



655 Third Avenue, 10th Floor, New York, NY 10017-5646, USA
t: +1-212-642-1776 | f: +1-212-768-7796
inta.org | esanzdeacedo@inta.org

China Trademark Law Revision Comments

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The International Trademark Association (INTA) is pleased to submit these comments for consideration in the initial stage of amending the Trademark Law of the People's Republic of China (as amended of August 30, 2013).

INTA is a global organization of 7,200 brand owners and professionals from over 191 countries, including 265 members in China. INTA is a not-for-profit membership association dedicated to supporting consumer confidence, economic growth and innovation. Founded in 1878, INTA is a leader in global trademark research, policy development, and education. For more information please visit our website at www.inta.org.

INTA was pleased to have actively contributed to the amendment of the Trademark Law in 2013. Since then, INTA continues to provide input on subsequent regulations and practice of the trademark law in China from an international and cross-industry perspective.

INTA commends the initiative to further improve the conditions of trademark practice in China. It is notable that in 2017, the China Trademark Office (CTMO) received more than 5.8 million trademark applications. Accordingly, the importance of trademarks to China's economy is indisputable. Increasingly, Chinese brands are included in world rankings, and the value of those brands are growing. Improving trademark practice in China through an amendment of the trademark law should foster more innovation in brands within China and also create favorable trade and investment climate in China. A thorough and rapid amendment within a few years will benefit the public and all global brands will help to ensure that China is on the cutting edge of international trademark law and practice.

Nonetheless, INTA notes that a growing concern for brand owners in China is the issue of bad faith trademark registration. China is not alone with having this issue as it is addressed in a number of different ways in various jurisdictions across the globe. Given INTA's global membership, we believe we can assist the government by providing extensive views on how best to apply these tools in China. We welcome the opportunity to conduct joint research with authorities on this and other relevant issues.

Additionally, INTA recognizes that China is the world's largest e-commerce marketplace, as well as continues to be a major industrial manufacturing center, exporting products across the globe. Strong enforcement measures against the sale of counterfeit goods both online and offline will improve the environment within China.

The following comments were prepared by INTA advocacy committees and staff. We would welcome the opportunity to discuss these issues in-depth and to answer any questions. Please email INTA's China Chief Representative, Mr. Seth Hays, at shays@inta.org.

POTENTIAL AREAS FOR CONSIDERATION

I. Tackling Bad Faith and Improving Trademark Office Practice

- **Article 4** – This article indicates that trademarks may be registered for the purpose of use in commerce.

Concern: This provision does not clearly set out an “intent to use” requirement.

Recommendation: Recommendations have been made to strengthen use requirements generally in the trademark law as a tool to combat bad faith registrations. INTA supports the idea of strengthening use requirements in the trademark law and preventing “deadwood” on the registry. We also recommend that any changes to current defensive registrations be considered carefully and welcomes the opportunity to cooperate on research with Chinese authorities on existing global systems that balance these interests.

- **Article 7** - This article provides that good faith shall be upheld in the application for and use of trademarks.

Concern: There are no provisions in the law that allow reliance on this provision in oppositions or invalidations, and therefore it functions only as a general guiding principle, rather than as a direct tool that can be applied in actual cases. In addition, although the spirit of Article 7 is embodied in other provisions of China's Trademark Law, e.g., Articles 32 and 41, those provisions are restrictive in scope. Article 7 is drafted more generally and could have wider practical application.

Recommendation: INTA believes that reliance on Article 7 by itself in opposition and invalidation cases should be allowed where other provisions in the law are deemed inapplicable. This can be achieved by simply adding Article 7 to the list of

provisions in the law that may be relied upon when pursuing oppositions or invalidations.

- **Article 13** – This article provides the basis for protection for “well-known” marks. A five-year time limit is imposed for invalidating marks based on “well-known” status for the victim’s trademark. However, this five-year limitation is not imposed if the registrant is deemed to have filed in bad faith.

Concern: Typically, the TMO, TRAB and courts in China only accord well-known status in relatively rare cases, thus restricting the utility of Article 13 in dealing with cases involving applications filed or registrations obtained in bad faith. Further, as bad faith is not well-defined in Chinese law, authorities have generally been conservative in recognizing its existence, thus making it difficult to pursue bad faith marks that have been registered for more than five years.

