

REVIEW OF LEGISLATION

Questions by the United States

By means of a communication from the Permanent Mission of the United States, dated 12 July 2002, the Secretariat has received copies of the following questions and comments that United States has communicated to China in furtherance of its transitional review mechanism.

A. GENERAL COMMENTS AND QUESTIONS

1. The United States recognizes and appreciates the hard work done by China's legislators, administrative officials, judicial officials, and others in reviewing, enacting and drafting new intellectual property laws and regulations as part of implementing China's WTO commitments and in strengthening China's legal regime for the protection and enforcement of intellectual property. We recognize that in addition to revision to key laws, such as the patent, trademark and copyright law, conducted over the past two years, China has had to enact, revise or annul many central government laws, regulations and other measures as well as sub-central measures dealing with intellectual property.

2. In addition to the obligations contained in the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement), these comments and questions are based on the Report of the Working Party on the Accession of China (WT/MIN(01)/3) (the "WPR"). In paragraph 305 of the WPR, China agreed to fully apply the provisions of the TRIPS Agreement upon its accession to the WTO. China became a member of the WTO on 11 December 2001.

3. The United States considers transparency in making laws, regulations, rules and other measures including the opportunity to provide comments on such provisions as set forth Section 2, paragraph 2(C) of China's protocol of accession and in paragraphs 324 through 336 of the WPR to be a key aspect of China's WTO commitments. In particular, China has committed to publish its laws, regulations and other measures in an official journal and provide a reasonable period for comment to the appropriate authorities before such measures are implemented. Moreover, China has agreed that to make these laws, regulations and other measures available to WTO Members upon request before they are implemented or enforced. The Law on Legislation authorizes officials to provide the opportunity to receive comments and requires publication of laws, regulations and other measures. We strongly urge China to provide this opportunity in all cases.

4. The United States looks forward to cooperating with China on revisions to its trademark and copyright implementing regulations as well as assisting China in its efforts to harmonize its laws with new treaties to which it may wish accede, such as the WIPO Copyright Treaty and WIPO Performance and Phonograms Treaty.

5. Please provide a report on the laws that have been nullified or repealed, amended, or enacted to bring China's IPR regime into conformity with TRIPS consistency, as well as plans for any further nullifications, repeals or amendments that are currently scheduled or that are planned to be scheduled by China's various law, regulation, and rule making bodies on either a national or local level, as well as efforts to receive comments from foreign and other IPR owners in drafting and issuing these measures and facilitating technical assistance.

B. NATIONAL TREATMENT

6. China's WPR set forth certain commitments regarding national treatment (Paragraph 255). In particular, the following matters were identified as raising national treatment concerns:

- (a) the Rules on Banning the Infringement of Business Secrets (23 November 1995), which only protected business secrets of citizens or enterprises of China;
- (b) enforcement action in copyright matters which required clearance by the National Copyright Administration in China when a foreign rights holder was involved; and
- (c) protection of well-known trademarks and requirements for use of certain trademark agents.

We would appreciate an update on efforts to provide national treatment with respect to these issues.

C. COPYRIGHT

7. We have a number of questions regarding specific provisions of China's amended Copyright Law, its implementation, and its consistency with relevant TRIPS provisions. In particular:

- (a) Does the compulsory license for textbooks in Article 23 of China's Copyright Law apply to works of foreign authors? If so, please explain the scope of this provision and its application. Does it apply to higher education, e.g., universities and technical schools? Does it apply to all works, e.g., digital forms and multimedia? Please explain how this provision is consistent with the standards in TRIPS Article 13.
- (b) What are the limitations on the scope of the decompilation exception in Article 17 of the Computer Software Regulations? Please explain how this provision is consistent with the standards in TRIPS Article 13.
- (c) Does the right of reproduction in Article 10 of China's Copyright Law include temporary copies, such as those made in the random access memory (RAM) of a computer, as required by Berne Article 9, as incorporated into TRIPS Article 9? Is there any statement in your law, regulations or other measures that indicates that such temporary copies involve the reproduction right? If so, please provide the citation.

