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State Council Legislative Affairs Office
People's Republic of China Trademark Law Revision Comments

Submitted by
The International Trademark Association (INTA)

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I. Introduction

The International Trademark Association (INTA) is pleased to continue its participation in the process through which China is revising its trademark law. INTA's most recent comments were on the Trademark Law Revision Draft in April of 2010 and INTA is honored once again to deliver bi-lingual comments on the Trademark Law Revision to the State Council Legislative Affairs Office.

INTA is a not-for-profit membership association of more than 5,900 trademark owners and professionals firms from more than 190 countries, founded in 1878 and dedicated to the support and advancement of trademarks and related intellectual property as elements of fair and effective national and international commerce. INTA members share common interests in the protection of trademarks and the development of trademark law, and they rely on INTA to represent and advocate for those interests with national governments and international organizations. INTA's diverse membership includes multinational corporations and other business enterprises, intellectual property and general practice law firms, trademark agent firms, service firms, trademark consultants, and academic institutions. Currently, INTA has over 172 member enterprises and firms in the People's Republic of China. Please visit our website for more information: <http://www.inta.org>.

The next Trademark Law Revision will provide the foundation for innovation, value creation and protection of valuable intellectual property rights. INTA believes that the 2011 Trademark Law Revision Draft makes many positive steps towards an innovation and knowledge-based economy, including:

- the addition of single color and sound trademarks;
- improved trademark office practices and procedures; and
- greater disincentives for infringement through higher penalties.

INTA also recommends that the next Trademark Law Revision include stronger protection for trademark owners in order to maintain fair competition and market order by including provisions for:

- good-faith registration;
- stronger protection against counterfeiting (*e.g.*, higher fines, flexible methods for calculating damages, landlord liability and confiscation of tools principally used for counterfeiting); and
- stronger protection of famous and well-known marks.

The comments presented in this document refer to the provisions in the new draft, take into consideration our prior comments and reflect those provisions for which we have further comments. The comments were developed through the cooperation and research of INTA's policy development and advocacy committees, including:

Non-Traditional Marks Committee - East Asia & Pacific Subcommittee
Legislation & Regulation Committee - East Asia & Pacific Subcommittee
Trademark Office Practices Committee - China Trademark Office Subcommittee
Anti-Counterfeiting Committee - China Subcommittee
Famous & Well-Known Marks Committee - East Asia & Pacific Subcommittee

II. Detailed Comments and Recommendations

A. Non-Traditional Marks

Article 8

This article contains provisions for the registration of color and sound marks.

Recommendation:

- We recommend re-introducing language from the 2010 Draft for smell, motion and touch marks.

INTA strongly commends the inclusion of color and sound marks, which will place China in line with international best practice. INTA would be pleased to offer comments on how to implement the examination and requirements for these types of marks in the future. However, we would like to see the expansion of recognition for non-traditional marks such as smell, motion and touch marks.

Article 63

It appears that this article seeks to exclude from the scope of protection trademarks that incorporate the “shape of the commodity formed for achieving specific technical effects” (Article 63(5)) or shapes that “enable the product to have a material value” (Article 63(6)). This language is similar to Article 49 of the current Implementing Rules which prohibits enforcement against registered marks that would impede the use by others of features (of goods) that are directly expressed by the registered mark.

Recommendation:

- The language in Clauses (5) and (6) appears over-reaching and vague and should therefore be reconsidered. Many product shapes are distinctive and thereby function as trademarks. Denying protection to such designs will by definition create consumer confusion.

B. Good Faith

Article 34

Two proposals are set forth in this article that provide the conditions under which marks may be rejected under opposition or cancellation proceedings. Proposal 1 retains the current language of Article 31 of the current Trademark Law.

Proposal 2 offers protection in the following two instances:

- For identical or similar goods and services, where the petitioner does not have a prior trademark application or registration in China, protection is offered where the applicant “clearly knows” of the legitimate owner’s mark based on evidence of a “contractual or business relationship” or “geographical relationship” or “other relationship.” This provision also requires that the brand owner have used its mark in China.
- For dissimilar goods and services, from a registered mark oppositions and cancellations are permitted, if the applicant “plagiarized” the mark, the mark has “a relatively high level of distinctiveness” and “a definite degree of influence” to the extent that the public may “easily be confused.”

