THE WTO’s RESPONSES ON TRADEMARK INFRINGEMENTS IN CHINA:
SEARCHING FOR EFFECTIVE ENFORCEMENT AND REGULATIONS

By

Seung-Hyuk, LEE

THESIS

Submitted to
KDI School of Public Policy and Management
in partial fulfillment of the requirements
for the degree of

MASTER OF PUBLIC POLICY

2013
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Committee in charge:
Professor Park, Hun Joo, Supervisor
Professor Lee, Sung-Joo
Professor Shadikhodjaev, Sherzod

Approval as of December, 2013
ABSTRACT

THE WTO’s RESPONSES ON TRADEMARK INFRINGEMENTS IN CHINA: SEARCHING FOR EFFECTIVE ENFORCEMENT AND REGULATIONS

By

LEE SEUNGHYUK

The World Trade Organization (WTO) member countries must comply with the Agreement of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) for the sake of protecting, promoting and rewarding one’s innovation and creativity. Indeed, China has made various improvements in complying with the TRIPS Agreement since its accession to the WTO in 2001. Even after a decade plus 2 years, however, efforts on enforcing intellectual property rights (IPR) infringement by the Chinese government have not been effective to significantly reduce the number of violations. China’s continuing IPR infringement and illegal action caused the WTO members unable to participate in a fair competition. This study examines how China has worked toward complying with the TRIPS Agreement, particularly in the area of trademarks.

This paper found that the Chinese government did initiate and implement policies that discourage Chinese people from taking advantage of someone else’s trademarks since 2001. But the study also informs that those policies were not sufficient in the eyes of the WTO members. The TRIPS Council, in collaboration with the Dispute Settlement Body, should actively deter any member country that tries to use someone else’s ideas without any authorization given by the owner. Overarching objective of this study is not to point fingers at China, but to search for a common ground where a multilateral forum like the WTO can be better at enforcing IPR infringement activities. It is this study’s desire for the WTO to be recognized as an important trade enforcement mechanism in the global community.
DEDICATION

To my family.
ACKNOWLEDGEMENT

I would like to sincerely thank Professor Park Hun Joo and Ambassador Lee Sung Joo for their heartfelt guidance and insightful teaching throughout my research. It has been an honor and privilege to learn from these superb professors.
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CHAPTER 1
INTRODUCTION

1.1 Introduction

The main purpose of this thesis is to assess how the People’s Republic of China (China)’s behavior in dealing with intellectual property (IP), specifically in the area of trademarks, has been progressed since the joining of the World Trade Organization (WTO) in 2001 until the present. The thesis will not focus too much emphasis on looking at the past Chinese IP history or reiterate problems without suggesting any practical solutions. By learning from what it has been done, this study will focus on making a critical argument as to how the WTO can function better at enforcing and protecting the intellectual property rights in the future. In order to tackle the problem at hand, this study seeks to illustrate the following aspects. Chapter One introduces the reasoning of this thesis; it includes statement of the problem, importance of the study, purpose, research questions and hypothesis.

Chapter Two reviews literature from scholars and policymakers’ reports and writings. This chapter attempts to find the causal link between the theory presented by scholars and the practicality of those theories that have been tried to implement in the real world. By searching for better ways to protect and promote one’s ideas, the study will try to adopt that link and transform it into this study’s methodology. It will also address and carefully examine China’s policy on intellectual property rights.

Chapter Three deals with methodology. The research will mainly be the qualitative study. Therefore, along with case studies, this chapter will take each hypothesis and try to find supporting arguments from Chapter 2’s literature reviews. Finding out reasoning of the arguments will help the study to consider issues that have been raised in the background of
the study and be able to examine in the next chapter. As this chapter mentions about the methodology, the paper will further explain about this study’s selection bias.

Chapter Four looks at the findings from Chapters Two and Three, and try to analyze what all those findings mean to our everyday life. This chapter addresses China’s effort in protecting trademarks and how to improve it better by illustrating different regulations. As it was mentioned before, the role of the Council for TRIPS (TRIPS Council) will be addressed as the study strongly believes that the Council has much more potential than what it has performed up to now. The issue of how the TRIPS Council can function better will be discussed with the comparison of different enforcement mechanisms by different countries such as the United States Trade Representative.

The last chapter wraps up the study with a comprehensive summary and discusses any policy recommendations.

1.2 Statement of the Problem

The Preamble to the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) commences with the following statement:

“Desiring to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade;”

---

As it stated above, the TRIPS Agreement was created to promote and protect intellectual property rights (IPR). It also functions to assist trade activities more easily accessible. This notion of the TRIPS Agreement was welcomed by all the World Trade Organization (WTO) member countries as it was agreed and endorsed by the method of single-undertaking\(^2\), and understandably, China was one of them. China's accession to the World Trade Organization in 2001 was “a landmark event, one that has wide ramifications for China, the United States, the WTO, and the world as a whole.”\(^3\) Since then, China has made various improvements in complying with the rules and regulations of the WTO, including the TRIPS Agreement.

Even after a decade plus two years, however, efforts on enforcing IPR infringement by the Chinese government have not been effective in order to significantly reduce the number of violations happening in China.\(^4\) China’s continuing IPR infringement and illegal action caused the WTO member countries unable to participate in a fair competition. Subsequently, it has discouraged people to be more innovative and creative since their ideas cannot be protected. There are number of ways that the WTO member countries can raise this issue of illegal activities in the WTO arena. One is through the Dispute Settlement Body (DSB). The other is by the TRIPS Council. It is the central body within the WTO which administers, monitors and regulates the TRIPS Agreement. Although trying to solve the problem through the DSB has worked well, thanks to the DSB’s legitimacy and enforceability, the TRIPS Council has not yet taken an active role in lowering the number of

---

\(^2\) World Trade Organization. “Virtually every item of the negotiation is part of a whole and indivisible package and cannot be agreed separately. ‘Nothing is agreed until everything is agreed’”. http://www.wto.org/english/tratop_e/dda_e/work_organise_e.htm


\(^4\) United States Trade Representative. http://www.ustr.gov/webfin_send/3620
infringement issues in China. The Council’s limited sphere of influence is letting China to keep taking advantage of others’ ideas and knowledge illegally.

1.3 Importance of Study

This study is crucial because it recognizes the value of intellectual property rights. It also helps to find ways of further protecting the rights of its legitimate owners, thereby promote and maximize one’s creativity and ideas. This study is also necessary because it will encourage the Chinese government to be more assertive in enforcing the IPR in their country.

1.4 Purpose of the Proposed Study

Purpose of this study is to describe how the Chinese government has made its efforts to abide by the IPR, particularly trademark infringement issues after joining the WTO in 2001. It is also to assess what kinds of enforcement activities the TRIPS Agreement has taken to prevent China’s infringement activities and measure whether or not those activities have been successful. This study also should carefully determine whether it requires some sort of changes in the TRIPS Council in order to become a practical mechanism in monitoring and regulating the TRIPS Agreement. Purpose of the proposed study is ultimately helping the WTO member countries “to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.”

1.5 Research Questions

1) What are intellectual property rights and why is it relevant to the WTO member countries?

2) What kind of efforts the WTO has made in order to protect such rights?

---

3) What is China’s hardship in terms of not being able to follow the TRIPS Agreement, thereby unable to satisfy the international standard? Is there any way to help them?

4) Can the TRIPS Council be more effective in stopping IPR infringement activities in China?

5) Is there any role model that the TRIPS Council can follow or learn from in monitoring and enforcing the TRIPS Agreement? Can it be more active in taking its role?

1.6 Hypothesis

1) With the formation of the WTO and its TRIPS Agreement, people believe that efforts to protect IPR have been consistent. Although partly it is true, ways to protect and implement IPR in the international setting have not followed up to the needs of those IPR holders. Violating foreign IPR, particularly by the Chinese, is still common.

2) Since its accession to the WTO in 2001, China has made improvements in regulating IPR to abide by the rules and regulations of the WTO. However, the Chinese authority’s leniency in enforcing illegal activities, both in civil and criminal procedure, undermined the IP regime in China.

3) Although the TRIPS Council may look for an alternative method such as creating an independent commission, or to benchmark a country’s organization skill (i.e. USTR or USITC) to conduct their activities in eliminating IPR infringement more affirmatively, it should be the TRIPS Council’s best interest to assist countries to work with the DSB whenever there is a dispute because of its proven effectiveness and enforceability.
There have been many papers and policy reports describing how China’s IP infringement has been negatively affected the IPR regime. And the proposed solutions to China’s IP infringement activities, specifically in the matter of illegal trademarks usage, also have been ineffective and spontaneous. This paper would argue differently and present rather an unconventional approach from the basis of the hypothesis #2 and #3. This study believes that the TRIPS Council has a potential to grow and able to become a tool to help member countries in protecting and enforcing their IPR just as effective as the famous Dispute Settlement Understanding (DSU) mechanism. However, the TRIPS Council should also closely work with the DSU and help members to resolve issues with this entity. DSU’s proven effectiveness should not be discarded when there is an infringement dispute.

The future of the WTO does not seem bright. It is mainly because Doha Development Agenda (DDA) is going nowhere. In addition, as the number of establishment of bilateral free trade agreements increases, the multilateral trade forum like the WTO needs to assist these countries not to get swamped and tangled by the ‘spaghetti bowl effect’6, but the WTO has not performed this role properly yet. And as people now continue to question and demand more effective and efficient role of the WTO, this study believes that there has to be some kind of changes that the WTO has to make in order to re-emphasize the necessity of the WTO and how it can positively affect IPR holders’ lives every day. The desired suggestion or recommendation from this paper is not grand or distinct. It simply would like to help members of the WTO to realize that that there already is a mechanism that could be effective in enforcing and regulating the TRIPS Agreement and strengthen the global IPR regime.

