

of utilization, substantial differences exist between intellectual creations as the object of intellectual property right and tangible property as the object of physical property right, it consequently determines different characteristics of the rights, effect of intellectual property right and physical property right.

### 2.3.1. Physical Property Right as Dominative Right, IPR as Exclusive Right

Controlling right refers to the right of directly performing an action on the object within the law; such right is exclusive, namely, it prevents others from performing the same action.<sup>9</sup> Such explanation is convincing in terms of the effect of physical property right, since the positive effect and exclusivity existing in physical property right are consistent. In terms of physical property right as a controlling right, it means that everyone else is excluded from the right. Whereas in the context of intellectual property right, since the positive effect and exclusivity are not strictly consistent, intellectual property right tends to be more exclusive rather than positive. However, in fact, the exclusivity of intellectual property right has to be worked out through the realization of its positive effect.

There is no doubt that physical property right is a controlling right. As the object of physical property right is specific tangible one, it can be controlled by possessing so as to realize varied interests in it. Thus, physical property right essentially refers to the ownership of assets attributed to a person who enjoys the right to exercise control over a specific res and own the interests thereof. In other words, physical property right is designed to ensure a complete ownership through the pursuit of safeguarding the possession and control over tangible object. Therefore, possession and control over the assets is regarded as the foremost meaning of physical property right.<sup>10</sup> Physical property right, in this sense, is primarily a controlling right.

Possession and control over the assets has to be achieved through precluding others from exercising the same controlling activities simultaneously, otherwise, physical property right cannot make functions. Virtually, physical property right as controlling right and physical property right as exclusive right occur at the same time. The scope of effect of controlling rights and exclusive rights consequently remains consistent.

In contrast with physical property rights, intellectual property rights place more emphasis on its exclusivity for the following reasons:

- (1) Exclusivity is the essential attribute of intellectual property rights. Take improved invention as an example, the subsequent inventor, though the granted patent right is derived from his improved invention, which contains all essential technical features of the prior invention, shall infringe

9. Shi Shangkuan, *Civil Law in General*, China University of Political Science and Law Press, 2000, p. 25.

10. Zheng Chengsi, *Intellectual Property: The Exploitation of IPR and the IPR Law Fundamentals*, People's Publishing House, 2005, p. 118.

upon the right of the prior inventor in the case of commercial implementation of such improved invention without the permission of the prior inventor. For this reason, the patent right conferred by the improved invention is virtually an exclusive right. That is, the subsequent inventor can exclude others, including the prior inventor, from implementing the improved invention. Whereas, the controlling right embedded in the improvement patent cannot be fulfilled without the permission from the prior inventor.

- (2) Intellectual property rights are most likely exclusive. For example, in terms of the controlling right of trademarks, the effect of its right is within a relatively narrow range, whereas the range of the exclusive right of trademarks is much wider, especially in the case of well-known trademarks, that is, the exclusivity and controlling effect derived from trademarks are varied regarding the scope of effect. In other words, the extent of the exclusive effect is far wider than that of the controlling effect.
- (3) The commercial exploitation of intellectual creations requires necessary material and legal conditions. During the commercial exploitation of intellectual creation, at least two other requirements need to be met, namely the material conditions and business qualification. Intellectual creations to a certain extent are a kind of property. In fact, there is no doubt that the commercial exploitation of intellectual property is not only required to conform to intellectual property law, but also be in compliance with relevant administrative and economic regulations.
- (4) Exclusivity is the precondition for the pro forma possession of intellectual creations to be realized. Different from physical property rights, intellectual property owners can hardly control intellectual creations, since intellectual creations are usually publicized through the exploitation process, e.g., in the case of trademark, design of a mark shall be described explicitly in the process of trademark gazette; in the case of patent, a patent description shall set forth the invention or utility model in a manner sufficiently clear and complete so as to enable a person skilled in the relevant field of technology to carry out. Also, intellectual creations have to be embodied in material carriers before they enter into market as a kind of commercial products, e.g., literary works as a form of intellectual products; patented technology enters the market under patent products; a sign of trademark must be indicated and then attached to a product before entering the market. In fact, it is possible for everyone as a purchaser to approach intellectual creations, and it is even possible for him to become an infringer driven by powerful commercial inducement. Due to the low cost of manufacture, infringed products can be sold at a cheaper price, which consequently leads to the fact that infringed products have a greater market share than lawful intellectual products. If so, the society's enthusiasm for creation will suffer and shrink. In conclusion, the key of intellectual property lies in its exclusivity, instead of its controlling function.

needs, and the work." When making such a summary, he pointed out that generally speaking, to recognize initial possession of a land, the following conditions must be satisfied: "First, the land must not be inhabited by any one; second, one can only hold the needed quantity of land to maintain his survival; third, one cannot possess a land only with an empty ceremony, but he has to labor on it, the only mark of ownership which, in the absence of legal title, ought to be respected by others."<sup>27</sup> Rousseau is not satisfied with the three criterions Locke set up with regards to the basis of forming property rights. He thinks that, to meet the above three criterions only means a factual possession of a land, and it does not mean property of it.<sup>28</sup>

In Rousseau's mind, the key factor of forming private property is the social public will. He believes that it is the public will (or common will), which is the will of the people of the political community to provide the basis for property rights. Before the social contract is reached and the nation State is formed, people can only possess materials, but not own them. Public will gives a new meaning to the fact of initial possession, i.e. legitimacy, justice and fairness and hence initial possession becomes a fact. In order to avoid the mistakes that may occur while judging gains and losses, people must distinguish the natural freedom that is limited by individual power from the social freedom that is limited by public will. In addition, people also have to distinguish the "ownership" that is formed by an initial possession from the ownership that is based on a formal right. Given this, the freedom of natural State is limited by an individual power, and the freedom of social State is based on the public will. The property rights of natural State is only an enjoying right, and it is based on a strength power or the first possession. After a social State is formed, a property right becomes a formal right, i.e., ownership. Rousseau intended to distinguish the right of natural State from the right of social State. People cannot have a real "right" through their own power to actually control under the natural State.

Comparing to Locke's theory, Rousseau's view of property rights is much clearer. In a civilized society, people give most of their rights to a State according to a social contract, and therefore the State becomes the master of wealth for the entire society. The State becomes the master of wealth because of social contract, therefore, as a whole the social contract becomes the basis of all of the property rights. Once the ownership is ascertained, it would become a real right; meanwhile it becomes the limitation to the individual. Everyone has the rights to obtain what he needs. However, the positive act which made him the owner of wealth ruled out his ownership of all the remaining wealth. Once he has obtained such wealth, he should draw a line, and cannot have any more rights to the collective. People must respect the rights and the things which belong to others but not themselves. Due to the social contract, people seem to have lost their natural freedom and the unlimited right; correspondingly they obtain the social freedom and the ownership

27. Jean-Jacques Rousseau, *Du Contract Social*, translated by He Zhaowu, Commercial Press, 1996, p. 32.

28. *Ibid.*

indeed. Only in a social State, people can ask a State power to protect their material possession based on a social contract. In Rousseau's thinking, the freedom and rights under the natural State is only a status of fact; likewise the freedom and rights under the social State really "make sense."

In the viewpoint of Rousseau, justice and property occurred almost at the same time. To connect justice with property, its meaning lies in creation of normative. That is to say, in the social scope, a person cannot interfere with another person to create knowledge. Rousseau believes that social wealth includes power, right, freedom, opportunity, income, property and dignity. All of the factors are crucial elements for a person's life, their meaning is self-evident.

According to Rousseau, wealth is to satisfy the rational desire. The purpose of rationality is to limit the personal desires to a reasonable extent, for this purpose the principle of justice may treat them as the members of social groups, rather than as individuals. Rational desire is decided through a conscious and rational process to determine the life plan. The benefits of an individual and the existence of a person's rational plan are closely linked.

