BERICHTE UND URKUNDEN

Protection of Intellectual Property Rights in China

The Perspective of a Chinese Lawyer

*Qingjiang Kong**

I. Introduction

The debate concerning protection of intellectual property rights (IPRs) during the Sino-US talks[1] caused much interest among international observers of this issue. Some estimated figures by the US side about the loss resulting from IPRs

* The author is a research fellow of Hangzhou Institute of Commerce as well as a Ph.D. candidate at Wuhan University, China. He is indebted to the Max Planck Institute of Comparative Public Law and International Law at Heidelberg for the fellowship which allowed this article to be completed.

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[1] There were several rounds of mutual threats to employ sanctions between the United States and China, which, led the two countries to the brink of trade war. Among these rounds of threats, at least two (1991 and 1994) arose from the allegation by the United States of massive infringement by China of American IPRs. As a compromise, bilateral talks regarding protection of US IPRs in China were held between the two countries. Both the 1991 and 1994 rounds of threatened trade war ended with the conclusion of an agreement. The 1991 round started with the United States Trade Representative (USTR) identifying China as a "priority foreign country" under the Special 301 provision on 26 April. The alleged reason was:

"China is our only major trading partner to offer neither product patent protection for pharmaceuticals and other chemicals, nor copyright protection for U.S. works. In addition, trade-marks are granted to the first registrant in China, regardless of the original owner. Trade secrets are not adequately protected in China. As a result, piracy of all forms of intellectual property is widespread in China, accounting for significant losses to U.S. industries."

After a difficult struggle with the U.S. government, the Chinese government signed on the Memorandum of Understanding on the Protection of Intellectual Property on 17 January 1992, the night before the United States was to institute import tariffs on Chinese products. The latest round of confrontation started from June 30, 1994, when the USTR initiated a Special 301 investigation against China. After a six-month investigation, the United States decided to impose prohibitive tariffs on US$ 2.8 billion worth of Chinese imports into the United States, in the event China failed to yield to the US demands before February 4, 1995. Fortunately, the imminent trade war was avoided due to conclusion of the Intellectual Property Rights Enforcement Agreement on February 26, 1995, although the deadline for imposition of the proclaimed sanction had passed.

violations in China appeared to be so sensational[2] as to bring this issue to the political forefront and stirred the landscape of world trade[3]. In some of the relevant literature, China was viewed as a "free market" for counterfeiting trademarked and copyrighted products[4]. As regards the malfunctioning of the mechanism for the protection of IPRs, while some observers tended to blame it to the Chinese IPRs regimes, others meaningfully linked it with the particularities of Chinese history and the Chinese political and social system[5]. However, both explanations failed to give the whole picture of the *status quo* of the IPRs protection in China. The present author will review the IPRs regimes regarding trade-marks and copyrights in historical context and probe into the regimes' substantive provisions. His findings will reveal that, on the one hand, contrary to the prevailing perception, China has established in recent years comprehensive regimes for the protection of trade-marks and copyrights, which are compatible with the international practice; on the other, such problems as exist relate to the enforcement of trade-mark and copyright protection in this country.

II. The IPRs Law in Historical Context

Those who study China have often stated that "in China, more perhaps than in any other country, a knowledge of the past is essential for an understanding of the present." It is also true that any observer of its legal system should bear in mind the historical context. In this connection, an examination of the legal framework with respect to trade-marks and copyrights will take account in its historical background.

The history of modern IPRs law may be traced back to 1923 when the first trade-mark regulations in China were issued by the Republican Government. These regulations formed the basis of the laws adopted by the later Nationalist Government. However, after the People's Republic of China (PRC) was founded in 1949, all the "old laws" were abrogated. The new government issued the Provisional Regulations Governing Trade-marks in 1950, which were replaced by the Regulations Governing the Control of Trade-marks in 1963. Originally modelled

[2] According to the United States Trade Representative (USTR), the losses resulting from violation of the American IPRs reached US$ 2.2 billion for 1995. See USTR, 1996 National Trade Estimate, part of "China, People's Republic".

[3] See, *supra*, note 1.

[4] See, for instance, Howard Lincoln, Huge China Market: A Mirage, Asian Wall Street Journal, 24 March 1994; and James Cox, Message to Bootleggers in China: Just Don't Do It, USA Today, 23 February 1995, at p. 1B.

[5] See Amy E. Simpson, Copyright Law and Software Regulations in the People's Republic of China: Have the Chinese Pirates Affected World Trade?, North Carolina Journal of International Law and Commercial Regulation 20, 1994/95, at 581–587, and Joshua R. Floum, Counterfeiting in the People's Republic of China, The Perspective of the "Foreign" Intellectual Property Holder, Journal of World Trade 28, October 1994, N.5, at 36–43. Also, see Richard L. Thurston, Country Risk Management: China and Intellectual Property Protection, International Lawyer 27, 1993, at 51–54; and Brian Barron, Chinese Patent Legislation in Cultural and Historical Perspective, Intellectual Property Journal 6, 1991, at 313–330.

after the approach of the Soviet Union, the trade-mark regulations did not provide for the exclusive use of trade-marks. With respect to copyrights, the Tentative Provisions for Payment for Published Works in Literature and Social Sciences (1958) were adopted. Though the regulations did not provide as to whether the authors enjoyed other rights than payment for their works, presumably only limited rights were recognised by the Chinese government. It should be pointed out that these regulations were the only provisions with respect to intellectual property until 1978, when a market-oriented reform and an open-door policy took shape. This was related to the Chinese economic structure, as it existed until the late 1970s, under which property rights were strictly confined to the "public property rights"[6] and all economic activities, including research and development (R&D) and other knowledge-creation, were organised by the government[7]. As a type of property rights, IPRs, had they existed, would of course have been viewed as public property rights. In fact, IPRs were regarded by some as being in the nature of a monopoly by individuals and the question remained a forbidden zone of considerable sensitivity until the late 1970s[8]. As a result, the generation of knowledge[9] relied heavily on either the direct production of knowledge by the government or government-subsidized research and development activities by the state-owned sectors. The whole process of knowledge-creating was under the direct guidance of the government, which played the role of an organiser, and no commercial dealing was involved. That is to say, on the consumption of knowledge side, state-owned entities, whether government agencies or state enterprises, were in a position to have access, direct or indirect, to any intellectual property in the name of the State. It is fair to say that the notion of IPRs had no basis in the economic structure of the PRC. Strictly speaking, IPRs were hardly recognized in the legal sense before the country began its drive to create a market-oriented economic structure[10].

The year 1978 saw a resumption of the promulgation of IPRs regulations in which western conceptions regarding IPRs were borrowed[11]. Though these regulations were far removed from the IPRs regimes prevailing in the industrial coun-

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[6] Some observers argue that the reluctance to recognise property rights was inherited from the Chinese tradition. See, for instance, Barron, *ibid.*

[7] Under the pre-reform Constitution of the People's Republic of China (1975), the economic structure was characterised by "public property" and "centralised planning".

[8] A Chinese scholar has said that recognition of the notion of copyrights until 1978 "was just about zero". See Zheng Chengsi, Chinese Copyright Law, Chapter 16 of China Foreign Economic Law, Hong Kong International Law Institute, 1994, at 16–1.

[9] The economic theories of IPRs often classify intellectual property into two consecutive phases: knowledge-creation and knowledge-consumption. See Carlos A. Primo Braga/Carsten Fink, The Economic Justification for the Grant of Intellectual Property Rights: Patterns of Convergence and Conflict, a paper presented at the symposium "Public Policy & Global Technological Integration", Chicago, October 1995.

