
Chapter 5 CHINA'S APPROACH TO INTELLECTUAL PROPERTY RIGHTS UNDER TRIPS

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5.1 Legislative measures relating to IPR in China before the TRIPS Agreement

Although modern intellectual property policies are a recent development in China, the concept of intellectual property existed for thousands of years in China. Trademarks, have been used by Chinese potters and sculptors since ancient times to claim ownership, ensure product quality, and establish authenticity. The earliest known trademarks on Chinese pottery date back to 2700 BC. During the Shang Dynasty (2000-1500 BC), crests of kin groups were used to identify the creators and quality of pottery, wine vessels, fencing, and cooking pots.²⁵⁰ The first known use of Chinese stamping procedures began in 221 BC during the Qin Dynasty, and this practice continued through the Han (206 BC – 200 AD), Tang (618 – 906 AD), and Song (960 – 1279 AD) Dynasties. During this time, family names were used to indicate the origin of products, the government imposed product branding, and product labels with a symbolic logo and text were created.²⁵¹

The history of branding in China is extensive, but many Western industry leaders and policymakers contend that it is not closely tied to the current legal concept of Chinese trademarks. Nevertheless, this evolution has resulted in implicit meanings associated with brand names in China. In contrast to the relationship between English and European languages, Mandarin Chinese belongs to a distinct language family.²⁵² As a result, direct translations between Mandarin and English are rare, and words are generally developed based on similar needs and definitions. This means that dictionary translations frequently fail to convey the social and cultural connotations of each word. Therefore, it is crucial to understand how the Chinese interpret the meaning of a brand.²⁵³ While the definition of a brand in the West is straightforward and refers to a name, term, sign, symbol, or design that identifies the goods and services of a seller and distinguishes them from those of competitors, in China, there are at least four Chinese terms that correspond to this definition.²⁵⁴

In 1949, the Chinese Communist Party founded the People's Republic of China after decades of civil war, Japanese occupation during World War II, and a period known as the "Century of

²⁵⁰ Shao k (2005) Look At My Sign! Trademarks in China from Antiquity to the Early Modern Times. *The Journal of the Patent and Trademark Office Society*. 645-682 (2005)

²⁵¹ Eckhardt, G. M., & Bengtsson, A. . "A Brief History of Branding in China". *Journal of Macromarketing*, 210–221. (2010)

²⁵² Language Families available at <https://www.mustgo.com/worldlanguages/language-families/> last visited on June 1, 2022)

²⁵³ Wang, J., & Sunihan, S. "An Analysis of Untranslatability between English and Chinese from Intercultural Perspective. *English Language Teaching*," , 119. (2004) <https://doi.org/10.5539/elt.v7n4p119> (last visited on June 1, 2022)

²⁵⁴ Keller, Kevin "Strategic Brand Management: Building, Measuring and Managing Brand Equity". 2008. Upper Saddle River, NJ: Pearson.

Humiliation," during which China suffered from foreign imperialism and mass opium addiction. Mao Zedong was faced with the daunting task of rebuilding a country with a massive population but without its former powerhouse status.

After Mao Zedong's victory in the Chinese Civil War, the Communist Party acknowledged the importance of science and technology in the country's reconstruction. However, there were contradictions that arose from this recognition. Mao's followers were mostly uneducated peasants who opposed the educated urban elites²⁵⁵, and protecting innovation as private property went against the socialist ideology. Consequently, the Mao government created a model of public innovation, where innovation belonged to the community rather than individuals. This approach was well-received by many, who saw it as an opportunity to contribute to the growth of their country. As a result, China made significant progress during this time. While China had only a few research institutes and a small number of technological professionals in 1949, by 1965, it had nearly 2.5 million scientists and technological professionals, and 1,714 research institutes.²⁵⁶

During the early years of its establishment, the Communist Party of China did create some basic intellectual property laws. Within months of becoming a country, the party passed the "Provisional Regulations on the Protection of Patent Rights."²⁵⁷ However, this policy had many contradictions and loopholes. For instance, patent rights could only be granted if the inventor was part of a larger organization that was often state-sponsored, such as a research institute, factory, or mine. Moreover, Article 14 of Patent Law allowed the State to appropriate all patent rights from individuals if it deemed it necessary.²⁵⁸ While Article 7 laid out penalties for unauthorized use of a patent, there was no mechanism for calculating compensation or any government body designated to enforce the regulations.²⁵⁹ Essentially, these laws only existed on paper and were not practically implemented. During the same period, the Chinese government also passed the "Provisional Regulations on Trademark Registration," which recognized trademarks as the primary way for private enterprises to differentiate their products.

²⁵⁵ Constitutional Rights Foundation, "Why Did the Communists Win the Chinese Revolution." (2016), available at <https://www.crf-usa.org/images/t2t/pdf/WhyDidCommunistsWinChineseRevolution.pdf> (last visited on June 1, 2022)

²⁵⁶ Chen, J. (1994). *The development of science and technology in contemporary China*. Hubei Education Press.

²⁵⁷ Provisional Regulations of Aug. 28, 1950, Concerning the Registrations of Trademarks, 1 FLHB 528. See also commentary on China's New Patent and Trademark Laws by L Mark Wu-Ohlson (1984)

²⁵⁸ Ibid

²⁵⁹ What is a language family? by Language Families available at <https://www.mustgo.com/worldlanguages/language-families/> (last visited on June 1, 2022)

The agency responsible for overseeing trademarks was initially placed under the Central Administration for Private Enterprises (CAPE). However, it later merged with the Central²⁶⁰ Administration for Foreign Enterprises (CAFÉ) to form the Central Administration of Industry and Commerce (CAIC)²⁶¹. This agency played a significant role in the Central Government, indicating a positive beginning for both private industry and trademark policy. In 1953, under Mao's leadership, the Communist Party launched the "great socialist transformation," which led to the government taking control of all private industries in the state by 1956. This move was in line with Mao's first five-year plan, which aimed to rapidly industrialize China by directing scarce resources into key industries.²⁶² As state-owned businesses were now focused on meeting government quotas rather than consumer demand, the importance of trademarks decreased rapidly. When supplies were limited, consumers were left with no choice but to take whatever they could to support themselves and their families.²⁶³ As a result, efforts to strengthen intellectual property rights took a back seat to economic and industrial development, causing the intellectual property right policies to lose the little traction they once had. During the period from 1950 to 1966, intellectual property rights continued to lose their importance in China as the country focused on state growth.

The Trademark Regulations of 1950 were replaced with new regulations in 1963 that eliminated the right of trademark registrants to own their trademarks.²⁶⁴ Instead, trademarks were used only to distinguish quality, similar to the Qing Dynasty's lei. Similarly, the Patent Provisional Regulations of 1950 were replaced twice, in 1954 and 1963, with each iteration reducing the rights of patent holders.²⁶⁵ The 1963 Inventions Regulations even went so far as to replace the term "patent" with "inventions" or "technological improvements."²⁶⁶ Article 27

²⁶⁰ Provisional Regulations of Trademarks Aug. 28, 1950, Concerning the Registrations of Trademarks, 1 FLHB 528.

²⁶¹ Zhang, Z. (2019). *Intellectual Property Rights in China*. University of Pennsylvania Press available at <https://www.pennpress.org/9780812251067/intellectual-property-rights-in-china/> (last visited on June 22, 2022). See also Language Families available at <https://www.mustgo.com/worldlanguages/language-families/> (last visited on June 22, 2022)

²⁶² McKnight, B., & Franke, H. (2020). *China—The transition to socialism, 1953–57* available at Encyclopædia Britannica, inc. <https://www.britannica.com/place/China> last visited on June 22, 2022)

²⁶³ Zhang, Z. (2019). *Intellectual Property Rights in China*. University of Pennsylvania Press available at <https://www.pennpress.org/9780812251067/intellectual-property-rights-in-china/> (last visited on June 22, 2022).

²⁶⁴ Provisional Regulations of Apr. 10, 1963, Regulations on Awards for Inventions and Technical Improvements. See also *laws of the Peoples Republic of China on Industrial and Intellectual Property* by Tao-Tai Hisa and Kathryn A Haunt available at <https://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=3409&context=lcp> (last visited on June 22, 2022).

²⁶⁵ W. Guan , *A Critical Examination of China's TRIPS Compliance and beyond* (2014), available at <https://link.springer.com/book/10.1007/978-3-642-55265-6> (last visited on June 22, 2022).

²⁶⁶ Provisional Regulations of Apr. 10, 1963, Regulations on Awards for Inventions and Technical Improvements.

of these regulations stated that "all inventions are the property of the State, and no person or unit could claim monopoly over them," making all claims of intellectual property public in a drive to direct all State growth.²⁶⁷

From 1966 to 1976, China experienced the Cultural Revolution which had a major impact on intellectual property rights. This movement discredited intellectuals, elites, and government officials as supporters of capitalism, resulting in the dismantling of the Central Administration of Industry and Commerce and the imprisonment of its General Director, Xu Dixin.²⁶⁸ The 50,000 registered trademarks in China were viewed as representing capitalist values and were no longer used.²⁶⁹ Numerous scientists and technical professionals were categorized as part of the bourgeoisie & were sent to labour camps to repay society for their work's social and financial capital.²⁷⁰ Intellectual creation was no longer rewarded as it went against socialist values, and for about ten years, intellectual property rights were almost non-existent. Patent Act includes three types of Patent which Invention, Utility Model & Design. The intellectual property of Design doesn't have an exclusive act.

After the end of the Cultural Revolution in 1976, Deng Xiaoping, China's new Chairman, changed the direction of the country's growth. The Chinese Communist Party had started to recognize the significance of structured intellectual property laws towards the end of the Cultural Revolution. In 1973, Ren Jianxin, Director of Legal Affairs in the China Council for the Promotion of International Trade, reported the importance of re-establishing China's failed intellectual property rights system to then-Premier Zhou Enlai during a WIPO conference in Geneva.²⁷¹ Deng's "Reform and Opening-Up" policy not only focused on foreign trade but also renewed China's interest in intellectual property rights. In 1979, Arpad Bogoch, WIPO's General Secretary, visited China to discuss implementing a possible patent system. China

See also *laws of the Peoples Republic of China on Industrial and Intellectual Property* by Tao-Tai Hisa and Kathryn A. Haunt, available at <https://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=3409&context=lcp> (last visited on June 22, 2022).

²⁶⁷ Provisional Regulations of Apr. 10, 1963, Regulations on Awards for Inventions and Technical Improvements. See also *laws of the Peoples Republic of China on Industrial and Intellectual Property* by Tao-Tai Hisa and Kathryn A. Haunt available at <https://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=3409&context=lcp> (last visited on October 23, 2022)

²⁶⁸ Fang, Z. (2002). *Memories Xu Dixin* Haitian Press

²⁶⁹ Zhang, Z. (2019). *Intellectual Property Rights in China*. University of Pennsylvania Press, available at <https://www.pennpress.org/9780812251067/intellectual-property-rights-in-china/> (last visited on October 23, 2022)

²⁷⁰ *ibid*

²⁷¹ CNIPA, *25 Years of Intellectual Property Protection*.(2013), available at <http://english.sipo.gov.cn/news/ipsrspecial/919158.htm> (last visited on October 23, 2022)

joined WIPO in 1980, committed to developing a stronger intellectual property rights system by studying other countries' patent systems, including Germany, Brazil, and the United States.²⁷² To support China's new system, General Secretary Bogsch visited Beijing almost every year for the next twelve years and was even named an "Honorary Professor" by Peking University.²⁷³ Following the Cultural Revolution, the international community recognized the potential market growth of China and wanted a system that would safeguard their intellectual property.

