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INTA Model Free Trade Agreement

Prepared by the

Harmonization of Trademark Law and Practice Committee

Free Trade Area Subcommittee

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Disclaimer

This document is limited to issues relating to the treatment of trademark rights. No recommendation is made or intended with respect to other forms of intellectual property, such as industrial designs, copyrights and patents. Although certain proposals herein may reference text that incorporate treatment of intellectual property rights other than trademark rights, INTA makes no recommendation with respect to other such references.

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I. INTRODUCTION

The negotiation of Free Trade Agreements (FTAs) provides an excellent opportunity to ensure adequate and effective protection of trademark rights on a bilateral and multilateral basis. Not only do they reemphasize the need for full implementation of the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), FTAs also raise the level of protection and enforcement globally through state-of-the-art standards, ensuring intellectual property protection keeps pace with the rapid changes in technology.

In order to have a minimum set of baseline standards by which INTA can evaluate and comment on new bilateral or multilateral trade agreements, the Free Trade Area Subcommittee of the Harmonization of Trademark Law and Practice Committee has developed a number of key provisions for the INTA Model Free Trade Agreement 2011, MFTA 2011, designed to facilitate and enhance the Association's contribution to the work of trade negotiators with regards to the treatment of trademark rights. This project evolved over the course of the 2006-2007 and 2008-2009 committee terms, drawing from existing bilateral treaties, multilateral trademark and trade treaties, and INTA policy positions as well as committee members' expertise.

This document is intended to provide governments and their trade negotiators with guidance for incorporating desirable trademark provisions into FTAs. The MFTA 2011 will be distributed to trade negotiators and other relevant government officials as a touchstone for negotiating the trademark provisions in FTAs and will demonstrate INTA's interest, priorities and competence in assisting the parties to FTA negotiations on trademark issues.

Not all of the provisions of the MFTA 2011 will be relevant to each FTA negotiation. As FTA negotiations progress, INTA will select from this document such components as are most important to strengthening the trademark laws of the parties to each proposed agreement. This will narrow the focus of the trademark provisions of each FTA to only those of most significance to the treaty under consideration.

As the trend for trade negotiations continues, INTA, through its MFTA 2011 seeks to contribute to the harmonization of national laws with international treaties. It is hoped that the proposed provisions will create greater legal certainty as the level of protection of trademarks owners' rights is raised. Trading partners will benefit equally as the new rights protection and enforcement mechanism help create a more attractive investment climate for business, whether it is between two countries or within a regional market taking part in an FTA.

In past and recent negotiations, INTA has made it a priority to monitor and provide input during the course of trade negotiations, contributing since 1996 with comments in a number of FTAs including those leading to the US-CAFTA DR; the US-Chile FTA; the Australia-China

FTA and Australia-ASEAN-New Zealand FTA; the EU-Central America Trade Agreement, and most recently to authorities in Singapore on the EU-Singapore trade treaty.

The MFTA 2011 presents three chapters addressing: (1) Trademark Protection, (2) Domain Names and the Internet, and (3) provisions under Enforcement of Trademark Rights. No recommendations are made or intended with respect to other forms of intellectual property, or to the methods of implementing said FTA provisions, thus taking into consideration the diversity of legal systems and national practices. INTA will continue to ensure its provisions keep with the changes that affect trademark rights and will be updating its content periodically. We hope policy makers will benefit from these proposals, and will find them useful. For further in-depth guidelines, reference can be made to several of the INTA's policy tools such as the Guidelines for Trademark Examination 2007 (GTE); the Model Law Guidelines 2007 (ML) and INTA policy positions contained in Board resolutions. All have served as the basis to elaborate this document and are cited throughout the document for ease of reference and which can be found at www.inta.org.

II. TRADEMARK PROTECTION

1. Accession to International Trademark Treaties

1.1 **Proposal:** Each Party shall ratify or accede to the following agreements:

- a. GATT-TRIPS (1994)
- b. The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (1989)
- c. The Singapore Treaty on the Law of Trademarks (2006)

Rationale: The TRIPS (1994) Agreement establishes minimum standards for IP protection across trading systems. With regards to trademark applications and registrations the basic measures of harmonization achieved by TRIPS are expanded on by treaties such as the Trademark Law Treaty, “TLT” 1994 and most recently by the Singapore Treaty on the Law of Trademarks which came into effect on March 16, 2009 as part of efforts to harmonize the administrative procedures of trademarks offices worldwide.

The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (1989) brought changes to modernize the registration of trademarks under the Madrid Agreement Concerning the International Registration of Marks of 1891. The Protocol retains the same basic purpose of the Madrid Agreement, whereby trademark owners can file simultaneously for registrations in numerous jurisdictions through one single application. But the Protocol brings greater flexibility to the system by allowing applications to be filed in Spanish, in addition to the original French and English languages, while improving on the basic features of the Madrid Agreement.

Over the years, the rise in electronic filing and other technological advancements, and changes in the scope of trademark protection led to the need to update the TLT. In response to these developments, the Singapore Treaty on the Law of Trademarks was adopted on March 27, 2006. The aim was to make several technical and substantive changes to the TLT, while retaining the key provisions on the use of the Nice System for the International Classification, and other requirements to provide for multiclass application registrations, and elimination on notarization, legalization and other certification requirements. Key changes from the TLT 1994 include: expanded scope of marks, including non-visible marks such as sound and smells, provisions governing electronic communications, relief measures when application time limits are missed, provisions on license recordal procedures and creation of an assembly.

The preceding proposal singles out these important trademark treaties which INTA supports because they will expedite registration, reduce costs and help ease administrative burdens on trademark owners. INTA recommends the inclusion of these provisions in FTAs which will facilitate greater international trade.

2. **Protectable Subject Matter** (ML II, Section 4)

2.1 **Proposal:** Each Party shall provide for the protection of trademarks which constitute any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings. Such signs, in particular words including personal names, letters, numerals, figurative elements as well as any combination of such signs, shall be eligible for registration as trademarks.

2.2 **Proposal:** Except for generic terms or other signs that are in common use or aptly describe the goods or services claimed in a trademark application (which should not be capable of registration), where signs are not capable of distinguishing the relevant goods and services, Parties may make registrability dependant on distinctiveness acquired through use. No Party shall require, as a condition of registrability, that signs be visually perceptible, therefore, no Party shall deny registration of a trademark solely on the grounds that the sign of which it is composed is not visually perceptible. Instead, graphical representation depicting marks should be permitted.

2.3 **Proposal:** Each Party shall provide for the protection of service marks, retail service marks (including marks used to sell goods or services by electronic means, such as online over the Internet or by means of mobile devices such as smart phones), collective marks and certification marks.

2.4 **Proposal:** Certification marks shall be capable of registration and protection for both goods and services without burdensome regulatory or administrative requirements being placed on applicants beyond those customarily required in the registration of trademarks or services marks.

Rationale: Proposal 2.1 and 2.2 reaffirm INTA's recommendation that a broad and expanded scope of protection of subject matter should be reflected under trademark protection, in particular for non-visible signs. This responds to the growing trend in trademark practice, in which more and more businesses are going beyond traditional word or logo trademarks and turning to single color, combination of colors, three dimensional shapes, sounds, smells, and touch marks, among others, to market and identify their products.

Except for generic terms or other signs that are in common use or aptly describe the goods or services claimed in a trademark application which shall not be capable of registration, where signs are otherwise not inherently capable of distinguishing the relevant goods and services, Parties shall permit the registration of such signs as trademarks and may make registrability dependant on distinctiveness acquired through use.

By way of example, and not limitation, inherently distinctive signs that consist of the configuration of product, three dimensional representations, trade dress, colors and combinations of colors, packaging or inherently distinctive signs that are not visually perceptible, such as sound, smell and touch marks, shall be entitled to registration without a showing of distinctiveness acquired through use. In the case of signs that are inherently

distinctive but not visually perceptible, such marks may be depicted in trademark applications in the form of graphical representations or clear written descriptions.

