perspective to Trademark Law Enforcement in China, 2 Buff. Intell. Prop. L.J. 103, 123–24 (2004) (concluding that the Trademark Law stands for quality control).

\textsuperscript{168.} While quality concerns are addressed legislatively by the Product Quality Law (promulgated by the Standing Committee of the National People’s Congress, Feb. 22, 1993, and amended on July 8, 2000, effective Sept. 1, 2000), LawInfoChina (P.R.C.), and the Consumer Protection Law (promulgated by the Standing Committee of the National People’s Congress, Oct. 31, 1993, effective Jan. 1, 1994), LawInfoChina (P.R.C.), events during 2007 relating to unsafe food and pharmaceutical products exported from China highlighted some severe shortcomings in the regulatory enforcement and legislative drafting. See Morrison, supra note 123, at 8–11. Although the government has taken some steps to remedy the problems, it is too soon to tell whether these reforms will have any long-term effects. See, e.g., White Paper on Food Quality and Safety, Aug. 17, 2007, http://www.chinadaily.com.cn/china/2007-08/17/content_6032557.htm. In addition, to date the government has been primar-
concept of trademarks and is reflective of the economic reform movement from the 1980s. Distribution of welfare occurs when more people are allowed access to the market through a narrow application of the Trademark Law.

1. Plain Language of the Trademark Law

The Trademark Law is supplemented by implementing rules, implementing regulations, and interpretations by the Supreme People’s Court. The plain language of the Trademark Law is the source for the intent behind the legislation. The intent of the Trademark Law is stated in Article 1:

This Law is enacted for the purposes of improving the administration of trademarks, protecting the exclusive right to use trademarks, and of encouraging producers and operators to guarantee the quality of their goods and services and maintaining the reputation of their trademarks, with a view to protecting the interests of consumers, producers and operators and to promoting the development of the socialist market economy.  

The phrase, “protecting the exclusive right to use trademarks . . . ,” arguably has overtones of the American utilitarian theory of intangible property rights in a trademark in which, through the goodwill, the owner builds up in her mark. But while property-type rights are inherent in an American trademark, an inference of property-type rights in the words “exclusive right to use” should not be made without further inquiry. An individual’s right to property was only officially recognized in 2004 with an amendment to the Chinese Constitution and the very first law to protect an individual’s property was passed in 2007. Since this phrase has...
remained unchanged since the first adoption of the Trademark Law in 1982, it would be misleading to automatically infer an intent to provide an individual right to property. In addition, in contrast to the Lanham Act's goal, "to protect registered marks used in such commerce from interference by State, or territorial legislation," there is no mention in Article 1, or elsewhere in the Trademark Law, of an individual's right to such trademark, even vis-à-vis the government. Despite the recent recognition of property rights, it is still unclear whether those rights, and those embodied in trademarks, would extend to protection against infringement by the government.

The second and third phrases, "and of encouraging producers and operators to guarantee the quality of their goods and services, and maintaining the reputation of their trademarks," appear to nudge the analysis back in favor of a utilitarian theory of trademarks. Maintenance or improvements in quality lead to the maintenance of a reputation, both of which are crucial to the function of trademarks under a utilitarian theory. It is this symbol of consistent quality that preserves the economic efficiency of reduced consumer search costs in the American utilitarian system. However, maintenance or improvement of "quality" under the Lanham Act and the underlying utilitarian theory does not refer to the actual quality of the product, but rather to the consistency of quality across products marked with the same trademark. This contrasts with

173. Compare 1982 version of the Trademark Law, supra note 7, art. 1 with the 1993 and 2001 versions. The 1982 version may be found at http://www.chinatoday.com/law/A02.HTM (last visited Jan. 11, 2009) and the 1993 version may be found at http://www.chinaconsulatesf.org/eng/ki/wtfg/t43946.htm (last visited Jan. 11, 2009).

174. Professor Alford, writing before the 2004 revision to the Chinese Constitution and the 2006 Property Law enactment, argued that one of the problems for intellectual property in China was the lack of property protection. See ALFORD, supra note 68, at 120.

175. See James M. Trecc, Trademark Licensing and Vertical Restraints in Franchising Agreements, 116 U. Pa. L. Rev. 435, 446 (1968) ("The consumer wants a product for which there is a reasonable expectation that present quality will be like the quality of past products bearing the same mark."); see also In re Application of Abcor Dev. Corp., 588 F.2d 811, 814 n.15 (C.C.P.A. 1978) ("a mark primarily functions to indicate a single quality control source of the goods or services involved, and this is meaningful only to prospective purchasers or patrons."); Thomas Pride Mills, Inc. v. Monsanto Co., 196 U.S. Dist. LEXIS 7985, *9 (N.D. Ga. 1967) ("The primary functions of a trademark are to indicate a single source of origin of the articles to which it refers and to offer assurance to ultimate consumers that articles so labeled will conform to quality standards established ...."); Julius R. Lunsford, Jr., Trademarks: Prestige, Practice and Protection, 4 Ga. L. Rev 322, 324 (1970) ("[the trademark] assures the customer that the goods bearing that trademark are of the same high quality which the customer has come to expect.").

176. See El Greco Leather Prods. Co., Inc. v. Shoe World, Inc., 806 F.2d 392, 395 (2d Cir. 1986) ("the actual quality of the goods is irrelevant; it is the control of quality that a trademark holder is entitled to maintain."); McCARTHY, supra note 54, § 18:55 (providing an explanation of the quality function, insofar as there is no specific quality requirement, merely a consistency requirement).
the consumer welfare concept of trademarks embedded in the Trademark Law,\textsuperscript{177} where selling products below adequate safety levels while using a trademark is a violation of the Trademark Law.\textsuperscript{178}

When read superficially, the fourth phrase, "with a view to protecting the interests of consumers, producers and operators," also provides fodder for an interpretation that utilitarianism is the underlying theory of the Trademark Law, like the second and third phrases. One could argue that protecting the interests of consumers, producers and operators could be synonymous with the thrust of the Lanham Act’s intent: the prevention of consumer confusion which would erode lowered search costs, and protection of the property interests in a trademark. But this reading of "interests" would assume that the Chinese policymakers adopted the concepts embedded in American trademark laws.\textsuperscript{179}

For an interpretation of the "interests" from a Chinese perspective, one method is to look to the articulation of the Chinese interests by the policymakers. These interests appear to be mainly focused on economic development,\textsuperscript{180} as Chinese policymakers have consistently tied trademark and intellectual property rights to the economic development of the country. The development of the Trademark Law almost appears synonymous with the development of the economy: "[i]t is the first law in the intellectual property field that established solid legal foundation in trademark area for China’s rapid and healthy economic development."\textsuperscript{181}

The Vice Chairman of the National People’s Congress Standing Committee, Lu Yongxiang, described in April 2008 how China's progress in establishing and implementing its intellectual property system over the last thirty years has "played an active and prominent role in standardizing market economic order . . . and boosting economic and social development . . . ."\textsuperscript{182} Additionally, a June 2008 article appeared in the government-sponsored newspaper, Xinhua, discussing China’s intellectual property system. The article states, "It is China’s strategic goal to promote innovation and economic and social development."\textsuperscript{183} Furthermore, even the revisions of the Trademark Law in 1993 and 2001 were

\textsuperscript{177}See supra Part III.A.2.b.

