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Daniel Chow

ARTICLE

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DANIEL CHOW[†]

ABSTRACT

A basic lesson from Pfizer's trademark battles over Viagra in China is that if multinational companies (MNCs) have not already created a Chinese transliteration for their English-language trademarks, the Chinese media and Chinese consumers will immediately create one. The brand owner might then lose control or ownership of the Chinese transliteration as a trademark in China, which is exactly what happened to Pfizer's Viagra. Pfizer does not own the Chinese-language trademark by which Viagra is best known in China and in the entire Chinese speaking world. This lapse has resulted in a significant business loss for Pfizer.

At least for global brands, U.S.-based MNCs may need to obtain a Chinese-language trademark registration in China before or at the same time that the brand owner launches its trademark or brand to the public in the United States. Obtaining a Chinese-language trademark before the English-language mark becomes public and the Chinese media subjects it to transliterations should allow the brand owner to establish its own Chinese-language transliteration for its English-language trademark and to exercise greater control over how the brand is presented in China.

Pfizer, Inc. is a U.S.-based multinational company (MNC) with trademarks and patents for its blockbuster drug, Viagra,[1] in the

[†] Joseph S. Platt-Porter Wright Morris & Arthur Professor of Law, The Ohio State University Michael E. Moritz College of Law. The author was in house counsel at a multinational company in China and handled the company's intellectual property law disputes. Thanks to the participants in the University of Maryland Francis King Carey School of Law Symposium, *China, Taiwan, and International Law: A Symposium in Honor of Professor Hungdah Chiu* held on October 5–6, 2011, for a lively discussion and many useful comments and suggestions. Thanks also to Cindy Bi, Moritz Class of 2013, for her helpful research assistance.

United States and many countries around the world.[2] Pfizer is the largest pharmaceutical company in the world by revenue.[3] It does business in foreign markets and has access to world class legal resources to protect its intellectual property rights around the world.[4] Pfizer has invested at least $500 million in the People's Republic of China (China) for production facilities and a research and development center in Shanghai, and has targeted China—projected to be the third largest market for pharmaceuticals in the world behind the United States and Japan—as a key market for its products.[5] In China, aphrodisiacs of all kinds are eagerly sought after. Viagra is no exception.

Under these circumstances, it might seem surprising that Pfizer does not own the best-known name for Viagra in China, *Weige* (伟哥) or "Great Older Brother."[6] A Chinese company, Guangzhou Viamen Pharmaceutical Company (Viamen), owns *Weige*.[7] Instead, Pfizer owns Wai Aike (万艾可),[8] a transliteration of Viagra that has no meaning in Chinese and lacks the cachet, wit, and the appeal of *Weige*.

Many companies would consider this situation a disaster and business schools would be clamoring to engage in case studies of what went wrong and how to correct these mistakes. Yet little has been written in depth about the cultural issues and the limits on the application of the legal principles of international trademark law that contributed to this problem for Pfizer. Perhaps more importantly, no

1. Viagra is a pill used by men to treat erectile dysfunction. *Common Questions About Viagra*, PFIZER, INC., http://www.viagra.com/questions.aspx (last visited Feb. 24, 2012).

2. *See generally* PFIZER, INC., ANNUAL REVIEW (2010), *available at* http://www.pfizer.com/files/annualreport/2010/annual/review2010.pdf (reviewing Pfizer's global operations and products for FY 2010).

3. *Id.* at 8.

4. *See generally id.*

5. YAHONG LI ET AL., ASIA CASE RESEARCH CTR. & COLUMBIA BUS. SCH., VIAGRA IN CHINA: A PROLONGED BATTLE OVER INTELLECTUAL PROPERTY RIGHTS 3, 16 (2010).

6. Shuang Lewis, *Pfizer Loses Appeal over Viagra Trademark Case in China*, GLOBAL INSIGHT, July 10, 2009. For a general discussion of the importance of intellectual property in modern international business, see DANIEL C. K. CHOW & EDWARD LEE, INTERNATIONAL INTELLECTUAL PROPERTY: PROBLEMS, CASES, AND MATERIALS 4–11 (2006).

7. Lewis, *supra* note 6. The Chinese company that owns the trademark name "*Weige*," is known by several names including Welman Pharmaceutical and Viaman Pharmaceutical. *See id*; *Pfizer Wins Landmark Viagra Ruling in China*, ECON. TIMES, Dec. 28, 2006, http://articles.economictimes.indiatimes.com/2006-12-28/news/27420462_1_viagra-*weige*-production-of-blue-rhomboid.

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

one, to the author's knowledge, has yet distilled the lessons learned from the missteps made by Pfizer. This article addresses the cultural and legal issues that Pfizer encountered in launching its Viagra trademark in China and sets forth some lessons that can help other MNCs avoid similar problems in the future.[9]

The first part of this article describes the legal battles that Pfizer faced in China involving its trademark for Viagra.[10] Despite several lawsuits, Pfizer has failed to gain ownership of the Chinese trademark for Viagra, *Weige*, and has been unable to force Viamen and others to stop using the trademark.[11]

Part two of this article sets forth the basic principles of trademark protection across national borders. These basic principles must be understood against the particular context of the cultural and linguistic issues that make registration of foreign language trademarks and their Chinese-language transliterations traps for the unwary.[12] Despite over three decades of doing business in China, MNCs continue to stumble into traps caused by differences in culture and history. Part two also analyzes the cultural issues that are involved when U.S. brand owners seek trademark protections overseas. In particular, these cultural issues vary significantly in different parts of the world. The assumptions that MNCs make concerning the protection of their U.S. trademarks in other English speaking countries and in Europe do not apply with equal force in China and other Asian countries.

Part three discusses how MNCs can avoid Pfizer's problem in the future. In China, the dominance of Chinese culture—in particular Chinese language—means that MNCs must develop a Chinese-language trademark early in the process for brands with a target global market.[13] The brand owner should obtain a Chinese trademark registration for the transliteration of its English-language trademark from the China Trademark Office (CTMO), before or at the same time that the brand owner introduces its English-language trademark

9. *See infra* Part III.

10. Pfizer also faced challenges over its patents in China. *See* LI ET AL., *supra* note 5, at 11–13. However, Pfizer ultimately had the validity of its patent for Viagra upheld by PRC authorities in 2006. *Id.* at 13. This article focuses on the trademark and not patent law issues. The patent law issues are complex and deserve an independent treatment on their own.

11. Lewis, *supra* note 6.

12. *See infra* Part II.

13. *See infra* Part III.

to the media.[14] This is one of the most important lessons of the Viagra case.[15]

I. BACKGROUND OF PFIZER'S LEGAL BATTLES OVER ITS INTELLECTUAL PROPERTY RIGHTS OF VIAGRA IN CHINA

Although Pfizer officially launched Viagra in 1998,[16] the media reported on the drug throughout the 1990s and by 1996 it was already well known that Pfizer was completing clinical studies that would allow it to launch Viagra in the United States.[17] In 1998, Pfizer launched Viagra with great fanfare in the United States and Europe.[18] The drug was an immediate success.[19] From 2006–2011, sales in the United States alone have generated close to $5.2 billion.[20] Today, Pfizer earns annual revenues of $1.9 billion from sales of Viagra worldwide.[21]

Interest in Viagra was so keen that the drug received intense media coverage even before Pfizer obtained a U.S. trademark registration for the name.[22] Pfizer filed its U.S. trademark application for Viagra in the United States Patent and Trademark Office (USPTO) on April 12, 1996 and, after examination, the USPTO

14. *See infra* Part III.

15. As an alternative, albeit a less attractive one, the brand owner can file both the English-language and Chinese-language trademarks at the same time in the United States Patent and Trademark Office and then file the same marks in China within a six month period and obtain the U.S. filing date for both marks in China. *Infra* Part III.B. The six month period is known as the period of Paris Priority. *Infra* Part II.A.

16. Gina Kolata, *U.S. Approves Sale of Impotence Pill; Huge Market Seen*, N.Y. TIMES, Mar. 26, 1998 at A1.

17. Ron Winslow, *Pfizer Explores Treatment for Impotence*, WALL ST. J., May 6, 1996 at B8.

18. *See* LI ET AL., *supra* note 5, at 1.

19. Justin Gillis, *Pfizer's Stock Soars on Success of Drug; New Impotence Pill Boosts Firm's Value*, WASH. POST, April 21, 1998, at C1.