Rousseau's theory requires a basic social structure. In this structure, every member has equal rights as regards fundamental freedom. Members' actions must be formed while they pursue their individual rights, i.e. using the way of relatively objective and accurate approach to information. Overall, this kind of form means that it is necessary to disseminate relevant and accurate information. The information is the main wealth for an individual to develop a correct working act by using a specific way in daily life. Once the information is created and allowed to serve the people, the best point of use may be found. In Rousseau's theory of distributive justice, the main wealth should be equally distributed. Equal distribution is a fictional distribution, and by this distribution the purpose of adjustment and improvement can be reached. To explain this, Rousseau also created a "different principle" ("the second principle of justice"). According to this principle, Rousseau allows the existence of inequality, as long as the existence of such inequality is able to improve the living conditions of society.

There exists a logical presumption in Rousseau's theory that is impossible to obtain political freedom through a way of getting economic rights. For this purpose, some instrumental use must be prohibited. In terms of intellectual property rights, copyright is concerned with the expression of ideas. Regarding this, in Rousseau's view, it appears to be in contradiction with the freedom of speech. It is obvious that, to a certain extent, copyright may be used to control the spread of ideas. You may imagine that, in a society, if the rights about expression of ideas were more important than freedom of speech, the freedom would be severely affected. Therefore, Rousseau asserts that valuing a property right cannot be priced by sacrificing basic political freedoms.

In Rousseau's theory, property rights have a tool meaning as regards to share and distribute resources. Therefore, the function of a government (such as sharing and distribution) is accomplished by changing the concept of property rights. It is necessary to constantly adjust the tool of property rights for distribution of wealth, as well as to prevent damage of basic political freedom. The wide distribution of

cannot be possessed. In Hegel's view, domination of things can never be complete in terms of possession.

Property rights are allowed to give up or transferred according to the will since they are the product of will, anyway, such a case must meet the certain prerequisite thereof. Some rights such as freedom of will, ethical life and religious beliefs cannot be eliminated because law does not allow doing so.<sup>60</sup> Hegel believes that the character is something that belongs to oneself; the possession itself appears in the process of self-development; and the self-identification is accomplished through conscious self-development. In any case, all the self-ownership is not inevitable.

Of course, in the above-mentioned points of view, there exists a problem: It is assumed that the justification is the main purpose of Hegel rather than the notes. The property rights are a part of this interpretation, and in this way the character starts to achieve oneself in the world. In his view, to achieve this goal, individuals have the right to put their will on everything. The property rights, at first, are a survival tool. Hegel's interpretation of this process is highly functional: the will in the world finds oneself, and subordinate to all sorts of restrictions and had to make a decision. The forms and objects of art are not privileged in this aspect, and the form of art is a way to use knowledge. By this means people can occupy something. For Hegel, the character is not a springboard, but the moral ladder for artists and other creators to obtain special rights. Hegel's analysis of property rights provided the possibility for criticizing the author system.

Hegel did some analysis of intellectual property rights. The product of soul is "of specific us." When they are outside, they are possible to be produced by others. Hegel does not regard it as an issue, but as a good thing. One can possess the thinking that has been outside, whether it is in the books or in the form of invention, and has the access to "express oneself and produce many other same kinds of other things."<sup>61</sup> As Hegel points out that the best way to promote scientific progress and artistic prosperity is to protect the results of scientists and artists from being stolen. He seems to approach for classical utilitarian. Of course, he is very cautious to answer the problems that may occur. In his view, the whole purpose of knowledge products is that they are recognized by others. That is, converting them to the basis learned by others. This recognition by others depends on the previous thoughts, because the mode of consciousness can be approached. In the process of knowledge dissemination, "the mature thinking" is often been trained to give new forms. At any time, the individuals are engaged in the accumulation of overall knowledge, addition or amendment. The existing forms of knowledge are updated and improved again and again. The interests of others were not reduced, but both obtained the dissemination and promotion. In what level an individual may temporarily occupy this kind of knowledge flow and assert the ownership in a re-built form? Hegel believed that there is no "precise certainty principle." Therefore, a society can stipulate the legal limits in the intellectual system through the experiences to ensure that such a system may serve other people and the learning needs of future generations.

60. *Ibid.*, para. 40.

61. *Ibid.*

Hegel regards an individual's free will and possession as basis of property rights ownership, while this is not truly convincing. When Hegel mentioned that people have the right to embody their own will in the material and appropriated the same, his logic was very arbitrary, because he did not use ownership as an object but as a premise, such as people control the material is a fact, and power of people is superior to the expression of an object. If we call this control as a "right," it is possible that the material may become an owner of right when material's power controls people. This assumption is obviously absurd, the right may be converted to be the power of force, violence or other material force, and consequently lose its moral significance.

In essence, there is only the comparison of power between persons and materials, but no rights, because the right is the relationship between persons. Considering material as the object of right and undertaking philosophical speculation, it will only give people the sense of being God. This sense will make people consider that, by their own strength and unilateral will, the right may occur. Hegel seems also to have been aware of the defects of his theory. By the free will of possessing a material to constitute the ownership seems unreliable. Thus, he added the condition of "preemptive" to form the ownership: "A material belongs to the one who occasionally first occupied it, and this is the proposition without doubt. The reason is that the latter one cannot occupy the material that belongs to the predecessors." However, from the point of view of free will, regarding the formation of ownership, the preemptive is not self-evident truth. The will of individuals is not enough to prevent others from the possession requirements of a material, because others also have the free will to place the material under their control. Because two free wills are equal, the first possessor of a material cannot prove that his possessing will is absolutely superior to that of the latter comers. Therefore, the first possessor cannot prove the reasonability of his "ownership" because of preemptive.

Hegel defended his theory continually that, since the material does not have free will but people have, and a material itself does not do something but people do, people are entitled to convert a material to become the one they own. "All of the materials can be owned by all people, because people are free will. As the free will, its existence is comfortable and on its own, and the things opposed to him do not have this kind of nature. Therefore, everyone has the right to convert his will to the material, or convert the material to his will. In other words, he has the right to abandon the material and change the same to be owned by himself. As a result, he can possess the material. Anyhow, it means that my will is superior to the material, and it also shows that the material is not existed on its own, nor their own purposes. This indicated that the way adopted is: I practice another purpose different from that the material directly has inside the material. When I own a biological material, I give it a soul different from its original one. That is to say, I give my soul to it."<sup>62</sup> "People have rights to practice their will in any material, so they become mine; it is not to have the right as a part of his practical purpose, because this purpose does not

62. *Ibid.*

establish an intellectual property protection system. Rather than the protection of intellectual property itself, the whole action was the result of both the political and economic pressure from the outside. The establishment and development of the intellectual property institution at that time went beyond the protection itself, and became very passive. Although things have changed with the passage of time, the Western countries led by the U.S. still played a role of being rude and unreasonable “representative of civilization,” and changed their bargaining tool from “the import of opium” and “exterritoriality” to “economic sanction” and “most-favored-nation treatment.” The essence of their actions was no different from that of a hundred years ago.

In concluding the negotiation with China relating to the intellectual property protection in 1989, the American government threatened that if China would not revise laws concerned with computer protection according to their will, they would impose unprecedented severe sanctions. At the end of the same year, the American government even required the Chinese government to reenact the intellectual property law or China would face huge tariffs. With regard to such overbearing behavior, even the American people themselves have some mixed opinions. Prof. William P. Alford once criticized, “If the purpose of U.S. policy toward the P. R. C. concerning intellectual property is to secure meaningful protection for American property interests, it is necessary, therefore, first to understand why such protection is no more readily available for Chinese—as it is inconceivable that a system designed largely to protect the former, but not the latter could be sustained in modern China.”<sup>17</sup> The affairs concerning sovereignty, including intellectual property should be decided and solved by the country itself rather than by outside interference.

The rapid development of science and technology has brought vitality to the post-industrial capitalist countries. The value generated by high-tech intellectual products accounts increasingly for GDP. The intellectual products made by developed countries, led by the U.S. are sold throughout the whole world and have brought large profit to these countries, among which the development of the computer industry is most representative. The magazine *Fortune* announces the top ten of the richest American people and as the results revealed, among the ten richest people, four were software engineers including the chairman of the board of Oracle, and Bill Gates—the chairman of the board of Microsoft, who ranked first with an amazing revenue of USD 1 million a week.

