



International Trademark Association

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**COMMENTS
ON THE
DRAFT OF
THE REVISED TRADEMARK LAW OF
THE PEOPLE'S REPUBLIC OF CHINA**

Submitted by the
International Trademark Association

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I. ABOUT INTA

The International Trademark Association (INTA) is a not-for-profit membership association of more than 5,500 trademark owners and professionals firms from more than 190 countries, founded in 1878 and dedicated to the support and advancement of trademarks and related intellectual property as elements of fair and effective national and international commerce. INTA members share common interests in the protection of trademarks and the development of trademark law, and they rely on INTA to represent and advocate those interests in governmental affairs and to foster them throughout the international trademark community. INTA's diverse membership includes multinational corporations and other business enterprises, intellectual property and general practice law firms, trademark agent firms, service firms, trademark consultants, and academic institutions. At present, INTA has over 130 member enterprises and firms in the People's Republic of China. Further information about our Association can be found at <http://www.inta.org>.

For many years INTA has responded to requests by the China Trademark Office (CTMO) and other governmental trademark offices around the world to provide comments on issues regarding amendment, modernization and improvement of trademark laws and regulations. This submission to the CTMO was prepared with the assistance of the following INTA committees:

Legislation & Regulation Committee - East Asia & Pacific Subcommittee
Trademark Office Practices Committee - China Trademark Office Subcommittee
Anti-Counterfeiting & Enforcement Committee - China Subcommittee
Dilution & Well-Known Marks Committee - East Asia & Pacific Subcommittee

II. Comments on the Third Draft of Revised Trademark Law

INTA wishes to thank the CTMO and the State Administration for Industry and Commerce (SAIC) for the opportunity to comment on the latest Draft of the Revised Trademark Law of the People's Republic of China. We appreciate the ongoing efforts of the CTMO and the SAIC to bring China's Trademark Law, implementing regulations and practice in line with international norms. This demonstrates China's resolve to bring China's trademark legislation into compliance with the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) and to implement trademark protection mechanisms established under the other multilateral intellectual property treaties to which China is a contracting party, such as the Paris Convention, the Madrid Agreement and Madrid Protocol, the Nice Agreement, and the Singapore Treaty on the Law of Trademarks (Singapore Treaty).

Given the enormous size, dramatic growth rate and pace of change of China's economy, and the relatively recent adoption of the Trademark Law just a quarter of a century ago, we understand that the CTMO, the Trademark Review and Adjudication Board (TRAB), the SAIC, and the provincial Administrations for Industry and Commerce (AICs) face a challenge unequalled in scale by the trademark authorities of any other country. However, we strongly believe that China's trademark authorities have demonstrated their resolve to meet this challenge. The upcoming revised Trademark Law will prove to be a major milestone on the road to enhanced protection of trademarks and strengthened enforcement measures against trademark counterfeiting and infringement in China for domestic and foreign trademark owners alike, and the effort to protect trademark rights and maintain fair competition and market order will greatly foster the robust growth of China's economy, the

well-being of consumers and the public interest. We are encouraged to note that many of the recommendations set forth in previous submissions by INTA have been incorporated in the current draft, and we believe trademark owners will benefit greatly from these changes. Nevertheless, in several respects the Third Draft could be further improved upon and several of its provisions ought to be reconsidered. We would like to remark on the most significant of these provisions and hope that our recommendations will be helpful.

A. Non-Traditional Trademarks

INTA congratulates the CTMO on its proposal in Article 8 to modernize and harmonize China's trademark system with other advanced systems around the globe with regards to non-traditional marks (NTMs). We are particularly pleased that the law recommends adding motion, color(s) only, smell and sound NTMs to the scope of registrable trademarks in China. This will be a tremendous benefit to trademark owners competing in the Chinese and world marketplaces.

B. Good Faith

In Article 9, the requirement of "good faith" for a valid application is a welcome additional criterion. Moreover, since it will now be possible for an opponent to raise this as a ground of opposition, as mentioned in Article 44, INTA believes it is likely to be beneficial in resolving a number of disputes. Furthermore, the provision in Article 44 that serves as the introduction of a "standing requirement" for an opponent is welcomed as it may serve to reduce the large number of oppositions filed. Finally, the specification of grounds will provide certainty to the framework for oppositions.

In Article 34, INTA would like to suggest that first paragraph be amended as "...the applicant knows or *should have known* the existence of another's trademark...the mark should not be registered." In practice, it is more difficult to prove that someone knowingly does something. However, if the article also includes "should have known," evidence can be presented that, given the situation, an applicant acting in good faith would have known about the earlier registration. This will make the clause more effective.