INTA fully supports the protection of these signs as trademarks, as long as they are sufficiently distinctive and serve to indicate source. This is in line with the broad interpretation of TRIPS Article 15 (1), which defines a trademark without specifying that the sign be visible.

The protection of nontraditional marks (NTMs) is recognized under the Singapore Treaty on the Law of Trademarks 2006. The inclusion of provisions relating to the protection of NTMs in FTAs will help to address the uneven level of protection of such marks, and will facilitate the efforts by owners of such marks to safeguard their rights.

Furthermore, proposal 2.3 calls for protection of trademarks to include both collective and certification marks. A collective mark is one used or intended to be used by members of a cooperative, an association, or other collective group or organization. The mark is owned by the collective entity even though the members use it individually.

Certification marks are marks owned by one person and used by others in connection with their goods or services to certify characteristics of their goods or services. Because a certification mark serves to certify characteristics rather than identify the individual source of the goods or services, an owner should not be permitted to use a certification mark in the course of trade. Where recognized, a certification mark may be used to designate geographical origin, quality or other defined characteristics of goods or services.

Marks that signify certification by reputable independent organizations (such as the “UL” logo of Underwriters Laboratories and the GOOD HOUSEKEEPING PROMISES logo) are an important guide to consumers who wish to purchase and use products and services that meet certain defined standards.

In general, collective marks and certification marks are examined in the same manner as other trademark and service mark applications. However, many jurisdictions that recognize certification marks currently place significant burdens on applicants for such marks. INTA supports the recognition, protection and registration of these marks for both goods and services without burdensome regulatory or administrative requirements being placed on applicants beyond those customarily required in the registration of trademarks. INTA’s Guidelines for Trademark Examination 2007 offer authorities recommendations on application procedures for certification marks.

3. Well-Known Marks Protection (See ML II, Section 3 and 10.3)

3.1 **Proposal:** Each Party to the FTA shall protect well-known marks pursuant to Article 6*bis* of the Paris Convention for the Protection of Industrial Property and Article 16.2 and 16.3

of the TRIPS Agreement. Each Party shall also implement the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks (1999) endorsed by WIPO.

3.2 **Proposal:** Article 6*bis* of the Paris Convention for the Protection of Industrial Property (1967) shall apply, *mutatis mutandis*, to goods or services that are not identical or similar to those identified by a well-known trademark, for related goods or services, whether registered or not, provided that use of that trademark in relation to those goods or services would indicate a false connection or association between those goods or services and the owner of the trademarks, and provided that the interests of the owner of the trademark are likely to be damaged by such use.

3.3 **Proposal:** Each Party shall provide for appropriate measures to prohibit or cancel the registration of a trademark, business identifier or domain name identical or similar to a well-known trademark, if the use of that trademark by the registration applicant is likely to cause confusion, or to cause mistake, or to deceive or risk associating the applicant's trademark with the owner of the well-known trademark, or constitutes unfair exploitation of the reputation of the well-known trademark. Such measures to prohibit or cancel registration shall not apply when the registration applicant is the owner of the well-known trademark.

Rationale: Proposals 3.1 and 3.2 reaffirm INTA's position for the protection of well-known marks. Trademarks which have a higher degree of reputation, recognition, or fame are singled out for broader protection, including protection without use or registration (Paris Convention 6 *bis*) or against infringement on dissimilar goods and/or services. An increase in global recognition for world brands makes the demand for famous mark protection more acute. The lack of consistency in protection of "well-known" marks, including the imposition of use requirements within a particular jurisdiction, fosters public deception and commercial dishonesty, as well as poses an untoward risk that a company will be precluded from doing business under its own mark in a jurisdiction precisely because the strength of its reputation has led to dilution or misappropriation of its mark.

Despite international convention and multilateral treaty provisions, many countries do not extend sufficient protection to well-known marks and apply different and conflicting criteria for determining what constitutes a well-known mark. INTA has passed a number of resolutions dealing with the protection of such marks and recommends that FTAs should include provisions that would provide specific direction to countries needing to improve protection for well known marks.

INTA's Board resolution of September 18, 1996, supported the principle that famous marks should be protected on the basis of reputation alone, without use or registration. Furthermore, in a resolution of November 9, 2005, INTA recommended that for countries electing to set up famous marks registries, these countries conform to the WIPO guidelines of 1999 and build in certain safeguards for trademark owners. The WIPO provisions (1999) are an attempt to

provide a worldwide standard on how to implement the requirements under Article 6 *bis* of the Paris Convention and Article 16 of TRIPS. The WIPO provisions set out factors to determine what constitutes a well-known mark. These are non-exhaustive and are to serve only as guidelines not requirements. In addition, the guidelines establish that the scope of protection for a well-known mark against conflicting marks, business identifiers, and domain names shall be determined from at least the time the mark becomes well known in the country where protection is being sought, and that bad faith should be considered in balancing the interests of the parties involved when assessing possible infringement of well-known marks. The guidelines also stipulate for the conditions under which a mark is deemed to be in conflict with a well-known mark in respect of identical or similar goods and/or services. The provisions also cover conflicts with regard to dissimilar goods and services. However, in these cases, knowledge of the public at large can be required (i.e. a truly famous mark).

4. Geographical Indications (GIs) (ML II, Section 17)

4.1 *Proposal for Protection of GIs:* Each Party shall provide the means for nationals of the other Parties to apply for protection of geographical indications, ensuring that measures governing the filing of applications for geographical indications set out clear procedures for registration of GIs.

4.2 *Proposal for resolution of conflict GIs vs trademarks:* Each Party shall ensure that all applications and petitions for GIs are published for opposition, and shall provide procedures to effect opposition of GIs that are the subject of applications or petitions. Each Party shall also provide procedures to cancel any registration resulting from an application or petition. The Parties shall acknowledge the principles of exclusivity, priority and territoriality in relation to GI registrations incorporated in the Paris Convention and TRIPS Agreement with respect to rights in trademarks.

4.3 *Proposal for grounds for refusal for protection or recognition of a GI:* Each party shall provide that grounds for refusing protection or recognition of a geographical indication include the following:

- i)* the geographical indication is likely to cause confusion with a trademark that is the subject of a good-faith pending application or registration;
- ii)* the geographical indication is likely to cause confusion with a pre-existing trademark, the right to which has been acquired in accordance with a Party's law.

Rationale: Geographical indications are signs which identify a good as originating in the territory of a Party, or region or locality in that territory, where a given quality, reputation, or other characteristic of the good is essential to its geographical origin. While INTA supports the protection of geographical indications, INTA also firmly advocates that such protection must not prejudice prior intellectual property rights, including trademarks. One of the major problems today with the protection of GIs is the lack of consistent and clear mechanisms to determine whether a GI should be granted protection. INTA therefore is concerned with the

conflict that arises in the protection of GIs and trademarks, and thus recommends the inclusion of extensive provisions laying out a clear framework for the procedures involved in the registration of geographical indications establishing the proper relationship between GIs and trademarks.

Although the Doha Round of negotiations at the WTO regarding a multilateral system of notification and registration of GIS is stalled, several bilateral and regional agreements have attempted to address this issue. Any such agreement should abide by the TRIPS Council decision in 2005 that the core principle of IP protection, namely priority, exclusivity and territoriality, should be followed in deciding conflicts between GIs and trademarks.

INTA recommends extensive provisions and language that will require that the owner of a registered trademark must have the right to prevent the use in the course of trade by third parties of GIs confusingly similar to a previously used, applied for or registered trademark, thereby unequivocally protecting prior trademarks against later GIs. To the extent that it lends clarity to the issue, INTA's proposal is also consistent with TRIPS.

5. Registration Procedures

5.1 *Proposal:* Each Party shall provide for a system for the registration of trademarks, which shall include:

- a) a requirement to provide to the applicant a communication in writing, which may be electronic, of the reasons for a refusal to register a trademark (ML II, 7.6);
- b) an opportunity for the applicant to respond to communications from the trademark authorities, to contest an initial refusal, and to appeal judicially a final refusal to register (ML II, 7.6);
- c) in that applicants may require considerable time to gather documents and information and conduct legal research in order to respond to an official action, the recommended deadline for an applicant's response to each action is within three to six months after issuance of the official action (ML II, 7.6);
- d) an opportunity for interested parties to petition to oppose a trademark application or to seek cancellation of a trademark after it has been registered (ML II, 6 and 7.1) and;
- e) a requirement that decisions in opposition or cancellation proceedings, including both administrative and judicial decisions, be reasoned and in writing (ML II, 7.6).