The Microsoft Windows operating system software produced in China is sold in millions; people could not help but wonder, what percentage of the costs paid by users is for the intellectual property? For example, in 1995, Microsoft launched a grand unveiling of Windows 95 in more than 40 cities around the world, and the cost of advertising was over USD 200 million. At that time, some people questioned: If we say that knowledge is the crystallization of human wisdom, then, the user should be paying for creation of the real object through R & D labor costs

17. W. P. Alford, *To Steal a Book Is an Elegant Offense: Intellectual Property Law in Chinese Civilization*, Stanford University Press, 1995, p. 119.

rather than pay for the marketing. When Microsoft’s products are sold in the international market, and they have to spend a great deal on advertising costs, would it be strange to pass the marketing costs on to the consumers?

With knowledge of product marketing throughout the world, the Americans pushed their culture and values to every corner of the earth; in addition, they spared no effort in imposing their legal philosophy and legal standards on other countries. Of course, the U.S.’ purpose was not to improve the rule of law in other countries, but to protect the U.S.’ global, political and economic interests, as well as preserve its “knowledge hegemony” status.<sup>18</sup>

### 2.2.2. TRIPS and the “Special 301”

In March 1986, including DuPont, General Electric, IBM and the other 13 companies of the U.S., formed the Intellectual Property Committee (IPC), which was designed to reach the *Agreement on the Trade-Related Aspects of Intellectual Property Rights* (TRIPS) in the Uruguay Round Negotiations of the *General Agreement on Tariffs* (GATT). In 1988, the IPC together with the Japanese Federation of Economic Organizations (KEIDANREN) and the European Union, as well as the industry and employers (UNICE) jointly presented a report that was entitled as *Basic Framework of GATT Provisions on Intellectual Property*. This report proposed adoption of a separate GATT Intellectual Property Code. The report was sent to the U.S., the European Community, European countries and Japan, for the consideration of governments. The report underlined the repercussion of other countries failing to give their full protection to intellectual property rights that could result in great losses. The report further stressed that because of the lack of strict and uniform international standards for intellectual property protection, U.S. companies suffer huge losses. U.S. products in 1986 alone suffered losses of about USD 43-61 billion; therefore, the U.S. became the main advocate for the GATT. As for Europe and the Japanese government, although the issue of intellectual property protection in the U.S. was different, strengthening protection of intellectual property rights would still be profitable for them; therefore, Europe and Japan also agreed to the GATT framework. Uruguay Round Negotiations were very difficult. In developed countries, due to the amount of technology intensive products and their advantages, they actively advocated trade liberalization measures; in developing countries, its competitive advantage lies in labor-intensive

18. On July 2, 1998, Bill Gates told the magazine *Fortune*, “Although about 3 million computers get sold every year in China, but people don’t pay for the software. Someday they will, though. As long as they are going to steal it, we want them to steal ours. They’ll get sort of addicted, and then we’ll somehow figure out how to collect sometime in the next decade.” See Corey Grice and Sandeep Junnarkar, Gates, Buffett a bit bearish, <http://news.cnet.com/2100-1023-212942.html>, last visited on May 1, 2012. Bill Gates’ remarks has aroused strong repercussions in China. The industry peers felt that it is one of “knowledge hegemony,” and called for a fresh look at the protection of intellectual property of software and the establishment of a rational order of protection. See Fang Xingdong and Wang Junxiu, *Challenge Microsoft’s “Hegemony,”* China Industry & Commerce Associated Press, 1999, pp. 12-15.

Different countries have various requirements on succession of moral rights. As the copyright protection period is extended after the death of author, there is no difference on the succession of economic rights. But for the succession of moral rights, it takes different scene. In common law countries, copyright is an economic right, so there is no such issue. Impacted by the legislation of civil law countries, China provides that the moral rights may be protected at the same time when the economic rights are inherited by the heir or designated person.

### 1.2.2. Characteristics of Economic Right

Economic rights mean that copyright owner enjoys the rights to use copyright works. They are generally exclusive rights. So the right owners can authorize others to carry out an act which falls within the scope of their rights according to the conditions of use, including the remuneration determined by the right owners. However, the right owners also have the right to not grant permission to would-be users (right of refusal). In this case, should the users proceed with such activity, they may be sued for copyright violation.<sup>2</sup> There are many similarities between property ownership and copyright ownership; they are including the rights to transfer and succession. But great differences exist between them at the same time as follows:

- (1) The transferability of economic rights of authors. China's copyright legislation's adoption of a dual discourse and recognition of the economic rights will allow not only the right for author to use their own work for economic interests, but also the right to authorize use by others.
- (2) Different from permanent moral rights, a limited period for protection of economic rights is granted to the author. The period is the author's lifetime plus 50 years after his death for the natural persons; as for the legal person or the organization, the period is 50 years.
- (3) The succession of economic rights of authors. All countries share the same opinion that economic rights are inheritable.

## 2. THEORIES ABOUT NATURE OF COPYRIGHT

### 2.1. DOCTRINE OF PROPERTY

The theory of property regarding the nature of copyright appeared in the eighteenth century. This theory believed that the author has, to his work, a right similar to material right on the property (movable and immovable property). The purpose of the copyright system is a clear and unambiguous way to grant the creators the basic rights for their economic aspirations. Under the influence of this theory, the right

2. UNESCO, *The ABC of Copyright (2010)*, p. 37, [http://www.unesco.org/fileadmin/MULTIMEDIA/HQ/CLT/diversity/pdf/WAPO/ABC\\_Copyright\\_en.pdf](http://www.unesco.org/fileadmin/MULTIMEDIA/HQ/CLT/diversity/pdf/WAPO/ABC_Copyright_en.pdf), last visited on May 12, 2012.

has been widely recognized in law since the nineteenth century and the twentieth century. However, as copyright theory and practice made major developments, its features became more and more clearer, with the property rights of material property rights encountering serious challenges because of the equal rights of both and the difference between them.

Copyright is the object of intellectual creations instead of a real object and, therefore, the ownership of specific items to fix a work is different from copyright on such work. Copyright is created not on the control over specific items, but on the intellectual creation. Possession, manufacture, delivery of a real object cannot bestow copyright on author.

The author's economic right has a limited duration, generally speaking, the period starts from a work is created until another 50 years after death of its author. However, physical property rights are unlimited. In many cases, the author of the implementation of a system is different from the common system of property rights. Intellectual property can never be fully transferred, thus the author will always be part of the work, and also because, the author's name must be mentioned when work is to be used and there are no exceptions; it is necessary to respect the integrity of the work.

Despite lacking the major contents of property rights, copyright and property right hold the same weight for the people (especially in France and Italy). However, there are two diametrically opposed viewpoints on whether such a right—not like the traditional sense of property right, rather a non-material sense of property rights—is an economic right, or a personal right. The moderate point of view that it can be classified in two categories because copyright protection has a double purpose: the protection of economic right and protection of moral right. Copyright law of this nature eventually led to two major theories of Copyright Law, namely, dualism and monism. The former is divided into the two categories of moral rights of the author and economic rights, and though the two types are interdependent, they cannot be confused; the latter view emphasizes the lack of scientific basis for this distinction, and, therefore, emphasizes the rights of creators as a single, rather than dual, nature of copyright.<sup>3</sup>

### 2.2. DOCTRINE OF INTANGIBLE PROPERTY

With regards to the nature of copyright, the theory of intangible property argues that traditional property right only involves tangible property, while the right of originator is another feature, which only involves the economic value of the exclusive right for the works. The right of originator is a feature which is different from the feature of tangible property right. So the establishment of a new category of law—intangible property right—is essential. Although the intangible property

3. Caselli E. Piola, *Trattato del diritto di auore*, publishing house in Turin (Torino), 1927, p. 40-43. quoted from [Spain]Delia Lypzic, *Copyright and Neighboring Rights*, China Translation and Publishing Corporation, 2000, p. 9.

