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## Profile:

Wan Hui Da IP Agency operates throughout China with an integrated law firm composed of specialized litigation lawyers who practice in all administrative, criminal and civil proceedings related to intellectual property rights.

We advise many of the world's largest corporations and renowned multinationals in various IPR sectors. We regularly act on complex lawsuits and trademark disputes derived from the administrative proceedings or infringements.

With over 100 attorneys in trademark, patent, copyright and domain name, Wan Hui Da maintains a strong presence in every major Chinese IP jurisdiction, offers a wide range of legal and advisory expertise to its clients, and fulfills the slogan "Expertise makes it possible".

**IP International membership:** INTA, AIPPI

**Languages:** English, French, Cantonese, Mandarin

**Branch offices:** Guangzhou, Ningbo, Shanghai



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# Customs and the protection of intellectual property

Customs control represents a critical element in the battle to protect intellectual property rights globally. The General Administration of Customs is seeking for enhanced cooperation with right holders, as **Paul Ranjard, Huang Hui** and **Zhu Zhigang** from the **Wan Hui Da IP Agency** explain

**C**ustoms control the international circulation of goods to ensure that the applicable duty is paid on legal goods and that illegal goods are detained and confiscated. Next to weapons and drugs, counterfeits are the most common of those illegal goods.

Where goods that infringe intellectual property rights are concerned, the TRIPS Agreement provides in Article 51, that members of the WTO must enact measures to enable IP right owners to lodge an application with the Customs for the detainment of goods that are suspicious of infringing their IP right.

The end of Article 51 adds: "Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories."

Controlling the exports is, therefore, not an obligation but only an option.

It is worth noting that China, which generally has a relatively restrictive interpretation of its undertakings under the WTO, has always fully implemented not only the above obligation to control inward but also the option to control outward.

Even before it joined WTO in 2001, China was already controlling the flow of exported goods in relation to the protection of intellectual property. The Regulation of the People's Republic of China (PRC) for Customs Protection of Intellectual Property Rights, promulgated by the State Council in July 1995 and amended in November 2003, prohibited: "The import and export of goods which infringe upon intellectual property rights protected by the laws and regulations of the PRC." Procedural details were set in the Implementing Rules published on July 1 2004.

This proactive attitude of the Chinese Customs gained them unanimous appreciation from their peers

and IP Rights owners. In May 2007, the World Customs Organisation awarded China Customs its Award for Outstanding Contribution to Intellectual Property Rights Protection. Meanwhile, the Quality Brand Protection Committee (QBPC), an organisation which consists of almost 200 multinational companies investing in China, voted the General Administration of Customs (GAC) as "the Most Efficient Enforcement Organisation" for three consecutive years.

Recently, the GAC has been particularly in the lime-light:

- On January 26 2009 a panel appointed by the WTO in the claim raised by the US against China on certain aspects of IPR protection, found that the Custom Regulation of China is inconsistent with Article 59 of the TRIPS Agreement on one specific account, namely auctioning infringing goods after the removal of the trademark.
- Three days later, on January 29 2009, China signed with the European Commission the Action Plan Concerning EC-China Customs Cooperation on Intellectual Property Claim.
- The revised Implementing Rules of the Customs Regulations is expected to be published soon.

## The WTO case

In their action filed on April 10 2007, the US raised three claims. The first concerned the exclusion of copyright protection for works considered as illegal, the second concerned the disposal of goods seized by the Customs, and the third concerned the "criminal thresholds".

With respect to the second claim, the US referred to Article 59 of TRIPS which provides that: "...competent authorities shall have the authority to order the destruction or disposal of infringing goods in accordance with the principle set out in Article 46". Article 46 provides that goods should be disposed of: "...out-

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side the channels of commerce in such manner as to avoid any harm caused to the right holder, or...destroyed”.

With regard to counterfeit trade mark goods, the last sentence of Article 46 adds that: “The simple removal of the trade mark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.”

The panel found that the sentence in Article 27 of the Customs Regulations is inconsistent with the last sentence of Article 46 TRIPS. It reads: “Customs may auction off the goods according to law after removing their infringing features; if the features cannot be removed, the goods shall be destroyed.”

In this respect, it may be noted that, just before the US started the action in April 2007, the GAC had released a *Public Notice on Matters Relating to the Auctioning of Confiscated Goods That Infringe upon Intellectual Property Rights*. This stressed that goods whose infringing features cannot be fully removed should be destroyed and that auctioning should be prohibited. Such precision was insufficient to make it compliant with Article 59 of TRIPS.

However, the notice stipulated that before auctioning infringing goods, the opinion of the IP Right owner should be solicited. This still somewhat timid provision should be encouraged and developed further. Indeed, it should be kept in mind that whenever IPR infringing goods are confiscated and need to be disposed of, they have been confiscated because they violate a private right. Therefore, not only the opinion but the decision of the victim of such a violation should be taken into

account when the means of disposal of such goods is decided.

### The EU-China Action Plan

The purpose of this Action Plan, signed during the EU-China summit in Brussels, is to enhance the efficiency of Customs in their combat against the circulation of counterfeit goods.

In the quest for efficiency, the word “cooperation” is the key.

Hence, the first practical Key Action decided in the Plan is the “systematic exchange and analysis of seizures trends and general risk information.” The main objective is to “share risk information available in the EU and China to better target high risk consignments.”

