WORLD TRADE ORGANIZATION

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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 1 October 2007, 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 sixth 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. COPYRIGHTS

1. Please provide us with the details of the progress concerning the drafting of the regulation on royalty criteria for broadcasting and television organizations, which Article 43 of the Chinese Copyright Law stipulates that the State Council is to establish. We understand that the Legislative Affairs Office of the State Council has been working to establishing the said regulation by the end of this year.

2. We understand that collective management societies in China are not able to efficiently distribute royalties to right holders appropriately because users of copyrighted works often do not report their actual usages fully. To solve this problem, Japan believes that there is a need to ensure the full implementation of a user's obligation to provide full information about their usages as stipulated under Article 27 of the Regulation for Collective Management of Copyright. Please inform us of China's view on this matter. Also, if the Chinese government is planning to take any measures against this problem, please provide us with their details.

II. TRADEMARKS

A. PROTECTION OF WELL-KNOWN MARKS

3. 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, we received your answer that there is no discrimination in recognition of well-known marks between domestic entities and foreign entities. However, 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 those were related to trademarks of foreign entities). Please let us know whether there are any objective criteria for the process of recognizing well-known marks and, if any, please provide us with their details.

4. Concerning the problem of the "inappropriate application" for a trademark, Article 31 of the Chinese Trademark Law (the "Trademark Law") stipulates that "The application for registration of trademark rights shall not infringe the prior existing rights of others. Trademarks with a certain degree of influence, and one which are in prior use before an application is made shall not be registered inappropriately…" Accordingly, Article 4.3.1 of the Chinese Criterion for the Examination of Trademark Appellations (the "Criterion for the Examination") stipulates that the "prior use" criteria, as stipulated in Article 31 of the Trademark Law, refers to those trademarks that are used within mainland China. However, there have been cases reported where well-known trademarks of foreign entities whose products and services are not yet available in mainland China, but which have become widely known through channels such as the Internet, have inappropriately been registered without prior consent of the foreign right-holders though applications of malicious intent. We believe that an application, with malicious intent, for the registration of well-known trademarks of foreign entities should be curtailed and prohibited. We would like to request the reasons why the "Criterion for the Examination" stipulates that the criteria for "prior use" of a trademark as stipulated in Article 31 of the Trademark Law be limited to those that are used within mainland China.

B. EXAMINATION PERIOD OF TRADEMARK

5. Last year, China has responded in their Transitional Review that the current time span (as of last year) from the submission of an application to first action by the trademark administration office was approximately 24 months. In regards, please inform us of the following three points: (1) whether the 24 month pendency period has further decreased, (2) the length of the current pendency period, and (3) the proactive measures taken to decrease the length of the registration cycle (i.e. the pendency period) taken by China over the past year.

III. ENFORCEMENT

A. STATISTICS ON CRIMINAL PENALTIES

6. 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 public security agencies as deserving of criminal prosecution,

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

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

(d) The number of cases that the rights holders themselves prosecuted their claims through the people's courts.

B. STATISTICS ON ALCOHOLIC BEVERAGE TRADEMARKS

7. There is information regarding cases that counterfeits of Japanese Sake, whose trademarks are registered in Japan (and some of which are also registered in China) are sold or manufactured in China. Although Japan noted the response of China during its TRM process at the TRIPS Council last year that China did not have any particular data with regard to cases of trademark infringement of alcoholic beverages, Japan would like to request again that China provide the following information.

(a) The number of cases of the manufacturing/selling of counterfeits of alcoholic beverages in China during the past 3 years. (Please break down the cases by the applied laws or regulations, by categories of administrative/civil/criminal cases and by countries of origin of the product that has been infringed.)

(b) The laws or regulations which are applied, in general, to regulate the manufacturing/selling of counterfeits of alcoholic beverages in China. If there are any laws or regulations specifically applied to alcoholic beverages or foods, please inform us of the fact.

C. REQUEST FOR INFORMATION

8. Japan has requested China to provide specific judicial decisions and administrative rulings of IPR enforcement pursuant to Article 63.3 of the TRIPS Agreement. Although the deadline for responding to the request has passed, China has yet to provide this information. Japan would like to request that this information be provided.

D. BORDER MEASURES

9. With the General Administration of Customs Announcement No.16, the regulation concerning the disposal of goods confiscated at the border, as stipulated by the Regulation of People's Republic of China on Customs Protection of Intellectual Property Rights and the Implementing Measures of Customs of the People’s Republic of China on Customs Protection of Intellectual Property Rights, has been amended. In regards, please provide us with the number of cases of confiscation and the volumes of goods confiscated by Chinese Customs this year, 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.

