



February 12, 2007

Sybia Harrison  
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Office of the United States Trade Representative  
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RE: United States Trade Representative's Special 301 Request for Public Comment  
Submission by Intel Corporation - *Indonesia*

Dear Ms Harrison:

Intel Corporation of Santa Clara, California hereby submits its comments concerning Indonesia in accordance with the United States Trade Representative's Request for Public Comment as referenced above.

### **Summary**

Intel is independently valued as the 5<sup>th</sup> most valuable brand in the world at an estimated worth of USD 32 billion in 2006. It has been cited in various media as one of the top global brands for over a decade. However, in Indonesia, Intel suffered for over a decade at the hands of pirates and an ineffective court system. Accordingly, since 2001, Intel has filed Special 301 Review submissions concerning Indonesia with the Office of the Trade Representative. Submissions were made on February 15, 2001, March 16, 2001 (a supplemental petition), February 13, 2002, October 29, 2002 (an Out-of-Cycle Review), February 12, 2003, February 13, 2004, February 11, 2005, December 2, 2005 and September 20, 2006 (Out-of-Cycle Review). In each of these submissions, Intel has highlighted the inadequate protection of well-known marks and trade names and the unreasonable delays in the Indonesian judicial process.

Specifically, we had expressed our concerns about the deficiencies in Indonesian law by reference to two cases, *Intel v. P.T. Panggung Electronics Industries* (hereafter referred to as the "*Panggung* case") and *Intel v Hanitio Luwi* (hereafter the "Intel Jeans" case).

Happily, after years and years of litigation, Intel is pleased to inform that since our last submission, the Indonesian Supreme Court ruled in Intel's favor in the Intel Jeans case. It held that the INTEL mark was well-known at the time of the adoption of the Intel Jeans mark in 1996 and the INTEL mark should be protected regardless of the dissimilarity of the goods to those of Intel. In so doing, the Supreme Court required that the defendant's INTEL JEANS mark (for clothing), be cancelled and any use ceased. Intel applauds the decision and acknowledges it as a significant step in the right direction. We also thank the Office of the U.S. Trade Representative for its support and assistance in this case.

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Unfortunately, we have not seen similar progress in the Panggung case. Indeed, this case appears to be headed in very much the wrong direction.

As may be recalled from Intel's prior submissions, Intel lost in earlier litigation (including two appeals to the Supreme Court) challenging Panggung's use and registration of the INTEL mark for TVs and other consumer electronics goods (hereafter "the Original Panggung Registrations"). This series of rulings against Intel was (and remains) contrary to Indonesian law and TRIPS, as well as the recent decision in the Intel Jeans case. However, Intel had no further avenue of appeal and has therefore been forced to tolerate Panggung's continuing infringement and its ownership of a clearly infringing mark and registrations, which could preclude Intel's ability to expand the use of its INTEL mark to other electronics products in Indonesia, including those that are closely related to Intel's current business and are natural areas of expansion for Intel.

Furthermore, having failed to get Intel to engage in discussions to purchase its INTEL mark for unspecified "millions," Panggung raised the stakes by applying to register a new stylized version of the INTEL mark in 2004 in a number of Classes for a variety of goods (hereafter "the 2004 Applications").

In order to have any chance in successfully opposing or otherwise challenging the 2004 Applications, Intel needed to find a way to cancel the Original Panggung Registrations that were the subject of the prior rights proceeding, because these older registrations formed a basis for the Indonesian trademark office to accept the 2004 Applications. Therefore, in 2006, Intel filed new non-use deletion actions against the Original Panggung Registrations in the Commercial Court based on Panggung's failure to use the mark for the various registered goods for the three years prior to the filing of the actions.

In its recent ruling, the Commercial Court "accepted" Intel's compelling evidence of non use for the necessary three year period (even longer in fact), but ruled against Intel because Intel had not proved that precise date of last use, a point of proof not required under Indonesian law or international treaties. Thus, Intel was again forced to appeal to the Indonesian Supreme Court. The appeals are currently pending and decisions are expected imminently, likely the next month or two. This is Intel's *last chance* to prevent Panggung from further successful pirating of the world-renowned INTEL brand.

