

PRC Trademark Law Revision Implementing Regulations Comments

February 7, 2014

Introduction

The International Trademark Association (INTA) congratulates the People's Republic of China on the passage of the third Trademark Law Revision to be implemented on May 1, 2014. INTA is pleased to submit comments to the State Council Legislative Affairs Office (SCLAO) on the draft Implementing Regulations (IR) to the new Trademark Law.

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 6,500 member organizations of INTA, including 207 members in China, we are pleased to submit comments to SCLAO again—having submitted comments previously on the draft Trademark Law.

Most of the amendments proposed in the Draft are welcome by INTA and made necessary by the promulgation of the New Trademark Law. However, INTA's priority concerns are:

- Reasonably lengthy deadlines for submissions that take into consideration the time burden of the parties—in particular parties outside the territory that must deal with time zone differences and language translation.
- Transparency in the opposition procedure given recent changes that have eliminated appeals of a negative opposition.
- Clear definitions for "serious" infringement for the purposes of administrative fines.
- Clear guidelines on determining "heavier fines" for large scale or sustained infringements.

These comments were drafted with input from INTA's Legislation and Regulations Committee, Anticounterfeiting Committee and the Trademark Office Practices Committee. Should you have any questions, please contact INTA's Chief China Representative, Ms. Chen Min, at mchen@inta.org or +86-21-6137-3287, +86-21-6137-3288.

Deadlines

- Rules 18, 24, 25, 29, 62 and 70. In each of these articles, the 3-month deadline is replaced by 30 days (Rules 29, 62), or 30 days is replaced by 15 days (Rules 18, 60). The deadline in Rules 24 and 25 is 15 days.

There is no advantage in imposing on the parties such a short period of time and it is not in the interest of the parties—in particular parties outside the territory that must deal with time zone differences and language translation—nor of the public at large. We recommend maintaining the 3 months/30 days periods.

Oppositions

- Since the right to file an appeal of a negative opposition decision has been eliminated, it is important that the procedures for handling oppositions in the first instance be more transparent. Thus, it is recommended that opposing parties be provided with copies of the arguments and evidence responses of applicants, and that a further opportunity to comment thereon be provided as part of the initial opposition proceeding.
- INTA also recommends that the IR grant the parties to an opposition the right to request a hearing to discuss the merits of a case in person.

Administrative Fines

- INTA suggests that the criteria for determining whether a violation is “serious,” thereby allowing imposition of higher fines under the new law, be clarified and that circumstantial evidence be accepted and fully considered for these purposes. Circumstantial evidence should include various types of partial or indirect evidence, which, taken together, suggest a strong likelihood that the scope of prior production and/or sales was high. The fact that an infringer does not retain or voluntarily disclose transactional records should be regarded as a relevant factor in this regard. Likewise, the fact that the infringer operates without a business license and that the infringing goods are deemed “counterfeits” (i.e., the marks and goods concerned are identical and not merely “similar” to the rights holder’s marks) should also be considered as a relevant factor.
- INTA recommends that using the value of a corresponding genuine product of a victim brand be used in calculation methods as part of Rule 82, which currently only provides for calculations based on actual sales price, price marked on the product or average market price.
- INTA recommends that the Implementing Regulations provide clearer guidelines on how to calculate “heavier fines” that are available under Article 87.

Bad-Faith Registration

- The current draft IR do not explain how the newly introduced Article 7 of the new Trademark Law Revision, which requires applicants for trademark registration to abide by the principle of “good faith,” can be

leveraged to address bad-faith registration. INTA recommends that the IR or future authority more clearly address the topic of how Article 7's good-faith clause affects bad-faith registration on a practical level in order to provide grounds for increased protection of trademark owners' rights.

Divisional Applications

- Rule 24 defines the process for divisional applications. INTA recommends that in addition to the circumstances cited in this rule, application divisions be permitted at any time upon request in the following circumstances: (a) where one application is opposed in relation to part of its designated goods; (b) where, following a review of the initial refusal or a review of opposition decision rejecting a trademark, the TRAB decides to approve the trademark, but only for part of the designated goods; (c) where a trademark application is assigned or transferred and the assignment or transfer only involves part of the designated goods (d) with regard to registered trademarks, the division shall also be allowed when partial assignment or transfer is involved.
- Rule 26 covers materials required to be filed with the TRAB to commence an opposition. In Rule 26, the third requirement should be clarified. "Documents proving the opponent is the owner of a prior right or an interested party" is a matter of substance and should not be a condition for accepting an opposition or be used to refuse to accept an opposition. We recommend removing this requirement from the requirements for acceptance.

Assignment

- Rule 74 deals with a requirement to record assignments in order to prevail over subsequent *bona fide* parties. INTA supports optional license recordal—and in this case suggests that registrants should be given the option of recording evidence of the license, rather than an entire agreement—as it may include confidential terms.
- Rule 33. The sentence "the assignment procedure should be handled by both parties" should be clarified. In current practice, both the assignor and the assignee sign the assignment application form but the application is filed by the assignee only. We propose: "The assignment approval application, signed by the assignor and the assignee, shall be submitted by the assignee."

Sound Marks

- Article 13. We recommend giving more detailed provisions on sound trademark applications. For example, the format for the sound, the storage media required, the size etc.

Identification Documents

- Rule 14. The changes to this rule appear to expand the number of situations when a trademark applicant must submit a copy of a valid certificate to prove its identity. If these changes are made and the practice changes to require parties outside the territory to comply, it will be quite onerous for them to get translations. We recommend retaining the current practice, or at least stipulate in the regulations that parties outside the territory are automatically allowed or can apply for a 3 month extension to file the translation of its identity certificate.
- Rule 26. The requirement to submit identification documents as a condition for accepting (i.e. putting on file) an opposition is not justified. The Power of Attorney given to a trademark agency should be enough and we recommend deleting this requirement. Alternatively, it should be possible to submit such documents, or copies of such documents, within a certain period of time after filing, especially for parties outside the territory.

Retroactivity

- INTA recommends that the IR or other authority address to what extent the revised Trademark Law will be applied retroactively, particularly with regards to issues of bad-faith applications.