Rationale: Registry procedures concerning the acquisition or maintenance of trademark rights (including procedures for oppositions, revocation and cancellation whether *inter partes* or *ex-officio*) should be fair, equitable and transparent. The procedures should not be unnecessarily complicated or costly or entail unreasonable time limits or unwarranted delays.

INTA reaffirms the importance of establishing *inter partes*, adversarial opposition proceedings for the purpose of allowing interested third parties to attempt to prevent or

contest the registration of a trademark where such registration may conflict with such third parties' pre-existing rights or other legitimate interests. Opposition proceedings are necessary because they promote greater integrity of the trademark register and save time and money in comparison with the use of judicial procedures.

INTA has developed extensive recommendations as to minimum provisions of such opposition proceedings which can be found in the INTA Model Law Guidelines 2007 and Guidelines for Trademark Examination 2007.

6. Only Portions Of Goods And Services Need To Be Challenged

6.1 Proposal: Each Party shall provide for provisions to allow for *inter partes* oppositions, cancellation actions, revocation actions and invalidity proceedings, as well as *ex parte* amendments. Such actions and amendments, as well as withdrawals and voluntary cancellation requests by applicants and registrants, may be maintained against only a portion of the goods or services in an application or registration without affecting the remaining goods or services therein (ML II, 7.3).

Rationale: Merely because a mark may no longer be used for certain of the goods or services in a registration should not form the basis for a trademark registrant to forfeit all of its rights where other goods or services recited in the registration remain in active use under the mark. Similarly, where some of the goods and services in an application or registration conflict with the prior rights of another party there may be no reason why the mark should be denied registration for non-conflicting goods and services. More flexibility is required to ensure that the legitimate interests of applicants and registrations are protected while the trademark offices and prior registrants are provided with the means to limit applications and registrations to only non-conflicting goods and services in relation to which the mark is in active use.

7. Concurrent Registration

7.1 Proposal: Each Party shall provide for provisions to allow concurrent registration of identical marks in special circumstances of honest prior or concurrent user. This should apply even where a prior registration is incontestable or for a well-known trademark. The special status of such marks should be reflected on the register (ML II, 4.6).

Rationale: It would be unfair to impose an absolute bar to the registration of unregistered marks which have been used in good faith.

8. Cancellation Procedures

8.1 Proposal: Each Party shall provide for cancellation procedures of trademarks, which shall include provisions calling for:

- a) **Use required after registration:** registration shall be open to non-use cancellation within a set period of time after registration (minimum three years; maximum five years) (ML II, 1.2);
- b) **Non-use for three to five years:** trademark registration should be capable of cancellation at the application of any person if they are not used at any time within a continuous period (minimum three years; maximum five years) after the date when all procedures for registration of that mark have been completed (i.e. after exhaustion of any periods post-registration whereby the registration may be opposed) (ML II, 1.2 and 1.5.2);
- c) **Bona fide use required:** use that will support continued registration must be bona fide use in the course of trade for the goods or services in respect of which the mark has been registered, not token use or use merely for the purpose of maintaining registration. In this regard, use of a trademark on exports should be considered use for the purposes of cancellation provisions (ML II, 1.4 and 1.3.2);
- d) **Excusable non-use:** non-use due to circumstances beyond the control or will of the owner of the registration may excuse a period of non-use (e.g. import restrictions; delays due to needed regulatory approval for goods such as pharmaceuticals) (ML II, 1.3.1);
- e) **Initial burden in non-use cancellations:** Non-use cancellation actions shall require that the petitioner assert a reasonable belief that the registered mark at issue is not in use. However, the burden of demonstrating use in a non-use cancellation action shall initially be on the proprietor of the registration (ML II, 1.5.1 and 1.5.3);
- f) **Use of immaterially altered mark by registrant:** use of the mark in a form differing only in non-distinctive elements from the registered mark should be considered sufficient for purposes of establishing actual use of the mark – amendment of the form of the mark in the registration should be allowed in such cases (ML 4.5.2).

Rationale: Proposal 8.1 a) and 8.1 b) refer to the time at which cancellation for non-use should be possible. INTA recommends that it should run from the date at which all registration procedures are completed rather than the date of application. It would be unfair to select the latter because it is not until registration has been achieved that the trader can be confident that it has secured rights to the exclusive use of the mark and can sell goods under the mark without the risk of an infringement action. This proposal extends but is not inconsistent with TRIPS article 15.3 which requires that “an application shall not be refused solely on the ground that the intended use has not taken place before the expiry of a period of three years from the date of application. The non-use period has been set at three years because five is the standard in Europe as a result of the EC Harmonization Directive and the period of three years stipulated in TRIPS is a minimum standard.

With regards to proposal 8.1 c), the intention is that only genuine, commercial use should be sufficient to sustain a trademark registration and that bad faith and token use should not be adequate to sustain a trademark registration.

On Proposal 8.1.d), the intention is to provide for circumstances which prevent the trademark owner from using a mark. The wording of the proposal tracks that of TRIPS Article 19.1 rather than limiting excusable non-use to that caused by governmental or regulatory prohibitions or restrictions (for example a pharmaceutical product cannot be marketed without government approval and it may be several years before this is granted). It would be appropriate to allow non-use on broader grounds. For example Japan's case law refers to "legitimate reasons", meaning reasons not attributable to the defendant's (trademark owner's) responsibility and difficult to foresee, e.g. Acts of God, "force majeure" circumstances. For the avoidance of doubt, this proposal is not intended to imply that use on exports should not constitute use for other purposes, for example, infringement.

On proposal 8.1 e), the purpose of this proposal is to provide a relatively quick and inexpensive procedure for clearing deadwood marks where the proprietor is no longer in business or for other reasons is not only unlikely to resist cancellation but will be difficult to locate for service of proceedings. The proposal parallels the approach used in Canadian Section 45 proceedings wherein the Registrar may require the owner to furnish evidence of use of the mark in Canada by the owner or licensee at any time during the three year period immediately preceding the date of the notice, with respect to each of the goods or services specified in the registration. If satisfactory evidence is not produced, the registration may be cancelled. The alternative to this proposal is to require the applicant to prove a negative.

The purpose of proposal 8.1 f) is to avoid arguments as to infringement or cancellation for non-use where use is made of different lettering or lay-out for the same mark. This proposal is taken from Article 10.2 of the European Community Directive to approximate the laws of the Member State relating to trade marks (89/104/EEC).

9. Incontestability

9.1 **Proposal:** Each Party should provide for provisions for registration to be declared incontestable as to validity:

- a) by a registry or a court, at its discretion, following a challenge to the mark's validity which is not successful (ML II, 2.1);
- b) by a registry where the mark is demonstrated to have the requisite distinctiveness and has been on the register and in use for at least five years (ML II, 2.2);
- c) a declaration of incontestability should not preclude cancellation of marks registered or used in bad faith, procured by fraud or by other faith means, or that have become generic or are functional (ML II, 2.2).

Rationale: The intention is to avoid a trademark owner facing the same defense to a mark's validity each time the owner enforces the mark against unauthorized users. The bad faith proviso is taken from Article 6ter of the Paris Convention.

10. Marking Of Registered Marks

10.1 Proposal: Each Party shall ensure the following principles apply with respect to notice of registration for registered marks:

- a) It should not be mandatory to represent that a trademark is registered (ML II, Section 9).
- b) The ® symbol should be one of the legally permissible designations to indicate that a trademark is registered (ML II, Section 9).

