

The Legal Practice of Trademark Dilution Theory in Protecting Brand Value in China

Ming Cheng^{1,a,*}

¹*China University of Political Science and Law, Beijing, China, 100000. Lanzhou, Gansu Province, 730000, China*

a. 811342315@qq.com

**corresponding author*

Abstract: Trademark dilution theory aims to further develop and protect the trademark's own value and its new function, and to provide protection for well-known trademarks on non-identical or non-similar goods. Trademark dilution theory has not yet been systematically and clearly stipulated in Chinese trademark law, but it has increasingly become the basis for references and judgments in the cross-class protection of well-known trademarks. This paper explores and summarizes the novel function of trademarks in protecting brand value through the methods of literature research and theoretical study, citing the case of trademark right dispute between Hunan Yong He Food Co. and Beijing Byte Dance Technology Co. Ltd, as a case, the paper analyzes the design of legal rules to regulate the dilution in judicial practice. It is concluded that although the object of trademark dilution protection in China is relatively clear at present, which is limited to well-known trademarks, there are problems such as unclear boundaries between dilution and confusion, inconsistent determination standards, and generalized reasoning process of judges.

Keywords: Trademark Dilution, Brand value, Judicial practice, Trademark justification, Trademark function

1. Introduction

Regardless of the perspective on the justification of trademark protection, it is necessary to first grasp the essence of trademarks. There is a very sharp distinction between trademark and copyright or patent. This distinction is very precise. According to Miller, trademarks are not necessarily connected with invention or discovery. For inventions, utility model patents, design patents, etc., the deliberate human thinking and creation condensed in them must be obvious. The formation of a trademark depends on steady use over a long period of time, which is the key to recognizing or registering a trademark. In this sense, the process by which an initial trademark becomes independent from a long period of commercial practice is fortuitous [1]. The actual trademark appeared and functioned before the concept of "trademark" was formed in people's minds. This discourse not only hits the nail on the head when it comes to the specificity of trademarks, but also provides a good insight into what the concept of "use" means for a trademark. In sum, other types of intellectual property are usually the product of mental effort or inspiration and their development is very expensive. While trademark is based on cumulative use and the priority of appropriation that arises from it, and are designed to promote full market competition.

However, the intrinsic value of a trademark as a property is fully admitted under a legal framework based on the justification of protecting brands. The other identity of the trademark proprietor comes to the fore, which is brand owner. And its rights become closer and closer to other types of intellectual property rights. Controversy in this context include the extent to which courts will still consider the "no use, no trademark" principle? Or to make trademark law a measure for famous brands to solidify their consumer communities? [2]

Therefore, this paper explores the unprecedented attention and protection given to the originality of trademarks, as well as the rationality and value of such protection, in the context of the new era and business environment. Using the research methods of case study and theoretical analysis, and centering on a case involving one of the most typical and prominent Internet sector, it analyzes what possible paths China, as a country that does not recognize trademark dilution, will take in attempting to protect the value of its brands in this context. The purpose is to illustrate the necessity of trademark dilution protection, which is of great significance for the future promotion of the socialist market economy system, improvement of the theoretical system of Chinese trademark law, enhancement of non-traditional commercial countries' awareness of brand value, encouragement of innovation, and expansion of brand effects.

2. Trademark and trademark anti-dilution protection

Trademark anti-dilution protection is the result of the evolution of trademark function. The understanding of the concept of trademark and its functions is undoubtedly the cornerstone of the construction of the entire theoretical system of trademark law. Originated from a commercial practice, the most basic and core function of a trademark is to serve as a mark for identifying and distinguishing the source of goods, but with the changes and development of modern production methods and transaction modes, trademarks have begun to show new functions that are different from the traditional ones. As early as 1927, the American jurist Schechter threw out his thoughts on the theoretical basis of trademark rights protection, which is regarded as the earliest elaboration on the dilution theory. According to Schechter, a trademark is not only a means and tool for consumers to identify the source of goods, but also significant for the owner of the trademark. It has a communication and advertising function, through which an enterprise establishes a connection with consumers and forms a correspondence between the trademark and goods through long-term honest management, and goodwill is an invisible investment in the trademark [3]. For this reason, trademark rights need to be protected to a greater extent than ever before in order to fulfill their function. Trademark anti-dilution protection is formally based on the consideration of this question. Although Schechter does not use the term "dilution" specifically, He pointed out that damage and infringement could be established wherever there was an obstacle to the functioning of the mark. The use of a trademark on non-competitive goods gradually weakens or distracts the character and status of the trademark in the public mind. Since a unique association between a trademark and specific goods can be constructed through exclusive use, it may likewise be eroded by widespread use. The more distinctive a mark is, the more fragile such correlation between it and particular goods is, so that any possible dispersion renders it no longer intact, and the more necessary it is for the law to protect the connection [4]. The most remarkable feature of the dilution theory is that it extends the protection of well-known trademarks to goods or services that are not identical and not similar, which is undoubtedly a breakthrough to the traditional confusion theory. In some cases, the use by a third party may still constitute trademark infringement, even though there is no likelihood of confusion among the relevant public.

