

**TRANSITIONAL REVIEW MECHANISM OF CHINA**

Communication from the United States

By means of a communication from the delegation of the United States, dated 10 November 2003, the Secretariat has received the following questions that the United States has posed to China in the context of the transitional review mechanism under Section 18 of its Protocol on Accession.

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The US Government appreciates the opportunity to ask questions during China's second annual transitional review. China has undertaken substantial steps to reform its intellectual property rights (IPR) laws and enforcement procedures, as a result of which the consuming public, government and businesses are much more aware of the importance of IPR protection. Nonetheless, China's enforcement efforts have not adequately deterred widespread counterfeiting and piracy. China urgently needs to reduce its role as a leading international supplier as well as a consumer of infringing goods by providing deterrent and proportionate criminal penalties.

The US also recognizes and appreciates the hard work of many Chinese IPR agencies, including the courts, patent, trademark and copyright bureaux on enforcement, registration and recordation matters. Among other indicia, the high volume of trademark applications in China by the Chinese people is testament to a growing recognition of the importance of IPR in China, which will benefit Chinese and foreigners alike.

**I. GENERAL ISSUES**

1. Please advise whether, with the recent reorganization of the Chinese responsibilities for intellectual property matters have changed in any way, or if any new efforts at coordinating intellectual property matters are being undertaken on a national or local basis.
2. Please identify the relevant divisions in the Ministry of Public Security and Procuratorate that: (a) investigate intellectual property crimes; and (b) bring prosecutions for intellectual property crimes.
3. Please provide information concerning any specialized prosecutors, police or judiciary for prosecution of intellectual property crimes. We understand, for example, that specialized police task forces have been established in certain cities to address intellectual property crimes. We would appreciate especially knowing about any local initiatives, including standards for initiating a case (li'an), prosecuting a case (qisu) and for criminalization (dingzui).

4. China has an extensive and active system for administrative enforcement of IPR rights. In certain instances these administrative authorities may issue civil remedies, such as an order requiring cessation of infringing conduct (injunction). Please advise how such administrative procedures comply with Article 49 of TRIPS regarding "conform[ing] [of administrative actions] to principles equivalent to those [regarding civil remedies]." Please address how, consistent with Articles 41–48 of TRIPS, such procedures include: the right to written notice; access to final decisions, preferably in writing and reasoned; a right to representation by independent counsel; a right to substantiate claims and present all relevant evidence; the right to protection of confidential information; and the right to compel production of evidence from an opposing party.

5. To the extent that China's administrative system provides for punitive remedies, please advise the extent to which such administrative actions comply with Article 61 of TRIPS, requiring "criminal procedures" for commercial scale counterfeiting and piracy including "deterrent" penalties "consistent with the level of crimes of a corresponding gravity."

6. The US Government would greatly appreciate the timely delivery of Chinese and English versions of any new Chinese laws, regulations or rules, including local regulations or rules, as well as any draft rules available for public comment. The following are some documents, which we believe, have been enacted or are pending:

- a. Pharmaceutical data exclusivity rules (PRC Implementing Regulation of Pharmaceutical Administration Law, effective 15 September, 2003, Order of the State Council of the People's Republic of China No. 360).
- b. Rules on copyright collective management organizations.
- c. Implementing regulations or forms regarding applications for data exclusivity for pharmaceutical or agricultural products.
- d. Regulations regarding administrative enforcement of layout designs of the State Intellectual Property Office.
- e. Regulations regarding recognition of geographic indicators by the State Administration for Quality Supervision Inspection and Quarantine, as well as a list of any recognized geographic indicators.
- f. Any local laws or regulations regarding Intellectual Property enacted since WTO accession, and/or a summary of such local laws and regulations.

7. As provided in Article 63 of the TRIPS Agreement, the US Government would appreciate being provided with a copy or annual and multiyear plans for proposed or pending legislation, regulations, rules, interpretations, etc., of the National People's Congress, State Council, State Council Agencies, Supreme People's Court and Supreme People's Procuratorate relevant to IPR. The following are some of the pending documents of which we are aware:

- a. Revisions to the Law to Counter Unfair Competition;
- b. Revisions to the Law on Foreign Trade;
- c. Proposed regulation or ministerial rule on protection of copyright over the Internet;
- d. Proposed amended rules regarding Customs measures for protection of intellectual property rights,
- e. Revised judicial and prosecutorial interpretations on criminal intellectual property thresholds or for referring cases to criminal prosecution, now under preparation by the Supreme People's Procuratorate and/or Supreme People's Court and/or Ministry of Public Security;
- f. Revised interpretation by the Supreme People's Court on protection of copyright over the Internet; and

- g. Proposed judicial interpretation of the Supreme People's Court on litigation involving patent rights.
- h. Any proposals for changes to the Trademark Law.