20. For Pfizer's financial statement reflecting U.S. sales of Viagra from 2006 thru 2011 see generally PFIZER, INC., FINANCIAL REPORTS (2006–2011), *available at* http://www.pfizer.com/investors/financial_reports/financial_reports.jsp. Pfizer's share of the market for erectile dysfunction drugs has decreased steadily since its introduction. *See* Alison Keith, *The Economics of Viagra*, 19 HEALTH AFF. 147, 148–49 (2000) (describing a drop in sales after men not suffering from erectile dysfunction discovered that Viagra had no effect on their sexual performance). The introduction of competing prescription pills and black-market imitators also account for the decrease in Viagra's performance in the market. *See* LI ET AL., *supra* note 5, at 10 (describing Viamen's sale of an erectile dysfunction drug without the active Sidenafil component).

21. PFIZER, INC., 2010 FINANCIAL REPORT 25 (2011).

22. *See, e.g.*, Winslow, *supra* note 17.

issued the registration on June 2, 1998.[23] However, Pfizer executives were using the "Viagra" name in public even before the Viagra trademark application was filed in the USPTO.[24] On May 5, 1996, less than a month after Pfizer filed the trademark registration and long before the USPTO issued the registration, Pfizer reported on the highly anticipated positive results of clinical studies on Viagra before the American Urological Association.[25] English-language media reported widely on this event and repeatedly referred to Viagra by name.[26] By early 1996, Pfizer's drug was already drawing worldwide attention by its brand name—Viagra.[27]

By 1996, Pfizer decided that China would be an important market for the drug and filed a trademark application for the English-language name Viagra with the CTMO on October 24, 1996.[28] Apparently, Pfizer did not feel rushed to file a Chinese transliteration of its English trademark immediately and did not file its first Chinese-language trademark application until May 1997.[29] Perhaps Pfizer did not feel pressed to file a Chinese-language trademark because Pfizer had to first obtain approval from the PRC State Food and Drug Administration (SFDA) before it could legally sell the drug in China.[30] Pfizer did not obtain formal approval from the SFDA until

23. VIAGRA, Registration No. 2,162,548.

24. *See Pfizer Says Aricept may get Quick FDA Filing*, REUTERS NEWS, Mar. 25, 1996 (reporting that Pfizer executive vice-president discussed Viagra at a conference in London).

25. Winslow, *supra* note 17.

26. *See, e.g.*, Paul Recer, *Potency Pill May be Available in a Year*, HOUS. CHRON., May 6, 1996 at A7 ("The company plans to market sildenafil under the brand name Viagra.").

27. *See New Drug Offers Hope for the Impotent*, DEUTSCHE PRESSE-AGENTUR, May 6, 1996.

28. VIAGRA, Registration No. 1,130,739 (China).

29. LI ET AL., *supra* note 5, at 29. In 1997, Pfizer attempted to register "*Wei Ergang*" (威而 钢), which was rejected by the CTMO. Pfizer's name *Wei Ergang* means "Mighty and Strong" or "Mighty and Firm." One of the grounds upon which CTMO rejected the application on the grounds that it was too sexually suggestive. *See id.* at 8. In the author's view, this attempt indicates that Pfizer did not have a sophisticated understanding about Chinese culture. While Chinese consumers found *Weige* (伟 哥) or Great Older Brother to be appealing, most Chinese consumers would probably find Wei Ergang to be unappealing because it lacks subtlety and wit. *See id.* By comparison to *Weige*, it seems to be clumsy and even crude. *See id. Wei* (威) implies strength and power and *gang* (钢) refers to steel. Rather than defusing social pressures, the crude and suggestive nature of the name and the claim that it appears to be making might be viewed as intensifying such pressures. *See id.* After *Wei Ergang* was rejected, Pfizer finally settled on *Wan Aike* and eventually received a PRC trademark registration. *Id.*

30. *See Main Responsibilities*, STATE FOOD & DRUG ADMIN., CHINA, http://eng.sfda.gov.cn/WS03/CL0756/ (last visited Mar. 8, 2012) (stating that the SFDA's duties include monitoring registration and supervision of drugs and overseeing the quality and safety of drugs).

July 2000.[31] Pfizer might have believed that without SFDA approval, there was no reason to rush to file a trademark application for a Chinese transliteration of Viagra because the drug could not be legally sold in China under any brand name.

Meanwhile, soon after Pfizer officially launched Viagra in the United States in 1998, vendors began to illegally import Viagra pills into China's nightclubs, hotels, and massage parlors.[32] Some street vendors even began to hawk Viagra in large cities in China.[33] Not surprisingly, Viagra proved to be immensely popular in China as soon as it became available in the United States and Europe.[34] Although the precise source and date is unclear, sometime in the period between the first flurry of international media attention given to Viagra in the mid-1990s and shortly after the official launch of Viagra in the United States, the Chinese media coined the transliteration *Weige* for Viagra.[35]

Pfizer failed to realize that because of the U.S. media coverage of the launch of Viagra in the mid to late 1990s, the Chinese media would not use the word Viagra, but instead would give the product a Chinese transliterated name. Perhaps, Pfizer never fully appreciated the difference between markets in which English is the native or dominant language and markets in which the native population does not speak English.[36] For example, in countries such as Canada, the United Kingdom, and some EU countries, people speak English as a native language or with such a high level of proficiency that many English words, phrases, and brand names are commonly interspersed in business and daily conversation.[37] In China and many other East Asian countries, most people will never colloquially refer to a brand

31. LI ET AL., *supra* note 5, at 29.

32. *Id.* at 8.

33. *Id.*

34. *See* Keith, *supra* note 20, at 150 (describing the quadrupling of market for erectile dysfunction treatment in the United States and a 500% price differential for Viagra in the United States and China).

35. LI ET AL., *supra* note 5, at 29 (stating that a Chinese newspaper in the United States referred to Viagra as *Weige*).

36. *See* Aref. A. Alashan et al., *International Brand-Name Standardization/Adaptation: Antecedents and Consequences*, 10 J. INT´L MARKETING 22, 25–26 (2002) (discussing the various issues a firm may encounter when internationalizing a brand name).

37. This creates a different set of issues as many European countries are now concerned about the dominance of English as a business language and concerned that English will compromise their native languages. *See* Mark Dolliver, *Beyond European Fears of a Monogolot Future*, ADWEEK, May 14, 2001, http://www.adweek.com/news/advertising/beyond-european-fears-monoglot-future-takes-48896. Some European countries have taken steps to curtail the creep of English into their native languages. *Id.*

or trademark by its English-language name, no matter how famous or prestigious.[38] A full discussion of the reasons for this cultural practice in China is beyond the scope of this article;[39] it suffices for present purposes to note that because of history, culture, and the sheer dominance of Chinese language in China, Chinese media and consumers will always use a Chinese transliteration of an English trademark rather than the English word itself. This practice in China even applies to the most famous international brands in the world, including Coca-Cola and McDonald's. Almost no Chinese consumers will refer to these brands by their English name, except in business dealings with foreign nationals who speak English.[40] Given the dominance of Chinese language, Pfizer could have predicted that once Viagra became a frequent topic of discussion in the international media, the Chinese media and Chinese consumers—not Pfizer—would give Viagra a Chinese name (*Weige*), which was a transliteration of the English word.[41] This transliteration occurred before Pfizer attempted to register a Chinese trademark for Viagra in China.[42]

From the perspective of the brand owner in the United States, the proliferation of an unregistered name can create several business problems. One serious issue that arises is that the brand owner loses control over the Chinese-language name for its brand.[43] The name chosen by the Chinese media or consumers could in some cases be deliberately unflattering or inappropriate. An even more serious problem can occur: a Chinese entity might obtain a registration for the Chinese transliteration of the English brand name before the U.S.

38. *See* Fabio Giacopello, *Breaking Down the Great Wall of Language*, INTELLECTUAL PROP. MAG. (Nov. 8, 2011), http://www.ipworld.com/ipwo/doc/view.htm?id=276259&searchCode=H.

39. A simple, non-technical explanation is that the sounds in standard Chinese-spoken language are determined by Chinese-written language, which consists of ideographs or characters, not an alphabet. Chinese characters contain only a limited number of sounds and tones. While new sounds can be created in English through novel combination of the English alphabet, no new sounds can be created in Chinese because all sounds are fixed by the limited universe of Chinese characters. New words in Chinese and transliterations of foreign-language words into Chinese are created by novel combinations of Chinese characters all with existing sounds but no new sounds can be created. This information is based on the author´s own observations and experiences.

40. *See* Giacopello, *supra* note 38.

41. *See* F.C. Hong et al., *Brand Name Translation: Language Constraints, Product Attributes, and Consumer Perceptions in East and Southeast Asia*, 10 J. INT´L MARKETING 29, 29 (2002) ("[F]oreign marketers . . . must consider the form, content, style, and image [a] translation requires in particular market segments").