Additionally, we suggest that the second paragraph of Article 34 be amended to read "If the mark seeking registration in respect of not similar or dissimilar goods is a reproduction of a third party registered mark *which in itself is unique* or a mark that has gained market recognition and hence is likely to mislead the public, (the mark) should not be registered." For the purpose of this clause, what is required is uniqueness and not the lowest level of registrability, which is distinctiveness. In practice, a bad faith applicant copies another's registered mark and files it for non-similar goods or services, while said mark may not have gained "market recognition." However, such acts should still be stopped. Accordingly, we suggest that it would be unnecessary to satisfy both conditions ("uniqueness" and "market recognition") so that the Examiner can rule according to the actual situation of a specific case. This would better serve to prevent bad faith filings and better protect the rights of the trademark registrant.

C. Geographical Indications

INTA believes that the trademark system is a solid framework that can provide protections for geographical indications. Therefore, we are pleased that in Article 16, applicants are requested to file their “geographic mark” as a collective or certification mark

D. Oppositions

INTA recognizes the important goal presented in Article 44 that shifts the current first level of adjudication of oppositions by the CTMO to the responsibility of the TRAB in order to reduce administrative burdens on the CTMO and to accelerate the process of registration for applicants. However, we believe that there are a number of reasons for retaining the current two-step administrative review system, including the following:

- It is not possible to present arguments regarding conflicts during the course of examination.
- The cost of judicial appeals to the TRAB can be prohibitive.
- The TRAB’s own workload will be greatly increased.

Given these potential drawbacks, INTA recommends that first-instance oppositions before the Trademark Office should be retained.

E. International Trademark Registrations, Multi-class filings and E-filings

INTA is pleased with the introduction of a specific provision with respect to International Trademark registrations. We believe that the introduction of this provision will lead to the greater uniformity of treatment of such registrations, thereby benefiting all trademark owners in dealing with such registrations. INTA is also pleased to note that multi-class filings will be allowed as mentioned in Article 20. However, we believe that it should also provide for a registration application to be divided if desired by the applicant. Finally, INTA commends the CTMO on the introduction of electronic filing and believe that a modern e-filing system should prove very beneficial and efficient for all users.

F. Administrative Review

INTA is concerned that Article 55 may rule out the possibility of an administrative review. Parties should still be allowed to choose administrative review in certain situations where the parties may believe this type of review is more conducive to facilitating their ability to defend their rights.

G. Well-Known Trademarks

The second paragraph of Article 53 lists the following circumstances for annulling the well-known status of a trademark:

- 1) providing false materials;
- 2) by other improper means; and/or
- 3) a significant change to the factors related to recognition of the well-known trademark that has caused negative social impact or result.

INTA suggests that this article should clarify what is meant by “improper means” and “a significant change to the factors related to the recognition of the well-known trademark that has caused negative social impact” to inform owners of well-known marks how well-known recognition/protection can be lost.

Additionally, in the second paragraph of this article, it is also indicated that if one of the three conditions occurs, the trademark shall no longer be protected as a well-known trademark. This wording implies that a well-known trademark enjoys *special* protection by the authorities. However, according to case doctrine in recognizing and protecting a well-known trademark and although the SAIC issues a list of well-known trademarks periodically, there are no clear provisions in the law addressing what kind of special protection a well-known trademark can enjoy. This article, or a new provision, should clearly detail the special protection enjoyed by a well-known trademark (e.g., exemption from evidence requirements, etc.).

Finally, INTA would like to express its concern with the third paragraph of Article 53 and propose its deletion from the final document. If local industrial and commercial administrative departments establish their own rules and procedures to certify what is a “famous mark” which are not aligned with internationally recognized treatments of well-known marks, confusion over what constitutes a “well-known trademark” will be greatly increased thus undermining the entire concept. These locally selected ‘famous marks’ may also lead to increased protectionism and are likely to violate the principle of national treatment under the TRIPS agreement.

In Article 62, INTA believes that this article should include in its enumerated acts of infringement “using a mark identical with or similar to the entirety or part of a well-known trademark that may mislead the relevant public and harm the distinctiveness or reputation of the well-known trademark.” Inclusion of this sentence would be consistent with the legal interpretations detailed in the recent Supreme People’s Court paper on Well-Known Mark doctrine in civil infringement cases in China.