However, there were disagreements over the development of patent policy in China. In 1978, China revived the 1963 Inventions Regulations without recognizing private ownership. Within a year, scientists and scholars realized this issue and created a revised policy that allowed for private ownership. However, the policy faced criticism from various government agencies, such as the Ministry of Machinery Industry, who believed that certain inventions' monopoly ownership would hinder state growth.²⁷⁴ The opposition delayed the policy for several years and only agreed to it after adopting nearly 70 revisions to weaken it.²⁷⁵ After much debate and international criticism, the Chinese government passed the 1984 Patent Law, as desired in the 1982 Five-Year Plan that called for strengthened patent policy. The new law was detailed and thorough, consisting of 69 articles that covered application procedures, review processes, and enforcement measures.²⁷⁶ Although the new law was more robust than previous regulations, it still had some shortcomings compared to international standards. For instance, patents in China were only granted for fifteen years, while most developed countries granted them for twenty years.²⁷⁷ Moreover, discoveries in science, pharmaceuticals, foods, beverages, disease treatments, and anything derived from chemical processes were not patentable, which later caused a disagreement with the United States.

²⁷² Zhang, Z. (2019). *Intellectual Property Rights in China*. University of Pennsylvania Press, available at <https://www.pennpress.org/9780812251067/intellectual-property-rights-in-china/> (last visited on October 23, 2022)

²⁷³ *The First Twenty Five Years of the World Intellectual Property Organization (1967-1992)*. By W. I. P., & Bogsch, A. (1992). WIPO.

²⁷⁴ Zhao Yuango, *The gestation and birth of China Patent System*, Beijing Intellectual Property Publishing House (2003)

²⁷⁵ Zhang, Z. (2019). *Intellectual Property Rights in China*. University of Pennsylvania Press, available at <https://www.pennpress.org/9780812251067/intellectual-property-rights-in-china/> (last visited on October 23, 2022)

²⁷⁶ Patent Law of China, available at <https://www.cpahk ltd.com/UploadFiles/20201222110401200.pdf> (last visited on October 23, 2022) See also, Patent Law of PRC available at http://www.npc.gov.cn/zgrdw/englishnpc/Law/2007-12/13/content_1383992.htm (last visited on October 23, 2022)

²⁷⁷ *Ibid*

Around the same period, there was a significant overhaul of China's trademark system. The State Administration for Industry and Commerce (SAIC) was reinstated by the Central Government in 1978 to address the inadequacies of the trademark registration system in the country.²⁷⁸ The SAIC brought together the fragmented trademark regime at the provincial level and placed intellectual property at the center of China's economic policy. Prior to this reform, the total number of trademarks in China had reduced by 40% compared to the numbers before the Cultural Revolution, which had affected the private businesses negatively.²⁷⁹ In response to the need to revive private businesses and meet the demands of an open economy, the SAIC pioneered intellectual property policy with the 1983 Trademark Law, which aimed to safeguard the exclusive rights of trademark holders. This policy is commonly known as China's "First Trademark Law." China later joined the Paris Convention for the Protection of Intellectual Property in 1985 and the Madrid Agreement for the International Registration of Trademarks in 1989, thereby aligning itself with international intellectual property standards, albeit slowly. In 1993, China introduced the Anti-Unfair Competition Law, which strengthened its trademark regime, but this was not due to international pressure.²⁸⁰ Chinese officials believed it was an opportunity to advance their trademark laws independently. They recognized that it was essential to improve internal regulations before facing punitive measures from the international community. Despite facing scrutiny from around the world, China took proactive steps to enhance its trademark policies. Despite efforts to improve intellectual property protections in China during the early 1990s, the United States was not satisfied with the progress made. In 1994, the US Trade Representative (USTR) added China to its priority list for failing to enforce copyright and trademark laws.²⁸¹ This led to multiple rounds of trade negotiations between the two countries²⁸² and ultimately resulted in the creation of the Provisional Regulations on the Recognition and Management of Well-Known Trademarks in 1996. These regulations provided some protection for unregistered, well-known trademarks, similar to that of a registered trademark. Initially, the policy only applied to the United States, but other developed countries pursued similar treatment and in the end, China was compelled to revise the 1996

²⁷⁸ Trademark office of the State Administration, available at <https://www.chinatrademarkoffice.com/>

²⁷⁹ *Ibid*

²⁸⁰ WIPO, *Law Against Unfair Competition of the People's Republic of China*, available at <https://www.wipo.int/edocs/lexdocs/laws/en/cn/cn011en.pdf> (last visited on October 23, 2022)

²⁸¹ United States Government Accountability Office. *U.S.-China Trade: Implementation of Agreements on Market Access and Intellectual Property (1995)*, available at <https://www.gao.gov/assets/230/220848.pdf> +&cd=1&hl=en&ct=clnk&gl=us (last visited on October 23, 2022)

²⁸² Bird, R., Bird, R., & Jain, S. C. (2009). *"The Global Challenge of Intellectual Property Rights"*. (Edward Elgar Publishing 2009)

Regulations in 1998 so that they would align with the minimum expectations outlined by TRIPS and the Paris Convention.²⁸³

On December 11, 2001, China became a member of the WTO after making further revisions to its patent, trademark, copyright, and trade secret policies. This allowed China to fulfil the requirements set by the global intellectual property community. Before joining the WTO, China had already developed laws to protect geographical indications, made it easier to register trademarks, and adopted language similar to TRIPS to avoid confusion with well-known, unregistered trademarks. Moreover, the dispute action period was extended from one to five years, giving trademark holders more time to identify violations and take legal action. The changes also allowed local Administrations for Industry and Commerce (AIC) to order violators to cease the production of infringing goods, dispose of existing products, and pay a fine.

China has made significant revisions to its patent and trademark laws since becoming a member of the World Trade Organization. Most of the reforms to the Chinese intellectual property system prior to its acceptance into the international trading community were initiated by Western agencies. In the 1990s, the US played a key role in pressuring China to improve its protections and policies through a series of trade talks. However, once China met the required standards, the West withdrew from the conversation, leaving China to review its policies based on domestic constituents' desires. Some Chinese officials and individuals felt that it was unjust for the US to force China to implement strong intellectual property laws that hindered domestic economic growth. They argued that the US had also copied Europeans for over a century and that they were practicing double standards.²⁸⁴ This sentiment was fuelled by China's history of imperialization by developed countries, which still shaped the perspectives of many Chinese. Consequently, the focus shifted towards protecting domestic companies, leading to increased infringements on foreign intellectual property. Due to the growing accusations of violations, the US resumed its presence in the Chinese intellectual property realm in 2018 through the US-China Trade War, resulting in another series of revisions.

²⁸³ Zhang, Z. (2019). *Intellectual Property Rights in China*. University of Pennsylvania Press. Available at <https://www.pennpress.org/9780812251067/intellectual-property-rights-in-china/> (last visited on October 23, 2022)

²⁸⁴ Zhang, Z. (2019). *Intellectual Property Rights in China*. University of Pennsylvania Press, available at <https://www.pennpress.org/9780812251067/intellectual-property-rights-in-china/> (last visited on October 23, 2022)

Following an investigation, the Chinese Central Government determined that although the new patent and trademark policies provided benefits to Chinese business owners, many believed that these benefits were a result of bowing to foreign powers. They argued that the real beneficiaries were foreign companies that now had protected access to Chinese markets. This belief led to a decade in which intellectual property policy was focused on domestic constituents. In December 2008, the Central Government passed a revised patent law that, among several changes, allowed for the compulsory licensing of monopolized patents when deemed necessary. This meant that foreign enterprises had no say on licensing terms if the Chinese Government deemed their product critical, indicating that the political climate had shifted away from foreign influence and towards appeasing domestic interests.

China's deceptive tactics in protecting IPR came to an end when it was forced to modify the Patent Law due to external pressure, particularly from the USTR organization.²⁸⁵ China was pressured to signed a Memorandum of Understanding with the United States for the protection of the Intellectual Property Rights.²⁸⁶

The 1992 Amendments of the Patent Law were as follows:

- (i) Grant Patent to chemical , Pharmaceutical and Alimentary
- (ii) Grant the right to import
- (iii) Patent Protection term for twenty years
- (iv) Introduced the principle of priority system²⁸⁷
- (v) Allow employee innovation²⁸⁸

The State Intellectual Property Office (SIPO) did take a note in increase in application of patent, which raised almost six times from 8357 in 1992 to 50120 in 2000.²⁸⁹ Some experts pointed out that foreign companies registered Trademark application along with designs application.²⁹⁰In the entire phase US was the only developed country that was pressurizing China towards proper IP laws , but US had interest in doing so. Warren Maruyama the Former General Counsel of

²⁸⁵ C Liu, *Intellectual Property Law* (Renmin University Press, 5th Edi. 2014)

²⁸⁶ Memorandum of Understanding Between the Government of United States and China on the Protection of IPR (1992) available at http://tcc.export.gov/trade_agreements/all_trade_agreements/exp_005362.asp, (last Visited on October 21,2022)

²⁸⁷ C Liu, *Intellectual Property Law* (Renmin University Press, 5th Edi. 2014)

²⁸⁸ X Lan and L Zhang “ Relationship between IPR and Technology Catch-up some evidence from China in H Odagiri , A Goto , A Sunami and RR Nelson (Eds) , *Intellectual Property Rights Development and Catch-up an International Comparative Study*, Oxford University Press (2012)

²⁸⁹ Detailed statistics available at <http://english.sipo.gov.cn/statistics/> (last visited on October 23, 2022)

²⁹⁰ D Yang , M Sonmez and D Bosworth , *Intellectual Property Abuses : How should Multinationals respond*

USTR described the negotiations agenda in his article “*at a 1985 meeting to the US –China Joint Committee on Commerce and Trade, US for the first time expressed concern about the weak Chinese IPR standards . In 1987 , the US put IPR on the agenda for US –China market Talks*”²⁹¹

The USTR was more after China not only for proper IP law in Patent, Trademark and Design law but also Copyright law. China had not drafted neither had enacted proper Copyright law and that what USTR did not take it lightly, there was lack of market access and protection which led to US pressurizing the China to sign the Memorandum of Understanding in 1989²⁹²and thereby enacting the Copyright law in 1990 and the Computer Software Protection Regulations in 1991. The US Charged 301 of the Trade Acts for violating IPR and later on the charge was reconciled in the Sino-American MoU for the Protection of IPR in 1992, in which both the governments will provide procedures and remedies to stop internal and border infringement of IPR.²⁹³

