

Internationalisation, Modernization, and Codification: The Development of Chinese Intellectual Property Law

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The new century is witness to amazing advances and innovations in science and technology and as a result, our lifestyle is undergoing dramatic changes. In the legal system, intellectual property (IP) is the element most vulnerably exposed to the impact, as all nations are obliged to change their policy and revise their laws of intellectual property to respond to the 'knowledge revolution'. With extensive international exchanges and cooperation in commerce, science, technology and culture as well, protection of IP is attracting increasing attention. New international trade systems demand that IP Law can balance the interests of each party. In the new tide of codification of civil law, legislators attach importance to IP Law that is apparently a new issue. Lawmakers try to incorporate IP into civil codes, or try to codify special intellectual property codes, which has great influence on the development of the Chinese IP system.

I. New International Trade System and Internationalisation of the IP Protection System

Economic globalisation is a post-world-war economic phenomenon in which the economies of individual nations grow increasingly dependent on each other, interactive and interwoven with each other. It requires that individual nations eliminate trade barriers or non-trade barriers and standardize international trade rules in order to promote free international trade.¹

GATT and its successor WTO play a very important role in boosting economic globalisation. GATT pursues trade liberalization through guaranteeing

most-favoured-nation treatment among all members, granting tariff reduction and even taking measures to abolish tariffs and eliminate non-tariff barriers, with an overall goal of facilitating international trade by making the best use of international trade resources and expanding the production and exchange of the goods. Different from other international conventions and international organizations, GATT integrates the protection of IP into the international trade system. According to a document from the negotiation of the Uruguay Round among the U.S.A., Japan, and the EEC, IP protection within the GATT framework does not aim at coordinating the IP laws of its member countries, but aims at resolving the trade disorders resulting from the inadequate protection of IP according to international standards.² It should be recognized that the benefits gained from IP protection by developed and developing countries are unbalanced, so their positions and anticipated aims in international negotiations and dialogues are very different.³

In the framework of GATT, after 7 years of negotiation, the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) was signed, and annexed to the Final Act Embodying the Results of The Uruguay Round of Multilateral Trade Negotiation Done at Marrakech. It is now the first time that IP Law is connected with international trade development. It is a milestone signalling a new stage in the protection of IP that ensures adequate standards of intellectual property protection, which plays an important role in coordinating IP legislation and judicial activities of its member countries. Compared with previous international treaties on IP, TRIPs has the following features: 1. TRIPs, GATT and GATS are three main legal systems within the WTO framework. 2. Most of the clauses of TRIPs are substantive obligation provisions that do not permit the reservation of members. 3. TRIPs establishes an effective multilateral dispute settlement mechanism, which is 'highly uniformed' and 'strongly compulsory.'⁴ In international protection of IP, developing countries are worried about the financial and administrative burdens arising from the high standard of IP protection, but they have to face up to the pressure brought about by the new international trade system. The reasons for developing countries applying for entry into WTO and accepting the new international trade rules including WTO are according to their own interests: 1.

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¹ Paul Felix Wegmann, *Immateriälgüterrecht und Liberalisierung des internationalen Handels im Wandel*, 10/2003, p. 776.

² LI Xiaowei, *Change of International Protection of IP and its Influence*, in: Finance, Vol. 3 (1996).

³ SHI Wei, *TRIPs and the Reaction of China*, in: Chinese Yearbook of Private International Law and Comparative Law (1998), p. 59.

⁴ ZENG Linliang, *WTO Legal System*, Wuhan 1996, p. 166.