[10] This point of view is shared by many observers of China's IPRs regimes, *inter alia*, Floum, Thurston and Barron, see note 5.

[11] The first of this kind were the Regulations on the Rewarding of Inventors, which was revised in 1982.

tries, their promulgation marked the new era to come in respect of IPRs affairs in China. From then on, IPRs laws and regulations and agencies were introduced and came into existence in China. Thus the year 1982 saw the first trade-mark law, i.e., the Trade-mark Law, by the National People's Congress (NPC), the Chinese legislature. In 1985, the National Copyright Office was created to draft a copyright law. Several years later, in 1990, the Copyright Law was promulgated. These were the first IPRs-related laws in the history of the PRC. The promulgation of these laws marked the beginning of the systematic establishment of China's modern legal system in respect of IPRs protection. The adoption of the notion of IPRs indicated the recognition by the Chinese government that IPRs regimes could play a critical role in the promotion of technological progress, which was deemed as a driving force to China's economy[12].

Impressively, China has adopted, up to now, the following IPRs laws and regulations with respect to trade-marks and copyrights: the Trade-mark Law (promulgated on 23 August 1982, amended on 22 February 1993), the Provisional Regulations Governing Applications for Priority Registration of Trade-marks in China (15 March 1985), the General Principles of Civil Law (12 April 1986), the Implementing Regulations of the Trade-mark Law (promulgated in 1988, amended on 15 July 1993), the Copyright Law (7 September 1990) and the Regulations on the Protection of Computer Software (4 June 1991), the Implementing Regulations on Copyrights (30 May 1991), the Supplementary Decision on Punishment of Criminal Counterfeiting of Registered Trade-marks (22 February 1993), the Unfair Competition Law (1 December 1993), the Decision of the Standing Committee of the National People's Congress on the Punishment of Crimes of Copyright Infringement (5 July 1994), the Decision of the State Council on Further Strengthening the Work of Protection of Intellectual Property (5 July 1994), the Regulations for the Administration of Audio and Video Recordings (25 August 1994) and the Regulations on Customs Protection of Intellectual Property (5 July 1995).

III. International Agreements in Respect of Trade-Marks and Copyrights

Needless to say, an account of China's IPRs legal framework in its historical context warrants looking into the international agreements to which China has acceded during the period in question. Under Article 142 of the General Principles of Civil Law, the laws of the PRC shall apply to civil relations with foreigners. Thus, the above-mentioned IPRs-related laws and regulations are the applicable laws concerning protection of foreign trade-marks and copyrights. The same laws, in Article 142, also provide that, if international agreements acceded to by the PRC contain provisions differing from those provided in the laws of the PRC, the provisions of international agreements shall apply. Therefore, in terms of protec-

[12] At that time, China's market-driven effort proclaimed the intention to realise the four modernizations, which included "modernization of science and technology".

tion of foreign intellectual property, the international conventions will be treated as supplementary to the domestic laws and regulations. In case of conflict between the international agreements and the Chinese laws and regulations, the governing rules should derive from the international conventions. Though the General Principles of Civil Law do not specifically provide whether the provisions under the international agreements apply in circumstances not covered by the Chinese laws and regulations, it can be reasonably argued that the provisions under international agreements apply.

In 1980 China became a member of the World Intellectual Property Organisation (WIPO). In 1985 China acceded to the Paris Convention for the Protection of Industrial Property. In 1989 China signed the Treaty on Intellectual Property in Respect of Integrated Circuit and became a member state of the Madrid Agreement for International Registration of Trade Mark. China became a member state of the Berne Convention for the Protection of Literary and Artistic Works and the Universal Copyright Convention on 15 October 1992 and the Geneva Convention for the Protection on Producers of Phonograms against Unauthorised Duplication of Their Phonograms on 30 April 1993. In order to harmonise the relationship between domestic laws or regulations and these international conventions, special regulations, namely, the Regulations on the Implementation of the International Copyright Treaty, were promulgated in 1992. On 1 September 1995 China acceded to the Madrid Protocol on the Protection of Trade-Marks. Thus, China has obviously gone to great lengths to incorporate accepted international norms on trade-marks and copyrights into its IPRs regimes.

Moreover, as a result of bilateral talks with the United States, the Memorandum of Understanding on the Protection of Intellectual Property was concluded on 17 January 1992 and the Intellectual Property Right Enforcement Agreement on 26 February 1995.

It is worthwhile noticing that the commitments undertaken by China in international agreements, have had an in-depth impact on the general structure of IPRs regimes, not only because the international agreements constitute part of that structure, but because they have played a part in shaping the Chinese IPRs regimes or set a higher standard for China to follow. Noticeably, the Trade-mark Law and its accompanying Implementing Regulations of the Trade-Mark Law were amended in 1993, with a view to achieving compliance with the international standard of the protection for IPRs[13].

In addition, China's engagement with the international community also has a bearing on the shaping of the Chinese IPRs regimes. For instance, when drafting, among other things, the Trade-mark Law, China sent delegations to the Federal Republic of Germany to "absorb the successful experience" there and the latter also sent its experts to China to transmit their expertise[14]. Similarly, in an effort to

[13] The previous year saw the amendment of the Patent Law and its Implementing Regulations to the same end.

[14] See Guiguo Wang, Economic Integration in Quest of Law, Journal of World Trade 29, April 1995, N. 2 at 14.

recognise the rules and the needs of the world's most prominent industrial countries, the Copyright Law, not only drew upon the world's innovative and modern legal languages, but incorporated the internationally accepted norms[15]. Therefore, the Copyright Law has been viewed as one of the most comprehensive copyright laws in the world[16]. In fact, on 7 July 1979, China committed itself to protect, among other things, trade-marks with due regard to international practice in the Agreement on Trade Relations between China and the United States[17]. These facts show the Chinese IPRs regimes' intention to refer to international practice from the outset.

In evaluating the impact of the international agreements in respect of trademarks and copyrights on the IPRs regimes, the Sino-US IPRs agreements, namely the Memorandum of Understanding on Protection of Intellectual Property (1992) and the Intellectual Property Right Enforcement Agreement (1995) between China and the United States are of particular importance. These agreements are viewed as landmark agreements between the two countries. Although they are bilateral treaties, their impact exceeds bilateral IPRs affairs. China is a signatory to the existing multilateral international conventions in respect of IPRs. The most-favoured-nation treatment obligation embodied in these bilateral conventions binds China to extend the protection measures originally designed for the United States title-holders to those from all the other signatories to the multilateral conventions concerned. Thus, the bilateral treaties assume the functions of multilateral international agreements. More important in shaping China's IPRs regimes is the fact that the key thrust of the bilateral agreements is to provide for protection of US IPRs equivalent to that in the United States or, in the terms used by the United States, the minimum international standard of protection. Under the Memorandum of Understanding (MOU,1992), China committed itself to strengthening IPRs protection and toughening its IPRs regimes. Article 3 specifically required that China accede to the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention), (Paris 1971) and to the Convention for the Protection of Producers of Phonograms against Unauthorised Duplication of Their Phonograms (Geneva Convention), and issue new regulations to remove any inconsistencies between the Copyright Law and its Implementing Regulations, on the one hand, and the Berne Convention, the Geneva Convention and the Memorandum of Understanding, on the other. In fulfilment of its commitments under the Agreement, China joined the Berne Convention and the Geneva Convention fifteen

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[15] See, *supra*, Simpson, note 5, at 580.

[16] See, *ibid.*, at 587 (citing Jianming Shen, The People's Republic of China's First Copyright Law, Hastings International and Comparative Law Review 14, at 529–530).