\textsuperscript{178}See Yu, Pirates to Partners, supra note 78, at 953.

\textsuperscript{179}As noted earlier, reading any type of American property rights into the Trademark Law would be inappropriate. See supra Part III.B.3.

\textsuperscript{180}Other portions of the Trademark Law provide an articulation of the historical carryover of the consumer welfare interest. See infra notes 188–191 and accompanying text.

\textsuperscript{181}Protection in China, supra note 26.


primarily "to meet the requirement of economic development" and only in part to meet the WTO entry requirements.¹⁸⁴

Lastly, once combined with the fifth and final phrase of the paragraph, "and to promoting the development of the socialist market economy," which appears to modify the paragraph in its entirety, it is clear that the Trademark Law embraces social planning theory. While the "socialist market economy" has yet to be fully defined, it would appear from a policymaker's perspective that this would include a redistribution of wealth from China's economic growth. Some people "need to get rich first,"¹¹⁸⁵ but eventually, the goal is for the economic wealth to reach all social strata.¹¹⁸⁶

Other portions of the Trademark Law provide further evidence that social planning theory has been adopted as the primary justification. One example is Chapter VII, which lays out the protection granted to trademarks. Where the local Administration for Industry and Commerce ("AIC")¹¹⁸⁷ determines that there is an act of trademark infringement in violation of Article 52 of the Trademark Law, the AIC is instructed to seize and destroy representations of the registered trademark pursuant to Article 53.¹¹⁸⁸ And "where it is impossible to separate the representations of the trademark from the goods involved, both of them shall be seized and destroyed."¹¹⁸⁹ In practice, however, if the product merely has an infringing label, then the label will be removed, but the remainder of the

¹⁸⁴. Id. In yet another example of this articulation, President Hu Jintao gave a June 2007 speech regarding intellectual property protection in China, revealing that progression of economic development continues to be one of the main rhetorical reasons for strong intellectual property rights. As stated by President Hu, "On China's economic protection . . . China will be firmly committed to [intellectual property rights] development." Economic development is still seen as the best way for China to distribute the wealth across the nation. President Hu stated further, "China's fast economic development has . . . improved the lives of the Chinese people . . . " President Hu Jintao: IPR Is Common Benefit of All Countries, IPR IN CHINA, June 11, 2007, http://english.ipr.gov.cn/en/index.shtml (follow "Government" hyperlink).

¹⁸⁵. See Lo, supra note 25, at 29 (describing Deng Xiaoping's vision as one to "eliminate poverty without polarizing society into rich and poor strata").


¹⁸⁷. The AIC is the governmental agency primarily charged with administrative enforcement of the Trademark Law, although other agencies may have the power to enforce trademarks due to other concerns such as quality. See supra note 78.

¹⁸⁸. Trademark Law, supra note 7, art. 53 ("Where it is established that the infringing act is constituted in its handling the matter, the administrative authority for industry and commerce handling the matter shall order the infringer to immediately stop the infringing act, confiscate and destroy the infringing goods and tools specially used for the manufacture of the infringing goods and for counterfeiting the representations of the registered mark, and impose a fine.").

product will go back on the market. This practice was confirmed by a state-level AIC, which stated in a reply to an inquiry on the definition of "destroy" in Article 53 that, "[f]or commodities of trademark infringement confiscated in accordance with the law, those that have useful value and the infringement trademark can be separated from the commodities may be disposed of by ways other than ‘destroy’ ". In addition, if tooling or other equipment used to make the infringing products does not bear the infringing trademarks, then the tooling or equipment will not be seized, and may be left with the infringer. In such instances, this allows for the infringer not to suffer a total loss on his business, but at the same time, provides some protection to the brand owner on a limited case-by-case basis, which reflects the distributive theory of the Chinese Trademark Law.

2. Judicial Decisions

Turning to an analysis of Chinese judicial decisions, a macro-level review reveals consistency reflective of the redistribution concept of the Chinese social planning theory. Where trademark infringement is found, most judicial decisions award a very modest value of damages to the victorious plaintiffs.

Article 56 of the Trademark Law specifies that the infringer's profits or the loss to the plaintiff should determine the damages awarded in cases where a court finds infringement, in addition to awarding the prevailing plaintiff's legal expenses. However, if the defendant's profits cannot be easily determined, the default award is RMB 500,000 (approximately $73,000). In addition, if the defendant's infringement is

190. Reply on How to Understand the Relevant Requirement in Art. 53 of the Trademark Law (published by the State Admin. For Industry & Commerce, Oct. 21, 2002), LAWINFOCHINA (P.R.C) [hereinafter SAIC, Reply]. This practice is also confirmed through anecdotal evidence provided by MERTHA, supra note 3, at 165, and the author's personal experiences.

191. Article 53 of the Trademark Law specifies that the tooling needs to be “specially used for the manufacture of the infringing goods and for counterfeiting the representations of the registered trademark” before the AIC shall confiscate and destroy such tooling. Trademark Law, supra note 7, art. 53.

192. See discussion supra Part III.B. This is also reflected in the disposal of products seized by customs, see discussion infra Part V.A.

193. Trademark Law, supra note 7, art. 56 (“The amount of damages shall be the profit that the infringer has earned because of the infringement in the period of the infringement or the injury that the infringer has suffered from the infringement in the period of the infringement, including the appropriate expenses of the infringer for stopping the infringement.”).

194. Id. (“Where it is difficult to determine the profit that the infringer has earned because of the infringement in the period of the infringement or the injury that the infringer has suffered from the infringement in the period of the infringement, the People's Court shall impose an amount of damages of no more than RMB 500,000 Yuan according to the circumstances of the infringement.”).
Making Much Ado About Theory

unintentional, the plaintiff may not recover damages at all. 195 To clarify Article 56, the Interpretations of the Supreme People's Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising From Trademarks (the "Interpretation") provides guidelines to the People's Courts in Articles 13 through 17. 196

Although the Interpretation gives the court discretion to calculate damages for the trademark holder, 197 most of the court's decisions award the maximum damages allowed by law, which in many instances fall far short of the damages claimed by the plaintiffs. 198 While the published decisions fail to explain the judges' reasons for their holdings, 199 the net effect furthers what the Supreme People's Court views as its obligations to society, which are "to solve social conflicts, maintain social stability, guarantee economic development, promote social harmony, and realize fairness and equity." 200 In granting small awards to plaintiffs, the defendants are allowed to continue in their business activities (albeit

195. *Id.* ("Anyone who sells goods that it or he does not know has infringed the exclusive right to use a registered trademark, and is able to prove that it or he has obtained the goods legitimately and indicates the supplier thereof shall not bear the liability for damages.").


