

New Customs Protection Regulations Ensure Compliance with WTO and Improve Intellectual Property Rights

The Regulations on Customs Protection of Intellectual Property Rights (the “New Regulations”), by the State Council, followed the revision of the PRC Copyright Law by the National People’s Congress Standing Committee in February 2010 (“Copyright Law Revisions”), and came into effect on April 1 2010. The Copyright Law Revisions and the New Regulations are a result of the World Trade Organization’s ruling in January 2009 that China’s *Customs Protection Regulations* (the “Old Regulations”) did not comply with the *Trade-Related Aspects of Intellectual Property Rights Agreement* (“TRIPs”). However, as well as addressing the issues of non-compliance, the New Regulations seem to go a step further in addressing some additional inadequacies of the Old Regulations and join the trend of tightening legislation governing Intellectual Property Rights (“IPR”) in the wake of China’s rapid growth in cross-border trade.

Non-Compliance with TRIPs

Article 4 of the PRC Copyright Law states that *“Works the publication or distribution of which is prohibited by law shall not be protected”*. Accordingly, any works awaiting approval by the PRC authorities would remain unprotected and could be subject to abuse during this period. The WTO panel found this Article to be in breach of the *Berne Convention for the Protection of Literary and Artistic Works* which requires that all creative works of similar nature receive the same protection.

In addition to this anomaly, the Old Regulations were also found to be in breach of Article 59 of TRIPs as they permitted Customs to auction off goods, which infringed copyright law, following the removal of the infringing elements of the goods. The goods were therefore allowed to enter commercial channels.

Changes introduced to comply with TRIPs

In February 2010, the Copyright Law Revisions were introduced to address the first issue of non-compliance with TRIPs – the lack of protection for works which are not cleared for publication or distribution. The National People’s Congress Standing Committee revoked Article 4 of the PRC Copyright Law, to ensure that even those works which are not approved for publication or distribution are afforded copyright protection. Copyright owners will also now be able to pursue infringers even where the goods were not approved for publication or distribution, thus affording them greater protection.

Under the New Regulations, the Government has also resolved the second area of non-compliance - the right to auction off infringed goods. The New Regulations state that imported goods which have counterfeit trademarks cannot be released into commercial channels following the removal of the infringing features, except in special circumstances. This essentially mirrors the provisions of the fourth sentence of Article 46 of TRIPs and ensures compliance. However those wishing greater rights for the copyright owners will be disappointed to note this only applies to imported goods. Given the nature of the Chinese market, where imports are relatively low in comparison to the export market,

this amendment will do little more than pacify WTO as it will realistically have little impact on the number of auctions which are held.

It should also be noted that the provisions allow for the auctioning of goods in “special circumstances” but no further clarification has been given as to what could constitute special circumstances.

WTO compliant

In March of this year, China confirmed that they were fully compliant with the WTO's ruling. However, the New Regulations took another step in affording greater IPR protection for owners and in clarifying the law as they introduce a further 3 changes.

Further changes to the Customs Protection Regulations

1. IP owners must ensure that their data in Customs' records is up to date and this includes full details of ownership of the IPR and the details of any licensees. Any changes in the information must be given within 30 working days. In the event that failure to comply with this provision has an adverse effect on the lawful imports or exports of any third party or alternatively, seriously affects Customs' supervision, the General Administration of Customs may revoke the record at its own discretion or at the request of an aggrieved party.
2. Under the Old Regulations, IPR owners were only entitled to apply to a competent court for an injunction, prior to filing a lawsuit. The New Regulations however extend the period of time within which IP owners can apply for an injunction or property preservation order as they can now apply after they have requested that Customs seize the counterfeit goods. This affords the IPR owner more time to consider the need to take such measures and accordingly develops their rights in respect of

goods seized by Customs.

3. In the event of an individual carrying or mailing counterfeit goods which are in excess of their personal use level, the New Regulations enable the infringer to be penalized, in line with the treatment of counterfeit importers and exporters. Previously, the Old Regulations only allowed for the confiscation of goods, which was often deemed to be worth the risk due to the potential monetary rewards. It is unclear how successful this will be given that it is suspected that parcels are posted to different addresses and with different return addresses which proves problematic for calculating whose personal allowance is being used.

Conclusion

Whilst it is unclear how effective these revisions will be in practice, the move towards greater penalties for infringement of copyright and the provision of guidelines to make the Customs process more efficient are encouraging signs. For IPR owners looking to invest, or expand their business, in China compliance with WTO will be reassuring and demonstrates a step towards affording a similar level of IPR protection to that enjoyed on the international market.

This publication is intended to keep our clients and friends apprised of industry, regulatory and legislative changes that may have an impact on the way business is conducted and operated in China. It is for general information only, and is not a substitute for legal consultation.

If you have any questions about the content of this publication, please contact the J&F attorney with whom you regularly work or for further contact details, please visit our website:-

Website: www.jadefountain.com