[17] Article VI(3) of the Sino-American Trade Agreement provided that the United States and China would seek "under its laws and with due regard to international practice, to ensure to legal and natural persons of the Party protection of patents and trade-marks equivalent to the patent and trademark protection correspondingly accorded by other Parties." The Agreement took effect on 1 February 1980 and is subject to renewal at three-year intervals. The most recent renewal was on 1 February 1995. The Sino-US Agreements can be found in "Zhong Hua Ren Min Gong He Guo Tiao Yue Ji" (Collections of the Treaties of the People's Republic of China).

days after the conclusion of the Agreement and, accordingly, the Regulations on the Implementation of the International Copyright Treaty were promulgated in 1992 to mend the gap between the Copyright Law and the Berne Convention and the Geneva Convention. Article 4 of the MOU required the Chinese government to prevent unfair trade competition. As a result, the Unfair Competition Law was promulgated on 1 December 1993 to improve protection for trade secrets, etc.[18]

The Intellectual Property Right Enforcement Agreement (1995) covers enforcement of copyrights, mandates better border controls, institutes trade-mark law modernisation, and obliges China to intensify a "special enforcement period" aimed at cracking down against piracy. As a result, apart from a nine-month special enforcement period during which an intense crackdown was imposed on pirates of copyrighted works and trade-marked products, the border enforcement regime[19] was strengthened, a copyright verification system for audio-visual products and CD-ROMs incorporating computer software was set up, separate and detailed plans to clean up the audio-visual, books and periodicals and computer software sectors were made, a nation-wide training and inspection system designed to prevent infringement was established, and a nation-wide educational programme on IPRs protection was launched[20, 21]. It is fair to say that the most important improvements to the protection of IPRs in China have been effected by the commitments in the foregoing two Sino-US agreements.

IV. The Protection of Trade-Marks and Copyrights in China: an Overview

It is essential to bear in mind that, since the present Chinese IPRs laws and regulations have incorporated the international regimes, the vast majority of cases concerning IPRs protection are actually dealt with within the framework of domestic Chinese laws and regulations. The following description of China's IPRs regimes will be mainly based on the relevant laws and regulations.

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[18] With respect to patents, for instance, Article 2 of the agreement stipulated that the Chinese government should provide administrative protection to US pharmaceutical and agricultural chemical inventions. Accordingly, the Regulations on the Administrative Protection of Pharmaceuticals (19 December 1992), the Rules for the Implementation of the Regulations on the Administrative Protection of Pharmaceuticals (30 December 1992), the Regulations on the Administrative Protection of Agro-Chemical Products, and the Rules for the Implementation of the Regulations on the Administrative Protection of Agro-Chemical Products (26 December 1992) were promulgated. Moreover, China revised its Patent Law, *inter alia*, to protect products and processes for all chemical inventions on 4 September 1992.

[19] In fact, the Regulations of the Customs Protection Intellectual Property (1995), which were modeled on the US custom system for IPRs protection, were promulgated to this end.

[20] Because of its broad coverage and highly demanding disciplines, and the potentials of the China market, the agreement was hailed as one of the most important events concerning international IPRs in recent history. See *supra*, Simpson (note 5), at 578

[21] The Intellectual Property Right Enforcement Agreement had such a major bearing on China's IPRs regime that when the agreement was made public many Chinese officials began to be concerned about China's ability to maintain its sovereignty. See, *ibid.* (citing Wu Yi, Minister of Foreign Trade and Economic Co-operation of China).

A. General observations

1. Authorities

Generally speaking, the protection of IPRs is jointly carried out by the relevant administrative and judicial authorities. Like most other injured parties in civil cases in China, the party whose trade-mark or copyright has been infringed may request either administrative or judicial protection. While the courts protect IPRs by determining cases of IPRs infringement and generally serving as the final arbiter of IPRs-related matters, the administrative authorities concerned under the relevant laws and regulations, deal with a variety of IPRs matters including registration, investigation of infringements, the taking of administrative measures and adjudication of IPRs infringement cases that are submitted to them. In fact, most of the task of protecting IPRs rests on the administrative authorities under the current IPRs regimes. For instance, in terms of adjudication of infringement cases, the courts at all levels throughout the country handled 5,167[22] intellectual property cases from 1986 to 1994, while the number of the cases dealt with by the Administration of Industry and Commerce in 1991 alone was 30,500[23]. Moreover, the administrative authorities often initiate regular or ad hoc special enforcement actions. For instance, as part of its commitment under the 1995 Intellectual Property Enforcement Agreement with the United States, China established a nine-month special enforcement period during which the administrative authorities at all levels launched an intensive crackdown on major pirates of copyrighted works and trade-marked products. These initiatives have proved effective to curb IPRs infringing activities [24].

Clearly, the current regimes for the administrative protection of trade-marks and copyrights in China are highly compartmentalised[25], with the exception of customs protection. Trade-mark enforcement is within the authority of the Trade-Mark Office of the State Administration of Industry and Commerce (SAIC). General copyright enforcement is the charge of the National Copyright Administration under the State Administration of News and Publication, while computer software protection is the province of the State Centre of Software Registration and Administration (CSRA) under the Ministry of Machine-Building and Electronic Industry. Lastly, protection against unfair competition rests on the State

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[22] The figure was based on the statistics (from 1986 to 1994) released by the Press Office of the State Council in its White Paper "The Situation of Intellectual Property in China", and an estimation of the number of the IPRs cases dealt with in 1994 by Ren Jianxin, Chief Justice of the Supreme People's Court.

[23] See Fazhi Ribao (Legal Daily), 14 April 1994, at 3.

[24] For instance, the United States Trade Representative (USTR), in reviewing China's situation of IPRs protection in its 1996 National Trade Estimate, called for an extension of the special enforcement period by the Chinese government.

[25] In contrast, all the infringements, whether of trade-mark, of copyright, or of patent, are dealt with by the specially established Division for Adjudicating Intellectual Property Cases within the People's Court system.

Administration of Industry and Commerce. To make things more complicated, the relevant administrative authority relies on its local offices at different levels to implement administrative protection. This is, of course, attributable to the extreme complexity of the IPRs issues as well as the vastness of the country. No one single administrative authority is in a position with respect to expertise or other resources to administer all IPRs matters. Technically, it is understandable that lack of co-ordination among the various administrative authorities as well as among the offices at different levels may, from time to time, present an obstacle to efficient functioning of the administrative protection of trade-marks and copyrights.

With regard to adjudication of cases of IPRs infringement, both the relevant administrative authority and the relevant court have competence. Thus, the party can refer his complaint either to an administrative authority or to a court. This provision can be found in the Trade-mark Law and the Copyright Law[26]. In this context, the administrative authorities are vested with authority parallel to that of the People's Courts. For instance, according to Article 43 of the Implementing Regulations of the Trade-mark Law, the administrative authority can decide trade-mark infringement cases, issue injunctions, require compensation and impose administrative fines. It is clear that the administrative authority is delegated some quasi-judicial powers. Similarly, according to Article 50 of the Regulations for the Implementation of International Copyright Conventions, the National Copyright Administration is authorised to issue public warnings, grant injunctions in relation to the production and distribution of infringing copies, confiscate unlawful gain, seize infringing copies and equipment used for making infringing copies, and impose fines. The delegation of authority enables the administrative protection to be more efficient and reliable[27]. In case of administrative protection, since the administrative authorities are not bound by procedures as rigid as in lawsuits, it is sometimes easier to put a speedy end to an infringement. For example, in *Minnesota Mining and Manufacturing Company (3M)* v. *Shenzhen G. Yun Industrial Co. Ltd.*, 3M complained to the Shenzhen Administration of Industry and Commerce on 10 October 1989 about sold diskettes bearing the mark of "3M", which was 3M's registered trade-mark in China. The Shenzhen AIC immediately commenced an investigation, as a result of which the infringement was stopped within one month. In contrast, the court procedure would have taken from three to six months[28]. Apart from the speedy decision, the administrative remedy is less costly and sometimes more efficient[29].