In Article 68, INTA suggests that the last paragraph of this article should be clarified as follows: “When the owner of a registered trademark claims for compensation, he shall provide evidence proving the usage of the registered trademark in the prior three (3) years and other evidence. If the registered mark is well-known and there is infringement involving dissimilar goods/services, the owner can provide evidence of use with goods for which the mark is well-known.”

H. Anti-Counterfeiting and Enforcement

1. Infringement Actions

INTA supports the inclusion of new acts that are deemed to infringe registered trademarks, in particular actions such as

- a. “warehousing, transportation, manufacturing tools, manufacturing technology or business operation facilities,” which effectively includes landlords and retail and wholesale shopping malls.

We recommend, however, that the intent standard be expanded from “knowingly” to also cover “reason to know,” since proving actual knowledge is very often difficult and impractical, thereby creating loopholes which were not intended by legislators. Further, the standard of “reason to know” should be considered acceptable on the basis that the Trademark Law only sets out civil and administrative remedies, and not criminal penalties (which are covered under the Criminal Code of the PRC).

- b. “registering words identical or similar to another’s registered trademark as a domain name, and conducting e-commerce of the relevant commodity through that domain name, that may cause confusion among the relevant public,” which demonstrates notable progress in China’s approach to and recognition of trends in trademark infringement.

We recommend that the State Council provide detailed guidance on how to implement this new provision in the Implementing Regulations.

2. Case Transfers

INTA encourages greater facilitation of criminal case transfers to the police by amending Article 65 to promote greater number of case transfers to the Public Security Bureau “PSB” and cooperation between the AICs and PSBs.

3. Investigative Powers

INTA recommends that Articles 65 and 66 of the draft be amended to increase the scope of powers and other measures available by law to assist in accurately investigating infringement cases.

The only substantive addition to the powers of the AICs is set out in Article 66, and consists of a threat of fines against parties that “refuse” AIC requests for cooperation or “hinder” their investigations. The existing law requires parties to cooperate with AIC requests for cooperation, without setting out penalties for failure to comply—thereby making the requirement unenforceable.

The AICs are not a police organ, and therefore they do not have normal police powers, including the power to detain suspects, research telephone or banking records, etc. Absent these powers, the AICs are normally limited to imposing penalties based

almost exclusively on the number and value of infringing finished products which are found at the scene of enforcement raids of commercial premises operated by infringers. Meanwhile, counterfeiters are increasingly aware of the numerical thresholds for criminal liability which are imposed under relevant judicial interpretations of the SPC and Supreme People's Procuratorate (SPP), and accordingly, can ensure that the value of infringing goods available for seizure does not meet this threshold.

To ensure that appropriate administrative penalties are imposed and that a greater number of cases are transferred to the PSB for criminal investigation, it is essential that AICs either acquire additional investigative powers or that they cooperate much more closely with PSBs and other judicial and administrative bodies to investigate cases, both before and after raid actions, in order to confirm the full scope of violations. To these ends, it is recommended that Article 65 and corresponding provisions of the future Implementing Regulations clarify the legal powers of AICs in greater detail, but also supplement them as appropriate, and, finally, encourage AICs to cooperate with other judicial and administrative organs in the investigation of infringement cases.

4. Fines

INTA supports Article 67 of the draft, which states that heavier fines should be imposed on repeat offenders. However, there are currently no guidelines on how to calculate the fine. We encourage consideration be given on drafting guidelines on how to implement this provision. Furthermore, we suggest consideration be given to requiring the imposition of higher penalties against a wider range of cases involving aggravated circumstances, including counterfeiting, trademark infringements that involve other violations, including operation of an "underground" and unlicensed business, cases where infringers have refused to cooperate with official investigations, etc.

Article 68 would double the current level of statutory damages "up to RMB1million." While we welcome the increase in the maximum amount, we encourage consideration to be given to establishing a minimum amount in order to have a deterrent effect on infringers. Under the current revision, the court may continue to award low compensation amounts.

III. Conclusion

In conclusion, INTA sincerely believes that this latest draft of the Revised Trademark Law of the People's Republic of China is a significant step forward for the protection of intellectual property in China. We look forward to the passage of this comprehensive law and the rapid implementation of new guidelines and regulations that may stem from this legislation. INTA's diverse and experienced membership is pleased to continue to offer its assistance to the Chinese government on matters of intellectual property. Should you have any questions or concerns regarding these comments, please contact our Chief Representative in Shanghai, Ms. Min Chen at (0) 21-6122-1156 or by email at mchen@inta.org.