

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 2004, 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.

The United States first wishes to thank the delegation of the People's Republic of China for their responses in prior years on China's intellectual property rights (IPR) regime. Despite the limited time that has sometimes been available, we have found the answers to be helpful in addressing our concerns and the concerns of our companies and right holders.

While we appreciate the efforts of the Chinese delegation to respond to all of these questions, we also welcome references to websites or other available published materials where it would assist in responding to these questions.

I. GENERAL ISSUES

1. We appreciate that certain Chinese agencies have begun taking on-line applications for recordals of IPR protection, as well as making their guidelines for review of rights protected by their agencies and other relevant materials available on line. Please identify any general or specific plans for on-line applications and/or publication of examination guidelines for patents, trademarks, copyrights, plant varieties, layout-designs, etc., as well as the availability of public, searchable databases for issuances of patents, trademarks, copyrights, etc., or recordals of IPR by Chinese Customs.

2. China has taken various steps in recent years with respect to market access for various products involving intellectual property rights, as well as to address the problems caused by piracy or counterfeiting of products prior to their approved introduction into the Chinese market. For example, during a market blackout for imported films in the summer of 2004, pirated films quickly captured the market share for legitimate products. What steps, if any, are Chinese ministries and agencies undertaking to impose more severe penalties on companies that distribute unauthorized copies or versions of products that have not obtained marketing approval?

3. In 2004, China's courts apparently authorized Chinese qualified lawyers to file for trademarks on behalf of their clients. However, there are several other intellectual property professions that are licensed by particular ministries, including, we believe, patent agents, copyright agents, and plant variety agents. Please describe any changes in policies or restrictions on representation of intellectual property right holders before specific agencies, and whether Chinese-qualified lawyers may practice before these agencies.

4. Please identify any useful facilities, websites, contact persons, or other contact information for foreign right holders to lodge complaints directly with Chinese officials regarding alleged infringements of IPR.

II. LEGISLATION AND JUDICIAL INTERPRETATIONS

5. With WTO accession, China undertook extensive revisions to its legislative regime for all substantive IP rights. However, certain general laws were not revised. These laws include: the General Principles of the Civil Law (General Principles), the Criminal Code and the Law to Counter Unfair Competition. In addition, at least one set of regulations, regarding protection of copyright over information networks, was intended by the National People's Congress to be part of China's regulatory package shortly after WTO accession, but has not yet been enacted. Please identify any plans to revise these laws and regulations. More specifically:

- a. We understand that one draft of a civil code under consideration did contain extensive IPR provisions. When will China circulate a draft for public comment? Will the Civil Code replace or modify existing IPR legislation?
- b. As detailed in prior submissions and bilateral discussions, China's Criminal Code, in its requirements of "identical" trademarks; high "thresholds"; failure to criminalize commercial scale piratical activities undertaken without profit motive; reliance on non-deterrent administrative penalties; and apparent difficulties in criminalizing commercial scale exports/imports of counterfeit and pirated goods, raises significant concerns about the availability of remedies to address commercial scale counterfeiting and piracy under TRIPS. We appreciate that China seeks to address some of these concerns through a pending judicial interpretation and request the opportunity to review that interpretation in draft form. In addition, please describe any plans by the National People's Congress to address these concerns.
- c. Various laws and regulations have been enacted or proposed regarding unfair commercial acts in the past year in China. These measures, which may or may not be directly relevant to intellectual property rights, include provisions regarding unfair commercial acts in the revised Foreign Trade Law, drafts of the Anti-Monopoly Law, and proposals for laws to amend the Law to Counter Unfair Competition. What laws or implementing regulations are now under consideration, and at what stage are they in the drafting process?
- d. China's Copyright Law requires the State Council to draft regulations regarding protection of copyright over information networks. What is the status of these regulations?

6. We appreciate recent efforts made to provide drafts of rules, regulations and judicial interpretations in accordance with Paragraph 2(C) of China's Protocol of Accession. Please describe any efforts to ensure that drafts of these and other intellectual property measures are made available to the public in order to solicit public opinion in a comprehensive manner.

7. Please identify any judicial interpretations regarding intellectual property that are currently planned for enactment or revision. Specifically, we understand that there may be several judicial interpretations now pending or under consideration: (a) a judicial interpretation regarding implementation of the Law to Counter Unfair Competition; (b) a judicial interpretation regarding criminal intellectual property matters, including revisions to high "thresholds" for IPR crimes; and/or (c) a judicial interpretation regarding "patent linkage." Is consideration being given to a judicial

interpretation or other guidance on what constitutes "public interest" in administrative copyright enforcement?