197. *Id.* art. 13.

198. A study of intellectual property case awards from 2002 to 2008 show that the average of damages awarded was approximately fifteen percent of the intellectual property owner's damages claim. The study combined copyright, patent and trademark cases. See KrisTina Sepetys & Alan Cox, NERa ECONOMIC CONSULTING, INTELLECTUAL PROPERTY RIGHTS PROTECTION IN CHINA: TRENDS IN LITIGATION AND ECONOMIC DAMAGES 8 (2009), http://www.nera.com/image/PUB/IP_Rights_Protection_China_0109.pdf. For a sample of trademark-only cases, see, e.g., Bonnerterie Cévenole S.A.R.L. v. Shanghai Meizheng Co., LAWINFOCHINA (Shanghai Higher People's Ct., July 6, 2004) (awarding RMB 500,000 plus RMB 11,258 for legal expenses to plaintiff, although plaintiff claimed RMB 1.1 million in damages and provided evidence of defendant's profits); Nanjing Xuezhong Caiying Co. v. Shanghai Xuezhong Caiying Co., LAWINFOCHINA (Jiangsu Higher People's Ct., Aug. 26, 2005) (awarding RMB 20,000 to plaintiff, although plaintiff claimed RMB 500,000 as damages due to its reasonable expenses in enforcing its trademark); Starbucks Corp. & Shanghai President Coffee Corp. v. Shanghai Starbucks Cafe Co. Ltd., Nanjing Road Branch, LAWINFOCHINA (Shanghai No. 2 Interim. People's Ct., Dec. 31, 2005, *upheld on appeal*, Shanghai Higher People's Ct., Dec. 20, 2006) [hereinafter *Starbucks Case*] (awarding RMB 500,000 to the plaintiff, although plaintiff claimed RMB 1.06 million in damages and provided evidence of defendant's profits); The Extra-Budgetary Funds Admin. Bureau of Guannan Cty. & Liangxianghe Co. v. Tao Qin, LAWINFOCHINA (Jiangsu Higher People's Ct., Sept. 8, 2006) (awarding RMB 100,000 to plaintiff, although plaintiff claimed RMB 200,000 in damages).

199. See, e.g., *Starbucks Case*, *supra* note 198 (plaintiffs had brought evidence of profits made by defendants but the court held (without analysis) that that the evidence was not sufficient to award anything more than the statutory maximum).

sometimes with using a new trademark). This outcome is antithetical to the American utilitarian viewpoint.

In particular, an American viewing the Chinese system through a utilitarian lens would expect the courts to apply the laws in a way that would deter future violations, punish free-riding on the owner’s trademark and compensate for damage caused by such infringement through a large monetary award to the plaintiff. This would be especially true in instances where an intentional infringement has occurred. From an American viewpoint, the generally small amounts awarded appear to stem from Chinese jurists’ lack of willingness to enforce the Trademark Law. However, when viewed through the lens of the Chinese social planning theory, the defendant has been punished, but in a manner that protects both the trademark owner and the defendant, thus “taking the protection of basic interests of the vast people as the starting point.” Since the plaintiffs are usually large and established companies, they do not need a large monetary award. However, a large award would, in most cases, likely put the defendants out of business. As such, an application of a distributive theory of the Trademark Law militates in favor of small monetary awards; however, in cases where malicious intent was shown on the part of the defendant, a public apology may be ordered. There are recent cases where the monetary awards have been higher than the maximum default amount allowed under the Trademark Law.

---

201. For example, in the Starbucks Case, the Shanghai Starbucks Café could easily have afforded the RMB 500,000, as the defendant’s profit was in excess of RMB 2.6 million over the three years prior to the lawsuit (assuming the reliability of the plaintiffs’ evidence). See Starbucks Case, supra note 198, pt.III. As such, the defendant was able to build up its clientele by free-riding on the goodwill of the Starbucks trademark and by virtue of the small damage award, could continue as an ongoing coffee business, albeit under a new mark.

202. See, e.g., Letter from Eric H. Smith, President, IIPA, to Sybia Harrison, Special Assistant to the Section 301 Committee, Office of the U.S. Trade Representative 19–20 (Feb. 9, 2005), available at http://www.iipa.com/rbc/2005/CHINA%202005_Feb9_PRC_OCR_Submission.pdf (describing the low level of awards in copyright infringement cases as an enforcement problem); Ruay Lian Ho, Compliance and Challenges Faced by the Chinese Patent System Under TRIPS, 85 J. PAT. & TRADEMARK OFF. SOC’Y 504, 522 (2003) (quoting, “won the case but lost the money,” which is used to describe the enforcement of Chinese intellectual property law. “The joke highlights the embarrassing dilemma of a country trying to conform its IP law to a world standard while at the same time trying to protect its developing industries.”).


204. See e.g., Starbucks Case, supra note 198 (requiring infringer to publish a public apology). These public apologies are considered a heavy punishment for infringers, as the apology causes the infringer to “lose face” in the eyes of the marketplace. “[L]oss of ‘face’ means reduced social resources to use in cultivating and developing one’s connection network.” HAROLD CHEE & CHRIS WEST, MYTHS ABOUT DOING BUSINESS IN CHINA 48 (2004).

ever, these cases should be considered outliers because there are no indications that large monetary awards are becoming a trend.\textsuperscript{206}

As seen in this section, the Chinese Trademark Law has, from its inception in 1982, been founded upon consumer welfare and redistribution theories, the effects of which continue to the present day. This may not come as a surprise to those China scholars who acknowledge that China is still very much entrenched in socialism with a tradition of paternalistic government. However, to those in the United States who have blindly applied the American theory of utilitarianism to the Chinese Trademark Law, this analysis will provide long-term benefits, as discussed \textit{infra} in Part V.

\section*{C. Utilitarianism Is an Inappropriate Lens for the Trademark Law}

Putting aside the inherent difficulty in applying an economic theory that promotes efficiency to a socialist-planned market economy, a reduction in consumer search costs as a social benefit to Chinese society is not one that is currently supported by the Chinese economy at this point in its economic development. The benefits of reduced consumer search costs are not supported because it presumes the ability to purchase consumer products and the continual availability of the same consumer products.