Recommendation:

- INTA believes that Proposal 2 offers broader protection under a set of clearly defined circumstance which will aid enforcement efforts. In particular, we commend the broadening of

protection for registered marks to different or dissimilar goods without requiring “well-known” status when a pirate has “plagiarized” a mark. INTA encourages clarification on certain terms, such as “certain level of influence,” (一定影响) “plagiarized” (抄袭) and “relatively strong distinctiveness” (有较强显著性).

- We also strongly suggest that the factors to determine piracy, such as “contractual or business relationships” and “geographical reasons,” be part of a non-exhaustive list of factors for consideration. We suggest adding “bad faith” as a factor because many trademark pirates target up-and-coming brands or brands found through the Internet that might not yet satisfy the current factors. Indeed, limiting protection to marks that have a certain level of influence in China would leave loopholes for pirates to exploit these emerging brands.
- The following disincentives for piracy might also be considered for inclusion in the draft: invalidation of applications where applicants have not responded to opposition; requiring a losing party to pay its opponent’s reasonable legal fees and costs; establishing factors to presume bad-faith registration such as serial piracy, copying of distinctive fonts/trade dress, and lack of evidence of intent to use a mark; providing for constructive knowledge of petitioner’s rights and; reducing the need to show a mark’s influence/reputation when bad-faith evidence is strong.

Article 35

This article empowers the Trademarks Office to withdraw the preliminary approval of a trademark application on the ground of non-compliance with the Trademark Law, deceit, or other unfair competition.

Recommendation:

- It is possible that a “bad faith” application may be regarded as unfair competition or deceitful. If so, despite the deletion of a “good faith” principle, the new Article 35 may help the Trademark Office to intervene against trademark pirates. It would be preferable to have additional guidelines on what activities this provision covers.

Article 48

A 5-year time limit is set for cancellation under certain provisions (e.g., Article 34), but violations against well-known marks will not be subject to this limitation.

Recommendation:

- Regardless of the “well-known” status, any mark should be protected from bad-faith actions and should not be subject to a 5-year limitation.

C. Anticounterfeiting and Infringement

Article 61

This article provides a list of acts that constitute infringement of the right to exclusive use of a registered trademark.

Recommendation:

- Include in Subsection 6 language that incorporates the provision of “manufacturing technology or business operation facilities” into the list of acts that constitute trademark infringement.

INTA supports subsections 5 and 6 which increase protection of registered marks from infringers who counterfeit (subsection 5) and from those that provide storage, transportation, post or concealment of infringing goods (subsection 6). INTA would like to see subsection 6 include language from the 2010 Draft Article 62(6) which includes liability for those who provide “manufacturing technology or business operation facilities,” to counterfeiters in addition to the list of factors included in this draft. We believe that explicitly providing for liability to landlords (business operation facilities) will create a statutory basis for action, which the courts have already provided for in practice.

Article 64

This article provides for certain penalties for infringement and for AIC mediation of disputes incidental to administrative complaints.

Recommendation:

- Levy heavier penalties for repeat offenders under serious circumstances involving controlled products and counterfeits, as well as production and sale of counterfeits without a business license.
- Reinstate language from 2010 Draft that allowed for the confiscation of tools that were “principally used” used to manufacture the infringing goods.

INTA supports heavier penalties for repeat offenders, including language in the current draft where “heavier” fines can be levied against a repeat offender within 5 years. We suggest some clarification on the basis for the heavier penalties described in the article. We also recommend that heavier penalties be levied under other aggravated circumstances including those involving controlled products (food, beverages, medicine, tobacco, etc.), counterfeiting (as opposed to less serious forms of infringement), the unauthorized use of the company names of the trademark owners, the production and sale of counterfeits without a business license, etc.