Recommendation: To improve the effectiveness of Article 13 as well as other related Articles within the Trademark law addressing bad faith, consideration should be given to including a process for determining bad faith in trademark application and registration which in turn would better define “bad faith” for the benefit of the TMO, TRAB and the courts. INTA recommends that the following requirements be considered:

1. The applicant/registrant knew of the third-party’s rights or legitimate interests in a mark identical to or substantially identical to the mark applied

for/registered, where such knowledge is actual or may be inferred from the surrounding circumstances; and

2. The applicant/registrant's conduct in applying for/registering the mark is inconsistent with norms of reasonable, honest and fair commercial behavior.

As outlined in INTA's Board Resolution on bad faith registration¹, the following non-exhaustive list of factors should be taken into account:

1. whether the mark was applied for/registered primarily to appropriate a trademark well known in other jurisdictions or to disrupt the business of a competitor;
2. whether the mark was applied for/registered primarily to sell, license, or otherwise transfer the registration to the party opposing or seeking to cancel or to a competitor of that party;
3. whether the mark was applied for/registered primarily to prevent the party opposing or seeking to cancel from acquiring trademark rights in the jurisdiction in which the application was filed;
4. whether the applicant/registrant has a legitimate interest in the mark applied for;
5. whether the applicant/registrant applied for/registered the mark with the intention of creating confusion as to the source, sponsorship, affiliation, or endorsement of the applicant's/registrant's goods or services;
6. whether the applicant/registrant knowingly made false statements in connection with the trademark application/registration;
7. whether the applicant/registrant has engaged in a pattern of applying for/registering marks in which it had no legitimate interest; and
8. the degree of distinctiveness of the mark applied for.

- **Article 19** – This article requires trademark agents to uphold the principle of good faith when assisting applicants in filing trademark applications.

¹ <http://www.inta.org/Advocacy/Pages/BadFaithasaGroundforOppositionProceedings.aspx>

Concern: Trademark agents in China are often found to have assisted applicants with filing and defending bad faith marks against oppositions and invalidations filed by legitimate brand owners, and in some cases, the agents themselves have been found to be responsible for the filing of marks in bad-faith, and have used other parties as proxies.

Recommendation: Introduce a clear duty of care for trademark agents to confirm that, to the best of their knowledge, applications filed through the agency have not been filed in bad faith. Provide a mechanism in which agents can lose their agency licenses if they knowingly assist applicants with the filing of trademarks in bad faith.

- ***Article 33*** - If a prior rights holder or materially interested party believes that a trademark that has been preliminarily approved and published in the gazette violates certain provisions of the law, they may, within three months from the gazette date, file an opposition with the TMO.

Concern: Where an individual opposes a multi-class trademark application, the relevant multi-class application is held up in each of the classes covered by the multi-class application, and not only the class in which the opposition was filed.

Recommendation: Revise the law to allow a multi-class application to be divided by the applicant if the application is opposed in some but not all classes. Such divisions are permitted if the TMO partially rejects a multi-class application, but not where an opposition is filed.

- ***Article 38*** - If an applicant for a trademark registration or a registrant of a registered trademark discovers that the trademark application documents or registration documents contain an obvious error, it may apply for correction of such error. To the extent it has the authority to do so, the Trademark Office shall make the correction in accordance with the law and notify the party concerned.

For the purposes of the preceding paragraph, the phrase “correction of such error” does not apply to the substantive content of the trademark application documents or registration documents.

Concern: One of the “errors” that comes up in practice is where an item of goods or services has been misclassified in the TMO records, e.g., where it has been misclassified within one particular subgroup when it should have been classified within another subgroup. This can lead to the TMO citing registered and pending trademarks against later trademark applications that actually cover dissimilar goods / services.

In practice, it is very difficult to persuade the TMO to correct such misclassification errors. In addition, Article 38 appears on its face to only allow correction by the owner of the trademark where the errors appear.

