The views stated in this submission are presented jointly on behalf of these Sections only. They have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and therefore may not be construed as representing the policy of the American Bar Association.

The Section of Intellectual Property Law (“IPL Section”) and the Section of International Law (“International Law Section”; together, the “Sections”) of the American Bar Association (“ABA”) respectfully respond to the invitation to comment on the Proposed Trademark Law (“Draft Provision”), as issued for consultation by the Legislative Affairs Office of the State Council of the People’s Republic of China on September 1, 2011. The Sections recognize and appreciate the substantial thought and effort of the Legislative Affairs Office and the State Administration for Industry and Commerce reflected in the Proposed Trademark Law. The Sections welcome the opportunity provided by the Legislative Affairs Office to offer these comments, and hope that they may be of assistance. The Sections are available to provide additional comments, or to participate in consultations with the Legislative Affairs Office, as appropriate.

The tens of thousands of members of the Sections have substantial experience in the intellectual property laws of the United States and other jurisdictions, and in the practical implications of those laws. The Sections’ comments reflect their members’ expertise with U.S. law and their familiarity with intellectual property law internationally.

I. Background

In 2010, the Sections submitted comments on the Proposed Trademark Law of the People’s Republic of China regarding changes made to the Trademark Law submitted by the State Administration for Industry and Commerce to the Legislative Affairs Office of the State Council. These Comments supplement the Sections’ 2010 Comments and are

1 The members of the Sections’ Joint Task Force that drafted these comments are Matthew Asbell, Matthias Berger, Susan Brushaber, Elizabeth Chien-Hale (Co-Chair), Jessica Darraby, Beth Farmer, Simeng Han, Paul Jones (Co-Chair), Joseph Laraia, Qingqing Miao, Robert Sacoff, Joseph Simone, Philip Yip, and Elizabeth Yueyi Zhang.


3 The comments dated July 13, 2010 are attached as Exhibit A for ease of reference.
addressed only to the changes made to the SAIC draft by the Legislative Affairs Office of the State Council.

II. Executive Summary of Comments

The Sections welcome China’s Trademark Office’s efforts to streamline the application process, broaden and clarify the protectable subject matter under the Chinese Trademark Law, and to provide better mechanisms for enforcing registered good marks and protecting against marks registered in bad faith. The Sections offer comments here only with respect to protection against bad faith registrations. All prior comments of the Sections remain unchanged except as noted herein and continue to be their position.

III. Arrangement of Comments

The comments below are introduced according to Article Number in the Proposed Trademark Law.

IV. Comments on Proposed Article 9: Good Faith Principle

<table>
<thead>
<tr>
<th>Article 9 good faith principle</th>
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<tbody>
<tr>
<td>第九条 申请注册的商标，应当有显著特征，便于识别，并不得与他人在先取得的合法权利相冲突。</td>
</tr>
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</table>

商标注册人有权标明“注册商标”或者注册标记。

Article 9 The trademark for which an application for registration is filed shall have distinctive characteristics easy to identify, and may not conflict with the legal rights acquired by others in priority.

A trademark registrant has the right to mark the words “Registered trademark” or a sign indicating that the trademark is registered.

Essentially the SAIC 2010 draft proposed to add the words: 申请注册和使用商标，应当遵循诚实信用原则。(The application for registration, and use, of trademark shall be in accordance with the principle of good faith.) Introducing such requirement of 'good faith' for filing a mark was much welcomed by the Sections, as expressed in their 2010 Comments.
The Legislative Affairs Committee of the State Council has removed this addition. We are not directly aware of the reasons for this change. This change was not discussed during the 2nd Seminar on New Issues in Trademark filings of June 28/29, 2011 in Beijing, in which experts from OHIM, USPTO and JPTO discussed the issues of 'bad faith filings' with experts from SAIC.

Deleting the 'good faith' filing requirement may have to do with other changes in the draft such as proposed Articles 34 and 35. Article 34 aims to cover the following situations:

1. a trade mark application which harms "other person’s other prior rights" (proposal 1 + 2).
2. a trade mark application involving "fraud or any other unfair means", provided the prior use meets the threshold of 'certain influence' (proposal 1 + 2).
3. a trade mark application filed in clear knowledge of prior use in China, provided such knowledge is derived from 'relations' between the parties (proposal 2).
4. a trade mark application which creates a likelihood of confusion with a well-known mark (proposal 2).

In addition, Article 35 enables the Trademark Office to invalidate a mark which has been registered in violation of the grounds above.