We also would like to see reinstated the language from the 2010 draft that allows for confiscation of tools “principally used” in the manufacture of infringing goods (主要用于制造), as opposed to “especially used,” (专门用于制造) which is found in the current draft. The lower threshold for confiscation, “principally used,” will provide trademark owners with one more tool, among many, to combat infringement. Global commerce is fast-moving and counterfeit goods can be easily removed and concealed, therefore confiscation of production tools offers a practical and significant disincentive for infringement.

INTA strongly encourages mediation and believes this to be a cost-effective way to resolve trademark disputes. Although some concerns existed in the past about AIC mediation as provided under earlier law, these concerns about abuse of power at AIC on the local level are no longer relevant because the quality

of training and oversight over personnel at the local level has improved considerably over the past several years.

Article 67

This article establishes that compensation will be set to actual losses suffered by the rights holder first, followed by infringement gains in the case that actual losses are difficult to calculate. Should either of the following methods be difficult to calculate, compensation for infringement is limited to a maximum of RMB 1,000,000, which is an increase from RMB 500,000 in the current law. To claim compensation, use of the trademark for three years must be provided.

Recommendation:

- Allow rights holders to choose between actual losses or infringement gains.
- Increase the maximum award for cases involving serious infringements such as trademark counterfeiting.
- Revise Article 67 to include “or since registration, whichever is shorter” to add flexibility when registered marks fall short of three years.

We believe that Article 56 of the current law, which allows trademark owners to choose between the two methods for calculating damages, is a better option for rights holders. Actual loss can be difficult to calculate in comparison to gains made by infringers. Indeed, these gains may exceed losses in certain respects and could provide a greater disincentive for infringers. The individual circumstances of the case should be taken into account.

INTA supports the increase of the maximum fine over the current law. However, INTA recommends that the court should have discretion to issue higher penalties. The scale of infringement can be quite large and fines should be able to match the scale of the infringement in order to provide proper deterrence. We recommend that fines should be between 5 to 10 times the maximum set under this draft Article 67.

We note that in order to claim damages, the trademark owner must show use for the past three years under Article 67. While understandable, flexibility needs to be made for newly registered marks that do not yet have three years of use in China, but have been used overseas already and have achieved a level of reputation in China. We therefore recommend an addition of “or since registration, whichever is shorter,” to account for newly registered marks.

Article 68

This article includes provisions permitting courts to impose preliminary injunctions against trademark infringers, and giving courts 48 hours to rule upon petitions. The time period is extendable by another 48 hours if “special circumstances” apply. However, the new article deletes language for property attachment (财产保全) seen in the 2010 Draft.

Recommendation:

- Reinstate language from the 2010 Draft that includes property attachment as a remedy in addition to injunction.
- Clarify when injunctions would be issued, specifically that action should be required upon actual receipt of the petitions by the courts.

Article 70

This article provides for what constitutes criminal infringement of a mark, namely counterfeiting.

Recommendation:

- INTA members have noted that the Public Security Bureau will frequently consult with the CTMO on what constitutes an “identical mark,” creating delay and confusion. INTA suggests using a definition based on the footnote to Article 51 of TRIPS to clarify this position:

“Counterfeit trademark goods” shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation;

Online Infringement

Certain provisions for online infringement have been removed from the current draft.

Recommendation:

- Research and take into consideration how the new Trademark Law will address online counterfeits.
- Reintroduce language contained in the 2010 Draft on domain name protection, namely Article 62(9) in the previous draft.

Online transactions have become a major source for the distribution of counterfeits. We note that the new draft does not contain provisions to address counterfeiting online either through advertisements, trading platforms or stand-alone websites. We urge that further research and coordination with the SAIC, which has already done some research in this area, be conducted.

With regards to domain name protection, INTA strongly supports reintroducing language from the 2010 Draft Article 62(9) on domain name protection. We believe the intersection between the Internet and trademark law is crucial for business in the 21st century and strong statutory protection for trademarks in this area will be needed to create the foundation for fair and effective trade. With the planned expansion of generic Top-Level Domains (gTLDs)(通用高级域), we expect domain name abuse to increase exponentially in the future.