Finally, typographical errors sometimes appear in the Trademark Registration Certificates issued by the TMO. It is possible to apply to the TMO to correct such errors and then re-issue the registration certificates, but the process takes months and many applicants are put off from correcting the certificates because of the length of time needed to obtain the corrected certificates.

Recommendation: Revise the law to allow third parties to apply for correction of obvious errors. It would be helpful if a deadline could be set for the TMO to process such corrections, e.g., 1 month from the date of application. On a separate note, it would be helpful if the TMO could commit to issuing Trademark Registration Certificates within a fixed period after publication of the preliminarily approved application in the PRC Trademark Gazette, e.g., 5 months, which would allow the TMO sufficient time to confirm that no opposition has been filed.

- **Article 41** - If the name, address or other registered particulars of the registrant of a registered trademark needs to be amended, an amendment application shall be submitted.

Concern: The length of time taken by the TMO to process such change applications has shortened considerably in recent months.

Recommendation: Require a statutory time limit for the TMO to complete such examinations (e.g., 3 months). If this is possible for the trademark application process, it should also be possible for change applications.

- **Article 42** - In case of assignment of a registered trademark, the assignor and assignee shall enter into an assignment agreement and jointly file an application with the TMO. The assignee shall ensure the quality of the goods on which the registered trademark is used.

Where a registered trademark is assigned, similar trademarks of the trademark registrant registered for identical goods and identical or similar trademarks registered for similar goods shall be assigned therewith.

Where an assignment would be likely to cause confusion or have another adverse effect, the TMO shall refuse to grant approval, notify the applicant in writing and give its reasons.

After an assignment of a registered trademark has been approved, such assignment shall be published in the gazette. The assignee shall enjoy exclusive rights to use the trademark from the date of publication.

Concern: The length of time taken by the TMO to process assignment applications is unpredictable, but typically can take 12 months or more.

Recommendation: Require a statutory time limit for the TMO to complete such examinations (e.g., 6 months). The urgency is greater in the case of trademark assignments as title in assigned PRC trademark applications and registrations only passes when the TMO has approved the assignment and announced it in the PRC Trademark Gazette.

- ***Article 43*** - A trademark registrant may license its registered trademark to another party by entering into a trademark licensing contract. The licensor shall supervise the quality of the goods on which the licensee uses its registered trademark. The licensee shall ensure the quality of the goods on which the registered trademark is used.

Anyone who uses another's registered trademark pursuant to a license must indicate the name of the licensee and the place of origin of the goods on the goods for which such registered trademark is used.

Where it licenses a third party to use a registered trademark, the licensor shall file the trademark use license with the Trademark Office for the record, and the Trademark Office shall gazette the same. A trademark use license that has not been filed for the record may not be used against a bona fide third party.

Concern: The length of time taken by the TMO to process trademark recordal applications can be lengthy.

Recommendation: Under INTA's Board resolution, we recommend that mandatory trademark license recordal be eliminated.² Optional recordal may provide parties certain legal advantages. If mandatory recordal is not eliminated, INTA recommends that the trademark law require a statutory time limit for the TMO to complete such examinations (e.g., 3 months). If this is possible for the trademark application process, it should also be possible for trademark license recordal applications.

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<https://www.inta.org/Advocacy/Pages/EliminationofMandatoryTrademarkLicenseRecordingRequirements.aspx>

- **Article 44** - This article provides for an individual to request the TRAB to declare a registered trademark invalid if its registration was obtained by deceptive or other improper means.

Concern: In practice, this provision is mainly applied to cases where the applicant is deemed a serial pirate on a fairly large scale. Further, the law only applies on its fact to registered marks, and not to pending applications that are under opposition.

Recommendation: Broaden the scope of Article 44 by providing (1) it may be applied to serial piracy on any scale (e.g., even where two or more marks of third parties have been filed); (2) it may be applied where a single trademark is filed in obvious bad faith (such as the filing of a highly distinctive logo mark); (3) it may be applied where forged evidence is submitted by the applicant/registrant, even where such evidence was created after the filing date; and (4) its provisions may be applied to pending applications, and not just registered trademarks.

Anticounterfeiting

- **Article 1** - This article states the purpose of the legislation.