III. PATENTS

8. Please provide information on the number of patent applications filed in China by US applicants and by other foreign applicants, along with the type of patent filings (invention/design/utility model) and the pendency rate for these applications (i.e. the length of time from the filing of the applications until determination). Please provide similar data comparing these applications with patent applications filed in China by Chinese nationals.

9. Foreign right holders are increasingly concerned about pre-emptive filings of design patents by Chinese companies for designs that they may not have created. Please explain opportunities for a foreign right holder to challenge a patent on the basis that the party claiming the invention was not the inventor or that the patent is not novel.

10. Please provide information on numbers of enforcement actions, including civil or administrative enforcement actions, involving layout-designs.

11. Establishing a relationship or link between the patent approval process and the drug approval process is an efficient way to improve the enforcement of intellectual property. A successful linkage system reduces wasteful and unnecessary litigation by requiring third parties to assess whether their drug product is subject to a patent prior to seeking drug approval and ensuring that the drug approval process reviewing the drug application does not approve the product until any patent issues are resolved. We understand that various efforts are under consideration to improve the linkage between the patent system and drug regulatory approval system. Please provide the details and status of these efforts.

12. Please provide the details and status of any regulatory efforts to implement Article 39.3 of the TRIPS Agreement. In particular, please advise what standards the State Food and Drug Administration uses to determine whether an applicant for marketing approval is unfairly relying upon an earlier applicant's clinical data, without its consent, in seeking regulatory approval. Please advise what data may be fairly relied upon. We also understand that a new ministerial rule may be under consideration regarding data exclusivity. Please provide its details and status.

IV. TRADEMARKS AND ENTERPRISE NAME PROTECTION

13. How many opposition and cancellation proceedings are currently pending before the Chinese Trademark Office (CTO)? What is the typical pendency for each type of proceeding (i.e. the length of time from the filing of the proceeding to the issuance of a decision)?

14. Please describe any efforts to publish guidelines regarding examination of trademarks, the expected date of completion of these guidelines and their legal significance. Also, please indicate whether these guidelines will be available over the Internet and, if not, where they will be available or published.

15. How does the CTO handle the concept of "related goods/services" in its examination of trademark applications, i.e., to what extent does the CTO take the relatedness of the goods/services into consideration in performing a likelihood-of-confusion analysis across different classes?

16. How many well-known marks have the CTO and the Trademark Review and Adjudication Board (TRAB) recognized under the rules issued by the State Administration of Industry and Commerce in 2003, including the number of foreign well-known marks recognized under these rules? Please explain what standards or guidelines regarding recognition of well-known marks will be used

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 rules. Do these ministries and agencies intend to rely upon determinations of the CTO/TRAB in recognizing well-known marks in their enforcement actions?

17. The following questions concern the administration of a *sui generis* system for protection of geographical indications (GIs) by the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ):

- a. Please explain the relationship between AQSIQ's system of GI protection and the system of GI protection established by the CTO pursuant to China's Trademark Law.
- b. Has AQSIQ's system been used to enforce GIs and/or impose civil liability? Can AQSIQ enforce GIs administratively, and if so, has AQSIQ undertaken any enforcement actions?
- c. Does AQSIQ refuse protection for a GI if a trademark, certification or collective mark for the term already exists under CTO's system?
- d. Has AQSIQ attempted to recognize any foreign GIs? Has China entered into any bilateral agreements in which it has committed to recognize foreign GIs under the AQSIQ system?

18. Please identify any new or pending rules to ensure greater protection of "enterprise names," including protection of trademarks against infringement by enterprise names, protection of well-known or non-well-known marks against infringement in enterprise names, and the possibility of securing advance pre-formation protection of enterprise names.

V. COPYRIGHT

19. Currently, several Chinese ministries conduct content reviews of copyrighted works, including the Ministry of Culture, General Administration of Press and Publications, and State Administration for Radio Film and Television. Many of these reviews are conducted based on the media in which the works appear, which can be an artificial distinction as certain hard "publications" (such as entertainment software) can have significant "soft" Internet content as well, which may be separately regulated. Occasionally, these reviews result in long delays which enable pirates to dominate the market. Please describe efforts to consolidate content review through "one stop" review, and/or to expedite the overall process, particularly in industries that are quite sensitive to the high incidence of piracy in China's markets.