Absent an intent to mislead, it should not be a civil wrong or criminal offense in a country where a mark is not registered, to represent that it is registered by use of a legally permissible designation, provided that said mark is registered in:

- a) The country in which the trademark owner has either a domicile or a real and effective commercial establishment;
- b) The country in which the product was first manufactured; or
- c) The country in which the product was first marketed (ML II, 8.3).

Rationale: With the evolution of global trade and the increasing sales of products over the Internet, it is desirable for companies to be able to offer their products in uniform packaging that enables them to benefit from substantial cost savings. Provided that companies do not infringe prior rights or mislead consumers, they should be free to market their products in any manner they choose. Accordingly, there should be no requirement that a trademark owner indicate that its mark is registered in any country, and when trademark owners choose to mark their products, the ® symbol should be accepted in all countries, as it is arguably the most widely accepted symbol of registration. Furthermore, there should be limitations on sanctions for misuse of registration designations.

11. Comparative Advertisement (ML II, 10.6)

11.1 Proposal: each Party shall allow comparative advertising so long as such advertising exists within a framework which:

- a) Prevents comparative advertisements that are explicitly or implicitly false or misleading or cause a likelihood of confusion or association with the marks or trade names of competitors, or otherwise violate principles of fair competition;
- b) Provides effective enforcement mechanisms including preliminary and permanent injunctions, corrective advertisements and damages against false or misleading comparative advertisements; and
- c) Encourages self-regulatory mechanisms if possible.

Rationale: This proposal reaffirms INTA's Board Resolution on Comparative Advertisement adopted by the INTA Board on March 3, 1998. The availability of comparative advertising encourages competitors to innovate and improve products and services, which increases

competition in the marketplace. Comparative advertising which is truthful, not misleading, consistent with the principles of fair competition, and not harmful or damaging to the marks of competitors can provide consumers with useful information which assists with their purchasing decisions. However, legal controls should be implemented to prevent false or misleading advertisements or other acts of unfair competition, and to prevent advertisements which harm and/or damage the marks of competitors.

12. Licensing and Assignment

12.1 Proposal: No Party may require recordation of trademark licenses, and non-recordal of licenses shall not affect the validity of the registration of a mark or the protection of a mark that is the subject of a trademark license (ML II, 9).

Rationale: The disadvantages of mandatory trademark license recording requirements to the trademark owner are numerous, especially in those countries where failure to record within a certain period of time makes it possible for the government and/or third parties to cancel or invalidate the registration of a trademark.

Complying with mandatory trademark license recordation is expensive and inconvenient, and causes delay when the requisite formalities conflict with desirable commercial practices, such as interfering with timely establishment of commercial relationships through trademark licensing. Formal requirements vary from country to country, and recording requirements are often technical and complex, both procedurally and substantively. Costs of recording are even higher for multiple licensees (e.g. franchise agreements) or multiple class applications/registrations (e.g. in countries where a separate trademark registration is issued for each class).

The Singapore Treaty addresses such requirement by ensuring that failure to record a license will not affect the trademark registration's validity. License recordal is also no longer required in order for a licensee's use of a mark to be deemed use of the mark by the registered proprietor. Furthermore, in cases of infringement, a license recordal may no longer be a requirement to enable a licensee to join as a party to the infringement proceedings or to obtain damages arising from a successful infringement action. Therefore, INTA supports the inclusion of this provision in FTA's.

12.2 Proposal: Each Party shall provide for licensing and assignment provisions to include:

a) **Licenses may be Non-Exclusive.** FTAs shall provide that licenses may be exclusive or non-exclusive (See ML II, Section 16 - only limitation on licensing to be quality control).

Rationale: Experience has proven that in many circumstances non-exclusive licenses are useful in expanding the rights of brand owners and choices for consumers. Therefore laws or

regulations that require trademark licenses to be exclusive within a nation or territory should be prohibited.

b) **Sublicensing Permitted.** FTA shall provide that sublicensing is permitted (ML II, 16.1).

Rationale: Trademark owners may wish to use sublicensing structures for a variety of reasons and so long as reasonable quality control is exercised by the trademark owner over such arrangements there is no reason for nations to prohibit this practice.

c) **Use inures to mark owner's benefit.** Use of a trademark with the trademark holder's consent shall inure to the benefit of the holder (ML II, 16.1).

Rationale: Although Article 6septies of the Paris Convention specifies that the proprietor of a trademark in one nation may prevent its "agent or representative" from claiming title to the mark in another country of the Union, that provision does not specifically define who will be considered an "agent or representative" of the trademark owner (*e.g.* does the provision apply only to distributors or regional sales representatives?). Therefore the provisions of Article 6septies do not necessarily prevent licensees or sublicensees from claiming that their use of a mark does not inure to the benefit of the trademark owner. Use of trademarks by licensees or sublicensees should always be strictly for the benefit of the trademark owner. Mere licensed rights should not give the licensee the ability to claim ownership of a brand within any nation or territory. The contrary practice would result in a forfeiture of trademark rights and a great reluctance among brand owners to grant trademark licenses, thereby restricting commerce in branded goods and inhibiting global commerce.

d) **Failure to record assignment not to affect rights in mark.** Failure to record an assignment should not result in loss of ownership rights in a trademark. If recordation of assignments is required under local law in order to enforce rights in a trademark, recordal before or after knowledge of an infringement should be sufficient to exert the rights in the mark (ML II, 9).

e) **Ability of exclusive licensees to bring suit.** There shall be a presumption that exclusive licensees may sue infringers unless the license agreement provides to the contrary (ML II, 13).

Rationale: Contracts between trademark owners and licensees should determine whether exclusive licensees may bring infringement litigation, not the laws or regulations of nations. Such decisions are private matters and do not affect public order or welfare in any manner. In addition, an exclusive licensee has a substantial interest and investment to protect and therefore it should be able to enforce the relevant trademark if the proprietor elects not to do so, provided that the contract between the parties does not prohibit such enforcement actions by the licensee. Exclusive in this context means to the exclusion of the trademark owner and all third parties.

13. Automation of Trademark Office's Practices and Procedures

13.1 **Proposal:** Each Party shall, as soon as practicable, provide:

- (a) a system for the electronic application for, and electronic processing, registration, and maintenance of, trademarks; and
- (b) a publicly available electronic database, including an online database, of trademark applications and registrations (ML II, 5.2).

Rationale: The proposal is intended to encourage governments to move towards office automation and greater use of electronic means to interact with trademark officials and the establishment of accessible trademark databases.

The Singapore Treaty offers trademark offices a choice as to how they wish to receive and accept correspondence, including the receipt of trademark application forms and other forms in traditional paper communication or, alternatively to take advantage of modern advancements in technology by opting for electronic or other forms of communication. INTA encourages governments to opt for faster electronic systems. Such developments will be another advantage for trademark owners and practitioners as well as trademark offices, as filing electronically will result in greater cost savings, more flexibility in filing applications and other transactions in a timely fashion and a more efficient and quicker process for updating records.

As businesses desire the speed and efficiency of electronic filing, it is INTA's strong preference that FTAs call for implementation of electronic trademark systems for filing, processing, registration and maintenance wherever possible.

14. Nice Classification (GTE 2.2, 6.2, 6.2.3)

14.1 **Proposal:** Each Party shall provide that:

- (a) each registration that concerns a trademark application or registration that indicates goods and services shall indicate the goods and services by their names, grouped according to the classes of the classification system established by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (1979), as revised and amended (Nice Classification); and
- (b) goods and services may not be considered as being similar to each other solely on the ground that, in any registration or publication, they appear in the same class of the Nice Classification. Conversely, each Party shall provide that goods or services may not be considered as being dissimilar from each other solely on the ground that, in any registration or publication, they appear in different classes of the Nice Agreement.

Rationale: The Nice Classification system consists of classification of goods (34 Classes) and services (11 Classes) for the purposes of registering trademarks and service marks. The Nice Classification system is based on a multilateral treaty administered by WIPO, the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks.

In January 2009, 83 States were party to the Nice Agreement. They have adopted and apply the Nice Classification. Moreover, the trademark offices of 65 non-member countries, four organizations and the International Bureau of WIPO actually use the Nice Classification. The Nice Classification provides a widely accepted system of classification of goods and services and its adoption is recommended.