8. With regard to Item 7(g), above, the US Government greatly appreciates the recent publication of the draft proposed rule of the Supreme People's Court regarding handling of civil patent infringement cases, for comment from Chinese and foreign interests. We also appreciate the recent publishing of the Amended Draft Regulations on Patent Agency for public comment (previously posted at [www.sipo.gov.cn/sipo/tz/dltlxgca.doc](http://www.sipo.gov.cn/sipo/tz/dltlxgca.doc)). We hope that there will be similar opportunities provided for advance notice and comment on proposed rules.

9. The US Government understands that there are efforts currently under way in China to enact a revised civil code to replace the General Principles of the Civil Code (Minfa Tongze) (1987). Please advise whether any changes are contemplated at this time in the proposed civil code to IPRs, including any changes in enforcement of IPRs, as well as adoption of any additional measures to protect other forms of intellectual property rights, such as geographical indications.

10. It has been the frequent experience of the US Government that many local authorities in China are reluctant to provide copies of their local rules or regulations regarding IPR as well as any local enforcement decisions. A written copy of any enforcement decision should at least be provided to rights holders consistent with TRIPS Article 49. Please provide copies of any national laws that mandate greater transparency by local authorities in these areas. The US Government believes that local enforcement can only improve by increased transparency of administrative agencies, which may also help facilitate interagency cooperation, cooperation with national authorities, and closer work with rights holders.

11. We understand that certain efforts are underway in China to improve administrative transparency, including by enacting of an Administrative Procedure Act or consideration of advance promulgation of draft regulations for public comment. Please advise regarding these legislative developments.

12. We understand that ministerial rules or "guizhang" may not, consistent with China's law on legislation and other laws and rules, create civil obligations, may not be cited by the courts, and do not bind other agencies. In addition, rules adopted by local people's congress may supersede such national "guizhang". Please advise if such information is accurate and the extent to which it might be inaccurate. Please advise what procedures are available under Chinese law to challenge the legality of ministerial rules involving intellectual property rights that may be inconsistent with laws or other ministerial rules or China's WTO obligations.

13. Consistent with the preceding, please advise whether the Government of China intends to advise on promulgation of all IPR-related ministerial rules as well as local rules to the TRIPS Council.

## **II. MARKET ACCESS AND IPR SERVICES**

14. There are a number of state-licensed professions in China that provide IPR services in China, including Chinese law firms, attorneys, patent agents, trademark agents, plant variety agents, and copyright agents. As noted in the Closing Remarks by Head of the Chinese Delegation on the Review of China by the TRIPS Council (17 September, 2002), the Government of China has mandated use of such agents for certain IPR matters. Please provide information regarding whether:

- a. Foreigners or individuals from outside mainland China may obtain permission to practice this profession;

- b. Whether such licensed professionals may join US or foreign law firms or consulting companies and continue to provide their services from such a base of operations, and
- c. Whether foreigners are restricted in the choice of agents they may hire to those which have a licence to represent foreigners, as is indicated by the Amended Draft Regulations on Patent Agency, discussed above (para. 8).

### **III. PATENTS**

15. The State Intellectual Property Office (SIPO) has recently enacted a new ministerial rule regarding compulsory licensing of patents (SIPO Order No. 31, "Rules for the Compulsory Licensing of Patents," effective 15 July, 2003). Please advise whether:

- a. SIPO has in fact applied or is currently applying a compulsory licensing regime with respect to any patents registered in China, as well as the circumstances of such compulsory licences, and
- b. Explain the consistency of this provision with the patent law provisions restricting compulsory licences (Article 49, Article 72 of the Implementing Regulations of the Patent Law), and
- c. Explain the consistency of Chapter VI and this rule with the relevant provisions of Article 31 of the TRIPS Agreement, regarding "Other Use Without Authorization of the Right Holder."

16. Please provide current information regarding patent pendency at SIPO, with respect to foreign patent applications and domestic patent applications, if available.

