

TRANSITIONAL REVIEW MECHANISM OF CHINA

Communication from the United States

By means of a communication from the delegation of the United States, dated 5 October 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.

I. GENERAL ISSUES

1. China's 2006 Action Plan on IPR Protection describes China's plans to draft certain new judicial interpretations related to intellectual property rights (IPR), and to improve certain existing interpretations. Please provide an update on the drafting of any new or revised judicial interpretations related to IPR, including the criminal judicial interpretation issued in November 2004.
2. Please provide data for the first six months of 2006 on IPR criminal cases initiated involving foreign right holders. Please indicate (a) when the criminal complaint was filed, (b) with which court, (c) the identities of the defendants, (d) the provisions of law alleged to have been violated, (e) current disposition, (f) if concluded, whether the case resulted in acquittal or conviction, and (g) if it resulted in conviction, the sentence
3. Please provide the number of administrative cases in trademark, copyright and IP-related customs matters that were undertaken on an ex officio basis in 2005, as well as in the first six months of 2006. Please also provide the number of such cases that were undertaken in those time periods on the basis of a right holder's complaint.
4. In 2006, China introduced a number of measures aimed at improving the process of referring administrative cases of intellectual property infringement to criminal authorities. Please provide data for the first six months of 2006 on the numbers and percentages of cases referred from trademark, copyright and IP-related customs administrative enforcement to criminal enforcement through the revised transfer mechanisms developed by the Supreme People's Court, Supreme People's Procuratorate, Ministry of Public Security (MPS), and General Administration of Customs. Please indicate (a) when the case was transferred, (b) within which locality, (c) the identities of the defendants, (d) the provisions of law alleged to have been violated, (e) current disposition, (f) if concluded, whether the case resulted in acquittal or conviction, and (g) if it resulted in conviction, the sentence.
5. The State Administration for Industry and Commerce (SAIC) regulates and provides licences to companies offering content on the Internet. The United States understands that licences issued by the SAIC provide that, if the licensed entity is offering illegal content on the Internet, a complaint

should be filed with the appropriate local Administration for Industry and Commerce (AIC). The United States would like to understand better the process by which right holders can challenge the offering of counterfeit/pirated products on Internet sites in the .cn domain.

- (a) What actions do the SAIC/AICs and local Copyright Bureaus currently take with respect to illegal content on a website in the .cn domain – whether counterfeit or pirated goods or other illegal content?
- (b) For example, can and does the SAIC revoke business licences of companies offering illegal content? Please provide data on the number of websites shut down and business licences revoked due to discovery by Chinese authorities of illegal content. How many of these cases have been referred for criminal prosecution in the first six months of 2006?
- (c) What other remedies or steps can a right holder use to challenge the advertising of counterfeit products on a website in the .cn domain?
- (d) What other remedies or steps can a right holder use to challenge the advertising of pirated products on a website in the .cn domain?

II. ENFORCEMENT

6. With regard to the procedures regarding destruction of goods and materials used in producing counterfeit, pirated and other infringing goods pursuant to civil, criminal or administrative enforcement, for patent, trademark and copyright infringement, the United States has the following questions:

- (a) Are the goods or materials that are seized or confiscated those that are "principally" used, or "exclusively" used, for producing counterfeit or pirated goods? Or, does another standard apply?
- (b) Are such goods or materials thereafter destroyed or auctioned off? How is their re-introduction into channels of commerce restricted, if at all?
- (c) Please provide relevant statistical information on the destruction of goods and materials used to produce infringing goods in civil, criminal and administrative cases in 2005 and the first six months of 2006.

7. Please describe the procedures for obtaining a preliminary injunction, especially procedures to "establish" a case (li-an) before the request for a preliminary injunction is considered.

8. For cases involving alleged infringement of intellectual property rights, please provide data for 2005 and the first six months of 2006 on preliminary injunction requests, ex parte preliminary injunction requests, and evidence preservation order requests, together with the rate of grant or denial of such requests.

9. Please provide data on the results of the Blue Sky Campaign to combat infringing goods from being displayed and sold in trade fairs, including numbers of resulting administrative and criminal cases, and the following case details: (a) when the case was filed, (b) with which court or agency, (c) the identities of the defendants, (d) the provisions of law alleged to have been violated, (e) current disposition, (f) if concluded, the result in the case, and (g) the penalties imposed.

