

THE TRIPS AGREEMENT AND INTELLECTUAL PROPERTY PROTECTION IN CHINA

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In order to carry out its open reform policy, China has no other choice but to establish and strengthen its intellectual property protection system. This is especially true after the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) finally linked intellectual property with international trade and the information highway (not necessarily the "super highway").

Since 1982, China has published and enforced a series of intellectual property laws and regulations, and has adhered to more than ten international conventions and one protocol in the field of intellectual property.¹

China is now preparing to adhere to the International Convention for the Protection of New Varieties of Plants and is striving to return to the World Trade Organization (WTO) in order to adhere to the TRIPS Agreement.

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1. These laws, regulations, international treaties, and conventions include: 1982 Trade-mark Law, amended in 1993; 1984 Patent Law, amended in 1992; 1990 Copyright Law; 1991 Computer Software Protection Regulations, amended by the 1992 Rules for the Implementation of International Copyright Treaties and other rules and orders; 1993 Unfair Competition law; the regulations for the protection of new varieties of plants and semi-conductor chips (topographies), published in March 1997; Convention Establishing the World Intellectual Property Organization; Paris Convention for the Protection of Industrial Property; Berne Convention for the Protection of Literary and Artistic Works; Madrid Agreement concerning the International Registration of Marks, and the Protocol relating to the Madrid Agreement concerning the International Registration of Marks; Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks; Patent Cooperation Treaty; Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms; Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Procedure; and Strasbourg Agreement concerning the International Patent Classification; Locarno Agreement Establishing an International Classification for Industrial Designs; Universal Copyright Convention.

This Paper will discuss the Chinese legislative system and its relation to international treaties to make those outside of China familiar with some special features of the Chinese legal structure.

According to the General Principles of the Civil Code, from the moment China adheres to an international treaty, the treaty is automatically part of Chinese domestic law, except those provisions to which China has declared reservation beforehand according to the said treaty.² Therefore, unlike the tradition of the Anglo-American legal system, it is not necessary for China's legislative body to publish any act approving the treaty as domestic law.

China's legislative body is divided into three different levels. The first level is the National People's Congress and Standing Committee. The laws and rules published at this level overrule legislation published at other levels if the latter conflicts with the former. The second level is the State Council. The State Council publishes what are called "administrative statutes." The Chinese courts decide cases relying only on the legislation published by these two levels.

The third level consists of departments under the State Council. These departments may also publish rules, orders, regulations, and circulations from time to time. The local administrative authorities apply these rules to enforce intellectual property rights in addition to their other responsibilities. The courts may also make reference to these rules as necessary, but courts will not rely on them when deciding cases.³

THE IMPLEMENTATION OF CERTAIN TRIPS AGREEMENT PROVISIONS BOTH BEFORE AND AFTER THE ESTABLISHMENT OF THE WTO

Although China has not recovered membership in the WTO (or GATT before 1995), the representatives of China participated in the discussions and negotiations concerning the TRIPS Agreement in, and prior to, 1991. China was amending its Patent Law when the Dunkel Text of the TRIPS Agreement was published at the end of 1991. Many Chinese citizens foresaw at that time that China might go back to GATT in 1992 or 1993. In order to avoid the trouble of

2. See Article 142 of the General Principles of the Civil Code.

3. See Articles 62, 67, 89, and 90 of the Constitution of the People's Republic of China.

amending the Patent Law again, once China did return to GATT, the majority in the legislative body suggested amending the law according to the TRIPS Agreement.

In September 1992, when the first amendment to the Patent Law was passed by the Standing Committee of the National People's Congress, it turned out to be quite close to the TRIPS Agreement. Inter alia, it was amended according to the TRIPS Agreement as follows:

(1) "Importation right" is added in Article 11 of the new law. The 1984 Patent Law denied such an exclusive right.

(2) Pharmaceutical products and substances obtained by means of a chemical process, which were excluded from patentable subject matter under Article 25 of the 1984 Patent Law, are not excluded in the new law.

(3) In Article 45, the duration of an invention patent is extended from fifteen to twenty years. The duration of a design patent is extended from five years (renewable to a maximum of eight years) to ten years with no need to renew.

(4) More limitations on the grant of compulsory license than those in Chapter VI of the 1984 Patent Law. Articles 51 to 58 and Rules 68 to 69 of the Implementing Regulations are nearly the same as Article 31 of the TRIPS Agreement.⁴

In addition, in January 1993, the Pharmaceutical Product Administrative Protection Regulations and the Chemical Products Used in Agriculture Administrative Regulations were separately published and enforced by the Medicine Bureau and the Agriculture Ministry of the State Council, respectively. The main content of these regulations are the same as Article 70 (clauses 8-9) of the TRIPS Agreement. The difference is that the TRIPS Agreement only requires its members to grant the rightful owner exclusive rights to put products on the market, whereas the Chinese regulations grant rights of producing, selling, using, and so on.