CHAPTER 2
REVIEW OF RELATED LITERATURE

2.1 Introduction

On December 11, 2001, the WTO finally accepted China as the 143rd member countries.\(^7\) Entering into the WTO was a significant turning point for the Chinese economy as it started to play with foreign trade partners. Soon after its admission, China was only a ‘price taker’, meaning one who tries to adopt oneself in the international trade environment. However, it did not take too long to turn into a primary stakeholder in the WTO and become number two in the world economy. As the phenomenon illustrates, China is now taking a huge portion in the global economy.\(^8\) At the same time, China is still difficult to be seen as taking leadership. There are several reasons why China is unable to take the leading role, but one of the primary reasons is because of China’s insufficient protection of intellectual property rights.

2.2 Theoretical Literature

As mentioned before, admission to the WTO was the beginning of China’s growing sphere of influence. By finally reaching out to the world, China has truly made its strong impact in the global economy. While China expects to enjoy various advantages by joining the WTO, China also have to do its own homework. China is committed to comply and make changes that can be fitting with the requirements of the TRIPS Agreement. Briefly, the TRIPS Agreement 1) sets minimum standards of protection for copyrights and neighboring rights, trademarks, geographical indicators, industrial designs, patents, integrated-circuit

\(^7\) World Trade Organization, WT/L/432. “Accession of the People’s Republic of China” http://www.wto.org/english/thewto_e/acc_e/completaacc_e.htm#chn

\(^8\) 김병섭(2012). “중국의 WTO 가입 10 주년과 세계경제에 대한 영향” 『주요국제문제분석』, p. 2
layout designs and undisclosed information; 2) sets minimum standards for the enforcement of intellectual property rights in administrative and civil actions; 3) sets minimum standards, with respect to copyright piracy and trademark counterfeiting, for the enforcement of intellectual property rights in criminal actions and actions at the border; 4) requires that, subject to limited exceptions, WTO members provide National and Most Favored Nation (MFN) treatments to the nationals of other WTO members with regard to protection and enforcement of intellectual property rights.⁹

2.2.1 Changes in Domestic Laws

It was true that China put much effort to fully comply with the rules prescribed above. So in order to follow and fulfill the obligations in the WTO and particularly, in the TRIPS Agreement, China conducted a comprehensive review and made necessary changes to China’s intellectual property laws beginning in 1999. Some laws were made out of scratch to meet the condition of the WTO and some laws have been revised substantially. Below is the glimpse of what China did to follow up with the WTO requirements since 2001.¹⁰

<table>
<thead>
<tr>
<th>Legislation (Most recently amended laws only)</th>
<th>Year Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copyright Law</td>
<td>2001</td>
</tr>
<tr>
<td>Trademark Law Amendment</td>
<td>2001</td>
</tr>
<tr>
<td>Software Protection Regulations</td>
<td>2002</td>
</tr>
<tr>
<td>Collective/Certification Marks</td>
<td>2003</td>
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<tr>
<td>Well-known-trademarks Recognition/Protection</td>
<td>2003</td>
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<table>
<thead>
<tr>
<th>Statutory Title</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard for Application Patent Number</td>
<td>2003</td>
</tr>
<tr>
<td>Customs Regulations</td>
<td>2003</td>
</tr>
<tr>
<td>Regulation on National Defense Patent</td>
<td>2004</td>
</tr>
<tr>
<td>Foreign Trade Law</td>
<td>2004</td>
</tr>
<tr>
<td>Geographical Indication Products Protection</td>
<td>2005</td>
</tr>
<tr>
<td>Regulations on the Protection of the Right of Communication through Information Network</td>
<td>2006</td>
</tr>
<tr>
<td>Tort Liability Law</td>
<td>2009</td>
</tr>
<tr>
<td>Copyright Administrative Punishment Rules</td>
<td>2009</td>
</tr>
<tr>
<td>Patent Regulations Law</td>
<td>2010</td>
</tr>
<tr>
<td>Trademark Law Amendment</td>
<td>2013</td>
</tr>
</tbody>
</table>

*Table 1. Laws, regulations and rules amended or passed to comply with TRIPS requirements.*

### 2.2.2 Efforts to abide by the International Conventions and Treaties

In fact, China’s history of publishing and enforcing intellectual property laws and regulations go back in 1982. Deng Xiaoping believed that China needed to have a modern and reformed IPR system so as to encourage national intellectual property regime and attract foreign direct investment.  

His pursuit of implementing comprehensive IPR regulations in China resulted not only changes in national laws that were mentioned above, but took various commitments internationally as well. Along with major ones like the WTO and the TRIPS Agreement, China has now obligated and responsible to comply with more than two dozen IP-related international conventions.  

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<table>
<thead>
<tr>
<th>Name of the conventions</th>
<th>Year signed</th>
</tr>
</thead>
<tbody>
<tr>
<td>WIPO Establishing Convention</td>
<td>1980</td>
</tr>
<tr>
<td>Paris Convention</td>
<td>1985</td>
</tr>
<tr>
<td>Madrid Agreement (Marks)</td>
<td>1989</td>
</tr>
<tr>
<td>Washington Treaty</td>
<td>1990</td>
</tr>
<tr>
<td>UNESCO Universal Copyright Convention</td>
<td>1992</td>
</tr>
<tr>
<td>Berne Convention</td>
<td>1992</td>
</tr>
<tr>
<td>Phonograms Convention</td>
<td>1993</td>
</tr>
<tr>
<td>Trademark Law Treaty</td>
<td>1994</td>
</tr>
<tr>
<td>Nice Agreement</td>
<td>1994</td>
</tr>
<tr>
<td>Patent Cooperation Treaty</td>
<td>1994</td>
</tr>
<tr>
<td>Budapest Treaty</td>
<td>1995</td>
</tr>
<tr>
<td>Madrid Protocol</td>
<td>1995</td>
</tr>
<tr>
<td>Sino-US MoU Action plan for Effective Protection/Enforcement</td>
<td>1995</td>
</tr>
<tr>
<td>Locarno Agreement</td>
<td>1996</td>
</tr>
<tr>
<td>Strasbourg Agreement IPC</td>
<td>1997</td>
</tr>
<tr>
<td>UPOV Convention</td>
<td>1999</td>
</tr>
<tr>
<td>UNESCO Convention on Diversity of Cultural Expression</td>
<td>2007</td>
</tr>
<tr>
<td>Singapore Treaty</td>
<td>2007</td>
</tr>
<tr>
<td>Performances and Phonograms Treaty</td>
<td>2007</td>
</tr>
<tr>
<td>Copyright Treaty</td>
<td>2007</td>
</tr>
</tbody>
</table>

*Table 2. IP-related International Treaties/Conventions China has adopted since 2001.*
2.2.3 Developing Countries’ Course of Direction on Intellectual Property Laws

Chu, Cozzi and Galli’s study\textsuperscript{13} theoretically points out with empirical evidence of what China and most of developing countries’ way of handling intellectual property means. In their study, the main argument is that “optimal IPR protection is stage-dependent.” It means that as a country tries to step up and start to initiate its own economic development, many developing countries offer insufficient IPR protection to inadvertently allow its local companies in imitating foreign technology and ideas, thereby find a way around to adopt innovation that is already proven, and gain benefit with a lesser cost. However, once a country finds its footstep and tries to embark on sustainable economic development on its own, developing countries begin to implement reliable and more strict domestic IPR protection.\textsuperscript{14} The main reasons are to promote local innovation, protect creative ideas suggested by the indigenous people, and to attempt in every way possible to block any infringement activities that can be done by foreigners. The evolution of IPR in China and developing countries can be seen through Chu’s \textit{NERA Economic Consulting} Working Paper published in 2009:

In the early stages of development, with limited resources and limited capacity for research and development, there may be little or no IPR protection. Domestic industry will be characterized by imitation rather than innovation. Imitation allows for low-cost production, low prices for goods and services, and the stimulation of consumption and employment. A weak IPR regime may support technological growth and development through imitation in early stages of development.

At subsequent stages of development, however, a weak IPR regime discourages domestic innovation. Innovation and technological development are

\textsuperscript{14} Ibid. p. 4.
drivers of economic growth. Economies that succeed in shifting into knowledge-based production are characterized by domestic innovation, typically supported with well-designed and adequately enforced IPR laws.\footnote{Ibid. p. 4}

Luo and Ghosh’s paper\footnote{Luo, Jing and Ghosh, Shubha. “Protection and Enforcement of Well-Known Mark Rights in China: History, Theory and Future” Northwestern Journal of Technology and Intellectual Property Vol. 7, No. 2. Northwestern University School of Law pp.119-120. 2009. http://scholarlycommons.law.northwestern.edu/cgi/viewcontent.cgi?article=1082&context=njtip} puts the evolution of an IPR protection regime in developing countries slightly differently. They divide it into three different phases: In the first phase, due to the pressure from other countries, developing countries builds up its own IPR regime by revising laws and regulations. During the second phase, enforcement activities against infringement start to respond more promptly in order to avoid any trade sanctions, or to maintain market access to foreign countries. The last phase, developing countries’ IPR protection regime emerges to sustain on its own, and starts to guard and protect IPR from any infringement activities effectively. In terms of developing country like China, Gathii believes that strong IP protection is crucial for maintaining the competitive advantages of early industrializers but may not be a critical determinant for the emergence of new ones.\footnote{Gathii, James Thuo. “What History Teaches us about International Protection of Intellectual Property Rights: The Case of Least Developed Countries.” Albany Law School. p.27}

\subsection*{2.2.4 Current Status of China’s IPR Regime}

Then the question becomes, which phase does China fit in? A columnist from \textit{The Economist} describes that the Chinese IPR regime is “still murky”\footnote{“Intellectual Property in China: Still Murky” \textit{The Economist}. April 2012. http://www.economist.com/node/21553040}. The article mentions about the positive signs on how the Chinese government, and its legal system have become more transparent. Not only that, people’s mindsets are changing as well. More Chinese firms
have started to develop and secure its ideas by filing more patents than before. By looking at
the increasing number of patents filed with the World Intellectual Property Organization
(WIPO), Chinese people now feel more necessary and important to file and maintain IPR.19
Also, the number of applications for registering trademarks were more than 600,000 in 2005.
Compared to 1983, which was fewer than 20,000 trademarks registration, there certainly are
some developments for increased IPR awareness in China.