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[26] See Article 39 of the Trade-mark Law and Article 48 of the Copyright Law.

[27] See Joseph Simone, China's Copyright Law, The Encyclopedia of Chinese Law I, Hong Kong, 1993, at 127–128.

[28] Article 135 of the Civil Procedure Law (1991) provides for a trial time-limit of six months for cases that are heard according to ordinary procedure and three months for cases that are heard according to summary procedure.

[29] The reason that the administrative remedy is sometimes more efficient is that the specialized staff in the administrative authorities at the irrelevant level is supposed to be more familiar with the local intellectual property market and has closer connections with the local market supervising units.

A close examination of administrative protection would further reveal the following features: (i) Any party, interested or not, can report the infringement to the relevant administrative authority while, at the judicial level, only the infringed party or, in the case of criminal indictment, the People's Procuratorate can commence a lawsuit; (ii) In case of a report to the administrative authority, the reporting party can file a complaint though he cannot identify the infringing party while, in case of lawsuit, the infringing party must be identified; (iii) While, in case of a lawsuit, the action must be commenced by the complainant, the administrative authority can initiate an inspection *ex officio* as well as at the request of a reporting party. (iv) Administrative measures can prevent the IPRs in question from being further infringed intervening at any point of the infringing process if the nature of the alleged infringement so warrants. All these features contribute to the advantage of the administrative protection of IPRs over judicial protection.

However, the defects of the administrative protection lie in the quasi-judicial quality of this authority: First, the parties are subject to more arbitrary discretion in the administrative than in the judicial remedy. While in case of a wrongful administrative measure involving inspection and seizure, the alleged infringer may in theory seek to block such a seizure through an *amparo* proceeding, it is not likely that this party will be given advance notice of the inspection and, hence, the practical opportunity to initiate such a proceeding. The only effective thing this party can do is to pay a sum to the administrative authority as security in order to terminate the administrative measure. Therefore, little defense may be had against the administrative measure itself. Second, the administrative authorities are not legally empowered to deal with all infringements. For example, the SIC's authority is limited to dealing with infringements that fall within the province of Article 38 of the Trade-mark Law. Finally, the administrative decision is not final *per se*; a full-fledged judicial proceeding may arise where an affected party challenges the administrative decision in a court within the prescribed time-limit starting from the date of receipt of notice as to the administrative decision[30], and implementation of the decision will be delayed until a final, unappealable ruling is entered by the court.

In this context, the infringed party can thus resort to a court for compensation if he has failed to obtain it under the previous administrative ruling. It goes without saying that judicial protection, under any system of law, is the last and best resort available to the infringed party. In principle, this is also true in China. As is required by law, court hearings, whether in a civil case initiated by the title-holder or in a criminal case initiated by the People's Procuratorate, are held openly. A lawsuit may be indicated as a means to embarrass an infringer, to publicise the IPRs title-holder's cause, and to create a deterrent effect (especially in criminal cases). The judicial remedy is particularly desirable where the facts of an IPRs

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For a discussion in this regard, see Tong Cai, Legal Protection for Foreign Trade Marks in China, World Competition 18, March 1995, N. 3 at 118.

[30] See Article 39 of the Trade-mark Law.

infringement case are complicated or where the consequences of the infringement are serious. In addition, the enforcement of the administrative decision is, to some extent, limited to the jurisdiction where the infringing act has been committed[31], while the judicial judgement is enforceable throughout the country.

Mention must also be made of the participation in IPR protection by the People's Procuratorate in the case of criminal indictment. According to the Criminal Procedure Law, the People's Procuratorate has responsibility for seeking criminal indictments. Since the IPRs laws and regulations provide for criminal liability for serious infringement of IPRs, the People's Procuratorate's participation in the procedure is indispensable. In fact, the People's Procuratorate has played an increasing role in IPRs protection. The *Maotai* case is a typical example of the role that the Procuratorate can play. *Maotai* is the most famous brand name and trademark for a Chinese alcoholic beverage. It is so popular that counterfeiting of *Maotai* once reached epidemic proportions. A Chinese citizen was prosecuted by the Procuratorate under the Trade-mark Law for counterfeiting *Maotai*. After his conviction, he was executed. This case served as an effective deterrent to the counterfeiting of *Maotai* and other trade-marked goods.

The significance of the role of the Procuratorate lies not only in the indispensability of its participation for pursuing a criminal prosecution, but also in the exercise of its discretionary powers in regard to indictment, particularly in establishing such facts as the number and value of the infringing goods involved, the amount of profits arising from the counterfeiting, and the scope of the potential defendants.

2. Infringement and liability

Infringement of IPRs, whether they involve trade-marks or copyrights, may give rise to liability. The criteria for infringement vary as between trade-marks and copyrights. However, the liability, whether arising from trade-mark or copyright infringement, has one thing in common. The liability may be civil-administrative or criminal. It is worth pointing out that the liability borne by the infringers evolved from purely civil-administrative liability to both civil-administrative and criminal liability[32]. Needless to say, the introduction of criminal liability strength-

[31] China is a unitary country. Theoretically, the administrative decision by one administrative authority of one territorial jurisdiction is, like a court judgement, enforceable in another jurisdiction. In practice, however, it often meets obstacles from local protectionism when it is to be enforced in another jurisdiction.

[32] See Article 39 of the Trade-mark Law and the Supplementary Decision on Punishment of Criminal Counterfeiting of Registered Trade-marks. Unlike the Trade-mark Law and the Patent Law, the Copyright Law does not contain a provision stating that criminal liability might attach in case of serious infringement. The subsequently promulgated Decision of the Standing Committee of the National People's Congress on the Punishment of Crimes of Copyright Infringement contains such a provision.

ened the protection of IPRs[33]. It is also fair to say that the protection of IPRs in China has become more and more rigid.

B. Protection of Trade-marks

Generally speaking, China's trade-mark regime is, on its face, adequate. It provides that most words, designs or other combinations may be used as a trade mark[34] and registered in China. Applicants may apply for registration either for their goods or for their services[35]. Registration of trade-marks is administered by the Trade-mark Office of SAIC. Application for registration can be filed either by the applicant himself or via proxy[36]. A trade-mark registered in China is entitled to perpetual protection, provided its registration is periodically renewed (every ten years) and its use continues[37].

With respect to competing applications, the Trade-mark Law adopts a rigid "first-to-file" principle[38]. Applicants who are nationals of Member States of the Paris Convention may enjoy special priority rights. According to the Provisional Regulations Governing Applications for Priority Registration of Trade-marks in China, if an applicant for registration of a trade-mark in China originally filed an application for the same trade-mark in a Paris Convention country within six months prior to the application date in China, the date of the original filing may be viewed as the priority date for China as well.

The holder of a registered trade-mark has the exclusive right to use it[39]. He can also license his registered trade-mark to others in marketing his products[40].