D. TRADEMARKS

8. As noted in paragraph 6, we have continuing concerns about receipt of national treatment under China's trademark law. We note the requirement to use a designated trademark agent, as set forth in the original implementing rules of the Trademark Law, Article 3, which provides that:

when a foreigner or foreign enterprise is to apply for trademark registration in China or to deal with other trademark matters in China, the application or other matters shall

be handled by an agency designated by the State Administration for Industry and Commerce.

Not only may a Chinese enterprise file for a registration directly without an agent, foreign enterprises have been restricted to use of only certain agents. While Article 3 of the TRIPS Agreement provides a limited exception with regarding to national treatment for "the appointment of an agent within the jurisdiction of a Member," this exception applies only where "it is necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade."

We note the following discriminatory aspects of China's requirement:

- (a) The restrictions only apply to foreigners applying for trademarks in China, irrespective of whether they have a place of business in China.
- (b) Only some trademark agents can be used by foreign enterprises.
- (c) This rule only applies to trademarks. No similar rule applies to patents. China's patent law has a less restrictive provision: "where any foreigner, foreign enterprise or other foreign organization having no habitual residence or business office in China applies for a patent, or has other patent matters to attend to, in China, he or it shall appoint a patent agency designated by the patent administrative organ under the State Council to act as his or its agent."
- (d) Foreigners making applications pursuant to the Madrid Protocol do not require use of Chinese agent. Implementing Rules for Madrid International Registrations (Sec. 2).
- (e) Points (c) and (d) indicate that use of a trademark agent is not necessary to secure enforcement of China's trademark laws and is a unjustified restriction on trade.

9. The WPR noted that "while China had provided protection to "well-known trademarks" owned by nationals, such protection had, as yet, not been extended to the well-known trademarks of foreigners" (Paragraph 262). This issue has become especially acute, as lower thresholds are available for initiating criminal investigations and penalties for counterfeiting well-known marks, i.e., enhanced enforcement may exist for marks owned by Chinese entities when compared to foreign marks.

Since China became a WTO member, China's Trademark Office has established a website listing well-known marks. Approximately 150 marks are listed, none of which is a foreign mark. Another website run by a provincial organization lists 196 well-known marks, but none of these marks are foreign marks: <http://www.zmsb.com/info.asp?page=0&count=196>. Please inform us as to the steps that China's government is undertaking to ensure protection of well-known marks on the basis of national treatment and the need for effective enforcement of all marks. We are concerned that the failure to include foreign well known marks on such lists could unfairly prejudice foreign rights holders seeking administrative, civil or criminal enforcement, i.e., deny national treatment.

10. We recognize that China's courts have recognized the well-known status of certain marks, e.g., in Beijing Cinet Information Co.Ltd v. E.I. Dupont De Nemous and Company, Case Number 2002, Beijing Higher People's Court, Intellectual Property Tribunal, Final Decision, No. 47 (November 2001). Judicial recognition also raises risks of inconsistencies. The 1998 regulations, noted above, for example, imposes fines on companies that state their mark is well-known which have

not been approved by the China Trademark Office (Article 12). Thus, even companies with marks that courts recognize as well-known could face penalties. Again, we emphasize the need for national treatment and effective enforcement.

E. GEOGRAPHICAL INDICATIONS

11. Does China's law relating to the protection of geographical indications include any of the exceptions to protection contained in Article 24 of the TRIPS Agreement? If so, please describe the way in which the exception is applied, indicating the relevant provisions of law.

12. Please explain the procedure(s) by which nationals of WTO Members may obtain protection for their geographical indications.

13. Please explain how owners of trademarks might object to protection of third-party geographical indications.

14. Are any geographical indications currently protected in China? If so, please identify some domestic and foreign geographical indications that are protected in China. How did these geographic indications become protected? What is the scope/nature of their protection?

15. Are the procedures for obtaining protection for a foreign geographic indication the same as those that are used to obtain protection of a domestic geographic indication or when the applicant is a national of China?

F. PATENTS

16. China indicated in the WPR that it would provide in the Implementing Rules of the Patent Law a provision ensuring that Article 5 of the Patent Law complies with Article 27.2 of the TRIPS Agreement. Has this been done and, if so, please describe and explain the provision.