### **IV. DATA EXCLUSIVITY AND TRADE SECRET PROTECTION**

17. Please provide a copy of any forms required for submission of undisclosed clinical data to insure confidentiality of such data pursuant to TRIPS Article 39.3, as well as any statistical or other information regarding implementation of this data requirement, e.g., denials of marketing approval due to unfair use of data, recognition of confidentiality of data, etc.

18. Please advise whether the data exclusivity provided by the State Food and Drug Administration Authority entails the creation of a government obligation to protect undisclosed data, pertaining to pharmaceutical products submitted to government authorities for marketing approval from unfair commercial use. In practical terms, this means that the government must provide an effective period of time where only those submitting the data are able to market the product, since other companies are prohibited from relying on the data of the originator, without the originator's consent. Please explain whether and how the data exclusivity provisions provided by the State Food and Drug Administration implement this requirement.

19. Please advise whether the data exclusivity provided by the State Food and Drug Administration:

- a. Provides for protection of data submitted when marketing approval for such data is thereafter denied,
- b. Provides for the creation of an obligation of competing drug companies not to obtain or exploit protected data (other than with the consent of the originator), including the right of an injured party to sue for theft of this information,
- c. Establishes an obligation of the SFDA not to use such data for any purpose other than the marketing approval of the product, and

- d. Whether the definition of confidential data is intended to provide the same private rights for protection of this undisclosed information as those provided by the Law to Counter Unfair Competition.

20. TRIPS Article 43 provides that methods for protecting confidential information in civil litigation are to be provided by the courts. In last year's responses to TRIPS Council, the Chinese delegation pointed to Article 120 of the Civil Procedure Law and Article 48 of the "Provisions Regarding Evidence in Civil Litigation." (IP/C/W/374), at para. 39 (response to question of the European Communities); IP/C/W/374, para. 31 (response to question of the Government of Japan). These provisions provide for closed hearings when confidential information is provided to the court. In addition to the measures previously identified, please advise what procedures are in place to protect confidential information in intellectual property related litigation, including:

- a. Providing sensitive information to counsel only, and not to their clients.
- b. Punishing attorneys who disclose confidential information;
- c. Punishing companies who receive such information; and
- d. Use of civil remedies or criminal process for violation of confidential information rules or other measures which "ensure the protection of confidential information."
- e. Please provide any further developments regarding protecting confidential information in civil, criminal or administrative litigation or proceedings involving intellectual property rights.

## V. TRADEMARKS

21. The Chinese Trademark Office has adopted a new ministerial rule (guizhang) regarding case-by-case recognition of well-known marks (17 April, 2003). Please provide information on any well-known marks recognized to date, and any statistical data on foreign and domestic marks recognized.

22. According to the 2002 Annual Report on China's Trademarks published by the Chinese Trademark Office, 97 marks were recognized as well-known on February 8, 2002, for a total of 293 in CY 2002. However, we had been advised in 2002 "the list is simply a record of cases that the Trademark Office has dealt with. It does not mean that those not on the list are not protected as well-known marks" (IP/Q/CHN/1 at para. 3 (10 December, 2002)). Please provide a list of these 293 marks, and any statistical data on foreign and domestic marks recognized as well known marks under prior and new procedures.

23. Please explain the legal significance and differences among the following:

- a. Well known marks (chiming shangbiao)
- b. Famous Marks (zhuming shangbiao or gaozhimingdu shangbiao)
- c. Provincial Famous Marks (shengji zhuming shangbiao)
- d. Famous Brands (youming pinpai)
- e. Trademarks listed for "enhanced enforcement"

24. According to the 2002 Report on Intellectual Property Protection in Shanghai, 74 trademarks were approved as Shanghai famous trademarks in 2002, which made the total number of Shanghai famous trademarks 235. Please identify the foreign marks or brands that have been identified as "famous" in Shanghai or other regions.

25. Please advise if the Chinese Trademark Office has yet granted any trademarks for: (a) three dimensional marks; (b) color marks; (c) olfactory marks; (d) auditory marks.

26. Please advise what standards regarding recognition of well known marks are being adopted by the General Administration of Customs, Ministry of Public Security, Supreme People's Procuratorate and Supreme People's Court as a result of the amendments to the Trademark Law or the new WK Mark Rules, and/or if those agencies intend to rely upon determinations of the Chinese Trademark Office in recognizing well-known marks in their enforcement actions.