### **Intel's Request**

While the Indonesian Supreme Court's ruling in the Intel Jeans case is a welcome and promising development, the recent Commercial Court decisions in the Panggung cases make it very clear that substantial additional progress is required in order for Indonesia to meet its TRIPS obligations. The Commercial Court's rulings against Intel certainly suggest that at least some portion of the Indonesian legal system is still willing to tolerate and support blatant piracy of the well-known brands of foreign companies. Intel has been trying for *thirteen* years, through every legitimate means, to recover its INTEL brand from Panggung. This appeal is Intel's last chance. It is clear from the Commercial Court rulings in the Panggung case that Indonesia does not yet provide effective enforcement of intellectual property rights as required by TRIPS.

Accordingly, Intel asks that Indonesia be returned to the Priority Watch List. We understand that USTR recently removed Indonesia from the Priority Watch List to the Watch List due to improvements in copyright enforcement. While Intel appreciates Indonesia's progress in this area, the USTR review also concluded that sustained efforts and continued progress would be essential to avoid a return to the Priority Watch List. With the Commercial Court decisions in the Panggung case, one cannot fairly conclude that progress has continued. Intel further requests whatever assistance the Office of the U.S. Trade

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Representative can provide to bring Intel's situation to the attention of IP and court authorities in Indonesia. Time is of the essence – the appeals in the Panggung case are being considered by the Indonesian Supreme Court right now.

### **Detailed Analysis - The Panggung case**

In *Intel v. P.T. Panggung Electronics Industries*, Intel has sought for thirteen years without success to remove the registrations of, and prevent use of, the INTEL mark on TV's and other consumer electronics by a large Indonesian company, P.T. Panggung. Intel registered the INTEL mark in Indonesia in 1984. PT Panggung registered the below INTEL mark two years later in 1986 in Class 9 for TVs and in Classes 7, 10, 11, 15 and 20 for a variety of other consumer electronics products:



### **1993 Prior Rights Cancellation Actions**

Intel filed its first complaint in January 1993 to cancel Panggung's registrations on various grounds, including likelihood of confusion with Intel's well-known trademark and company name (prior rights cancellations). In September 1993, the Central Jakarta District Court decided against Intel and held that INTEL was not a well-known mark and that there was no likelihood of confusion. Intel appealed to the Indonesian Supreme Court and then waited nearly seven years for a ruling. When the Supreme Court finally reached a decision in February 2000, it upheld the lower court's rejection of Intel's claim but gave no reason for its decision apart from the statement that "nothing was decided which was contrary to law." Intel filed a second level of appeal (a "reconsideration" action) on March 16, 2001. Intel waited another two years for a ruling. The Court again refused to cancel Panggung's registrations of the INTEL mark and effectively blessed the clearly infringing registrations and use of the INTEL mark by Panggung. There was no further avenue of appeal.

As a result, Intel has been forced to suffer continuing infringement of its famous INTEL mark. In addition, by granting rights to Panggung in the INTEL mark for TVs and consumer electronics products, the decision effectively prevents Intel from expanding use of its own INTEL brand to other electronics products in Indonesia, including those that are closely related to Intel's current business and are natural areas of expansion for Intel.

The decision demonstrated the failure of the Indonesian Courts to give adequate protection to well-known marks and trade names despite its obligations to do so under Articles 6bis and 8 of the Paris Convention and TRIPS Articles 16 and 41.1. Moreover, the Court's seven year delay in deciding the first case (including a nine-month delay in serving Intel's counsel with the final decision), the Court's two year delay in deciding the reconsideration appeal, and the Supreme Court's failure to set forth any reasoning behind its decision in either its first or second opinion are clear breaches of TRIPS Article 41.3, which states that decisions must be reasoned and made available to the parties to the proceeding without undue delay.

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## Panggung's New Applications and Intel's Second Round of Challenges

As noted in our last two Section 301 submissions, in 2004 Panggung sought to further hi-jack the INTEL mark by filing new trademark applications for the INTEL mark in the same classes, specifically 7, 9, 10, 11, 15 and 20, also for a variety of goods such as miscellaneous household appliances, equalizers and related equipment, etc. in the stylization shown below:



Intel timely opposed these new 2004 Applications by Panggung and the oppositions are still pending.

