China Tort Law Revision Comments  
February 3, 2019

The International Trademark Association (INTA) is pleased to submit these comments for consideration in amending the Tort Law under the Civil Code of the People's Republic of China (as amended of December 2009).

INTA is a global organization of 7,200 brand owners and professionals from over 191 countries, including 269 members in China. INTA is a not-for-profit membership association dedicated to supporting consumer confidence, economic growth and innovation. Founded in 1878, INTA is a leader in global trademark research, policy development, and education. For more information please visit our website at www.inta.org.

INTA was pleased to have actively contributed to the amendment of IP legislations and regulations including Trademark Law, E-commerce Law and Patent Law, for which INTA continues to provide input from an international and cross-industry perspective.

INTA commends the initiative of the Chinese government to contain IP infringement in China, which has been reflected in the remarks by China’s top leadership and latest legislation consultations to the Patent Law and Copyright Law by increasing punitive damages. To raise the awareness at a higher level as Tort Law under the Civil Code sends a stronger signal to the world the resolution and commitment of the Chinese government in stemming the rampant IP infringement so as to foster more innovation and also create a fair and favorable trade and investment climate in China, and ultimately will benefit the public and all global brands.

Nonetheless, INTA notes that a growing concern for global brand owners in China is the issue of IP infringement. China is not alone with having this issue, but as a major industrial manufacturing center, exporting products across the globe, China is at the epicenter of the fight against the production and distribution of infringing goods. With the booming eCommerce throughout the world, IP infringers continue to evolve and find new ways to defraud consumers and evade enforcement actions. Stronger enforcement measures as punitive damages against the sale of infringing goods both online and offline will improve the business environment within China.

Given INTA’s global membership, we believe we can assist the government by providing extensive views on how best to apply this good initiative to practice in China. We welcome the opportunity to conduct joint research with authorities on this and other relevant issues.

The following comments were prepared by INTA advocacy committees and staff. We would welcome the opportunity to discuss these issues in-depth and to answer any questions. Please email INTA’s China Chief Representative, Mr. Seth Hays, at shays@inta.org.
(Current draft) Article 961 if an intellectual property right is intentionally infringed upon and the circumstances are serious, the infringed shall have the right to claim punitive damages.

As drafted, Article 961 mandates that the infringed shall state claims to punitive damages provided that serious circumstances and ‘intentional’ state of mind are both met. Both conditions are too vague to be put into practice. If allowed to proceed to law, the infringed shall bear huge burden to prove the above-mentioned two requirements where no further guidance can be referred to, thus poses significant risks to grinding the good initiative to a near halt.

Article 961 should be revised to relax the conditions to shed light on (1) considerations of ‘intentionally/knowingly’; (2) the scope, calculation methods and limit of punitive damages; and (3) considerations of ‘serious circumstances’ depend on the nature of infringement, the quantity of infringing goods and possible risks deriving from the infringing goods (in particular health risks, such as in cases of counterfeited medicines).

To the end, INTA has produced Model Law Guidelines and 1996 Board Resolution on TRIPS enforcement provisions for your reference as below:

According to INTA’s Model Law Guidelines, there should be provisions for both imprisonment and fines to be imposed as criminal sanctions for knowing or willful trademark counterfeiting. In order to increase the deterrent impact of fines, government should develop calculation methods that lead to fines against counterfeiters commensurate to the harms caused by them. There should be provisions giving courts the power to award significant statutory damages against counterfeiters in recognition of situations where it is difficult for the trademark owners to prove their measurable monetary loss or damage.

Article 61 in the 1996 Board Resolution provides for imprisonment and/or monetary fines. This gives authorities the option of providing only fines and not imprisonment as a penalty. Both imprisonment and fines should be available as penalties with the court having the discretion as to what penalty to impose.

For statutory damages, INTA has stated that governments should amend their trademark law to allow courts to award significant statutory (or pre-established) damages against counterfeiters. Where methods of calculation of 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 to award statutory damages even up to three times of such suggested price or value. Such statutory damages should not be in lieu of any actual damages that the trademark owner may be able to prove.

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