Recommendation: We suggest that the language of Article 1 be amended to recognize the value of the private right of trademark law and use.

Article 1 of the Trademark Law states that the law is enacted for the purpose of “improving the administration of trademarks, protecting the exclusive right to the use of a trademark...” As the exclusive right to the use of a trademark is a private right and trademark law, a private law, the defined purpose of the legislation should first highlight the value orientation of protecting private rights.

We therefore recommend the language of Article 1 be amended as follows: “This Law is enacted for the purpose of protecting the exclusive right to the use of a trademark, improving the administration of trademarks, and encouraging producers and dealers to guarantee the quality of their goods and services to protect consumers, and encourage innovation...”

- **INTA suggests that coordination occur between administrative penalties and judicial compensation for infringement on the exclusive right to trademark use.**

Comment: The current version of the Trademark Law stipulates administrative penalties and judicial compensation for infringement of the exclusive right to use a trademark. In order to avoid double punishment in practice, especially in the circumstances where the infringer fails to perform the obligation of civil

compensation after being subject to administrative penalties, of which the interests of the right holder cannot be guaranteed, it is necessary to coordinate the relationship between the administrative penalties and judicial protection. In case of enforcement conflicts between administrative penalties and the judicial compensation, the principle of priority for civil compensation should be defined in the Trademark Law.

- **INTA recommends that the Trademark Law be amended to include more specific requirements in evidentiary procedures when determining the identity of an infringer.**

Comment: In cases of trademark infringement, the trademark infringer will often use a third party's identity (such as a family member or a friend) to repeatedly commit infringement. In such cases, the plaintiff, or the brand owner, is required to provide evidence to prove the relationship between the actual infringers and the third party. This evidentiary requirement is not practical as the evidence of such relationship is difficult to collect. INTA suggests that the Trademark Law include language allowing the plaintiff more right to collect relative evidence through public information and other means.

Other Recommendations

- **Retain relative examination as part of the examination process.**

Comment: There have been calls from some experts for China to do away with relative examination and rely on opposition and invalidation procedures to address piracy and other issues. INTA takes no position on the merits of one system over the other, and can provide further research to Chinese government authorities.³ However, at this stage in the evolution of China's trademark system, INTA believes that it is critical to retain relative examination, particularly in light of the frequency of bad faith registrations. Among the various reasons for this recommendation is the need to deny registry pirates the opportunity to obtain registration certificates that can later be used to disrupt normal business activities as a means of leveraging large payments.

- **Require applicants and their agents to affirm in writing that their marks were filed in good faith, i.e., specifically that they were not copied from other parties and thus do not violate the rights of others, and specify penalties for the filing of false or misleading declarations. Doing so may have a deterrent**

³ See 2005 Committee Report at <http://www.inta.org/Advocacy/Documents/INTARelativeAbsoluteExamination2005.pdf>

impact, but also create new substantive grounds for opposing or invalidating bad faith marks.

Comment: The requirement of a written affirmation of truthfulness has proved useful in other countries in that it provides an independent basis for addressing bad faith piracy as well as other improper behavior.

- **Make clear that the burden of proving good faith will be shifted to alleged pirates without the need for victims to provide more than reasonable evidence of bad faith intent.**

Comment: In some of their more recent decisions, the TMO, TRAB and courts have already begun shifting the burden to pirates of proving good faith after the victim brand owner has provided prima facie evidence of the applicant's bad faith. This existing practice should be codified so as to ensure it is more widely adopted in practice.

- **Eliminate the five-year limitation on the filing of invalidations where bad faith is deemed to exist under all relevant provisions of the law.**

Comment: In many cases, the victims of bad faith registration are small and medium-sized companies that require more time to develop international markets and extend their business to China. As a result, it sometimes takes five or more years for them to discover that their marks have been registered in bad faith. As there is no benefit to society in allowing bad faith registrations to be protected after five years of registration, it is recommended that the five-year time limit for the filing of invalidations based on relevant provisions of the Trademark Law be removed in all cases where bad faith is confirmed to exist.