In general, the Sections welcome Articles 34 and 35, and offer some brief comments to those articles below. With regard to Article 9, the question really is whether the introduction of Article 34 and 35 warrants the deletion of the 'good faith' requirement in Article 9. The Sections oppose such deletion, for the following reasons:

1. Other laws in China explicitly refer to a concept of 'good faith'.

The Sections realize that one of the drafting principles in civil law jurisdictions, such as the PRC, is economy.

The law of the PRC is already clear that such actions as applying for trademarks should be taken in good faith. Specifically the 中华人民共和国民法通则 (General Principles of the Civil Law) adopted at the Fourth Session of the Sixth National People’s Congress on April 12, 1986 sets out in Article 4 that:

“民事活动应当遵循自愿、公平、等价有偿、诚实信用的原则。” “In civil activities, the principles of voluntariness, fairness, making compensation for equal value, honesty and credibility (诚实信用 - also translated as “good faith”) shall be observed.”

The question therefore is whether such 'good faith principle (诚实信用原则)' should be repeated in the Trademark Law specifically with respect to trade mark applications.
The reasons are relatively simple. Trade mark abuse, including counterfeiting branded products and the wrongful registration of a trademark belonging to a person or company by another party (a bad faith registration), is a well-known problem in intellectual property. This is no less true in the PRC where a lack of 市场秩序 (“compliance with law” in this context in China) is a problem in general and not just with respect to trademark applications.

As other commercial laws and regulations in the PRC contain a specific requirement that certain actions be taken in good faith (“诚实信用”), the Sections believe that there is little reason to not also include such requirement in the Chinese Trademark Act. Set out below are some specific examples:

**Contract Law (合同法)**:

Article 6 – The parties shall observe the principle of good faith in exercising their rights and fulfilling their obligations.

Article 42 (3) regarding the making of a contract;

Article 60 – The parties shall observe the principle of good faith.

**Anti-Unfair Competition Law (反不正当竞争法)**:

Article 2 – A business operator shall, in his market transactions, follow the principles of voluntariness, equality, fairness, good faith and observe generally recognized business ethics.

**Commercial Franchise Regulations (商业特许经营管理条例)**:

Article 4 - Persons engaged in franchising shall follow the principles of voluntariness, fairness, honesty and good faith.

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4 合同法, adopted at the Second Session of the Ninth National People’s Congress on March 15, 1999 and came into force on October 1, 1999.

5 反不正当竞争法, adopted at the 3rd Session of the Standing Committee of the 8th National People’s Congress on September 2, 1993 and effective as of December 1, 1993.

In particular, the last regulation was introduced to remedy the lack of market order with respect to franchising.

Accordingly, we do not understand why the concept of good faith should not be included expressly (as opposed to impliedly) as a requirement for an application for the registration of a trademark in the PRC. In fact, given the examples above, its inclusion by SAIC, and its removal by the Legislative Affairs Office, there is a danger that such removal, without further explanation, calls into question the commitment of the PRC to the protection of intellectual property.

2. Many foreign trade mark laws rely on a requirement of “good faith” or a prohibition of “bad faith” to prevent trade mark grabbing.

A significant number of countries have specifically included “Good Faith” as a requirement for the making of a trademark application, even if phrased as a prohibition against a bad faith registration:

Examples:

Singapore – Section 7(6) of the Trade Marks Act 1998. “A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

United Kingdom – Section 3(6) of the Trade Marks Act 1994 – “A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

European Union – Section 3(2)(d) of the Council Directive 89/104/EEC and 2008/95/EC to approximate the laws of the Member States relating to trade marks – “Any Member State may provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where and to the extent that:… (d) the application for registration of the trade mark was made in bad faith by the applicant.”

European Union – Section 4(4)(g) of the Council Directive 89/104/EEC and 2008/95/EC to approximate the laws of the Member States relating to trade marks – “4. Any Member State may, in addition, provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where, and to the extent that:…(g) the trade mark is liable to be confused with a mark which was in use abroad on the filing date of the application and which is still in use there, provided that at the date of the application the applicant was acting in bad faith.”

European Union – Section 52(1)(b) of the Community Trade Mark Regulation 207/2009 – “Article 52 Absolute grounds for invalidity - 1. A Community trade mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings: … (b) where the applicant was acting in bad faith when he filed the application for the trade mark.”

United States – 15 U.S.C. § 1051(a). – “A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may request registration of its trademark on the
principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may be prescribed by the Director.”

Italy - R.D. 21 giugno 1942, n. 929 (1) Testo delle disposizioni legislative in materia di marchi registrati (2) (1/circ). Aggiornamento alla GU 07/01/2000 – Art. 22.2 – “Non può ottenere una registrazione per marchio d'impresa chi abbia fatto la domanda in malafede.” (may not obtain a registration for a mark if the application has been made in bad faith).