However, foreign firms still point out how the Chinese court is biased and unclear of
the rulings since judges many times do not publish their reasoning of the verdict.20 A report
published by the U.S. International Trade Commission continues to explain that China’s
failure to protect intellectual property is a major source of friction in the U.S.-China
economic relationship.21 Selling imitated products and illegal counterfeits cause industries
like pharmaceutical, movies and video games to lose not just profits but their reputations as
well, which eventually leads to deteriorate their market opportunities. This is not just U.S.-
China problem. Having deeply involved in the global intellectual property environment, the
Chinese government is asked by the countries that have close trade relations to be more
responsible and assertive in dealing with local people who do not meet the standard and fail
to abide by the law.

about the Emerging Superpower*. Center for Strategic and International Studies.
http://csis.org/files/media/csis/pubs/080916_cbs_1_ipr.pdf
http://www.economist.com/node/21553040
21 “China: Intellectual Property Infringement, Indigenous Innovation Policies, and
Frameworks for Measuring the Effects on the U.S. Economy.” Investigation No. 332-514.
2.3 Background of Study

2.3.1 China’s Accession to the World Trade Organization and Its Implications

Prior to discuss more in detail about the intellectual property rights in China, it cannot neglect the importance and consequences of China’s entry to the World Trade Organization. In order to join the WTO, China had to spend 15 years to negotiate with the WTO member countries (mainly with the United States) to adjust, conform and many times, compromise their existing laws and regulations with that of the world order. The result proved that 15 long years of arduous effort to enter into the WTO was worth it as Professor Wang calls it “a driving force for market reforms.”

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>1.5 trillion</td>
<td>5 trillion</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>800</td>
<td>4,400</td>
</tr>
<tr>
<td>Total Amount of Trade</td>
<td>-</td>
<td>2.97 trillion (#2 in the world)</td>
</tr>
<tr>
<td>Export</td>
<td>266 million</td>
<td>2.05 trillion (#1 in the world)</td>
</tr>
<tr>
<td>Import</td>
<td>243 million</td>
<td>1.82 trillion (#2 in the world)</td>
</tr>
<tr>
<td>Foreign Direct Investment</td>
<td>46.9 billion</td>
<td>114.7 billion</td>
</tr>
<tr>
<td>Investment in abroad</td>
<td>6.9 billion</td>
<td>68.8 billion</td>
</tr>
<tr>
<td>Average Tariff</td>
<td>15.3%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

Table 3. China’s Economic Development. Data acquired from the KITA website: www.kita.net

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Not only joining the WTO brought China’s economic benefit and consistent growth rate, China’s accession to the WTO sent various messages to different countries. It may have been positive messages to some countries, but it may have been somewhat negative to others. Overall, China’s entry to the WTO was something that many anticipated to happen.

China’s entry into the WTO created massive opportunities for countries around the world to access to the emerging market that is consisted of 1.3 billion population. In the past-WTO era, the Chinese market was virtually closed to foreign investors until the end of 1970s. As the open and reform policy safely took place, and when the WTO effect kicked in, this enormous market brought eyes of the many. It also put China on a fast track to take part in the world economy. Not only that, the WTO helped China to accommodate its economic policy and system that are closely tied to the standard and norms provided by the WTO.24 It allowed China to search for trading partners and countries where it was difficult to access before joining the WTO. The WTO worked as a catalyst effect for China to easily become the number two in the global economy and in trading country in just ten years. China’s join made the WTO to effectively function as the true multilateral trade body.

2.3.2 Trade Related Aspects of Intellectual Property Rights in the WTO’s Perspective

In the 1980s, when technology receives more attention as more sophisticated gadgets and inventions like computers and portable audio/video system start to come out, that was the period when more people from the developed countries felt the need to have a new protective mechanism for their intellectual property. Rather than developing or least developed countries (LDCs), developed countries for obvious reasons were becoming more conscious of

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the pressure by economically emerging states. For those countries that possessed high technology and skills, they did not have any guideline in terms of responding to infringement actions. Although a multilateral forum like the World Intellectual Property Organization (WIPO) existed to discuss about the international intellectual property rights, WIPO was considered as ineffective and had no authority to enforce any illegal activities.\textsuperscript{25}

At the same time, the developing countries did not want a more strict and enforceable intellectual property protection to take place. By restricting the use of technology and other intellectual properties, developing countries in general would have difficult time to adopt technologies and catch up with already developed countries. Mainly, developing countries believed that systematic intellectual property protection would result in paying more price for using technologies that are already achieved by developed countries, and developed countries’ comparative advantage would continue.\textsuperscript{26} However, although this struggle between developing and developed countries remained for some time, there were undeniable consensus that something had to be done in order to protect intellectual properties. Developing countries knew that the counterfeiting products and illegal technology transfer were creating an adverse effect upon developed countries trade revenues.

So among other significant trading components, acknowledgment of the intellectual property rights and feeling the necessity to create a reliable framework and protection regime was, in a sense, the biggest improvement from the GATT Provisions. Therefore, establishment of the TRIPS Agreement was necessary and rightly serving the WTO member countries with their best interest. The final draft of the TRIPS Agreement was signed at

\textsuperscript{25} Blakeney, Michael. “Guidebook on Enforcement of Intellectual Property Rights” Queen Mary Intellectual Property Research Institute. p.4
\textsuperscript{26} BBC, “Intellectual Property Rights ‘Harm Poor’,” http://news.bbc.co.uk/2/hi/sci/tech/2253270.stm
Marrakesh, Morocco on April 15, 1994. It was a compromise on the part of the developing countries, to give up their resistance to sign the TRIPS Agreement proposed by the developed nations in exchange for receiving benefits from different components of the WTO Agreements.\(^{27}\)

The TRIPS Agreement offers multilateral guidelines for the scope and enforcement of intellectual property rights. The TRIPS Agreement is not a completely brand-new, fresh looking principle because the Agreement recognizes and brings in much of understandings and provisions from previous international intellectual property conventions such as the Paris Convention and the World Intellectual Property Organization.\(^{28}\) The TRIPS Agreement simply reinforces the old conventions and makes it more effective and enforceable in a highly IP-oriented environment.

The TRIPS Agreement allows a positive approach for countries to adopt a set of rules. This basic agreement is consisted of 7 major categories and a total of 73 articles. The seven categories covered are: copyright, trademarks, geographical indication, industrial design, patents, layout-design of integrated circuits, and undisclosed information. As long as the WTO member countries meet the minimum standards of the TRIPS Agreement and make National Treatment (NT), and Most Favored Nation (MFN) Treatment provisions as requirements, there is no other mandatory set of rules that countries must follow.\(^{29}\) By the concept of judicial autonomy, the TRIPS Agreement attempts to provide member countries


the freedom to choose and implement fundamental intellectual property rights within a country’s own legal system.\(^{30}\)

The TRIPS Agreement is an Annex into the WTO Agreement, along with 13 multilateral agreements on trade in goods, trade in services, the dispute settlement understanding (DSU), trade policy review mechanism (TPRM). The TRIPS Agreement was signed by 114 member countries.

2.3.3 China’s Policy on Intellectual Property Rights since 2001

China’s entry to the WTO brought massive changes and revisions in their laws and regulations. Among other areas, amendment in laws regarding intellectual property started to take place even before the official accession to the WTO. According to the China’s main government agency for handling intellectual property rights, State Intellectual Property Office (SIPO) described that “a total of 26 regulations and documents, which were not in accordance with the rules of the WTO, were revised or cancelled.”\(^{31}\)

When this commitment to revise or change the respective laws were announced, the U.S. was still against China’s entry to the WTO mainly due to China’s insufficient intellectual property regulations. However, the mood started to change. Once after series of complying effort took place by the Chinese authority such as amending Patent Law in 2000, and other IP-related regulations have become similar to the international standard, the United States could not continue to resist China’s entry to the WTO. In the end, members of the


WTO welcomed China’s consistent effort to comply with the TRIPS, and allowed China to be part of them.

Becoming a party to an international agreement or convention exemplifies ‘legal transplant’ on a global scale. However, Mousourakis explains very eloquently about how China needed to be more patient and carefully absorb all the commitments one by one. According to Mousourakis, the meaning of legal transplant is not just putting a new law into a body. Because this body is comprised of highly sophisticated rules and regulations called a community, and a society, each law must also consider its positive and negative consequences based on their weights and how they are to be implemented in the institution.