Uruguay Round represented some interest claims; in other words, the fact developing countries adopting TRIPs is not a mere concession, but rather an exchange of their own interests. 2. It is necessary for the development of the economy and culture of developing countries, especially for those rising industrial countries, because Protection of IP relates to policy-making concerning sciences, culture and economy and can promote in the long run, all-round progress for society. It is with this background that China adopted TRIPs and joined WTO on December 11, 2001.⁵

Since the People's Republic of China was founded, the Chinese government has once promulgated some administrative regulations to protect IP, but there were no legal norms in a strict sense for a long period of time. Since it adopted an opening-up policy in the 1980s, China has been strengthening its legislation on IP and has established its IP legal system. In the last 20 years, China has made a series of IP laws and regulations. The major laws include: Trademark Law (1982), Patent Law (1984), Copyright Law (1990), Law Against Unfair Competition (1993).⁶ At the same time, China actively takes part in international IP protection systems. The main international treaties that China has joined and ratified include: Convention for Establishing the World Intellectual Property Organization (1980), Paris Convention for the Protection of Industrial Property (1985), Madrid Agreement Concerning the International Registration of Marks (1989), Berne Convention for the Protection of Literary and Artistic Works (1992), Universal Copyright Convention (1992), Convention for the Protection of Producers of Phonograms Against Unauthorized Publication of Their Phonograms (1993), Patent Cooperation Treaty (1994),⁷ etc. China accessed to the WTO in 2001 and became a contract party of the TRIPs.

⁵ Gazette of the Standing Committee of the NPC, 2001, No. 7, p. 600.

⁶ Apiece effective as of March 1, 1983; April 1, 1985; June 1, 1991 and December 1, 1993.

⁷ On March 3, 1980, the Chinese government submitted its application for admission to the World Intellectual Property Organization; on December 19, 1984, the Chinese government submitted its instrument of accession to the Paris Convention for the Protection of Industrial Property to the World Intellectual Property Organization; the Chinese government presented its instrument of accession to the Madrid Agreement for the International Registration of Trademarks to the World Intellectual Property Organization on July 4, 1989; on July 10, 1992, the Chinese government presented its instrument of accession to the Berne Convention for the Protection of Literary and Artistic Works to the World Intellectual Property Organization and on July 30, 1992, its instrument of accession to the Universal Copyright Convention to UNESCO, becoming a member state of both conventions as of October 15 and October 30, 1992 respectively; On January 4, 1993, the Chinese government presented its instrument of accession to the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms to the World Intellectual Property Organization; on September 15, 1993, the Chinese government submit-

Before its accession to the WTO, China revised the Copyright Law (2001), the Patent Law (1992, 2000), the Trademark Law (2001), promulgated the Regulations on the Protection of New Varieties of Plants (1997), and the Regulations on the Protection of Layout-Design of Integrated Circuits (2001). In conclusion, it only took 20 years from the 1980s of the 20th century to the beginning of the 21st century for the Chinese IP legal system to develop from lower to higher-level protection and to finish the transition from practice with Chinese characteristics to internationalisation.

There is no doubt that Chinese IP legislation should conform to the trend of internationalisation, undertaking the obligations stipulated by international conventions. The internationalisation of the IP system requires that the fundamental principles and basic provisions of the international IP system are legally binding universally, and that means that international law is prior to domestic law and that domestic law should defer to international law. But internationalisation of the IP system does not require the unification of IP Law of individual countries on subject matters of protection, standard of protection, and protection procedures. According to the principle of 'minimum standard', the protection level of individual countries should not be lower than the convention's standard, which is a general requirement of internationalisation of the IP system. As China is a developing country, its protection standard should be based upon its economical development and the development of science, technology and culture; it is enough for China to meet the requirement of minimum standard stipulated by the international convention. Chinese legislation should make efforts to find a balance point between Chinese legal characteristics and internationalisation.