“The person who creates the work shall be deemed the author.” Article 11 stipulates that “Copyright shall protect the author with respect to his intellectual and personal relationship with his work, and also with respect to utilization of his work.” Article L. 111-1 of the *France Intellectual Property Code (Legislative Part)* 2010 regulates that “The author of a work of the mind shall enjoy in that work, by the mere fact of its creation, an exclusive incorporeal property right which shall be enforceable against all persons.” In contrast to the above viewpoints, others consider that a legal person has independent authority beyond its members, even though it could not be involved directly in its creation and must make use of its members or someone else’s intelligence. Anglo-American law is more inclined to this position. Although they admit the natural person as the author, they recognize that a legal person under certain circumstances could also be considered as author. For instance, Article 201(b) of the *U.S. Copyright Act* 1976 states that “In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.” The employer or person for whom a work was prepared obviously includes a legal person and other organizations. Article 15 of the *Japan Copyright Law* 2010 also stipulates that “The authorship of a work (except a program work) which, on the initiative of a legal person or other employer (hereinafter in this Article referred to as “legal person, etc.”), is made by his employee in the course of his duties and is made public under the name of such legal person, etc. as the author shall be attributed to that legal person, etc., unless otherwise stipulated in a contract, work regulation or the like in force at the time of the making of the work.”<sup>2</sup>

The *China Copyright Law 2010* is more similar to Anglo-American copyright legislations wherein Article 11 (3) stipulates that “where a work is created according to the intention and under the supervision and responsibility of a legal entity or other organization, such a legal entity or organization shall be deemed the author of the work.” With the development of technology and society, high-tech works like major works or software rely more and more on organizations with rather centralized human resources, funds, organization, control and cooperation to undertake the responsibility. Therefore, acknowledgement of a natural person as the author in principle while admitting a legal person or other entities to be the author for certain works is currently inevitable. Certainly, under a great majority of all situations authors are natural persons, legal persons or other entities are only a supplement.

## 2.2. FICTIONAL AUTHOR

According to Article 11(3) of the *China Copyright Law 2010*, the conditions that a legal person or entity could be regarded as an author are as follows: (1) the work is created under the supervision of a legal entity or other organization; (2) the work is

2. The Article was translated by Yukifusa Oyama et al. from Copyright Research and Information Center (CRIC), [http://www.cric.or.jp/cric\\_e/clj/clj.html](http://www.cric.or.jp/cric_e/clj/clj.html), last visited on May 14, 2012.

created according to the intention of legal entity or other organization; (3) the responsibilities taken by a legal entity or other organization. Legal entities or other organizations fulfilling the above conditions would be deemed an author, and related work would be taken as the legal entity’s work. Legal entities or other organizations enjoy complete copyright including personal rights and property rights. Towards this issue, scholars usually acknowledge a legal entity or other organizations as a fictional author. Standard fiction author’s works are mainly encyclopedias, dictionaries and other tools co-authored by a whole committee.

## 2.3. PRESUMPTION OF AUTHOR

According to Article 6 of the *Regulations for the Implementation of the China Copyright Law 2002*, “a copyright shall begin from the date when a work is created.” As copyrights are enjoyed automatically and require no administration or registration, the author of a work is usually determined through the signature on a work. The signature could be either with a real name or a fake name and the way it is done is customary, like “Authored by someone” in literature works, “Painted by someone” on pictures, which also apply to digital works circulating on the Internet.

Article 11(4) of the *China Copyright Law 2010* regulates “the citizen, legal person or other organization whose name is mentioned in connection with a work shall, in the absence of proof to the contrary, be deemed to be the author of the work.” This Article indicates the author-presumption principle is on one hand is helpful towards the exercise and maintenance of copyright rights, and on the other hand is beneficial for the user of the work and the author’s relationship and also monetarily beneficial for the author. And of course, it should be scrutinized carefully who the real author is according to factual evidence if proof to the contrary proving the author is not the real one or it is not the real author’s signature exists.

## 3. COPYRIGHT OWNERSHIP OF SPECIAL WORKS

The *China Copyright Law 2010* creates special conditions for some special works, and in accordance with the provisions of the copyright ownership, these are different from those of normal works.

### 3.1. DERIVATIVE WORK

Derivative work refers to a new work created by adaptation, translation, annotation or arrangement of a pre-existing work. The new work’s copyright belongs to the new creator, which shall not prejudice the original work’s copyright. If original work is still under the protection period, then one must solicit the original copyright owner’s permission to make the derivative work and pay money if necessary.

author's lifetime plus 70 years after their death.<sup>12</sup> The *France Intellectual Property Code (Legislative Part)* stipulates no time limit on author's moral rights.<sup>13</sup> *Berne Convention* protects the spiritual rights of authors from the impact of economic rights, even after the assigning of economic rights, moral rights still exist; after the death of the author, at least until the expiry of the economic rights, the moral rights should be maintained.<sup>14</sup>

As the duration of the value of the works is difficult to ascertain, determining the duration of the protection of the right is not easy. The *China Copyright Law 2010* stipulates that the right of authorship, the right of alteration and the right of integrity are unrestricted. After death of the author, the rights are protected by its successor or agency. If there is no inheritor or successor, it must be protected by copyright administration.

To the right of publication, its duration corresponds the period of the property right.

#### 4.2. DURATION OF PROPERTY RIGHT

In order to balance the rights and interests of the public, the legislation provides for the protection of property rights of works. The main copyright works and the different nature of the protection lasts different durations. Article 21 of the *China Copyright Law 2010* stipulates that protection duration of property rights as follows:

- (1) The author is a natural person; his work property rights are protected for a period of the author's life plus 50 years after his death. That is, regardless when the work was published, the authors are entitled to a lifetime copyright. After the death of the author, the period of protection begins the following year on January 1 and expires 50 years later on December 31.
- (2) Joint authorship works, works property rights protected for a period of the authors' lifetimes plus 50 years beginning from the death of the final joint author.
- (3) The author is a legal person or other organization, property rights are protected for a period of 50 years from the date when the work is first published. The expiration is December 31 in the 50th years after the work is published. Works not published within 50 years after its completion, are no longer protected by copyright law.
- (4) Photography, film production and similar creative works have property rights protection for a period of 50 years after its publication. The

12. See Article 64 of the Germany Law on Copyright and Neighboring Rights (as amended July 14, 1998).

13. See Article L. 121-1 of the France Intellectual Property Code (Legislative Part).

14. See Article 6<sup>bis</sup> of the Berne Convention.

expiration is December 31 in the 50th years after the work is published. Works not published within 50 years after its completion, are no longer protected by copyright law.

- (5) Unknown author's works have a property rights protection period of 50 years. The expiration is December 31 in the 50th years after the work is published. However, once the identity of the author is established, they apply the general provisions of copyright law.

#### EXERCISE OF COPYRIGHT

5.

Copyright includes personal rights and property rights. Personal rights and the author cannot be separated from each other. In principle, the authors exercise it themselves; the property of copyright works is the proprietary right to control and use the work. He who owns the copyright can make the profits through exercising it himself or licensing it to others to exercise. Some economic and technical conditions must be fulfilled when one uses the works. For example, exercise of permission for publishing text entries, photos, such as the copyright, distribution rights, permission to perform works of drama performances and so on. Use usually includes a copyright license, assigning, etc., due to the nature of property rights. Copyrights can also be inherited, donated and entrusted to others to enforce. This section refers to the exercise of property rights.

#### 1. PERMISSION TO USE COPYRIGHT

Copyright permission is the copyright holder's right to use their works in a certain way, at certain time and place and grant permission for others to use it. Licensor and the licensee permit use of the works in the form of clear contractual rights and with obligations between the two sides. With copyright permission, the rights of the work will be the property of one or more others to use. At the same time, a certain amount of copyright royalties may be collected. This is the main form of property rights achieved by most copyrights. Copyright permission generally requires a contract to be signed, but in practice there are a large number of implied licenses to use, such as the classic authors will be entitled to copyright works, and the publisher, the magazine or periodical will have the copyright and the right to issue the permit. Copyright permission can be exclusive and non-exclusive licenses. The proprietary license to use is also known as the exclusive license to use. It refers to the authorization of the copyright of others over a certain period of time and area for exclusive use of works. The licensee has the right to exclude people, including the copyright of any person in the same way as the use of works.

In the exclusive copyright license conditions, the licensee has the right to obtain an exclusive license or license a third party. That is, whether or not they enjoy the right to license should be written in the contract agreement. If the contract

engaging in infringement activities, the victims may authorize the judicial authorities to order the return of the profits or to pay the amount of statutory compensation, or both." In dealing with the issue of infringement against copyright liability, the Chinese adopted the current laws based on the principle of fault liability (liability with fault) mainly with the principle of no-fault liability (liability without fault) to supplement the position that infringement against copyright in principle should apply the principle of fault, especially in relation to liability. The principle of no-fault liability rules is a supplement to the principles of infringement against copyright.