Thinking about how to implement and enjoy the benefits of enforcing intellectual property rights could be a starting point. By making efforts to construct an intellectual property regime that can be easily comparable with the TRIPS standard, and equally competent to other advanced IP regime, China has made significant improvement.

In the end, the work of WTO in China should not be easily forgotten as it provided the basis for establishing an intellectual property regime that is comparable with other member countries. China’s actual accession effort to the WTO can be overlooked as one might consider it as just a procedural phase. However, China literally had to give up many, and comply with new laws and initiatives that were not familiar or not comfortable to themselves. In addition, following annual or regular reviews conducted by the WTO, responding to other countries’ claims against China’s lack of implementation, and showing efforts to comply with

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the areas that need to be improved illustrate the substantial influence the WTO has made over shaping new grounds for law and policy in China.33

Not only the WTO should be regarded as and praised for transforming the intellectual property regime in China in a relatively short period of time, the international community must also note that China itself wanted to become an ‘innovation nation’, responsible to promote and protect one’s ideas and willing to abide by rules and regulations with global partners. 34 That was more important factor than the WTO or the pressure from other countries. As long as China keeps pursuing for an ‘innovation nation’, on-going problems related to intellectual property infringement would be resolved in the near future.

2.3.4 Trademarks in General

A trademark is simply a symbol or an identification which uniquely represents goods or services of a company from that of other similar companies’ goods or services.35 Before the TRIPS Agreement, trademarks’ protection was extended to goods only. However, through the TRIPS Agreement, trademarks applied to services have been protected as well.

In order for a sign to be registered as a trademark, a sign must be able to display itself as a visible format. Signs can be displayed through names, invented or existing words, letters, numbers, pictures and symbols, or combinations of these signs. The shape of goods or their containers, or the design of their labels or fabrics may be registered as marks in certain countries.

34 Ibid p.89
Most trademark laws allow separate registrations for a mark in respect of each of the 42 categories of goods and services laid down in the International Classification of Goods and Services which was established in accordance with the Nice Agreement of 1957 and its subsequent revisions. The trademark application process usually requires an examination by the issuing government agency to ensure compliance with the formal registration requirements, as well as with the substantive requirement of distinctiveness.

When a mark is recognized as a registered trademark, issuing agency allows the individual who acquired the registration the usage of that sign for a set time period, with a possibility for renewal. The right to use the mark exclusively by oneself will expire if a renewal is not sought. In certain countries, protection without registration is given to “well-known marks.” Such marks invariably have a substantial international reputation through advertising and use. In the event of infringement of a registered mark, a trademark proprietor may seek relief in the form of injunction, compensation orders and seizure of infringing goods.

2.3.5 Trademarks Illustrated in the TRIPS Agreement

The TRIPS Agreement Article 15.1 states that “any sign, or combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark”. According to this article, signs cannot be too simple, too complex, or already in general use. A trademark in the TRIPS Agreement is generally understood as being inherently distinctive if its association with the products in respect of which it is used is arbitrary or fanciful.

In most countries the use of a mark is required for the maintenance of a registration. In this situation, Article 19 provides that “the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner”. Article 19’s language is vague and still controversial. The length of use required to constitute adequate user has not been explicitly mentioned in the cases. There have been instances where a single instance of use was sufficient, but the courts and respective agencies have been inclined to the practice of “ghost marking”. 37

Article 16.1 states that “the owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar marks to those in respect of which the trademark is registered where such use would result in a likelihood of confusion”. The presumption of confusion underlined in this study allows the procedure to be simple. Where an impugned mark is similar to a registered mark, or where the goods or services are similar to those in respect of which a mark is registered, the court will take the evidence of actual or likely confusion into consideration.

Article 18 of the TRIPS Agreement provides that “initial registration and each renewal of registration of a trademark shall be for a term of not less than seven years”. By mentioning of renewal, this Article also provides for the indefinite renewal of trademarks. At the same time, Article 18 is silent on the start of protection. Protection may start from the date of filing, which is most common approach in trademark laws, or from the date of registration, which was the approach taken in the United States.

2.3.6 Trademarks Law in China

2.3.6.1 Elements of a Well-Known Mark

The Chinese Trademark Law that was amended in 2001 offers the following elements to the Chinese authority in deciding whether a mark is well-known or not:

1) “reputation of the mark to the relevant public”;
2) “time period for the owner’s continued use of the mark”; 
3) “time period, extent and geographical area of advertisement of the mark”; 
4) “records of protection of the mark as a well-known mark”; and
5) “any other factors relevant to the mark’s reputation”

In addition to meeting the elements that are described above, the Chinese authority values public awareness and their knowledge on particular marks. Although it may be subjective, the Chinese Trademarks Law considers public’s awareness and their opinion on a particular sign as a determining factor. Thus, the Well-Known Mark Determination Provisions requires that an applicant for well-known mark to meet the burden of proof by providing relevant materials including:

1) “documents evidencing the extent of the relevant public’s knowledge of the mark”;
2) “documents showing the history of continuous use and the history and scope of registration of the mark”;
3) “documents evidencing the extent of advertising in terms of geographic scope, time, methods of advertisement an promotion”;

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39 Ibid. p. 121-122
4) “protection records of the marks as being well-known both inside and outside of China”, and

5) “other documents tending to prove the mark as well-known, including the amount of sales, gross receipts, gross profit, and regions of sale in the most recent three years”

2.3.6.2 Comparison between Well-Known and Non-Well-Known

Different levels of protection between well-known marks and non-well-known marks reveal its biased treatment. According to the China Trademark Law, well-known marks do not have to register when it comes to receiving protection because China has to comply with the Paris Convention. The Paris Convention, in essence, does not require well-known marks to register to the authority. In contrast, marks that are not well-known or unfamiliar by ordinary people, require it to be registered in China to receive protection. It is because only well-known marks receive automatic protection by the China Trademark Law.

2.3.7 The TRIPS Council and its Function

2.3.7.1 Legitimacy of the TRIPS Council

Article IV of the WTO Agreement provides for the establishment of the Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS Council), answerable to the General Council of the WTO. The TRIPS Council, which works as the control tower on the matters that are related to the TRIPS Agreement, manages the overall operation of the TRIPS Agreement. 41

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41 Ibid. p. 145
The functions of the TRIPS Council are listed and approved by several provisions of the TRIPS Agreement. It is required by Article 68 to monitor the operation of the Agreement. Article 71 authorizes the TRIPS Council to review and, where appropriate, amend the Agreement. The TRIPS Council is empowered under Article 63.2 to receive notifications of the laws and regulations of Members pertaining to the subject matter of the TRIPS Agreement and under Article 1.3 to receive notifications under Article 5(3) or Article 6(2) of the Rome Convention. The TRIPS Council is also empowered by Article 66.1 to receive request for least-developed country Members for extensions of the transitional period after which the Agreement is to be implemented. Finally, Article 68 provides that the TRIPS Council shall carry out such other responsibilities as are assigned to it by the Members, in particular “provide any assistance in the context of dispute settlement procedures.”

2.3.7.2 Monitoring

Article 68 requires the TRIPS Council to monitor the operation of the TRIPS Agreement “and, in particular, Members’ compliance with their obligations” thereunder. This task is assisted by the obligation of Members, under Article 63.2 to notify the TRIPS Council of the laws and regulations pertaining to the subject matter of the TRIPS Agreement. The TRIPS Council is also required by Article 68 “to afford Members the opportunity of consulting on matters relating to the trade-related aspects of intellectual property rights”.

2.3.7.3 Reviews

Article 71 requires the TRIPS Council to review the implementation of the TRIPS Agreement after the expiration of the transitional period permitted developing countries under Article 65.2. The Article also provides for the review of the Agreement at two yearly intervals after that date, “having regard to the experience gained” in the implementation of
the Agreement. The earlier review envisaged in the TRIPS Agreement is that provided for under Article 24.2 in relation to geographical indications. The Article requires a review of the application of those provisions within two years of the entry into force of the WTO Agreement. Article 71 also empowers the TRIPS Council “to undertake reviews in the light of any relevant new developments which might warrant modification or amendment of this Agreement”.

2.3.7.4 Amendment

The TRIPS Agreement is silent on the consequences of reviews undertaken by the TRIPS Council, although it is implicit that in appropriate circumstances amendment of the Agreement will be recommended. Article 71.2 provides that “amendments merely serving the purpose of adjusting to higher levels of protection of intellectual property rights achieved and in force, in other multilateral agreements and accepted under those agreements by all Members of the WTO may be referred to the Ministerial Conference for action in accordance with paragraph 6 of Article X of the WTO Agreement on the basis of a consensus proposal from the TRIPS Council”. No provision is made for implementing amendments of the TRIPS Agreement which might involve a reduction of the levels of protection of intellectual property rights.
CHAPTER 3
RESEARCH METHODOLOGY

3.1 Qualitative Study

The first research hypothesis (H1) attempts to find out what kind of benefits have the WTO and the TRIPS Agreement brought to protect intellectual property regime and promote creative and innovative works. The first hypothesis would be verified by carefully looking at articles from the TRIPS Agreement. Furthermore, a study of comparison between the past international conventions and the TRIPS Agreement would be conducted as well. By analyzing the past and the present provisions in detail, this study will try to explain why its provisions have not followed up to the needs of those intellectual property rights holders. This hypothesis also would mention the continuing infringement actions done by Chinese, and explain what the Chinese government has done to stop the illegal actions with data and reports written by the United States.