Trademark anti-dilution protection is the result of the change of the concept of property. For a long time, there has been no clear answer to the question of whether or not a trademark is property as defined by those who apply the law or comment on it, and this question has continued to plague legal

practitioners and researchers working in the relevant field. Those who take a negative view of the issue often concerns that the practice may lead to a monopoly on language or design. Even those who are positive on the issue usually use very careful and cautious formulations to limit this general description, and a trademark acquires the property attribute only when it is associated with goodwill or an existing business. In modern society, goodwill as a possible expectation is often asked to be defined and protected by the courts. Goodwill is an expectation that the operator or producer will attract the consuming public with good quality goods and sophisticated advertising in the transaction without interference. Trademarks are the most important element in creating and maintaining this "probable expectancies" and there does not appear to be any reason to exclude trademark rights from the classification of property or property rights [5]. Just as the owners of a trademark spend a great deal of money to make it a symbol of the superior quality of the goods and to ensure that it is known to the public, they are undoubtedly entitled to recover their investment in equipment and materials, and they should receive the same protection from the courts for their investment in advertising. If trademark dilution is not established, then the legal system is not designed to keep pace with the evolution of the function of trademarks, nor with the changing concept of property [6].

3. Case study

3.1. Case profile

Founded on March 9, 2012, Byte Dance's scope of business includes application software services and Internet cultural activities, etc. The trademark "Today's Headlines" was applied for registration by Byte Dance on November 16, 2012, and was approved for registration on April 28, 2014. The main use of the trademark "Today's Headlines" by Byte Dance is to provide cell phone users with "Today's Headlines" cell phone APP for download and use, and the main function of the APP is to provide news and information.

Yong He Food Company has set up online stores on various e-commerce platforms, and prominently uses the text "Today's Headline Fish" in combination with a fish graphic on the relevant stores, product page introductions, and on the packaging of the processed fish and meat food products that it produces and sells, which visually emphasizes the text "Today's Headline" in its overall appearance.

Accordingly, Byte Dance filed a lawsuit with the Beijing Intellectual Property Court, claiming that Yong He's behavior constitutes infringement of trademark rights and that it be held liable. Beijing Intellectual Property Court ruled that: i. Yong He immediately stopped using "Today's Headlines" or words similar to it on the fish snack products as well as on its promotional materials; ii. Yong He published a statement on its official website to eliminate the adverse impact caused by the infringement; iii. Yong He compensated Byte Dance for the corresponding economic loss and reasonable expenses. Yong He Company appealed against the first instance judgment rendered by the Beijing Intellectual Property Court to the Beijing High People's Court. The Beijing High People's Court formed a collegial panel and held a hearing in public.

3.2. Case analysis

3.2.1. Recognition of well-known trademarks

Article 14 of Trademark Law of the People's Republic of China lists various factors that should be taken into account in determining a well-known trademark, including the degree of knowledge of trademark by the relevant public, the duration of the trademark's use, and the extent to which the trademark has been publicized over time and geographical scope. In this case, Byte Dance provided sufficient evidence in compliance with the requirements of the above laws and judicial interpretations,

including the Internet industry status report provided by the third-party data platform, the tax completion certificate issued by the tax authorities, the financial audit report issued by the accounting firm, and the invoices of the advertising fee invested by the company for the publicity and promotion, etc., which were capable of proving that the "Today's Headlines" was a well-known trademark. Additionally, the "Today's Headlines" application software has occupied a high market share, and the goods are well known and influential among the relevant public. The court of first and second instance did not consider this point to be in dispute.

3.2.2. A pattern of trademark dilution

It is also necessary to determine whether the defendant's conduct constitutes a pattern of trademark dilution. The factors to be considered in determining whether the act of the defendant causes the "relevant public to believe that the defendant's trademark has a substantial degree of connection with the well-known trademark" are: the degree of distinctiveness and fame of the cited trademark, whether the trademark symbols are sufficiently similar, the situation of the goods designated for use, the degree of overlap and the degree of attention of the relevant public, and the fact that the symbols similar to the cited trademarks have been legally used by other market entities or other relevant factors.