\footnotesize{\textsuperscript{206} See, e.g., \textit{Italian Gucci Wins lawsuit Against Chinese Shoes Maker}, \textit{Xinhua}, Apr. 14, 2008, \textit{available at} LEXIS (Xinhua General News Service file) (reporting that a well-known Chinese shoe manufacturer was ordered by the People’s Court of Shanghai Pudong District to pay Gucci RMB 180,000 for manufacturing a line of shoes that infringed upon Gucci’s trademarked pattern, although Gucci had requested RMB 610,000 in compensation from the shoe company and the department store that sold them); \textit{Louis Vuitton Wins Counterfeit, Patent Dispute Cases in China}, \textit{Xinhua}, Mar. 18, 2008, \textit{available at} LEXIS (Xinhua Economic News Service file) (reporting that the Dongguan Intermediate People’s Court ordered a five-star hotel liable for the counterfeit sales of one of the stores located in the hotel, awarding RMB 100,000 to Louis Vuitton, although Louis Vuitton had requested RMB 500,000 in compensation); \textit{Puma Awarded 70,000 Yuan Over Trademark Case}, SIPO, Dec. 12, 2007, www.sipo.gov.cn/sipo_English (follow “News” link; then follow “IPR Special” Link) (reporting that three defendants were ordered to pay Puma an aggregate of RMB 70,000 by the Zhuhai People’s Intermediate Court, even though Puma had requested RMB 150,000); \textit{U.S. Outdoor Clothing Maker Wins Lawsuit Against Beijing Clothes Market}, \textit{Xinhua}, Oct. 30, 2007, \textit{available at} LEXIS (Xinhua Economic News Service file) (reporting that the Beijing No. 2 Intermediate Court ordered the Beijing Silk Market landlord, the Beijing Xiushui Clothing Company, to pay North Face RMB 40,000 for allowing sales of counterfeit product, although North Face had requested RMB 500,000 in compensation); \textit{Nike Wins Compensation for Trademark Infringement Case}, IPR \textit{in China}, Aug. 24, 2007, http://english.ipr.gov.cn (follow “Cases” link; then follow “Trademark” link) (reporting that Nike was awarded a total of RMB 340,000 from the three defendants it had sued in the Shanghai No. 2 Intermediate People’s Court, although it had requested RMB 500,000).}
First, the application of utilitarianism assumes ability to purchase consumer items (as opposed to household staples). However, the average Chinese consumer lacks the ability to learn about the majority of brands available for sale, which are generally foreign, as domestic brands have been slow to develop.\footnote{Yu, China Puzzle, supra note 88, at 201.} The average Chinese consumer does not have the disposable income to pay for the premiums associated with high-quality foreign brands; some research studies have "estimated that less than 10 percent of Chinese consumers have the level of disposable income that can afford to buy Western products."\footnote{CHEE & WEST, supra note 204, at 31.} The average per capita disposable income in urban areas in 2007 was RMB 13,786 (approximately $2,018), which is a 17.2 percent increase from 2006.\footnote{THE U.S.-CHINA BUSINESS COUNCIL, FORECAST 2008: CHINA’S ECONOMY 2 tbl.1 (2008), available at http://uschina.org/public/documents/2008/02/2008-china-economy.pdf.} The rural area average per capita net income for rural areas in 2007 RMB 4,140 (approximately $606), which represents a 15.4 percent year-on-year growth rate.\footnote{Id.} Overall consumption as measured by retail sales grew 16.8 percent in 2007.\footnote{Id.} These statistics show that while disposable income and consumption may be growing hand-in-hand, it is a relatively new phenomenon.

Second, the application of utilitarianism assumes that the consumer brands available for sale are fairly static; that the brand a consumer purchased last month will still be available for sale this month. However, the Chinese consumer market is new and ever-changing. In a market where "consumers are still experimenting, and brands come and go with great speed,"\footnote{Id.} it is hard to see the benefit of reduced consumer search costs for the average Chinese consumer. With ever-changing brands, the benefit of reduced consumer search costs is currently low.\footnote{CHEE & WEST, supra note 204, at 30.}

In addition, American utilitarianism does not promote the benefits that social planning theory currently promotes in China. U.S. trademark law is not used to promote the protection of the health and safety of consumers, nor the redistribution of wealth. Instead, such goals are fostered through other policies. In the United States, unsafe quality levels are policed by consumer and product safety laws. However, in China, where consumer and product safety laws have not been as effective, it is clear

\footnote{207. Yu, China Puzzle, supra note 88, at 201.}
\footnote{208. CHEE & WEST, supra note 204, at 31.}
\footnote{210. Id.}
\footnote{211. Id.}
\footnote{212. CHEE & WEST, supra note 204, at 30.}
\footnote{213. In contrast, the American consumer values the ability to choose between different brands of similar products. See Bone, supra note 24, at 2108 (“Put simply, if consumers lacked the ability to distinguish one brand from another, firms would have no reason to create brands with more costly but higher quality characteristics. Consumers would be left to choose from a range of products far too limited to satisfy the full range of their preferences, and economic efficiency would suffer as a result.”).}
that the welfare concept cannot be soon divorced from the concept of trademarks. In relation to redistribution of wealth, traditional American utilitarianism contends that it is through non-judicial means that redistributive concerns should be met. Although there are some hints that China may be moving towards similar thinking, it is too early to tell if such thought will gain traction or effect the theory of the Trademark Law.

Given the disconnect between the two systems, it is clear that a continued use of utilitarian arguments will not persuade China to revise its laws or policies in the manner the United States desires. However, there are indications that an acceptance of trademarks (although previously a foreign concept) is becoming more widespread. While statistics do not provide a complete picture of progress, some studies do show that more domestic Chinese entities and individuals are taking advantage of the

214. There is evidence to suggest that having parallel bureaucratic agencies charged with the same quality control oversight for trademarked products may spur more effective enforcement of trademark laws. See Mertha, supra note 3, at 188–92 (describing the competitive behavior between the local offices of Administration for Industry and Commerce and the State Quality Technical Supervision Bureaus that create better chances for enforcement of trademark infringement).