The conditions of infringement against copyright include: damages, illegal behavior, causality between the above two, infringers' subjective fault, etc. The act must fulfill the principles of fault liability and the principles of fault presumption. If it does not belong to the aforementioned condition, and the act fulfills the principle of no-fault liability, it only involves some of the elements and the subjective fault is not obligatory.

Infringement against copyright means that someone uses copyright works without the consent of copyright owner.

## 1.2. THE CLASSIFICATION OF INFRINGEMENTS

According to Articles 46 and 47 of the *China Copyright Law 2001*, infringements of copyright may be divided into 19 types:

- (1) Publishing a work without the permission from the copyright owner. It is an infringement against the right of publication of the copyright owner if either it is published without permission from the copyright owner or published not in compliance with the time, place or form that the copyright owner has decided. In practice, torts against infringement upon the right of the publication generally involve the infringement of some property rights, for example, publishing a work without the permission from the copyright owner. This behavior infringes both the property right and the personal right at the same time.
- (2) Publishing a work of joint authorship as a work created solely by oneself without the permission from the other co-authors. The work of joint authorship contains the collaborative labor of creativity of the co-authors. Consequently, the copyright of the work should be shared by the co-authors. That means without the permission from the other co-authors, one cannot publish the work on his own will, let alone publish the work as one's sole creation. In practice, this kind of infringement can be classified into two categories. The first situation is one or some of the co-authors forestall publishing the work, infringing the right to publish the other co-authors. And the second situation is that one author of the published work produces a new work after adapting or making some changes to the former joint authored work and publishes it as his own

work without the permission of the other co-authors of the former work, infringing the right to adaptation of the other co-authors.

- (3) Having one's name mentioned in connection with a work created by others, in order to seek personal fame and gain, while he has not taken part in the creation of the work. The right of authorship is a right solely owned by the author, which means someone who has not taken part in the creation of a work cannot affix his name to the work. Article 11, Section 4 of the *China Copyright Law 2001* also provides "The citizen, legal entity or organization whose name is affixed to a work shall, without the contrary proof, be the author of the work." In practice, those who have not taken part in the creation of the work always make use of their own status to fulfill their will to affix their names to the work. However, if the author asks some celebrity who has not taken part in the creation to affix their names to the work, so that the work can gain more influence, then it is generally not seen as an infringement.
- (4) Distorting or mutilating a work created by another. Distorting or mutilating a work created by another violates the author's right of protection of his ideas, content or form of the work. There are two different situations. One who has not obtained the permission from the author to modify the work would be included in this kind of tort if he modifies the work. One who has obtained the permission from the author is also included if he exceeds the right he was given and makes some essential changes to the extent that the author's original idea is betrayed, the author's opinions are misunderstood and the integral style of the work is destroyed. This kind of infringement includes the following: (a) distortion of the work's originality when the work is adapted, translated, annotated, compiled or edited; (b) distortion of the work's originality when the press edits the scripts; (c) exploitation of the work that damages the author. Distortion or mutilation of the work must be done intentionally; if the content of the work has been revised negligently or only the form has been changed, it is generally not considered as an infringement.
- (5) Plagiarizing a work of another person. Plagiarism is the situation that when people treat the work created by another as though it was created by them. Plagiarism has two features: one is taking the work of which the author has the right of authorship as his own; the other is publishing the work in his name. Exploiting the following items is not plagiarism: (a) well-known historical materials, knowledge in natural science or geography or other objective subjects; (b) utilization of public common culture in human society; (c) creations according to others' thoughts, ideas or methods.
- (6) Exploiting by exhibition, film production or any film-like methods, or by adaptation, translation, annotation, or by other means, without the permission of the copyright owner. According to Article 10 of the *China Copyright Law 2001*, copyright owners have extensive rights to exploit

- (b) To abolish the provision of State-owned entities as "patent holder" to undermine the color of the planned economy, and amend the provisions on the joint completion of inventions and creations, the assignment of patent application rights or patent rights, the plan licensing. (c) To stipulate the provisions of exemption of compensation liability of the bona fide third party, to a certain extent this is able to plug the infringer to legitimately sell the infringing products, so that anyone who knows or should have known that the products are infringing products cannot continue any relevant commercial acts. (d) To improve the conditions of granting patent compulsory licensing, specify conditions of the compulsory licensing of subordinate patents, and at the same time stipulate relevant issues about the making of compulsory licensing decisions. (e) To add calculating methods of damages in patent infringement, so that the patentee can obtain reasonable compensation of actual loss.
- (2) To optimize the patent examination procedure: (a) To abolish the revocation procedure in order to avoid duplication with the invalidation procedure and result in a long-term of instability of patent rights. (b) To improve the patent invalidation procedure: adding the provision allowing both the invalidation applicant and the respondent to attend relevant patent administrative litigation. (c) To simplify the assignment of patent rights, right to apply for patent and foreign patent applications. (d) In the situation that an invention patent has been filed in foreign countries, to abolish the mandatory requirements for the patent applicants to submit the information related to foreign searches or examination results during the substantive examination stage, instead of the provision that the administration may ask the patent applicant to provide those materials. (e) To clarify the effective date of patent rights, that is, effective from the date when the Patent Office issues a grant notice.
- (3) To strengthen and improve the procedures of patent right protection: (a) to abolish the final legal effect of re-examination and invalidation decisions about utility model and design, and stipulate the judicial review procedure according to the TRIPS Agreement, that is, both parties may file a lawsuit at the People's Court to appeal the re-examination and invalidation decisions about utility model and design. (b) To amend and adjust the time limit of litigation: it stipulates the time limit of litigation concerning the disputes of failing to pay the fees of using the invention after the invention patent application is published and before the patent right is granted. (c) When filing a patent infringement litigation for utility model, one can require the State Intellectual Property Office to issue a search and evaluation report (technical evaluation report) to prevent the patentee to abuse its rights. (d) To add the provisions that the court or the Patent Administrative Department may ask the patentees to provide with a technical evaluation report made by the State Intellectual Property Office when the patentees enforce their patent rights of utility model before

- these authorities. (e) To add the pre-suit provisional measures, so the patent law is in line with the provisions of Article 41 of the TRIPS.
- (4) To improve the administrative protection measures: (a) To clarify the responsibilities of provinces, autonomous regions and municipalities directly under the Central People's Government in patent administration. (b) To revise the provision that competent patent administrative departments handle patent disputes to patent disputes can be mediated by patent administrative departments. (c) To improve the system of patent administrative enforcement, empower the local patent administrative departments to identify whether the patent right is infringed, and increase the administrative punishment for counterfeiting other's patent not reaching the extent of crime.
- (5) To connect with the "Patent Cooperation Treaty": The provisions in respect of international patent prosecutions were added. China joined the "Patent Cooperation Treaty" (PCT) in 1994, and the Chinese Patent Office was one of the receiving offices of international patent applications under the PCT system, also the International Searching Authority and International Preliminary Examination Authority. Therefore, the 2000 "Patent Law" stipulated the provisions, i.e., "Any Chinese entity or individual may file an international application for a patent in accordance with any international treaty concerned to which China is party," and "The patent administration department under the State Council shall handle any international application for patent in accordance with the international treaty concerned to which China is party, this Law and the relevant regulations of the State Council."

## 5.3.3.

## Third Amendment of the Patent Law

The patent law and patent system of PRC are the products of the Reform and Opening Policy. Most of the important developments of patent system are also the key results of the Reform and Opening Policy. Since the Patent Law was adopted by the Standing Committee of the 6th National People's Congress in 1984, it has been amended in 1992 and 2000 twice. The first amendment mainly aimed at implementing to deepen the Reform, extending the opening and performing the promises of Chinese government in the memorandum of understanding on the protection of intellectual property rights between China and the U.S. The second amendment in 2000 was in order to set up and perfect the socialist market economic system and to comply with the requirements of entering WTO.