In the years before China's accession to WTO, there was a ridiculous phenomenon in IPR protection in China: That was 'super-national treatment and super international standard' where the copyright protection of foreigners exceeded that of Chinese, for example in regards of the protection term of software. The Amended Copyright Law of China (2001) corrected the situation, granting foreigners equal treatment with Chinese and enhancing Chinese works protection standard at the same time, thereby properly coordinating and balancing IP protection for foreigners and Chinese alike. What is called 'super international standard' is that the

ted its instrument of accession to the Patent Cooperation Treaty to the World Intellectual Property Organization.

protection of IP exceeds the obligations of convention. For example, the application subject of Regulations of the People's Republic of China on the Customs Protection of Intellectual Property Rights includes all infringing goods, while TRIPs only requires that customs authorities take measures to suspend the release of the suspected importation of counterfeit trademarked or pirated, copyright goods. Apparently, the protection scope of Chinese customs authorities exceeds the scope required by TRIPs. Another example regards software protection. According to the Notification on Banning the Use of Software of Illegal Reproduction promulgated by the State Copyright Bureau, anyone holding unauthorized software constitutes an infringement; Japan's Copyright Law stipulates that intentional reproduction and using the unauthorized software for business constitutes an infringement.⁸ Furthermore, some scholars in China propose that requisites for infringement of IPR should adopt non-negligent liability (or strict liability), and adopt punitive compensation for losses learning from American law. Paragraph 2 of Article 45 of the TRIPs does not require members to adopt strict liability to constitute infringement of IPR. In conclusion, in the process of IP internationalisation, a feasible IPR protection strategy should be formulated for different development phases. The strategy is based upon long-term interests with vision for the future without doing harm to current interests; China should abide by international conventions to protect foreign high technology while pursuing international cooperation to protect traditional knowledge, heritage resources, and folk literature and art where China holds a special advantage.⁹

II. Technological Revolution and Internationalisation of the IPR System

Since the late half of 20th century, the high technology revolution represented by microelectronics technology, bioengineering technology and new material technology has greatly promoted the development of the society. This revolution naturally brings about new problems in the domain of IP protection, which forces legislators of all countries to look for a new way to protect high technology.

'Knowledge revolution' typified by network technology and genetic technology started in the 1980s in the wake of the high technology revolu-

tion.¹⁰ The Internet poses as a challenge to the current legal system. As for the IP system, the Internet brings about the following problems: 1. Internet copyright problem, that is how to extend the exclusive rights to cover the network transmission of works, which boils down to three concrete issues, namely: protection of digital works, legal protection of encryption technology and protection of databases should be worked out.¹¹ 2. Network marker problem. Business trademarks and logos are digitalized online. The transformation induces two innovations: first is the innovation of the traditional trademark system; second is the innovation of protection of the domain name. For the first innovation, we should take into account some problems: the conflict between trademark protection limited to within the territorial scope and internationalisation of the network, and the conflict between the classification protection of trademark and the exclusive virtue of network trademark, and changed modes of infringement and requisites to constitute infringement within the network. For the second innovation, we should consider the following problems: how to register and examine the domain name; what's the nature and content of rights in the domain name, how to coordinate the conflict between the domain name and prior rights acquired by another person, how to protect the domain name and settle disputes concerning the domain name. 3. Unfair competition in the network. The present Competition Law confronts problems resulting from network transmission and electronic commerce, such as imitated commercial packing of screen view and web site interface, the encryption measures for business secrets online, false advertising within the network, etc.¹²

As the only match of network technology, genetic technology is regarded as one of the greatest technologies of the 21st century. Genetic patent relates to two problems: 1) How to define the scope of a genetic patent. 2) How to define the scope of exclusion in genetic patent protection, including methods regarding human cloning, commercial use of embryos, and the simple discovery of gene order.

Chinese IP lawmaking commenced in the 1980s, consummated in the 1990s and moves to innovation at the beginning of the new century. After several revisions, China has realized the modernization of

⁸ Article 113, Copyright Law of Japan, 1970.

⁹ See WANG Yong, Suggestion to complete the IPR's System of China, www.sina.com.cn (April 16, 2004).

¹⁰ DUAN Ruichun, Some Thoughts on Intellectual Property, in: Pursue Truism, Vol.4 (1993), p.25.

¹¹ XU Hong, Intellectual Property Law in Network Time, Beijing 2000, p. 8.

