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Council for Trade-Related Aspects of Intellectual Property Rights

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TRANSITIONAL REVIEW MECHANISM OF CHINA

Communication from Japan

By means of a communication from the delegation of Japan, dated 29 September 2006, the Secretariat has received the following contribution in the context of the transitional review mechanism under Section 18 of China's Protocol on Accession.

Japan welcomes that, in the fifth year after China's accession, the implementation of its commitments on intellectual property has evolved from that of simple progress into one that is now in its cruising phase. The transitional review mechanism has been useful for making China's transitional efforts more efficient and productive, and it is a pleasure for Japan to have contributed to this process.

In accordance with Section 18 of the Protocol on the Accession of the People's Republic of China (WT/L/432), which states that "China shall provide relevant information … to each subsidiary body in advance of the review" and in the spirit of cooperation in rendering the TRM process most efficient and effective, Japan requests China to provide, prior to the meeting of the Council for Trade-Related Aspects of Intellectual Property Rights, the responses and relevant information to the following questions and comments.

I. GENERAL ISSUES

1. Please provide names, summaries and dates of enactment or publication of laws, regulations and administrative rulings pertaining to the subject-matter of the TRIPS Agreement that were enacted or published after November 2005.

II. COPYRIGHTS

2. Concerning Article 43 of the Copyright Law of China, Japan has requested China to establish the regulations by the National Council since China's accession to the WTO, but as of today it has not yet been done. Please provide us with a detailed schedule for its establishment.

3. When multiple intellectual property rights, such as copyright and trademarks, are simultaneously infringed as in the case of character goods, right holders have to request administrative punishment against such infringement from each relevant authority, unless numerical thresholds (the illegal income etc.) have reached the criteria for criminal prosecution. However, the lack of collaboration between authorities as well as the disparity in their responses to requests result in an ineffective enforcement. To solve this problem, Japan suggests that public security authorities be able to take measures directly against every infringement activity by lowering or abolishing criminal thresholds, as well as by strengthening the collaboration between relevant authorities. We would like to hear China's opinion on the matter.

III. TRADEMARKS

A. PROTECTION OF WELL-KNOWN MARKS

4. We understand that there are four channels to apply for the recognition of a well-known mark: (a) the opposition process at the Chinese Trademark Office (CTMO); (b) the cancellation process at the Trademark Review and Adjudication Board (TRAB); (c) the process of trademark administration (i.e., enforcement) at the administrative authorities for industry and commerce; and (d) a trial by the people's court. It is our understanding that the number of well-known marks recognized through each above-mentioned channel is disclosed. Please provide us with statistics on the number of applications and rejections of well-known marks for foreign entities (including separate statistics for Japanese entities if available) and Chinese entities through each above-mentioned channel for each year since the amendment of the Regulations for the Implementation of the Trademark Law in September 2002.

5. Concerning the number of well-known marks, which are recognized through a process of trademark administration (i.e., enforcement) by the administrative authorities for industry and commerce, it seems that the number of recognized well-known marks of foreign entities is very small compared to that of Chinese entities, considering the status of enforcement in China (the total number of trademark infringement cases was 49,412 in 2005, and 6,770 cases among them were related to trademarks of foreign entities). Please explain the reasons for this.

B. DISCLOSURE OF INFORMATION ON THE PENDENCY OF TRADEMARK EXAMINATIONS

6. As the number of trademark applications in China has been rapidly increasing, it is assumed that the length of time it takes from the filing of applications to the final decisions regarding the examination and opposition process at the CTMO, and the appeal examination process at the TRAB should be increasing accordingly. Please provide us with the average length of time it takes from the filing of applications to the first (initial) office action and to the final decision for each process; examination and opposition process at the CTMO and appeal examination process at the TRAB respectively. Additionally, please describe the efforts which China is making for accelerating the examination process and reducing the length of time required for the examination.

IV. INDUSTRIAL DESIGNS

A. DISPLAY OF INFRINGING GOODS IN EXHIBITIONS

7. Article 11 of the Chinese Patent Law stipulates, "After the grant of the patent right for a design, no entity or individual may, without the authorization of the patentee, exploit the design, that is, make, sell or import the product incorporating its or his/her patented design, for production or business purposes." Please clarify whether business talks about products that exploit a design for which a patent right has been granted at exhibitions fall under the term "sell" mentioned in Article 11.

