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IP Australia

# Enforcement of IP in China

## Overview

The nature of the IP right, the type of offence, and relief sought will all impact on where an IP rights holder should seek assistance.

## Main Government Departments Responsible for IP Enforcement

Provincial and Municipal Patent Bureaux	Responsible for administrative enforcement of patents. Operates under the supervision of the State Intellectual Property Office: <a href="http://www.sipo.gov.cn">www.sipo.gov.cn</a>
Provincial and Municipal Copyright Bureaux	Responsible for administrative enforcement of copyrights. Operates under the supervision of the National Copyright Administration (NCA) <a href="http://www.ncac.gov.cn">www.ncac.gov.cn</a>
Provincial and Municipal Administrations for Industry and Commerce (AICs)	Responsible for administrative enforcement of trade marks as well as unfair competition disputes. Operates under the supervision of the Trademark Office of the State Administration for Industry and Commerce. <a href="http://www.saic.gov.cn">www.saic.gov.cn</a>
Provincial and Municipal Technology Supervision Bureaux (TSBs)	Responsible for administrative enforcement against counterfeits and other product quality violations (including labeling compliance). Operates under the supervision of the State General Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) <a href="http://www.aqsiq.gov.cn">www.aqsiq.gov.cn</a>
General Administration of Customs	Responsible for administrative enforcement of IP rights at China's borders <a href="http://www.customs.gov.cn">www.customs.gov.cn</a>
Public Security Bureaux (PSBs)	IP enforcement at borders <a href="http://www.mps.gov.cn">www.mps.gov.cn</a>
Ministry of Agricultural and Ministry of Forestry	Joint responsibility for plant breeder's rights <a href="http://www.forestry.gov.cn">www.forestry.gov.cn</a> ; <a href="http://www.agri.gov.cn">www.agri.gov.cn</a>
China International Economic and Trade Arbitration Commission (CIETAC)	Arbitration of domain names, Internet keywords, etc. <a href="http://www.cietac.org">www.cietac.org</a>



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## Trade Mark Infringement ('Counterfeiting')

The Administrations for Industry and Commerce (AICs) and local Technology Supervision Bureaux (TSBs) are the two primary administrative agencies empowered to deal with trade mark counterfeiting in China. They have the authority to conduct inspections of any commercial premises without a warrant. They are also empowered to seize suspected counterfeits and impose administrative fines on infringers.

The cost of most administrative enforcement actions is normally reasonable—less than A\$6,500. Seized goods are normally destroyed.

The AICs and TSBs have only very limited investigation powers, and most preparatory investigations to identify the location of infringing goods and transactional records must be undertaken by IP owners and their private investigators. The authorities will normally be willing to conduct inspections and seizures based on a simple complaint, accompanied by a sample of the infringing product and a copy of the trade mark owner's registration certificate.

In certain cities, including Guangzhou and Shenzhen, powers of attorney in favour of local trade mark agents, lawyers or consultants must be notarised and legalised—requirements which can lead to significant delays in enforcement actions. Notarisation and legalisation of powers of attorney are required in order to lodge civil actions in Chinese courts.

China's Criminal Code provides for prison terms up to seven years for trade mark counterfeiting. Criminal actions may be investigated by Chinese police—known as the "Public Security Bureau" (PSB)—either based on a transfer from administrative authorities or through complaints filed directly with the PSB.

Unlike most countries, criminal enforcement in China is conditional upon generating evidence that an infringer produced and/or sold fakes over a certain numerical threshold, the lowest of which is about RMB50,000 (approx. A\$8,570). For producers of counterfeits, the threshold is reduced to RMB30,000 (approx. A\$5,150) where two or more brands are infringed at the same time. The thresholds for criminalisation of cases involving corporate offenders are three times that for

individual offenders. A minimum jail term of three years is applicable where five times the above thresholds is reached.

It is also possible to take civil action against counterfeiters, either independently or subsequent to successful administrative or criminal action. The Chinese Trademark Law provides for awards by civil courts of statutory damages up to RMB 500,000 (approx. A\$80,000) in cases where it is difficult to prove the extent of actual damage or the profits earned by an infringer.