The Trade-mark Law prohibits infringement. According to Article 38 of the Trade-mark Law, any of the following acts shall be regarded as an infringement of the exclusive right to use a registered trade-mark:

(i) unauthorised use of a trade-mark which is identical with or similar to the registered trade-mark of another party in respect of the same or similar goods;

(ii) selling goods with knowledge that they bear a misrepresented trade-mark;

(iii) counterfeiting or unauthorised representation of a registered trade-mark of another party;

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[33] Unfortunately, this point seems to have not attracted adequate attention of the critics of the Chinese IPRs regime. In fact, few articles dealing with the Chinese IPRs regime have noticed that the present legal framework of IPRs introduces criminal liability provisions.

[34] See Article 7 of the Trade-mark Law.

[35] See *ibid.*, Article 4, as amended in 1993. Trade-marks did not include service marks until the amendment of the Trade-mark Law in 1993. However, if a service mark which is identical with or similar to a registered service mark of others has been used continuously up to 1 July 1993, the party concerned may continue to use that mark.

[36] The officially-appointed trade-mark agencies are dispersed in main cities across the country.

[37] See Article 24 of the Trade-mark Law.

[38] See *ibid.*, Article 18.

[39] See *ibid.*, Article 3.

[40] See *ibid.*, Article 26.

(iv) causing, in other respects, prejudice to the exclusive right to use the registered trade-mark of another party[41].

In addition, the Unfair Competition Law provides similar provisions in respect of infringement of trade-marks, e.g., misrepresenting the registered trade-mark of another party, unauthorised use of the names, packaging or decorating peculiar to well-known goods of another party in order to cause buyers to mistake them for such goods, and forging or falsely using symbols of quality such as those indicating genuiness and symbols of famous and high-quality goods. This law particularly strengthens the protection accorded to well-known trade-marks.

The remedies stated in the Trade-mark Law, as will be explained, are also applicable to the injured party of unfair competition relating to trade-marks.

Article 39 of the Trade-mark Law and Article 42 of the Implementing Regulations provide that the complainant of a trade-mark infringement listed in Article 38 of the Trade-mark Law can elect to refer his complaint to the administrative authority or to the competent courts. On the administrative side, the Administration of Industry and Commerce at or above the county level[42] shall have the authority to handle the matter. According to Article 43 of the Implementing Regulations, the administrative authority can: (i) order the sale to be stopped immediately; (ii) seize and destroy the infringing representation of the trade-mark; (iii) remove the infringing trade-marks on the goods in stock; (iv) seize the dies, plates, etc., used specially in the infringement of the trade-mark and other tools for committing the offences; (v) order and supervise the destruction of the infringing articles by the offender taking the above measures are insufficient to stop the infringing act or where the infringing trade-mark is difficult to separate from the goods; (vi) impose a fine of no more than 50 % of the illegal turnover or no more than five times the profit obtained through the infringement; (vii) impose a fine for an amount not exceeding 100,000 yuan on the person responsible in the entity committing the infringement; and (viii) order the infringer to compensate the infringed party for the damages sustained[43]. Since the Administration of Industry and Commerce can issue prohibitive orders or take other coercive measures without obtaining permission from the courts, the administrative authority is clearly delegated some quasi-judicial powers[44]. These powers, on one hand, make the administrative remedy more efficient, on the other hand, they increase the risk that the party subject to the administrative authority will be treated arbitrarily.

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[41] Article 41 of the Implementing Regulations of the Trade-mark Law interprets this provision as follows: (i) to sell goods with good knowledge that the seller is infringing the exclusive right of another party to use the registered trade-mark; (ii) to use any word or design which is identical with or similar to the registered trade-mark of another party in respect of the same or similar goods; (iii) to provide intentionally facilities such as storage, transportation, mailing, and concealment, for an act of infringement of the exclusive right to use a registered trade-mark of another party.

[42] The Chinese administrative system is a hierarchy. Looking at the Administration of Industry and Commerce from the top to the bottom, for example, one finds the state AIC, the provincial AIC, the city or prefecture AIC, the county AIC and the town AIC.

[43] See Article 43 of the Implementing Regulations of the Trade-mark Law.

[44] See Article 65 of the Administrative Litigation Law.

It is important to note that all the above-mentioned rules are laid down only for the protection of holders of registered trade-marks in China. An issue rises as to whether foreign trade-marks that have not been registered in China are entitled to protection. There was no provision in this connection in the 1983 Trade-mark Law and its Implementing Regulations. Given that IPRs are basically territorial in nature, some have argued that anyone might use a foreign trade-mark that had not been registered in China without the risk of infringing the foreign holder's rights. However, this view fails to notice that the General Principles of Civil Law refer this situation to the international treaties acceded to by China. China became a signatory to the Paris Convention in 1985 and has since been bound by its provisions. Article 6*bis* of the Paris Convention states:

> "The countries of the Union undertake ... to refuse or to cancel the registration, and to prohibit the use, of a trade mark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of a mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith."

Under the Convention, therefore, the foreign holder of a well-known trade-mark which had not been registered in China was still entitled to a remedy against registration and use of an identical or similar trade-mark procured by another party's deception or other improper means[45]. In fact, the legislators added a new protective provision to the Trade-mark Law, as amended in 1993. The new provision was hailed as having cured the largest defects in the 1983 Trade-mark Law[46]. In this regard, the holder of a well-known trade-mark, whether registered in China or not, enjoys special protection if he proves that others have registered a trade-mark by copying, imitating or translating his well-known mark in contravention of the principle of "good faith"[47]. As for what amounts to a "well-known trade-mark", additional provisions have been lately set forth[48]. The definition in the Provisions is so intriguing as to deserve being quoted in full: "Well-known trade-marks in the context of the Provisions are referred to as registered trade-marks which enjoy a comparatively widely recognized reputation in the

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[45] See Article 25 of the Implementing Regulations of the Trade-mark Law, by which the "deceptive or improper means" include: (i) fabricating or concealing facts when filing the application for registration of the trade-mark; (ii) falsifying application forms or relevant documents when filing the application for registration of the trade-mark; (iii) violating the principle of "good faith" by registering the well-known trade-mark of others; (iv) unauthorised use of the principal's name to file the application for registration of his own trade-mark; (v) infringing another party's priority to file the application for registration of a trade mark; and (vi) obtaining registration through other improper means.

[46] See *supra*, Floum (note 5), at 46.

[47] See Article 25(2) of the Implementing Regulations of the Trade-mark Law.

[48] Tentative Provisions on Recognition and Administration of Well-known Trade-marks, 14 August 1996.

market and which are well-known to the relevant public"[49]. Apparently, the provisions require that well-known trade-marks be identified only on the basis of awareness by the revelant public rather than general public awareness. It should be pointed out that the provisions, albeit prone to giving the impression that they confine protection to the trade-marks which are well-known in foreign countries and which are registered with the Trade-Mark Office of SAIC, shall not to be understood as precluding the foreign well-known trade-marks which have not been registered in China from enjoying legal protection in China[50]. As a matter of fact, foreign well-known trade-marks are protected insofar as they are recognised by, though not registered with, the SAIC. The weak point is that the administrative authority has discretionary power to determine whether the foreign trademark in question should be treated as a well-known mark.

C. Protection of Copyrights

Although copyright protection was incorporated in the 1979 Sino-American Trade Agreement[51], the copyright protection regimes did not come into existence until the Copyright Law (1990) was promulgated[52]. The Copyright Law, together with its Implementing Regulations provide comprehensive copyright regimes. A Chinese scholar correctly observed that the Copyright Law was "likely to be the most up-to-date and perhaps the most fair copyright legislation in the world."[53]

Under the Copyright Law, a wide range of categories of works, i.e., written, oral, musical, dramatic, artist, photographic, television and video works, as well as engineering and product designs, maps, and computer software are protected. Computer software is separately and cumulatively protected under both the Copyright Law and the Regulations for the Protection of Computer Software. Most copyrights are protected for the life of the author plus fifty years[54]. For computer software, protection applys for twenty-five years from first publication with an option to extend protection for another twenty-five years period[55, 56].