Germany - Article 8 (2)(10) of the Gesetz über den Schutz von Marken und sonstigen Kennzeichen – “Absolute Schutzhindernisse - (2) Von der Eintragung ausgeschlossen sind Marken, 10. die bösgläubig angemeldet worden sind. ” (Absolute Grounds for Refusal –(2) The following shall not be registered (10) marks that have been applied for in bad faith).

Unfortunately the equivalent provisions of Article 34 of the Proposed PRC Trademark Law do not go as far. The Chinese word for good faith, used generally in PRC laws, is absent. Accordingly we submit that a “good faith” requirement is preferred. In the context of unauthorized trade mark filings, the legal concept of “bad faith” is widely used and recognized across the world. Maintaining such a fundamental concept, in parallel with the dedicated provisions in Article 34/35, has various benefits. It would enable China to rely on the existing “best practices” developed in the case-law across the world and also facilitate further harmonization of this legal concept. From the view point of legislative drafting, relying on “bad faith” would also provide Chinese legislators and courts with a certain degree of flexibility. It would enable China and Chinese courts, in full sovereignty and autonomy, to also include new forms of unauthorized trade mark filings or trade mark grabbing under Article 9, which would not fall under Article 34/35.

**Summary of the 2010 Comments on the SAIC Draft**

These are provided for ease of reference only.

*Comment 1*: These provisions are a most welcome addition to the Trademark Law. Our comments are offered to assist in possibly improving the expression and use of the concepts. The existing proposals are quite acceptable.

*Comment 2*: The principle of 诚实信用 (chengshixinyong) or “good faith” as used in the proposed amendments to Article 9 was first added to Chinese law when it was used in Article 4 of the 中华人民共和国民法通则 (Zhonghua Renmin Gongheguo Minfa Tongze – General Principles of the Civil Law) that was adopted in 1986. It is a concept borrowed from civil law jurisdictions such as Germany.
One of the concerns regarding the use of such a broad concept is that it is not well understood by those not well trained in the law. The concept itself cannot be amended as it is a general concept in all of Chinese law.

The civil law concept of “good faith” has undergone refinement in various countries in Europe and other expressions of the concept have been developed. One example of such practice is Article 10 of the Russian Civil Code (drafted by Dutch scholars at the University of Leiden), which provides in its original language as follows:

Статья 10,

1. Не допускаются действия граждан и юридических лиц, осуществляемые исключительно с намерением причинить вред другому лицу, а также злоупотребление правом в иных формах.

Не допускается использование гражданских прав в целях ограничения конкуренции, а также злоупотребление доминирующим положением на рынке.

2. В случае несоблюдения требований, предусмотренных пунктом 1 настоящей статьи, суд, арбитражный суд или третейский суд может отказать лицу в защите принадлежащего ему права.

3. В случаях, когда закон ставит защиту гражданских прав в зависимость от того, осуществлялись ли эти права разумно и добросовестно, разумность действий и добросовестность участников гражданских правоотношений предполагаются.

This translates to:

Article 10,

1. Individual and juridical persons shall not exercise their rights exclusively with the intention of causing harm to other parties or abuse their rights in any manner.

Civil rights shall not be used with the object of restricting competition, or abusing a dominant position in the market.

2. In the event of non-compliance with the requirements of paragraph 1 of this Article, the general court, arbitrazh court or tribunal, may deny such person the protection of his rights.

3. Where the law makes the protection of the civil rights dependent on whether these rights have been exercised in good faith and reasonably, the good faith and reasonableness of the parties shall be presumed.
Thus, it is suggested that perhaps Article 9 of the draft Trademark Law could be amended by adding similar, additional conditions for an application after the requirement that such an application be in good faith, as follows:

“The application for registration, and use, of trademark shall be in accordance with the principle of good faith and shall not be made with the intention of causing harm to or confusing ownership of the rights of others or with the object of gaining unfair competitive advantage without justification or abusing a dominant position in the market.”

Such language would be consistent with the latest changes introduced in Article 13 of the State Council Legislative Affairs Office draft.

Comment 3: It is recommended that this Article be amended to provide guidance to good faith users of unregistered marks, such that any protection they are afforded is clearly outlined. Specifically, it is recommended that the following be added:

a. specific language indicating that good faith users of unregistered trademarks—those whose use does not fall under Article 58—will be granted certain rights in the unregistered marks; and
b. a clear delineation of those certain rights afforded such users.

V. Conclusion

The Sections sincerely hope that this submission is useful. We would be pleased to respond to any questions regarding these Comments, or to provide any additional comments or information that may be of assistance.

October 21, 2011