

INTA Comments Regarding “Provisions of Abuse of Intellectual Property Rights Rules” Draft

The International Trademark Associations (INTA) congratulates the People’s Republic of China on the passage of the third Trademark Law Revision and its implementation earlier this year. INTA is pleased to submit comments to the State Administration of Industry and Commerce on the draft IP Abuse Rules as they relate to trademark matters.

INTA is a global association of trademark owners and professionals dedicated to supporting trademarks and related intellectual property in order to protect consumers and to promote fair and effective commerce. On behalf of the 6,600 member organizations of INTA, including 271 members in China, we are pleased to submit these comments to the SAIC.

Our primary concern is to identify the scope of the term “intellectual property” and whether or not all or some provisions contained in the rules relate to trademarks as part of “intellectual property” rights. Detailed comments are below.

Clause 2, Article 3

The abuse of intellectual property rights on exclusion and restriction of competitions asserted in the provisions refers to the practitioners’ violation of provisions in the “Antitrust Law” and other laws and administrative regulations relating to the intellectual property rights by exercising monopoly activities, such as monopoly agreements, abuse of market dominant position, etc.

It is suggested that the “and” in the “violation of provisions in the ‘Antitrust Law’ and other laws and administrative regulations relating to the intellectual property rights” be changed to “or”.

If the relationship is “and”, the aforementioned provisions are likely understood that the abuse of intellectual property rights on exclusion and restriction of competitions needs simultaneously to satisfy three conditions: (1) violation of the “Antitrust Law”; (2) violation of the intellectual property rights laws and regulations; (3) exercising of monopoly activities, such as monopoly agreements, abuse of market dominant position, etc.

We think the definition of “abuse of intellectual property rights on exclusion and restriction of competitions” should be subject to whether the “Antitrust Law” is violated. If the prerequisite of “violation of laws and regulations relating to the intellectual property rights” is added, the law enforcement agency may not know what to do in implementation. Most of the time, the intellectual property rights laws and regulations have not clearly specified the abuse issue and can only be interpreted from the perspective of the general guideline and the legislation purpose. Therefore, it will be very difficult for the law enforcement personnel to judge whether or not the behaviors involved are in accordance with the “violation of laws and regulations relating to the intellectual property rights” prerequisite. Many behaviors superficially in accordance with the intellectual property rights laws and regulations may possibly constitute actual abuse of the intellectual property rights.

Clause 3, Article 3

Relevant technical market refers to the market constituted by the mutual competition of the technology involved in the exercising of the intellectual property rights and the interchangeable, existing same-type technology.

It is estimated that the “technical market” in the Chinese provisions is borrowed from the United States “Intellectual Property Rights Licensing Antitrust Guidance”. In the “Guidance”, the technical market is defined as “the technical market includes authorized **intellectual property rights** (hereinafter referred to as “authorized technology”) and their analogous substitutes; the latter refers to adequately analogous substitute **technology or product** that can effectively restrict the exercising of the market dominance relating to the authorized intellectual property rights.” The annotation clearly specifies that in addition to the patent and know-how the defined scope also includes copyright and trade secret. However, the

“Guidance” clearly specifies that it is not applicable to the disposition of trademark antitrust. Whether or not China includes the trademark in the “technical market” concept needs to be discussed.

Article 15

Under the circumstance that the intellectual property rights term has already expired or has become invalid, or under the circumstance that another party has already provided adequate evidences proving that the breach of the intellectual property rights has not been constituted, the user possessing the dominant market position cannot arbitrarily issue infringement warnings with the purpose of excluding or restricting relevant market competitions.

We think this provision bears the risk of being abused or misused in practice and may possibly create hindrance for due safeguarding of the legal rights for the intellectual property rights holders, or inhibit their initiative to safeguard their legal rights.

On one hand, there exists the circumstance that even the intellectual property rights have expired or become invalid, the right to prosecute still remains valid, such as the prosecution to claim an indemnity of the loss caused by previous infringements. On the other hand, whether or not the claim of rights in actual cases can be established is difficult to decide and predict. How should “adequacy” of the evidence provided by another party proving that the intellectual property rights infringement has not been constituted be decided?

Furthermore, some concepts in this article are not clearly stated. For example, does “arbitrary issuance” refer to multiple times of issuance to one suspected infringing party or issuance to multiple suspected infringing parties or both? Is there a standard quantity? Also, do provisions in this article fall into the category of “abuse of dominant market position”, or are penalty provisions in Article 19 applicable to the provisions in this article?

These comments were drafted with input from INTA’s Trademark Office Practices Committee China Subcommittee. Should you have any questions, please contact External Relations Manager, Asia-Pacific, Mr. Seth Hays at shays@inta.org or +1.212.642.1715.