27. It frequently occurs that Chinese or foreign trademark holders will apply for trademarks in English or Chinese, or in a transliteration or translation of an English or Chinese mark, or that third parties will apply for or illegally use the translation or transliteration of foreign marks. Please advise what civil, criminal or administrative procedures and standards are in place to protect against companies that unfairly apply for the trademark of another company, or use such a trademark, by translating the foreign mark into Chinese or transliteration of its sounds.

28. Please advise what procedures are in place to cancel trademarks applied for by agents or distributors without authorization of their principal.

29. Please provide current information regarding trademark pendency at the CTO as well as the Trademark Review and Adjudication Board.

30. Please advise whether foreign licensors and/or assignees of trademarks are required to record their assignments or licences of trademarks, and whether such recordation requires (a) government approval of the terms of the licence or assignment; (b) the registration of the complete text of the licence or assignment, or only its significant terms; and (c) whether in the event of a civil or administrative dispute the terms of the recorded licence or assignment take precedence over any separately negotiated contract or agreement before or after the licence or assignment.

## **VI. GEOGRAPHICAL INDICATIONS**

31. The United States supports protection of geographical indications using certification or collective marks, as is currently required by China's Trademark Law and its implementing rules. Please provide information regarding:

- a. The number of certification or collective marks for geographical indications granted by the CTO;
- b. What standing a certification mark owner has to challenge the use of the geographic term in the certification mark on related goods or products that do not come from the place for which the mark is registered, and
- c. Whether trademarks or trade names that identify the product as "like" or "style of" or "imitation" may be used in conjunction with a registered geographical indication.

32. According to Para. 16 of China's Trademark Law, any trademark that has been registered in "good faith" remains valid notwithstanding that it includes a geographic sign.

- a. Please advise whether this means that a pre-existing trademark will remain in force but have to coexist with a later established geographical indication? If so, how does this provide the trademark owner with the TRIPS Article 16.1 exclusive right to prevent confusing use?
- b. Please advise whether this provision allows for the continued registration of a trademark where such geographic term is deceptive as to the origin of the goods? If it does, please advise how this would be consistent with Paris Convention Article 6 quinquies?

33. The following questions concern the administration of a sui generis system for protection of GIs by the AQSIQ pursuant to its ministerial "guizhang":

- a. Please advise how this system of GI protection interacts with the system of protection provided for GIs in the trademark system?
- b. Will a GI be refused protection under the AQSIQ system if a trademark or certification mark for the term already exists as consumers would be confused by the existence of the two identifiers in the marketplace?
- c. Does a foreign GI or trademark owner have standing to challenge the recognition of a GI by AQSIQ? Upon what grounds could the GI be challenged or cancelled, once registered?
- d. What are the number of domestic and foreign geographical indications recognized as GI's, including US GIs?
- e. What are the number of enforcement actions taken for violation of such GIs?
- f. Please advise what bilateral agreements are currently in effect between China and other foreign governments for mutual recognition of GIs using AQSIQ's system.

## VII. COPYRIGHT

34. China has previously advised that "the State Council will consider to establishing regulations on the protection of the right to communication through information network in respect to specific copyright matters" (IP/C/W/374, response to the EC, at para. 11). Please advise what steps are underway, if any, to enact implementing rules to the Chinese Copyright Law regarding protection of copyright over information networks as set forth above and in accordance with Article 56 of China's revised Copyright Law.

35. Please advise what further developments have taken place under Chinese law or judicial interpretations to protect temporary copies since last year's response at the TRIPS Council (IP/C/W374, response to the US at para. 7).

36. The Copyright Law, Article 23, provides for a mandatory right for republication of materials for Chinese textbooks. Please advise whether foreign rights holders have had their materials published pursuant to this provision, and the scope of any such republication undertaken.

37. Please advise whether the right to a "reasonable" royalty from infringers who "lack knowledge" and would suffer "great harm" if they ceased using the software, under Article 30 of the Software Protections Rules has:

- a. Ever been applied by China's courts or administrative agencies,
- b. How this provision complies with Article 13 of TRIPS insofar as it conflicts with normal exploitation of the work, and may unreasonably prejudice the legitimate interests of the rights holder, and
- c. How this provision is consistent or inconsistent with Articles 28 and 52 of the Copyright Law (putting the legal burden of proof on the possessor of the infringing copy).