¹² ZHANG Ping, IPR Protection in Network and Legal Analyzing, Guangzhou 2000, p. 112.

system innovation and has accomplished the following achievements.¹³

1. Copyright Law in 2001¹⁴

The revised Copyright Law extends the scope of the law to involve more subjects, including applied arts, acrobatic performances, architectural designs, literary and artistic works published via the Internet; computer software shall be deemed as written works and shall be protected by prolonging its term of protection to 50 years and abolishing software registry as the prerequisite for copyright protection; 'cinematographic, television and videographic works' are revised as 'cinematographic works and works created by virtue of an analogous method of film production'; databases with originality shall be deemed as creative works and shall be protected. The revised Copyright Law extends the rights which copyright holders enjoy, add the right of rental, that is the right to authorize with payment others to temporarily use cinematographic works, works created by virtue of an analogous method of film production and computer software, except any computer software that is not the main subject matter of rental. The Law broadens the extension of the right of performance, which shall be interpreted as the right to publicly perform works and publicly broadcast the performance of works by various means; the right of communication of information on networks is added, which is the right to communicate to the public, works by wire or wireless means, in such a way that members of the public may access these works from a place and at a time individually chosen by them. In exploitation of these rights, besides consummating the licensing contract, Assignment Contracts shall be permitted. To facilitate the use of rights, collective administration of copyrights is prescribed. In limitation of rights to coordinate the relationship among copyright holders, users and the public, the fair use of works including private reproduction, performance, broadcasting, use by state organs for the purpose of fulfilling official duties, translation, are allowed on stricter conditions; in order to implement the strategy of national rejuvenation through science and education, compiling and publishing textbooks for implementation of the nine-year compulsory education and the national program, is listed as one of statute license¹⁵, learning from the achievements and practice of other countries. In remedy of rights, the amended

Copyright Law provides the protection of the electronic right management information of works and prevents intentionally circumventing or destroying the technological measures taken by a right holder for protecting the copyright or copyright-related rights of his works.¹⁶ The revised Copyright Laws prescribe tougher penalties for copyright infringement, providing a statute damage that does not exceed RMB 50,000 (about US\$ 6,485) when damages cannot be calculated.¹⁷ Copyright holders or other rights holders concerned, also may apply to a people's court to order an injunction or evidence preservation even before initiating legal proceedings. In the principle of constituting an infringement, the defendant should have faults or he should prove that he has no faults; otherwise, he would be an infringer.¹⁸

2. Patent Law in 1992 and 2000¹⁹

Each revision of a patent is comprehensive and the improvement is remarkable. In patentable subject matter, the scope extends to food, drink, condiment, medicine and substances obtained by means of chemistry.²⁰ In the patentable process, the scope extends from processes used in producing products only, to processes and products themselves. The duration of patent rights is prolonged to 20 years for inventions and 10 years for utility models and designs, counting from the date of filing. In patentee rights, import and franchise is added. In limitation of rights, Compulsory License for Exploitation of Patent provides more strict conditions. In the examination and approval procedure, the revoking procedure is deleted to facilitate the examination and approval. To keep in further conformity with the TRIPs, the revised Patent law grants judicial review by abolishing the provision that re-examination by the Re-examination Board concerning the revocation and invalidation of a utility model or design shall be final. To intensify effectiveness of patent protection of right holders' legitimate rights, the revised Law circumscribes the 'good faith' sale, use of patented products without authorization of the right holder, adds provisional measures such as injunction and evidence preservation before initiating legal proceedings and adds statute remedy when the damage is hard to be calculated.²¹

¹⁶ Article 47 of Copyright Law of the People's Republic of China (2001).

¹⁷ Article 48 of Copyright Law of the People's Republic of China (2001).

¹⁸ *SHI Zong Yuan*, Director of Copyrights Bureau of China, Supplementary Explanation to "Revision of Chinese Copyright Law", in: Material Collection to Revision of the Chinese Copyright Law, p. 3, Beijing 2001.