D. Trademark Office Practices

The September 2011 Draft extends all deadlines for responding to TMO and TRAB decisions from 15 to 30 days.

Recommendation:

- INTA welcomes the lengthening of response periods. We recommend that further extensions be made available in opposition and cancellation cases when requested by the parties. This will promote the settlement of disputes by providing more time for negotiations to succeed, thereby lessening the workload of the CTMO and TRAB.

Article 22

This article allows for multi-class registration.

Recommendation:

- INTA strongly commends this development, as it will increase efficiency in the registration process.

Article 32

This article allows for the trademark office to request optional supplemental materials from the applicant during registration. Failure to provide this information will not adversely affect examination.

Recommendation:

- INTA supports this provision to allow the applicant to modify or explain an application, which might otherwise be refused. This will reduce the number of review cases before TRAB. We also recommend adding an extension to the 30-day time limit subject to a fee being paid.

Article 36

This article allows any person holding prior rights and “those whose interests have been harmed” (利害关系人) to object to a registration that violates certain provisions.

Recommendation:

- INTA expresses concern about the definition of the interested party and seeks clarity in future drafts. Current language allows “any” party to have standing. Many foreign parties will use an intermediary to oppose a mark, in order to avoid retaliatory action. Denying access to this type of anonymous opposition might outweigh the benefits gained from reducing spurious or frivolous opposition.

Article 38

This article provides for opposition to be heard by CTMO during preliminary approval by the Trademark Office.

Recommendation:

- INTA believes that this initial opposition hearing is a positive step. However, some concerns have been raised about issuing the registration certificate after a finding for the registrant following an objection. A registrant has the option to appeal an unfavorable decision to TRAB, whereas the opposing party would not have the same right after an unfavorable decision. In the interest of fairness, INTA believes that the opponent to a registration should be able to appeal the decision of the Trademark Office to TRAB before registration is issued. Should registration proceed, the subsequent delays, up to 3-4 years, pursuing relief could impose significant harm on the legitimate opponent. INTA favors the language from Article 33 of the current Trademark Law.

Article 40

This article requires applications for registration and re-examination to be handled “promptly.” This language does not apply to cancellation or appeals.

Recommendation:

- Given past delays in processing cases by the CTMO and TRAB, consideration should be given in the next draft to imposing fixed deadlines for the processing of most cases by these authorities.

The creation of deadlines may help to ensure that the pace of decisions and manpower requirements are monitored more closely to help avoid future time lags.

Article 43

An Extension period of six months for renewal “may” be granted under this article, if renewal is not made within six months before expiration.

Recommendation:

- INTA suggests replacing “may” with “shall.” This will prevent any confusion as to any possible grounds under which renewal extensions “may” be denied.

E. Famous and Well-Known Marks

Article 13

This article provides for protection of well-known marks.

Recommendation:

- We suggest reintroducing language from the 2010 Draft regarding protection against “dilution” of a well-known mark which we believe is clearer and offers stronger protection.

Further to the issue of dilution, protection for well-known marks as found in 2010 Draft Article 62(8) from a party using an identical or similar mark on different or dissimilar commodities has been removed from the current Draft.

Recommendation:

- We recommend this language be reintroduced. Although language at the end of Article 13 indicates that such use would be prohibited, it is highly recommended that for the sake of clarity and to provide greater disincentives to infringers that this action be indicated as an infringement act.

Article 14

This provision does not have language that appeared in the 2010 Draft which limited recognition of well-known marks to marks that have comparatively high fame “in China.” It also possibly removes opposition as a means for applications for well-known mark status. It continues to allow local recognition of “famous marks” (著名商标).

Recommendation:

- INTA believes that the removal of this territorial limitation will allow for spill-over effects and overseas reputation to factor into well-known mark recognition and supports this interpretation which is consistent with the Paris Convention and the WIPO Joint Recommendation on the Protection of Well-Known Marks.¹
- It is recommended that the current practice of applying for well-known status through opposition proceedings be continued. Many brand owners utilize a search service and make use of opposition as a means for establishing well-known mark status.