Proposal 14.1 deals with examination practices using the Nice Classification in an evaluation of likelihood of confusion. Detailed guidance is found in INTA's Guidelines for Trademark Examination. In general, marks should be compared in their entirety, and not dissected into elements unless these elements are likely to cause confusion as to the source of the goods/services associated with the respective marks.

15. Term of Trademark Protection

15.1 ***Proposal:*** Each Party shall provide that initial registration and each renewal of registration of a trademark shall be for a term of no less than ten years. (ML II, 4.7)

Rationale: This proposal reiterates TRIPs Article 18 but substitutes a minimum term of ten years rather than seven. Ten years is the internationally accepted norm as demonstrated in the Trademark Law Treaty.

16. Prohibition of Notarization and Legalization Requirements

16.1 ***Proposal:*** No Party shall require notarization or legalization of evidence submitted in administrative appeals or other proceedings. (ML II, 7.6)

Rationale: Registries shall not require the notarization or certification of any signatures in trademark application or renewal procedures, or of any evidence submitted in administrative appeals or other proceedings before their registries including, without limitations, oppositions, cancellation actions, nullity actions, revocation proceedings and the like.

This proposal incorporates Article 8.4 of the Trademark Law Treaty (TLT), which prohibits contracting parties from requiring attestation, notarization, authentication, legalization or other certification of any signature during the trademark application and renewal process, except with respect to surrender of registration where the law of the contracting party so provides. The TLT was concluded in October 1994. However, many countries are not signatories to the TLT and still have onerous certification requirements for signatures on trademark applications and renewals. Moreover, some countries have required or are

considering requiring notarization and legalization of evidence submitted during administrative appeals to their trademark review and appeals board. Such requirements will impose undue burdens on trademark owners. Depending on the local practice of each country, it could take weeks or even months to have documents notarized and legalized. Notarization and legalization requirements increase the time necessary to obtain trademark protection and result in increased costs to trademark owners. Therefore, it is desirable to eliminate notarization and legalization requirements during the trademark application process.

17. Exhaustion of Rights (See ML II, 10.4)

17.1 **Proposal:** Each Party shall provide for national exhaustion of intellectual property rights in relation to parallel imports.

Rationale: Exhaustion of IP rights refers to the extent to which IP rights holders can control the distribution of their branded goods. According to the concept of exhaustion, once IP right holders sell a product to which their IP rights are attached, they must allow the resale of that product in that jurisdiction because the IP rights covering that product have been “exhausted” by the first sale.

There are two types of exhaustion regimes: national (or regional) and international. The debate between which is preferable has been highly controversial. INTA advocates the national or regional exhaustion of trademark rights in relation to parallel importation of goods.

Parallel imports (sometimes referred to as gray-market goods) refer to branded goods that are imported into a market and sold without the consent of the owner of the trademark in that market. The goods are “genuine” goods (as distinct from counterfeit goods) in that they have been manufactured by or for or under license from the brand owner. However, they may have been formulated or packaged for a particular jurisdiction, and then are imported into a different jurisdiction from that intended by the brand owner.

A position paper prepared by the 2006-2007 Parallel Imports Committee sets out INTA’s position that a regime of national exhaustion of trademark rights is in consumers’ and trademark owners’ best interests. The report goes on to explain in detail how parallel imports – which at first may seem to lower prices – actually cause substantial harm to consumers and damage trade.

INTA supports the principle that international exhaustion should not apply to parallel imports in the absence of clear proof that the trademark owner expressly consented to such imports, and that the burden of proof should be on the party seeking to demonstrate such consent.

III. DOMAIN NAMES AND THE INTERNET

1. Assignment of Domain Names on the Internet

1.1 **Proposal:** Each Party shall include provisions recognizing that domain names as addresses on the Internet are capable of functioning as trademarks and that the assignment of domain names and use of domain names without sufficient regard to the rights of trademark owners can result in the infringement of trademark rights. (ML II, Section 12)

2. Anti-Cybersquatting (ML II, Section 12)

2.1 **Proposal:** In order to address the problem of trademark cybersquatting, each Party shall require that the management of its country code top-level domain (ccTLD) provide an appropriate procedure for the settlement of disputes, based on the principles established in the Uniform Domain Name Dispute Resolution Policy (1999).

2.2 **Proposal:** In order to address the problem of trademark cyber-squatting, each party shall require a mechanism which shall include: (a) provisions that prohibit and provide sanctions against cybersquatting; (b) clear remedies for trademark holders, including the availability of injunctive and other appropriate relief; (c) to the extent that they are recognized in relevant jurisdictions, protection to the public interest, including the legitimate uses of domain names that meet fair use/freedom of expression standards; and (d) specific requirements that the Party's Network Information Centers (NICs), its affiliated organizations and parties operating under contract with them make available to the public complete lists of the domain names in a database format that is accessible through existing commercial or private computer search techniques.

3. Open Access to the Whois Database

3.1 **Proposal:** Each Party shall require that the management of its ccTLD provide online public access to a reliable and accurate database of contact information of domain name registrants. There shall be open access to ownership information for every domain name in every Top-Level domain registry via a publicly accessible Whois database for addressing legal and other issues relating to the registration and use of the domain name.

Rationale: These proposals combined, target the problems of trademark abuse on the Internet, addressing various concepts and issues such as cybersquatting, establishment of uniform anti-cybersquatting mechanisms, and open access to contact information on registered domain names.

The term cybersquatting refers to the activity dealing with the registration and trafficking of Internet domain names with the bad-faith intent to benefit from another's trademark. In particular, famous and well-known marks have been prime targets of cybersquatters.

The problem of cybersquatting has expanded beyond the generic top-level domains (“gTLDs”), such as .com, to the country code top-level domains (ccTLDs). Some of the lesser known ccTLDs have actually become piracy havens in which the local agent offers to sell domain names to the highest bidder, without any consideration of trademark rights.

Since 1998, the Internet Corporation for Assigned Names and Numbers (ICANN), has been charged with administering the Domain Name System (DNS), which is what allows average, everyday Internet users to ‘surf’ through cyberspace using a familiar string of letters and numbers as their guide.

The real implications of cybersquatting not only translate in damages to the interest of trademark owners around the globe but for consumers who purchase goods and services via the Internet. Moreover, trademark piracy in cyberspace results in consumer fraud and confusion and is detrimental to brand equity in today’s global marketplace increasingly characterized by electronic commerce.

For many trademark owners, the lack of clear anti-cybersquatting mechanisms has left them without adequate and effective judicial remedies. Thus, INTA has worked with ICANN on measures and initiatives designed to protect trademarks in the DNS, including, the Uniform Dispute Resolution Policy put in place by ICANN in late 1999, as a mechanism that allows trademark owners to put a stop to piracy and online consumer fraud.

INTA recommends that anti-cybersquatting mechanisms should award remedies to trademark holders, including the availability of injunctions, damages, and costs for successfully prosecuting a cybersquatter. Such remedies would serve as a deterrent against cybersquatting, significantly reducing the number of cybersquatters and saving trademark owners time and money. Future anti-cybersquatting mechanisms should be designed to accommodate fair use and freedom of expression principles.

Similarly, INTA has worked with ICANN and recommended provisions for accessibility to registrant contact data in the Whois database – data that is needed to identify domain name pirates that seek to confuse consumers and extort money from trademark owners.

In this regard, INTA supports open access to accurate ownership information for every domain name in every Top-Level domain registry via a publicly accessible Whois database for the purpose of addressing legal and other issues relating to the registration and use of the domain name.

Open access to ownership information contained in the Whois database by trademark owners is necessary to locate and contact the true owners of problematic domain name registrations and web sites and swiftly institute legal action to prevent the abuse of intellectual property, Internet fraud and other schemes that confuse and deceive Internet consumers.

INTA has passed a number of resolutions aimed at providing policy direction on issues having impact on rights holders and consumers and are available to guide policy makers and the public at large.