In this case, the use of Yong He Food Company's behavior are complete with the trademark "today's headlines" and other words, clearly belongs to the aforementioned trademark dilution mode of conduct. The degree of familiarity of the trademark in question has already been demonstrated in the analysis of the first issue mentioned above. The Court also discussed that the relevant publics of the "Today's Headlines" mobile application and the cooked food were the general public, with a high degree of overlap.

4. Discussion

Although there are no clear and systematic provisions on anti-dilution in China, and it is still controversial whether Article 13 of the Trademark Law can be interpreted as an application of the dilution theory, the Article is indeed related to cross-class protection of trademarks. According to the paragraph 3 of this Article, the object of damage suffered as a result of reproduction, imitation or translation in respect of unidentical or non-similar goods is limited to well-known trademarks. It can be seen that the prerequisite for the application of this provision is "well-known trademark".

In judicial practice, real difficulty is to find the second condition, which is that the connection between the accused mark and the well-known mark detracts from the distinctiveness or market reputation of the well-known mark. Judging from the 2009 Judicial Interpretation of Well-known Trademarks, China seems to adopt a traditional analytical path: the issue of infringement determination in respect of not same and not similar goods or services can still be resolved under the framework of the existing confusion theory. Confusion can be divided into direct confusion and indirect confusion depending on the degree of directness of the confusion. Direct confusion refers to the misperception of the source of the goods or services, while indirect confusion is not limited to the obstacle of identifying the source of the goods, but includes the misperception that the trademark owner and the third party may be related in some way [7]. For example, the relevant public easily mistake that the goods originate from the trademark owner's affiliated enterprises, or the use is licensed by the trademark owner, or there is a specific connection such as sharing and holding equities [8].

The disadvantage of this idea is that it is not well adapted and compatible with the infringement manifestation of "free-riding". In the case of "free-riding", consumers often have a very clear understanding of the competitive relationship between the trademark owner and the third party, and there is no confusion in a direct or indirect sense, and the use of the third party does not even seem to

detract from the good reputation of the well-known trademark, but only unfairly profits from it. Thus, the traditional confusion theory faces difficulties in providing a rationale for this level of protection especially when judges need to conduct an argument. If the doctrine of dilution is introduced, it is not necessary to find that there is confusion when it comes to cross-class protection of well-known trademarks, but only to consider whether the use of the trademark by third parties has led to dilution of the distinctiveness of the trademark and blurred the unique correspondence between the trademark and the goods or services. There is still a controversy in China academic circles as to whether trademark dilution should be legislated, but judges tend to state the ratio decidendi of a case in practice by the dilution theory compared to the ambiguous attitude adopted by the lawmaker.

In summary, trademark dilution protection should be established. The fact that trademark anti-dilution protection should be established not only means that the functions and core values behind the theory are recognized and the interests of relevant right holders are safeguarded, but also means that we should further reach unity and consensus in the way we think about and analyze the issue. In today's modern economic society where market competition is increasingly fierce and the brand effect is increasingly large-scale, the cognition of relevant issues is deeply related to the construction of the legal framework, and trademark law, as an institutional design, reflects what kind of values the legislator upholds and what kind of commercial operation is encouraged, and the commercial order formed under it in turn influences and restrains the participation activities of various market players.

5. Conclusion

This paper discusses the leap in the function of trademarks and based on which the protection of trademarks being enlarged, trying to show that the laws and regulations related to trademark dilution should be improved in the development and change of the trademark legislation system of all countries in the world. Through the analysis of the case, this paper holds that although the judicial practice in China generally encourages and supports the efforts and innovation of enterprises for their own brand value under the current business environment, the relevant contents of the trademark dilution theory have not been introduced into the legislation, and the relevant provisions for protection of the dilution of well-known trademarks are not precise enough, which leads to the vacuum of a smooth connection between the legislation and the judiciary, and the lack of a clear standard in the judicial practice[9].

This paper only selects a typical trademark dilution case in recent years as samples to illustrate the logic of the court's decision, and does not systematically analyze all trademark dilution-related cases in judicial practice. Secondly, horizontally, this paper only introduces the origin of the dilution theory, which is mainly based on the relevant provisions of Chinese trademark law, and does not sort out the provisions of other countries' legal systems on the dilution theory. In the future, we can chronologically explore what stages the development of the dilution theory in China has gone through, combine with the relevant acts of other countries, and conduct comparative research on the system design, so as to provide more constructive and targeted suggestions for the legislation of Chinese trademark law.

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