38. Article 17 of the Software Regulations allows the use "for the purpose of study and research" of software without the consent and without remuneration to the copyright owner. Please advise:

- a. How this provision is consistent with Berne 9(2) and TRIPS Article 13.
- b. Whether reproduction of software without remuneration to the owner is permitted by the terms of this Article.

- c. How this provision is consistent with China's Copyright Law, as amended, including Articles 10, 16, 46 and 52.
- d. Whether this law authorizes the individual or entity conducting this research to avoid payment in its entirety for any legitimate copies of the software for such study and research.

39. If a copyright holder determines that an Internet Service Provider is illegally making content available to the public or downloading it, please advise which administrative agencies may take action against such ISP, including the role if any of:

- a. National Copyright Administration
- b. Ministry of Information Industries;
- c. State Administration for Industry and Commerce (for company licence regulation);
- d. SAIC (for Internet domain name regulation);
- e. Ministry of Culture (for regulation of AV products);
- f. Criminal Justice authorities; and
- g. Civil Justice Authorities

40. At IP/C/W/374, the Government of China, in response to an inquiry from the EU, advised that "Relevant Chinese authorities are presently studying the content of the [WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty]". Please advise of any further developments in this area.

41. Please provide information regarding Internet related enforcement activity of the Ministry of Culture pursuant to its Provisional Regulation on the Administration of Cultural Products and Services on the Internet (10 May, 2003).

42. Universities, colleges, research institutions, government offices as well as large corporate networks can easily provide a safe haven for piratical activities, including downloading and uploading of software, music and movies, in part due to their large bandwidth. When these activities occur over the Internet they can also disrupt or impair legitimate use of a firm's network. Please advise whether the Chinese government has issued any directives regarding proper use of the Internet on university or college campuses, in research and development institutions, government offices or in state-owned corporations, such as avoiding file sharing, not swapping pirated materials, or only using legitimate software for operation of information networks.

43. Please advise whether China has undertaken any criminal, administrative or civil prosecutions against individuals or entities based in China hacking into overseas databases for purposes of obtaining unauthorized access to foreign copyrighted materials.

### **VIII. SEMICONDUCTOR LAYOUT DESIGN**

44. Please identify all rules or regulations, including ministerial rules and local enactments enacted to semiconductor layout design enforcement.

45. Please advise regarding any civil or criminal actions for infringement of layout designs.

46. Please advise us of the deadlines for filing semiconductor layout design applications, including whether new layout designs that incorporate old material may also be filed for protection of the layout design.



## IX. ENFORCEMENT

47. Please provide any statistical information available on the number of Administrative enforcement cases for CY 2002 as well as any partial year 2003 reports, including the following agencies:

- a. Chinese Trademark Office
- b. Fair Trade Bureau or other Bureau of the State Administration for Industry and Commerce (SAIC) (for trade dress, trade secrets, and other IPR related rights).
- c. Other divisions of the SAIC involved in IPR infringement matters (such as enterprise name infringements).
- d. State Intellectual Property Office – patent infringement matters, including applied art for textiles and design patents.
- e. State Intellectual Property Office – administrative enforcement of semiconductor layout designs.
- f. National Copyright Administration – copyright infringement matters, including (i) fine art and applied art infringements; (ii) optical media and Internet infringements; (iii) book publishing infringements; (iv) software end user infringements, (v) architectural design infringements; (vi) any other areas.
- g. Ministry of Culture – illegal manufacturing or distribution of copyrighted materials/audiovisual materials, including distribution over the Internet.
- h. Ministry of Public Security for violation of IPR laws or rules.
- i. Ministry of Construction – for enforcement against illegal sales of optical media or counterfeit goods including "traveling salesmen" (youshang) or "sitting salesmen" (zuoshang).
- j. Administration for Quality Supervision Inspection and Quarantine – Technology Supervision Bureau – for enforcement against counterfeit defective products
- k. State Food and Drug Administration – for enforcement against counterfeit drugs.
- l. State Tobacco Administration – for enforcement against counterfeit tobacco products.
- m. General Administration of Customs – for border enforcement against infringing products (including any separate statistics on rights involved, destination or source of products, etc.).
- n. Ministry of Information Industries/State Administration for Industry and Commerce/Ministry of Culture/ National Copyright Administration – for enforcement against Internet service or content providers or Internet cafes using or distributing pirated content.
- o. Ministry of Agriculture for counterfeit seeds or counterfeit agricultural chemicals.
- p. State Food and Drug Administration for misappropriation of clinical data.
- q. Administration for Quality Supervision Inspection and Quarantine for products bearing false geographical indications.
- r. Any other IPR enforcement agency not indicated above, such as the State Forestry Administration, or State Economic and Trade Commission or Ministry of Commerce.