## New Commercial Court Actions Against Panggung

Since the Original Panggung Registrations, which were the subject of the prior right cancellations, still subsist and form the basis for Panggung to claim rights in the INTEL mark and any future use and/or registrations, it was essential for Intel to cancel them. Accordingly, after waiting the requisite period of time, in May 2006, Intel filed two deletion actions before the Jakarta Commercial Court to delete the Original Panggung Registrations based upon Panggung's non use of the INTEL mark for three (or more) years. Non use is a separate legal ground provided under Article 61 of the Trademarks Law. It states that a trademark may be removed if "the trademark has not been used for three consecutive years in the trading of goods and/or services as from the registration date or the latest use, except for reasons acceptable to the Director General".

The cases filed were as follows:

Case No. 44/Merek/06 relating to Panggung's 1986 registration in class 9 covering goods such as TVs, DVD players and Hi-Fi equipment. Panggung used to use the INTEL mark for TVs and some Hi-Fi equipment but evidence shows that production stopped in 1990s and there had been no use for these goods for the last three (3) consecutive years prior to the filing of the deletion action.

Case No. 43/Merek/06 relating to Panggung's five other 1986 registrations in classes 7, 10, 11, 15 and 20 for various goods such as home appliances, medical equipment, musical instruments, audio & video racks etc., for which Panggung has never ever used the INTEL mark.

In order to prove its case, Intel conducted extensive market surveys in 6 major cities (Jakarta, Surabaya, Medan, Makassar, Bandung and Pontianak) and hired an independent private investigator who interviewed Panggung's staff at various Panggung branches. The evidence confirmed that there had been no use at all in Classes 7, 10, 11, 15 and 20 and no use for at least the last three years in Class 9. In fact, the last use of the INTEL mark by Panggung for Class 9 goods was sometime in the 1990s.

## The Commercial Court Decisions

Both cases were decided on 13 September 2006 and Intel inexplicably lost both despite the fact that the Court in both cases accepted the principle of law that what needs to be proved is 1) that the Defendant's INTEL mark had not been used for the three year period up to the filing of the deletion action, and 2) that

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the required use of the mark is actual use in the production of goods and services, and not the existence of old product or inventory that may still be in circulation. The Court further accepted Intel's evidence of non use, specifically finding as follows:

Case No. 44/Merek/2006 (Class 9)

- From the six urban market surveys, there are no sales or manufacture by Panggung of electronic goods bearing INTEL mark, as also testified by the private investigator who visited several of the defendant's branch offices in Indonesia and also obtained information that the Defendant has not produced electronic goods bearing INTEL mark but has changed to AKARI mark.
- Evidence submitted by Defendant cannot prove that the electronic goods with INTEL mark are still being produced.
- It can be concluded that the Defendant has not produced electronic goods bearing INTEL mark in accordance with registration no. 363074.

Case No. 43/Merek/2006 (Classes 7, 10, 11, 15 and 20)

- The Defendant's evidence failed to prove that the Defendant's INTEL mark was used on the goods in production.
- To the contrary, the Plaintiff's witnesses explained that in the survey which was conducted in several big cities in Indonesia and also at PT Panggung Electric Corporation's branches, it can be concluded no goods bearing INTEL mark have been produced.
- In view of the facts as considered above, it is proved that Defendant is not using the INTEL mark with registration Nos. 363073, 363075, 363076, 363077 and 363078 for type of goods as mentioned above.

In sum, the Court expressly accepted Intel's evidence in the form of the market survey results and investigator's report which clearly proved that the last use in Class 9 was in the 1990s and that the Defendant had not used the mark outside of Class 9 at all. The Court even accepted the evidence that Panggung had changed its old mark INTEL to AKARI (which happened in the 1990s when the prior rights cancellation was pending). And the Court made factual findings that Panggung had not used the INTEL mark for three or more years prior to the filing of the deletion actions.

Yet, despite the evidence and its findings, the Court inexplicably and erroneously determined that because Intel had not shown the precise date of last use, it was therefore "difficult" to count the three year period of non use. Therefore, the deletion actions were deemed "not clear" and Intel's claims were "not accepted."

Thus, the decisions fail to comply with the legal standard required for non-use. On the one hand, the Court accepted the evidence that Panggung had ceased use of the mark over 3 years prior to the action, and yet, on the other hand, and contrary to Indonesian law and its own findings of fact, the court refused to decide the case in Intel's favor because Intel did not show the exact date of last use. The precise date of last use is irrelevant given the findings that whatever use was made was well over three years prior to the filing of the actions.

