

Breaking Through the Application of Territoriality Principle in Trademark Infringement Determinations

Hanzhi Yu

*School of Law, Anhui University, Hefei, China
K02314073@stu.ahu.edu.cn*

Abstract. The development of economic globalization and the prevalence of the internet economy have enabled trademarks to spread rapidly and be used across regions, breaking the limitations of geographical boundaries. This has made the conflict between the territoriality principle in traditional trademark infringement determinations and the cross-border development needs of enterprises increasingly prominent. Through the perspective of protecting well-known trademarks, this paper explores the conditions and pathways for an appropriate overcoming of the territoriality principle. Research indicates that China's academic circle generally recognizes the foundational status of the principle of territoriality. To address cross-border trademark infringement issues, there is a growing call for moderate recognition of extraterritorial effect to protect enterprises' multinational development. But in China's judicial practice, traditional territorial conductism remains predominantly applied, resulting in insufficient protection for well-known trademarks abroad. However, the Lafite case accepted by the Shanghai Intellectual Property Court achieved a measured breakthrough in the territoriality principle through the recognition of a well-known trademark. Therefore, the research concludes that under the premise of adhering to the territoriality principle, China should take the rules for the recognition of well-known trademarks as an important basis, integrate applied behaviorism and effectivism, clarify the identification standards and implementation paths of cross-border trademark infringement, take into account cross-border trade, network communication and other factors under the digital economy, establish a trademark infringement judgment system that meets the needs of the times, and avoid the lack of rights protection caused by the principle of absolute geographical.

Keywords: trademark rights, trademark infringement, territoriality principle, well-known trademarks, extraterritorial trademark protection

1. Introduction

With the development of economic globalization, many large companies choose to operate across borders, not limited to the country where the trademark is registered, which has significant cross-regional characteristics. At the same time, with the prevalence of the internet economy, a large number of enterprises and trademarks generated by relying on the internet ecology have emerged. Their characteristics of high-speed dissemination and cross-regional nature make their use in

cyberspace often not limited by traditional geographical boundaries. These multinational enterprises have broken the restrictions of traditional geographical boundaries and formed an influence in the global market, not only in the countries where trademarks are registered, making the cross-regional dissemination and use of trademarks the norm. However, in the judgment of traditional trademark infringement, the core criterion is whether consumers may be confused about the source of the goods or services, and the territoriality principle plays an important role. This principle means that trademark rights are only valid within the scope of the country or region granted. Beyond this scope, it has no legal effect and cannot be investigated for infringement, which has a significant conflict with the transnational development needs of contemporary enterprises.

In the current judicial practice in China, the dominant position of regional territorialism makes it difficult for some well-known trademarks outside the region to be fully protected, and the development of digital economy and cross-border trade has further exacerbated this conflict. Therefore, this article takes the recognition of well-known trademarks as an important breakthrough, and studies the conditions and paths for a moderate breakthrough of the territoriality principle in the determination of trademark infringement.

This article aims to explore the reasonable boundaries and specific pathways for a moderate breakthrough of the territoriality principle. It will be achieved by sorting out the theoretical disputes of regional principles, analyzing the limitations of solely applying either behaviorism or effectivism, and comparing domestic judicial cases. And finally providing theoretical reference and practical suggestions for the improvement of China's trademark infringement judgment system, helping solve the problem of rights vacuum in cross-border trademark infringement.

2. Current situation of the territoriality principle

2.1. Basis for persistence

As the basic logic of trademark protection, the core connotation of the territoriality principle is that the acquisition and exercise of trademark rights is premised on the legal authorization of a specific country or region, and the scope of effect is strictly limited to the region.