Foreign trade mark owners have historically refrained from pursuing civil actions against counterfeiters due to low compensation awards and the lack of access to infringer assets. However, compensation awards by Chinese courts have been increasing in recent years, and the reputation of Chinese courts has likewise improved following the establishment of specialised IP tribunals in larger cities in China. Consequently, civil actions are now becoming a more attractive option for rights holders as a way of recouping enforcement costs. Counterfeiters are also increasingly willing to negotiate settlements which provide for payment of reasonable compensation. Settlements are more likely to be successful when the infringer is a relatively large Chinese company with a reputation to protect.

It is important to seek professional advice before deciding on whether to take action through administrative, criminal or civil channels.

Effective registration of trade mark rights on the relevant goods and services is essential for enforcement through administrative, civil, or criminal channels. Trade mark owners also need to establish strategies in order to prevent counterfeiting in China. These include, at a minimum, exploring technical measures to deter copying and facilitate monitoring of fakes in the market; carefully selecting and monitoring Chinese licensees (who might otherwise allow fake products to be distributed out the back door), requiring business partners to provide immediate notification when suspected fakes are identified in the market, commencing investigations promptly after sightings are received, and pursuing enforcement options to ensure that infringers are punished and deterrence is generated in the marketplace.



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## Copyright and Patent Infringement

The administrative authorities responsible for copyright and patent infringements (local Patent Bureaux and Copyright Bureaux) have powers similar to those of the AICs and TSBs for handling trade mark cases. However, the manpower and other resources available to administrative enforcers of patents and copyrights is notoriously insufficient, and IP owners are therefore normally advised to pursue civil enforcement through Chinese courts to achieve reasonable protection.

Revisions to China's copyright and patent legislation introduced in 2001 and 2002 have made civil enforcement more attractive, in part by offering access to preliminary injunctions and statutory damages of up to RMB 500,000 (approx. A\$80,000).

Criminal penalties are available in copyright cases based on thresholds similar to those in trade mark counterfeiting cases. Producers or master distributors of items infringing copyright may be pursued criminally where the value of pirated works seized or sold exceeds RMB50,000 (approx. A\$8,570). Criminal liability for mere re-sellers is more restricted, and actions will only succeed where evidence can be produced that the infringer generated illegal profits exceeding RMB100,000 (A\$17,140).

## Customs

Chinese law provides for the protection of trade mark, copyright and patent rights by local Customs. Protection is conditional upon recordal of rights with the General Administration of Customs.

Customs officials will rarely conduct random *ex officio* actions on their own behalf where there has not been a recordal of rights, even when they suspect that the goods in question may infringe intellectual property rights. Even when this does occur, without Customs recordal the Customs authorities have difficulty quickly contacting the rights holder.

Recordal of rights is possible for trade marks and patents registered in China, as well as any copyright material. Customs will conduct random inspections of products upon their export or import. IP owners or their agents in China will then be notified of suspected violations, after which the IP owner must provide confirmation of the violation within three days and pay

a bond, normally equal to half of the value of the goods, up to a maximum of RMB100,000 (A\$17,140).

Law firms and Chinese trade mark agents can handle the Customs recordal process. It is possible to include a list of authorised producers with Customs. Doing so avoids the possibility that Customs will detain any legitimate goods which are shipped out of China and helps Customs verify whether a particular shipment is from an authorised licensee. It is important that the list of authorised licensees is regularly updated.

Chinese Customs is required to transfer serious cases to the PSB for criminal investigation.

## Domain Names

Disputes involving the registration or use of the domain names using the .cn suffix and Chinese-language domain names are handled in accordance with the CNNIC Dispute Resolution Measures. This largely mirrors the Uniform Dispute Resolution Procedures (UDRP) available for top-level .com domain names. However, Chinese authorities recently imposed a two-year time limit for the filing of Chinese UDRP complaints. If a .cn domain name has been registered for more than two years, the name can only be dealt with by filing a civil action with a Chinese court.

## Conclusion

Enforcement of IP rights is often complicated and careful consideration needs to be given when developing appropriate strategies for investigating, procuring seizures, and following up with government authorities in the penalty phase. Professional assistance should be sought before taking action.

## Disclaimer:

This information is intended to help the reader gain a basic understanding of some IP principles. It is not designed to provide legal, business or other relevant professional advice. IP Australia recommends that you seek independent legal, business or other relevant specialist advice as necessary.

This fact sheet has been developed in conjunction with Baker & McKenzie.

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