215. See, e.g., Duncan Kennedy, The Role of Law in Economic Thought: Essays on the Fetishism of Commodities, 34 AM. U. L. REV. 939, 958 (1985) (summarizing the American classical law and economics viewpoint: “So long as [the laws of economic life] continued in operation, the egalitarian impulse to redistribute wealth by manipulating the legal system inevitably involved both injustice and a counterproductive reduction in total wealth.”); Pierre Schlag, An Appreciative Comment on Coase’s The Problem Of Social Cost: A View From the Left, 1986 Wis. L. REV. 919 (discussing how the law and economics movement has ignored distributive justice concerns); see generally Louis Kaplow & Steven Shavell, Should Legal Rules Favor the Poor? Clarifying the Role of Legal Rules and the Income Tax in Redistributing Income, 29 J. LEGAL STUD. 821 (2000) (defending the use of the income tax and transfer system to redistribute wealth and not legal rules). But see generally Nicholas L. Georgakopoulos, Solutions to the Intractability of Distributional Concerns, 33 Rutgers L.J. 279 (2002) (arguing that law and economics can and should take redistributional rules into account).


217. See, e.g., Qishan, supra note 29 (describing the June 2008 release of China’s national intellectual property strategy); Yu, Sweet and Sour, supra note 34, at 7 (providing three reasons for the progress in China); Joseph A. Massey, The Emperor Is Far Away: China’s Enforcement of Intellectual Property Rights Protection, 1986–2006, 7 CHI. INT’L L. 231, 236 (2006) (discussing the improvements in China since 2001); Anne M. Wall, Intellectual Property Protection in China: Enforcing Trademark Rights, 17 MARQ. SPORTS L. REV. 341, 416 (2006) (concluding that China is taking intellectual property more seriously); see also infra note 219. If there were little to no trademark protection in China, as some U.S. companies argue is the case, then the reverse should be true—"The result would be a race to produce inferior products, rather than competition to produce better ones." McCarthy, supra note 54, § 2:3.
trademark system: in 2006, out of the 766,000 applications for trademark registration received by the Trademark Mark Office, 668,957 were domestic trademarks.218 The anecdotal evidence arising from a microscopic level of review shows that more and more parts of Chinese society are seeing the benefits of trademark protection.219

If the United States wants to become more successful in its efforts in China, a justification that resonates with China is needed. As "some things cannot be legislated," grass-roots acceptance of the importance of trademark protection is needed for long-term change.220 As shown in this section, U.S. utilitarian arguments are unlikely to be a resonating justification at this point in China's development.

V. MUCH ADO ABOUT THEORY: PRACTICAL APPLICATION

While theory will never provide complete answers to specific, difficult doctrinal issues, it can operate to inform discussion and debate, especially regarding changes to laws and policies.221 An understanding of the main justifications that underlie the Trademark Law is the first step towards improving U.S. efforts in China and perhaps even in resolving the conflict between the two countries. There are two applications of this new understanding that can be implemented immediately. The first is a reframing of U.S. arguments to include elements of the Chinese social planning theory.222 The second is to better inform the U.S. educational

219.   Intellectual Property Protection in China, Newsletter Regarding IPR (Oct. 30, 2007), (Nov. 1, 2007) http://english.ipr.gov.cn/en/index.shtml (follow “Activities” hyperlink; then follow “Newsletter regarding IPR” hyperlink) (discussing the application of the trademark “Yuba Village Music-Fed Eco Chicken” in Qionglai village where farmers selling chickens with this mark have reportedly doubled the price of their chickens). Although some may question the accuracy of this portrayal (the news source is a Chinese government-run newspaper), it provides an inkling to the momentum growing at the grassroots level, and a potential for a future where a utilitarian theory may be applicable.
220.   See Robert M. Sherwood, Some Things Cannot Be Legislated, 10 CARDOZO J. INT'L & COMP. L. 37, 44 (2002) (“For an [intellectual property] regime to work well, there must be a belief in the country that the country's interests are well served.”).
221.   Fisher, Theories, supra note 48, at 194.
222.   This Article acknowledges that there may be political reasons that could preclude the United States from reframing its arguments from the standpoint of the Chinese social planning theory, as the distributive element provides trademark access to infringers (among other possible concerns). However, even if such reasons were to hamper the reframing of the U.S. arguments, an understanding of trademark law from the Chinese perspective will continue to be a useful tool for more successful negotiations.
initiatives aimed at the Chinese judiciary, administrative agencies and enforcement officials. 223

A. First Application: Frame Arguments in Terms of Social Planning Theory

The recent WTO dispute between the United States and China highlights the misapplication of the U.S. utilitarian theory and the lack of understanding of the Chinese social planning theory. In June 2007, the U.S. requested formal consultations with China through the WTO to resolve three areas in the Chinese law and policy that the United States perceived as failing to meet the WTO requirements under TRIPS. 224

The United States then requested the WTO to establish a dispute settlement panel (the “WTO Panel”) in September 2007 after formal consultations failed to achieve results satisfactory to the United States on the three areas of contention. 225 The WTO released its panel report in January 2009 (the “DS362 Panel Report”), which found partly in favor of the United States and partly in favor of China. 226 While the United States may decide to appeal the WTO Panel decision (as may China), it is unlikely that the areas where the WTO Panel found in favor of China

223. For example, education initiatives are being led by the U.S. Chamber of Commerce (see http://www.uschamber.com/international/asia/china/iff.htm for listings (last visited Jan. 11, 2009)), the U.S. Department of Commerce (see http://www.export.gov/china for listings (last visited Jan. 11, 2009)), and the University of California, Berkeley, Center for Research on Chinese & American Strategic Cooperation (see http://crc.berkeley.edu/newsandevents.asp (last visited Jan. 11, 2009)).


226. Press Release, Office of the United States Trade Representative, United States Requests WTO Panel in Case Challenging Deficiencies in China’s Intellectual Property Rights Laws, Office of the U.S. Trade Rep. (Aug. 13, 2007), http://www.ustr.gov/Document_Library/Press_Releases/2007/August/Section_Index.html (“The United States and China have tried, through formal consultations over the last three months, to resolve differences arising from U.S. concerns about inadequate protection of intellectual property rights in China. That dialogue has not generated solutions to the issues we have raised, so we are asking the WTO to form a panel to settle this dispute.”).

227. The WTO Panel found that China’s Copyright Law was inconsistent with Articles 9.1 and 41.1 of TRIPS and that the China Customs measures were inconsistent with the fourth sentence of Article 46 of TRIPS. See DS362 Panel Report, supra note 40, ¶ 8.1(a)–(b).

228. The WTO Panel found that the United States had not established that China Customs measures were inconsistent with the first sentence of Article 46 of TRIPS, nor did the United States establish that the criminal thresholds maintained by China were inconsistent
will change without the United States bringing another WTO case or a change in its negotiating strategy. In addition, it is unlikely that any further changes desired by the United States will be undertaken by China without having to resort to similar tactics if the U.S. negotiating strategy does not change, as the United States has seen that deploying such tactics can alienate the Chinese government and policymakers. The aftermath of the 2007 request by the United States has been decreased cooperation by the Chinese government and its desire to engage in bilateral and cooperative discussions about intellectual property changes. The United States needs a new mindset and tools in order to improve its short-term efforts in China, and more long-term, to come to a reconciliation with the Chinese system.