Contemporary Chinese legal theory advocates that modern trademark rights should adhere to the territoriality principle, supported by various doctrines, including: the uniqueness of the object points out that different subjects may create the same intellectual property, but the same jurisdiction can only grant the same object the only right, and adhere to the territoriality principle to protect the phase generated in different environments; the national sovereignty theory emphasizes that the state should enjoy independent and complete sovereignty in the field of trademark rights, that is, in the specific legal field, and follow the geographical principle to retain sovereignty; while the exclusive jurisdiction theory believes that the trademarks recognized by the courts of one country cannot be judged by the courts of other countries, and the geographical nature of judicial jurisdiction leads to there needs to be a territoriality principle in trademark recognition [1]. From the perspective of the legislative origin and value structure, the existence of the registered trademark system also makes trademark rights inseparable from geographical restrictions, and the recognition of domestic law makes trademarks have legal value [2]. Regardless of the specific theory, each reflects the necessity of the territoriality principle in China's trademark recognition.

At the same time, considering the economic and legal landscape of China's developing countries, compared with developed countries, trademarks and enterprises of some industries are still in a weak position. Territoriality principles can better protect the rights of China's trademarks in the local area.

Consequently, the prevailing view in China holds that, from the current stage of national situation, it is advisable to maintain the territoriality principle.

2.2. The need for measured breakthroughs

However, with advances in science and technology and the demands of economic globalization, cross-border activities have become increasingly frequent. It is now common for the act of trademark infringement and its effects to occur in different jurisdictions. Adhering rigidly to absolute territoriality can lead to deficiencies in protection and even create legal vacuums. To keep pace with evolving trademark law and protect the legitimate rights of trademark holders, analysis from perspectives including the market attributes of trademark law, protection of trademark goodwill, and prevention of consumer confusion suggests that the validity of extraterritorial trademark use should be appropriately recognized [3].

India's High Courts have integrated the territoriality principle with the universality principle (the extraterritorial recognition of trademark reputation) in practice. Particularly following TRIPS compliance, they widely recognized cross-border reputation, allowing protection for trademarks not used in India. In practice, this has led to a certain degree of overprotection of foreign trademarks. However, the judicial position is gradually changing. In recent cases such as the Toyota Prius case, the importance of geographical use and local goodwill has begun to be emphasized, thus correcting the previous bias on the principle of universality [4]. At present, India has formed a judicial framework in which the two choose to apply, based on the territorial principle and generally applicable, and dominates to prevent multinational companies from squeezing the space of local enterprises and encourage domestic innovation and business development. At the same time, the principle of universality is partially applied to balance local economic protection with the needs of the international business environment [5].

Referring to the path of foreign practice, based on the current situation of China's social development, the territoriality principle limits the validity of trademarks to the scope of the country, which can protect local enterprises from occupying more advantages and promote the better development of local enterprises. It should still adhere to the basis of geographical principles, and should not be completely denied. However, at the same time, the large number of internationally famous trademarks brought about by global trade make it impossible for the territoriality principle to reasonably solve the problem of transnational trademark infringement to a certain extent, and can only solve the problem involving a single country. To better address trademark infringement in the new era, the effectiveness of the use of extraterritorial trademarks should be moderately recognized, and the restrictions of territoriality principles should be broken to a certain extent.

3. Application of theory in judicial practice

3.1. The essence and distinctions of behaviorism and effectivism

On the basis of confirming the extraterritorial effect of trademark rights, there are two specific views of "behaviorism" and "effectivism" in the academic community, and there are significant differences between the two in terms of applicable logic and protection standards.

Behaviorism takes "the actual use of trademarks in protected countries" as the basis of rights, and emphasizes the need for continuous trademark publicity or use in the country to have the prerequisite for protection. Specifically, trademark right holders need to make the trademark a certain degree of recognition among the relevant public through production, sales, advertising and

other means in the protected country in order to obtain legal recognition and protection of their trademark rights.

Effectivism takes "the actual effect of infringement in the protected country" as the core. Its focus is not on whether the trademark right holder actively uses the trademark in the protected country, but whether the infringement has a substantial impact on the consumer perception, market order and the goodwill of the trademark holder in the protected country [6]. Even if the trademark right holder does not take the initiative to use it in the protected country, as long as it has formed a certain popularity in the market of that country and the infringement has caused adverse consequences, the infringement can be determined.