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[49] See *ibid.*, Article 2.

[50] Shoukang Guo shares the same viewpoint. See Guo, Der Schutz der bekannten Marke in der VR China, in: Gewerblicher Rechtsschutz und Urheberrecht Internationaler Teil (GRUR, International, 1997, 26–27.

[51] Subparagraph 5, Article VI(3) of The Sino-American Trade Agreement required China to provide copyright protection to US nationals.

[52] Although, on 1 January 1985, the Regulations on the Protection of the Copyright in Books and Journals were promulgated by the Ministry of Culture, strictly speaking, the notion of "copyright" as used in the Regulations was not equivalent to its original sense.

[53] See, *supra*, note 16.

[54] See Article 21 of the Copyright Law.

[55] See Article 15 of the Regulations for the Protection of Computer Software.

[56] This provision was disapproved by the United States before China acceded to the Berne Convention in 1992. Nevertheless, the twenty-five year limit does not apply to computer software authorised by the Berne Convention member States, including the United States. See, also, *supra*, Article 7 of the Regulations for the Implementation of International Copyright Conventions.

Noticeably, the Copyright Law protects the moral rights of authors. According to Article 10, moral rights include the right: (i) to decide whether or not to publish a work; (ii) to obtain payment for the publication of a work; (iii) to revise or correct a work; and (iv) to protect a work from "misrepresentation and distortion". This provision is regarded as offering a level of moral protection "at least equal to that provided by the comparable intellectual property laws of the world's major economic powers"[57]. In fact, it covers all that is stipulated in the Berne Convention.

The Copyright Law makes it clear that an author automatically acquires a copyright for his works, whether made public or not. But as to foreigners, Article 2 of the Copyright Law provides for a condition for the acquisition of a copyright: publication in China[58]. This provision is often cited as putting foreigners at a disadvantaged position[59] and being contrary to the national treatment. However, Article 3 provides that foreigners whose works are made public outside of China may still enjoy copyrights pursuant to international agreements to which China and the country of origin of the works are signatories. The nationals of signatories to the Berne Convention, the Universal Copyright Convention and the Geneva Convention concerning phonogram products, to which China has acceded, are entitled to copyrights whether their works have been made public or not. The promulgation of the Regulations for the Implementation of International Copyright Conventions mended the shortcomings in this regard[60].

With respect to computer software, registration is a prerequisite for the pursuit of an administrative settlement or the institution of a lawsuit. Registration is described as providing *prima facie* evidence of the validity of the software in question[61]. This provision is incompatible with that of the Berne Convention[62]. However, the Regulations for the Implementation of International Copyright Conventions have set forth a special provision under which foreign softwares are protected after their release without going through the registration procedure[63].

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[57] See, *supra*, Simpson (note 5), at 588. The provision of a high standard of moral protection was plainly responsive to the calling of the Chinese government for an "advanced socialist inspired civilisation".

[58] Article 2 of the Copyright Law states: "Works of Chinese citizens, ... whether made public or not, shall enjoy copyright in accordance with this Law. Works of foreigners first made public in the territory of China shall enjoy copyrights in accordance with this Law." However, Article 25 of the Implementing Regulations of the Copyright Law provides that works published outside China will receive automatic protection provided they are also published in China within thirty days of the initial foreign publication. Obviously, the motion of "first publication" in China is broadly defined in the Copyright Law.

[59] See, for example, *supra*, Floum (note 5), at 47.

[60] See Article 19 of the Regulations for the Implementation of International Copyright Conventions.

[61] See Article 24 of the Regulations for the Protection of Computer Software.

[62] Article 5(2) of the Berne Convention.

[63] See Article 7 of the Regulations for the Implementation of International Copyright Conventions.

According to Article 45 of the Copyright Law, a party will be deemed as having committed an infringement by: (i) publishing a work without consent of the copyright owner; (ii) distorting or mutilating a work created by another party; (iii) exploiting a work by performance, broadcasting, exhibition, distribution, making cinematographic television or video productions, adaptation, translation, animation, compilation, or other means, without the consent of the copyright owner. Under any of these circumstances, the infringing party shall be held liable, for "eliminating the adverse effects, making a public apology or making compensation for damages"[64]. Article 46 prohibits plagiarising a work created by another party, reproducing and distributing a work for commercial purposes without the consent of the copyright owner, publishing a book for which another party has the copyright, reproducing and publishing a phonogram or videogram produced by another without the consent of the copyright owner, and producing or selling a work of fine art on which the signature of the artist is forged.

Controversy has arisen because the Copyright Law excludes some instances referred to as "fair use" from the scope of infringement. Some have argued that the fair uses listed are too broad and actually leave the door open for infringing activity. According to Article 22 of the Copyright Law, there are twelve fair uses[65]. A close examination would reveal that at least nine are reasonable, for example, "personal enjoyment and education", "appropriate quotations of a work" are, without exception, accepted by all the major copyright laws in the world. As regards translation of Chinese language works into ethnic minority languages and languages for the visually impaired, exceptions are acceptable because they reflect public policies in respect of ethnic minorities and the disabled. Perhaps, the most controversial exception is that pertaining state organs. This concern seems justified given that a great many state-owned entities are associated with the Chinese state organs. Others, however, do not agree that the state organ exemption would constitute abuse because not all state-owned entities are "state organs" from the legal point of view and hence, eligible to make "fair use".

In case of infringement, apart from the liability as stipulated in Article 45, administrative liability may rise as well[66]. In this regard, Article 50 of the Implementing Regulations of the Copyright Law provides in detail for administrative penalties, such as confiscation of illegal income from the infringement or imposition of a fine[67]. The infringing party may also bear criminal liability, for which a

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[64] See Article 45 of the Copyright Law.

[65] These fair uses include: (i) personal enjoyment and education; (ii) appropriate quotations from a work to introduce a comment on anther's work; (iii) reporting of current events; (iv) reprinting by newspapers and radio or television station; (v) publication of a speech delivered at a public gathering; (vi) classroom teaching; (vii) use by state organs; (viii) reproduction by libraries and archives; (ix) free-of-charge live performances of a published work; (x) copying and photographing of outdoor public exhibits; (xi) translation of Chinese works into ethnic minority languages; and (xii) translation into languages for the visually impaired.

[66] See Article 46 of the Copyright Law.

[67] See Article 50 of the Implementing Regulations of the Copyright Law.

penalty is foreseen of up to seven years of imprisonment[68]. The Decision of the Standing Committee of the National People's Congress on the Punishment of Crimes of Copyright Infringement sets forth that the infringing party "shall be sentenced to imprisonment for up to three years with or without a fine if the amount of illegal gain is relatively great or other circumstance is serious", and to imprisonment for up to seven years but no less than three years with or without a fine if the illegal gain is very great or another circumstance is very serious[69]. The Decision also provides that the sellers of infringed copies for a commercial purpose may be held criminally liable.