Moreover, this is not a case where the precise date of last use would have mattered because it is not a borderline case – evidence shows that the use of the mark stopped in the 1990s. The Plaintiff does not know the exact date of last use and cannot be expected to. There is no requirement under the Trademarks Law to state the exact date of last use. In fact, Intel is unaware of any deletion actions before the Court

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where such an onerous requirement has ever been imposed on the Plaintiff, and such a standard is inconsistent with Indonesian law and international treaties and norms. It is sufficient that the Plaintiff has proved that there was no use since the 1990s, i.e. well more than three years before the filing of the deletion actions.

Appeal to the Indonesian Supreme Court: INTA Amicus Filing

Intel filed appeals before the Supreme Court on 11 October 2006. The main ground for the appeals was that the Commercial Court erred in the interpretation of the Trademarks Law by imposing for a requirement that Intel prove a precise date of last use, and that the Commercial Court's interpretation was inconsistent with Indonesian law and international principles pertaining to the calculation of the period of non use. These appeals are currently pending and a decision is expected in the next month or two.

The International Trademark Association (INTA), a global association that has represented trademarks owners since 1878, made an amicus filing on 12 December 2006 with the Indonesian Supreme Court in support of Intel's position, namely that all that is required is proof of non use for three years prior to the filing of the deletion actions – the precise date of last use need not be proved.

While Intel knows its appeals are well grounded, considering Intel's experiences before the Indonesian courts, especially in the Panggung case, Intel remains concerned as to whether its case will be decided fairly based on the proven facts of the case and applicable law.

Sincerely,

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cc: Bruce Sewell, Esq. Vice President, General Counsel, Intel Corporation  
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RE: United States Trade Representative's Special 301 Request for Public Comment  
Submission by Intel Corporation -- ***Russia***

Dear Ms Harrison:

Intel Corporation of Santa Clara, California hereby submits its comments concerning Russia in accordance with the United States Trade Representative's Request for Public Comment as referenced above.

### **Summary**

Since entering Russia in 1991, Intel has made significant investments in the country, which has maintained its position as one of the fastest growing technology markets and a home to an abundance of technical talent. Intel currently employs about 1400 individuals in Russia at its facilities in Moscow, Nizhny, Saratov, Saint Petersburg, and Novosibirsk, including about 1,000 engineers at a large research and development (R&D) center. Furthermore, Intel expects to continue to increase its investment in Russia, which continues to be one of the fastest growing markets for PCs due to extended broadband access throughout the Russian Federation and the Commonwealth of Independent States. As Intel's investment in Russia has grown, however, protection for its Intellectual Property Rights (IPR) is threatened by inadequate and ineffective laws that fail to comply with TRIPs and other international treaties and norms.

Intel appreciates that Russia has attempted to enact legislation to address IPR protection problems and thereby speed its accession to the WTO. Nonetheless, we believe that the passage of the new Part IV of the Civil Code, which voids and replaces all existing special intellectual property laws, does little to improve IPR protection, and in fact, will make matters far worse, if not overhauled. Part IV is not TRIPs compliant, and is seriously out-of-step with international norms and best practices. In addition, while currently pending legislation would bring a welcome increase in sanctions for criminal infringements, it is overbroad in its coverage and needs to be narrowed. Further, many of the issues highlighted in Intel's 2005 submission remain unaddressed.

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## **Intel's Request**

Intel supports Russia's accession to the WTO and supports PNTR status for Russia. However, in light of the foregoing problems, Intel believes that Russia should remain on the Priority Watch List. Part IV of the Civil Code, as well as pending changes to the criminal code, contain serious deficiencies as outlined in greater detail below. Russia should not be removed from the Priority Watch List until these issues are addressed. We ask that USTR work closely with other countries and with Russia to encourage Russia to amend its IP laws to bring its IPR protection regime into compliance with TRIPs and international norms as soon as possible so that PNTR and its accession to the WTO are not unduly delayed.

## **Detailed Analysis**

### **I. Part IV of the Civil Code**

Drafted by a small group of legal academics without any input from IPR owners or practitioners, Part IV moved quickly through the legislative process, spurred by presidential administration support and apparent hopes that the law would ease Russia's accession to the WTO. As a result of overwhelming criticism from both Russian and international IPR owners and practitioners, a working group including some IP practitioners was formed very late in the process to review the legislation and provide recommendations for amendment. However, the group was quickly dissolved before most issues could be adequately addressed. Only a very few improvements were made before the bill was signed into law.