The main difference between the two is that behaviorism takes "actual use in the country" as the core element, and the scope of protection is limited to trademarks actually used in the country, focusing on maintaining the competitive order in the domestic market and the interests of local enterprises; effectivism takes "actual market effect" as the core element, extending the protection to extraterritorial trademarks that are not used in the country but have a market impact, and pays more attention to the comprehensive protection of the goodwill of the trademark holder and the maintenance of the interests of consumers.

3.2. Convergent application in international practice

In international practice, some jurisdictions like the United States and the European Union, adopt a hybrid model that combines territoriality with effectivism. While extraterritorial well-known trademarks are still generally subject to the prerequisite of actual use and proactive promotion within the country, greater emphasis is placed on whether the trademark has achieved a certain level of domestic renown, regardless of whether its promotion was proactive or not [7].

The *Hetric v. Abitron* trademark infringement case in the United States exemplifies the model of "behavioralism as the foundation, supplemented by effectivism". *Hetric* is a company with market recognition for its products in the United States. *Abitron* initially served as its authorized dealer, primarily selling *Hetric* products in Europe. However, *Abitron* later began using the *Hetric* trademark on products it manufactured and sold itself. Consequently, *Hetric* filed a lawsuit in court, asserting that *Abitron* infringed upon its trademark rights and should be prohibited from using the mark.

The Lanham Act is based on the commercial provisions of the U.S. Constitution, not the intellectual property provisions, so it pays more attention to the impact on U.S. commerce - as long as the infringement has a substantial impact on U.S. commerce, cross-border jurisdiction can be asserted [8]. Therefore, the U.S. Supreme Court has thus clarified that the core concern of the Lanham Act is whether the use of trademarks will cause confusion in the United States, not whether the use of trademarks occurs outside the United States. That is to say, if a specific trademark infringement occurs in the United States, or the act has a direct impact on the U.S. market, in these cases, these acts can be considered to be the domestic application of the Lanham Act. This reflects a core behaviorist approach, focusing on where the infringement occurs, supplemented by effectivist considerations regarding its impact. That is, the infringements regulated by law themselves must occur in the United States in order to safeguard the interests of local enterprises and tighten the domestic application of extraterritorial acts; at the same time, supplemented by effectivism, pay attention to the effect or impact of infringement, even if the behavior occurs Abroad, but as long as it has a substantial and foreseeable adverse effect in the United States, the Lanham Act can also be applied. In many cases, U.S. courts have used a combination of the two by determining the potential

impact of cross-border infringement on the U.S. market to protect local enterprises from unfair competition in the international market.

3.3. The dilemma of applying traditional behaviorism in China

Chinese judicial practice tends to apply traditional behaviorist principles and Articles 13 and 14 of the Trademark Law to identify well-known trademarks, so as to judge whether they can break through the geographical principle.

In the case of "Muji" spanning over two decades, the Japanese party failed to meet the threshold of "well-known to the relevant public" established under Article 14. In 2025, the Supreme People's Court again dismissed Muji's claim that "Wuyinliangpin" constituted infringement, thereby allowing the latter to maintain its legally valid registration status [9].

Apart from slight differences in product categories and market structures between the two companies, this ruling was significantly influenced by the traditional principle of territorialism. The Supreme People's Court held that the overseas establishment and use of "Muji" in the 1980s did not involve active promotion within China. Therefore, regardless of whether it had gained recognition in China, it could not be deemed a well-known trademark in China. Prior to its domestic registration of the trademark for Class 24 goods in 2000, "Wuyinliangpin" had already acquired legitimate trademark rights.