As a first application of the understanding provided by this Article, the United States can incorporate elements of the social planning theory into its arguments. As examples, the trademark-related issues of DS362 will be used to show how the utilitarian arguments of the United States can be reframed by incorporating the Chinese theory.

---

229. The WTO Panel decision has left the possibility for the United States to bring a future action against China on its criminal thresholds as the WTO Panel merely found that the United States did not bring enough evidence to prove TRIPS violation. See DS362 Panel Report, supra note 40, ¶¶7.652, 7.661, 7.667.

230. While the United States only included three areas in the Chinese policy and law that allegedly violated TRIPS, there are a number of other items that the United States believes need to be changed. See supra note 39 and accompanying text.

231. See supra note 36 and the accompanying text.

232. See id.

233. This is true even though it may seem to be in China's best interest to strengthen its trademark protection in the wake of the 2008 Beijing Olympics and for the upcoming 2010 World Expo in Shanghai. Short-term or region-specific improvements may be made voluntarily but it is highly unlikely that long-term, nation-wide progress will take place. See Yu, Pirates to Partners, supra note 78, at 991–99 (arguing that while it may be in China's best interest to improve trademark protection and intellectual property on the whole due to the Olympics and the World Expo, due to these being "country of countries" events, such improvements will likely not extend past the major cities and coastal areas, which are more economically advanced than the other parts of China).
The first item of DS362 is that China’s prosecution thresholds for involving trademark infringement are inadequate.234 Contained within the Criminal Law (with respect to trademark crimes, i.e., counterfeiting) are very vague notions of thresholds needed to be satisfied in order to prosecute an individual or a “unit.”235 The United States raised this as an item of dispute for three reasons. The first is that certain criminal acts of counterfeiting will not be prosecuted due to these high thresholds. Second, “as a result of the thresholds . . . there are cases of willful trademark counterfeiting and copyright piracy on a commercial scale for which the remedies of imprisonment and/or monetary fines sufficient to provide a deterrent are not available in China.”236 And finally, the United States claims that these thresholds violate the requirements for enforcement procedures under Part III of TRIPS.237

The first two reasons given by the United States come straight from the American utilitarian theory of trademark law. From this perspective, the current thresholds contained within the Chinese law are an affront because they do not provide disincentives not to engage in criminal acts of trademark counterfeiting. This type of free-riding is exactly what a utilitarian-based trademark legal system seeks to protect. As explained by Professor McCarthy,

Such [a] “free rider” is an economic parasite who must be enjoinable by the law. If such an infringer is not enjoinable, the quality encouragement function is destroyed. If all may take a free ride on the successful seller’s mark and reputation, there is no incentive to distinguish one’s own goods and service.238

234. Second Submission of the United States of America, China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights, 2, WT/DS362, May 27, 2008 [hereinafter Second U.S. Submission]. The WTO Panel found in favor of China on this item, citing that the United States did not establish that these criminal thresholds were inconsistent with TRIPS. See DS362 Panel Report, supra note 40, ¶ 7.681.
236. Id.
237. Id. at 3. Part III of TRIPS lays out obligations of member nations to provide for enforcement procedures (injunctions, administrative relief, border protection issues, etc.) but the specific provision referred to by the United States here is Section 1 of Part III, General Obligations, Articles 41.1 and 61. Article 41.1 states in part, “Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement . . . .” (emphasis added). TRIPS, supra note 8, art. 41.1. The WTO Panel did not rule on the Article 41.1 claims. See DS362 Panel Report, supra note 40, ¶ 7.682.
238. McCARTHY, supra note 54, § 2:4; see also Kenner Parker Toys, Inc. v. Rose Art Indus., Inc., 963 F.2d 350, 353 (Fed. Cir. 1992) (“Achieving fame for a mark in a marketplace where countless symbols clamor for public attention often requires a very distinct mark, enormous advertising investments, and a product of lasting value. After earning fame, a mark benefits not only its owner, but the consumers who rely on the symbol to identify the source of
As argued in Part IV.B, under the Chinese social planning theory of trademark law, the distributive goal takes into account more than just consumers and brand owners. Arguments based on free-riding do not persuade officials who see trademark law protection as a way to redistribute the wealth (even to counterfeiters), especially the wealth of foreign companies. A social planning theory-based argument in favor of revising the thresholds in the Criminal Law would be one that combined all interests to show that in not providing stronger measures to criminally prosecute counterfeiting, consumers and brand owners are disproportionately harmed in relation to the benefit brought about by keeping counterfeiters in business. In addition, one could also argue that the majority of counterfeited products available for sale are not in compliance with the minimum levels of quality and as such, harm the healthy and safety of Chinese consumers.

Violation of law arguments are just as unlikely to persuade the Chinese to revise their laws as are utilitarian arguments, although they provide solid grounds to bring a dispute to the WTO. But China is unlikely to admit that its laws do not meet its TRIPS obligations; in fact, Chinese officials strongly assert that China is meeting its obligations and that “it is not right for [the U.S.] to observe China while wearing blinkers . . . .” Under Part III of TRIPS, Article 41(1) requires that “Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement . . . .” The term “effective action” is subjective, and TRIPS

a desired product. Both the mark’s fame and the consumer’s trust in that symbol, however, are subject to exploitation by a free rider.”); Kroger Co. v. Johnson & Johnson, 570 F. Supp. 1055, 1060 (S.D. Ohio 1983) (“To permit a bystander who has spent a minimum of time, money, and effort in developing its product to profit by marketing the identical commodity with a similar name and packaging is contrary to the stated Congressional purpose of the Lanham Act . . . . This case is somehow reminiscent of the plight of the Little Red Hen whose friends declined to plant, harvest or thresh the wheat; grind or bake the flour, but were all too ready to share with her the bread that resulted.” (citation omitted)).

239. The majority of the plaintiffs or complaining trademark owners are foreign companies, as they have the capital to be able to expend on enforcement activities. See MERTHA, supra note 3, at 194–96.


241. West Wrong to Criticize IPR Record: Official, supra note 33. See also Qishan, supra note 29 (stating that “[ intellectual property rights] protection in China has paid off.”); Chuan-jiao, supra note 165.

242. TRIPS, supra note 8, art. 41(1).
itself recognizes that each Member is allowed to implement the requirements of TRIPS according to their "own legal system and practice." As the WTO Panel declined to rule on the Article 41(1) claims, it is unclear if this type of argument will be effective in any future WTO disputes that the United States may bring against China for its intellectual property enforcement. In addition, since TRIPS does not require a member country to expend more governmental resources on intellectual property enforcement than in other areas, China may have a good argument in future disputes that it expends an adequate amount of resources on intellectual property enforcement vis-à-vis other issues that take precedence.