State Duma members have recently indicated that they are willing to entertain amendments to the law during the spring Duma session. Significant changes must be made during this short period, to address the following issues:

#### **a. Employee Remuneration Provisions Impose Unnecessary Bureaucratic Burdens on Employers**

Part IV specifies that an employee who has created a work of intellectual property in the course of his or her employment shall have the right to compensation for its creation and use, and that the amount of compensation for that work shall be determined separately by contract between employee and employer, or in case of a dispute, by a court. These provisions create an insoluble situation in which an employee whose main duty is to create works of intellectual property (e.g., a software engineer creating copyrightable code or a hardware engineer creating patentable inventions or a marketing professional creating new brand names) must be paid both a salary under Labor Code and "IP remuneration" under the Civil Code for the same work.

Part IV should be amended by adding language such as "unless otherwise agreed to by the parties" to allow for situations in which compensation payable to an employee under an employment contract (salary) may constitute the complete and sufficient remuneration for the



creation, development, improvement, and any use by the employer of any or all of the works of intellectual property created by employee in the course of his or her employment.

**b. Copyright Levy Provisions Create a Risk of Abuse and Additional Costs for Consumers**

The copyright levy system as introduced by Part IV does not allow for direct compensation of the rights holders, and does not take into account already-existing digital content protection mechanisms (e.g., digital rights management (“DRM”)). Furthermore, based on our experience with similar issues in the EU, we believe there is a high risk that the scope of copyright levies will be extended to personal computers and other IT equipment that will hinder further development of the IT industry. We believe that all “compensation” schemes, whether a levy, tax, or additional margin of purchase price should be implemented, if at all, at the point of sale of the copyrighted work, whether protected by DRM or not.

**c. Compulsory Patent Licensing Requirements Do Not Meet TRIPS Standards**

Part IV provides for very broad possibilities for compulsory licensing, which sets grounds for misuse and contradicts Art. 30 and 31 of TRIPs.

**d. Part IV Contains Inconsistent Trademark Infringement Standards**

Initial drafts of Part IV appeared to set forth different confusion standards for different types of names and marks, such as trademarks, trade names, domain names, and the like, resulting in different infringement standards for the various types of names, which in turn created protections that were too broad when applied to domain names, and too narrow when applied to trademarks. The law as ultimately enacted attempts to remedy this problem by setting a uniform likelihood of confusion standard for all types of marks and names. However, in making this change, the Duma failed to remove the individual standards for the various types of marks and names, creating internal inconsistency within the law, and ambiguity as to the applicable standard. Removing the individual infringement standards for each type of name, mark, etc. would remedy this problem so that the drafters’ intent for a single infringement standard will be properly implemented by the courts.

**e. Overbroad Protection for Domain Names**

Part IV instructs trademark examiners to refuse registration of marks identical to any prior existing domain name, without requiring evidence that the domain name qualifies for trademark protection. As a result, domain names are essentially accorded rights in gross and absolute rights as against trademarks, without any analysis as to whether the domain name meets the criteria for trademark protection (e.g., is it sufficiently distinctive) or as to whether a likelihood of confusion beyond the similarities in the marks (i.e., failing to account for degree of similarity of goods/services and other circumstances of use). According “rights in gross” to domain names is not consistent with international norms, and should be removed entirely from Part IV. No other country in the world accords such broad rights in domain names.

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In addition, Part IV and existing Russian laws fail to establish an effective domain name dispute resolution system for the .ru Top Level Domain (TLD). Trademark owners continue to face difficulties enforcing their rights against cybersquatters and securing the transfer of infringing domain names, particularly where the domain name is inactive. In contrast, the Uniform Domain Name Dispute Resolution Policy (“UDRP”) adopted by the International Corporation for Assigned Names and Numbers (“ICANN”) provides that bad faith can be found regardless of whether a domain is active. The absence of such a dispute resolution system similar to the UDRP means that trademark owners seeking to regain ownership of infringing domain names must engage in costly and lengthy civil litigation with an uncertain result.

Part IV should be amended to remove any trademark-like rights in domain names and to provide for a domain name dispute resolution procedure for the .ru TLD.