This case demonstrates that under the current application of the territoriality principle in China, a trademark that is neither used nor enjoys a reputation within the country is not protected domestically, even if it has gained significant influence abroad. This then manifests the scope of protection influenced by the territoriality principle of trademarks, significantly limiting the proper protection afforded to cross-border well-known trademarks.

4. Moderately breaking through the principle of territoriality

4.1. Breakthrough cases in China's judicial practice

In China, foreign-related trademark infringement litigation generally follows the jurisdictional provisions of the Civil Procedure Law and relevant judicial interpretations. However, judicial practice shows a strong inclination towards territoriality, often defining the place of infringement narrowly as physical locations, such as "the place of production or sale of the infringing goods". This approach fails to adequately consider the place where the infringement produces its effects under the new era of globalization; it has yet to produce substantive changes or breakthroughs based on market shifts driven by the digital economy and cross-border consumption.

In light of contemporary developments, judicial practice should, under special circumstances, allow courts to appropriately break through strict territorial restrictions. Applying trademark law outside the territory, expanding jurisdiction over foreign infringement, and balancing international trademark interests would make judicial protection more flexible and equitable [10].

The case of "Lafeite" infringing on the trademark rights of "LAFITE" is a typical practice for Chinese courts to moderately break through the geographical principle. French "LAFITE" is an internationally renowned wine brand. It registered the "LAFITE" trademark in China in 1997 but did not register a Chinese transliteration trademark. The French Lafite company filed a trademark infringement lawsuit against the Chinese enterprise for using the "Lafeite" trademark on wine bottles it produced.

Since the infringement occurred prior to Lafite's acquisition of exclusive trademark rights for "Lafite" in China, whether it constitutes infringement primarily depends on whether "Lafite" can be recognized as an unregistered well-known trademark. Pursuant to Article 14(1) of the Trademark Law and Article 5 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Disputes Involving the Protection of Well-Known Trademarks, evidence such as the duration of trademark use, industry rankings, market research reports, market value assessment reports, and whether the trademark has been recognized as a well-known trademark shall be examined and verified to determine whether it qualifies as a well-known trademark. LAFITE wines have long been marketed globally, although the company did not register the Chinese trademark "Lafei" first, through many years of import sales, media coverage, and other marketing efforts, "Lafei" has become the common name used by the relevant public in China to refer to "LAFITE". The judge therefore determined that the relevant public in China commonly uses "Lafei" to refer to the "LAFITE" trademark. This established a stable correspondence between "LaFei" and the registered "LAFITE" trademark, allowing it to be recognized as a well-known trademark. Consequently, the "Lafeite" on the wine bottle constitutes trademark infringement [11].

This case reflects the moderate breakthrough in the territoriality principle regarding the case of well-known trademarks. Even if "Lafei" is not a leading registered trademark in China, it should still be recognized as legally enjoying trademark rights because of its significant public influence and stable correspondence. At the same time, it also reflects the application of effectivism, that is, the reason why infringement can be regulated is that the effect of the reputation and goodwill of the infringed trademark has actually existed in the Chinese market and has an impact on consumer perception. The judgment breaks the strict restrictions on "actual use in the country" of traditional behaviorism, provides an important judicial reference for the protection of cross-border well-known trademarks, better protects the trademark rights that multinational enterprises should enjoy in China, and has a significant positive impact on transnational investment and enterprise expansion.

4.2. Exploring pathways for moderate breakthroughs

Combined with the current situation and needs of judicial practice, China still lacks objective standards on when to break through and how to break through the territoriality principle, which leads to the emergence of different judgments in the same case. Therefore, with reference to foreign theoretical practice and according to China's national conditions, a judgment standard should be established, basing on the recognition of well-known trademarks and the integration of behaviorism and effectivism [12].

Further clarify the rules for cross-regional recognition of well-known trademarks, on the basis of Article 14 of the Trademark Law and Article 9 of the Provisions on the Recognition and Protection of Well-known Trademarks, the use, publicity, market share and other evidence of trademarks abroad are included in the identification consideration. For the submission of evidence of the trademark right holder, an overseas substantive examination shall be carried out to ensure its authenticity and determine its relevance to the domestic market. This process helps avoid denying the cross-regional influence of the trademark due to defects in the form of evidence, and also prevent its excessive breakthrough.