5.2. Legislative developments in the Chinese IPR Laws Post TRIPS Agreement

5.2.1 Overview of the changes made after joining TRIPS Agreement

Over the past thirty years, China's economy has grown rapidly and has made remarkable progress in the field of IP. The key factor behind China's economic rise is its ability to innovate and effectively absorb foreign technology through learning from multinational enterprises that have made significant investments in China. China's journey to attract foreign companies to invest in the country was not easy, but was made possible by adhering to the IPR laws set by the WTO under the TRIPS Agreement, which also enabled China to become a member of the WTO. Is it ironic that a former thief becomes a police officer? From 1990 to 2001, China was recognized as the world's leading producer of counterfeit goods, manufacturing and exporting large quantities of fake items ranging from clothes, books, accessories, shoes, cars, and even aircraft.²⁹⁴ It is important to note that China's membership with the WTO did not directly address the issue of infringement, but rather was a result of the country's liberalized trade

²⁹¹ M Warren , “US –China IPR Negotiations : Trade , Intellectual Property and Rule of Law in a Global Economy” in M A Cohen, E Bang , and S Mitchell (eds) , *Chinese Intellectual Property law and Practice* (Kluwer Law International) (1999)

²⁹² PRC agrees to push for the copyright law that will protect Computer Software (World Intellectual Property Report , 1989)

²⁹³ US Department of State (USTR) “*Intellectual Property Rights “Memorandum of Understanding between USA and China”* 12036 treaties and other international act series

²⁹⁴ Daniel C.K. Chow “ Why China Does not take commercial Piracy seriously” Ohio Northern University Law Review , Vol 32 no 2 2006 p 2003

policy.²⁹⁵ Prior to the TRIPS Agreement, China had already established various IP laws, such as Patent Law and Trademark Law. In 1992, China signed an agreement with the US and subsequently joined the Berne Convention in 1992 and the Geneva Convention in 1993.²⁹⁶

China had been reluctant to revise its IP laws from the outset. However, in 1995 and 1996, China engaged in discussions regarding two international agreements. In February 1995 and June 1996, China expressed its desire to enhance its IP enforcement measures domestically and internationally, as well as to open its internal market to US copyright materials such as software, sound recordings, and movies. In exchange for this, the US agreed to train Chinese lawyers and judges.²⁹⁷

The revisions made in accordance with the TRIPS agreement were primarily related to patent law. They included the prohibition of offering infringing products for sale, the introduction of Judicial review of patent invalidations, and the implementation of stricter standards for issuing compulsory licenses.²⁹⁸ On 2nd July 2001, the first amendment was made to the Patent Law, which prohibited the "offer for sale" of products that infringe upon invention patents.²⁹⁹ The second change made to the Act was in relation to Article 31 of the TRIPS Agreement. This involved adopting new and more rigorous standards for granting compulsory licenses while allowing for judicial review of patent invalidation in accordance with Article 41(4) of the TRIPS Agreement. China revised its Trademark law just ten days before becoming a member of the WTO.³⁰⁰ The TRIPS Agreement significantly impacted the Trademark law and expanded the scope of registerable subject matter to include three-dimensional and colour marks. It also provided protection for well-known marks according to international standards, certification and collective marks, and geographical indications. Additionally, the time limit for challenging a fraudulently registered trademark was removed, and judicial review and administrative decision were included. The law now includes an injunction for IPR and criminal penalties to comply with the TRIPS agreement.

²⁹⁵ Daniel C.K. Chow "Why China Does not take commercial Piracy seriously" Ohio Northern University Law Review , Vol 32 no 2 2006 p 2003

²⁹⁶ At the same time China also ratified the following treaties : the Universal Copyright Convention (1992) , Geneva Convention (1993) Patent Cooperation Treaty (1994) and Budapest Treaty (1994)

²⁹⁷ China and United States Agreement Regarding Intellectual Property Rights "*Chinese Action Plan for effective protection and enforcement of intellectual property rights*"(1995)

²⁹⁸ Peter K Yu "*From Pirates to partners (episode II) Protecting Intellectual Property in Post WTO in China*" America University Law Review vol 55 p 901 (2006)

²⁹⁹ Chinese Patent Law Art 11

³⁰⁰ Peter k Yu "*From Pirate to Partner (Episode I) Protecting Intellectual Property Rights in Post WTO China*" American Law University Vol. 55 Pp 910 (2006)

Changes to China's IP laws were not solely driven by the country's accession to the WTO, but also by domestic market needs. For example, updates were made to the Patent Law, including clarification of the ownership between employers and employees, the revocation and invalidation process, and the calculation of damages based on appropriate royalties.³⁰¹ China has been regularly revising its IP laws, with efforts in 2009 aimed at protecting basic patent rights and promoting indigenous innovations.³⁰² In October 2011, the Chinese Legislation introduced new concepts to the Trademark Law, extending protection to single colors, sounds, and introducing a new registration system that allowed for multiple class applications and online applications. Amendments were made to the opposition procedure, and heavier penalties were imposed on repeat offenders. Additionally, a new category of "Famous mark" was introduced under the well-known mark category, based on provincial popularity rather than nationwide recognition.

5.2.2 Tracking the changes in the Trademark Law Post TRIPS Agreement

The Trademark Law of the People's Republic of China was adopted at the 24th meeting of the Standing Committee of the Fifth National People's Congress on August 23, 1982, and was effective from March 1, 1983, significantly marking the beginning of the systematic establishment of China's modern legal system for the protection of Intellectual Property Rights.³⁰³ China revised its trademark law following the 24th Session of the Standing Committee of the Ninth National Congress which passed the revision to the Trademark law on October 27, 2001. Categorically, in compliance with the Articles 16.2 and 16.3 of the TRIPS Agreement dealing with the exclusive rights of the well-known trademark right holders, the above revision envisaged the interim provisions for protection of the rights of the unregistered trademarks in China.³⁰⁴ As per the requirement of the TRIPS Agreement, the Member Nations are to comply with Article 1 to 12 and Article 19 of the Paris Convention and hence these changes can be considered to be in line with TRIPS Agreement.³⁰⁵ To comply with the Article 15(2) of the TRIPS Agreement, the law expanded its horizons to include the protectable subject matter by

³⁰¹ *Ibid*

³⁰² Bryan Mercurio "The Protection and enforcement of Intellectual Property Un China since accession to the WTO : Progress and Retreat" *Centre D'etude Frnacias sur la China Contemporaine pp 23-28 (2012)*

³⁰³ Intellectual Property in China by Permanent Mission of the People's Republic of China to the United Nations office at the Geneva and Other international Organisation in Switzerland, available at <http://www.china-un.ch/eng/bjzl/t176937.htm> (last visited on November 17, 2022)

³⁰⁴ Well-Known Trademark Protection in China: Before and after the TRIPS Amendments to China's Trademark Law by Ran, Ruixue, available at <https://escholarship.org/content/qt0g35z19s/qt0g35z19s.pdf?t=n4ox1y> (last visited on November 17, 2022)

³⁰⁵ *Ibid*.

specifying the registration of letters, numbers and colours and their combinations and three-dimensional symbols.³⁰⁶

Following are the features of Chinese Trademark law in compliance to TRIPS Agreement:

- Under Article 8 Trademark Law of China (TLC) states that the any logo that can distinguish the commodities of a legal person or natural person, including text, graphic, letters, numbers, three dimensional signs, color combinations and sounds can be used as Trademark.³⁰⁷
- Under Article 10 of TLC, it states signs that cannot be registered as trademark like National Flags or National Emblem of other countries. Further Article 11 of TLC states that signs which lack distinctive feature or has a general name or indicates quality, functions or purpose may not be registered as trademark.³⁰⁸
- With regards to registration of the Trademark Dependent on its use, there is no direct provision however it can interpreted under the provision of infringement of trademark under Article 64 of TLC as it states that where a registered trademark has not been in use for three consecutive years and if infringement takes place the claimant won't be liable to get a compensation.³⁰⁹
- Article 9 mandates that the registered trademark be distinctive and must not infringe on the rights of any previous trademark holders. The trademark holder is entitled to display "Registered Trademark" or a registered trademark symbol.³¹⁰
- Article 8 and 9 of TLC are similar to Article 15(4) of the TRIPS Agreement which states that any signs capable of distinguishing the goods of one entity from those of others may be registered as trademarks, regardless of the nature of the goods or services. Additionally, trademarks should have noticeable characteristics and be readily distinguishable and should not conflict with the legitimate rights obtained by others earlier.
- With regards to procedure of publication prior to registration or after registration, the trademark law follows the condition under Article 28 of TLC, in which if the trademark meets the standards then a Preliminary publication will be made. Under Article 35 of

³⁰⁶Trademark Law Art.8 P.R.C. *available* at pg.22

<https://escholarship.org/content/qt0g35z19s/qt0g35z19s.pdf?t=n4ox1y> (last visited on November 17, 2022)

³⁰⁷ This is in compliance with Article 15(1) of the TRIPS Agreement.

³⁰⁸ This is in compliance with Article 15(2) of the TRIPS Agreement.

³⁰⁹ This is in compliance with Article 15(3) of the TRIPS Agreement.

³¹⁰ This is in compliance with Article 15(4) of the TRIPS Agreement.

TLC it states that anyone can file opposition after the preliminary publication has been made by stating the reasons for such objection.³¹¹

- Article 57 of TLC talks about various acts which shall constitute infringement which emphasis upon exclusive rights of the owner of the Trademark.³¹²
- The obligation with regards to Well-known Trademark is covered under Article 13 of TLC which states that Well-known Trademark will be recognized and any similar trademark may be refuse for registration or the existing registration can be canceled. For this either the relevant public or the holder can make the application. Whereas Article 14 of the Act talks about the factors to be taken into consideration in recognizing a well-known trademark. Article 33 states that if someone has a prior right to a trademark or a valid interest in it, they can raise concerns with the trademark office within three months of the preliminary review announcement. This is applicable if they believe that the trademark, which was announced during a preliminary review or which violates specific rules mentioned in Article 13, Article 15, Article 16 (1), Article 30, Article 31, or Article 32 of this Law.³¹³
- Article 13 of TLC talks about the protection of well-known trademarks and prohibits the use of similar trademarks that may damage the interests of the owner. Whereas Article 58 of TLC talks about the use of a registered or unregistered well-known trademark of another party in an enterprise name, which may mislead the public and constitute unfair competition. It mentions that such acts will be dealt with in accordance with the Anti-unfair Competition Law of China.³¹⁴
- Article 59 of TLC states that the owner of a registered trademark cannot prohibit others from using generic names, graphics, or models of the goods, or information that directly indicates the quality, main raw materials, functions, weight, quantity, or other features of the goods, or geographical names contained in the trademark.³¹⁵
- Article 39 of TLC states the validity of Trademark is 10 years. Further the renewal clause is covered under Article 40 of TLC which states that renewal for 10 years.³¹⁶
- Article 49A of TLC states that if a registered trademark becomes a common or generic name for the products it represents, or if it hasn't been used for three consecutive years

³¹¹ This is in compliance with Article 15 (5) of the TRIPS Agreement.

³¹² This is in compliance with Article 16 (1) of the TRIPS Agreement.