**f. Overbroad Protection for Commercial Designations**

Part IV provides rights in unregistered “commercial designations,” but fails to require that the designation be known and fails to appropriately restrict such rights to the territory in which the designation is known. Further, much like the problem with domain names noted above, such rights can serve as a basis to prevent the registration of a trademark. The owner of an unregistered commercial designation can even claim rights in a part or a segment of that commercial designation, which can also serve as a basis for refusal of a trademark registration. Part IV should be amended to limit rights in “commercial designations” to the territory in which they are proved to be known and to provide for rights only in designations that have met the requirements for trademark protection.

**g. Insufficient Protection for Well-Known Marks**

In an attempt to comply with TRIPs and other treaties, Part IV correctly provides a broader scope of protection for well-known marks, enacting an “association,” rather than confusion standard, whereby a well-known mark would be infringed regardless of the goods and services with which the junior mark is used. Part IV does not, however, prevent the registration of marks that violate the broader rights of well-known marks and are filed for dissimilar goods, which leads to the inefficient and indeed ridiculous result that such marks will be registered by Rospatent (the Russian Patent and Trademark Office) even though such marks violate the rights of the well-known-mark owner. In contrast, both the U.S. law and the European Community Trademark system (Art. 8(5) of Reg. 40/94 and Art. 51(1)(a), respectively), as well as the laws of many other countries, permit the owner of a famous trademark to oppose or invalidate the registration of a mark similar to the earlier famous mark.

Indeed, Rospatent has expressly relied on this loophole to register marks that violate Intel’s rights in the well-known INTEL® mark, despite the fact that Rospatent has expressly granted the INTEL mark well-known mark status. Rospatent expressly claims that it has no statutory authority to refuse registration of such marks. As a registration provides its owner with the right to use the registered mark, a prior-rights owner must cure this inconsistency by seeking to cancel

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the registration through Rospatent (which staunchly defends its decision to register the infringing mark), through administrative appeals and ultimately to the civil courts. This costly and truly burdensome task takes years to resolve, during which time the owner of the infringing mark continues to use and invest in its mark, further harming the well-known mark and negatively impacting attempts to resolve the dispute amicably.

Part IV should be amended to provide that violation of the rights of a famous mark owner constitute grounds for refusal to register a mark.

#### **h. Lack of Trademark Opposition Procedures and Lack of Transparency in the Trademark Application Process**

As discussed in our 2005 Special 301 Out-of-Cycle Submission, information regarding the prosecution of trademark applications is not publicly accessible, there is no official publication of applications prior to registration, and further, there is no formal opposition procedure. Trademark owners may file an “informal” opposition to a pending application, should they learn of its existence prior to registration, but such objections may be (and often are) simply disregarded by the Examiner. Once a mark has been registered (a common result, given the limited analysis done and the lack of legislation preventing the registration of marks that violate well-known marks), a trademark owner must institute cancellation proceedings before the Chamber for Patent Disputes (the judicial arm of Rospatent), after which the decision must ultimately be approved by the head of Rospatent. As a result, the decisions of the Examiners are unlikely to be reversed (as in our cancellation against INTELPART). Trademark owners are then forced to pursue the objection through the civil courts, which, as noted above, increases the cost and the time to decision, and negatively impacts potential for amicable resolution of disputes.

Transparency in the prosecution process and formal opposition proceedings are standard practices in trademark offices around the world. Even though TRIPs does not require that a country implement an opposition procedure prior to registration of a mark (post-registration cancellation suffices to meet minimum TRIPs requirements), well over 80% of jurisdictions around the world implement pre-registration opposition procedures. This is because they work, and they prevent the sorts of problems that Intel has experienced in Rospatent. Russia’s lack of an opposition procedure puts it seriously out of step with international norms and best practices.

Part IV should be amended to provide for transparency in prosecution and for a formal pre-registration opposition procedure.

#### **i. Overly Burdensome Trademark Licensing Requirements**

Part IV introduces a new and extraordinarily burdensome provision imposing joint and several liability on trademark licensors for the goods and services of its licensees, regardless of the circumstances. This takes the concept of quality control far beyond international norms. Indeed, no treaty prohibits this because no country has ever imposed such liability so broadly. To the

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best of our knowledge, no other country in the world imposes joint and several liability on a trademark licensor, regardless of the circumstances.