48. Please provide information regarding the number of civil intellectual property cases heard by Chinese courts, by relevant right or region if possible, as well as the number of any cases requesting and/or granted preliminary relief whether or not *inaudita altera parte*. If data is available, please advise of the length of time from case initiation to adjudication for trial and appellate levels.

49. Please advise of the various opportunities for review or appeal of judicial determinations in China's court process, including the circumstances under which all opportunities for appeal would have been exhausted.

50. Please provide information regarding the number of administrative intellectual property appeals heard by Chinese courts, including:

- a. Number of cases appealed or on appeal from the State Intellectual Property Office contesting a decision by SIPO contesting a decision by SIPO regarding the issuance of a patent or semiconductor layout design.
- b. Number of cases appealed or on appeal from the Chinese Trademark Office contesting a decision by the CTO regarding the issuance of a trademark.
- c. Number of cases appealed or on appeal regarding an administrative penalty determination involving intellectual property rights

51. It is our understanding that administrative appeals from SIPO and the CTO are being heard by the administrative division of one court in Beijing, which has jurisdiction over these two agencies. Please advise of:

- a. The standard, under Chinese law, for determining that an agency decision was illegal, or should be reconsidered.
- b. Any special efforts being made by this court to better understand the handling of intellectual property appeals.

52. Please advise, if available, of the rate of reversal of CTO and SIPO administrative agency decisions noted above on appeal to the court indicated above.

53. Please provide information regarding the number of criminal IPR investigations initiated, cases filed, convictions, length of sentence, amount of fine, compensation to rights holder, etc., that may be available, including:

- a. Cases arising under China's criminal trademark law (Arts. 213–215, Criminal Code of China).
- b. Cases arising under China's criminal copyright law (Arts. 217–218, Criminal Code of China).
- c. Cases arising under any other laws to address criminal intellectual property matters, including cases arising under China's law regarding "illegal business operations" for importing or exporting counterfeit or pirated goods, or for sales or distribution of pirated media or counterfeit goods, cases arising under China's laws regarding fake and shoddy goods or consumer protection, or cases arising under China's smuggling law for import or export of pirated or counterfeit goods.

54. Please advise, if available, the number of criminal cases for the following actions, or if there are no criminal cases that have been successfully prosecuted for these actions, whether these actions are criminalized under Chinese law:

- a. Export of counterfeit goods.
- b. Hacking or circumvention of copyright technological protection measures.
- c. Hacking of copyright rights management information.
- d. Trafficking (selling/distributing/ importing or exporting) in technological protection measures, such as satellite television descramblers or "mod chips" for decoding video games on different machines.
- e. Software end-user piracy.
- f. Commercial sale or replication of pirated semiconductor layout designs.
- g. Patent infringement of utility or design patents.

55. The United States Government understands that on 1 January, 1998 a "Decision Regarding, Practical Questions Concerning Criminal Procedures" of the Supreme People's Court, Supreme People's Procuratorate, Ministry of Public Security, Ministry of Security, Ministry of Justice and The National People's Congress Standing Committee, Standing Committee on Legal Work was implemented. The decision authorizes the Supreme People's Court to accept cases from victims who have evidence to prove lighter criminal offenses, including certain intellectual property offenses. Please advise, if available, the number and relevant circumstances of criminal IPR cases which were privately initiated (zisu), including:

- a. Type of right involved and nature of the claim(s);
- b. Penalty imposed;
- c. Compensation provided to the rights holder;
- d. Methodology of calculating injury (by lost profits; value of infringing merchandise, value of legitimate merchandise, etc.);
- e. Length of time of such proceedings, from the initiation of the case to final judgment;
- f. Cost of such proceedings to the victim who initiated the case, including court and administrative fees, as well as the basis for calculating those costs;
- g. Whether the Supreme People's Procuratorate, Ministry of Public Security, Chinese Customs, or other agencies can provide any support for these self-initiated criminal litigations, such as by providing or collecting evidence, or obtain information concerning recidivism.