42. LI ET AL., *supra* note 5, at 29.

43. *See* Giacopello, *supra* note 38.

brand owner can do so in China. This is exactly what occurred in the case of Viagra.

Weige posed a complex problem for Pfizer because it was much more successful than *Wan Aike*, the Chinese name that Pfizer eventually chose.[44] *Weige* (伟哥), which can be translated as "Great Older Brother," was an immediate hit not just in China but in the entire Chinese speaking world.[45] *Weige* is an almost exact homophone of Viagra, but that does not explain its success.

Although sexual mores in China have relaxed considerably as China has engaged in trade and cultural exchanges with the West, customs are generally much more conservative than in many parts of the Western world. A light-hearted name helps to diffuse some of the social pressures created by conservative sexual attitudes. For all of its recent economic progress, China remains a country with many economic, social, and political problems that plague the daily lives of its citizens;[46] humor is often used in China to deal with difficult political or sensitive social issues.[47] "*Wei*" means "great" but in the sense of respect and reputation, and does not necessarily carry a connotation of physical strength, force, or violence. The term "*ge*" (哥) or "older brother" is often used as a term of affection or respect and was thought to be especially appealing to China's female population in connection with this drug. *Weige*, a gentle and humorous name, spoke to China's consumers and appeared to be right in line with China's cultural attitudes towards sex.[48]

Issues within Pfizer's own business culture may have contributed to the problem. Although *Weige* proved to be immensely popular in the Chinese-speaking world, it is not a name that Pfizer would likely have chosen at the time. Like many U.S.-based pharmaceutical companies, Pfizer prefers scientific, technical, and

44. Chan, *supra* note 8, at 82.

45. *Id.*

46. *See generally* John W. Lewis & Xue Litai, *Social Change and Political Reform in China: Meeting the Challenge of Success*, 176 CHINA Q. 926 (2003).

47. *See* Brook Larmer, *Where an Internet Joke Is Not Just a Joke*, N.Y. TIMES MAG., Oct. 26, 2011, at 34 (describing Chinese humor as subtle and ironic in the face of rigorous state censorship).

48. *See* June N.P. Francis et al., *The Impact of Linguistic Differences on International Brand Name Standardization: A Comparison of English and Chinese Brand Names of Fortune-500 Companies*, 10 J. INT´L MARKETING 98, 113–14 (2002) (reporting on the results of a study suggesting that firms can capitalize on the localization of their brand names by adopting names that are more meaningful, reflect more positive connotations, reflect more product benefits or characteristics, and possess more desirable linguistic characteristics than the original names).

impressive Latin sounding names in English that carry a certain gravitas for its drugs.[49] Pfizer appeared to have adopted the same approach to its Chinese-language trademarks. The trademark that Pfizer eventually chose, *Wan Aike*, is a sober transliteration of the English name and has no particular meaning in Chinese.[50] The most successful brand names in China are not only transliterations of the English name but also have a meaning in Chinese that often combines wit and erudition.[51] For example, the Chinese transliteration of Coca-Cola is "*Keko Kele*" (可口可乐), which means "Delicious Happiness" and the transliteration for P&G (the shorten name by which Procter & Gamble is known in China) is "*Baojie*" (宝洁), which means "Precious Cleanliness." Pfizer's chosen Chinese transliteration for Viagra is a collection of sounds that have no meaning in Chinese and seem dull and uninspired when compared with the wit and humor of *Weige*. An uninspired and scholarly sounding name may have had the unintended effect of adding to social pressures in this area. Perhaps for this reason, *Wan Aike* never caught on with Chinese consumers, most of whom still identify Viagra with *Weige*.

II. PFIZER'S LEGAL DISPUTES OVER THE VIAGRA TRADEMARK

When Pfizer's executives realized that *Weige* had become so popular in the Chinese speaking world, they moved quickly to obtain trademark registrations for the trademark in China, Taiwan, and Hong Kong.[52] Pfizer eventually obtained trademark registrations for *Weige* in Hong Kong and in Taiwan,[53] but in China, Pfizer was faced with many prior competing applications.[54] One month after Pfizer's launch of Viagra in the United States in April 1998, several Chinese companies filed trademark registrations for *Weige* with the CTMO.[55] Viamen filed the first application on May 20, 1998 for *Weige* (along

49. See Donald G. McNeil, Jr., *The Science of Naming Drugs (Sorry, ´Z´ Is Already Taken)*, N.Y. TIMES, Dec. 27, 2003, http://www.nytimes.com/2003/12/27/business/28mcne.html, for a discussion of how pharmaceutical companies select drug names.

50. *See* Francis et al., *supra* note 48 at 99 ("A good brand name should [have] desirable properties, such as positive connotations association with the brand name, relevance to the product, memorability, and the ability to offer a distinctive image over competing products.").

51. *See id.* at 104 (noting "the Chinese cultural norm of imbuing names with special (positive) or lucky meanings.").

52. *See* LI ET AL., *supra* note 5, at 29.

53. *Id.*

54. *Id.* at 9.

55. *Id.*

with several other variations in Chinese).[56] Pfizer applied for its *Weige* trademark in China on August 12, 1998.[57] Under China's first to file system,[58] Viamen's application was deemed by CTMO to be first in time and CTMO awarded the *Weige* trademark to Viamen on June 21, 2002 over Pfizer's protestations.[59] Pfizer filed an objection, and the Trademark Review and Appeals Board affirmed the CTMO's decision.[60] At the time of the Appeals Board's decision, some financial analysts estimated the brand equity of the *Weige* trademark to be between $85 and $120 million.[61] The decision to award the *Weige* trademark to Viamen could be viewed as the award of a significant business and financial asset to which Pfizer had an arguable claim.[62]

In October 2005, Pfizer launched a second challenge to the *Weige* trademark in the Beijing First Intermediate People's Court on the theory that it owned the rights to the *Weige* trademark in China.[63] It argued that even though its trademark application was later in time *Weige* had achieved fame as Pfizer's trademark under the famous trademarks doctrine in China.[64] Pfizer further claimed that this fame was achieved prior to Viamen's application and created rights in Pfizer and Viamen's unauthorized use of the *Weige* trademark violated Article 10 of China's Anti-Unfair Competition Law.[65] As explained in the next section, in January 2007, the Beijing court rejected Pfizer's claim that it owned the famous trademark *Weige* and in July 2009, Pfizer lost its final appeal on this issue in the Supreme People's Court.[66] These court decisions and actions by the State

56. *Id.*

57. *Id.*

58. CHOW & LEE, *supra* note 6, at 482-83.

59. LI ET AL., *supra* note 5, at 10.

60. *Id.* at 29.

61. *Id.* at 10.

62. *See* Al J. Daniel, Jr., *Intellectual Property in the Uruguay Round: The Dunkel Draft and a Comparison of United States Intellectual Property Rights, Remedies, and Border Measures*, 25 N.Y.U. J. INT´L L. & POL. 751, 774 (1993) ("The value of a trademark can be a company´s greatest asset.").

63. LI ET AL., *supra* note 5, at 29.

64. Pfizer v. Beijing Health New Concept Pharm. Co. (Beijing First Interm. People's Ct., Dec. 30, 2006) (China) *in* ROBERT H. HU, RESEARCH GUIDE TO CHINESE TRADEMARK LAW AND PRACTICE 48 (2009) [hereinafter Beijing Health].

65. Anti-Unfair Competition Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Sept. 2, 1993, effective Sept. 2, 1993) (Lawinfochina) art. 10(1) ("Managers shall not use the following methods to infringe upon business secrecy: to steal coerce, or use any other unfair method to obtain the other's business secrets.").

66. LI ET AL., *supra* note 5, at 14.

Intellectual Property Office (SIPO) indicate that Guangzhou Viamen is now the undisputed owner of the *Weige* trademark in China.

A. Principles of International Intellectual Property

To better understand Pfizer's legal battles over Viagra in China and the hurdles that Pfizer faced, it is important to review some basic principles of international intellectual property and the complications brought to bear on the case by the unusual cultural and legal issues in China. This review will make it clear that Pfizer, despite all its experience and resources, did not fully appreciate the problems that would arise as a result of these unusual circumstances.