IV. ENFORCEMENT OF TRADEMARK RIGHTS

1. Enforcement Provisions TRIPS Part III

1.1 **Proposal:** Each Party shall adopt trademark infringement and anticounterfeiting laws that go beyond the minimum requirements of TRIPS Part III to strengthen the protection of trademarks and enhance the legitimate trade between nations specifically:

- a) Decisions on merits of a case should be in writing and should set forth the rationale for the decision (ML II, 14.1);
- b) Each Party to a dispute shall be required to produce all relevant and reasonably available evidence that is in its control (subject to confidentiality protection) which is needed to establish a prima facie case for the party's claims or defenses (ML II, 14.2);
- c) Victims of infringement shall have an absolute right to obtain disclosure of information regarding the identities of possible infringers which, in the case of imported goods, shall include the names and addresses of the consignor, the importer and the consignee for the goods as well as the quality of infringing good (ML II, 14.3);
- d) Infringers and/or government authorities shall not be permitted to dispose of or circulate infringing goods into the marketplace (ML II, 14.4);
- e) There shall be provisions for both imprisonment and fines as available criminal sanctions for willful infringement, including enhanced penalties for repeat acts of willful infringement and violation of court orders regarding willful infringements, and such criminal penalties shall be made sufficient to provide a deterrent to future acts of willful infringement (ML II, 15.2 and 15.3) and;
- f) Each Party should include search and seizure provisions as additional enforcement measures (ML II, 14.5 and 15.5).

1.2 **Proposal:** There shall be no requirement in infringement proceedings for the trademark owner to demonstrate likelihood of confusion where the offending mark is identical to that of a prior registered mark and the offending mark is used with respect of goods and services for which the mark was previously registered by the proprietor thereof (ML II, 10.1.1).

1.3 **Proposal:** Each Party shall provide in their legislation for a broad definition of "counterfeit trademark goods" to include such matters as preparation for manufacturing counterfeit goods including the preparation of counterfeit labels for such purpose, counterfeit service marks, the transportation and storage of counterfeit goods, and the organization and financing of counterfeiting activity (ML II, 15.1).

1.4 Proposal: Each Party shall provide provisions for seizure of all materials and implements used to manufacture or package counterfeit goods and imprisonment as a sanction against failure to comply with a disclosure order requiring information regarding counterfeit goods (including the location of materials and implements used in manufacturing or packaging such goods), details regarding the importation of such goods and the identity of possible infringers, their employees, agents and other acting in concert with them (ML II, 15.5).

1.5 Proposal: Each Party shall provide for provisions for trademark owners to recover costs incurred in the detection and investigation of acts of counterfeiting and that the cost of destruction of counterfeit goods should not be borne by trademark owners.

1.6 Proposal: Each Party shall ensure that information about criminal counterfeiting is available to relevant authorities in other countries. Courts should not focus their enforcement efforts only on counterfeit goods which represent a health or safety risk, and equal attention should be directed to fighting other types of counterfeiting which cause economic and social harm (ML II, 15.7).

Rationale: Since the 1980's INTA has continuously advocated and supported policies for strong measures against trademark counterfeiting. Counterfeit goods not only lead to consumer deception but, owing to their poor quality, often pose a threat to health and safety of consumers around the world and it is in the interest of trademark owners and consumers to have the strongest enforcement mechanism possible to protect their trademarks from potential infringement, counterfeiting and fraud.

Poor enforcement and the subsequent growth in counterfeiting and piracy were the principal motivations behind the TRIPS Agreement. The enforcement provisions contained in Part III are at the heart of the basic principles set forth in TRIPS, which include:

1. Provisions relating to general obligations (e.g. fairness and equity);
2. Civil and administrative procedures and remedies (e.g. evidentiary, injunctive relief, damages, right to information, indemnification of defendants);
3. Special requirements related to border measures (e.g. notices and durations of suspension of the release of goods by Customs, indemnification); and
4. Criminal procedures (e.g. imprisonment and fines).

But the implementation of TRIPS in national laws has proven to be insufficient. INTA's Anticounterfeiting Committee found that although the enforcement provisions constitute a very substantial step forward in ensuring that intellectual property rights are enforceable through providing a platform for the international business and legal communities to raise intellectual property standards worldwide, it was also found that there were weaknesses in Part III which some countries may choose to exploit in order to avoid implementation of effective enforcement measures.

Accordingly, INTA supports the inclusion of the preceding provisions in FTA's to encourage governments to enact legislation and promulgate regulations that go beyond the minimum enforcement stands contained in TRIPS Agreement.

For a further explanation of INTA's policy position and analysis refer to INTA's Board Resolutions of November 20, 2006 on Report of the Enforcement Provisions (Part III) of the TRIPS Agreement; Board Resolution World Customs Organization – Model Legislation of November 19, 1997 and resolution on WIPO Model Provisions for National Laws on Measure of September 16, 1998.

2. Civil, Administrative, Criminal Procedures and Remedies

- 2.1 **Proposal:** In order to increase the deterrent impact of fines, each Party shall develop calculation methods that lead to fines against counterfeiters commensurate to the harms caused by them; and impose sanctions, such as contempt of court, for failure of counterfeiters to pay such fines (ML II, 14).
- 2.2 **Proposal:** Each Party shall establish prohibitory regimes against exports of counterfeits; eliminate bond requirements imposed on trademark owners as a condition to processing counterfeiting cases by customs; and take appropriate steps to reduce or eliminate the burdens on trademark owners of suffering cost of storage and destruction of counterfeit goods. Governments shall also take appropriate steps to ensure that all counterfeit goods are compulsorily destroyed, definitely removed from channels or commerce, or disposed of with the rights holders' consent where there is no health or safety risk (ML II, 15.9).
- 2.3 **Proposal:** In judicial proceedings for counterfeiting, each Party shall provide provisions to allow courts to award significant statutory (or "pre-established") damages to the trademark rights holder against counterfeiters in recognition of situations where it is difficult for the trademark owner to prove their measurable monetary damage, which statutory damages shall be in an amount sufficient to constitute a deterrent to future infringement and to fully compensate the trademark right holder for harm caused by counterfeiting (ML II, 15.6).
- 2.4 **Proposal:** In cases of knowing or intentional infringement or counterfeiting, each Party shall provide provisions to allow courts to order the payment at the conclusion of the proceeding of the trademark owner's court costs and fees as well as reasonable attorney fees, and destruction of devices and products found to be involved in the infringing activity and having no significant non-infringing purpose.
- 2.5 **Proposal:** In regions where counterfeiting poses serious challenges, each Party shall provide provisions establishing specialized intellectual property crimes investigation and prosecution units within their law enforcement and prosecution structures, respectively. Governments shall also allocate sufficient resources towards training judges and customs

officials, and ensure the submission of litigated trademark cases to judges specializing in or having substantial experience in trademark matters (ML II, 15.11 and 15.12).

2.6 **Proposal:** Each Party shall revise their rules and procedures to provide prompt and reasonable access by trademark owners to relevant documents and information gathered by governments on counterfeiters for the trademark owner's use in conducting investigations or the filing of complaints with the courts or other governmental agencies (ML II, 15.8).

2.7 **Proposal:** Each Party shall not consider administrative enforcement to be sufficient to satisfy their obligations under Article 61 of the TRIPS Agreement to provide access to criminal enforcement in counterfeiting cases on a commercial scale, nor shall administrative proceedings be considered as a substitute for criminal enforcement of intellectual property rights (ML II, 15.13).

2.8 **Proposal:** Each Party shall provide provisions to ensure that trademark owners have sufficient time to commence a proper action pursuant to a seizure/suspension of clearance by customs authorities so that instances of counterfeits being released by the customs authorities can be eliminated. In this regard, the governments shall provide in their laws a time period of at least 20 working days or 31 calendar days, whichever is longer, for trademark owners to commence such actions (ML II, 15.10).

2.9 **Proposal:** Each Party shall provide provisions to ensure destruction orders may be temporarily suspended to facilitate the preservation of evidence for a criminal, civil or administrative case should the trademark right holder request such a temporary suspension of a destruction order (ML II, 15.9).