V. ENFORCEMENT

A. STATISTICS ON ADMINISTRATIVE PENALTIES

8. Please provide statistics on administrative penalties for each year since China's accession to the WTO, including (a) the number of administrative penalties requested by right holders; and (b) the number of administrative penalties imposed, sorted by administrative bodies, types of IPR infringement, provinces, and types of penalties imposed.

B. STATISTICS ON CRIMINAL PENALTIES

9. Please provide the following statistics related to criminal cases under Articles 213 - 219 of the Chinese Criminal Law for each year since China's accession to the WTO.

(a) The number of cases transferred by administrative bodies to the public security as deserving of criminal prosecution,

(b) The number of cases that the public security sent to the people's procuratorate and, among them, the number of cases transferred by administrative bodies to the public security,

(c) The number of cases that the people's procuratorate prosecuted through the people's courts,

(d) The number of cases that the right-holder himself prosecuted through the people's courts.

10. With respect to the statistics on the number of cases which are criminalized based on the new thresholds defined by the "Interpretation by the Supreme People's Court and the Supreme People's Procuratorate on Several Issues of Concrete Application of Laws in Handling Criminal Cases of Infringing Intellectual Property" enacted in December 2004 ("new interpretation"), but not criminalized based on old thresholds defined by "Provisions of the Supreme People's Procuratorate and the Ministry of Public Security Regarding Prosecution Standards for Cases involving Economic Crimes" issued on April 2001 ("old guidelines"), please provide statistics subdivided into each Article (Article 213–219 of Chinese Criminal Law) and further subdivided into categories as follows: cases transferred by administrative bodies, cases that the public security sent to the people's procuratorate, and, among them, cases transferred by administrative bodies to the public security, cases where criminal penalties were actually imposed (subdivided by the types of penalties). Although we have received the reply that China does not have such statistics at the Trade Policy Review this year, we would appreciate if you would provide such statistics, if China has prepared them after the Trade Policy Review.

11. Please provide statistics on IPR infringement cases to which Articles 140 - 149 or 225 of the Chinese Criminal Law are applied (the number of such cases and the number of cases which do not satisfy the threshold defined by the new interpretation among the aforesaid cases)

C. REQUEST FOR SUPPLY OF INFORMATION

12. Japan requested China to provide specific judicial decisions and administrative rulings of IPR enforcement pursuant to Article 63.3 of the TRIPS Agreement. However, although the deadline for China has passed, China has yet to provide any information as of yet. Please provide this information as soon as possible.

D. STATISTICS ON ALCOHOLIC BEVERAGE TRADEMARKS

13. There are increasing concerns that products of trademark infringing Japanese Sake, whose trademarks are registered in Japan, and some of which are also registered in China, are currently sold or manufactured in China. Please provide the number of trademark infringement cases for alcoholic beverages in China for the past three years, with detailed information on the applicable laws or regulations on the category (administrative/civil/criminal) they fall under, and on the countries of origin of the product that has been infringed.

E. CRIMINAL LAW

14. We understand that criminal penalties are not imposed for infringement by "similar" trademarks in China. Please clarify China's position on this matter in light of Article 61 of the TRIPS Agreement.

15. We understand that not only administrative penalties but also criminal penalties can be imposed in cases of service mark infringements. Please clarify whether our understanding is correct. Please also clarify which laws and regulations are applicable in such cases.

16. We understand that the provision on recidivists stipulated in Article 65 of the Criminal Law is also applied to repeat IPR offenders. Please explain how "heavier punishment" is defined (i.e., for the severity of the penalty in relation to first-time offenders). Please also provide the number of cases of IPR repeat offenders to which Article 65 of the Criminal Law applies, and information on actual cases where a heavier punishment was imposed.

F. JUDICIAL INTERPRETATION

17. The following questions concern "Interpretation by the Supreme People's Court and the Supreme People's Procuratorate on Several Issues of Concrete Application of Laws in Handling Criminal Cases of Infringing Intellectual Property" enacted in December 2004 ("new interpretation").