56. Please advise of any new interpretations, standards, regulations or guidelines by the courts, procuratorate or other agencies regarding the circumstances in which investigations should be initiated by the procuratorate, or circumstances in which prosecution by individuals is appropriate, or changes to the evidentiary standards for conviction, apart from those noted in IP/C/W/374, para. 28 at p. 50 (answers to questions posed by the United States), i.e., "Provisions on the Transfer of Susceptible Criminal Cases by the Administration Organs for Law Enforcement (9 July 2001), and Regulations of the Supreme People's Procuratorate and Ministry of Public Security Concerning Standards for Initiating Cases in Economic Crimes (18 April 2001).

57. A large percentage of China's criminal IPR cases are based on referrals from administrative agencies. Please advise of what steps are being taken to facilitate such referrals, including: (a) standards for evidence collection and preservation; (b) standards for referral to criminal prosecution; (c) standards for referral back to administrative punishment if a case is not initiated by criminal justice authorities.

58. Please advise of any guidelines established apart from those in China's criminal code regarding the penalties to be provided for willful trademark counterfeiting or copyright piracy on a commercial scale, or other standards used to determine that penalties are "consistent with the level of penalties applied for crimes of a corresponding gravity." (TRIPS Art. 61)

59. TRIPS Articles 61 and 51 footnote 14(a) require criminal measures against commercial scale counterfeiting of goods which bear a trademark "identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark." Article 213 of China's Criminal Code criminalizes the "use" of a trademark that is identical (xiangtong) to a registered trademark on the same type of goods. Article 214 of this law also criminalizes the "knowing sale" of a "counterfeit trademark." A "counterfeit" trademark is not defined in Article 214.

Please advise:

- a. What is the definition of "counterfeit trademarks" under Article 214? How does it conform with TRIPS Article 61, to criminalize the sale of products that "cannot be distinguished in [their] essential aspects" from the registered mark? Or is it limited solely to marks that are "identical" to the registered mark (xiangtong) in Article 213,
- b. Whether criminalization is provided only of "identical goods" in Articles 213 and 214, or whether counterfeiting of goods of the same class or other classes in which the trademark is registered may be prosecuted,
- c. Whether the manufacturing, distribution, import or export, of products bearing a mark that cannot be distinguished in its essential aspects but is not identical is criminalized in these or other provisions of China's criminal law, and
- d. Whether the export of counterfeit goods constitutes a "sale" within the meaning of Article 214 of China's Criminal Code?

60. Articles 217 and 218 of China's criminal law criminalize certain acts of reproduction, producing and selling copyrighted works, based on the amount of illegal gain or an intention of repeating profits of the defendant. However, many infringing acts occur, particularly in the on-line environment, without a profit motive and without any illegal gain. The harm that can be caused by digitizing and illegal distribution of works can be enormous, particularly if a perfect digital copy is made available on line at a time of product introduction, such as a movie or software release. Please advise if China currently criminalizes in its laws, or has any intention of criminalizing, commercial scale piracy, which is not undertaken for private gain or profit.

61. Please advise whether China has undertaken any criminal, administrative or civil prosecutions against individuals or entities based in China who use the Internet to obtain access to computer systems or databases overseas for purposes of obtaining unauthorized access to foreign copyrighted materials.

62. The United States understands that China's criminal intellectual property law requires certain financial thresholds to be satisfied before cases may be referred to criminal prosecution. Please advise whether these thresholds may be satisfied by non-monetary means, such as barter exchanges of pirated material or other forms of compensation.

63. China's criminal law often requires proof of a certain quantity of "illegal business amounts" (feifa jingying e) in order for a suspect to be held guilty. Considering that criminals generally do not keep accurate books of account, please advise how this "illegal business amount" is calculated.

64. The United States understands that in certain civil, criminal or administrative cases, Chinese authorities may hold the landlord of premises leased for illegal activities liable for the actions undertaken by its lessee. Please advise of relevant provisions under Chinese law providing for such liability as well as any instances of its imposition in IP matters.

## **X. BORDER MEASURES**

65. Please advise of type, value and quantity of Customs' seizures of infringing goods, including disposition of goods, nature of rights infringed, whether goods were being imported or exported, destination or source of goods and nature of fine or penalty imposed.

66. With regard to Customs investigations of import and export of infringing goods, please advise regarding:

- a. Number and type of cases referred to administrative investigation (patent, trademark, copyright, etc.)
- b. Number of cases referred to criminal investigation, as well as relevant provision of the criminal law applied (consistent with Article 91 of China's Customs Law and Articles 20, 31 of Customs' "Rules for Protection of Intellectual Property.")