Rationale: The preceding provisions address a number of issues that have arisen in various jurisdictions and require identification for policy recommendations since they are repeatedly revisited in discussions with and among government officials, trademark owners, practitioners and consumers, and represent areas calling for enhanced enforcement measures. These proposals are based on INTA's policy recommendations set out in Board resolution on Measures to Combat Trademark Counterfeiting of March 7, 2005 addressing the following:

A. Calculation and Procedures for Collection of Fines against Counterfeiters

WTO members have considerable discretion to determine how to apply these standards and, particularly, to establish which are the crimes of comparable gravity in the national context. It is clear that countries have had very different approaches with regard to the application of criminal penalties in cases in Intellectual Property Rights (IPR) infringement.

B. Customs Enforcement against Cross-border Trafficking of Counterfeit Goods

Obligations established in the TRIPS Agreement only apply with regards to the importation of counterfeit goods. In order to ensure a more effective customs enforcement regime against cross-border trafficking of counterfeit goods, INTA recommends that the government should provide more stringent protection against exports of counterfeits as well; eliminate bond requirements imposed on trademark owners as a conditions to processing counterfeiting cases by customs; and take appropriate steps to reduce or eliminate the financial burdens on trademark owners associated with the cost of storage and destruction of counterfeit goods.

Government should also take appropriate steps to ensure that all counterfeit goods are compulsorily destroyed, definitely removed from channels of commerce, or disposed of with the right holders' consent where there is no health and safety risk.

C. Statutory Damages

INTA notes the amount of civil damages awarded in counterfeiting cases is insufficient to adequately cover the cost and harm to trademark owners. This is largely due to the fact that relevant evidence of prior productions and/or sales is routinely unavailable.

To address these realities, INTA recommends that governments amend their trademark and other relevant laws to allow courts to award significant statutory (or pre-established) damages against counterfeiters. Governments should develop calculation methods that lead to fines against counterfeiters commensurate to the harms caused by them; and impose sanctions such as contempt of court, for failure of counterfeiters to pay such fines. Where methods of calculating such damages are provided in legislation, they should be based on the suggested retail price or domestic resale value of the legitimate product or, in case of willful counterfeiting, such statutory damages should not be in lieu on any actual damages that the trademark owner may be able to prove.

D. Specialized Judiciary, Training of Customs, and Greater Allocation of Resources to Police and Prosecutors

INTA notes the lack of trained intellectual property (IP) judges or specialized IP courts undermine enforcement efforts against counterfeiters. Further, criminal investigation against counterfeiters is limited by the insufficiency of resources available to the police (and other investigating authorities) and prosecutors. In addition, enforcement of trademark rights are afforded low priority and not as much recognition is given to police officers and prosecutors for pursuing trademark counterfeiting cases as they would receive for pursuing offenses such as terrorism, murder, celebrity crime, etc.

Therefore, INTA recommends that in the regions where counterfeiting poses serious challenges, governments should establish specialized IP crimes investigation and prosecution

units within their law enforcement and prosecution structures respectively. Government should also allocate more resources towards training of judges and customs officials, and ensure the submission of litigated trademark cases to judges specializing in or having substantial experience in trademark matters.

E. Trademark Owner's Right to Access to Information

Due to limitations of resources, government enforcers are not always able to use documents and information gathered in the course of enforcement work in counterfeiting cases. However, trademark owners can utilize such documents and information in private investigations.

In order to ensure trademark owners have prompt access to information regarding counterfeits and counterfeiters, INTA recommends that governments should revise their rules and procedures to provide prompt and reasonable access by trademark owners to relevant documents and information on counterfeiters for the trademark owners' use in conducting private investigations or the filing of complaints to the courts or other government agencies.

F. Administrative Enforcement Does Not Equal Criminal Enforcement

INTA notes that Article 61 of the TRIPS Agreement requires governments to provide access to criminal enforcement for counterfeiting and copyrights offenses where violations take place on a "commercial scale." Many countries supplement criminal enforcement with administrative enforcement measures, including customs, which are deemed cost-effective. Some of these governments believe that administrative enforcement is equivalent to criminal enforcement, since the same sorts of penalties – seizures and fines – are imposed. Consequently, many governments allocated most, and in some cases, virtually all government resources in anticounterfeiting to administrative enforcement infrastructure.

INTA members are supportive of administrative enforcement, but they believe that excessive reliance on administrative channels creates a loophole for infringers, as more serious counterfeiters are rarely deterred by mere economic sanctions. Criminal enforcement creates much greater deterrence, in part through the creation of stigma and criminal records against infringers, and in part through the threat of incarceration.

Therefore, in order for criminal enforcement procedures to lead to deterrence, INTA has concluded that administrative enforcement does not satisfy the obligation under the TRIPS Agreement to provide access to criminal measures against counterfeiting and should be considered only as a complement to and not as a substitute for criminal enforcement of IP rights.

G. Time Limitations for Commencement of Trademark Infringement Action

It is noted that time limits for commencement of trademark infringement action following seizures of counterfeits goods by customs authorities were recommended by the TRIPS

Agreement because certain goods are perishable. In certain countries, time limits are too tight for a number of reasons, including:

1. Where the counterfeit goods are not of perishable nature and the trademark owner needs additional time to obtain from customs a sample for checking and testing;
2. Where full information/documentation about the source of the goods is to be investigated, for example, an overseas address needs to be investigated;
3. Where the trademark owner is trying to negotiate a voluntary forfeiture of goods by the importer and then take action if negotiations are not successful (or if the trademark owner is unable to contact the importer);
4. Where notarization and legalization requirements are imposed which require significant additional time to complete.

Therefore, in order to ensure that trademark owners have sufficient time to commence a proper action pursuant to seizure/suspension of clearance mechanisms available to customs authorities to prevent counterfeits from being released for import, INTA recommends that a longer fixed period should be provided by law. INTA recommends that the time limitation to commence proceedings should be within the range of 20 working days or 31 calendar days, whichever is longer.

3. Measures to Halt the Transshipment and Transit of Counterfeit Goods in Free Trade Zones and Free Ports (ML II, 15.14)

- 3.1 **Proposal:** Each Party shall provide legislation that prohibits the admission to, processing in, and export from the free trade zones of counterfeit goods, irrespective of country of origin of such goods, country from which such goods arrive, or country of destination of such goods.
- 3.2 **Proposal:** Each Party shall empower customs authorities to exercise jurisdiction before the entry and after the exit of goods into a free trade zone, and to inspect goods in a free trade zone or a free port to ensure that no offense as to trafficking in counterfeit goods is being committed.
- 3.3 **Proposal:** Each Party shall ensure cooperation between national customs authorities and the special authorities of their free trade zones or free ports in order to provide the efficient enforcement of anticounterfeiting criminal and civil laws to prevent trafficking in counterfeit goods.
- 3.4 **Proposal:** Each Party shall ensure the applicability and enforcement of anticounterfeiting criminal and civil laws to prevent trafficking in counterfeit goods in free trade-zones and free ports that currently allow free movement of goods of any nature without regard to origin, quality, purpose and destination of the goods; and without, or with only minimal, customs treatment of such goods in transit or transshipment.

Rationale: A free trade zone (“FTZ”), is a specialized area within the territorial jurisdiction of a country where there is either minimal or no customs control on entry or exit of goods. A free port (“FP”) is characterized by its whole harbor area and facilities (sheets of water, quays, wharves, warehouses, factories, etc.) that are considered by law outside the customs boundaries. FTZ’s and FP’s are not subject to such standard government restrictions on trade as Customs treatment, banking laws, taxation, labor and other laws regulating economic activities and commercial transactions. The relations between the free transit of goods within FTZ’s and FP’s and the corresponding increase of counterfeiting activities in these areas has become one of the most important issues relating to the protection of trademark rights.

Goods passing through FTZs or FPs and transshipment through multiple ports, create opportunities for counterfeiters to disguise the true country of origin of goods. Counterfeiters also take advantage of customs territories where border enforcement for transshipped or in transit goods is known to be weak, with the intention of passing the goods through those customs territories to their destinations.