20. Please describe efforts to increase the personnel involved or resources available for copyright enforcement (such as in the Ministry of Public Security or the National Copyright Administration) in light of the pervasiveness of copyright piracy in China, possible increased demands due to the pending criminal judicial interpretation, and other enforcement initiatives.

21. Although a civil remedy may be available for end-user piracy, relevant administrative agencies appear uncertain as to whether end-user piracy is against the "public interest" for purposes of administrative enforcement of China's Copyright Law. What steps have been taken or are currently underway to resolve this discrepancy and ensure that administrative authorities can take action against end-user piracy?

22. Please describe what steps are being taken to ensure that Internet cafes use only authorized software. Has consideration been given to illegal use of software in the recently concluded rectification effort for Internet cafes?

23. In recent years, the number of Internet users in China has grown to approximately 80 million, while cellular phone subscription has reached approximately 300 million. Ephemeral content that is frequently interactive is increasingly being made available to Chinese consumers and businesses. The commercial availability of content - interactive or otherwise - over the Internet, intranets, cell phone or other networks without replication or permanent storage, makes protection of ephemeral or temporary copies increasingly important to China's content and hardware industries.

- a. Please identify what any civil, administrative or criminal measures that ensure the protection of "temporary copies" of copyrighted works distributed over networks or computer systems.
- b. Which agencies are responsible for enforcement of these measures (National Copyright Administration, Ministry of Culture, Ministry of Public Security, courts, etc.)?

24. Under what circumstances will an Internet Service Provider (ISP) be held liable for civil, criminal, or administrative copyright infringement occurring on sites for which it provides Internet services? What steps can a right holder take to force an ISP to remove infringing content from its networks?

25. In addition to current civil procedures, does China intend to create an administrative notice-and-take-down system for on-line piracy? If so, which ministry or agency will handle this?

26. Which ministries or agencies are authorized to revoke an Internet content provider's business licence or Internet licence based on a finding of infringing content?

27. We are pleased that China has agreed to accede to the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty as soon as possible. Please explain the expected timing of the legislative and regulatory steps necessary to complete China's accession.

VI. ENFORCEMENT - GENERAL ISSUES

28. Please provide copies of any current ministry or agency action plans for improved IPR enforcement by the IPR Working Group or other ministries, agencies or working groups, or e-mail links to these action plans.

29. Please provide statistics on the numbers and results of criminal, administrative, and civil cases for IPR enforcement cases in China.

30. Please provide any available data on the actions undertaken and results produced by China's various authorities responsible for enforcement of specific IPR, including type and amount of penalties (e.g. fines, license suspensions, imprisonments) and seizures of infringing goods and the implements used to make them; frequency and type of all forms of enforcement actions, such as initiation of administrative actions, raids, referrals for criminal prosecution, imposition of penalties and other relevant enforcement actions; and incidence of recidivism.

31. Please provide any available data on the overall amount of piracy, counterfeiting or infringing activity in China's markets or market sectors (such as end-user piracy, Internet cafes, motion pictures, luxury goods or fast-moving consumer goods).

32. Please describe any formal or informal mechanisms that are currently in place or being contemplated involving cooperation with foreign countries on civil, criminal or administrative actions - including customs - involving IPR infringement.

33. Due to concerns about local protectionism in China, many companies would prefer to bring enforcement actions in cities or regions other than where an alleged infringer has its seat of business or principal place of operations. Please confirm that civil, criminal and administrative jurisdiction would lie where the harm is caused, such as at the location of a trade show where infringing products are exhibited.

34. Please provide information on the development of any national or local specialized IPR investigation or prosecution authorities. For example, the Economic Crime Investigation Division (ECID) of the Ministry of Public Security currently handles most intellectual property crimes, except those involving piracy. Please describe any efforts to consolidate responsibility for all intellectual property crimes, including those involving piracy, under the ECID. Please describe any plans to establish special IPR divisions within the procuracy or the courts.

35. We understand that efforts are underway to consider licensing of private investigative firms by the Ministry of Public Security. We support the development of licensed, independent investigative firms to assist in civil, administrative, and criminal actions brought by right holders. Please provide the status of these efforts.