At the same time, the integration and application of behaviorism and effectivism is realized. According to behaviorism, cross-border infringers have committed infringement in China's domestic market, regardless of whether it has actual damage, it should be recognized as a protection situation that breaks through the territoriality principle; according to effectivism, infringements committed abroad, should also break through territoriality restrictions if it causes substantial damage such as

market confusion and affecting the reputation of the right holder. The integration of the two requires the establishment of applicable rules of "behavior relevance first, effect supplementation identification": first judge whether the infringement is directly related to the Chinese market, and then determine the scope of protection in combination with the degree of damage effect, not only to avoid the omission of indirect infringement under behaviorism, but also to prevent the potential overbroadening of protection boundaries that effectivism may lead to.

5. Conclusion

To keep pace with modern developments, the territoriality principle in trademark law has, in some theoretical and judicial contexts, been relaxed. The effectiveness of the use of trademarks outside the region has been moderately recognized, and effectivism norms are more applied in judicial practice. However, in China's judicial practice, the traditional principle of regional behaviorism is still basically used. As seen in the "Muji" case, rulings strictly adhering to the territoriality principle can result in insufficient protection for foreign trademarks. Therefore, while adhering to the territoriality principle as a foundation, China's trademark infringement judgment system requires refinement. By applying well-known trademark recognition rules and adapting to the realities of cross-border trade and digital network communication, the system can prevent rights protection gaps arising from the principle's absolute application.

References

- [1] Jing Yang. (2020) Reconstructing the Territoriality Principle in Trademark Authorization and Confirmation: A Comparative Study of Chinese and American Practices. *Intellectual Property*, Issue 3
- [2] Hui Huang. (2019) Understanding the Territoriality Principle in Trademark Use: Perspectives and Application Logic. *Chinese Jurisprudence*, Issue 5
- [3] Zongliang Ling. (2019) The Effectiveness of Extraterritorial Trademark Use and Its Determination. *Intellectual Property*, Issue 12
- [4] Srividhya Ragavan. (2021) The Use Doctrine in Trademark Law: Issues from Trade and Transborder Reputation. *Cardozo Law Review*, Vol. 43: 2
- [5] Kalpna Sharma. (2022) Trade Marks and Its Territorial Issues. *Indian Journal of Law and Legal Research*, Volume IV Issue IV
- [6] Xiangjun Kong. (2020) Substantive Approach to the Legal Framework of Trademark Use: Insights from Foreign OEM Trademark Infringement Cases. *Chinese and Foreign Law Review*, Issue 32
- [7] Chunjie Zhao. (2021) Regional Issues in Trademark Authorization and Confirmation. Master's Thesis, East China University of Political Science and Law
- [8] Kari Kammel., Matthew Azim-Kramer., Daniel Duquet. and Lillie Patterson. (2023) Trademark Counterfeiting Enforcement beyond Borders: The Complexities of Enforcing Trademark Rights Extraterritorially in a Global Marketplace with Territorial-Based Enforcement, *Fordham Intell. Prop. Media & Ent. L.J.*, Vol. XXXIII595
- [9] Supreme People's Court. (2024) Supreme Court Administrative Appeal No. 7358 Retrial Ruling
- [10] Junya Zhang. (2022) A Study on Jurisdiction in Foreign-Related Trademark Infringement Cases. Doctoral Dissertation, Southwest University of Political Science and Law
- [11] Shanghai Intellectual Property Court. (2015) Shanghai Intellectual Property Civil Initial No. 518
- [12] Weijun Zhang. (2023) On Improving China's Trademark Law Protection Rules for Well-Known Trademarks. *Intellectual Property*, Issue 9