Counterfeiters use FTZ’s and FP’s to carry out at least three different types of illegal operations:

1. “Merchants” import shipments of counterfeit goods into the warehouses in the FTZ’s, and then re-export counterfeit goods to other destinations. Therefore, FTZ’s are not only used to “sanitize” shipments and documents, thereby disguising their original point of manufacture or departure, but also become “distribution points” in the supply chain of counterfeit goods.
2. Counterfeiters import unfinished goods and then “further manufacture” them in the FTZ’s by adding counterfeit trademarks, or repacking or re-labeling the goods, and then export those “finished” counterfeit goods to other countries.
3. Counterfeiters often completely manufacture counterfeit goods in FTZ.

INTA recommends governments take necessary measures to halt the transshipment and transit of counterfeit goods in free trade zones and free ports. Unrestricted regimes for transshipment and transit of goods through FTZ’s and FP’s significantly contribute to the development and extension of the scale of trafficking in counterfeit goods around the world. The preceding proposals are intended to implement recommendations in INTA’s board resolution adopted on November 8, 2006, on Role of Free Trade Zones and Free Ports in the Transshipment and Transit of Counterfeit Goods which considers the following scenario:

1. A fully uncontrolled transshipment of goods does not sufficiently protect trademark rights.
2. There is a need for a legal framework for establishing the responsibility of public authorities, especially customs authorities to apply border measures for the purpose of undertaking effective actions in relation to goods that undergo transshipment or transit and are suspected of being counterfeits.

3. There is also a need to alter the approach of customs authorities, which often tend to treat goods in transit with lesser scrutiny than goods imported or exported out of the respective country.

4. Improvements In The International Legal Framework For Criminal Sanctions Against The Offense Of Trademark Counterfeiting

4.1 **Proposal:** Each Party shall recognize in its legislation that counterfeiting, in some instances, is a transnational organized crime, the detection whereof is becoming increasingly difficult, because: (a) it is committed in more than one country; (b) it is committed in one country, but a substantial part of its preparation, planning direction or control takes place in another country; (c) it is committed in one country but may involve an organized criminal group that engages in criminal activities in more than one country; or (d) it is committed in one country but has substantial effects in another country.

4.2 **Proposal:** Each Party shall establish provisions to criminalize the laundering of proceeds from counterfeiting to ensure that counterfeiters are not profiting from their crimes and strengthen confiscation regimes that provide for the identification, freezing, seizure and confiscation of funds and property acquired through counterfeiting.

4.3 **Proposal:** Each Party shall provide for provisions to remove jurisdictional gaps such as those that enable fugitives to find safe havens by moving between countries or engaging in acts in territories of more than one country, such that no serious trademark counterfeiting crime goes unpunished and all parts of the crime are punished wherever they take place.

Rationale: There is a growing consensus that the problem of trademark counterfeiting is increasing significantly and that the best efforts of right holders, enforcement agents and other government authorities are having only nominal impact. The implementation of the TRIPS Agreement into national laws has proven to be insufficient and shortcomings in the existing international framework for intellectual property enforcement have become more apparent. There have been several national and some international efforts to increase the effectiveness of criminal sanctions against intellectual property crimes. All of those initiatives recognize the weakness in treating trademark counterfeiting almost solely as a trade issue and, therefore, place greater emphasis on criminalization and international cooperation. There is an emerging consensus among governments and international government organizations that something more needs to be done, especially about the involvement of organized crime.

INTA believes it has become necessary to promote and engage in dialogue exploring the options for improvements in the international legal framework for criminal sanctions against counterfeiting.

INTA acknowledges that the main options resulting from future dialogues at the international level might take any form - for example, a new international treaty or protocol to an existing treaty. INTA urges governments and relevant institutions to consider the preceding proposals as they address important objectives leading to improvements in the international legal framework for criminal sanctions against counterfeiting. For further analysis of these issues and proposals, INTA's Board Resolution of June 20, 2007, is available to the public with its recommendations on Improvements in the International Legal Framework for Criminal Sanctions against the Offense of Trademark Counterfeiting.

5. Disrupting Illegal Business of Vendors Who Sell Counterfeit Goods Through Rented or Leased Premises

- 5.1 **Proposal:** Each Party shall ensure through new laws, regulations, administrative guidelines and judicial determinations, as appropriate, that landlords are liable where, after being put on notice of counterfeiting or other trademark violations occurring on their premises, such landlords fail to proactively investigate the matter and, upon confirming the facts, do not take appropriate action to deter tenants engaged in such activities which may include terminating the leases of such tenants or otherwise removing them from the premises.
- 5.2 **Proposal:** Each Party shall provide for provisions that require landlords of tenants that have previously been found liable for counterfeiting or other trademark violations to take reasonable steps to prevent or otherwise control future violations on their premises, e.g., through regular searches of leased premises/stalls, the adoption of new lease contracts explicitly banning dealings in offending goods, and the imposition of bans on tenant dealings in particular brands.
- 5.3 **Proposal:** Each Party shall provide for provisions clarifying the conditions under which a landlord may be held criminally and civilly liable under the theories of contributory liability, aiding and abetting and vicarious liability.
- 5.4 **Proposal:** Each Party shall provide for provisions that would treat as proceeds of crime (i.e. money laundering), the income derived by landlords who knowingly rent or lease premises to tenants that deal in counterfeit goods from such leased premises.
- 5.5 **Proposal:** Each Party shall establish rules requiring that all those who rent their premises/property to others, whether as landlords or licensors, so that those tenants/licensees may sell goods to the public, obtain from their tenants/licensees and retain records as to their identities and addresses, including vehicle identification if vehicles are brought onto the premises, with failure to do the same leading to possible criminal sanctions and/or financial penalties.

Rationale: In extreme cases, criminal liability should be imposed on landlords that lease premises to parties that deal in counterfeit goods. Such liability is necessary to address rampant counterfeiting in many developed and developing countries. Practically speaking, police and brand owners in many countries have insufficient resources to cost effectively address counterfeiting. There have been a number of circumstances around the world where such liability has been confirmed based on broad provisions in intellectual property legislation. Further analysis on the issue can be found in INTA's Board Resolution of June 20, 2007, on Disrupting Illegal Business of Vendors Who Sell Counterfeit Goods through Rented or Leased Premises.

6. Ex-Officio Border Measures (ML II, 15.9 and 15.14)

6.1 **Proposal:** Each Party to an FTA shall provide that its competent authorities may initiate border measures ex officio with respect to imported, exported or in-transit merchandise or merchandise in free trade zones suspected of being counterfeit or confusingly similar trademarked goods without the need for a formal complaint from a private party or rights holder.

Rationale: With the tremendous increase in foreign trade over the last 20 years due largely to bi-lateral FTA's and the GATT, border enforcement is now the most important first line of defense against counterfeiting and other forms of infringement. Providing customs officials with authority to act on their own initiative to stem the rising tide of counterfeit goods sold in international trade is therefore essential since trademark owners will not generally know when or to what nation shipments of counterfeit merchandise are made.

7. Trademark Owners Entitled To Injunctions

7.1 **Proposal:** In a civil judicial proceeding, a trademark owner shall be entitled to an order that an infringing party desist from infringement in order to prevent goods that have cleared customs from entering channels of commerce and to prevent exportation of infringing goods. (ML II, 14)

Rationale: Injunctive relief prevents an infringement from continuing and guards against future infringements by the same defendant on penalty of contempt of court, which may carry with it fines or imprisonment.

8. All Laws, Regulations and Procedures to Be Published

8.1 **Proposal:** Each Party shall provide for all laws, regulations and procedures concerning protection or enforcement of intellectual property rights to be in writing and published or, at a minimum, publicly available in such a manner as to enable rights holders to become acquainted with them. (ML II, 14.1)

Rationale: As with administrative and judicial decisions, trademark owners cannot fully know or enforce their rights unless laws, regulations and procedures concerning protection of intellectual property rights are generally available, either in published form or online. Access to statutes, codes and rules of procedures should be required of all partners to FTA's.