

PRC Trademark Law Revision Implementing Regulations Comments

November 22, 2013

Introduction

The International Trademark Associations (INTA) congratulates the People's Republic of China and the National People's Congress on the passage of the third Trademark Law Revision to be implemented on May 1, 2014. INTA is aware that Implementing Regulations (IR) are currently being drafted to the law and recognize these comments come outside a formal public comment period. In line with our long standing working relationship with the State Administration of Industry and Commerce and our deep commitment to trademark issues in China, we provide our views on the Implementing Regulations.

INTA's priority issues are:

- Reasonably lengthy deadlines for submissions that take into consideration the time burdens of foreign parties.
- 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.

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.

Oppositions

- INTA recommends that "interested party" (requisite standing for many opposition proceedings) be defined liberally, thereby allowing trademark owners who are victims of bad faith piracy to file oppositions against applications that target other famous and well-known marks filed by the same pirate.
- 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.

Bad Faith Registrations

- INTA strongly suggests that the future IR explicitly permit trademark owners to file oppositions and invalidations on the basis of Article 10(8), thereby providing a basis for indirectly challenging a bad faith registration on the basis of the new Article 7 of the law, which generally requires applicants to register and use marks in good faith. Doing so would be consistent with existing practice. However, we strongly recommend that such actions not be limited to cases where bad faith is obvious.
- We further strongly recommend that the failure of an applicant to timely respond to an opposition which alleges bad faith under any provisions of the new Trademark Law be considered abandonment of the application, resulting in the functional equivalent of a default judgment.
- Further, we recommend that in the case of an opposition or invalidation where bad faith is alleged, the failure of the applicant or registrant to respond to an allegation of bad faith be regarded as an admission of bad faith. We understand this would be consistent with existing laws and TRAB regulations, but we believe it is important to state the same explicitly in the future IR to avoid any doubt.

Deadlines for Supplemental Submissions

- INTA suggests that the deadline for filing supplemental submissions in oppositions and invalidations remain at three months and not be reduced, especially for foreign parties who require additional time to navigate the Chinese legal system, including obtaining localized legal advice and properly notarizing and legalizing evidence. This is consistent with provisions in the Civil Procedure Code applicable to civil litigations involving foreign parties.

Suspension of Deadlines Where Disputing Parties Are Negotiating

- We recommend deadlines in oppositions and cancellations be suspended if the parties jointly agree and notify the TMO, TRAB or courts that they are in the process of negotiating a settlement of a dispute.

Enforcement Where a Registry Dispute Over Relevant Rights is Pending

- We recommend that the future IR provide more detailed guidelines for the handling of enforcement petitions to AICs and courts to address the different circumstances that arise where the marks of the complainant or respondent are the subject of opposition or cancellation proceedings. The current lack of published rules in this regard appears to result in abusive enforcement in some cases, as well as substantial delays in enforcement in others.

Assignment of Registered Marks

- The IR should clarify that assignment of pending applications is possible (as is currently the case).
- We recommend that partial assignments of applications and registrations also be permitted, and at any time.

Recordal of Trademark Licenses

- We suggest the IR permit parties that fail to meet the 90-day deadline for recording licenses not be prohibited from executing fresh licenses and recording them.
- We suggest that the IR requires that recordal of trademark licenses, as well as approval of trademark assignments, be completed within three months. The current process often takes nine months or even longer, thereby creating significant obstacles to normal business.

Well-Known Marks

- With the amendment of the Trademark Law and related provisions of the IR, it is hoped that a reasonable number of qualified foreign trademarks will be recognized as “well-known” by the TMO, in accordance with the World Intellectual Property Organization’s Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks.

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.

Compensation

- INTA recommends that punitive damages be deemed applicable in cases where the plaintiff asserts claims based upon statutory damages, or failing that, that the IR contain more detailed criteria for courts to consider when fixing statutory damages.
- We also suggest that a broader list of factors be set out in the IR to explain the conditions under which punitive damages may be imposed. At a minimum, courts should be required to deny punitive damages in cases where there is evidence the plaintiff filed or has sought to enforce its rights in bad faith.
- It is recommended that the SAIC issue clear guidelines to govern the handling of mediations about compensation for infringement by local AICs.

Vendors Acting without Knowledge

- The new law permits courts to deny compensation to plaintiffs where vendors of infringing goods claim to have acted without knowledge that the goods were infringing. The IR should add additional responsibilities to such vendors, such as the obligation to provide complete disclosure of the circumstances relating to the infringing goods and related evidence and support for AIC or police investigations. The failure to provide such support should be deemed an act of bad faith, which should subject the vendor to compensation claims.

Change of Agent

- Trademark owners sometimes need to transfer responsibility for the management of their trademark registrations and applications to other agents, and the current official fee of RMB500 (US\$85) creates enormous burdens for companies that have multiple filings in China. Consequently, many companies refrain from filing such applications, thereby causing inconveniences for all. We therefore recommend the official fee for these transfers be substantially reduced or waived.