Since the second amendment of the *China Patent Law 2000*, both domestic and abroad situations have changed significantly. For domestic situations, in order to enhance the capacity for independent innovation and achieve the goal for building an innovation-oriented country, the State Council formulated the

- (2) The filing documents of an application for a patent for invention or utility model submitted by a patent applicant violate the legal requirements concerning the description and claims.
- (3) Where an applicant amends application, the amendment of an application for a patent for invention or utility model goes beyond the scope of the disclosure contained in the initial description and claims, and the amendment of an application for a patent for design goes beyond the scope contained in the initial pictures or photographs.
- (4) The subject of the application for a patent is not in conformity with the definition concerning invention, utility model and design in the *Regulations on the Implementations of the Patent Law 2010*.
- (5) The grant of the patent violates the principle of "for any identical invention-creations, only one patent right shall be granted."
- (6) The application files submitted by an applicant violate the provision concerning claims and independent claim in the *Regulations on the Implementations of the Patent Law 2010*.
- (7) The subject of granting a patent right belongs to situations where a patent right is not allowed to be granted according to the provisions of the Law.

#### 1.2. EXAMINATION AND DECISION OF INVALIDATION OF PATENT RIGHT

After receiving the applications for invalidation, the Patent Reexamination Board shall examine their formality, and the content of examination is whether the applications for invalidation comply with the provisions in the Patent Law and its Implementing Regulations. As with the applications for invalidation that do not meet the requirements, the Patent Reexamination Board shall make a decision to request for supplement within a specified period, and make a decision of dismissal. In the procedure of formality examination, the circumstances where the Patent Reexamination Board makes the decision of dismissal include:

- (1) According to clause 2, Article 66 of the *Regulations on the Implementations of the Patent Law 2010*, where, after the Patent Reexamination Board has made a decision on the request for invalidation, the person makes the request for invalidation again with the same reason and evidence.
- (2) According to clause 3, Article 66 of the *Regulations on the Implementations of the Patent Law 2010*, where anyone requests invalidation of a patent right for design on the ground that the design on which the patent right is granted is in conflict with the lawful rights obtained earlier by others, but fails to submit the effective disposal decision or judgment which can prove the conflict of the rights.
- (3) The reason submitted by the party is not included in all the grounds for requesting invalidation which are definitely stipulated by the *Regulations on the Implementations of the Patent Law 2010*.

- (4) According to the *Guidelines for Patent Examination 2006*, where the evidences have been submitted, it shall not be accepted if the grounds of the request have not been explained in details combined with all of the evidences, or not indicate which ground is supported by which evidence. However, when the request is legal, the Patent Reexamination Board will formally start the procedures of invalidation.

When the procedure is started, the Patent Reexamination Board shall deliver the written request for the invalidation of a patent right and the copies of relevant documents to the patentee, requiring him/it to state opinions within a specified time limit. Usually, in the procedure of invalidation, the examination by the Patent Reexamination Board is limited to the scope, reason and submitted evidence of the request filed by the applicant, and the Board does not have the obligation to carry out an overall examination on the validity of a patent. The patentee of a patent for invention or utility model may, in the process of the examination on the request for invalidation, amend his patent claims, provided that the protection scope of the original patent is not extended. After the examination on the request for invalidation processed by the Board, there are three kinds of decision on which the examination of invalidation shall be made: (1) the entire patent right is declared invalid; (2) part of the patent right is declared invalid; and (3) the patent right is maintained valid. After the decision of invalidation examination is made, the Patent Reexamination Board shall deliver the decision to the parties. Where the person is not satisfied with the decision, he may institute the legal proceedings within three months from the date of receipt of the decision in the People's Court. Where no legal proceedings have been instituted in the Court within the specified time limit, or the decision on invalidating the patent is sustained by the People's Court; it shall be registered and announced by the Patent Administrative Department of the State Council.

#### 1.3. LEGAL CONSEQUENCE OF INVALIDATED PATENT RIGHTS

In accordance with Article 47 of the *China Patent Law 2008*, any patent right that has been invalidated shall be deemed to be non-existent from the very beginning. The decision on invalidating a patent shall, prior to the invalidation of the patent, have no retroactive effect on any judgment or mediation decision regarding patent infringement which has been made and enforced by the People's Court, as well as any enforced or compulsorily executed decision concerning the settlement of a dispute of patent infringement, or on any performed contract for licensing a patent exploitation or for assignment of patent right. However, the patentee shall compensate for the damages he/it has caused to others in bad faith. In addition, if the fact is obviously contrary to the principle of fairness, no patent infringement compensation, no royalty for the exploitation of the patent or no patent assignment fee is refunded, the abovementioned fees shall be totally or partially refunded. And as for general public, when the decision or judgment on invalidating the patent comes into effect, they are free to use this invalidated invention.

the customers so that they may misidentify the origin of goods, and think there is some connection between the infringer and the registrant, thereby harming the reputation of the registered trademark. Meanwhile, such acts will dilute the reputation of registered trademarks, and even possibly make them degenerate into generic names. Taking this factor into consideration, some countries even forbid non-commercial use of registered trademarks in the dictionary or encyclopedia entries, to prevent registered trademarks from degenerating into a generic name.

#### (d) Infringement of Trademark Logo

This refers to the behavior of forgoing manufacturing the logo of a registered trademark of others without authorization, or selling the logos of a registered trademark forged or manufactured without authorization. Trademark logos are the material media of trademarks. It has a variety of forms, such as trademark ribbons on clothes, nameplates on a television, etc. According to requirements of the *Administrative Measures for the Printing and Production of Trademarks* promulgated on August 19, 2004 by the State Administration for Industry and Commerce, trademark logos shall only be printed by appointed trademark-printing entities which are entrusted by eligible principals. Although this type of behavior itself does not use the trademark, it has a direct connection to the illegal use of trademarks. It is usually the precondition of the infringements mentioned before. Therefore, forgoing or selling trademark logos of another's registered trademark without authorization infringes the registrant's trademark. The harm from the preparation stage of the counterfeit trademark is no less than that from other forms of trademark infringements. The *China Trademark Law 2001* not only regards such behavior as infringement, but also investigates the criminal liabilities regarding the crime of counterfeiting trademark in serious cases.

#### (e) Other Circumstances

Article 1 of the *Interpretations of the Supreme People's Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes 2002* clarified some vague infringements which often occur in the judicial practice, providing that the following acts shall be acts that "cause other damages to the registered trademarks of others" as provided in Article 52 of the *China Trademark Law 2001*:

- (a) Using words that are identical or similar to the registered trademark of others as the name of enterprise on identical or similar commodities in a way that relevant public is likely to be misled.
- (b) Copying, imitating or translating the registered well-known trademark of others or the major part thereof, and using it on non-identical or dissimilar commodities as trademarks, which mislead the general public so that the interests of the registrant of the well-known trademark may be harmed.
- (c) Registering the words or characters that are identical or similar to the registered trademark of others as a domain name, and engaging in the

electronic commerce of relevant commodities via the domain name so that the relevant general public is liable to be misled.

### Indirect Infringement

#### 3.2.2.

##### (a) Selling Infringing Products

Selling infringing products is one kind of trademark infringement in the circulation of commodities. The distributor is the medium between commodity producers and consumers, who has the obligation to provide consumers with genuine goods. If the distributor provides commodities which infringe others' exclusive right to use of registered trademarks, it will harm the interests of both the trademark owners and consumers. Therefore, prohibition and sanction of the sale of infringing goods is one of the legal barriers set up for trademark infringements in circulation.

The *China Trademark Law 2001* does not allow the liability of selling infringing products being waived due to having been done "not knowingly". The *China Trademark Law 2001* stipulates that regardless of the perpetrator's subjective factors, as long as the facts of infringement exist, it can be qualitatively identified as infringement. Hence, the *China Trademark Law 2001* has abandoned the practice which accepted "knowingly" as the element of infringement for selling goods with a counterfeit registered trademark. However, if the perpetrator is able to demonstrate that he sold the infringing goods unknowingly, he cannot assume the liability for infringement indemnification.

##### (b) Providing Conditions for Passing Off Intentionally

Providing storage, transportation, mailing, hiding and other facilities for infringement of the exclusive right to the use of registered trademark (providing conditions for passing off intentionally), means that prior to the sale of infringing products, the storage, transportation, mailing and other necessary steps are all needed. The perpetrator does not use the trademark directly, but directly leads to the consequences of trademark infringement.