18. Please clarify the reason for the deletion of the "three strike" provision that referred to "not reaching these thresholds, but infringing IPR after having been subjected to the administrative penalty twice before having a negative impact" in Articles 61.4 and 63.3 of "Provisions of the Supreme People's Procuratorate and the Ministry of Public Security Regarding Prosecution Standards for Cases involving Economic Crimes" issued in April 2001 ("old guidelines"). On this matter at the Trade Policy Review this year we received the explanation that "Once a doer has been liable to the administrative penalty, the doer shall not be held liable to criminal penalty. Otherwise, it will be against the principle 'no one is to be punished twice for the same crime.'" However, we understand that the cases in which the above-mentioned provision, as outlined in the old guidelines, are applied are not cases where administrative penalties have already been imposed, but new cases where no penalties have yet been imposed. Therefore, no one is punished twice for the same infringement under these provisions. The fact that administrative penalties had been imposed on the said persons/units in the past is merely taken into account when deciding on the criminal penalties that should be imposed for the new cases. It is thought that this is consistent with the concept of a system in which heavier criminal penalties are imposed on repeat offenders, taking account of previous criminal records, one which is adopted in China by Article 65 of the Chinese Criminal Law, defining "heavier punishment" for repeat offenders. Considering these facts, we do not think that the explanation on this matter given by China at the Trade Policy Review is reasonable. Therefore, further explanation of the reasons for the deletion of the "three strike" provision in the old guidelines is kindly requested.

19. With respect to administrative penalties, please clarify whether heavier administrative penalties are imposed on IPR repeat offenders, in consideration of the fact that they were repeat offenders. If there is no such practice in China, please provide us with the reason why China does not adopt this practice.

20. We think that it is reasonable that heavier administrative penalties (or heavier criminal penalties in the cases where criminal penalties should be imposed under the new interpretation) be imposed on repeat IPR offenders even if such a system as the three strike rule defined in Articles 61.4 and 63.3 of the old guideline is deleted. We believe that there is no rational reason to adopt a

different practice in administrative penalties for repeat offenders from one in criminal penalties for repeat offenders provided in Article 65 of Chinese Criminal law.

21. The "2006 China Action Plan on the Protection of Intellectual Property Rights" states "clearer or more advanced interpretations will be presented on the problem recognized through treatment of concrete cases, especially on calculation of illegal business volume, unit crime, repeat false presentation of trademarks," based on the research on the status after the new interpretation has been enacted. Please provide us with information on the current status on this matter.

22. With respect to criminal cases concerning criminal units, "Interpretation by the Supreme People's Court on Several Issues of Concrete Application of Laws in Handling Criminal Cases by Unit" enacted in June 1999 ("1999 interpretation") defines the specific cases which are not punished as criminal cases by units (Article 2) and which are punished as criminal cases by individuals, as regulated in Chinese criminal law (Article 3). On the other hand, the new interpretation defined different prosecution standards for unit criminal cases and individual criminal cases. If there are IPR infringement cases to which Article 2 or 3 of the 1999 interpretation is applied, please provide us with information on those cases including the standards for applying these Articles.

23. There are some cases where the prosecution standards for units in the new interpretation is higher than those in the old guidelines, and these prosecution standards seem to be inconsistent with the terms of commitment under China's Protocol of Accession. Although answers from China at the Trade Policy Review this year are useful on this matter, further detailed explanations on the following prosecution standards are kindly requested.

- The threshold amount of illegal gains for both units and individuals regarding crimes of selling illegally-made registered trademarks;

- the threshold number of items sold for units regarding crimes of selling illegally-made registered trademarks;

- the threshold amount of illegal gains and economic loss for units regarding crimes of counterfeited patents; and

- the threshold amount of economic loss for units regarding crimes of infringing on trade secrets.

24. Please provide us with information on actual cases where the provisions on "serious nature" (e.g., in Article 1.1.3) or "especially serious nature" (e.g., in Article 1.2.3) in the new interpretation has been applied for actual prosecution, if any.

25. With respect to the thresholds in the new interpretation, please provide us with China's opinion, concerning Article 61 of the TRIPS Agreement, which stipulates that Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Please also provide us with the grounds which justify the current thresholds amount.

26. At the interview to European media in September, etc., it is said that Premier Wen Jiabao stated clearly that China will lower the threshold for prosecuting IPR-related offences. We would like to know whether this means that China will amend the new interpretation. If so, please tell us when and how the interpretation will be amended.