³¹³ This is in compliance with Article 16 (2) of the TRIPS Agreement.

³¹⁴ This is in compliance with Article 16 (3) of the TRIPS Agreement.

³¹⁵ This is in compliance with Article 17 of the TRIPS Agreement.

³¹⁶ This is in compliance with Article 18 of the TRIPS Agreement.

without a valid reason, anyone can apply to the trademark office to cancel or revoke that registered trademark. The trademark office will then make a decision within nine months after receiving the application. In some special cases, if needed, the decision-making process can be extended for an additional three months with approval from the administrative department for industry and commerce of the State Council.³¹⁷

- Article 43 of TLC talks about licensing of a registered trademark by the owner to another person, whereas the TRIPS provision pertains to the recognition of the use of a trademark by a person under the control of the trademark owner as a valid use to maintain the trademark registration. Article 43 states that a trademark owner may authorize the use of logo by giving trademark license and shall also supervise the quality of goods on which license was registered with.³¹⁸
- In relation to Article 20 of the TRIPS Agreement, a similar provision can be found in Article 6 of TLC. Both provisions emphasize that the use of a trademark should not be unduly restricted or encumbered by special requirements, and that trademarks should be capable of distinguishing the goods or services of one undertaking from those of other undertakings.³¹⁹
- In relation licensing and assignment of Trademarks , China has set its own standards which is dealt under – Article 42 and 43 of TLC.³²⁰ Article 42 of TLC states that to assign a registered trademark, the assignor and assignee must sign an agreement and jointly file an application with the trademark office. The assignee must guarantee the quality of the goods on which the trademark is used, and the trademark office will not approve a transfer that may cause confusion or unfavourable effects. After approval, the assignee has the exclusive right to use the trademark.
- Article 43 of TLC explains that the owner of a registered trademark can authorize someone else to use it through a licensing agreement, but the licensor must supervise the quality of the goods bearing the trademark, and the licensee must guarantee the quality of those goods. The licensing agreement must be filed with the trademark office and published and if the trademark is used by someone other than the owner, the name of the licensee and origin of the goods must be indicated on the products.

³¹⁷ This is in compliance with Article 19(1) of the TRIPS Agreement.

³¹⁸ This is in compliance with Article 19 (2) of the TRIPS Agreement.

³¹⁹ This is in compliance with Article 20 of the TRIPS Agreement.

³²⁰ This is in compliance with Article 21 of the TRIPS Agreement.

5.2.3 Tracking the changes in the Patents and Designs Law Post TRIPS Agreement

Patent Law was originally developed after the Mao' death 1978 (The Chairman of the Communist Party).His successor Hua, decided to give the State Science Commission, the mandate for all patent related matters. The Commission completed the feasibility study and submitted the 'A' report to the State Council to establish patent system in China.³²¹ The first patent law was passed by the Standing Committee of the People's Congress on March 12, 1984 and came into force on April 1, 1984 named Patent Law of People's Republic of China.³²² In China, Designs related aspects are dealt under the Patent Act itself. Patent Law came into force from 1st April 1985, and since then designs have been protected as a type of Patent.³²³

The very first patent law in China was notably "European" in nature and recognized three types of patents: regular Inventions, Utility Models, and Designs. A significant aspect of the law was the duration of patents, which was set at 15 years for regular invention patents from the filing date and 5 years for Utility Model and Design Patents, both extendable by up to 3 years. The law also identified non-patentable subject matter, including scientific discoveries, food, beverages and dressings, rules of mental activity, methods for the prevention and treatment of diseases, animal and plant varieties, pharmaceuticals, substances obtained through chemical processes, and substances obtained via nuclear exchange, among others. Uniquely, if no reasons for rejection were identified during the initial examination of the Patent application, the Patent Administration Department would approve the Patent. A Patent certificate would then be issued, and the grant of the patent right would be recorded and publicly announced. Importantly, the patent rights for utility models or designs became effective on the date of the official announcement.³²⁴ In terms of foreign filings, Chinese companies or individuals were required to obtain a foreign filing permit before proceeding. Additionally, a quasi-judicial governmental agency, the Patent Administrative Bureau, was established to allow patent owners and the public to settle patent-related disputes.³²⁵

³²¹ Mr Bonana Lin, Overview of the Chinese Patent Law , *available at* [oemmnadbldboiebfnladdacbfmadadm/https://ipo.org/wpcontent/uploads/2013/04/China_Overview_ChinesePatentLaw_Sept20040425.pdf](https://ipo.org/wpcontent/uploads/2013/04/China_Overview_ChinesePatentLaw_Sept20040425.pdf) (last visited on November 28, 2022)

³²²*Ibid*

³²³ Jianhui Zheng, China : China Design Practice Guide 2015, *available at* <https://www.mondaq.com/china/Intellectual-Property/365424/China-Design-Practice-Guide-2015China> (last visited on November 28, 2022)

³²⁴ Article 40 of PLC

³²⁵ Bonana Lin, Overview of the Chinese Patent Law , *available at* [oemmnadbldboiebfnladdacbfmadadm/https://ipo.org/wpcontent/uploads/2013/04/China_Overview_ChinesePatentLaw_Sept20040425.pdf](https://ipo.org/wpcontent/uploads/2013/04/China_Overview_ChinesePatentLaw_Sept20040425.pdf) (last visited on November 28, 2022)

After China became a part of TRIPS Agreement, it made required changes to their patent law. The changes to the Patent law were made in accordance with TRIPS Agreement.³²⁶ Even the pharmaceutical products and substances are included which were excluded from patentable subject matter under Article 25 of the prior law.³²⁷ The duration of the invention patent is extended from fifteen to twenty years. Articles 51 to 58 and Rules 68 to 69 of the implementing regulations are in consensus with Article 31 of the TRIPS Agreement.³²⁸ Article 70 of the TRIPS Agreement requires members to grant its rightful owner exclusive rights to products on the market whereas the Chinese regulations grants rights of producing, selling, using, and so on and forth.³²⁹ Law concerning the burden of proof in the infringement of process patent and Compulsory licensing is also provided. The burden of proof is now shifted on the alleged infringer.³³⁰ More stricter conditions have been added in case issue of compulsory license³³¹ for which first permission has to be taken from the inventor to use his patent. If request is rejected by the Patent Owner then the party may apply to Patent Administration Department for Compulsory License. When making such application the duration period for the person wishes to use other person patent should be stated. Article 2 (4) of the Patent Law defines design as a “design is a shape or patterns or combination thereof, or the combination of color with shape or pattern of a product which has an aesthetical appeal and is fit for industrial application.” These and many other regular provisions are incorporated in the Chinese Patent Law however, it is important to understand the provisions related to infringement and actions thereon as provided under the Patent Law.

Following are the features of Chinese Design Law in compliance to TRIPS Agreement:

- Article 2 of the Patent Law of China (PLC) states that a Design refers to any new and visually appealing shape, pattern, color, or combination of these elements, that is suitable for use in industry or manufacturing.³³²

³²⁶ Patent Law of (P.R.C.) (2000) (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 25, 2000, effective July 1, 2001), http://www.sipo.gov.cn/sipo_English/laws/lawsregulations/200203/t20020327_33872.htm (last visited on November 28, 2022)

³²⁷ *Ibid*

³²⁸ Para 10 of Understanding and Application of “Interpretation on Several Issues Concerning the Specific Application of Law in Handling Criminal Cases of Infringement of Intellectual Property Rights by Lin Guanghai and Xu Changhai (29/10/2020) available at: <https://www.chinacourt.org/article/detail/2020/10/id/5549410.shtml> (last visited on November 28, 2022)

³²⁹ Wei-Ning Yang and Andrew Y Yen, *The Dragons Gets New Ip Claws : The latest Amendments to the Chinese Patent law*, available at <https://ipo.org/wp-content/uploads/2013/03/DragonGetsNewIPClaws.pdf> (last visited on November 28, 2022)

³³⁰ Patent Law of People's Republic of China, (2000) Article 57

³³¹ Patent Law of People's Republic of China (2000) Article 48-55

³³² This is in relation with Article 25 (1) of the TRIPS Agreement.

- Article 11 of PLC states, after a patent is granted for an invention, utility model, or design, no one can use, make, sell, or import products that use that patented technology or design without permission from the person who holds the patent. This is to protect the rights of the patent holder and prevent others from using their invention or design without their permission.³³³
- Exceptions are provided under Article 67 which states that if someone is accused of infringing on a patent, but they can prove that the technology or design they used was already known or existed before the patent was filed, then their use of it is not considered to be infringement of the patent right.³³⁴
- Under Article 42 of PLC it states the duration of Patent protection for inventions is 20 years, for utility models it is 10 years, and for designs it is 15 years. The protection period starts from the date the patent application is filed.³³⁵

Following are the features of Chinese Patent Law in compliance to TRIPS Agreement:

- Article 22 of PLC states that an invention or utility model must fulfil the criteria of novelty, inventiveness, and practicality to be eligible for a patent right.³³⁶
- Article 5 of PLC sets out the conditions for patentability, which includes inventions that do not violate laws or social morality and are not detrimental to public interests. Similarly, Article 25 of PLC lists inventions that are not eligible for patent protection, such as scientific discoveries, methods for the diagnosis or treatment of diseases, and animal and plant varieties.³³⁷
- Article 11 of PLC specifies that after the grant of a patent, no individual or entity can exploit the patented invention or utility model without the authorization of the patentee, which includes manufacturing, selling, or importing the product, or using the patented process to obtain a product without the patent owner's consent. Which is similar, to Article 28 of the TRIPS Agreement and both provisions allow for the assignment, transfer, and licensing of patent rights.
- Article 26 of PLC outlines the requirements for submitting a patent application for an invention or utility model. The application must include a request, a clear and comprehensive description of the invention, an abstract that summarizes the main

³³³ This is in compliance with Article 26 (1) of the TRIPS Agreement.

³³⁴ This is in compliance with Article 26 (2) of the TRIPS Agreement.

³³⁵ This is in compliance with Article 26 (3) of the TRIPS Agreement.

³³⁶ This is in compliance with Article 27 (1) of the TRIPS Agreement.

³³⁷ This is in compliance with Article 27 (2) and (3) of the TRIPS Agreement.

technical points of the invention, and claims that define the scope of the patent protection being sought. Additionally, if an invention relies on genetic resources, the applicant must indicate the original source of these resources³³⁸. Based on these requirements, it appears that Article 26 of PLC is largely consistent with the requirements of Article 29 of the TRIPS Agreement.

- Provisions related to compulsory licensing are stated under in Articles 61, 62, and 63, meet the criteria set out exceptions to rights conferred.³³⁹ Article 61 states that the entity or individual granted a compulsory license does not have the exclusive right to exploit the patent. Article 62 requires reasonable royalties to be paid to the patent owner by the entity or individual which is granted a compulsory license, this satisfies the requirement that the exception must not unreasonably prejudice the legitimate interests of the patent owner. Finally, Article 63 allows for judicial review of disputes regarding compulsory licenses and the determination of royalties, which takes into account the legitimate interests of both the patent owner and the entity or individual granted the compulsory license.
- Article 31 of the TRIPS Agreement outlines the conditions under which a member country can allow the use of a patented invention without the authorization of the patent holder. Such uses may include use by the government or by third parties authorized by the government. The article stipulates that the authorization of such use should be considered on its individual merits and that it may only be permitted if the proposed user has made efforts to obtain authorization from the patent holder on reasonable commercial terms and conditions, and such efforts have been unsuccessful within a reasonable period of time.