10. Please provide data on the results to date of the Mountain Eagle 2 Campaign, particularly with regard to cracking down on Internet sales, including numbers of resulting administrative and criminal cases, and the following case details: (a) when the case was filed, (b) with which court or agency, (c) the identities of the defendants, (d) the provisions of law alleged to have been violated, (e) current disposition, (f) if concluded, the result in the case, and (g) the penalties imposed.

11. Please provide data on the results to date of China's campaigns against copyright piracy on the Internet, including numbers of resulting administrative and criminal cases, and the following case details: (a) when the case was filed, (b) with which court or agency, (c) the identities of the defendants, (d) the provisions of law alleged to have been violated, (e) current disposition, (f) if concluded, the result in the case, and (g) the penalties imposed.

12. Please provide an update on data collected to date by the 50 new IPR Complaint Centers established as part of the 2006 IPR Action Plan. Have any of the complaints received by these Centers resulted in arrests or criminal prosecution?

13. Please describe any campaigns currently under way or planned to combat textbook piracy on university campuses that might augment NCAC successful actions in Shanghai and Wuhan. Will responsible authorities undertake enforcement efforts timed to coincide with the start of university terms?

14. How many localities in China have, to date, initiated "trademark authorization systems" as Beijing did to intensify efforts to rid consumer markets of infringing goods and punish violators?

III. COPYRIGHT

15. For each provision of law under which criminal copyright infringement may be prosecuted, please provide information on the number of prosecutions that have been initiated in the first six months of 2006. Please indicate (a) when the criminal complaint was filed, (b) with which court, (c) the identities of the defendants, (d) the provisions of law alleged to have been violated, (e) current disposition, (f) if concluded, whether the case resulted in acquittal or conviction, and (g) if it resulted in conviction, the sentence.

16. Article 225 of the Criminal Law concerns illegal business operations. Please provide information on the number of prosecutions under Article 225 initiated in 2005 and the first six months of 2006 in which the underlying offence by the illegal business operation involved copyright infringement. Please indicate (a) when the criminal complaint was filed, (b) with which court, (c) the identities of the defendants, (d) the provisions of Article 225 alleged to have been violated, (e) current disposition, (f) if concluded, whether the case resulted in acquittal or conviction, and (g) if it resulted in conviction, the sentence.

17. Please provide us with the results of the "Number 2 Sunshine Action to Improve the Operation of Audio and Video Markets" that ran from 1 July to 30 August, and the "100-day Anti-Piracy Activity" campaign that ran from 15 July through the end of October 2006. What steps will China take to maintain enforcement efforts after these campaigns end?

IV. TRADEMARKS AND GEOGRAPHICAL INDICATIONS

18. The United States appreciates the continuing efforts of the China Trademark Office to maximize use of its limited resources and personnel to improve examination and pendency of applications and opposition proceedings. The United States also applauds the China Trademark Office's efforts to increase transparency through circulating its draft trademark examination guidelines and its proposed amendments to China's Trademark Law and soliciting feedback and encourages

China to continue these efforts to seek input from brand owners and other stakeholders in improving China's protection and enforcement of trademark rights.

- (a) What kind of information is a trademark applicant required to provide in an application regarding its goods and/or services? Is the applicant required to provide its own specific description of the goods and/or services with which the mark is to be used?
- (b) What classification system(s) does the China Trademark Office use for trademark applications? We understand that the China Trademark Office uses two systems of classification, including a further classification system of "sub-groups". What role, if any, does each of these classification systems play in examining an application for likelihood of confusion with registered marks and prior pending applications? Please explain where these classification systems are publicly accessible.
- (c) How does the China Trademark Office examine an application for likelihood of confusion against registered marks and prior pending applications in other classes and/or sub-groups? For example, please explain how the application would be treated in the following situation: An application for "gloves" is filed in Class 25. How would it be evaluated against a registered mark or prior pending application, owned by another party, for "scarves" in Class 25?