The second research hypothesis (H2) would try to elaborate on what has mentioned from the hypothesis #1 and present a more solid argument. Hypothesis #2 claims that the Chinese authority’s leniency in enforcing intellectual property infringement activities since its accession to the WTO undermined the IP regime in China. With examining from researches done by scholars and reading other policy reports, the Chinese authority’s behavior toward intellectual property regime will be analyzed. Furthermore, this study would also point out that the Chinese authority’s unwillingness to fully enforce the intellectual property rights is partly due to developing countries’ tendency to inadvertently allow infringement action until its technology and other indigenous development gets matured.
The third research hypothesis would be once again tested qualitatively by analyzing literature on the role of the TRIPS Council and bringing out its potential that has been unrecognized in the past. Hypothesis #3 would discuss ways for the TRIPS Council to strengthen the overall enforcement activities.

Although creating an independent investigative commission such as the Commission of Inquiry on North Korea’s Human Rights of the United Nations Human Rights Council might serve its purpose, hypothesis #3 would argue that the TRIPS Council’s collaboration with the Dispute Settlement Body is better to fight against infringement. It is because the DSB already has a proven legal enforcement process, and easier for member countries to access and get the result they want. Hypothesis #3 would explain that TRIPS Council’s role as 1) assisting member countries to engage in the consultations, 2) monitoring countries to see whether they are truly following the TRIPS Agreement, and 3) closely working with the DSB in case of any IPR infringement issue would be crucial and necessary.

3.2 Selection Bias

In regards to selecting trademarks as this study’s major assessing component, it would be appropriate here to provide the reasoning of choosing trademarks instead of patents, copyrights, or other areas of intellectual property. First and foremost reason why the Chinese trademark is worth investigating is that China is the country that represents the largest number of registered trademark and valid trademark registrations in the world.\(^{42}\) Also, whenever the issue of intellectual property in China is being discussed, one of the major areas of intellectual property that has been severely infringed in the past, and still constantly being raised as ongoing concerns is trademarks. Due to the fact that trademarks are more accessible

to acquire, copy, and produce it into counterfeits than other intellectual properties like patents or copyrights, its demand of protecting the entity is more expected by a wide range of people. Obviously, to discuss more on trademarks would be appropriate and rightly serving the audience who are interested in solving trademarks infringement issues in China. Based on this explanation, I would argue that the reasoning of choosing trademarks as this study’s main component is worth noting and it was not due to statistical bias in which there is an error in choosing this particular area of interest into a research. Furthermore, a word of caution is, due to the fact that China does not fully avail their information online, the findings of the study may have been limited and relied on academic papers and articles written by non-Chinese personnel.
CHAPTER 4

ANALYSIS

4.1 Introduction

In this chapter, China’s compliance with the obligations associated with the TRIPS Agreement will be discussed. First, TRIPS provisions on enforcement issues will be stipulated. Second, China’s implementation of the TRIPS Agreement into domestic IP legislation will be introduced and then overall compliance with the TRIPS Agreement will be evaluated. Compliance will incorporate both procedural and substantive compliance. Finally, the effectiveness of the TRIPS Agreement in tackling intellectual property infringements in China will be analyzed.

4.2 The TRIPS Provisions on Enforcement and Its Implications to China

By looking at 21 different articles that are specifically divided into each subject of concern, it is clear that there was a strong desire to enforce and protect intellectual property rights:

1) General Obligations (Article 41)
2) Civil and Administrative Procedures and Remedies (Article 42 – 49)
3) Provisional Measures (Article 50)
4) Special Requirements Related to Border Measures (Article 51 – 60)
5) Criminal Procedures (Article 61)

There are two purposes that these provisions have in common. “One is to ensure that effective means of enforcement are available to right holders; the second is to ensure that enforcement procedures are applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”43 Articles from 41 to 61 as

43 World Trade Organization. “Overview: The TRIPS Agreement” http://www.wto.org/english/tratop_e/trips_e/intel2b_e.htm#enforcement
a whole also complements the substantive minimum standards of TRIPS as “from a rights holder’s perspective, substantive minimum rights are of little value if there are no effective procedures for the enforcement of such rights.”

The first paragraph of Article 41 guarantees to pursue enforcement against any act of infringement of IP rights. It states that enforcement procedures shall “permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringement.” Section 2 and 3 can be applied to any IP infringement actions, whereas sections 4 and 5 are concerning trademark counterfeiting and copyright piracy only.

The wording of the TRIPS Agreement explicitly states that it does not want to create a universal enforcement procedures that can be equally applied to all the WTO member countries. By establishing a minimum standard requirement, the TRIPS Agreement respects each country’s legal system and gives them freedom to choose on their own when it comes to their national intellectual property enforcement laws. This approach is also laid out in the Preamble to TRIPS which states that the negotiating parties saw “the need for new rules and disciplines concerning… c) the provisions of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems”. Only requiring a minimum standard is critical especially to this study because it directly relates to the issue of compliance in China. According to this rule, China may be in compliance with the TRIPS because China is satisfying the minimum standard that

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is offered by the TRIPS Agreement. China’s IP regulation can be different compared to other countries, but as long as it maintains the minimum standard, and protects intellectual properties, China is under the presumption that it is complying with the TRIPS Agreement.

**4.2.1 China’s Efforts to Implement the TRIPS Agreement**

In case for China, the Chinese authority needed to make substantial changes in their law in order to comply with the norms of the TRIPS during the negotiating period. Responding to different measures and laws, China was willing to confront with a major legislative task in order to fully comply with all the TRIPS Agreement. A part of the reason was because China’s pre-WTO IPR system had a long way to go in order to catch up with the majority of the principles found in Article 41 of the TRIPS Agreement. Furthermore, China’s problem with transparency was also a systematic and deeply ill-natured trend that China had to overcome.

Therefore, China, during the period 1999 – 2002, various IP-related laws and regulations were amended in a large scale. (Refer *Table 1*) At the same time, new regulations that have not been existed before were introduced for the first time.

Not only from 1999 to 2002, China’s effort to change, amend, and adopt new laws continued even after 2002. For example, according to the State Intellectual Property Office (SIPO) in 2003, “a total of 26 regulations and documents, which were not in accordance with the rules of WTO, were revised or cancelled.”\(^ {45}\) China’s achievement during the period of

1999 to 2002 indicated that people of China are also wish to follow the standard set by the international community.

4.2.2 Trademark Law

Protection of trademarks and well-known signs successfully found its place in the TRIPS Agreement. The signs that may be subject to trademarks under the TRIPS Agreement include distinguishing names, letters, numerals and colors. In China, this provision was implemented by the revised Trademark Law of 2001 Article 8. The TRIPS Agreement also requires protection for well-known marks without registration in the WTO member country. Well-known marks were protected in China prior to the revisions of 1999 – 2002, but this protection was strengthened and formalized by the inclusion of two new Articles in the revised Trademark Law 2001. Articles 13 and 14 prohibit registration of trademarks which are a reproduction, imitation or translation of a well-known trademark not registered in China and provide criteria for determining whether a trademark is well-known.

4.3 Implementing the TRIPS Agreement in the Enforcement System

One of the significant differences of the TRIPS Agreement is that the Agreement was the first international provisions that started to place enforcement as its core function. The previous conventions like the Paris Convention or the Berne Convention did not contain such substantive provisions regarding the IPR enforcement. From now on, by adopting the TRIPS Agreement means that WTO member countries must follow not only showing that they have managed to amend or adopt the law, but they have to actually enforce that law in order to meet the standard of the TRIPS Agreement.
Since the enforcement portion is considered important to all member countries, it is appropriate to carefully examine some of the specific changes in the TRIPS Agreement that have been implemented in China. The TRIPS Agreement mandates China to be transparent in their enforcement procedures, thereby allowing effective action against any act of IPR infringement covered by the TRIPS Agreement. Although the Chinese authority has put its effort to align their intellectual property laws into provisions of the WTO, effective IPR enforcement has not been achieved yet, and IPR infringement remains a serious problem throughout China. It may be argumentative but along with procedural problem and lack of resources and training, the Chinese’ enforcement system is not working well mainly for two reasons. It is because still there is no 100% transparency in conducting the enforcement procedure, and the authority does not feel the urgency to track down those who infringe intellectual property rights.46

Overall piracy and counterfeiting levels in China remained unacceptably high in 2012. IPR infringement continued to affect products, brands, and technologies from a wide range of industries, including:

“films, music and sound recordings, publishing, business and entertainment software, pharmaceuticals, chemicals, information technology, apparel, athletic footwear, textile fabrics and floor coverings, consumer goods, foods and beverages, electrical equipment, automotive parts and industrial products, among many others.”47

46 http://ipdragon.blogspot.com/2009_01_01_archive.html
4.4 China’s Ways of Enforcement

4.4.1 Judicial Review

One of the main changes that the TRIPS regime has brought to the administrative system specifically is the addition of the possibility of judicial review of final administrative decisions. Under TRIPS Article 41(4), “parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions”. Previously, no independent review was available for appellants from administrative decisions. The amendments of the specific intellectual property laws undertaken in 2000 and 2001 provide for judicial review of administrative decisions under Article 33, 49, and 50 of the Trademark Law; Articles 41 and 55 of the Patent Law. China is thus now in compliance with Article 41(4). This has had a major impact on the enforcement system overall; as all final administrative decisions are now subject to external scrutiny, authorities are less likely to resort to arbitrary decision-making.