#### 4.

### EXCEPTIONS FOR TRADEMARK INFRINGEMENT

If unlimited rights are granted to the owner of a trademark, it may result in conflicts between the interests of trademark owners and those of others. To balance the interests of all parties, laws in many countries provide that in exceptional circumstances, even the use of the logo which is identical with registered trademarks is not regarded as infringement, namely, the exception for trademark infringement. At present, from the legislative and judicial practice all over the world, the exceptions for trademark infringement mainly include three conditions: the fair use of trademark, the exhaustion of trademarks and the parallel import.

often happens as follows: the same products which are produced in the protected areas of geographical indication products have not been permitted to use special signs because of the requirements of administrative regulations, but yet the operators use the name of geographical indications without authorization. For example, a producer of green tea in the region of West Lake in Hangzhou, whose green tea is close to but does not meet the standard of "Longjing tea" in appearance and taste, has not been permitted to use the special sign of "Longjing tea". The manufacturer does not counterfeit the special sign, but uses the words "Longjing tea" marked on the outer packaging of his commodities without authorization.

(3) Using names, signs similar to special signs, characters or pattern signs which may mislead consumers and make consumers mistake them for geographical indication products. Though the acts do not use the approved name of geographical indications and special signs, the names and special signs expressed in characters or patterns are similar to the names of geographical indication products.

Right owners of geographical indications are entitled to bring a petition to the competent authority—local quality inspection administrations for the above acts infringing on their rights, and ask for investigations and sanctions, or may also institute actions with the People's Court.

### 3.4. LEGAL SYSTEM FOR PROTECTION OF GEOGRAPHICAL INDICATIONS

In terms of the current legislative and judiciary situation of China, we provided various legal protections for geographical indications, consisting of the *China Trademark Law*, the *China Anti-Unfair Competition Law*, the *China Product Quality Law*, the *China Consumer Protection Law* and other laws, which look at the legal aspects of geographical indications from different angles and levels.

(1) The trademark law has a twofold meaning for protection of geographical indications: on the one hand, they grant the trademark right to interested parties, and this means the interested parties have the right to use relative geographical indications; on the other hand, they grant the right of prohibition to interested parties, i.e. interested parties have the right to object, apply for invalidation or prohibit a third party's application for registration and actual use of the geographical indications on relevant commodities or services.

The *China Trademark Law 2001* makes further regulations for geographical indications from the aspect of special signs, and Article 3 of the *China Trademark Law 2001* provides as follows:

certification marks used in this law shall refer to the marks controlled by the organizations with supervising power over some kind of commodities or services, which are used by businesses or individuals apart from the organizations on their

commodities or services, and certify the origins, raw materials, manufacturing methods, quality or other specific characteristics of the commodities or services.<sup>12</sup> Article 16 provides as follows:

If a trademark contains the geographic mark of the commodities which do not come from the region indicated by that mark, and thus misleads the public, the trademark shall not be registered and shall be prohibited from use; however, those that have been registered in good faith shall continue to be valid. The geographic mark mentioned in the preceding paragraph refers to the mark that indicates the region the commodities come from. And the specific quality, reputation or other characteristics of the commodities are determined mainly by the natural factors or human cultural factors of that region.

Article 6 of the *Regulations for the Implementation of the China Trademark Law 2002* provides as follows:

The geographic marks as mentioned in Article 16 of the *China Trademark Law 2001* may, according to the provisions of the *China Trademark Law 2001* and the present Regulation, be registered as a certification mark or collective mark. Where a geographic mark is registered as a certification mark, the natural person, legal person or other organization whose commodities meet the conditions for using the geographic mark may request to use the certification mark, and the organization that controls the certification mark shall approve. Where a geographic mark is registered as a collective mark, the natural person, legal person or other organization whose commodities meet the conditions for using the geographic mark may request to become a member of the body, society or other organization that has registered the geographic mark as a collective mark, and the body, society or other organization shall accept it to be a member according to the conditions thereof. Any one who does not request to become a member of the body, society or other organization that has registered the geographic mark as a collective one, may be justified in using the geographic mark, and the body, society or other organization shall not interdict.

The laws mentioned above clarify the relationship between geographical indications and certification marks/collective marks in the trademark legal system, which lays the foundation for the combination of the two.

(2) The *Chinese Anti-Unfair Competition Law (AUCL)* provides the relationship between the operator and the customer and forbids the operator from advertising with false geographical indications.<sup>13</sup> The law protects geographical indications by regulating the operator's competition and punishing counterfeiters.

<sup>12</sup> The first paragraph of Article 3 of the *China Trademark Law*, 2001.

<sup>13</sup> Article 9 of the *Chinese Anti-Unfair Competition Law 1993*: A business operator may not, by advertisement or any other means, make false or misleading publicity of their commodities as to their quality, ingredients, functions, usage, producers, duration of validity or origin.

of the *Paris Convention*. According to the Convention, the conditions for obtaining priority are as follows:

- (1) The applicant claiming priority must enjoy the national treatment of the countries of the Union.
- (2) The applicant has duly filed a regular application in one of the members of the Union. Any filing that is equivalent to a regular national filing under the domestic legislation of any country of the Union or under bilateral or multilateral treaties concluded between countries of the Union shall be recognized as giving rise to the right of priority, according to Article 4 of the *Paris Convention*.
- (3) The applicant must take initiative to making the declaration.
- (4) The countries of the Union may require any person making a declaration of priority to produce a copy of the application (description, drawings, etc.) previously filed. The copy, certified as correct by the authority which received such application, shall not require any notarization, and may in any case be filed, without fee, at any time within three months of the filing of the subsequent application. They may require it to be accompanied by a certificate from the same authority showing the date of filing, and by a translation.
- (5) The priority applies only to inventions, utility models, industrial designs and trademarks (excluding service mark).

According to Article 4 of the *Paris Convention*, the priority enjoys the exclusivity to conflicting applications. Any subsequent filing in any of the other countries of the Union before the expiration of the priority periods shall not be invalidated by reason of any acts accomplished in the interval, in particular, another filing, the publication or exploitation of the invention, the putting on sale of copies of the design, or the use of the mark, and such acts cannot give rise to any third-party right or any right of personal possession. But, the effect of priority is not absolute. It is restricted by the prior right, that is "rights acquired by third parties before the date of the first application that serves as the basis for the right of priority are reserved in accordance with the domestic legislation of each country of the Union."

The *Paris Convention* sets a time limit for the priority. The periods of priority shall be twelve months for patents and utility models, and six months for industrial designs and trademarks. These periods shall start from the date of filing of the first application; and the day of filing shall not be included in the period. If the last day of the period is an official holiday, or a day when the Office is not open for the filing of applications in the country where protection is claimed, the period shall be extended to the first following working day.

### 2.3.3. Principle of Independent Protection

Article 4<sup>bis</sup> and Article 6 of the *Paris Convention* provides the principle of independent protection of patent and trademark, which is legally based on the regional nature of intellectual property.

With respect to the principle of patent independence, the *Paris Convention* provides that patents applied for in the various countries of the Union by nationals of countries of the Union shall be independent of patents obtained for the same invention in other countries, whether they are members of the Union or not. The foregoing provision is understood in an unrestricted sense, in particular, in the sense that patents applied for during the period of priority are independent, both as regards the grounds for invalidation and forfeiture, and as regards their normal duration.

With respect to the principle of trademark independence, the *Paris Convention* provides that "the conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation. However, an application for the registration of a mark filed by a national of a country of the Union in any country of the Union may not be refused, nor may a registration be invalidated, on the ground that filing, registration or renewal, has not been affected in the country of origin. A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin." According to the rules mentioned above, the content of principle of independent protection includes the following:

- (1) The authorization, rejection, repeal, invalidation and termination of trademark and patent are independent in different member countries. Each member country determines the conditions and procedures of authorization, rejection, repeal, invalidation and termination of trademark and patent on its own, and these conditions and procedures are independent of each other at the same time. One patent authorized in one country may not be authorized by another, nor may it be eliminated by one country because of the elimination in another country.
- (2) The contents of trademark and patent are independent of each other. In addition to complying with the minimum standard of protection set by the *Paris Convention*, each Member State shall note that other rights are independent of each other.
- (3) The scope of protection of trademark and patent are independent of each other. In addition to complying with the minimum standard of protection set by the *Paris Convention*, each country of the Union can decide its scope of protection of industrial property independently according to its circumstances. For instance, the position on the issue of drug patent is not the same in different countries or different periods in the same country.