19. The Trademark Law and the implementing regulations issued in 2001 and 2002 tripled the amount of damages that could be awarded for trademark infringement, but removed the minimum amount of damages that could be awarded. As a result, the overall level of fines imposed on counterfeiters has dropped in the last few years. In order to ensure that the administrative enforcement system functions well, it is critical that penalties sufficient to provide a deterrent to future infringements are imposed.

- (a) Why was the minimum removed?
- (b) What steps is SAIC taking to ensure that administrative, civil and criminal penalties actually have a deterrent effect?
- (c) What can a trademark owner do if it believes that the administrative fine or civil/criminal penalties imposed on an infringer is too low?

20. Has China considered requiring local AICs to publish their decisions, thereby becoming more transparent in their enforcement activities, and sending a strong message to counterfeiters that their activity will not be tolerated at any level of the Chinese government?

21. Please provide information for 2005 and the first six months of 2006 on the rate of affirmance or reversal of appeals from the Trademark Review and Adjudication Board (TRAB) to the Beijing High Court of final decisions regarding trademark validity.

22. The United States supports the protection of geographical indications (GIs) using certification or collective marks, as is currently required by China's Trademark Law and its implementing regulations. In particular, the United States appreciates the exchange of information on our shared trademark-based systems for the protection of GIs that occurred at a recent GI symposium in Beijing sponsored by the U.S. Patent and Trademark Office and the China Trademark Office (CTMO).

- (a) Please indicate the grounds that CTMO uses when refusing protection of a geographical indication. Please also include references to the specific articles in the Trademark Law or implementing regulations that apply.
- (b) Please describe the independent qualification documentation that is required when applying for GI protection at CTMO. Would this documentation include quality and inspection information concerning the GI? What other documentation is required?

23. Please respond to questions 38-40 submitted by the United States in document IP/C/W/453. These questions concern China's measures and procedures for designating so-called "famous brands" and "famous trademarks."

V. PATENT

24. With regard to proposed provision A4 of the third revisions to the Patent Law, the current proposed text states that when the proper authorities consider infringement to be established, they "may order the infringer to stop the infringing act immediately; where the infringing act is serious, the infringing products and the equipments *especially* used for carrying out the infringing act shall be confiscated." (Emphasis added.) Similarly, the language in proposed provision A5(4) allows the court to seize "equipments that are *especially* used for carrying out the infringing act." (Emphasis added.) Article 46 of the TRIPS Agreement states that the judicial authorities have the authority to dispose of materials and implements "the *predominant* use of which has been in the creation of the infringing goods." (Emphasis added.)

- (a) Please explain whether China believes there is a difference between the terms used in proposed A4 and A5 ("especially used") and Article 46 of the TRIPS Agreement ("the predominant use of which").
- (b) Please define "especially" as used in A4 and A5 and "serious" in proposed A4.
- (c) The United States notes that proposed A4 and A5 cover only "products and equipments" and "equipments," respectively, whereas Article 46 of the TRIPS Agreement covers "materials and implements," which would appear to be broader than products and equipment. Please explain the difference between this proposed language and the Article 46 language.

25. With regard to amended Article 48 of the third revisions to the Patent Law, a compulsory licence may be granted if the patent holder does not exploit the patent for three years and does not have a justified reason for doing so. What are the criteria to be used in considering whether or not to grant the licence?

26. In the third revisions to the Patent Law, there is no mention of the judicial authority to destroy infringing goods or implements that are used in infringing activity. In proposed provisions A4 and A5, the court is only given the authority to "seize" or "confiscate" infringing materials and implements used in infringement. Please explain whether the court would also have the authority to order such goods and/or equipment to be "destroyed or disposed of outside the channels of commerce," as required by Article 46 of the TRIPS Agreement.

27. During the transitional review before this Council in 2004, China explained that the State Food and Drug Administration was conducting an investigation into the linkage between patent approval and drug approval processes. (See WTO IP/C/M/46, para. 25.) What were the results of this investigation? Was a written report produced, and if so, is it available to WTO Members? Please explain.

28. Please provide information for 2005 and the first six months of 2006 on the rate of affirmance or reversal of appeals from the Patent Appeals Board to the Beijing High Court of final decisions regarding patent validity.