4.4.2 National Treatment

Another key principle of the TRIPS Agreement is the principle of national treatment under Article 3, “that each member shall accord to the nationals of other members’ treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property.” Adopting the TRIPS Agreement led to reexamine the principle of national treatment in China. For example, Article 18 of the revised China’s Trademark Law 2001 entices foreign individual or companies registering for a trademark or relating matters to go through state-approved trademark agent. Since local Chinese people can directly apply to the Trademarks Office but foreign nationals have to go through the agent, foreign nationals will no doubt cost more in registering for their intended trademarks and this China’s behavior was clearly not abiding by the regulations set by the TRIPS Agreement. Although these restrictions have now been relaxed under the influence of the TRIPS Agreement, in practice,
many foreign rights holders still go through agents in order to file their trademarks which continue to cost more on the filing process.

### 4.4.3 Level of Fines and Damages

A further aspect of enforcement in which TRIPS implementation has had an impact is the level of fines imposed by the administrative authorities or damages awarded by the civil courts. Under Article 41(1) of TRIPS, there is a general obligation that remedies should “constitute a deterrent to further infringements.” In the past, fines imposed by the Chinese authority did not appear to have increased significantly since the WTO entry, as shown in the table below. Despite a significant increase in the average fine in 2003 from 5761 RMB to 7414 RMB, this dropped back in 2004 to 5499 RMB.\(^{48}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Number of Cases</th>
<th>Total Fines (RMB)</th>
<th>Ave. Fine (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>23,539</td>
<td>135,612,506</td>
<td>5,761</td>
</tr>
<tr>
<td>2003</td>
<td>26,488</td>
<td>196,394,094</td>
<td>7,414</td>
</tr>
<tr>
<td>2004</td>
<td>40,171</td>
<td>220,884,500</td>
<td>5,498</td>
</tr>
</tbody>
</table>

*Table 4: Fines imposed by the Trademark Office of the SAIC for trademark infringements in 2002 – 2004*

However, there are some positive signs. A new trademark law amendment which the China’s legislature passed in August 2013 strengthened the enforcement and raised the compensation ceiling for trademark infringement to RMB 3 million (Approx. USD 500,000)

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which is six times the previous limit.\textsuperscript{49} This would help deter trademark infringement more actively.

Under the Patent Law, Article 58, the administrative authorities can confiscate any illegal earnings and impose a fine of not more than three times the illegal earnings or not more than RMB 50,000. The level of fines for both trademark and copyright infringement are governed by implementing regulations. Article 42 of the Implementing Regulations of the Trademark Law 2001 states that the fine imposed shall be not more than 20\% of the illegal business or not more than two times the profit illegally earned. Article 36 of the implementing regulations of the Copyright Law 2001 provides the administrative authority with the power to impose a fine not exceeding three times the amount of the illegal business gains, or a maximum of RMB 100,000. The amount of fines presented here to penalize those who violate the intellectual property rights are relatively insignificant amount in order to deter infringement actions. This is mainly because still the Chinese authority is willing to give a room for their local individuals and companies to get away with using foreign IP rights. This kind of action does not make China to be seen as it is complying with the TRIPS Agreement. China is clearly not abiding by the TRIPS provision’s purpose of effective deterrence.\textsuperscript{50}

\textbf{4.4.4 Availability of Injunctions}

Under Article 44 of the TRIPS Agreement, injunctions should be available “to order a party to desist from an infringement”. China’s intellectual property regime before the entry to the WTO did not meet the standard of the international IP regime. However, the main


\textsuperscript{50} Ibid.
intellectual property laws have now been amended to provide authorities with the power to issue injunctions. In China, preliminary injunctions were first permitted under the Patent Law 2000, Article 61, and subsequently by the amended Trademark Law 2001, Article 57, and the Copyright Law 2001, Article 49.51

Preliminary injunctions are rather new to the Chinese courts. So it is difficult to educate to the Chinese judges and willingness to order injunctions are relatively not in common. As these problems are resolved and the courts begin to become accustomed to issuing injunctions, pre-trial injunctions could offer a useful alternative to administrative actions. Thus, the introduction of these orders is overwhelmingly seen as a positive step for the IP enforcement system in China. “The Supreme People’s Court clarification of these procedures should lead to civil IP cases becoming more common, either as the primary means of enforcement of rights or as an adjunct to administrative enforcement.”52

4.4.5 Criminal Prosecutions

The TRIPS Agreement is different from the Paris Convention or the Berne Convention because it contains the power to enforce. By going one step further, member countries agreed to add not just civil IP enforcement with paying fines or ordering injunctive action, but it allows criminal IP enforcement as well. TRIPS Agreement provides that criminal procedures should “be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale.” (Article 61). China’s effort to be similar with the standard of the international community availed itself in 1997 to allow criminal penalties as

well. China’s Criminal Law of 1997 is supposed to bring justice for those who seriously counterfeited trademark (Article 213) or took advantage of someone else’s copyright (Article 217). It is worth mentioning that the definition of ‘serious’ in China’s criminal law and the word ‘wilful’ in the TRIPS Agreement is not clear or readily available to use it as a guiding reference. The Chinese court system somewhat lowered the thresholds for criminal liability in 2004, it is still confusing that ‘wilful’ and ‘serious’ can go hand in hand with each other. Furthermore, the civil authorities are supposed to transfer serious infringement cases to be considered at the criminal court under Article 54 of the Trademark Law 2001 and Article 47 of the Copyright Law 2001. However, voluntarily transferring those serious infringement cases to criminal court in China are very rare as it is shown in the table below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of cases transferred to judicial authorities</th>
<th>Total number of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>59</td>
<td>23,539</td>
</tr>
<tr>
<td>2003</td>
<td>45</td>
<td>26,488</td>
</tr>
<tr>
<td>2004</td>
<td>96</td>
<td>40,171</td>
</tr>
</tbody>
</table>

*Table 5: Cases transferred from the Trademark Office to judicial level for criminal liability, 2002 - 2004*

From the table above, it seems like because the number of cases that have been transferred has increased, the Chinese authority is taking a strong measure in confronting the serious or wilful intellectual property infringement. However, it is important to look at the proportion of cases that transferred. Even though the overall number of cases that has been transferred has increased, the proportion remains the same at around 1 in 400 cases. Therefore, the Chinese authority’s unwillingness to tackle this problem actively continues to make the international community worrisome.
It is no doubt that China has taken major steps to implement the obligations of the TRIPS Agreement in both the legislative framework and enforcement systems. However, the implementation of TRIPS obligations into the domestic legislation is not enough to be in full compliance with the Agreement. Therefore, China’s consequent compliance with the specific provisions of TRIPS has to be carefully analyzed. From the above data, China appears to be in substantive compliance with the majority of its TRIPS obligations. However, there are still various measures that China has to follow in order to be a responsible member country of the TRIPS Agreement. The most significant provisions under scrutiny involve enforcement measures as these are the primary focus of the TRIPS Agreement.

According to Article 61, remedies for cases of wilful trademark counterfeiting or copyright piracy on a commercial scale have to be readily available. Specifically, there may be two forms of remedies: 1) imprisonment, and/or 2) “monetary fines sufficient to provide a deterrent.” The purpose of the criminal measure is to actually make those people who have violated the rights in the past to deter them from doing the very activity in the future by putting a heavy pressure on them such as actual imprisonment or issuing substantive amount of fines. Chinese authority, however, is hesitant to define what is ‘serious’ or what is ‘wilful’. Although penalties of imprisonment and fines are both available as remedies, it is difficult to prosecute in criminal law because there will always be confusion in determining whether the violator’s action was serious and/or wilful. The other issue of possible non-compliance under Article 61 is whether the penalties provided are sufficient to provide a deterrent. Because the amount of fines have been fairly low compared to the amount in which the violator can actually gain by infringing trademark or copyright, people started to assume that they can just get away with this particular violation by paying small fines. This is a major problem in China’s IP regime that the Chinese authority has to seriously take it into consideration.
<table>
<thead>
<tr>
<th>Article</th>
<th>TRIPS Provision</th>
<th>Chinese Provisions</th>
<th>Compliance or not</th>
</tr>
</thead>
<tbody>
<tr>
<td>41(2)</td>
<td>No unreasonable time-limits or delays</td>
<td>Cases should be concluded within 6 months, or 3 months for summary cases</td>
<td>Compliant</td>
</tr>
<tr>
<td>41(3)</td>
<td>Decisions should be reasoned and in writing</td>
<td>Judgments issued immediately or within 10 days; must include reasons for judgment</td>
<td>Compliant</td>
</tr>
<tr>
<td>42</td>
<td>Defendant’s right to timely written notice of the claim</td>
<td>Defendant receives complaint within 5 days of filing, must include grounds of complaint</td>
<td>Compliant</td>
</tr>
<tr>
<td>44</td>
<td>Availability of injunctions</td>
<td>Injunctions available from 2000</td>
<td>Compliant</td>
</tr>
<tr>
<td>45(1)</td>
<td>Damages should be adequate to compensate for the injury suffered</td>
<td>Calculation of damages usually based on actual losses suffered by the rights holder</td>
<td>Possible non-compliance issue of inadequate damages</td>
</tr>
<tr>
<td>45(2)</td>
<td>Award of damages can include expenses, such as attorney’s fees</td>
<td>Reasonable expenses can include investigative costs and legal fees</td>
<td>Compliant</td>
</tr>
<tr>
<td>46</td>
<td>Infringing goods can be confiscated and destroyed</td>
<td>Infringing goods can be confiscated</td>
<td>Possible non-compliance-provisions not clear if the goods are destroyed</td>
</tr>
<tr>
<td>50(1)</td>
<td>Availability of provisional measures</td>
<td>‘Property preservation’ orders available</td>
<td>Compliant</td>
</tr>
<tr>
<td>51</td>
<td>Customs authorities can suspend the release of infringing goods</td>
<td>Rights holders can apply to the customs authorities to hold infringing goods</td>
<td>Compliant</td>
</tr>
<tr>
<td>61</td>
<td>Criminal penalties should be available for wilful trademark counterfeiting or copyright piracy on a commercial scale, sufficient enough to act as a deterrent</td>
<td>Criminal penalties available under the Criminal Law 1997 for serious counterfeiting and piracy range from 3-7 years imprisonment and fines</td>
<td>Possible non-compliance – not clear how ‘serious’ relates to ‘wilful’ in TRIPS and whether penalties are serious enough to act as a deterrent</td>
</tr>
</tbody>
</table>