Under the modern system of international intellectual property, a brand owner must register its trademark in every country in which it is seeking protection for the trademark.[67] Trademarks and patents, like most other intellectual property rights, operate under the principle of territory.[68] Absent special circumstances,[69] the U.S. trademark has no effect in a country other than the United States. Therefore, the brand owner would have to first register the trademark in the target foreign country to obtain trademark protection.[70] Each trademark that is registered is an independent creature of the country in which it is registered.[71] For this reason, MNCs like Pfizer have a

67. *See* CHOW & LEE, *supra* note 6, at 478. The U.S. system awards the trademark to the first to use the mark in commerce even if that party is later in time in filing a trademark application with the USPTO. *Id.* at 482. To win this dispute, the brand owner will need to show evidence of prior use in commerce. *See id.* at 483. Under the first to file system, the inquiry is more simple and straightforward: which of the competing applications was filed first? *Id.* This can be determined by checking the dates of the applications filed in the trademark office.

68. *Id.* at 478. Copyrights are treated differently. A copyright that is created in any country that is a member of the Berne Convention or the WTO automatically acquires a copyright in all other Berne or WTO countries without the need for any further action or formalities. *Id.* at 89–90.

69. Special circumstances would include a treaty concluded between the United States and other countries providing for extraterritorial protection of trademarks and other intellectual property rights. *E.g.*, Paris Convention on the Protection of Industrial Property art. 4, Mar. 20, 1883, 828 U.N.T.S. 307 (last revised July 14, 1967) [hereinafter Paris Convention] (stating that any person who duly filed an application for a trademark in one of the State parties shall enjoy, for the purpose of filing in one of the other State parties, a six month rights of priority).

70. *But see id.* art. 4(C)(1) (permitting a six-month grace period for filing a trademark for nationals of state parties to the Paris Convention).

71. *See id*. art. 6.

portfolio consisting of thousands of trademarks and patents from around the world.[72]

The United States follows a first-to-use system for trademarks.[73] Most other countries, including China, follow a first-to-file system.[74] Under the more popular first-to-file system, the first in time to file a trademark registration will win in a dispute between competing applications for the trademark.[75] By contrast, under the first-to-use system, the first to use the trademark in commerce, if proven by sufficient evidence, has the right to the trademark regardless of who is the first to file.[76] The first–to-file system has the advantage of simplicity, but it could have the disadvantage of unfairness because it can encourage predatory behavior in the form of trademark "squatting."[77] In combination with the principle of territoriality, the first-to-file system allows a foreign entity or person to file for a trademark in a foreign country before the brand owner and may be able to obtain local ownership of the foreign trademark.[78]

To address this problem, trademark owners from countries belonging to the World Trade Organization (WTO) are entitled to enjoy a six-month period of priority under the Paris Convention,[79] incorporated into the WTO by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).[80] For example, if Pfizer filed a trademark application on January 1, 2012 in the

72. This observation is based on the author's own experience as in-house counsel for a MNC. The author handled intellectual property matters and can confirm that the company had hundreds of trademarks and patents in China alone.

73. CHOW & LEE, *supra* note 6, at 483.

74. *Id.* at 482.

75. *Id.*

76. *Id.*

77. David Pierson, *China's Trademark Squatters Sit Tight*, L.A. TIMES, Mar. 28, 2012, at A1.

78. *But see* Paris Convention, *supra* note 69, art. 4(C)(1).

79. *Id.*

80. The Agreement for Trade Related Intellectual Property rights (TRIPs) is one of the major mandatory agreements of the World Trade Organization (WTO). *See* CHOW & LEE, *supra* note 6, at 56. All members of the WTO must join TRIPs as part of the process of accession to the WTO. *See id.* at 25–26. TRIPs incorporates the bulk of the substantive provisions of the Paris Convention, including the period of priority for trademarks and patents. Agreement on Trade-Related Aspects of Intellectual Property Rights art. 2, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1867 U.N.T.S. 154 [hereinafter TRIPs]. As the United States and China (as well as most of the world's countries) are now members of the WTO and bound by TRIPs, China is bound by the principle of Paris Priority for trademarks and patents. *See Members and Observers of the WTO*, WORLD TRADE ORG., http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm (last visited Feb. 24, 2012).

USPTO, Pfizer has until July 2, 2012 to file a trademark application in China and is entitled to a China priority filing date of January 1, 2012.[81] Any trademark applications filed in China after January 1, 2012 will be defeated by Pfizer's application, which will be considered prior in time in China under the Paris Convention and the WTO.[82] This period of priority is commonly known as Paris Priority.[83]

Another doctrine used to ameliorate problems of trademark squatting and to resolve priority disputes is the famous trademarks doctrine, which is a mechanism to overcome the principle of territoriality.[84] If a trademark has achieved "fame" in a foreign country, then the owner of the famous trademark is the owner of the trademark in the foreign country even though he never registered the trademark.[85] The foreign trademark owner will have superior rights over a trademark application that is filed after the trademark in question has achieved fame in the foreign country.[86] In other words, the fame of the trademark creates the equivalent of a right of priority or ownership in the foreign brand owner who is prior in time to a subsequently filed trademark application or the same trademark.[87] Local law usually defines the term "fame" and because fame is intangible, the famous trademarks doctrine sometimes allows for wide discretion by the local authorities.[88]

81. The day of filing is not included in the six month period of priority. Paris Convention, *supra* note 69, art. 4(C)(2).

82. *See id.* at art. 4.

83. The same principle applies to patents, except that the period of priority is one year. *See id.* art 4(C)(1).

84. Under TRIPS, all WTO members have an obligation to recognize the famous marks doctrine of Article 6 of the Paris Convention in their domestic law. TRIPs, *supra* note 88, art. 2(1) (binding all members to Articles 1 through 12, and Article 19 of the Paris Convention).

85. While the Paris Convention requires the implementation of the famous marks doctrine into domestic law, countries have wide lateral in determining the elements of the doctrine. *See* Jing Luo & Shubha Ghosh, *Protection and Enforcement of Well-Known Mark Rights in China: History, Theory and Future*, 7 NW. J. TECH. & INTELL. PROP. 119, 120–123 (2009) (stating the factors China courts use to determine whether there is a famous trademark and also that the famous mark protection in China extends to both registered and unregistered trademarks). The famous trademarks doctrine is also referred to as the well known marks doctrine. *See id.* at 120.

86. Paris Convention, *supra* note 69, art. 6.

87. *Id.*

88. *Compare* Luo & Ghosh, *supra* note 85, at 120–21 (discussing the definition of fame in Chinese law) *with* Blake W. Jackson, *Notorious: The Treatment of Famous Trademarks in America and How Protection Can Be Ensured*, 3 J. BUS. ENTREPRENEURSHIP & L. 61, 68–71 (2009) (discussing different American courts' interpretation of the term "fame").

B. Procedural History of Pfizer's Disputes Over Viagra in China

None of these various principles and doctrines ultimately proved to be useful to Pfizer in battles over the *Weige* trademark in China. The period of Paris Priority is applicable to the English-language trademark, Viagra, for six months after the filing of the trademark in the USPTO.[89] But the issue in this case was not the English-language trademark, but the Chinese-language trademark for *Weige*. Pfizer was not entitled to Paris priority for *Weige* since *Weige* was never filed in the USPTO. If Pfizer had filed a registration in the USTPO for the Chinese characters for *Weige*, then Pfizer would have been entitled to the six-month period of Paris Priority in China for the Chinese characters. Under U.S. law, a trademark registration consisting of foreign-language words is permitted so long as the characters do not refer to a generic term in the original language.[90]

Rather, according to Chinese courts, the issue was Pfizer's priority for the application of the *Weige* trademark in China.[91] China does not require actual use in commerce as a condition for granting a trademark registration, but will invalidate the trademark if it is not used within three years of the registration.[92] Any natural or legal person can apply for a trademark and obtain a registration.[93] Since use is not a requirement for the filing of a trademark application in China, the issue, as framed by the Chinese courts, seemed simple and straightforward—Viamen's application for *Weige* was filed in CTMO on May 20, 1998, whereas Pfizer's application came almost three months later on August 12, 1998.[94] On the basis of China's first-to-

89. Pfizer failed to file its English-language trademark in China within the period of Paris Priority. Pfizer filed its Viagra trademark application in the USPTO on April 12, 1996 but waited until October 24, 1996 to file its trademark application for Viagra in China. *Compare* VIAGRA, Registration No. 2162548 (indicating that Pfizer filed its trademark application on April 12, 1996) *with* VIAGRA, Registration No. 1130739 (China). Pfizer's period of Paris Priority expired on October 13, 1996—six months after the first filing—so Pfizer was not entitled to the U.S. filing date for its China trademark application. Pfizer is very fortunate that no one filed for the English-language name Viagra before its application in China.

90. *See* Otokoyama Co. Ltd. v. Wine of Japan Imp., Inc., 175 F.3d 266, 270–71 (2d Cir. 1999).

91. Beijing Health, *supra* note 64.

92. Trademark Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 23, 1982, effective Mar. 1, 1983, amended Oct. 27, 2001) art. 44.