17. Please indicate the provisions in the Implementing Rules of the Patent Law that implement TRIPS Articles 31(b), 31(c), 31(h) and 31(f) relating to the grant of compulsory licenses.

18. Please indicate the term of protection for patents granted prior to 1992. Where is this term stated in your laws, regulations or implementing rules.

19. Please inform us as to whether or not process inventions that facilitate the conduct of business are eligible to be patented if they are otherwise novel, involve an inventive step and are industrially applicable.

G. LAYOUT-DESIGNS FOR INTEGRATED CIRCUITS

20. With respect to the protection of layout designs of integrated circuits (WPR Paragraph 280), we would appreciate being advised what protections are afforded to discretely as part of semiconductor layout design protection.

H. UNDISCLOSED INFORMATION

21. In the WPR China identified its Anti-Unfair Competition Law as the principal basis for the civil protection of trade secrets, and Article 219 of the Criminal Law providing criminal remedies (WPR Paragraph 283). In addition to the laws identified in the Working Party Report regarding the protection of trade secrets, the following laws and regulations have existed in China:

- (a) Notice of Ministry of Labor on Several Issues Involved in Enterprise Worker Mobility (No. 355, 1996) (Art. 2);
- (b) Law for Promotion of Science of the P.R.C. (Oct. 1, 1993) (Art. 60);
- (c) Rules on Banning the Infringement of Business Secrets (23 November 1995);
- (d) Guangdong Provincial Regulations;
- (e) Regulations of the Protection of Technical Secrets of Enterprises in the Shenzhen Special Economic Zone (Jan. 1, 1996);
- (f) Zhuhai Municipal Regulations;
- (g) Company Law; and
- (h) Software Protection Measures.

We would appreciate being advised:

- (a) whether these laws continue to be in full force and effect,
- (b) the scope of "reasonable compensation" that is required of an employee in order for a binding confidentiality agreement to exist between the employer and the employee, in light of inconsistent provisions in d, e and f, above,
- (c) whether the definition of Trade Secret as set forth in WPR Paragraph 283 is the same as those in the above items, and
- (d) whether those regulations that remain in effect equally apply to foreign and domestic enterprises and individuals.
- (e) Will the protection accorded under any of these laws apply to protection of test and other data submitted to obtain marketing approval for a pharmaceutical or agricultural chemical? If so, please explain which provisions would apply and how.

22. In the WPR, China confirmed that it would "in compliance with Article 39.3 of the TRIPS Agreement, provide effective protection against unfair commercial use of undisclosed test or other data submitted to authorities in China as required in support of application for marketing approval of pharmaceutical or of agricultural chemical products which utilized new chemical entities." (Paragraph 284). The United States understands that such regulations have been issued with respect to agricultural chemicals and that work is proceeding on pharmaceutical regulations.

We understand that for imported pharmaceuticals that are new to China's market the owner must submit non-disclosed data to obtain a certificate that permits both importation and marketing (an import permit). Please confirm that undisclosed data submitted to obtain an import permit will also receive protection against unfair commercial use.

23. Articles 13 and 14 of the Regulations for Protection of Chinese Pharmaceuticals (14 October 1992, State Council Promulgation No. 106) provides for protection of the composition and methods of manufacturing of traditional Chinese medicines, including restrictions against disclosure by Chinese government officials, and establishment of "confidentiality procedures according to national regulations" The level of protection extended to these products lasts from 10 to

30 years. The United States would appreciate being advised of the following with respect to these regulations:

- (a) Are these regulations still in effect?
- (b) What are the State Council regulations that protect against such disclosure?
- (c) Do these regulations also relate to protection of clinical and other data submitted to obtain marketing approval? If so, to what extent?
- (d) What protections, if any, also exist against improper use of proprietary information disclosed to China's government with respect to a domestically produced pharmaceutical?
- (e) Are any of these foregoing regulations being applied to foreign or Western pharmaceutical clinical data as well?