*Table 6: Summary of China’s Compliance with Key TRIPS Provisions*

4.5 Assessing China’s Compliance with the TRIPS Provisions

Although some numbers can present China’s insufficient effort to comply with the TRIPS provisions, it is still difficult to assess whether China has been complying with the...
TRIPS Agreement as a whole. This type of unclear matters typically lead to the WTO’s dispute settlement body (DSB). From the establishment of the WTO to 2006, a total of 24 cases have been brought up to the DSB with regards to the TRIPS Agreement, 4 cases have been directly related to enforcement provisions.

Even these cases indicate that the TRIPS provisions in dealing with enforcement has a long way to go, especially to determine whether a country has complied to the provision of enforcement of not. It is because before a complainant country questions about the respondent country’s failure to abide by the enforcing protocol, a complainant country has the burden to prove the respondent country’s non-compliance with empirical evidence ready to be presented to the dispute settlement body.

The United States Trade Representative presents a report to Congress annually on China’s WTO compliance issues. The latest report also notes the difficulty to complain China’s non-compliance to the WTO. As the U.S. tries to urge China to conform to the norms of the international trading body, China has been unwilling to cooperate with the IP regime.

According to the most recent report, China’s insufficient IPR enforcement is the result of weaknesses in China’s IP legislative system. As mentioned before, China’s ineffective deterrent posture on criminal IPR remedies are considered as a major weakness. Especially, the fact that China’s thresholds for criminal investigation, prosecution, and conviction are too low, it precludes criminal remedies that may be necessary for infringement cases like commercial-scale counterfeiting and serious piracy works. If China’s attitude toward the thresholds continues to remain the same, the number of people who take

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advantage of someone else’s intellectual property illegally will continue to rise. Furthermore, China will be at the center of criticism by the international community for failing to follow the standard set forth in the TRIPS Agreement.

The U.S. sought to address this concern, along with other problems regarding border enforcement and copyright protection for works that have not obtained approval from China’s censorship authorities, in a WTO case filed in April 2007 focusing on deficiencies in China’s legal regime for protecting and enforcing copyrights and trademarks on a wide range of products.

It is interesting to note that countries did not file any infringement case against China until 2007 when China is known to have poor intellectual property enforcement procedure. This implies that despite the failings in the intellectual property enforcement system in China, it is difficult to compile clear evidence of systematic non-compliance with the TRIPS provisions. Furthermore, the request for consultations of April 2007 make it clear that the complaint refers to specific failings in the system, rather than mere inconsistencies in enforcement.54

4.6 WT/DS 362 and More – China’s Intellectual Property Rights and Trademark Infringements at Issue

The Dispute Settlement Body (Panel), requested by the United States against China, was established on Sept. 26, 2007. The United States raised three issues concerning China’s enforcement procedure on intellectual property. First, the United States claimed that China’s Criminal Law and Supreme People’s Court interpretations which establish thresholds for

54 Ibid. p.98
criminal procedures and penalties for infringements of intellectual property rights were not in compliance with the TRIPS Agreement. Second, the U.S. criticized that China’s regulations did not properly enforce the disposal of goods that has been infringed. Third, the U.S. raised Article 4 of China’s Copyright Law into question because it denied protection and enforcement to works that have not been authorized for publication or distribution within China. The U.S. claimed that whether it receives authorization for publication or not, copyright protection has to be consistent.

The Panel acknowledged China did not fully enforce copyright and trademark infringement that had to be dealt with criminal measures. However, this was not sufficient enough to consider China as a violation of the article because the Article 61 does not require Members to all copyright and trademark infringement with criminal procedure. Once again, it is because the TRIPS Agreement only requires the member countries to comply with the minimum standard. Since China has displayed its minimum standard through their current law, the United States was not able to force a respondent country to follow what is more than the minimum standard. The Panel also found that the customs measures were not subject to Article 51 to 60 of TRIPS Agreement to the extent that they apply to exports. China’s customs can auction goods since Article 59 does not prohibit such activities. However, China’s customs was not consistent with Article 59 because by simply auctioning goods without a complete or partial disposal, those who infringed trademark can simply remove that sign in question and sell it for profit without any restrictive measure or penalty involved. Lastly, the Panel found that China cannot deny copyright protection because the Chinese authority banned its contents as illegal. Although China has the right to prohibit the circulation and exhibition of works, as acknowledged in Article 17 of the Berne Convention, this does not mean that the government can take away the protection of that works as well
because Article 5(1) of the Berne Convention specifically guards those rights and the TRIPS Agreement adopted this part of the provision from the Berne Convention.

A more recent case is a classic trademark case. Tesla Motors Inc. is one the world’s largest electric automobile manufacturing companies based in California. This 10-year-old company, as like many other automobile companies, wanted to get into the Beijing market and compete with other rivals. However, the company’s effort is, for now, in stall because one Chinese national in Guangdong province already registered and owns the trademark and the name which are almost identical to what Tesla’s trademark presents. As the study mentioned above, China already has rules (Article 14 of China’s Trademark Law) for Well-Known Marks or globally renowned brands, but since Tesla is a relatively new company, Chinese legal experts predict that it would be difficult for Tesla to overcome this trademark dispute and begin selling their cars unless U.S.-based automobile manufacturing company buys out its trademark from a Chinese businessman. This kind of cases make foreign investors and intellectual property rights holders difficult to do business in China.

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Another example that may be suitable for the discussion is trademark delusion in Hong Kong. Gaia Group, a restaurant chain based in Thailand, opened up a café in Hong Kong with the name Greyhound. Greyhound is North America’s largest bus company that has been operated over years. Not only Gaia Group steals the name ‘Greyhound’, it also took the Greyhound Lines’ iconic trademark image with making a ‘significant’ change of the Greyhound dog running toward left instead of right.

This kind of infringement is not unusual in China. It would certainly disturb the Greyhound Lines’ company image and hurt its reputation as well. However, because the item or product which the two Greyhound entities are handling are completely different kinds, and also the fact that Gaia Group’s restaurant is based in Thailand, the Chinese authority does not need to care much about what is going on between the two companies.

China’s mobile phone manufacturing industries are usual suspect when it comes to copy the trademark and its product so that they can confuse the consumers.

http://www.ipdragon.org/2012/05/05/greyhound-cafe-is-free-riding-on-greyhound-lines-reputation/
Due to this type of trademark infringement, foreign firms lose competitive advantages in the Chinese market. However, there is a good news. According to the new Trademark Law Amendment that was passed in August, 2013, the standard for likelihood of confusion was added as a possible criterion for determining trademark infringement with identical or similar mark that is used on the same kind or similar goods. This is the first time that China has officially introduced the standard of confusion to its Trademark Law.59

4.7 The TRIPS Council’s Role in the Future

4.7.1 The TRIPS Council’s Collaboration with the Dispute Settlement Understanding

As mentioned above, Article IV of the WTO Agreement provides for the establishment of the Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS Council). This study believes that among many other measures that can help improving the enforcement of intellectual property infringement, The TRIPS Council, in collaboration with the Dispute Settlement Understanding mechanism, can be more effective

58 Ibid.
in enforcing each country’s illegal activities. The Council can function as an instrument for managing the overall operation of the TRIPS Agreement. In addition, with the power of enforceability, DSU can determine whether a country is in violation of the TRIPS Agreement. This study believes that collaboration of these two entities can help each other to reduce the number of infringement.

The legitimacy of the TRIPS Council has already been illustrated from the above. There is no doubt that the TRIPS Council can monitor each country’s compliance described in the TRIPS Agreement. Furthermore, the Council has rights to be notified from member countries’ laws and regulations pertaining to the subject matter of the TRIPS Agreement. Lastly, the Council can assist member countries in case if a country wants to file a complaint against a respondent country for possible IPR infringement activities.

4.7.2 The Compliance Review

The TRIPS Council’s main task is to assess whether member countries are in compliance with the agreed framework. This process, the compliance review, is certainly important task as it is the first step for the Council to be notified from members and glance through countries’ behavior.

The compliance review procedure is the following: The member country notifies its laws and regulations to the Council. A country that is interested in asking questions to the country that notified can ask questions in writing. Then the country who has been told to respond to concerns raised has to answer the question in writing as well. Often there are further questions on the answers provided by the Member and these would have to be answered at a subsequent meeting of the Council. In most cases, a member country that is
being reviewed bring government officials or experts to the Council to appropriately answer the questions. If a country that is asking question to the notified country continued to disagree or dissatisfy with the answers given by that country, a dissatisfied country can ask the Dispute Settlement Body to initiate a period of consultation. If both parties still fail to come to the agreement, then a member country can file as a complainant and ask the DSB to form a dispute settlement panel. As the Panel reaches the decision and describes their reasoning in the Panel Report, parties can accept or any party that does not agree with the Panel Report can appeal to the Appellate Board (AB). The AB will determine whether the Panel misinterpreted the WTO Agreement or not. AB’s ruling is the final and parties must accept and follow according to the AB’s decision. The collaboration of the TRIPS Council and the DSU is so far the best mechanism to tackle the infringement cases.