93. *See id.* art. 4.

94. LI ET AL., *supra* note 5, at 29.

file system, CTMO considered Viamen's application to be first in time and awarded the *Weige* trademark to Viamen.[95]

Pfizer's famous trademarks doctrine claim also failed.[96] An essential element of the famous trademarks doctrine is that the famous trademark becomes associated with the trademark owner in the mind of consumers.[97] To demonstrate fame, brand owners will usually provide evidence of a substantial amount of resources spent on promoting and advertising the brand and evidence of consumer awareness of the brand as belonging to the brand owner in the target country.[98] In a well-known case, the fast food giant McDonald's used the famous trademarks doctrine to invalidate third-party trademark registrations for the McDonald's trademark and several variations in South Africa even though the fast food giant did not have valid registered trademarks in South Africa and never did business in South Africa.[99] The dispute concerned the use of the English-language trademark "McDonald's" (and several variations) in South Africa.[100] McDonald's introduced evidence of its worldwide advertising and promotional revenues used in international media for the McDonald's trademarks that helped to create international fame for the trademarks.[101] These activities created fame for the McDonald's trademarks not only in the countries where the company had registered its trademark, but also in South Africa, which was exposed to the international media.[102] The fame created an association of the McDonald's trademarks with the U.S.-based MNC McDonald's in the minds of South African consumers.[103] As a result, the fame in South Africa created the equivalent of a property right in the

95. *See id*; Lucy Hornby, *U.S. Pleads for China to Keep Trademark Procedure*, REUTERS, Nov. 7, 2008.

96. Beijing Health, *supra* note 64.

97. *See* Wal-Mart Stores, Inc. v. Samara Brothers, Inc., 529 U.S. 205, 210–11 (2000).

98. *See*, I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 42 (1st Cir. 1998) (stating that little evidence was presented regarding the subjective view of the potential customers and whether they are familiar with the trademark); Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., 212 F.3d 157, 165 (3d Cir. 2000) (stating that to determine whether a trademark has become distinctive courts should look at the existence of advertising by the plaintiff).

99. *McDonald's Corp. v. Joburgers Drive-Inn Restaurant (Pty) Ltd.* 1996, 4 All SA 1 (A) at 71–72 (S. Afr.).

100. *Id.* at 2.

101. *Id.* at 44–45.

102. *See id.* at 45 ("Although there was no evidence on the extent to which the advertising outside South Africa spilled over into this country through printed publications and television, it must, in all probability, be quite extensive.").

103. *Id*. at 45, 53–55, 62–63.

McDonald's trademarks that belonged to the MNC and this property right prevented the third party from registering the McDonald's trademarks.[104] McDonald's achieved this result and won its case in South Africa even though McDonald's had no physical presence in that country at the time.[105]

In the Viagra case, however, the Chinese courts found that there were, in fact, two different trademarks, the English trademark, Viagra, and the Chinese trademark, *Weige*.[106] Pfizer had invested vast sums of money in basic research and development of Viagra and millions of dollars in promoting and advertising Viagra in countries around the world.[107] But the issue, at least for the courts in China, was not whether the English-language trademark achieved fame in China, but whether the Chinese-language transliteration, *Weige*, achieved fame in China and came to be identified in the minds of Chinese consumers with Pfizer as the owner of the trademark.[108] On this issue, the Chinese courts compelled Pfizer to prove that *Weige* was identified with Pfizer in China, that Pfizer had spent resources to promote awareness of *Weige*, and that *Weige* was owned by Pfizer in China.[109] Pfizer's evidence on these claims was scant because Pfizer did not seek to promote *Weige* as its own brand in China.[110] As discussed earlier, Pfizer did not create *Weige* and it was not, at least at the time, consistent with Pfizer's own business culture and the image that it sought for its brands.[111] Rather, it might be more accurate to surmise that Pfizer's real initial interest in *Weige* was to obtain a trademark registration to block other Chinese companies from using the *Weige* trademark without its permission and prevent

104. *See id*. at 71–72.

105. *See id*. at 3, 71–72.

106. Beijing Health, *supra* note 64.

107. *See* LI, ET AL., *supra* note 5, at 2 (describing the average expenses for research and development of new drugs); Amy Barrett, *Pfizer´s Funk*, BLOOMBERG BUSINESSWEEK, Feb. 28, 2005, *available at* http://www.businessweek.com/magazine/content/05_09/b3922001_mz001.htm (citing Viagra as the most advertised erectile dysfunction drug).

108. *See* Beijing Health, *supra* note 64. *See also Pfizer Appeals after Losing Battle for Chinese Name of Viagra*, CHINA.ORG.CN, Feb. 7, 2007, http://www.china.org.cn/english/health/199268.htm [hereinafter *Losing Battle*].

109. *See Losing Battle*, *supra* note 108.

110. *See* Leah Chan Grinvald, *A Tale of Two Theories of Well-Known Marks*, 13 VAND. J. ENT. & TECH. L. 1, 33 (2010) ("Pfizer attempted to prove effective exposure of its claimed mark through unsolicited media reports, but the court deemed this an insufficient showing that consumers had come to recognize *WEIGE* as Pfizer´s mark.").

111. *See supra* Part I.

consumer confusion.[112] Pfizer simply had not invested resources to promote the fame of *Weige* in China and create consumer association with Pfizer.[113] In January 2007, the Beijing Intermediate People's Court rejected Pfizer's argument that it owned the rights to the *Weige* trademark under the famous trademarks doctrine.[114]

Pfizer's long battle appears to have come to a final, unsatisfying end with the Supreme People's Court rejection of Pfizer's final appeal in 2009.[115] Some media outlets in China reported that Viamen has since offered to sell the rights to *Weige* to Pfizer for an exorbitant sum.[116] This was perhaps Viamen's intention all along, but Pfizer has firmly rejected such overtures.[117] Pfizer continues to own the competing and less desirable *Wan Aike* trademark.[118]

Pfizer did achieve a victory in a related trademark dispute in connection with Viagra in China.[119] Stung by its lack of foresight concerning the Chinese name for Viagra, Pfizer filed a trademark application for the distinctive blue color and three dimensional diamond shape of its pill (3D trademark).[120] On May 28, 2003, CTMO granted a trademark to Pfizer for the shape and color of the pill.[121] Later, Pfizer sued Viamen and various other Chinese companies for infringement of its 3D trademark and sought an injunction and $6 million in damages.[122] Pfizer prevailed against one such Chinese company, Shanghai Dongfang, which the court permanently enjoined from using Pfizer's 3D trademark and ordered to pay Pfizer $38,000 in damages, which were never collected.[123]

112. *Cf.* LI ET AL., *supra* note 5, at 23 (discussing possible grounds for invalidating a trademark in China).

113. In addition, China has proven resistant to the using the famous trademarks doctrine to invalidate Chinese trademark applications in favor of foreign trademarks. Alisa Cahana, Note, *China's Protection of Famous and Well-Known Marks: The Impact of China's Latest Trademark Law Reform on Infringement and Remedies*, 12 CARDOZO J. INT'L & COMP. L. 219, 236–39 (2004) (attributing China's resistance to using the famous trademarks doctrine to protectionism and nationalism).

114. LI ET AL., *supra* note 5, at 29.

115. *See id.*

116. *Id.* at 14.

117. *See id.*

118. *See* Chan, *supra* note 8, at 82.

119. Shannon Pettypiece, *Pfizer Wins Viagra Trademark Case in China, Gets Public Apology*, BLOOMBERG (Dec. 28, 2006, 4:43 PM), http://www.bloomberg.com/apps/news?pid=newsarchive&sid=acB1tZOUOH5c&refer=asia.

120. *See* Chan, *supra* note 8, at 82.

121. *See* LI ET AL.**,** *supra* note 5, at 29.

122. *Id.* at 13.

123. *Id.* at 13–14. Shanghai Dongfang subsequently filed for bankruptcy. *Id.* at 14 n.88.

Pfizer's victory on the 3D trademark is no doubt significant, but the highest stakes in China concerned the ownership of the *Weige* trademark, not the 3D trademark.