The 1982 Trademark Law was amended at almost the same time as the Patent Law, and the amendment passed and was published the year following the amended Patent Law's publishing. Certain requirements stipulated by the TRIPS Agreement were included in the amendment.

For example, service marks began to be protected by means of registrative protection under the new law. These marks were not

4. For more details, see 1 EUR. INTELL. PROP. REV. 26-30 (1993).

protected in the 1982 Trademark Law. Geographical indications were explicitly protected for the first time. Protection for famous marks is also implied in the Implementing Regulations, although not in detail.

In March 1993, the Standing Committee of the National People's Congress published the Special Rules for the Criminal Sanction on Counterfeiting of Registered Trademark, which meet the requirements of Article 61 of the TRIPS Agreement.

In its administrative practice, the State Industrial and Commercial Administration had protected well-known trademarks according to the Paris Convention and the principles in the TRIPS Agreement long before the WTO appeared. For example, the use of the mark "Marlboro" on wine by a Chinese company was stopped, on the sole basis that Marlboro was well-known on cigarettes and might lead consumers to mistakenly believe that the wine was coming from the same source.⁵ This is exactly what is required by the TRIPS Agreement in Article 16(3).

The trade secrets protection provision under Article 10 of the Chinese 1993 Unfair Competition Law is almost an exact quote of Article 39 (clauses 1 and 2) of the TRIPS Agreement.

Although China is not currently accepted as a member of the WTO, China had made provisions of the TRIPS Agreement the model of certain legislation even one year before the TRIPS Agreement and the WTO Agreement were concluded.

After the establishment of the WTO, China has also taken steps to keep Chinese intellectual property law in pace with the TRIPS Agreement.

In July 1994, the Standing Committee of the National People's Congress published the Decision Regarding Criminal Sanctions for Copyright Infringement. This decision follows Article 61 of the TRIPS Agreement exactly.

In July 1995, the State Council published Chinese Regulations for the Protection of Intellectual Property by the Custom Authority. The regulations are based on the provisions of Articles 51-60 of the TRIPS Agreement.

In August 1996, the State Industrial and Commercial Administration published Measures to Protect and Administrate Well-Known Trademarks in order to protect well-known trademarks in a

5. See, e.g., *China, in* FAMOUS AND WELL-KNOWN TRADE MARKS: AN INTERNATIONAL ANALYSIS (Frederick Mostart ed., 1997).

more effective way according to the Paris Convention and the TRIPS Agreement.

In the practice of the Chinese courts, a lot of cases have been decided on the principles of the TRIPS Agreement. In 1995, the Beijing Intermediate Court, in deciding the case of *Walt Disney Production v. Beijing Publisher and Co.*, directly relied on the Sino-US IPR Agreement, which also constitutes part of the international treaties mentioned above and which constitutes part of China's national law. I must add here that all three Sino-U.S. Intellectual Property Rights agreements (1992, 1995, and 1996) were concluded on the common agreed basis of the Paris Convention, the Berne Convention, and the TRIPS Agreement.⁶

THE PROPOSAL TO REFORM THE EXISTING INTELLECTUAL PROPERTY LAWS

Currently, amendments to all three of China's intellectual property laws (Patent Law, Trademark Law, and Copyright Law) are being considered.

An amendment has been proposed which would enhance the standards for "well-known trademarks" contained in the Trademark Law. This would raise the existing "third level legislation" to the "first level." Another potential amendment to the Trademark Law would address conflicts between internet/network domain names and trademarks. These recent developments have greatly plagued developing China.

It has been proposed that the Patent Law be amended to denote the standards of "novelty" as it applies to e-mail and other internet services, as well as to provide greater protection for software-related inventions. It is certain that the so-called "State Plan Licensing System" in Article 14 of the current Patent Law will be repealed, as China has begun the transition from a centrally-planned economy to a market economy.

The current Copyright Law, which is not compliant with the Berne Convention, needs to be changed significantly. For example, the "voluntary statutory license" in Articles 32, 35, and 37 and the compulsory license in Article 43 should be changed so as to be in conformance with Article 13 of the TRIPS Agreement. In addition, databases compiled with some level of minimum creativity should be protected as required by Article 10 of the TRIPS Agreement. There

6. For the details, see, e.g., COPYRIGHT WORLD, March 1996, at 19-20.

still exists much debate concerning to what extent databases compiled without such creativity (but with significant investment) should be protected. One option would be to protect such databases under unfair competition law rather than copyright or quasi-copyright law. China has not yet decided whether or not to follow the standard of the European Union Database Directives of 1996.

Although they are relatively few in number, BBS managers and other online service providers in China are concerned with their liability for copyright infringement resulting from materials used on a network. However, because there are currently so few service providers in China, this topic has yet to be fully addressed. This topic will be discussed further below.