- **Grant parties the right to file submissions during the stage of examination by the TMO, thus giving examiners more information on which to evaluate applications, and reject bad faith applications outright. Doing so will likely result in fewer oppositions and invalidations.**

Comment: The TMO has already signaled a desire to deal more proactively with bad faith filings through an informal "blacklist" system and database. Submissions by victim brand owners, industry associations and other interested parties can be helpful to the TMO in this work. It is recommended that a formal process for the filing of such submissions be established to ensure the rights and interests of all parties – including applicants – are respected. Practice in other countries – including Japan and the United States – are useful as reference in this regard.

- **During the examination process, where evidence comes to the attention of TMO examiners suggesting a strong possibility of bad faith, the examiners should have the legal power to compel applicants to provide additional evidence of their good faith application of the trademarks.**

Comment: It is understood that TMO examiners are under extraordinary time pressure to process new applications. However, rejection of bad faith registrations is an extremely useful tool for avoiding unnecessary oppositions and invalidations. It is therefore recommended that appropriate provisions be added to the Trademark Law and its implementing regulations (see discussion under Article 13 above) to facilitate dialogue between examiners and applicants to ensure examiners have adequate information to make determinations where there is suspicion a mark has been filed in bad faith. Alternatively, the “explanation” process contemplated by Article 29 of the current Trademark Law can be expanded to give trademark examiners the authority to request appropriate information from applicants pertaining to applications suspected to have been filed in bad faith. To support this work, the TMO may wish to add manpower and adopt new procedures for ensuring that increased dialogue with applicants does not result in unnecessary delays in examination.

- **Give opposing parties (victim brand owners) the opportunity to review and comment upon the arguments and evidence filed by applicants in opposition as well as non-use cancellation proceedings in the first instance.**

Comment: It is appreciated that the TMO is under enormous pressure to process oppositions and non-use cancellations in the first instance in a timely manner. However, the current practice of denying petitioners the opportunity to review and comment on arguments and evidence filed by bad faith actors – who quite often file forged evidence – results in unjust decisions and harm to both victim brands and consumers. Such cases are almost always appealed to the TRAB, and sometimes to the courts, thus creating even greater burdens on administrative and judicial functions.

- **Clarify that the failure of an applicant to respond to an opposition or invalidation based upon allegations of intent to use and/or bad faith will be deemed abandonment of the application or registration. Alternatively, clarify that the failure to so respond will be deemed an admission to the factual assertions of the complainant.**

Comment: In many cases, bad faith pirates do not respond to oppositions and invalidations, and yet the TMO and TRAB will not recognize this fact as relevant to their deliberations. This practice creates enormous unnecessary burdens on administrative and judicial functions, as well as causing unnecessary costs to

victim trademark owners. Consistent with international practice, it is strongly recommended that relevant provisions in the Trademark Law be amended. The rights of trademark applicants and registrants can still be protected through the appeal process, during which they are free to file new evidence and arguments. However, experience suggests that bad faith registrants will typically refrain from filing such appeals.

- **Clarify that bad faith filers may be required to pay compensation to victim brand owners for harm caused through their behavior.**

Comment: Victims of bad faith trademark registration very often suffer enormous losses as a direct result of the behavior of bad faith filers. Under current law and practice, it remains unclear whether these victims have the right to compensation for this harm. The specific question under Chinese law is whether the filing of a trademark application constitutes a “civil act” which can result in civil liability. We suggest eliminating the current ambiguity by simply amending the Trademark Law and/or General Principles of the Civil Code accordingly. Allowing such actions may help greatly to deter bad faith filings as well as to negotiate settlements on more reasonable terms.

- **Provide for consolidation and accelerated decision-making in oppositions and invalidations in cases where bad faith is deemed to exist and the pirate has commenced use of the mark.**

Comment: Query whether amendments to the Trademark Law and its implementing regulations are required to achieve these goals.

- **Strengthen provisions in the law prohibiting trademark agents from knowingly filing or otherwise assisting their clients to file applications in bad faith.**

Comment: The provisions of Article 19 of the current law have not proved enormously helpful in deterring and stopping bad faith piracy. Consideration should be given to adopting further changes in the law to increase the impact of existing provisions.