The second item cited in DS362 by the United States alleged that the disposal of confiscated products that infringe on trademark rights by Chinese Customs is contrary to Articles 46 and 59 of TRIPS. Article 46 provides that in the first instance, infringing goods seized by authorities shall be disposed of in a manner that will avoid harm to the brand owner, but destruction is not required if contrary to the relevant member's constitutional requirements. In the case of counterfeit products, the fourth sentence of Article 46 provides, "the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce." Article 59 of TRIPS provides that government authorities shall have the authority to order destruction or disposal of infringing products pursuant to the principles of Article 46 and further reiterates Article 46's prohibition, "In regard to counterfeit trademark goods, the authorities shall not allow the re-exportation of the infringing goods in an unaltered...

243. Id. art. 1(1). The WTO Panel in the did not rule on the Article 41.1 claims in this dispute. See DS362 Panel Report, supra note 40, ¶ 7.682.
244. See id.
245. See Yu, Pirates to Partners, supra note 78, at 935 ("If China were able to show that their enforcement problems with piracy and counterfeiting were no more excessive than their problems with, say, tax collection (which are very serious), China would be likely to prevail [in a WTO dispute settlement process]. After all, it is hard to imagine any country putting intellectual property protection ahead of tax collection. Nor does the WTO require it to do so.").
246. Second U.S. Submission, supra note 234, at 32.
247. The WTO Panel opined that the United States had not established that China's Customs measures were inconsistent with this first sentence of Article 46. See DS362 Panel Report, supra note 40, ¶ 7.395(b). The WTO Panel seemed to give particular weight to the statistical evidence from China that showed "that, in practice over half of infringing goods seized by Customs in terms of value are in fact destroyed." See id. ¶ 7.250.
248. TRIPS, supra note 8, art. 46. The WTO Panel did find that the China Customs regulations were inconsistent with the fourth sentence of Article 46. See DS362 Panel Report, supra note 40, ¶ 7.394.
state or subject them to a different customs procedure, other than in exceptional circumstances.\textsuperscript{249}

While the United States has based this item on violation of TRIPS (and not a utilitarian argument), the knowledge of the theoretical justification for the Trademark Law remains helpful for a reframing of the U.S. arguments, as the WTO Panel found in favor of both the United States and China on this item.\textsuperscript{250} While the WTO Panel found in favor of the United States by deciding that the "simple removal" of a counterfeited trademark was inconsistent with the fourth sentence of Article 46,\textsuperscript{251} this finding is limited to auctions of products and not donations.\textsuperscript{252} Donations of infringing products to charitable organizations make up the majority of disposal methods by China Customs.\textsuperscript{253} However, there is no requirement that China Customs ensure that such donations do not make their way into the stream of commerce,\textsuperscript{254} and this continues to be a way that infringing products can re-enter the marketplace.

The key to persuading China to change its laws, both the customs regulations and the Trademark Law, is to persuade them with arguments that resonate,\textsuperscript{255} such as social planning-based arguments. Currently, social planning theory requires that the manner in which could best redistribute the wealth and protect consumer safety should be used. In the case of infringing products where the infringing marks can be removed, this Chinese theory of trademark law is embedded into the policy and actions of China Customs, where the majority of the infringing goods are donated to social welfare organizations, with the goods to then be provided free of charge to those in need.\textsuperscript{256}

In reframing the issue, the United States should focus on a consumer safety argument and question whether customs officers or other administrative authorities do a quality check on the products before releasing the infringing product back into the stream of commerce.\textsuperscript{257} It is unlikely that

\begin{itemize}
\item 249. TRIPS, supra note 8, art. 59.
\item 250. See DS362 Panel Report, supra note 40, ¶ 7.395(b)–(c).
\item 251. See id. ¶ 7.394.
\item 252. See U.S.T.R. WTO Press Release, supra note 228.
\item 253. See DS362 Panel Report, supra note 40, ¶ 7.349.
\item 254. See id. ¶ 7.312 ("the United States has not established that . . . (b) Customs has a duty to carry out necessary supervision of such use . . . ").
\item 255. See Sherwood, supra note 220, at 44.
\item 256. See DS362 Panel Report, supra note 40, ¶ 7.349 (53.5 percent of all seized infringing goods are donated to social welfare bodies).
\item 257. See First Submission of the United States of America, China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights, 49, WT/DS362 (Jan. 30, 2008) [hereinafter First U.S. Submission]. While the First U.S. Submission points out that there is a concern for defective or dangerous products to be released back into the stream of commerce (either through the donation to charity or public auction), the United States does not elaborate on this important item. In addition, while the Second U.S. Submission elaborates
\end{itemize}
this can be done, given the magnitude of seized products. In addition, given the training of officers, one could not expect them to be able to assess the quality of each and every single type of product seized (especially products like pharmaceuticals). This could potentially put harmful products back into the hands of consumers, something that violates the consumer welfare goal of the Trademark Law.

B. Second Application: Educate Chinese Lawmakers

Another practical application that can be implemented now is to better educate the Chinese lawmakers and other influencers. The Chinese freely admit that further inquiry into the theoretical bases for its intellectual property laws is needed. To date, Chinese lawmakers have been concerned with meeting international requirements, and appeasing the United States in its demands. Over the past twenty years or so, resources to devote to the study of the theoretical justifications of their laws have been scarce, as drafting and revising the text of the laws have been forefront. A step back from the textual revisions is needed to understand which policies the trademark laws currently promote and whether these should remain the focus, or whether there are other theories and policies that would work better.

This presents an opportunity for U.S. officials, businesses, and scholars to educate the Chinese lawmakers as to the social planning theory that is underlying the Chinese Trademark Law. Quasi-governmental entities and universities are already taking steps to provide education for members of the Chinese judiciary, legislators and other government officials. Adding this element into already existing programs would

on the high potential for low-quality products to enter the stream of commerce, the United States focuses on the harm to the brand owner, not to the consumer. See Second U.S. Submission, supra note 234, at 39. Furthermore, it would appear that China has argued that Customs officers do have the ability to assess quality levels (see id. at 39 n.170, citing the First Written Submission of the People’s Republic of China, ¶¶161–62, 173), but the United States has pointed out that the agreement between China and the Red Cross of China (one of the donees of seized goods) specifically states that China Customs is not responsible for the quality of the goods donated to the Red Cross, thus providing an acknowledgment of the potential for unsafe products to enter the stream of commerce. Id. However, the WTO Panel found the China Customs regulations were facially sufficient to ensure that defective or dangerous goods are not donated, see DS362 Panel Report, supra note 40, ¶¶7.290–.291, as the United States did not bring evidence or sufficient legal arguments to prove otherwise.