More and more discussion in China now focuses on the requirement of the TRIPS Agreement in Article 62(3). This provision provides that almost all the final administrative decisions shall be subject to review by a judicial or quasi-judicial authority. However, according to the current Patent Law, decisions issued by the Patent Office granting or rejecting a model or design patent are final and not subject to judicial review.⁷ Similarly, under the current Trademark Law, the decision of the Trademark Review and Adjudication Board, which is side-by-side with the Trademark Office and under the leadership of the State Industrial and Commercial Administration, approving or rejecting the registration for a trademark is also final and cannot be appealed to the judiciary.⁸

Two suggestions have been made to change this situation. The first is to transfer the power to give final decisions in these fields to the Beijing Intermediate Court or the Beijing High Court. The downfall of this option is that the courts will have to become familiar with the complicated subject matter in a short period of time. The second option is to establish a specific patent court, staffed mainly by former Patent Office and Trademark Review and Adjudication Board members. This solution avoids the problems associated with the first option.

Regardless, most legislators and government staff agree that both the current enforcement structure, as well as the procedure for gaining and maintaining rights, must be changed so as to meet the requirements of the TRIPS Agreement.

The final issue is much more complicated and may not be settled

7. See Articles 43 and 49 of the Chinese Patent Law.

8. See Articles 21, 22, and 29 of the Chinese Trademark Law.

in the current discussion. The issue concerns what punishment people should face when they technically violate the exclusive rights of an intellectual property rights holder, but they do so without knowledge of the infringement and without negligence. Should these people be regarded as infringers? And should they be subject to pay damages to the rightful owner or holder?

Should the field of intellectual property rights be governed by strict liability or liability with fault? There is no definite answer in the current Chinese intellectual property rights laws. However, Article 106 of the Chinese General Principles of Civil Code states that in most areas of civil law, including intellectual property, the principle of liability with fault will apply. This means that if the infringer can prove that he acted without knowledge or reason to know of his wrongdoing, then he or she should not be regarded as an infringer, nor shall the activities constitute infringement.

Although this explanation of the Chinese law seems to conflict with certain provisions in the Patent Law and Trademark Law,⁹ and also seems unreasonable in a sense, most legal scholars and legislators insist that the above is the correct explanation.

Many countries clearly denote which provisions are governed by strict liability and which carry only liability with fault. In general, direct infringement is governed by strict liability, while indirect, contributory, or vicarious infringement requires fault. This type of system of liability seems more reasonable.

For example, Section 121 of the 1994 New Zealand Copyright Act provides "[w]here, in proceedings for infringement of copyright, it is proved or admitted that at the time of the infringement the defendant did not know, and had no reason to believe, that copyright existed in the work to which the proceedings relate, the plaintiff is not entitled to damages but, without prejudice to the award of any other remedy, is entitled to an account of profits." Under the continental European legal system, similar provisions can be found, for example, in Articles 97-101 of the German Law on Copyright and Neighboring Rights (as amended up to 1993).

The Singapore Patent Act 1994 (as amended up to 1995) is another good example. While nearly all of the other provisions in the Act establish infringement and liability to pay damages, Section 69(1) of that Act provides: "In proceedings for infringement of a patent,

9. See, e.g., Article 62(2) of the Chinese Patent Law and Rule 41(1) of the Implementing Regulations of the Chinese Trademark Law.

damages shall not be awarded and no order shall be made for an account of profits against a defendant who proves that at the date of the infringement he was not aware, and had no reasonable ground for supposing, that the patent existed."

These provisions are quite reasonable. First, they treat all relevant acts as infringement. Then, if the defendant did them without fault, the remedies are less harsh than those available when the defendant is at fault. Under the General Principles of the Civil Code of China, such situations will be dealt with very differently. This is particularly true when the publishers are the defendants in copyright infringement disputes.

In the past, almost all international conventions dealing with intellectual property rights contained few provisions concerning enforcement of such rights. China's complete denial of strict liability in the field of intellectual property may not conflict with any of the conventions. The TRIPS Agreement, however, provides, for the very first time, detailed requirements for the enforcement of intellectual property rights.

According to Article 45(2) of the TRIPS Agreement, "in appropriate cases, Members may authorize the judicial authorities to order recovery of profits and/or payment of pre-established damages even where the infringer did not know or had no reasonable grounds to know that he was engaged in infringing activity."

The question remains for Chinese legislators to decide how such enforcement will be handled in China.

IV. CONCLUSION

Theoretically, Chinese law has to fill certain gaps in order to be in compliance with the intellectual property protection standards provided for by the TRIPS Agreement. Currently, China does not even have laws for the protection of new varieties of plants geographical indications, or layout-designs (topographies) of integrated circuits. However, as soon as China becomes a member of the TRIPS Agreement (through the WTO), these gaps will be filled automatically. This results from the above mentioned Article 142 of the General Principles of the Civil Code, which provides that "if any international treaty concluded or acceded to by the People's Republic of China contains provisions differing from those in the civil laws of the People's Republic of China, the provisions of the international treaty shall apply, unless the provisions are ones on which the People's Republic of China has announced reservations." Article 72 of

the TRIPS Agreement, however, states that reservations may not be entered in respect to any of the provisions of this Agreement without the consent of the other members.