G. BORDER MEASURES

27. It has been explained that storage fees or disposal costs deducted from the deposit of the right holders can be compensated through repayment from the violator under Chinese laws. However, Japanese industry has voiced its concern that in reality it is very difficult to seek compensation from the violator for such a fee or cost, because the violator often disappears. Also, the costs of civil action seeking compensation usually exceed the storage fee, disposal cost, and other costs. We understand that the Chinese Customs realizes that the practice of asking right holders to pay for the storage fee or disposal cost impedes IPR protection, and that the Chinese Customs has made some efforts to alleviate the cost burden on right holders. Please describe any plans to minimize the cost burden on right holders in consideration of the above-mentioned situation in China.

28. Please provide us with the number of cases of confiscation by the Chinese Customs, and the volumes of goods confiscated, for the last three years, including (a) transfer to a public welfare utility, (b) transfer to IPR owners in return for adequate compensation, (c) auction of goods after removing the infringing characteristics, and (d) destruction, as stipulated in the Regulation of People's Republic of China on Customs Protection of Intellectual Property Rights. Additionally, please clarify whether China thinks "transfer to a public welfare utility" is included in "exceptional circumstances" in Article 59 of the TRIPS Agreement, and provide the grounds which justify such interpretation, if that is the case.

29. Please provide us with Chinese Customs seizure statistics for the last three years, including the nature of IPR, countries of export (import seizure), and countries of destination (export seizure).

H. LOCALISM

30. Please describe any efforts made or planned to promote IPR protection in provincial and local areas, and to educate provincial and local authorities in China.

VI. OTHERS

A. PROTECTION OF TRADE NAMES

31. We understand that China is planning the revision of the Law to Counter Unfair Competition and the said revised law will cover cases where trade names which incorporate other's trademarks or trade names are, without the true owner's authorization, registered in China or other countries/regions and used in China. Please explain what kind of penalties (e.g., the suspension of illegal action, the forfeiture of illegal gains and infringing products, the cancellation of business approval) will be implemented for effective deterrent in the revised law against the above-mentioned cases.

32. With respect to cases where applications for registration of trade names which incorporate other's trademarks or trade names without the true owner's authorization are filed in China, please provide information on the requirements for such cases to constitute unfair competition defined in the new law under revision. In other words, please clarify whether it will be necessary for another's trademarks or trade names to be known to the public in China for such action for filing to constitute unfair competition as defined in the new law, or whether it is sufficient that these be known to the public in a country other than China.

33. Additionally, please clarify whether true owners of trademarks or trade names can seek cancellation of registration of the above-mentioned trade names under the new law, just as in cases where well-known trade marks are infringed.

B. PROTECTION OF INDICATIONS OF SOURCE

34. With regard to cases where the indications of source are not shown on the products at the manufacturing stage and where labels with false indications of source are attached to the products at later sales stage or the preparation for sales stage, please indicate the extent of relationship which must be proved between manufacturers and those who are engaged in the sale or the preparation for the sale of the products, for manufacturers to be also imposed penalties.

35. Additionally, please indicate the types of false indications of source which cause misunderstanding/confusion that are recognized. Please also inform us of the kinds of enforcements that are given for each type of false indications of source.

C. LICENSING REGULATIONS

36. Japanese industry has concerns that Chinese authorities at the provincial and local level often examine the contents of technology import/export contracts when applications for registration are made under Article 17 of the Regulation on the Administration of Import and Export Technology. We would like to receive confirmation that authorities will not examine the contents of contracts, especially royalty rates and extension of contracts, with regard to free import/export technology.

37. Please clarify whether the provision "Where the exploitation of a technology given by a transferee in accordance with the terms of the contract infringes upon the legitimate right and interests of others, the transferor shall be liable" under Article 24 of the Regulation on the Administration of Import and Export Technology is imperative or discretional. In other words, please confirm whether the liability of the transferor can be waived by agreement between the parties concerned, as allowed by Article 353 of the Contract Law.

38. In terms of the aforementioned provision on "liability for third party's infringement" stipulated in Article 24 of the Regulation on the Administration of Import and Export Technology, China explained that the laws on transfer of technology in many countries had similar provisions, and that such provisions conformed to international usage. However, we understand that many countries have already abolished such "liability for third party's infringement" provisions. Please inform us of any plans to revise the provision in light of this international trend.

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