C. Results of the Protracted Battle over Viagra: The Counterfeiters Take Over

The result of the protracted battle over the *Weige* trademark in China is that the market for the sales of Viagra has been almost entirely lost to counterfeiters and pirates.[124] Soon after *Weige* became widely known in China, counterfeiters began to sell unauthorized versions of aphrodisiacs under the *Weige* label all over China.[125] Some counterfeits contained some sildenafil, the active ingredient in Viagra, while others contained traditional Chinese herbal medicines or no useful ingredients at all.[126]

The counterfeiters acted with almost total impunity for at least three reasons. First, Pfizer was not the registered trademark owner of *Weige* and could not enforce trademark rights against counterfeiters. Only the registered trademark owner has standing to bring enforcement actions against counterfeiters through China's administrative authorities.[127] The registered trademark owner, Viamen, was engaged in a protracted legal battle with Pfizer over the trademark and may have been too distracted to pursue the counterfeiters. Second, the enforcement of trademark rights against counterfeiters in China requires considerable resources to hire private investigation companies and law firms.[128] Many MNCs need to expend millions of dollars annually to combat counterfeiting and

124. Trademark counterfeiting continues to be a serious business problem for MNCs in China despite more than a decade of intensive efforts to combat the problem. *See generally* Daniel Chow, *Anti-Counterfeiting Strategies of Multi-National Companies in China: How a Flawed Approach Is Making Counterfeiting Worse*, 41 GEO. J. INT'L L. 749 (2010) (discussing the counterfeiting problem in China from the 1990s onward).

125. *See* LI ET AL., *supra* note 5, at 15; *China Court in Viagra Crackdown*, BBC NEWS (Dec. 28, 2006, 9:57 AM), http://news.bbc.co.uk/2/hi/business/6213835.stm ("Viagra was introduced in China six years ago and after six months on the market, state media said 90% of the blue pills sold in Shanghai were fake.").

126. Elisabeth Rosenthal, *An Age-Old Quest Could Be at an End: Chinese Hail Viagra*, N.Y. TIMES, Apr. 23, 2002 at A1.

127. This is based on the author's own experience as in-house counsel for an MNC in China. It is usually possible to convince enforcement authorities to conduct a raid in China if the brand owner produces a copy of its trademark registration and then makes an oral statement that the infringing use was unauthorized. This simple procedure is usually adequate to set a raid in motion within fifteen to thirty minutes of the application by the PRC authorities.

128. *See* Chow, *supra* note 124, at 763–64.

piracy.[129] It seems unlikely that Viamen had the resources to invest in enforcement against counterfeiting when it was also entangled in a bitter legal battle with Pfizer. Even if Viamen had such substantial resources, it is unlikely that Viamen would have used them. Many observers have speculated that Viamen's real intention all along was to force Pfizer to purchase the *Weige* trademark because Viamen believed that this opportunity provided the greatest potential for realizing a quick and huge windfall.[130] So, neither Pfizer nor Viamen have pursued the counterfeiters. As a result, rampant counterfeits of *Weige* have occurred in China and continue to hold a vast majority of the market.[131]

The distractions and hurdles created by litigation over Pfizer's patent for Viagra in China undoubtedly contributed to the rise of rampant counterfeiting of *Weige*. The frenzy that accompanied the launch of Viagra in China led several Chinese companies to challenge Pfizer's patent in China.[132] In September 2001, when SIPO granted Pfizer's patent for Viagra, a group of Chinese pharmaceutical companies immediately challenged the validity of Pfizer's patent.[133] The challenge to the patent was not based upon first-to-file priority since Pfizer's patent application for Viagra was first in time. Rather, the companies argued that the patent was invalid because it failed to satisfy the novelty required in Article 22 of China's Patent Law, a claim that patent law experts felt was unlikely to succeed.[134] Nevertheless, the Patent Review Board of SIPO initially invalidated Pfizer's patent in 2004,[135] causing protest by the United States.[136]

129. *Id.* at 767.

130. *See* LI ET AL.**,** *supra* note 5, at 10-14.

131. *See id.* at 15.

132. *Id.* at 10.

133. *Id.*

134. Patent Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Dec. 27, 2008, effective: Apr. 1, 1985) art. 22 ("An invention or utility model for which a patent is to be granted shall be novel, inventive and practically applicable.").

135. LI ET AL., *supra* note 5, at 11.

136. In January 2005, U.S. Secretary of Commerce Donald Evans criticized the decision to invalidate the Pfizer patent during his visit to China. *See* Andrew Yeh, *Evans Urges China to Crack Down on Counterfeits*, FIN. TIMES, Jan. 13, 2005, http://www.ft.com/intl/cms/s/0/e8749dcc-655c-11d9-8ff0-00000e2511c8.html. In addition, the United States Trade Representative elevated China to its "priority watch list" in its annual report. 2006 SPECIAL 301 REPORT, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE (2006), *available at* http://www.ustr.gov/archive/assets/Document_Library/Reports_Publications/2006/2006_Special_301_Review/asset_upload_file473_9336.pdf. This designation is an indication that China might be subject to mandatory trade sanctions under Section 301, a federal statute that is part of the Omnibus Trade and Competitiveness Act of 1988 for failing to protect U.S.

Perhaps because of political pressure, the Beijing High People's Court reversed its decision and ultimately upheld Pfizer's patent in September 2007.[137] However, the dispute over Pfizer's patent and its focus on winning legal battles in China was an additional distraction that emboldened counterfeiters to make pirated copies. By all accounts, counterfeits with the *Weige* trademark now account for seventy to eighty percent of all erectile dysfunction drugs in China with an estimated value for counterfeit Viagra to be over $240 million.[138] By contrast, Pfizer's sales of Viagra under the *Wan Aike* trademark accounted for only $12.1 million in 2004.[139]

Even though Pfizer is now the undisputed owner of the patent for Viagra, Pfizer's ownership of the patent is a weak basis upon which to enforce its rights against counterfeits sold under the *Weige* label. Proving trademark counterfeiting is relatively easy in China. The brand owner only has to display the trademark registration certificate to the PRC enforcement authorities and make a claim that the infringing use is unauthorized.[140] In the case of patent claims, the patent owner must demonstrate that it owns the patent and that the infringing product violates its patent, which usually cannot be done without elaborate scientific analysis.[141] Moreover, it is unclear whether the multitude of counterfeits sold under the *Weige* label even contains enough of the active ingredient to violate Pfizer's patent.[142] Perhaps most salient of all, Pfizer has little or no interest in enforcing its patent rights against counterfeit pills sold under the *Weige* label because of its acrimonious trademark dispute with Viamen. Counterfeit *Weige* pills can violate two different intellectual property rights: the patent owned by Pfizer if the pills contain the active

intellectual property rights. Omnibus Trade and Competitiveness Act of 1988 § 301, 19 U.S.C. § 2411 (2006).

137. *See* LI ET AL., *supra* note 5, at 13.

138. *Id.* at 15. See also *China Court in Viagra Crackdown*, BBC NEWS (Dec. 28, 2006, 9:57 AM), http://news.bbc.co.uk/2/hi/business/6213835.stm ("Viagra was introduced in China six years ago and after six months on the market, state media said 90% of the blue pills sold in Shanghai were fake.").

139. LI ET AL., *supra* note 5, at 13.

140. *See* Trademark Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Oct. 27, 2001, effective: Mar. 1, 1983) ch. 7.

141. Patent Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Dec. 27, 2008, effective: Apr. 1, 1985) ch. 7.

142. *See* Elisabeth Rosenthal, *An Age-Old Quest Could Be at an End: Chinese Hail Viagra*, N.Y. TIMES, Apr. 23, 2002 at A1.

ingredient sildenafil[143] since the use of that ingredient is protected by Pfizer's patent and the *Weige* trademark, which is owned by Viamen since the counterfeit *Weige* pills use the *Weige* trademark without authorization from Viamen. Counterfeit *Weige* pills without sildenafil do not violate Pfizer's patent and Pfizer cannot enforce its rights against such pills.[144] Only Viamen can enforce its trademark rights against such pills since the trademark was used without Viamen's permission. Similarly, only Pfizer can enforce its patent against pills containing sildenafil that do not use the *Weige* trademark. For counterfeit pills containing sildenafil without Pfizer's consent and using the *Weige* trademark without Viamen's authorization, however, either Pfizer or Viamen can enforce its rights against such counterfeits—Pfizer on the basis of its patent and Viamen on the basis of its trademark. However, if Pfizer enforced its patent rights against these counterfeit *Weige* pills, the enforcement would also benefit Viamen, whose trademark would be protected in the process. It should not be surprising that Pfizer has little interest in assisting Viamen protect the *Weige* trademark.

A review of the history of Pfizer's disputes over the Viagra trademark and patent rights in China indicate that no one, except perhaps counterfeiters and pirates, really won the battle over Viagra in China. Of course, this was a significant business blow to Pfizer. The disputes caused a flood of litigation that did not result in any sustained tangible benefits for Pfizer. Similarly, most Chinese companies involved did not benefit since their products are also harmed by counterfeits. Pfizer's patent rights in China expire in 2014,[145] but it is unclear that Pfizer will be able to fully exploit its patent for commercial purposes given the volume of counterfeits available in China and the identity of *Weige* in the minds of Chinese consumers with Viagra. Pfizer must accept that it will only receive revenues from the sale of Viagra under the significantly less popular and less profitable *Wan Aike* trademark.