D. Customs protection

Customs protection is the last stage on the stream of commerce at which IPRs can be protected against piracy and counterfeiting before the pirated or counterfeit goods cross the borders. The fast increasing volume of trade between China and the outside world[70], especially in connection with the continuous complaint about the exporting of pirated and counterfeit goods from China to third markets, warrants border controls with respect to IPRs protection. Due, in part, to pressure from the United States, China adopted a border protection system first implemented under administrative order[71] and later under the Regulations of the Customs Protection of Intellectual Property in 1995. Like other countries' border measures, the purpose of the Chinese border-protection system is to provide the title-holder, who has valid grounds to suspect that the import or export of counterfeit trade-marked or pirated copyrighted goods may take place with an opportunity to lodge an application for the detention of goods by the customs authorities. In some countries, the customs authorities are only responsible for carrying out the detention of goods, while another administrative or judicial authority takes charge of examining the application for such a measure. However, the Chinese customs is, according to the Regulations, the only administrative authority responsible for ordering and implementing border measures. It has the power both to decide whether to detain the alleged infringing goods entering or leaving the customs territory, so as to protect the IPRs, and to implement the detaining act. Thus, the customs authority assumes a quasi-judicial power. Furthermore, the

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[68] Decision of the Standing Committee of the National People's Congress on the Punishment of Crimes of Copyright Infringement.

[69] In this regard, the Decision leaves room to the courts to articulate the meanings of "relatively great" and "very great".

[70] According to the OECD source, China's total export has been increasing at an average rate of 17% annually since its involvement in trading with the outside world in the late 1970's. See OECD Observer, No. 201, August/September 1996, at 28. In addition, according to the World Trade Organisation, China was the eleventh largest exporter in the world in 1993 and 1994.

[71] See General Administration of Customs, Notice concerning Further Strengthening the Protection of Intellectual Property Rights, 31 August 1994. The Notice provided that the Customs authorities would implement measures for the protection of IPRs during importation and exportation of goods.

Regulations delegate to customs authority a mandate to decide whether to confiscate or even destroy goods suspected of infringing IPRs of another, in addition to the power to detain these goods.

Given that, under either the Trade-mark Law or the Copyright Law, as well as their Implementing Regulations, the measures available to for administrative protection do not include detainment, confiscation and destruction of the infringing goods, the Regulations provide an unprecedented protection for IPRs.

Before the Regulations were promulgated, the administrative protection of IPRs had been compartmentalised. According to the Regulations, holders of any type of IPRs became entitled to protection by a single administrative authority; customs became the only administrative authority that can deal with the protection of all IPRs.

It is necessary to point out that the title-holder is not automatically entitled to protection. As prerequisites, the title-holder shall have his or her IPRs recorded at the Headoffice of the Customs[72] and, for a specific infringement, shall apply for protection when the goods in question are found to be leaving or entering the customs territory as well as provide security for detainment, i.e. detainment by customs is conditioned on an application and the provision of security by the title-holder.

V. A Comparison with the TRIPS and NAFTA

While the IPRs issue was traditionally regarded as territorial, the TRIPS negotiations in the context of the Uruguay Round of multilateral trade negotiations[73] can be characterised as the most recent chapter in the long history of attempts to deal with the issue of extraterritoriality of IPRs. The TRIPS is to date the most comprehensive multilateral agreement on intellectual property. It represents the prevailing international criteria for the protection of IPRs. The North America Free Trade Agreement (NAFTA), though not an agreement dealing with exclusively IPRs issues, covers a wide range of IPRs issues. More importantly, NAFTA provides for the highest level of protection for IPRs. Therefore, a comparison between the Chinese IPRs regimes and the IPRs-related rules embodied in the TRIPS and NAFTA would be instrumental for revealing the compatibility of the Chinese IPRs regimes with the international practice.

Interestingly, both the TRIPS and NAFTA follow the main international treaties in the field of IPRs, namely the Paris Convention for the Protection of Industrial Property (Paris Convention) and the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention). They both spell out the mini-

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[72] The Customs Protection of Intellectual Property was regarded by the critics of China's IPRs regimes as containing "badly flawed regulations" for the recording system. See the United States Trade Representative (USTR), 1997 Trade Policy Agenda & 1996 Annual Report.

[73] In fact, China, as an observer, took an active part in the negotiation of TRIPS (Agreement on the Trade-related Aspects of Intellectual Property Rights) in the Uruguay Round from 1986 to December 1993.

mum standards of protection of IPRs. Generally speaking, these minimum standards cover the main element of protection, the rights to be conferred and permissible exceptions to those rights, and the duration of protection. The two agreements set these standards by requiring, first, the national treatment and most-favoured-nation treatment (subject, however, to the exceptions to the principles that already exist in the main international treaties in the field of IPRs), and then, the observance of the specific substantive obligations set forth in these treaties. The TRIPS requires its member States to observe the Paris Convention (1967), the Berne Convention (1971), the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations (Rome Convention, 1961) and the Treaty on Intellectual Property in Respect of Integrated Circuits (1989)[74]. NAFTA requires its parties to give effect to the substantive provisions of the Geneva Convention for the Protection of Producers of Phonograms against Unauthorised Duplication of Their Phonograms (Geneva Convention) and the International Convention for the Protection of New Varieties of Plants (UPOV Convention), as well as the Paris Convention and the Berne Convention[75]. China has acceded to all the above-mentioned international conventions except the UPOV Convention.

As regards trade-marks, the basic rule of TRIPS is that any sign, or any combination of signs, distinguishing the goods and services of one undertaking from those of other undertakings, must be eligible for registration as a trade-mark[76]. NAFTA contains a similar provision[77]. Article 7 of the Trade-mark Law lays down the similar provision. Both the TRIPS and NAFTA require that member States make registrability depend on use[78]. In this context, the Trade-mark Law, which embodies the "first to file" doctrine, differs from the provisions of the TRIPS and NAFTA.

With respect to copyrights, both the TRIPS and NAFTA incorporate the substantive provisions of the Berne Convention, providing, *inter alia,* that computer programs be protected as literary works under the Berne Convention[79] and that the term of protection shall be the life of the author plus 50 years after his death. The Copyright Law of China previously treated computer software differently from literary works and provided a twenty-five year term of protection. The Regulations for the Implementation of International Copyright Conventions rectified the provision bringing computer software protection into conformity with the Berne Convention. It is interesting to note that, while the TRIPS allows an exception in respect of moral rights, the Chinese Copyright Law protects the integrity

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74 See the TRIPS, Articles 1(3), 2, 3(1), 4, 5, 9, 14(6), 15(2).

75 See Article 1701(2) of NAFTA.

76 See Article 15(1) of the TRIPS.

77 See Aricle 1708(1) of NAFTA.

78 See Article 15(1) of TRIPS, Article 1708(3) of NAFTA. Dietz has correctly pointed out to the present author that the requirement of use as laid down under the TRIPS applies only to signs not inherently capable of distinguishing as specified.

79 See Article 10(1) of TRIPS, Article 1705(1) (a)of NAFTA.

of the rights of authors by granting moral rights. Both the TRIPS and NAFTA require their member States to confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work in question and do not unreasonably prejudice the legitimate interests of the right-holder[80]. This is a horizontal provision that applies to all limitations and exceptions under the provisions of the Berne Convention.

Finally, in respect of enforcement, the TRIPS lays down certain general principles applicable to all IPRs enforcement procedures[81]. It contains provisions on civil and administrative procedures and remedies, provisional measures, border measures and criminal procedures, which must be available to the title-holders. While NAFTA contains a similar provision, it is much more specific[82]. From the comparative point of view, all these procedures can be found, to a certain degree, in the Chinese IPRs regimes.

In summary, the TRIPS and NAFTA provide for a highly demanding standard of protection of IPRs[83]. The current Chinese IPRs regimes with respect to trademarks and copyrights are basically in compliance with international practice as demonstrated under these agreements.[84] When the Chinese IPRs regimes are compared with their international counterparts, it is worth drawing attention to China's effort to rejoin WTO. China is still reinforcing its IPRs regimes as part of its re-joining campaign. It may be predicted that when China re-enters the World Trade Organisation (WTO), the Chinese IPRs regimes will be more compatible with the international practice.