36. We understand that landlords can be held liable in China for illegal activities undertaken by their lessees. Please identify any developments in administrative, civil or criminal laws or regulations or enforcement in this area, including how these laws or regulations are being used to address the problems of wholesale or large scale markets for counterfeit or pirate goods.

VII. ADMINISTRATIVE ENFORCEMENT

37. Which ministries or administrative agencies are involved in protecting intellectual property over the Internet, including divisions of the Ministry of Public Security, Customs, Ministry of Information Industries, National Customs Administration, and State Administration for Industry and Commerce? Please explain each agency's jurisdictional authority, *i.e.* the primary responsibilities of each relating to the protection of IPR over the Internet.

38. Please explain the obligations of administrative agencies to provide written decisions with explanations for their enforcement decisions, as well as plans for publishing administrative decisions or making them available, including what types of administrative decisions will be published and where will they be made available or published.

39. Please provide statistics on administrative enforcement, including (a) fines imposed and/or collected; (b) administrative injunctions ordered; (c) frequency of legal challenges to fines or injunctions and percentages of reversal or modification by the courts; and (d) any procedural requirements, such as a right to be represented by counsel, challenge evidence, receive proportionate penalties, and receive a written decision on the facts and law.

40. Please clarify what degree of deference is extended to administrative case decisions when similar sets of facts or law are involved in a judicial proceeding.

41. Many right holders have expressed concern that penalties in China's administrative enforcement system are chronically non-deterrent, leading infringers to regard administrative penalties as little more than a cost of doing business and to continue infringing intellectual property rights even after multiple administrative enforcement actions. Please describe any plans to establish

or impose minimum penalties for infringement or make other improvements to provide for deterrent penalties.

VIII. CIVIL ENFORCEMENT

42. In civil IPR cases, what is (a) the range of the length of time from filing until final decision; (b) the range of amounts of damages awarded; and (c) the frequency of subsequent reversal or modification of such awards?

43. We understand that some right holders have had difficulty in enforcing injunctive relief awarded by courts in China. Please describe what procedures are available to ensure enforcement of judicial injunctions involving intellectual property, particularly in a province or locality other than that where the court is situated.

IX. CRIMINAL ENFORCEMENT

44. For criminal IPR cases, please provide (a) the frequency with which administrative authorities refer infringement cases for criminal prosecution; (b) the amounts of fines, prison sentences and other penalties imposed for infringement; and (c) the percentages of subsequent reversal or modification of such penalties.

45. Currently, civil IPR cases are usually heard by the intermediate courts, IP division, while criminal cases are usually heard by the basic courts. Are there procedures in place to consolidate civil, administrative, and criminal IPR proceedings in one court?

46. We understand that the judicial interpretation on criminal thresholds is currently in an advanced stage of drafting. When will China circulate a draft for public comment?

47. With the imminent enactment of the new judicial interpretation on criminal thresholds, it is likely that various local and national judicial interpretations and guidance issued by ministries, the courts, the procuracy and administrative agencies may require revision to ensure prompt investigation and prosecution in accordance with the new guidelines. What efforts are under way for revising national or local guidelines for referral of cases to criminal prosecution or criminal investigation, and for reorganization of entities involved in criminal IPR investigation or prosecution?

X. CUSTOMS/BORDER ENFORCEMENT

48. China is by far the largest exporter of infringing goods that are seized at the borders of the United States by US Customs authorities. What new steps, if any, are being taken to stop the exportation of counterfeit and pirated goods from China? What steps have been beneficial and which have not been helpful in stopping the exportation of counterfeit and pirated goods from China?

49. Please describe any developments since the enactment of the new Customs Law and implementing regulations authorizing Customs to make infringement determinations in obvious cases of infringement.

50. Please describe any changes to China's bonding requirements for detention of suspected infringing goods.

51. Please describe what steps China is taking to ensure that companies engaged in import or export of counterfeit or pirated goods, including freight forwarders and distributors, bear civil, criminal and/or administrative liability for their actions.

52. Please provide, to the extent available, seizure/fine statistics and other relevant data for the last three years on Chinese Customs IPR activities, including information on the source of the goods seized, their destination, and the nature of the IPR involved.

53. Please provide the number of IPR cases Customs has referred to administrative, criminal or civil prosecutions, and the number of cases in which Customs has cooperated with foreign authorities.