This battle over Viagra harmed not just Pfizer and other Chinese firms, but China as a whole. The flood of Viagra counterfeits and other medicines harms China's economy and consumers who are

143. Sildenafil is patented by Pfizer. *See* Peter Loftus, *Pfizer Viagra Patent Upheld—U.S. Judge's Ruling Against Teva Preserves Market Exclusivity on Drug Into 2019*, WALL ST. J., Aug. 16, 2011, at B2.

144. Patent Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Dec. 27, 2008, effective: Apr. 1, 1985) ch. 7.

145. *See* LI ET AL.**,** *supra* note 5, at 16.

wary of the high levels of counterfeit drugs and products of all kinds.[146] The inability of Pfizer to capitalize on its product meant that Pfizer lost revenues that it otherwise would have generated. Furthermore, Pfizer never had the opportunity to expand its operations to accommodate what could have been a robust trade. The expansion of Pfizer's operations, with the commitment of additional resources and capital, and a strong legitimate trade in genuine Viagra would have benefitted China. The award of the *Weige* trademark to Viamen was a discouraging sign to many MNC pharmaceutical companies about China as a place to do business.[147] Avoiding the pitfalls that occurred in the Viagra case may have benefits not only for MNCs but for China's long term economic development as well. The next section of this article discusses what lessons might be learned from this tale of how an important business opportunity for both Pfizer and China was mishandled and lost.

III. LESSONS FOR THE FUTURE

The analysis in this article leads to the following approaches that might have avoided some of the problems that have plagued Pfizer concerning its Viagra trademark in China. The approaches below are applicable not only to pharmaceutical companies that do business in China, but also for any companies that have valuable brands and trademarks. Moreover, the lessons gleaned from the Viagra case apply both to China and other markets in developing countries with similar cultural and language issues.

146. *See* Dina M. Bronshtein, Comment, *Counterfeit Pharmaceuticals in China: Could Changes Bring Stronger Protection for Intellectual Property Rights and Human Health?*, 17 PAC. RIM L. & POL'Y J. 439, 441–43 (2008) (describing the decline in government revenues and public safety that result from the sale of counterfeit drugs). *Cf.* Nicholas Zamiska and Heather Won Tesoriero, *Drug Headache: As Pfizer Battles Fakes in China, Nation's Police Are Uneasy Allies*, WALL ST. J., Jan. 24, 2006, at A1 (recounting the death of infants form counterfeited milk powder).

147. *See* Jerker Hellstrom, *Pfizer Appeals Against Viagra Trademark Ruling in China*, REUTERS, Feb. 7, 2007, http://www.reuters.com/article/2007/02/07/idUSSHA32646120070207 ("Pfizer said the ruling by the Beijing First Intermediate People's Court failed to support Chinese efforts to create an environment for companies bringing new medicines to China," following the Court´s ruling in favor of Viamen in the *Weige* trademark dispute.").

A. To Maintain Chinese Brand Control, MNCs Should Develop and Obtain a Chinese-Language Trademark in China Prior or Simultaneous to the Time That an English-Language Trademark is Obtained in the United States for All Important International Brands

MNCs need to understand that China presents an unusual case with regard to foreign-language brands and trademarks. No matter how prestigious or well known the foreign-language brand, Chinese consumers will simply not refer to the brand by its English-language or other foreign-language name. Rather, Chinese consumers will always refer to the product by a Chinese name. If the brand owner does not create a Chinese-language name for the English-language trademark, Chinese consumers or media entities will create a Chinese-language transliteration of the name. In fact, it is likely that as soon as a brand is even discussed informally in electronic commerce or in the media, Chinese consumers will create a Chinese name for the product. As a result, the foreign-language name may gain little recognition in China when not used in combination with the Chinese trademark. This cultural practice suggests that MNCs must develop a Chinese-language trademark for their products in the early stages in the development of their brands.

Early development of a Chinese brand is consistent with the current brand management practices of many U.S.-based MNCs. In the modern global economy, MNCs find their brands and trademarks are among their most valuable assets.[148] MNCs operate under the core principle that they must control every facet of how their brands are presented to the public.[149] MNCs are also meticulous about keeping marketing strategies, new products, and brands in development confidential. But the case of Viagra indicates that there is now a key element that companies have overlooked in their strategy. Some MNCs seem to believe that once they have filed for a U.S. trademark for their brands in the USPTO they can discuss the brand in the media because they are protected in the United States and in important foreign markets under the Paris Priority. What the Viagra case indicates is that even if companies register trademarks in the United States, it may be necessary to keep the English name of the trademark out of the media until a Chinese trademark has been

148. For a discussion of the value of brands in the modern world see Daniel Chow, *Counterfeiting as an Externality Imposed by Multinational Companies on Developing Countries*, 51 VA. J. INT'L L. 785, 813 (2011).

149. *See id*. at 803.

developed and obtained in China. Companies should, then, introduce the Chinese trademark before or simultaneously with the launch of the English-language trademark in the United States. If the MNC develops a Chinese name and obtains a registration of the name as a trademark in China, then the MNC can communicate the Chinese name to the Chinese media when it launches the English name and demand that the media use the trademarked name. If the Chinese transliteration is based on a sound understanding of China's cultural attitudes and consumer tastes, there is no reason why the Chinese media and Chinese consumers should not accept it. Moreover, there may be legal reasons why they may be required to do so, as explained below.

Obtaining a trademark registration for the Chinese transliteration before the English name is disclosed to the public entitles the brand owner to protection under the PRC Trademark Law and the Anti-Unfair Competition Law.[150] These laws allow a registered brand owner to prevent others from creating consumer confusion with its PRC trademark.[151] The argument for acquiring a Chinese trademark earlier in the process is that competing transliterations create confusion with the brand owner's previously registered transliteration since they all concern the same product or service.[152] The possibility of a legal claim against unauthorized or competing transliterations could create strong incentives for the Chinese media to accept and use the registered Chinese transliterated trademark of the brand owner. With the help of local counsel, the brand owner might also be able to prevent Chinese companies from creating competing transliterations for the English trademark.

These considerations suggest that the brand owner might wish to ensure that it has already obtained a valid Chinese trademark on or before the date that it launches the English-language name in the United States and makes it public to the international media. In some

150. Trademark Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Oct. 27, 2001, effective: Mar. 1, 1983) art. 13; Anti-Unfair Competition Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Sept. 2, 1993, effective Sept. 2, 1993) art. 5.

151. Trademark Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Oct. 27, 2001, effective: Mar. 1, 1983) art 13 (prohibiting use of imitating trademarks for the same or similar commodity that is likely to cause confusion); Anti-Unfair Competition Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Sept. 2, 1993, effective Sept. 2, 1993) art. 5(2) (prohibiting the use of similar packaging that may confuse consumers).

152. Trademark Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Oct. 27, 2001, effective Mar. 1, 1983) art. 13.

cases, the brand owner may need to file a trademark application for the Chinese transliteration well in advance of the official launch of the product in the United States because the CTMO can take up to a year to issue a trademark registration.[153] While China uses a first to file system, the granting of a trademark is not automatic; the process is analogous to U.S. federal administrative law's notice-and-comment requirements. The CTMO will first examine whether the MNC has submitted all documents and met all legal requirements.[154] The CTMO will then publish the application for public comment and opposition. If an opposition is filed, then the CTMO must resolve the dispute. The resolution of the dispute could delay the issuance of the trademark for months, if not longer.[155] Thus, MNCs might consider filing for a Chinese-language transliteration of its trademark name well in advance. In addition, coordinating the application in China with its filing in the USPTO will ensure that the MNC will have both the Chinese and USPTO trademark registration in hand before the product's official launch.[156]

The disadvantage of prior or simultaneously filing for the Chinese and the English-language trademark is that it might involve extra steps in planning and costs. However, MNCs must understand that publicly launching the English-language trademark without simultaneously creating a Chinese transliteration likely will result in the Chinese media or consumers creating their own transliteration, which may lead to the MNC's loss of control over the Chinese trademark. Undoubtedly, the Viagra trademark is an unusual case because of the immense, world-wide hype surrounding the drug. Not every brand name will receive immediate attention in the Chinese media. For some brands, an MNC may be quite safe in launching the product under a U.S. trademark and then waiting a period of time before creating a Chinese transliteration. The Viagra case, however, should serve as a warning that at least in the case of highly

153. In the case of *Weige*, a contested mark, the CTMO took over four years to grant the trademark to Viamen. LI ET AL.**,** *supra* note 5, at 29.