10. Please provide us with statistics for the number of past Chinese Customs seizures, including information on the type of the disposal, the nature of the IPR, the countries of export (for import seizures), and the countries of destination (for export seizures). Additionally, please provide us with information on how the disposal of goods has changed in actual practice due to the General Administration of Customs Announcement No.16.

E. DEALING WITH DEVIOUS CASES

11. Please provide us information concerning the requirements that need to be met to punish both manufacturers and distributors or those preparing to distribute products in cases where products are

manufactured without trademarks and are later attached illegal trademarks at the distribution stage or at the stage for preparation for distribution by other distributors.

F. ADMINISTRATIVE PENALTY AND CRIMINAL PENALTY

12. According to Article 11 of the Regulation on the Transferring of Suspected Crime Cases at Administrative Agencies, it seems that administrative penalties can be imposed before a case is transferred to criminal procedures. In regards, please inform whether cases are (a) transferred after administrative penalties are imposed, or (b) transferred without any administrative penalties imposed, when it is decided that a case in which a crime has been already suspected by administrative agencies should be transferred for criminal procedure. Please inform us as to which of the two is the general practice in principle, and provide us with details of the relevant laws, regulations or other regulatory norms that form the basis for the transferal practice. If the answer is the latter (b), we would like to know whether the case is transferred back to administrative procedures again and administrative penalties are imposed thereafter, if the case was not sent to the prosecutors or did not end up being prosecuted.

G. DISPOSAL OF CONFISCATED COUNTERFEIT GOODS

13. In a written response to the Jiangsu Provincial AIC with respect to Article 53 of the Trademark Law in October 2002, SAIC stated that destruction is one of, but not the only, means to dispose of confiscated counterfeit goods. We have been informed that if the confiscated goods have value and if the infringing labels are detachable, disposition by means other than destruction may be employed. In regards to this, please indicate which specific means are employed, other than destruction, to dispose goods for such cases. Please also provide laws, regulations, documents and any other information that provide for these methods to be employed.

IV. OTHERS

A. THE CONFLICT BETWEEN TRADE NAMES AND TRADEMARKS

14. We understand that China is planning to revise the existing Law to Counter Unfair Competition and that the said revised law will deal with cases where trade names which incorporate other's trademarks or trade names that are, without the true owner's authorization, registered in China or other countries/regions and used in China. We have been informed of a small part of this said revision through the Judicial Interpretation (the "Relevant parts of Interpretation of the Supreme People’s Court Concerning Some Issues on the Specific Application of Law for Handling Civil Cases of Unfair Competition") issued in January 2007. Last year we requested information on how China deals with the type of problem mentioned above, and have received your answer that the problem is currently under consideration as a problem of the "conflict between trademarks and trade names" and that the countermeasures are under consideration. We would like to know of the progress of your review concerning this issue.

B. LICENSING REGULATIONS

15. Japanese industry has voiced their concern that Chinese authorities at the provincial and local level often examine the contents of their 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 the royalty rates and extension of contracts, with regard to free import/export technologies.

16. Article 24 of the Regulation on the Administration of Import and Export Technology states "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". In regards, at the last TRM we have received the response that this provision was compulsory not discretional. If the provision of this Regulation means that liability of the transferor can not be waived by agreement between the parties concerned, as is allowed by Article 353 of the Contract Law, then the said Regulation may need to revised so that it is consistent with Article 353 of the Contract Law in the light of Article 28.2 of the TRIPS Agreement (right to assign, or transfer by succession, the patent and to conclude licensing contracts) and the principle of national treatment. Please provide us with China's view on the matter. Although we have already been informed at the last TRM that China had no plan to revise this regulation, we would like to know whether this position has changed in any way.

17. Article 25 of the Regulation on the Administration of Import and Export Technology states "the licensor must ensure that the technology provided is complete, correct and effective and may fulfil the agreed technological goal." Please clarify the specific requirements that should be fulfilled in order to show the aforementioned provision has sufficiently been met. Moreover, inform us as to whether a written mention ensuring the fulfilment of the above requirement as is prescribed by the aforementioned provision must be included in the contracts and whether Chinese authorities will reject contracts for the reason that a mention of it is not included in the contracts. It may be the case that the Regulation may need to be revised in order for it to be consistent with Article 353 of the Contract Law in light of Article 28.2 of the TRIPS Agreement (right to assign, or transfer by succession, the patent and to conclude licensing contracts) and the principle of national treatment. Please provide us with China's view on this issue and whether there are any plans for a future revision of the provision.

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