258. For an example of a successful outcome based on this type of consumer welfare argument, see Bird, supra note 240, at 357 (discussing the efforts by the Heinz Corporation, and highlighting the consumer welfare-based arguments made by Heinz in successfully combating counterfeit products).

259. See supra note 42.

260. See Maskus, Dougherty & Mertha, supra note 27, at 311.

261. See supra note 223 for a sample of the educational efforts by U.S. quasi-governmental entities and universities.
provide the Chinese audience with a view of the benefits and pitfalls that come from using a subjective theory to drive policy and law. While the subjectivity of social planning theory means that local circumstances can be taken into account to mold the laws to the particular situation, this same benefit can be a pitfall. In a country that is evolving towards a rule-of-law legal system, the laws need to be explicit and applied as uniformly as possible. While a flexible approach may work for certain situations, the wide range of subjectivity in the current laws is detrimental, as it prevents uniform compliance with them. In addition, since social planning theory is, in some sense, a utopian model, such a theory cannot provide the answers for judges and practitioners in every situation. Under a social planning theory, there are a variety of differing interests which allow a judge who is sympathetic to a counterfeiter to set the amount of damages at far less than the trademark user suffered.

The United States can and should educate Chinese policymakers and jurists about the benefits of other theories that may resonate with the Chinese, which includes increased trademark protection for both U.S. and Chinese businesses. For example, as more Chinese businesses gain a foothold into the consumer product market, they will want to protect their trademarks from infringement both in China and overseas. There will come a time when China is no longer one of the major hubs for manufacturing, and Chinese products may be manufactured abroad. Then, Chinese products will be imported back into China, thus bringing the problems that Europe and the United States face today—counterfeiting and gray market products. A different theory, such as a Lockean labor theory of trademark law might provide greater protection to Chinese trademark owners. Such a theory would allow Chinese trademark owners to stop the import of gray market goods, regulate how their trademarks are used in competitor advertisements and better fight counterfeiting at home and abroad. And perhaps when the Chinese economy is not so heavily regulated, utilitarianism may provide a workable alternative justification.


264. *See, e.g., supra* note 206.

265. For example, Vietnam or Cambodia may eventually become the world’s next manufacturing capitals. *See James Fallows, China Makes, the World Takes, THE ATLANTIC* (July/Aug. 2007), at 48.

266. Namely, that these Chinese businesses have invested a great deal of time and effort (not including money) into developing their trademarks. This would provide greater protection if such theory was adopted. *See supra* note 49 for a description of Locke’s theory.
VI. CONCLUSION

With the 2008 Beijing Olympics, the world witnessed the monumental efforts of the Chinese government to enhance its protection of trademarks and other intellectual property rights. However, such efforts were focused only on the host cities, and if history can predict future behavior, once the spotlight and focus is shifted away from China, all will revert back to what it was before. The upcoming 2010 World Expo in Shanghai will provide another motivation for increased protection efforts, but again, such efforts will likely be focused only on the host city and be short-lived. Thus, places farther away from the large cities, where enhanced trademark protection is most needed, will not experience any changes. What will cause China to permanently change from a “pirate” to a “partner”?

One of the answers to this century-old question is to change how the United States approaches its strategy in attempting to influence change in China. Understanding the theory that drives the Trademark Law and the application thereof is the change needed and is the first step in improving the U.S. efforts in China. With this new theoretical understanding, the United States has the ability to reframe its negotiations with the Chinese perspective in mind. It is possible that, due to political reasons, arguments based on Chinese theoretical notions of trademark law may not find favor in U.S. policymaking, but if still studied and critiqued with proper perspective, they may nonetheless enhance understanding of the Trademark Law in the United States. This enhanced understanding will improve the discourse surrounding the areas of contention and perhaps provide pathways to a reconciliation of the conflict between the two countries. If such change does not occur, the United

267. As an example, the International Olympic Committee heralded China’s efforts to curb pirating of the Olympic games. See IOC Official Praises China Anti-Piracy Efforts, XINHUA, Aug. 21, 2008, available at LEXIS (Xinhua General News Service File).
268. The Chinese government targeted only the Olympic games host cities of Beijing, Shanghai, Tianjin, Qingdao, Shenyang and Qinghuangdao, and publicly announced its requirement of “strict [intellectual property rights] protection during Olympic period.” Strict IPR Protection, supra note 41.
269. See, e.g., MERTHA, supra note 3, at 144.
270. See Yu, China Puzzle, supra note 88, at 192. See also Qishan, supra note 29 (using as examples the actions taken against the notorious counterfeit shopping centers only in Shanghai and Beijing).
271. Many commentators have suggested ways in which to convert China from a “pirate” country, meaning one that does not adhere to intellectual property protection, to a “partner” country. See generally ALFORD, supra note 68, at 95-111 (discussing the history of Taiwan in moving from a pirate to a “proprietor” as a way to better understand the process for China); Yu, Pirates to Partners, supra note 78, at 165–242 (providing a twelve-step action plan for the U.S. to better convert China from a pirate to a partner). Interestingly, it is often pointed out that the United States itself was only a convert in the last century or so.
States may experience yet another century of frustration and anger towards China. However, continued confrontation, without change, between the United States and China will not be productive, as it will not bring about sustained change.

Moreover, an understanding can provide the United States with the ability to assist China with understanding its own theoretical justifications for the Trademark Law. With the new revisions to the Trademark Law and the increased focus of the Chinese government on intellectual property matters, the time is ripe for an internal education campaign to analyze and understand what has been effectively and implicitly adopted over the last two decades: a focus on the relevant welfare and distributive theories. By increasing awareness, the opportunity for debate as to whether welfare and distributive theories are truly the best drivers of the Trademark Law can flourish. In addition, with such open debate, all of China's jurists can finally be on the same page as to the scope and application of such theory to the Trademark Law and haphazard application of the law can be reduced. Making much ado about the Chinese theoretical justifications for its trademark laws benefits both China and the United States.

272. Traditional methods, such as economic pressures, have not worked over the past century. As such, non-traditional methods such as the one proposed by this Article and by other scholars (see, e.g., Peter K. Yu, Toward a Nonzero-Sum Approach to Resolving Global Intellectual Property Disputes: What We Can Learn From Mediators, Business Strategists, and International Relations Theorists, 70 U. CIN. L. REV. 569 (2002) (arguing for the use of a dispute resolution approach to analyzing and resolving global intellectual property disputes)) are needed to promote sustained changes.