However, the rule of equal protection of trademarks specially stipulated by Article 6<sup>quinquies</sup> of the *Paris Convention* is a limit to the principle of independent protection of trademark, which will be discussed explicitly in the following parts.

## (2) Derivative works

The *Berne Convention* covers derivative works, that is, unless it harms to the copyright of original, the interpretation, rearrangement, rearrangement of musical composition, as well as other alterations on literary and artistic works must be equally protected with originals

## (3) Compilation works

This Convention formulates that, all compilation of literary and artistic works, which forms intellectual creations by selecting and arranging makings, such as encyclopedias and selections, should get relevant protection that must not harm copyright of every work in the compilation.

## (4) Works of applied art and industrial designs

This Convention stipulates that, every member country can legislate that, in what degree and conditions practical works of art and industrial designs can be adjusted by its own laws. Works that are protected in the forms of industrial designs in its originated countries shall only enjoy the specific protection offered to industrial designs in member countries; however, if the latter does not provide this specific protection, they can be protected as artistic works.

## (5) Current news

According to Article 2, the protection of this Convention shall not apply to news of the day or to miscellaneous facts having the character of mere items of press information.

It is noted that this Convention declares that every member country can regulate legislative, administrative and judicial governmental documents, as well as their formal version; stump speeches and expressions in litigant process, by its own laws. Moreover, under what conditions can public lectures, speeches and neighboring works be published in a newspaper to be broadcast or delivered to the public in the order of news reporting, along with the way stipulated in Article 11<sup>bis</sup>, is involved.

### 2.3.2. Economic Rights of Authors

Articles 8-14 of the *Berne Convention* formulate the economic rights of authors in detail as follows:

- (1) The right of translation, which refers to the exclusive rights of translation and authorization of translation over original work during the period of being protected, which, however, is limited by the compulsory licensing system in the Convention's enclosure.
- (2) The right of copy, which refers to the exclusive rights of authorizing copy in any way and with any form. However, copy should be allowed by laws of member countries under some special conditions unless it can do harm to normal use of original work and legitimate interests of the author. Thus, Article 9 provides special notes that all recordings and filings should be recognized as copies. Moreover, there are some limits to right of copy stipulated in Articles 10 and 10-2, the details of which are indicated in the section of "limits to copyrights" of this book.

- (3) The right of performance, namely that the author of dramatic, dramatic-musical and musical works shall enjoy the right of authorizing performance, including the public performance of their works by any means or forms, and the right of authorizing communication, including any public communication of their works. During the full term of their rights in the original works, authors of dramatic or dramatic-musical works shall enjoy the same rights with respect to translations thereof.
- (4) The right of broadcasting, namely that the author of literary and artistic works shall enjoy the right of authorizing: the broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images; any communication to the public by wire or by rebroadcast of the broadcast work, when this communication is made by an organization other than the original one; public communication by loudspeaker or any other analogous instrument transmitting, by signs, sounds or images, the broadcast of the work. As the *Berne Convention* stipulates that, it shall be a matter for legislation in the countries of the Union to determine the conditions under which the rights mentioned in the preceding paragraph may be exercised, but these conditions shall apply only in the countries where they have been prescribed. They shall not in any circumstances be prejudicial to the moral rights of the author, nor to his right to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.
- (5) The right of recitation, namely those authors of literary works shall enjoy the right of authorizing: the public recitation of their works, including such public recitation by any means or process; any communication to the public of the recitation of their works. Authors of literary works shall enjoy, during the full term of their rights in the original works, the same rights with respect to translations thereof.
- (6) The right of adaptation, namely those authors of literary or artistic works shall enjoy the exclusive right of authorizing adaptations, arrangements and other alterations of their works.
- (7) The right of recording, namely that the author of a musical work and the author of any words, the recording of which together with the musical work has already been authorized by the latter, shall enjoy the exclusive right to authorize the sound recording of that musical work, together with such words, if any. But, the right of recording shall not apply to cinematographic production in accordance with the provisions of Article 14 of the *Berne Convention*. It stipulates that each country of the Union may impose conditions on aforesaid right. All conditions imposed on aforesaid right, however, shall apply only in the countries which have imposed them and shall not, in any circumstances, be prejudicial to the rights of these authors to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.
- (8) The right of moviemaking, namely that author of literary or artistic works shall have the exclusive right of authorizing: the cinematographic

### 3.2.8. Control of Anti-competitive Practices in Contractual Licenses

Since some licensing practices or conditions pertaining to IP rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology, TRIPS notices that problem and sets general provision in Article 40. According to the provision, members may specify in their legislation licensing practices or conditions that may in particular cases constitute an abuse of IP rights having an adverse effect on competition in the relevant market. Furthermore, member may also adopt, consistently with the other provisions of this Agreement, appropriate measures to prevent or control such practices, which may include, for example, exclusive grant back conditions, conditions preventing challenges to validity and coercive package licensing, in the light of the relevant laws and regulations of that member.

## 4. ENFORCEMENT AND DISPUTE-SETTLEMENT MECHANISM

### 4.1. ENFORCEMENT OF IP RIGHTS

As mentioned above, one of the reasons that TRIPS originated is that the former international conventions of IP rights lacked effective enforcement procedure and dispute settlement mechanism, and the provisions of which have little constraint. TRIPS overcomes these disadvantages. Compared to the former international conventions of IP rights, which only stipulate substantive right and acquisition and maintenance procedure, TRIPS provides specific guarantee for the realization of relevant rights by setting enforcement procedure. Under the guarantee of a fair, non-discrimination enforcement procedure, any damage caused by discrimination or infringement shall get remedied while the accused infringer shall have the opportunity to defend itself. The combination of substantive right regulation and enforcement procedure provision is the most important characteristic of TRIPS, especially when compared with former conventions. It is the enforcement procedure regulation and the dispute settlement mechanism that make TRIPS the most enforced one among all the international conventions.

#### 4.1.1. General Obligations

Article 41 of TRIPS stipulates general requirements of procedure concerning IP rights enforcement, which are as follows:

- (1) Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of IP rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which

constitute a deterrent to further infringements. However, these procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

- (2) The procedures concerning the enforcement of IP rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.
- (3) The decisions on the merits of a case shall preferably be in written forms and reasoned. They shall be made available at least to the parties to the proceeding without undue delay. Decisions on the merits of a case shall be based only on evidence in respect of which parties were offered the opportunity to be heard.
- (4) The parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions and, subject to jurisdictional provisions in a member's law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case. However, there shall be no obligation to provide an opportunity for review of acquittals in criminal cases.

Despite the general obligations above, this part does not create any obligation to put in place a judicial system for the enforcement of IP rights distinct from that for the enforcement of law in general, nor does it affect the capacity of members to enforce their law in general.

#### 4.1.2. Civil and Administrative Procedures and Remedies

Article 42 of the TRIPS sets a "fair and equitable procedure" in particular. According to that provision, the defendant should be entitled to timely notice in writing, which should be in sufficient detail, including the basis for claims. The parties should be allowed to be represented by an independent legal counsel representation, and the procedure shall not provide for the mandatory requirement to make the parties appear in person, which is too heavy. All parties in such procedure shall have the right to prove their claims of rights and to provide all the relevant evidence. The program should provide a measure to identify and protect confidential information, unless the relating measure deviates from the requirements of the current constitution. Such provisions have emphasized the importance of the evidence. Related to the evidence, Article 43 of TRIPS provides provisions in detail.

Articles 44 to 47 of TRIPS provide provisions for the plaintiff's remedy measures, including the following:

- (1) *The ban.* The members of the judicial authorities have the right to order the parties to stop the infringement, and to prohibit the imports of infringing products. But, the remedy of stopping infringement does not apply to compulsory licensing.
- (2) *The compensation.* For willful infringers or infringers, if there are good grounds for who to know of infringement, members of the judicial