67. With regard to methodology for calculation of value of infringing imported products, please advise how Chinese Customs determines the valuation of seized goods for purposes of assessing penalties or referral to criminal prosecution under IPR laws or under anti-smuggling laws.

68. Please explain any steps underway to improve cooperation between Chinese Customs and criminal justice agencies, such as the Ministry of Public Security and Procuracy.

69. Please address the status of any revisions to China rules regarding Customs Rules for Protection of Intellectual Property (1995).

70. Please advise whether Customs has administrative authority over the import or export of pirated goods over the Internet, or if Customs does not have such authority, which agencies have authority.

71. Please advise whether Customs or other authorities (e.g, special police, such as Postal Service police) have authority over export of counterfeit or pirated goods by mail or delivery services.

72. Please address how Customs adjudicates determinations of infringement of particular goods by a recorded trademark, copyright, patent or other intellectual property rights, as well as any anticipated changes in this area.

## **XI. RELATIONSHIP AMONG CIVIL, CRIMINAL AND ADMINISTRATIVE ENFORCEMENT**

73. Please advise whether an administrative punishment for an IPR infringement precludes subsequent criminal enforcement for the same act.

74. With reference to the provisions requiring deterrent penalties in Articles 41.1 and 61 of the TRIPS Agreement, as well as the response of the Government of China to the Government of Switzerland (IP/C/W/374, paras. 28, 29), please advise what steps China is undertaking to insure that individuals are deterred from pursuing infringing activities after having once committed an offence. Please advise if there is any central registry in effect or is contemplated for determining when a party has:

- a. Been administratively determined to have infringed IP rights, or
- b. Has been criminally determined to have infringed IP rights, or
- c. Has been adjudicated to be civilly liable for infringing IP rights.

75. Please advise what steps are being taken to close down or police markets for pirate and/or counterfeit goods in popular locations, such as the "Silk Alley" (Xiushui) market, and the Luowu/Shenzhen train station and border crossing market, as well as similar large-scale markets or distribution points, such as the market in Yiwu, Zhejiang Province.

76. Many markets in China have posted signs that they contain no "counterfeit products", issued by the local trademark office or other authorities. Please advise of any regulations regarding approvals of markets for this designation, as well as enforcement actions taken against such markets.

77. Every year there are enforcement actions taken at the Canton Trade Fair by various authorities. Please advise of any regulations or procedures involving administrative or criminal enforcement at trade fairs such as the Canton Trade Fair.

78. We understand that China's Foreign Trade Law (1994) ("FTL") is currently under revision. The earlier FTL provided that licensed foreign trade operators should not engage in trade in "infringing products." Unfortunately, with liberalization of China's market, more unscrupulous actors can also engage in foreign trade. The United States understands that the crime of illegal business operations applies to enterprises, individuals or entities "in violation of the state stipulations, ... disrupting the market order." (Art. 225, Criminal Law). It has been applied to IPR violations. See, e.g., Rules on Regulation of Audio Visual Products (2001); Rules on Regulation of the Printing Industry (2002). In addition it has been applied by the Ministry of Commerce to illegal exports. See Measures on Export Control of Certain Chemicals and Related Equipment and Technologies (2002), as well as The PRC Regulations on Control of Military Products Export (2002). Please advise what steps are being taken to deprive exporters of counterfeit goods of their right to engage in international trade, as well as to provide adequate punishments against them, such as by providing that foreign trade operators that engage in the import or export of counterfeit or piratical goods will be criminally punished.

79. We understand that China currently restricts the operation of foreign private investigation firms in IPR matters. At the same time, police and administrative authorities are frequently limited in their ability to gather evidence in criminal and administrative prosecutions, making private investigative firms even more important. Current thresholds for criminalization of counterfeiting and piracy, if applied to case initiation, create a high barrier for police or administrative agencies to refer cases to criminal prosecution, making the necessity of private gathering of information even more critical. Please advise what rules apply to the operations of such firms, as well as any plans to permit these firms to more actively assist China's administrative, criminal and civil enforcement authorities.

80. Please advise (a) what provisions are established under Chinese civil law to insure that civil penalties that are imposed are deterrent in nature, and (b) what provisions are established in China's criminal law to insure that penalties once imposed are known to the public at large and that criminal prosecutions influence social behaviour.

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