4.7.3 Strength in the TRIPS Council

The Council’s ability to monitor the operation of the TRIPS Agreement is something that is difficult to find from other compliance review instruments. For instance, the General Agreement on Trade in Services (GATS) has its own council as well. However, the GATS Council does not have the authority to monitor members’ compliance. Such functions described in the TRIPS Council is another illustration that it can act as an influential body.

The TRIPS Council’s role goes well beyond to what has been described in the provisions. For example, the general meetings of the Council work as the forum for developing and developed countries to come together and share ideas about how to treat intellectual properties more effectively. Especially, because developing countries or those countries that are relatively new to the WTO may be difficult to adjust into the atmosphere of

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60 International Centre for Trade and Sustainable Development. p. 748. 2004 http://www.iprsonline.org/unctadictsd/docs/6.3TRIPS_COUNCIL_UPDATE.pdf
the TRIPS in their domestic laws and regulations. By listening to what other countries had to go through and learning from their experience certainly can make themselves more responsible participants to the TRIPS Agreement.61

4.7.4 Lessons Learned from Agencies in the U.S. on Trade Enforcement

4.7.4.1 United States Trade Representative (USTR)

As the TRIPS Council is the WTO’s main monitoring body to its member countries, the USTR works as the U.S. government’s monitoring agency in order to protect its citizens’ IP rights from any foreign individual or government who are not in compliance with trade agreements. Several departments that are relevant to subject matters come together and combine their resources in order to conduct a comprehensive investigation. That is to help ensure that these agreements “yield the maximum benefits in terms of ensuring market access for Americans, advancing the rule of law internationally, and creating a fair, open, and predictable trading environment.”62

In terms of protecting Americans’ intellectual property rights and promoting their ideas abroad, USTR has assisted them very effectively. In addition, proposing various national trade laws and seeking for the WTO dispute settlement whenever it believes there is unfair trade activities have created the United States one of the most protective markets and at the same time, one of the most transparent legal system that any foreign country can trust and adopt. USTR’s commitment to enforce and protect its citizens’ trade-related activities caused to gain benefits for the U.S. intellectual property holders.

61 Ibid. p.749
4.7.4.2 United States International Trade Commission (USITC)

Along with the USTR, the U.S. International Trade Commission administers U.S. trade remedy laws within its mandate in a fair and objective manner, provides the President, the United States Trade Representative (USTR), and Congress with independent, quality analysis, information, and support on matters relating to tariffs and international trade and competitiveness, and maintains the harmonized tariff schedule of the United States. By serving this task, USITC functions as another tool for the U.S. government and the American public to make accurate and profitable decision.

4.7.4.3 Agencies Report to Its Appropriate Authority

USTR, pursuant to section 421 of the U.S.-China Relations Act of 2000, is required to report annually to the U.S. Congress on China’s compliance with commitments made as they got admitted to the World Trade Organization. In addition, USITC is also required to respond and answer to the issues raised by the Capitol whenever there is a request by the members of the House of Representative and the Senate. For example, the U.S. Senate Committee on Finance requested two reports to the USITC on the effects of IPR infringement and indigenous innovation policies in China on U.S. jobs and the U.S. economy. Once the request comes to the agencies, they conduct a thorough and meticulous investigation and submit comprehensive reports to the requested bodies with detail information of the findings. Typically, agencies spell out what is at stake and what has been done to overcome the problem. The report also mentions about the background, and the laws and regulations that can be related to the subject matter. Finally, the report usually proposes recommendations to government as to what needs to be made in order to protect its citizens and their property, and also to prevent or avoid such problem in the future.

4.8 The TRIPS Council’s Limitation

4.8.1 Lack of, or gaining enforceability would create problems

The compliance reviews are central part of the TRIPS Council’s task of monitoring what is happening under the agreement. Up to now, however, the TRIPS Council has been solely relying on the reports submitted by each country, and representatives of the TRIPS Council had to make sure whether its laws and regulations comply with the obligations of the agreement. Without the power to enforce, it is difficult for the Council to independently and objectively determine whether a country is complying with the TRIPS Agreement. Although there is underlying assumption that each country reports and notifies its laws and regulations that deal with the TRIPS provisions in transparent manner, the Council is unable to observe and carefully monitor how countries are following up to the Agreement in a practical term. The Council might consider to create an independent agency. But for this suggestion to become reality needs to overcome many obstacles. First of all, the Council needs to amend the Agreement so that the agency can have its appropriate budget and human resources to operate itself. But as the Doha Development Agenda represents, amending the Agreement is not an easy task. It takes time and effort to convince all the member countries its necessity. Although some countries may think the existence of an independent agency would help the role of the TRIPS Council better, some countries may not agree with creating another entity that would only consume the budget that is already lacking. Many countries also may think that having an agency would directly or indirectly influence negative effect on their national trade policy. More than anything, the enforceability issue would be very controversial. At this moment, an entity that has the legal enforceability to modify member countries’ domestic law within the WTO is the Dispute Settlement Body. If the TRIPS Council gains its own enforceability, then there would be a problem of determining which enforceability is stronger one. Confusion among member countries would be highly expected. That is why the
collaboration between the TRIPS Council and the DSB is important since they can support one another. Allowing the DSB to only adjudicate matters at issue, and having the TRIPS Council to play a role of assisting member countries to advise their trade policy and guide the path to the DSB in case of dispute would be the best scenario for collaboration. Once again, having two different channels of enforcing mechanisms would only create confusion and disturb the member countries’ national trade system.

4.8.2 Need for More Time to Talk: Dynamic Consultations among Members

The TRIPS Council is also a forum that countries come together and discuss on the agenda that they think it needs to be brought up in order to fulfill the TRIPS Agreement. Member countries can use this venue as a place where they can question each other and understand its laws and regulations. The TRIPS Council should highly encourage countries to engage in more active consultations and create opportunities for members to get together more frequently. This process is important because any misunderstanding of the compliance or enforcement that are not seem to be in accordance with the TRIPS Agreement can be resolved here. Making this process more accessible will definitely save time and money. Going to the DSB can always be an option. But trying to find a common ground within the TRIPS Council would be more beneficial for both parties at issue. Although some say the TRIPS Council has limitation in functioning its role, the Council’s ability to invite member countries to talk to each other whenever there is a misunderstanding is one of the greatest functions that not many multilateral bodies offer.
CHAPTER 5
CONCLUSION AND POLICY RECOMMENDATION

The rise of China, particularly in the area of economic development, has displayed a lot of positive opportunities both domestically and internationally. China’s current economy has accounted for approximately 8 percent of world GDP. Despite China’s rapid economic success, behavior toward infringement of their intellectual property rights in China, as well as China’s “indigenous innovation” policies, have not satisfied the international community as a whole. IPR infringement – particularly in the area of trademarks – has reduced market opportunities and profits for firms in China and other foreign markets because IP holders’ products and technologies are forced to compete against sales of less expensive, illegal, lower-cost imitations. Along with China’s IPR infringement activities, the Chinese government’s leniency in enforcing infringement activities since its accession to the WTO undermined the IP regime in China as well.

China should not forget that it still needs to comply with the TRIPS Agreement. The Agreement requires China to ensure that enforcement procedures are readily available so as to permit effective action against any act of IPR infringement. Although the central government has modified the full range of China’s IPR laws and regulations in an effort to bring them into what is required by the WTO obligation, effective IPR enforcement has not been achieved and IPR infringement remains a serious problem throughout China. It is mainly because the Chinese authority does not offer or unwilling to provide a comprehensive deterrence mechanism. Not being able to adjudicate those people who have been wilful to commit IP infringement in commercial basis according to its criminal procedure with heavy fines continue to allow violators to take advantage of someone else’s IP rights illegally.
The international community should not assume the Chinese government is unwilling to fight against the IPR infringement. More than anything, the WTO and particularly the TRIPS regime have to realize the burden as well. As suggested, the TRIPS Council needs to be more active in making the member countries to comply with the obligations illustrated under the TRIPS Agreement. In case for China, the Council has not been effective in administering their roles. Whenever a member country claims that their IP rights have been violated, the TRIPS Council should actively help the complainant to find a proper avenue of solving the problem. It can be within the TRIPS Council. If the matter at issue becomes unable to settle, then the TRIPS Council should advise the complainant to file a complaint to the DSB.

In regards to creating an independent commission within the TRIPS Council, there may be an issue of feasibility. Because it is the matter of amending or adding the significant portion of the TRIPS Agreement, this would not be an easy discussion and it will require a consensus by all the member countries. Whether all members would find it necessary in creating a commission, or whether creating a commission will strengthen the IP regime is questionable. Furthermore, the question of whether member countries acknowledge and accept the data and/or report presented by the commission (if created) is another concern. That is why it is more important for the TRIPS Council to work with the DSU.

Once again, this study’s overarching objective was to find a common ground for the WTO to be realized as an influential and effective global trade forum. Unless the WTO makes a meaningful effort or brings strong initiative to help enhancing the rules and regulations of the international trade regime, the role of the WTO in the area of intellectual property will continue to receive criticism.
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