In addition, perpetuating current Russian practice, Part IV provides for mandatory recordal of all trademark licenses against the registration of the licensed mark, an extremely burdensome and costly requirement that serves no useful purpose and has been abandoned by all but a handful of countries around the world. Failure to record results in the invalidity of the license agreement. Trademark owners cannot rely on an unrecorded license agreement to enforce its terms (such as royalty payments or quality restrictions). Furthermore, a license cannot be recorded if the subject mark has not been registered in Russia.

For companies with large global licensing programs, such as Intel's *Intel Inside* licensing program, the costs of recording every license are truly prohibitive. The recordation of even a single license agreement in Russia is burdensome with respect to time and expense; the burden of recording thousands of licenses (as would be required for Intel's licensing programs) is simply untenable. Moreover, for owners of pending applications, the law offers no means to enforce a trademark license until the subject mark has registered.

Each of these provisions is contrary to international norms and best practices and goes far further than necessary to prevent trafficking in trademarks and maintain public confidence in licensed brands. The vast majority of countries never had recordation requirements or they have abandoned them (or have removed any sanctions for lack of recordation, e.g., China and Vietnam). The costs and burdens of license recordal in Russia are so great that many trademark owners will simply choose not to license marks in Russia, to the detriment of those companies' business objectives and the development of Russia's market economy.

## **II. Pending Legislation Stiffens Criminal Liability for Routine Infringement**

A bill (federal law 241134-4) recently passed by Russia's State Duma, the lower house of parliament, amends the existing Articles 146 and 180 of Russia's criminal code to impose stiffer criminal penalties for trademark violations. While IPR owners welcome stronger sanctions for counterfeiting and piracy, the new law seriously overshoots the mark by failing to distinguish routine infringement from counterfeiting and piracy. It classifies "unauthorized use of a trademark" meeting certain criteria as a "grave crime" punishable by significant fines and prison time. Such sanctions are appropriate for counterfeiting and piracy, but not routine infringements by legitimate businesses that have no intent to "pass off" their goods and those of another.

Both the current and amended wording of the criminal code provide that, to initiate a criminal case, only two factors must be met: (1) "intentional" infringement and (2) substantial damage. "Intentional infringement" is not further defined and could easily encompass a broad range of conduct far beyond piracy and counterfeiting. Further, almost any significant trademark dispute between legitimate commercial entities is likely to involve "substantial damage." As a result, common trademark infringement disputes, such as the recent well-publicized battle over the IPHONE mark between Apple and Cisco, could become criminal cases. Legitimate companies with legitimate disputes over whether a mark is infringing should not be exposed to the potential

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for criminal sanctions – the civil sanctions of monetary damages and injunctive relief are entirely sufficient.

Criminal penalties should be reserved for piracy and counterfeiting. Simple infringement should remain a civil cause of action. Ambiguity as to the conduct classified as a “grave crime” serves only to complicate and threaten the effective resolution of IPR disputes. Part IV and/or Article 180 of the criminal code should be revised to distinguish between routine infringement and counterfeiting and piracy, with appropriately narrow definitions for the latter.

### **III. Russia’s Continued Failure to Provide Effective Trademark Treatment**

Rospatent continues to deny relief to Intel in cancellation actions against registered marks that are clearly infringing under both international standards and Russian law. Rospatent continues to treat marks that combine the famous INTEL® mark with generic terms, such as “part,” as sufficiently distinct coined terms without regard for likelihood of confusion or dilution arguments. Furthermore, slight differences in goods or services are generally considered sufficient to avoid liability, even when the goods or services of both the senior and junior users are closely related or in the same industry. Rospatent is simply not interpreting or implementing Russian trademark laws consistent with international practice and treaty obligations. As a result, Intel and other brand owners have been forced to appeal such narrow and overly technical decisions to the courts, where appropriate relief is at least more likely to be granted, but only after years of delay and extra cost.

Part IV appears to do nothing to remedy this situation, and for some of the reasons already noted above in Section I, may make matters worse.

Sincerely,

Anne Gundelfinger  
Vice President and Associate General Counsel  
Intel Corporation

cc: Bruce Sewell, Esq. Vice President, General Counsel, Intel Corporation  
Jim Jarrett, Vice President, Government Affairs, Intel Corporation  
Greg Slater, Government Affairs, Intel Corporation  
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