The following provisions of PLC align with Article 31 of the TRIPS Agreement:³⁴⁰

- Article 49 allows the relevant competent departments to decide that a patented invention of a State-owned enterprise or institution be spread and applied within the approved scope, and allow designated entities to exploit the invention. The exploiting entity is required to pay a royalty to the patentee, which corresponds to the requirement of seeking authorization from the right holder on reasonable commercial terms and conditions.

³³⁸ This is in compliance with Article 29 of the TRIPS Agreement.

³³⁹ This is in compliance with Article 30 of the TRIPS Agreement

³⁴⁰ This is in compliance with Article 32 of the TRIPS Agreement

- Article 50 establishes the provision for an open license. If a patentee voluntarily declares in writing to the patent administration department that they are willing to license any entity or individual to exploit their patent, an open license can be implemented. This aligns with the requirement of making efforts to obtain authorization from the right holder on reasonable commercial terms and conditions.
- Article 53 grants the Patent Administration Department the authority to grant a compulsory license to exploit an invention or utility model under certain circumstances, such as when the patentee has not exploited the patent within a reasonable period or when the exercise of the patent right is confirmed as a monopolistic conduct.
- Article 54 grants the Patent Administration Department the authority to grant a compulsory license for a patent in cases of national emergency or any extraordinary state of affairs, which corresponds to the provision for permitting other use without authorization in situations of national emergency or other circumstances of extreme urgency.
- Article 55 allows the Patent Administration Department to grant a compulsory license for the manufacture of a pharmaceutical product for public health purposes, which aligns with the provision for permitting other use without authorization for the purpose of public non-commercial use.
- Article 56 grants the Patent Administration Department the authority to grant a compulsory license to exploit an earlier invention or utility model if a later invention or utility model depends on the exploitation of the earlier one. This provision aligns with the requirement for permitting other use without authorization to permit the exploitation of a second patent that cannot be exploited without infringing a first patent.
- Article 58 specifies that, except for certain cases mentioned in the law, compulsory licenses should mainly be exercised for the supply to the domestic market. This aligns with the provision for authorizing such use predominantly for the supply of the domestic market.
- The term of protection of Patent is 20 years as stated under Article 42 of PLC.³⁴¹

³⁴¹ This is in compliance with Article 33 of the TRIPS Agreement

- Article 66 of PLC addresses the burden of proof in patent infringement disputes related to the manufacturing process of a new product. The entity or individual manufacturing an identical product must provide evidence to prove that their manufacturing process is different from the patented process. However, Article 34 of the TRIPS Agreement is more comprehensive in addressing the burden of proof in civil proceedings related to process patents, while Article 66 of Patent Law of China specifically applies to patent infringement disputes involving the manufacturing process of a new product.³⁴²

5.3 Applying Criminal Law to IP Infringement

5.3.1 Understanding the functioning of Chinese Legal System in relation to IP Laws

It seems to be complicated for a layman to present a case in the Chinese Court of Law because of the complex and jargonizing mechanism and functioning whilst comparing it with other legal systems of the world. In both the Patent and Trademarks law, a criminal remedy is envisaged. To impose a criminal remedy, the following has to be read along:

- Relevant provisions of IP laws
- Criminal Law of the People's Republic of China
- Judicial Interpretation by the Supreme People's Court (SPC) and the Supreme People's Procurate (SPP) (also known as Judicial Interpretation (JI))

On July 1st 1979, the fifth National People's Congress officially adopted 192 Articles of the Criminal Law and 164 Articles of Code of Criminal Procedure.³⁴³ The ideology that the Chinese Criminal Code follows is that of Marxist /Leninist Approach.³⁴⁴ The ideology of Marxist –Leninism is a communist ideology, which was the ideology of most of the countries in 20th Century.³⁴⁵ On October 1, 1997 a revised version of the Criminal Law was adopted which included 250 new Criminal Offences which weren't included in the 1979 version.³⁴⁶ It is found that only certain acts or conducts can invoke and attract the Criminal Law.

³⁴² This is in compliance with Article 34 of the TRIPS Agreement

³⁴³ General Aspects of the Chinese Criminal Code and Code of Criminal Procedure by Zhu Qiwu available at UCLA Pacific Basin Law Journal *available at* <https://escholarship.org/content/qt6459s28x/qt6459s28x.pdf?t=n4oulv> (last visited on December 2, 2022)

³⁴⁴ The Criminal Law of the People's Republic of China (1997) real Change or Rhetoric by Ian Dobinson published by Washington International Law Journal *available at* (<https://core.ac.uk/download/pdf/267981523.pdf>) (last visited on December 2, 2022)

³⁴⁵ Marxism-leninism : the ideology of twentieth-Century Communism by W. John Morgan *available at* <https://www.sciencedirect.com/topics/social-sciences/marxism-leninism> (last visited on December 2, 2022)

³⁴⁶ *Ibid*

5.3.2 Criminal Law of the People's Republic of China

If such acts meet the criteria set by the Criminal Law of the People's Republic of China, then only that would be subjected to criminal trial. Here it would be convenient to reproduce the extracts of the relevant provisions highlighting the same fact invoking and attracting the Criminal Law:

Article 216 of the Criminal Law states, “any person who counterfeits a patent & if the circumstances are serious, he be sentenced to fixed term imprisonment of not more than 3 years of criminal detention and can be fined or only fined.” The Article doesn't state which acts amount to serious circumstance. Also, Article 213 of the Criminal Law provides, “whoever without the permission from the owner uses a trademark in similar market, if the circumstances are serious be sentenced to jail for not more than 3 years or criminally detained or shall also or only be fined or if the circumstances are especially serious he would be jailed from 3 years to 7 years along with fine.”

A question that comes is how does one figure out, what amounts to serious crime under Patent law and trademark law? Or the criteria thereunder for very serious violation for trademark under Article 213 of Chinese Criminal Law? The answer is that a person has to read Judicial Interpretation set out by the Supreme People's Court (SPC) or Supreme People's Procuratorate (SPP) on the issue of Intellectual Property Right.³⁴⁷ SPC Judicial Interpretation mainly deals with Civil Law, Commercial law, Criminal Law and Administrative law, whereas SPP focuses on criminal cases.³⁴⁸ Further, for the specific criteria, acts or threshold, the China's Criminal Law has to be read along with the Judicial Interpretation by the SPC and SPP for concrete application of Laws in handling Criminal Cases relating to infringement of Intellectual Property.³⁴⁹

³⁴⁷ Guodong Du, Knowing Judicial Interpretation in China –China Legal Research Guide, *available* at <https://www.chinajusticeobserver.com/a/knowning-judicial-interpretation-in-china> (last visited on December 2, 2022)

³⁴⁸ Jianlong Liu, Judicial Interpretation in China, *available* at https://link.springer.com/chapter/10.1007/978-981-13-7052-6_9 (last visited on December 13, 2022)

³⁴⁹ Interpretation By The Supreme People's Court Spc And The Supreme People's Procurate Spp On Several Issues Of Concrete Application Of Laws In Handling Criminal Cases Of Infringing Intellectual Property by Ministry of Law, China, *available* at <https://wipolex.wipo.int/en/legislation/details/6575> (last visited on December 13, 2022)

5.3.3 An overview of the Judicial Interpretation (JI):

A series of binding rules as formulated by the SPC and the SPP can be termed as JI.³⁵⁰ It is an official interpretation made by the SPC and the SPP on the application of certain laws, and, therefore, has legal binding force.³⁵¹ The power of the SPC and the SPP to formulate judicial interpretation derives from the provisions of Chinese Law.³⁵² According to the law, the Judicial Interpretation of the SPC and SPP should be made for specific legal provisions, and it should confirm to the legislative purpose, principle and original intention of the legal provisions in question. As for foreign parties, civil and commercial disputes are of their utmost concern in their contacts with China, so we will mainly introduce how the SPC formulate the judicial interpretation. In addition, it should be noted that once the SPC's judicial interpretation being implemented, all courts nationwide are bound by it.³⁵³ If a court makes a judgment based on the judicial interpretation, it shall invoke the judicial interpretation in the judgment.

5.3.3.1 Types of Judicial Interpretation

The SPC's judicial interpretation can be divided into "interpretation", "regulation", "replies" and "decision".

Interpretation: The SPC issues interpretation to explain how to apply a specific law or how to apply the law in a certain kind of case and issue during the case trial. Generally speaking, "interpretation" is about the application of substantive law.

Regulation: The SPC issues regulation to interpret norms and opinions about how to promote adjudication work pursuant to the legislative purpose. In general, "regulation" is about the application of procedural law.

Replies: The SPC gives replies on the legal issues submitted by High People's Court and the PLA Military Court during the case trial. Generally speaking, each "reply", which in fact

³⁵⁰ *Ling Li*, Political-Legal Order and the Curious Double Character of China's Courts, *available at* <https://www.cambridge.org/core/journals/asian-journal-of-law-and-society/article/political-legal-order-and-the-curious-double-character-of-chinas-courts/8435D39655ED3B06E7C5218FC6B95F6B#> (last visited on December 13, 2022)

³⁵¹ Guodong Du, Knowing Judicial Interpretation in China - China Legal Research Guide, *available at* <https://www.chinajusticeobserver.com/a/knowning-judicial-interpretation-in-china> (last visited on December 13, 2022)

³⁵² *Ibid.*

³⁵³ Guodong Du, Knowing Judicial Interpretation in China - China Legal Research Guide, *available at* <https://www.chinajusticeobserver.com/a/knowning-judicial-interpretation-in-china> (last visited on December 13, 2022)

constitutes a rule per se, is the SPC's opinions addressed to all courts nationwide on how to handle a specific case.”