154. *See* Regulation for the Implementation of the Trademark Law of the People's Republic of China (promulgated by the St. Council, Aug. 3, 2002, effective Sept. 15, 2002) art. 13, 21. Some trademarks will not be accepted for registration. *See* LI, ET AL., *supra* note 5, at 8 (noting CTMO's unwillingness to register Pfizer's first trademark application because it was too sexually suggestive).

155. *See* LI ET AL., *supra* note 5, at 29 (demonstrating the four year battle for Viamen to gain rights to the *Weige* trademark by way of Chinese courts).

156. Why not just file both the English-language name and the Chinese transliteration in the USPTO and obtain a six month period of Paris Priority in which to file the Chinese mark in China? *See infra* Part III.B.

anticipated brands, prior or simultaneous filing may be necessary to avoid losing control of how the brand is presented in China.

In the case of brands that are likely to draw wide interest and attention, not only should the MNC obtain registrations for its own transliteration for its English-language trademark in China, but the MNC should also obtain several other variations of the same transliterations in China.[157] An English name can be the subject of many different transliterations using Chinese words that sound like the English name. The MNC should obtain registrations of all the possible variations of the Chinese transliteration at the same time.

In deciding upon a Chinese transliteration or a name in other countries with a non-Latin based language, such as India, an MNC might need to rethink some of its own entrenched attitudes. Part of the spectacular success of *Weige* is that it touched a receptive chord in China and seemed to be in tune with the cultural sensibilities of the nation.[158] A staid pharmaceutical company that favors names carrying an impressive level of gravitas might wish to rethink its traditional attitudes and adopt a more flexible approach to China where humor, wit, and light heartedness can be quite effective for certain types of products. Many MNCs have the resources to conduct market research in China and to do focus groups with Chinese consumers. An important lesson of the Viagra case is that Chinese cultural attitudes and language should be given serious consideration when formulating transliterations. MNCs should adopt a more precautionary approach and plan well in advance when considering Chinese transliteration of their trademarks.

One other note of caution to MNCs concerns the use of expert legal counsel and other consultants. In the past, many MNCs have used law firms in Hong Kong because of their facility in English. MNCs must understand that Hong Kong is a special administrative region of China and operates, in effect, as a separate legal system with its own intellectual property laws.[159] Lawyers who are trained in Hong Kong law schools and pass the Hong Kong bar may not have the same level of expertise in Chinese law as lawyers who were fully

157. Chinese language contains many homophones. For example, the transliteration *wei* could be accomplished using 伟 (great) or 威 (powerful). Both characters have the same pronunciation (although different tones).

158. *See supra* Part. I.

159. See Paul Tackaberry, *Intellectual-Property Laws in the Hong Kong S.A.R.: Localization and Internationalization*, 42 MCGILL L. J. 579 (1997) for a discussion of intellectual property law in Hong Kong.

trained and have passed the bar in the PRC. MNCs need lawyers who are experts in the PRC legal system, especially in an area such as trademarks, which is a field that is both vitally important and full of pitfalls and traps for the unwary. Moreover, many MNCs in the past have also used advertising and marketing firms in Hong Kong to work with law firms to help create Chinese transliterations. While the culture in Hong Kong is similar to that of China, there are still differences.[160] MNCs should hire PRC law firms and a PRC marketing firms to test the desirability of various proposed transliterations of the English-language trademark with PRC consumer groups.

B. Alternatively, Register the English-language Trademark and its Chinese Transliteration Trademark at the Same Time in the USPTO and Rely on Paris Priority to File in China

As an alternative method, the brand owner can file applications for its English-language trademark and its Chinese trademark at the same time in the USPTO in order to establish a Paris priority filing date. The brand owner then can file applications for both trademarks in China within the six month Paris priority period and assert the benefit of the U.S. filing date for both trademarks in China.[161] The principle of Paris priority will entitle the brand owner to defeat all applications filed in China for either trademark after the first filing date in the United States.[162]

It is worth emphasizing, however, that the first filing in the United States gives the MNC brand owner merely a right of priority in China, not a registered trademark.[163] The brand owner must take the additional step of filing trademark applications for the English-language trademark and its transliteration in the CTMO. There can be a gap of approximately a year and a half between the first filing in the United States, the second filing in China, and the ultimate issuance of the English- and Chinese-language trademark registrations by the

160. For example, Cantonese, a spoken dialect, is dominant in Hong Kong whereas Mandarin is the official spoken language of China and is universally the language of instruction in all PRC schools and in all official government business. Hong Kong also uses traditional Chinese characters whereas simplified characters, using few brushstrokes, are used in China. *See* Stephanie M. Greene, *Protecting Well-Known Marks in China: Challenges for Foreign Mark Holders*, 45 AM. BUS. L.J. 371, 387 (discussing the linguistic differences between mainland China and Hong Kong and the complications this creates for foreign companies entering the Chinese market).

161. *See supra* Part II.A.

162. *See supra* Part II.A.

163. *See supra* Part II.A.

CTMO.[164] Until the CTMO issues the Chinese-language trademark registration to the MNC brand owner, the Chinese media, consumers, and third parties will be able to create their own transliterations of the English-language trademark. Until the Chinese trademark registration for the MNC's own Chinese transliteration of its English trademark is actually issued in China, no trademark rights are created in the MNC under PRC law. Thus, if the brand owner publicizes the English brand name in the media before a trademark registration for its own Chinese transliteration is issued, the brand owner will have no legal basis upon which to prevent third parties from creating competing transliterations and filing trademark applications for these transliterations in the CTMO. For these reasons, this procedure, although simpler than the method discussed in the previous section, provides a lower level of protection against competing transliterations.

A brand owner who uses this approach based on Paris priority might be successful, however, if the brand owner is careful to keep all information about the English-language brand name confidential until the CTMO approves both the English- and Chinese-language trademarks registrations. As noted earlier, Pfizer drew attention to the brand name Viagra even before it was filed in the USPTO.[165] If the brand owner does not draw unwanted attention to its English-language trademark through publicized activities in the United States, the brand owner may be able to avoid facing competing transliterations until the CTMO issues the trademark registrations in China. Once the registrations are issued, the brand owner can then publicize the trademarks and demand that the media use the Chinese transliteration that is now an officially registered PRC trademark.[166]

164. *See* LI ET AL., *supra* note 5, at 29 (demonstrating the four year battle for Viamen to gain rights to the *Weige* trademark by way of Chinese courts).

165. *See supra* Part.I.

166. It would also be possible for a brand owner to file one single trademark registration that includes Chinese characters with the Madrid System under its international registry. The Madrid System is under the auspices of the World Intellectual Property Organization (WIPO) and outside of the WTO. The Madrid international registration creates the equivalent of a national trademark in all members of the Madrid System and the filing date in each national legal system would be the filing date in Madrid. *See* CHOW & LEE, *supra* note 6, at 506–12. To obtain a Chinese trademark using the Madrid System, the brand owner will need to apply for territorial extension of the Madrid registration to China. The CTMO will then conduct a substantial examination to determine whether the Madrid registration should be extended to China. If the CTMO approves the extension of Madrid protection, then the CTMO should issue a certificate of Madrid extension to the brand owner who now obtains the equivalent of a trademark registration under PRC law. To use the Madrid system, the brand owner must file two applications: one in the United States and then the Madrid

CONCLUSION

Pfizer's battles over its Viagra trademarks in China illustrate that even in today's modern global economy and even when a powerful and sophisticated MNC with vast resources is involved, mistakes and miscalculations can occur that seriously undermine business opportunities in China. In the case of Pfizer's battles over its Viagra trademarks, these missed opportunities are setbacks not only for the MNCs, but also for China itself. In particular, mistakes that are rooted in areas that MNCs have not traditionally emphasized, such as issues of language and culture, appear to be pitfalls for MNCs in China. The registration of trademarks in China in both English and Chinese is a field that is full of complexities and traps and, above all, requires first rate expert legal advice on the ground in China.

MNCs must understand that even though China is modernizing at an astonishing speed, China is also a country where tradition, history, and culture have a stronger hold and influence than many other countries. MNCs ignore or underestimate cultural issues in China at their peril. Learning the lessons from the tale of Pfizer's missed opportunities in the case of its battles over trademark rights to Viagra in China may prove to be a valuable lesson for MNCs doing business in China for the future.

application with the USPTO, which then forwards the application to the international registry managed by WIPO in Geneva. *See id.* In the author's view, it would be simpler, and perhaps more effective, to simply file the second application directly in China.