I. RIGHT OF APPEAL

24. Within the framework of the rights to appeal decisions regarding patent and trademark rights, we would appreciate being advised whether (a) final decisions of the patent and trademark offices are appealed to an administrative tribunal or a specialized intellectual property tribunal within China's judicial system; (b) if China's intellectual property courts can entertain both validity and infringement issues in the course of an infringement action; (c) if the criminal panels of China's courts are authorized to hear criminal intellectual property cases or if such matters are heard by the civil intellectual property panels.

We suggest that China consider providing its specialized intellectual property courts with jurisdiction over trials and appeals of these cases, because the judges have developed greater expertise on the relevant issues.

J. ENFORCEMENT

25. Civil Actions: TRIPS Article 41 requires that enforcement procedures permit effective action against any act of infringement.

- (a) Taking note of recent amendments to the patent, trademark and copyright law that provide for provisional relief in those matters, as well as interpretations of the Supreme People's Court to provide provisional relief in trademark and patent matters, we would appreciate being advised of the status of implementing rules providing detailed guidance related to provisional relief for copyright infringements.
- (b) In the light of Berne Conventions prohibition on formalities, we would also appreciate being advised how China intends to permit plaintiffs to prove subsistence of copyright. In particular, we would appreciate an explanation of how the requirements suggested in a National Copyright Administration of China letter (25 December 2001) requesting notarized and certified registration certificates complies with Berne and TRIPS Agreement obligations.

26. Administrative Enforcement: Enforcement Actions at the Border: Please advise us of the status of proposed revisions to the 5 July 1995 State Council regulations on border measures for the protection of intellectual property rights.

27. Criminal Enforcement: TRIPS Article 61 requires the application of criminal fines and imprisonment at levels sufficient to provide a deterrent in cases of willful piracy or counterfeiting on a commercial scale. In its Working Party Report, China agreed that repeat offenders and willful piracy and counterfeiting cases "would be referred to relevant authorities for prosecution" (Paragraph 298) and agreed to recommend to the judicial authorities that they lower the thresholds for initiating criminal investigations. (WPR Paragraph 304).

- (a) Please provide a copy of the recommendation to China's judicial authorities that they lower the thresholds for initiating and prosecuting criminal cases against those who infringe intellectual property rights. In addition, please provide copies of references to any recommendations from the judicial authorities to make necessary adjustments to lower the criminal thresholds for piracy and counterfeiting, as well as any actions by these authorities to lower the thresholds.
- (b) We would appreciate statistical or other information on the following issues:
 - (i) the number of cases involving copyright piracy and trademark counterfeiting that were prosecuted through administrative penalties in China;
 - (ii) the number of such cases transferred from administrative proceedings to criminal prosecutions;
 - (iii) the number of criminal investigations initiated for copyright infringement and trademark piracy;
 - (iv) the number of criminal convictions have been obtained this year;
 - (v) the level of criminal fines assessed this year;
 - (vi) the number and length of jails terms imposed this year; and
 - (vii) the final disposition of seized goods, materials, and implements in criminal prosecutions.
- (c) With regard to copyright cases in particular, the United States would appreciate knowing of criminal copyright prosecutions and convictions by China under other provisions of Chinese law, such as illegal business operations (feifa jingying).

28. We note that prior to WTO accession, China's authorities enacted certain regulations or rules, including the Provisions on the Transfer of Susceptible Criminal Cases by Administrative Organs for Law Enforcement (9 July 2001) and Regulation of the Supreme People's Court and Ministry of Public Security Concerning Standards for Initiating Cases In Economic Crimes (18 April 2001), and that revisions to the trademark and copyright laws change various aspects of the administrative enforcement systems, and in particular cases mandate referral to criminal prosecution in appropriate cases.

We would appreciate being advised of legislative and enforcement efforts to coordinate administrative, civil and criminal enforcement, including new regulations or initiatives have been undertaken to (a) preserve evidence from administrative investigations for use in

criminal investigations and prosecutions; (b) insuring that appropriate copyright and trademark matters are referred to criminal investigation; (c) ability of a rights holder to participate in administrative or criminal proceedings; (d) providing for coordination or cooperation among various enforcement authorities on complex cases; (e) providing for expeditious transfer from administrative enforcement to criminal prosecution; and (f) treatment of recidivist violators of administrative regulations, e.g., have they been subject to criminal prosecution.