¹ http://www.wipo.int/about-ip/en/development_iplaw/pdf/pub833.pdf

- INTA does not support a system of varied and local recognition of famous marks due the possibility of local protectionism and a lack of uniformity in China.

Article 62

This article protects well-known marks from conflicting business identifiers.

Recommendation:

- We support protecting well-known marks from conflicting business identifiers. However, we strongly encourage introducing language similar to Article 5 of the WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks.

F. Other Considerations

The following is a list of other recommendations on the current draft law:

- *Article 18* requires foreign companies to manage their trademark portfolio through an approved intermediary. INTA recommends that trademark owners be permitted to use their own China-based legal staff instead of approved intermediaries. Many international companies maintain extensive legal staff in China that is intimately familiar with their business and trademark strategy.
- *Article 45* requires that assignments of a trademark include all identical or similar marks for identical or similar goods. This provision should be for identical marks for identical goods only. We believe that this provision is too broad and imposes too large a burden on a private business transaction where the parties involved are in the best situation to manage a diverse trademark portfolio.
- *Article 47* requires mandatory license recording and includes new language that lack of recording shall not be used against a third party acting in good faith. INTA is encouraged that the new draft limits the potential action against a party due to lack of license recording. In particular, we are encouraged by the removal of language that would have allowed AIC to levy fines against parties that did not record a license (2010 Draft Article 59).
 - INTA strongly recommends optional assignment recording in place of the current mandatory recording system. Complying with mandatory license and registered user requirements is expensive and inconvenient, and causes delay when the requisite formalities conflict with commercial practices. Of course, if a licensor wants to take advantage of the benefits of license recording, an optional license recording scheme will be sufficient.
- *Article 51* defines use of a trademark. INTA does not recommend defining trademark “use” with a clause that also contains “use of a trademark.” Language such as, “sufficient to indicate that source of goods or services to the public,” provides clear guidance. We also encourage clarification of terms in the article such as “operation” (经营目的), which may or may not include OEM operators.
- *Article 66* provides for the functions and powers the AIC may exercise in an infringement action. In the interest of information sharing and business security, INTA suggests that rules should exist for AICs to notify complainants whether their complaint is accepted and provide for appeals of any rejection.
 - Generally speaking, Chinese law gives local AICs limited powers to investigate infringing activity. Such powers clearly need to be expanded, particularly to facilitate investigations

into counterfeiting. It is therefore recommended that options be considered for strengthening AIC investigation powers—whether by granting them such powers or encouraging AICs to work more closely with police, prosecutors or other authorities. For example, we suggest adopting language from the April 2010 Draft that gives AICs the power to impose fines against parties that refuse to cooperate with AIC investigations.

- The new draft deletes provisions from the April 2010 Draft that would have explicitly permitted owners of registered marks that are highly distinctive and enjoy a “definite degree of influence” in China to seek protection from abusive enterprise/trade naming practices from AIC divisions responsible for the enforcement of China’s Anti-Unfair Competition Law (“AUCL”). In fact, trademark owners do use the AUCL to protect their marks against parties that use them in trade names and enterprise names. Nonetheless, adding a provision on trade name protection to the next draft of the law for marks that are not “well known” would clearly help in promoting enforcement and encouraging settlements.
- We highly encourage that the Criminal Code be revised in parallel with the Trademark Law to allow for complementary provisions in both laws to facilitate more effective transfers of cases from administrative to criminal proceedings. As mentioned in previous comments, INTA would also recommend the lowering of numerical thresholds needed to transfer cases to criminal enforcement that will have a deterrent effect on the counterfeiters.

III. Conclusion

INTA firmly believes that the latest draft revision of the Trademark Law is a significant step forward for the support and strengthening of intellectual property rights in China. We look forward to seeing the passage and implementation of strong protections for trademark rights holders as reflected in this draft. INTA stands ready to further assist China in developing internationally harmonized intellectual property laws. Should you have any questions or concerns regarding these comments, please contact our Chief Representative in Shanghai, Ms. Min Chen by email at mchen@inta.org or Mr. Seth Hays, External Relations Manager, Asia-Pacific at shays@inta.org.