Decision: The SPC adopts “decision” to modify or repeal certain judicial interpretation.³⁵⁴

Rules: A newer type of JI_regulating the trial and enforcement activities of the Courts. The same has been added recently, on 16th June 2021 by China's Peoples Supreme Court by a decision to amend the provision on the work concerning Judicial Interpretation.³⁵⁵

Interpretation by the SPC and SPP on several issues of concrete application of Laws in Handling Criminal Cases of Infringing Intellectual Property have been issued in 2004, 2007 and 2020. All three of them are complementary to each other and has to be read accordingly.³⁵⁶

5.3.4 Provisions for infringement

5.3.4.1 Provisions for infringement of Patent in China

Article 68 of the China's Patent Act, 1984

When any person misrepresents a patent as his own, he will not only bear the civil liabilities but also criminal liabilities and that person will be ordered by the Patent Department to correct the error and all the illegal earning will be confiscated. His illegal earnings shall be confiscated and, in addition, he may be imposed on a fine of not more than five times his illegal earnings. In case there is no illegal earning or the earning is less than 50,000 RMB, a fine not more than 250,000 RMB may be imposed. Where the infringement constitute a crime he will be prosecuted as per crime.³⁵⁷

Article 216 of the Criminal law of the People's Republic of China, 1997 in relation with Article 68 of the China's Patent Act 1984

A person who counterfeits patent of other person, if the circumstances are serious be sentenced to jail for not more than 3 years or criminal detention with fine or only fine.³⁵⁸ So what amounts

³⁵⁴ *Ibid*

³⁵⁵ Liberty of Congress, China: Supreme People's Court Introduces New Type of Judicial Interpretation, *available at* <https://www.loc.gov/item/global-legal-monitor/2021-07-29/china-supreme-peoples-court-introduces-new-type-of-judicial-interpretation/> (last visited on December 13, 2022)

³⁵⁶ Para 10 of Understanding and Application of “Interpretation on Several Issues Concerning the Specific Application of Law in Handling Criminal Cases of Infringement of Intellectual Property Rights by Lin Guanghai and Xu Chanhai (29/10/2020) *available at*:<https://www.chinacourt.org/article/detail/2020/10/id/5549410.shtml> (last visited on December 13, 2022)

³⁵⁷ Patent Law of the Peoples Republic of China 2020 by Ministry of Commerce People's Republic of China *available at* <http://english.mofcom.gov.cn/aarticle/lawsdata/chineselaw/200211/20021100050884.html> (last visited on December 13, 2022)

³⁵⁸ Criminal Law of the People's Republic of China by Ministry of Commerce Peoples Republic of China,

to “serious circumstances” a person would have to read Article 4 and Article 10 of 2004 JI³⁵⁹ which talks about various criteria or situations that would attract the penalties under Article 216 of the Criminal Law 1984.

Article 4 of 2004 JI states that the any person who commits a fraud by using patent without seeking permission from the owner will fall within the scope the definition of “circumstances are serious” under Article 216, for which there are 8 criteria.

1. The amount of illegal business volume is more than RMB 200,000 or illegal gains being more than RMB 100,000 (Profit)
2. It caused direct economic loss of RMB 50,000 to the patent Owner
3. In case where more than 2 patents have been used in the illegal operation than criteria of the illegal business volume would be RMB 100, 000 or illegal gains more than RMB 50,000.
4. Other circumstance of serious nature – these criteria has not been defined as they did not want to limit to scope to only few set criteria and left for the judge to decide if other serious circumstance would fit here.

Other serious circumstances are discussed under Article 10 of 2004 JI which are as follows-

1. Citing the patent number on fake product without any authority.
2. Makes an advertisement of fake product with an original patent number, thereby making people believe that technology is used in the product.
3. Publishing patent license number without the permission of the owner.
4. Creating fake patent certificate or forging a patent document

available at <http://english.mofcom.gov.cn/aarticle/lawsdata/chineselaw/200211/20021100050381.html>, (last visited on December 23, 2022)

³⁵⁹ 2004 the Interpretation by the Supreme People’s Court (SPC) and the Supreme People’s Procurate (SPP) on several issues of Concrete Application of Laws in Handling Criminal Cases of Infringing Intellectual Property by Supreme People’s Court Monitor *available* at <https://supremepeoplescourtmonitor.com/supreme-peoples-court-judicial-interpretation-%e5%8f%b8%e6%b3%95%e8%a7%a3%e9%87%8a-judicial-document-%e5%8f%b8%e6%b3%95%e6%96%87%e4%bb%b6-model-cases-%e5%85%b8%e5%9e%8b%e6%a1%88%e4%be%8b-tracker/> (last visited on December 13, 2022)

5.3.4.2 Provisions for infringement under the Trademark Act :

Article 67 of the Trademark Law of People's Republic of China, 1982

If a person uses a similar kind of trademark in a similar business-line for which the original trademark is registered for, or misrepresents trademark on any product or sells such product having such counterfeit trademarks he would not only be prosecuted in a criminal capacity but also would have to compensate the loss suffered by trademark owner. In order to apply the penalty which can be imposed in case of Article 67, the provisions of Article 213 and 214 of Criminal Law has to be read.

Article 213 of the Chinese Criminal Law 1979

In situations where an identical trademark is used on the same goods without the consent of the registered owner, severe offenses of this nature may result in penalties. These penalties can include imprisonment or criminal detention for a duration of not more than three years, along with a monetary fine or a separate fine. For more severe cases, where the offense is deemed particularly serious, the penalties can involve imprisonment for a period exceeding three years but less than seven years, in addition to a fine.³⁶⁰ Further to understand situations such as serious and especially serious, the JI has to be read along which is reproduced as under:

Article 1 of 2004 JI in relation to Article 213 of the Chinese Criminal Law

If a person is caught using other person trademark on a product without the permission from the owner he will be tried as per Article 213, which provides if the circumstances are serious he would be jailed for a term of 3 years or criminal detention with fine or may only be fined. The following acts holds the gravity of circumstance of serious nature:

1. Illegal Business volume is more than RMB 50,000 or the illegal gains are more than RMB 30,000
2. If more than two trademark have been infringed, in which case the amount of illegal business volume is more than RMB 30,000 or illegal gains being more than RMB 20,000 and lastly
3. Other circumstance of serious nature, which does not give any guidance but has left for judge to decide.

³⁶⁰Criminal Law of the people's Republic of China, *available at* <https://www.fmprc.gov.cn/ce/cgvienna/eng/dbtyw/jdwt/crimelaw/t209043.htm> (last visited on December 13, 2022)

In case of circumstance especially serious it states the following acts can be considered:

1. Illegal Business volume is more than 250,000 RMB or the illegal business volume are more than 150,000 RMB
2. If more than two trademark have been infringed, in which case the amount of business volume is more than 150,000 RMB or illegal gains being more than 100,000 RMB and lastly
3. Other circumstance of serious nature, which does not give any guidance but has left for judge to decide³⁶¹.

Article 214 of the Criminal Law.

In a situation where the goods being sold clearly hold the fake trade mark, and where the business in terms of revenue is high, the infringer can be imprisoned upto 3 years or detained and fined or only fined; where the amount of the revenue sale is huge the offender shall be sentenced to imprisoned of 3 years to 7 years as well as fined.”³⁶² To know what amounts to “high revenue” or “huge revenue” one has to refer 2004 JI which states criteria for both terms.

Article 2 of 2004 JI in relation to Article 214 of the Criminal Law

If a person sells fake goods bearing with counterfeit registered trademark, and if the amount of sales of this kind of business is more than RMB 50,000 it falls under the criteria of sales revenue relatively high as stated under Article 214 of the Criminal Law. In relation to term sales relatively huge stipulated under Article 214 of the Criminal Law, if the sales revenue is more than RMB 250,000.³⁶³

Difference between the Article 213 and 214 of the Criminal law of the People’s Republic of China

The major difference is that, under Article 213 there is a resemblance of the trademark, whereas under Article 214 it is about counterfeit of the trademark. The other difference between both the articles is that in Article 213 criteria of “manufacture, storage, transportation and sales” is

³⁶¹ WIPO IP Portal China, *available at* <https://wipolex.wipo.int/en/text/182471> (last visited on December 13, 2022)

³⁶² Criminal Law of the people’s Republic of China, *available at* <https://www.fmprc.gov.cn/ce/cgvienna/eng/dbtyw/jdwt/crimelaw/t209043.htm> visited on 10/8/21 (last visited on January 13, 2023)

³⁶³ WIPO IP Portal China, *available at* <https://wipolex.wipo.int/en/text/182471> (last visited on January 13, 2023)

used whereas the Article 214 is only limited to sales. The reason why two separate articles are kept being that, there may be two places and infringer may be doing this business, i.e. one is the production unit where he produces such fake goods, and other place may be related to the places he is doing business from or has sold his products to the retailers, so these constitutes of the nature of two different acts.

Article 215 of the Criminal Law of the People's Republic of China

Any person who misrepresents, manufactures or sells without authorisation from the registered Trademark owner and wherein the situation is serious, the offender shall be sentenced up to 3 years in jail or criminal detention or public service as well as fined or only fined; wherein the circumstance are especially serious, the offender shall be sentenced to 3 -7 years of jail with fine. In order to understand what amounts to serious circumstance or especially serious circumstance, one has to read the 2004 JI where the criteria for this provision is stated.

Article 3 of 2004 JI in relation to Article 215 of the Criminal Law

The 2004 JI states that the following circumstances are considered as **serious** in relation 215 of the criminal Law;

1. In case where a trademark has been forged and without authorization from the registered owner more than 20,000 copies have been made or illegal business volume is more than RMB 50,000 or illegal revenue being more than RMB 30,000.
2. In case where two or more trademark has been forged and without authorization from the registered owner more than 10,000 copies have been made or illegal business volume is more than RMB 30,000 or illegal revenue being more than RMB 20,000
3. Other serious circumstance

Further it also states the following circumstances can be stated as **especially serious**:

1. In case where a trademark has been forged and without authorization from the registered owner more than 100,000 copies have been made or illegal business volume is more than RMB 250,000 or illegal revenue being more than RMB 150,000.
2. In case where two or more trademark have been forged and without authorization from the registered owner more than 50,000 copies have been made or illegal business volume is more than RMB 150,000 or illegal revenue being more than RMB 100,000.

3. Other circumstances of an especially serious nature.³⁶⁴

The JI deals with several issues like distinctiveness, well-known trademarks, prior rights, trademark application, etc. Certain positive steps too have been taken like the Anti-Unfair Competition law was amended in 2018 to enhance protection when a person uses another's influential product name or trade name. Also, as per Article 2 of the "Opinions" released by China, it emphasizes that the judiciary should focus on solving the problem of "low compensation" in IP infringement litigation. For serious infringement cases, the judiciary will impose harsher punishment measures and increase the amounts of compensation. Further, reorganisation of State Intellectual Property Office (SIPO) has been done to enhance IP protection and it is made responsible for registration and administrative adjudication of trademarks, patents and geographical indications of origin. Owing to which it is believed that trademark infringement in China is becoming sophisticated and one has to create trademark protection strategy.³⁶⁵ The trademark owner should create a strategy to combine, prosecution, administrative action litigation as a whole.

However, it cannot be neglected owing to the fact of the complex legal mechanism that the specific trademark infringements are different case by case and therefore a strategy for one case may not be applied to others, at least it may not be the most efficient strategy. Due to this, it can be said that these are the best features of the Chinese Trademark Law.³⁶⁶

5.4 IPR infringement and Customs Department in China

The General Administration of China Custom (GACC) plays an important role in the protection of IP in China. To effectively combat IP infringements, the Customs Department has enacted special regulations known as the Rules of regulation on Customs Protection of Intellectual Property Rights. These rules are implemented through the Rules of the General Administration of Customs of the People's Republic of China for Implementation of the Regulations of the People's Republic of China on Customs Protection of Intellectual Property Rights (RCCPIPR).