A specific group will be created for that purpose. The second Key Action aims to create a network of customs in five key ports and five airports. The third Key Action addresses the need for customs to liaise with other enforcement agencies and pass on information relating to important seizures so that such enforcement agencies may target manufacturing and distribution points.

Finally, the fourth Key Action refers to the cooperation between customs and the business communities in the EU and in China.

In this regard, the GAC has always called for close cooperation between its services and the enterprises. And by cooperation, the GAC does not only mean the recording of IP rights or the training of the customs officers on how to distinguish fake goods from authentic ones. By cooperation, the GAC also refers to providing

### Paul Ranjard



Paul Ranjard is a French lawyer who has been based in China since 1997. He graduated in 1969 from the Paris Law School and joined the Paris Bar in 1972.

In addition to his general practice as a litigator in commercial law, Ranjard progressively developed a China-related practice. In September 1997 he moved to Beijing.

Since that date, Ranjard has devoted most of his time to IP cases, acting on behalf of French companies to help protect their intellectual property, as well as representing French anti-counterfeiting association UNIFAB, and chairing the IPR working group of the European Chamber of Commerce. He is now of counsel to Beijing Wan Hui Da IP Agency.

### Huang Hui



Huang Hui is the first doctor to practise in trade mark law in China and has been a senior partner of Wan Hui Da since 2002. He is a scholar, lawyer, trademark attorney, research fellow of the Intellectual Property Center of China Academy of Social Sciences and the arbitrator of Domain Name Dispute Resolution Center of CIETAC.

Prior to joining Wan Hui Da, Huang served 12 years at the State Administration for Industry and Commerce (SAIC), where he gained a profound understanding of the lifecycle of trade mark proceedings both in theory and in practice. He also studied international industrial property law and graduated from the Center of International Study of Industrial

information relating to persons and/or entities that are duly authorised by the IP owner to use the right.

It is, indeed, physically impossible for customs to control each and every consignment that leaves (or enters) the country. In order to avoid the haphazard of pure random checking, customs officers have developed techniques called risk analysis that allow them to select and open, with the best possible statistical chances, those shipments that are the most likely to contain suspicious goods.

But even where sophisticated techniques are applied, there is still a risk for customs that when they detain, open and check a consignment it turns out to be genuine. Customs are always criticized when they hit the wrong target, which delays the speedy expedition of a genuine shipment.

This is why GAC insists that IP owners should constantly update and communicate with customs, through the available secure communication channels (the law provides that such information is and must remain confidential), lists of all persons authorised to use their IP right. Such a practice has the clear advantage of narrowing down or even eliminating the risk of detaining the wrong (authentic) consignment. It simplifies their task and gives them more confidence and motivation.

### Revision of the Implementing Rules

A draft has been published in 2008, with a call for comments. The final text should be published soon. There are still some concerns.

The first involves the level and timing of information released by customs to the IP owners. When customs

suspend a consignment they are not under any obligation to release any information about the name of the suspect infringer or the quantity of the goods until a decision has been made to confiscate the goods. And even after the confiscation is decided, customs are not obliged to reveal the value of the consignment or the address of the consignor/consignee.

This makes it very difficult for the IP owner to take action and claim adequate compensation. It is strongly suggested that systematic and timely disclosure to the IP owner of all information concerning the infringement should be made as a rule. This would be in line in the Key Action 3 of passing information to other enforcement agencies in the Action Plan signed with the European Commission.

The second concern is about the right of the IP owner to take a sample of the goods. This is a much debated issue. It is an essential feature of the eventual efficiency of any action. In certain circumstances, such as where seizure is made upon request in case of patent infringement, if the consignor or consignee offers to pay a counter guarantee, the goods may be released. The Customs Regulation stipulates that the counter guarantee should be equal to the value of the consignment.

This measure is logical but does not take into account the fact that exporters of counterfeit goods always declare very low values, which allows them, according to the regulation, to get their goods back at a very low cost. And once the goods are released, no clue remains. It is therefore essential to facilitate and take relevant evidence for the IP owner by taking samples or by any other means adapted to the circumstances.

Property (CEIPI), Robert Schuman University in France. After graduation, Huang conducted academic research on the protection of well-known trade marks within the China Academy of Social Sciences, where he studied under Zheng Chengsi, the most renowned intellectual property expert in China. He was finally awarded the degree of doctor at law.

Huang is an active practising attorney as well as a fruitful scholar. He has published *Legal Protection of Well-Known and Famous Marks* and translated *Intellectual Property Code (Legislative Part)* of France. He is also the compiler of *WTO TRIPS Agreement Primer*, author of the Trademark Column in *China Intellectual Property Law*, author of a textbook of trade mark law, and executive editor of *China Trademark Report* and *Trademark Litigation Manual*.

### ZHU Zhigang



Zhu Zhigang works at Wan Hui Da IP Agency as trade mark attorney and attorney-at-law. Since he joined the firm in 2005, Zhu has been engaged in IPR protection. His practice covers the judicial and administrative protection of all the IPRs in China, counseling on trade mark,

copyright and domain name registration and protection, as well as franchising and licensing. With his fluent English and French, and solid legal background, Zhu has organised and supervised hundreds of raid actions, handled a number of customs interceptions, and represented clients in dozens of civil lawsuits. By doing this, he and his team manage to stop infringement at early point and prevent millions of dollars' damage to clients' interests.