VI. Some Observations on the Enforcement of the IPRs Regimes in China

It is fair to say that, up to now, China has established comprehensive regimes for the protection of IPRs, which cover, among other things, trade-marks and copyrights. Given that the framework has come into shape within two decades, the progress made by China in respect of IPRs is remarkable. Problems, however, still exist, which lie primarily in the sphere of enforcement. Given the short history of the Chinese IPRs regimes, it is understandable that the enforcement officials are not well-equipped with the necessary expertise. This contributes, to some extent, to the currently insufficient protection of IPRs.

Some critics have argued that the enforcement of IPRs laws in China has remained sporadic at best, and virtually non-existent with regard to copyrighted

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[80] See Article 13 of TRIPS, Article 1705(5) of NAFTA.

[81] See Part III of TRIPS.

[82] See Article 1714 of NAFTA.

[83] For a general overview of TRIPS, see Ladas/Parry, Intellectual Property Provisions of GATT, available on the Internet, http://www.ladas.com:/80gatt.html; and, for a detailed discussion of the TRIPS, see the Max Planck Institute of Foreign and International Patent, Copyright and Competition Law, From GATT to TRIPS: the Agreement on the Trade-related Aspects of Intellectual Property Rights, 1996.

[84] See T.K. Chang, Token Liberalisation Limits Foreign Interests in Investment, China Law and Practice, Vol. 11, No. 1, February 1997, at p. 21.

works[85]. This is not true. However, there is no denying the malfunction in the enforcement of the IPRs regimes. China is a unitary country within which the central government is responsible for promulgating most of the laws and regulations[86] while their implementation rests, mostly, on the administrative and judicial authorities at local levels. Much room is thus left to the local authorities in respect of law enforcement. The structure of law enforcement also poses difficulties. This results in the uneven implementation of the IPRs regimes, for example, the same title-holder may be treated differently and similar cases judged differently in different areas.

Ironically, the judicial enforcement causes, in practice, more complaints to be lodged. Infringed parties often criticize the fact that what they get from a law action is only a court decision. As a matter of fact, enforcement itself is the most controversial issue in the Chinese judicial system today. It may seem extraordinary that the courts simply cannot enforce their decisions in civil cases and have to rely on the prestige and authority of the Chief Justice or other judges of the court to enforce their decisions. Given that China is a country where the administrative power traditionally dominates political and social affairs and where the rule of law is far from being established, the courts do not enjoy the same high status and power as their western counterparts. Thus, law enforcement in general is more a function of the political environment and the interest that senior leaders have in seeing the laws implemented than it is of the legislative authority. As far as enforcement of court decisions is concerned, it is not uncommon that enforcement encounters interference by the various influential authorities and, hence, is sometimes inefficient and biased. In addition, while judicial protection, in practice, often arises where the infringement has caused damages, the compensation awarded by courts is sometimes so discouraging that it discourages prospective claimants from resorting to judicial protection. Holders of trade-marks and copyrights, especially foreign holders, have often complained that they did not receive adequate or just compensation[87]. Finally, corruption on the part of some law enforcement officials degrades the already imperfect law enforcement environment. Therefore, there is much to be desired with respect to the enforcement of IPRs laws and regulations and other laws and regulations as well.

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[85] See, *supra*, USTR 1996 Annual Report.

[86] Under the Chinese legal system, the laws are adopted by the National People's Congress and its Standing Committee, and the administrative regulations approved by the State Council and its Ministries. These laws and regulations have binding force across the country. At the local level, the People's Congress is empowered to issue resolutions with respect to local affairs. The local resolutions have binding force within the local administrative area concerned provided that they are not in conflict with the laws and regulations.

[87] A typical case is the *Microsoft* case. In 1992 Microsoft discovered a Guangdong factory producing counterfeiting holograms applied in large numbers to pirated versions of one of its DOS products. The company filed an action before the People's Court. The lawsuit reportedly cost Microsoft in excess US$ 1,000,000. Ultimately, the court refused to order confiscation of the moulds used to manufacture the bogus holograms and awarded the company damages in the amount of US$ 260.

Fortunately, the current government attaches great importance to the protection of IPRs. Each province now has an IPRs Conference Committee, usually headed by a Vice Governor, which co-ordinates the activities of all the agencies involved in IPRs enforcement. Further, virtually all major cities have an IPRs committee as well as IPRs strike forces made up of the police and other agencies. In addition, enforcement of IPRs protection has become part of China's nation-wide anti-crime campaign, ensuring Chinese police involvement in stemming IPRs piracy.

With respect to inexperienced enforcement officials, since the IPR Enforcement Agreement took effect, the United States government agencies and industrial groups have undertaken to provide specialised training and assistance to Chinese government-agency personnel[88]. Participation by foreign title-holders in the enforcement of IPRs will make it possible to ensure and monitor implementation of the IPRs laws and regulations as well as international agreements. Both the State Council and the Supreme People's Court have been taking measures to enhance the quality of enforcement officials work[89]. The Supreme People's Court has called on the courts at all levels to "consciously study science and technology involving intellectual property rights as well as laws, regulations and international treaties on the protection of such rights".

As regards the efforts to discourage infringement of IPRs by means of fines and imposition of obligations to make compensation for losses to the infringed, the Regulations on the Implementation of International Copyright Conventions has substantially raised the relevant penalties[90].

China's effort to join the WTO will also have an impact on the enforcement of IPRs. After its accession, China will have to co-operate with other WTO Members to eliminate international trade in goods infringing on IPRs and, accordingly, make its enforcement of IPRs more effective[91].

VII. Concluding Remarks

The current legal framework for the protection of intellectual property in China is more or less commensurate with that existing in its business-partner countries. The historical convergence of the international and Chinese IPRs regimes is a result of both the active incorporation of the existing rules of the world's most prominent countries by the Chinese government in its IPRs legislation and international intercourse and external pressure, especially from the United States. Despite improvement in this regard, the protection of IPRs does contain some flaws,

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[88] See, *supra*, USTR 1996 Annual Report.

[89] See the Decision of the State Council on Further Strengthening the Work on Protection of Intellectual Property; the Supreme People's Court, Circular concerning Further Strengthening the Judicial Protection of Intellectual Property Rights, 6 October 1994.

[90] Article 51 of the Regulations of the Implementation of International Copyright Conventions provides that the amount of a fine may vary from RMB10,000 to RMB100,000, or two to five times the total price of the infringing copies.

[91] Article 69 of TRIPS.

mainly in respect of enforcement. Given China's political and historical background, the future protection of IPRs in China will depend largely on structural change[92] as well as the government's ability and political will to protect IPRs effectively. Fortunately, it seems that China is following the example of other Asia-Pacific countries and regions such as Taiwan and South Korea, which significantly reformed their IPRs regimes under external pressure. The protection of IPRs in China presently is similar in many aspects to that in these countries and regions in the early 1980's. As experience shows, certain intellectual property issues, especially enforcement, take time to be thoroughly dealt with and, in fact, to differing degrees, remain an issue even in those countries and regions today. At the same time, China is expanding its international intercourse. The overall environment has improved to such an extent that greater protection already exists, and one may be assuranced that more is on the way.

[92] These structural changes in the Chinese context may include, *inter alia*, institution of a workable market system, tough anti-corruption measures, and the safeguard of an independent judicial system.