³⁶⁴ Interpretation of Supreme People's Court and the Supreme People's Procuratorate on Some Issues of Application in Handling the criminal Cases Involving Intellectual Property Law <http://www.unitalen.com/xhtml/report/16124429-1.htm> (last visited on January 28, 2023). *See Also* The United States of America also China-Measures affecting the protection and enforcement of Intellectual Property rights (WT/ DS 362) (2008) (last visited on January 28, 2023)

³⁶⁵ Frank liu and Adam Ziu, India and China : a Comparison of Trademark law by Kavita Nigam, *available at* : <https://law.asia/india-china-trademark-law-comparison/> Last visited on (last visited on January 28, 2023)

³⁶⁶ Ibid.

The RCCPIPR outlines the procedure for dealing with infringing goods that are being exported or imported from/to China.

However, there is one loophole in the Customs system. The first issue lies in the difficulty of creating laws that can effectively prevent infringing goods from being exported. The existing laws are not designed in a manner that ensures that infringed goods are prevented from reaching the markets, even after being apprehended by the authorities. The preferred course of action should be to destroy such goods. To effectively address this problem, it is crucial for not only the IP owners to take an active role in preventing the spread of counterfeit goods into the market, but also for relevant laws to be enacted. China has implemented two types of Customs Protection for IP in relation to the exportation of counterfeit goods. These systems are known as the "recordation" system and the "border measures" system. Under the "recordation" system, IP owners have the option to register their IP with Customs, enabling Customs to monitor and halt the exportation of infringing goods. On the other hand, the "border measures" system empowers Customs to detain and seize suspected infringing goods during importation or exportation.

In summary, the Customs Department in China plays a vital role in protecting intellectual property rights. The RCCPIPR provides a framework for dealing with infringing goods being exported or imported from/to China. However, there are still loopholes that need to be addressed through effective legislation and enforcement measures.

5.4.1 Ex-Office Action

The Ex-Office Action (Pro-Active Protection) is a system under the RCCPIPR that allows IP holders to register their intellectual property with the GACC in order to protect their rights. To register, the IP holder must fill out a form with GACC, providing basic information about their IP and any applicable drawings, and appoint a legal representative if they are a foreign company. Once the application is received, GACC will approve the IPR recordation within 30 days, with a validity of 10 years and 6 months. The main benefit of this registration is that if GACC suspects that any goods, whether they are being exported or imported, infringe the registered IP, they will suspend the clearance of the goods and notify the IPR holder.

IP holders located in the Chinese mainland can directly lodge an application or entrust an agent established in the Chinese mainland to do so. For IP holders located outside the Chinese mainland, they can entrust their representative office or agent in the Chinese mainland to file the application. In the case of entrusting an agent, a prescribed format power of attorney is

required.³⁶⁷ This can be difficult or impossible for some IP owners, particularly if they are based overseas. In some cases, agents appointed by the IP owner may not be motivated to stop infringing goods from being exported or imported. Additionally, despite the ease of transfer, it has been observed that many cases are not being transferred to the Public Security Bureau for criminal investigation.³⁶⁸ Overall, while the Ex-Office Action system provides a way for IP owners to proactively protect their rights, there are still some flaws that need to be addressed in order to make it more effective.

5.4.2 Process and working of the Ex-Office Action

- Article 21 of the RCCPIPR states that the Customs department will inform the IP holder in writing when they come across goods suspected of infringing on their IP. The consignor or consignee will be asked to provide evidence of the IP status of the detained goods.
- According to Article 22 of RCCPIPR, the IP owner must respond within three working days after receiving notice to confirm whether or not the detained goods are infringing, providing an explanation.
- Under Article 23 and 24 of RCCPIPR, a security or guarantee equivalent to the value of suspected infringing goods must be provided by the applicant before Customs will detain them. The amount of security required depends on the value of the goods.
- After detention, Customs will inform the IPR holder and the consignee or consignor of their decision, as per Article 26. If Customs cannot determine whether the goods are infringing within 30 working days, the consignor or consignee can release them after providing sufficient security, according to Article 28.
- If Customs cannot determine if the detained goods are infringing, the IP holder may make an application to the court, according to Article 29 of RCCPIPR.

5.4.3 Action upon Request (Passive Protection / Protection on Request) under RCCPIPR

The Action upon Request, also known as Passive Protection or Protection on Request, is another method for IPR holders to obtain protection under the RCCPIPR. If an IPR holder

³⁶⁷ As per Article 2 of the RCCPIPR, *available* at <https://wipolex-res.wipo.int/edocs/lexdocs/laws/en/cn/cn150en.html> (last visited on January 28, 2023)

³⁶⁸ US Chamber of Commerce 2017 Special 301 Submission, *available* at (<chrome-extension://oemmnadbldboiebfnladdacbfmadadm/http://www.theglobalipcenter.com/wp-content/uploads/2013/01/USCC-2017-Special-301-Submission-Final.pdf>) Last visited on 29/4/22 (last visited on February 18, 2023)

suspects that infringing goods may be imported or exported in or out of the country, they can file an application directly with GACC, regardless of whether the IPR has been recorded with GACC.

When submitting an application to GACC, the IPR owner must provide the following information:³⁶⁹

- Information about the IPR owner, including their name, place of registration, or nationality.
- Information about the valid IPR, such as its title, contents, and other relevant information, as well as the customs recordation number of the IPR if the suspected goods infringe on a recorded IPR.
- Information about the suspected infringing goods, including the names of the consignee or consignor, their addresses, and other specifications, as well as the possible port and timing of arrival and means of transport. Information related to the export or import of infringing goods must also be provided.

Additionally, corresponding evidence must be submitted with the application, and all evidence must prove the following facts:

- The goods which the IPR holder requests customs to detain are about to be imported or exported.
- There is an infringement of the IP.

Explanation of the Action upon Request process and how it works:

- The IPR holder must submit an application to the Customs Department containing their personal information, as well as information about their IP(as per Article 6).
- The applicant must also provide a security deposit equivalent to the value of the suspected infringing goods.
- The Customs Department may detain the suspected infringing goods and notify the IPR holder, consignee, or consignor (as per Article 14).

³⁶⁹ Article 13 of the regulation of the People's Republic of China on Customs Protection of Intellectual Property Rights, 2003, *available* at <chrome-extension://oemmnadbldboiebfnladdacbfmadadm/https://www.wipo.int/edocs/lexdocs/laws/en/cn/cn025en.pdf> (last visited on February 18, 2023)

- The consignee or consignor may request the release of the goods by providing a security deposit (as per Article 20).
- The IPR holder may seek legal action to obtain an order for the cessation of infringement or apply for property preservation.
- If the court notifies the Customs Department within 20 working days after the detention of goods by Customs, the Customs Department must assist in implementing the ruling on the cessation of infringement or property preservation. If not, the goods will be detained.
- The Customs Department and the IPR holder will handle the necessary procedures for the payment of warehousing and custody fees, as well as the refund of the security deposit.

The Passive Protection system is impractical due to its requirements. In order to make an application to customs, the applicant must have specific information about the goods, including their origin, destination, port, and other details. Additionally, a deposit must be made before an inquiry can begin. These strict requirements make it difficult for IP holders to use this system effectively. It is often easier to negotiate with infringers directly than to rely on the authorities. Overall, both the Active and Passive Protection systems fail to adequately protect intellectual property. Also as per Article 55 of TRIPS, the time limit prescribed is 10 days whereas Rules states it will take 20 days.

5.4.4 Loopholes in Border Forces of China and Article 59 of TRIPS Agreement.

The enforcement measures of Chinese Customs Authorities are not consistent with the obligations set forth in Article 59 of the TRIPS Agreement. Article 59 allows competent authorities to order the destruction or disposal of infringing goods only in exceptional circumstances. However, many countries believe that Chinese Customs lacks the necessary authority to destroy infringing goods and that they do not prioritize disposal options that prevent such goods from re-entering the market. China has established its own regulations on RCCPIPR, but implementation has been inconsistent.³⁷⁰ After drafting the Regulation, China also created Implementing Rules, but these are not readily available on customs websites. Understanding the significance of these rules requires contacts in China or thorough research.

³⁷⁰ Regulation of the People's Republic of China on Customs Protection of Intellectual Property Rights by General Administration of Customs Peoples Republic of China, *available* at <http://english.customs.gov.cn/Statics/d95ecac5-4be9-4d69-b71f-c77169e73360.html> (last visited on February 18, 2023)

Although WIPO has published the implementation on its website, the Chinese Customs Department has not explained their importance and has not published them on their websites.³⁷¹

Article 33 of RCCPIPR contains an interesting provision that contradicts the TRIPS Agreement. According to Article 33, confiscated goods shall be disposed of as follows: (1) If the goods can be used for public welfare purposes or if the IP holder wishes to purchase them, they shall be given to a relevant public welfare organization or transferred to the IP holder with compensation. (2) If the infringing features of the goods can be removed, they shall be handed over to the national treasury. (3) If the goods cannot be dealt with in accordance with (1) or (2), they shall be destroyed. The IP holder is required to provide necessary assistance when the Customs destroy infringing goods. Customs shall exercise necessary supervision when public welfare organizations use confiscated goods or when IP holders assist Customs in destroying them. This provision is inconsistent with Article 59 of the TRIPS Agreement.

The regulations in Article 33 of RCCPIPR provides options for disposing of infringing goods confiscated during raids. The goods can be used for public welfare undertakings, transferred to the IPR owner with compensation, or destroyed. However, using the confiscated goods for public welfare has downsides, as the quality or quantity of the fake goods may be compromised, leading to dangerous or defective products.³⁷² Additionally, products sold to these organizations may face unwarranted claims. Sub-clause (2) allows the infringing feature to be removed, and the goods can be auctioned with the proceeds going to the national treasury. However, this is not in line with Article 59 of the TRIPS agreement, which states that infringing goods should not reach the market, and the money from the auction will go to the government rather than the IPR owner. Furthermore, there are no rules preventing infringers from bidding on the goods, allowing them to end up back in their hands. Lastly, Article 33(3) requires goods to be destroyed only if they cannot be disposed of through other means, which should be the first priority rather than the last. Overall, China has prioritized the proposition of Article 59 as the last aspect, rather than the first.

Article 46 of the TRIPS Agreement deals with remedies and infringement of IPR caught at the border measures and is applicable to judicial authorities. Article 46(1) empowers the judicial authorities to order that infringing goods found by them be disposed of outside channels of

³⁷¹ Implementation Rules of Regulations on Customs Protection of Intellectual Property Rights, *available at* <https://www.wipo.int/edocs/lexdocs/laws/en/cn/cn150en.pdf> (last visited on February 18, 2023)

³⁷² David Barboza, “China ‘s New Concern: Exploding Phones” *International Herald Tribune* (July 6, 2007), *available at* : <http://www.iht.com/articles/2007/07/06/business/battery.php> (last visited on February 18, 2023)

commerce without compensation to the infringer, in order to deter infringement. The disposal should be in a manner that does not harm the right holder or contravene constitutional requirements. Additionally, Article 49(4) states that removing unlawfully affixed trademarks is not enough to permit release of goods into the market, except in exceptional cases. However, China considers every case as exceptional and thus, destruction and disposal of goods are kept at a lower priority in Article 30(2) and 30(4) respectively in RCCPIPR. To comply with Articles 46(1) and 59 of the TRIPS Agreement, the judicial authorities of a member state are required to have the power to destroy infringing or counterfeit goods or dispose of them outside channels of commerce, so as to avoid causing harm to the right holder. However, in China, the correct forces of the State do not carry out this responsibility, raising questions and concerns.³⁷³

5.5 China's Counterfeit Market.

China continued to be the world's top supplier of fake goods. Fifty percent of the value of items seized by U.S. Customs and Border Protection (CBP) were counterfeit and pirated, with sixty percent of those commodities coming from China, including those shipped through Hong Kong.³⁷⁴ A large number of counterfeit merchants kept using their physical shop fronts as hubs for online order fulfilment, customer service, and product testing. Enforcement authorities in China faced difficulties in curbing counterfeit sales. Although some raids and seizures were conducted, they often resulted in minimal long-term impact, as sellers adapted by moving inventory to offsite warehouses, conducting sales online, or adjusting store hours to avoid enforcement actions.

Key Markets in 2022 and the action taken by the Government³⁷⁵

1. **Chenghai District, Shantou, Guangdong Province:** Known for counterfeit toys and plastic products, enforcement was difficult due to close ties between businesses and local authorities.

³⁷³ First Submission Of The United States Of America, China –Measures Affecting The Protection And Enforcement Of Intellectual Property Rights, *available at* https://ustr.gov/archive/assets/Trade_Agreements/Monitoring_Enforcement/Dispute_Settlement/WTO/Dispute_Settlement_Listings/asset_upload_file605_14436.pdf (last visited on February 18, 2023)

³⁷⁴ USTR, USTR Releases 2023 Review of Notorious Markets for Counterfeiting and Piracy, *available at* [https://ustr.gov/sites/default/files/2023-01/2022%20Notorious%20Markets%20List%20\(final\).pdf](https://ustr.gov/sites/default/files/2023-01/2022%20Notorious%20Markets%20List%20(final).pdf) (last visited on July 18, 2023)

³⁷⁵ *Ibid*

2. **Huaqiangbei Electronics Malls, Shenzhen:** This area, with around 20 malls, was identified as a central hub for counterfeit electronics. Many vendors shifted to online sales while using physical stores as contact points.
3. **Silk Market, Beijing:** A long-standing notorious market, Silk Market saw a decline in foot traffic due to reduced tourism. Although some enforcement actions occurred, they were insufficient to deter counterfeit sales.
4. **Wu'ai Market, Shenyang, Liaoning Province:** A state-owned market hub for counterfeit shoes, jewelry, and apparel, where enforcement had little impact.
5. **Xingwang International Clothing Market, Shanghai:** Known for medium- to high-quality counterfeit fashion goods. A posted notice against selling counterfeit products was largely ignored.
6. **Yiwu International Merchandise City, Zhejiang Province:** One of the biggest small-commodities markets, where enforcement efforts were inadequate in reducing counterfeit visibility.
7. **Zhanxi Market / Watch Market, Guangzhou:** Despite some cooperation from market operators, enforcement measures were ineffective, especially during the pandemic.

In 2023, China remained the leading global source of counterfeit products. Counterfeit and pirated goods originating from China, including those shipped through Hong Kong, accounted for 60% of the value (based on the manufacturer's suggested retail price) of counterfeit and pirated goods seized by U.S. CBP in 2022.³⁷⁶ Following the lifting of COVID-19 restrictions, physical markets in China saw a resurgence in foot traffic and a corresponding rise in the sale of counterfeit goods. Sellers of counterfeit items continued to use their physical storefronts not only as points of customer contact but also as sites for "sample/product testing" and fulfilment centres for online sales.³⁷⁷ Enforcement actions targeting counterfeit goods sold online often revealed connections to vendors operating in these physical markets. The USTR has urged China to strengthen and broaden its enforcement efforts to address the evolving nature of

³⁷⁶ USTR, USTR Releases 2023 Review of Notorious Markets for Counterfeiting and Piracy, *available at* <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2024/january/ustr-releases-2023-review-notorious-markets-counterfeiting-and-piracy#:~:text=The%20Notorious%20Markets%20List%20highlights,trademark%20counterfeiting%20or%20copyright%20piracy>. (last visited on July 18, 2023)

³⁷⁷ USTR, USTR Releases 2023 Review of Notorious Markets for Counterfeiting and Piracy, *available at* [https://ustr.gov/sites/default/files/2023-01/2022%20Notorious%20Markets%20List%20\(final\).pdf](https://ustr.gov/sites/default/files/2023-01/2022%20Notorious%20Markets%20List%20(final).pdf) (last visited on July 18, 2023)

counterfeit sales in physical markets, with a particular emphasis on key markets identified as hotspots for such activities.

Chinese Government's Efforts to Combat the Counterfeit Market and its Impact on Patent, Trademark, and Design Violations

China has developed and refined multiple laws to combat counterfeiting and deceptive practices on e-commerce platforms. For instance, the revised Anti-Unfair Competition Law³⁷⁸ explicitly prohibits e-commerce operators from falsifying product functions, performance, quality, sales volume, or user reviews. Under Article 6, business operators are prohibited from engaging in misleading practices that could make consumers believe their products are from another company or have an association with another party. This includes unauthorized use of similar product names, packaging, influential corporate names, domain names, or other identifying features. Additionally, Article 11 prohibits operators from spreading false information to harm competitors' reputations. Violations of these rules, as stated in Article 23, can result in fines ranging from 100,000 to 3 million yuan, depending on the severity of the offense. The Electronic Commerce Law of the People's Republic of China defines activities like "brushing" the practice of generating fake transactions as illegal. It also holds online retail platform operators directly liable for counterfeit products sold on their platforms, ensuring that platforms are accountable for the goods they facilitate.³⁷⁹ Additionally, the Measures for the Supervision and Administration of Online Transactions prohibit online businesses from engaging in deceptive commercial practices.³⁸⁰ These laws are designed to create a more robust legal framework that can better tackle the complex issues surrounding counterfeit goods.

Enforcement Actions

To enhance law enforcement, the State Administration for Market Regulation (SAMR) has initiated several nationwide enforcement campaigns. In 2022, the SAMR's actions resulted in the investigation and handling of 9,069 cases related to unfair competition, with 739 cases specifically addressing "brushing" activities, leading to fines totaling approximately 48.68 million yuan (\$6.64 million).³⁸¹ The 2023 "Iron Fist" action plan also emphasized

³⁷⁸ Article 6, 11, 23 of Anti-Unfair Competition Law of the People's Republic of China by Chinese Government, *available* at https://www.gov.cn/xinwen/2017-11/05/content_5237325.htm (last visited on October 2, 2023)

³⁷⁹ Electronic Commerce Law of the People's Republic of China by China, *available* at https://www.gov.cn/xinwen/2018-08/31/content_5318220.htm (last visited on October 2, 2023)

³⁸⁰ Measures for the Supervision and Administration of Online Transactions by gov.cn, *available* at https://www.gov.cn/zhengce/zhengceku/2021-03/16/content_5593226.htm (last visited on October 2, 2023)

³⁸¹ It's clear! Operation "Iron Fist"! Focus on combating this behavior by CCTV, *available* at <https://china.huanqiu.com/article/4CZSMGIY3QD> (last visited on October 12, 2023)

counterfeiting and deceptive advertising as critical focus areas, demonstrating the government's ongoing commitment to addressing these issues.³⁸²

Customs Initiatives

China Customs has conducted various operations like "Dragon Action," "Clean Net Action," and "Blue Net Action" to enforce IPR protection. In 2023 alone, customs authorities seized 62,000 batches of goods suspected of IPR infringement, totaling 82.899 million items during import and export checks.³⁸³

Collaboration with Online Platforms:

- **Alibaba's Efforts:** Alibaba has been proactive in establishing mechanisms to combat counterfeit goods. In 2015, Alibaba set up the Platform Governance Department, and in 2017, it formed the Alibaba Anti-Counterfeiting Alliance (AACA) to enhance IPR protection.³⁸⁴ By 2022, Alibaba's intellectual property protection platform had safeguarded over 730,000 global trademarks and assisted in solving 2,123 cases, leading to the apprehension of 2,737 criminal suspects.³⁸⁵
- **Platform Policies:** Online platforms such as Pinduoduo, Taobao, JD.com, and Douyin have introduced consumer-friendly policies, like the "refund only" option, allowing consumers to receive refunds without returning items that do not match sellers' descriptions.³⁸⁶ These policies prioritize consumer protection and aim to curb deceptive practices.

In conclusion, while China has taken notable steps to combat the counterfeit goods market, the ongoing violations of patent, trademark, and design rights raise questions about the effectiveness of these efforts in meeting TRIPS obligations. The balance between legislative

³⁸² The 2023 "Iron Fist" operation will focus on combating eight types of illegal activities, including "fake orders and fake credit" by Securities Times, *available at* <https://www.stcn.com/article/detail/846705.html> (last visited on 2/5/24)

³⁸³ In 2023, the national customs seized 62,000 batches of suspected infringing import and export goods by People's Daily Online, *available at* <http://finance.people.com.cn/n1/2024/0124/c1004-40165826.html> (last visited on October 12, 2023)

³⁸⁴ Alibaba, Alibaba Group Platform Governance, *available at* <https://alizila.oss-us-west-1.aliyuncs.com/uploads/2017/06/Alibaba-Group-Platform-Governance-Report.pdf> (last visited on October 12, 2023)

³⁸⁵ Alibaba 2023 annual report by Alibaba, *available at* <https://aaca.alibabagroup.com/#/mission> (last visited on October 12, 2023)

³⁸⁶ Coco Feng, ByteDance's Douyin makes instant refunds mandatory, following PDD, Taobao and JD.com amid fierce e-commerce competition, *available at* <https://www.scmp.com/tech/big-tech/article/3247160/bytedances-douyin-makes-instant-refunds-mandatory-following-pdd-taobao-and-jdcom-amid-fierce-e> (last visited on October 22, 2023)

reforms and enforcement actions will be crucial in determining whether China can successfully curtail the counterfeit market and fully align with international IPR standards.

5.6 Conclusion

In conclusion, both encouraging and unsettling findings emerged from the research, on China's application of the TRIPS Agreement in regard to trademark, patent, and design regulations. On the one hand, China has made tremendous strides in bringing its legislation into compliance with the TRIPS Agreement, demonstrating a commitment to the defence of intellectual property rights. Enforcement efforts still fall short in some areas though. Additionally, China's Customs regulations regarding intellectual property rights fall short of expectations. They do not completely follow the TRIPS Agreement's requirements, which makes it very simple to import and export counterfeit goods. In addition to upsetting the economy of other countries, this also infringes against the legitimate owners' intellectual property rights.

These results demonstrate that China's Customs policies and enforcement of intellectual property rights both need work. The key to building a more effective intellectual property rights framework in China is to strengthen the enforcement mechanisms, impose harsher punishments for violations, and make sure that Customs regulations comply with international norms. A more equitable and balanced global intellectual property environment will result from such advances, which will also help the home economy.