¹⁹ Gazette of the State Council, 1992, No. 305, p. 1305 et seq.; 2000, No. 30, p. 9.

²⁰ Article 25, Patent Law (2000).

²¹ *ZHENG Chengsi*, *Remin Fayuan Bao*, Sep. 2, 2000.

¹³ Gazette of the Standing Committee of the NPC, 2001 No. 7, p.510, German Translation in GRUR int. 2002., p. 23 et seq.

¹⁴ See *Frank Münzel*, *Chinas Recht*, www.jura.uni-goettingen.de/Chinarecht.

¹⁵ Article 23 of Copyright Law of the People's Republic of China (2001).

3. Trademark Law in 1993 and 2001²²

In trademark subject matter, the trademark protection extends to service marks; names of the places where the Central and State organs are located and names of foreign places known to the public, shall not be used as trademarks; the component of trademark broadens to any visual signs capable of distinguishing the goods or service, including any words, designs, letters, figures, three-dimensional symbols, combinations of colours and their combination. As to the subject of the right, the trademark right holder extends to any natural persons, legal entities or other organizations. For trademark protection, the Law provides modification procedure in trademark examination, priority right in application, and that an application for the registration of a trademark shall not create any prejudice to the prior right of another person, nor unfair means be used to pre-emptively register the trademark of some reputation another person has used.²³ In civil procedure, the revised law abolishes final-decision power of the Trademark Re-examination Board, whilst it provides the trademark holder an opportunity for judicial review. For enforcement of a trademark, the revised Law provides provisional measures to strengthen the enforcement and statute damages. For protection of well-known trademarks, according to the Paris Treaty and TRIPs, the Law enumerates the factors in establishment of a well-known mark and particularizes the measures of its protection.²⁴

4. Release of the Regulations on the Protection of Layout-Design of Integrated Circuits in 2001²⁵

The Regulations specify the subject matter of protection, subject of right, rights conferred, term of protection, enforcement of rights, of layout-design, of integrated circuits, according to the TRIPs.

5. Release of the Regulations on the Protection of New Varieties of Plants in 1997²⁶

The Regulations specify the subject matter, subject of rights, rights conferred, limitation of rights, term of protection of new varieties of plants. Today, economic development depends on knowledge with science and technology as its main content, this is to

say, knowledge has become the impetus for productive force and economic increase. The new century is the time of knowledge economy, and also the time for IP; as a model of institutional civilization,²⁷ IP plays an important role in inspiring innovation and promoting scientific progress and cultural prosperity. Therefore, the Chinese IP system must maintain its superiority in this aspect, that is promote the modernization of science and technology through modernization of the legal system.²⁸

III. The Trend of the New Civil Code's Making and Codification of IP

Since the 20th century, some continental law countries tried to incorporate the IP into their civil codes; their efforts set a trend in a second civil law codification in the 1990s. The codes which have been completed of planted to completed included: Italian Civil Code in 1942,²⁹ Holland Civil Code in 1992,³⁰ Russian Civil Code in 1994,³¹ and Vietnam Civil Code in 1995.³² According to the Holland legislation plan, the ninth chapter entitled 'right of intellectual product' should provide the IP. But they gave up the original plan because it was too hard in terms of legislation due to the fact that IP law involves many administrative, procedural and criminal provisions. Another factor that discouraged the plan is the European Community legal system. Before the promulgation of the Ninth Chapter of Holland Civil Code, EC enacted the unified trademark law, patent law, and other ordinances on IPR, which require Members to be in agreement with them in the law and no exceptions are permitted.³³ In the Russian legislative plan, the fifth book entitled 'Copyright and Creation Right' did not include patent right and trademark right. In fact, this book has not been finished till now and Russian Patent Law and Trademark Law were promulgated in the mode of a single law.

The codification effort of the civil codes above, that contain IP book can be said to be an interesting experiment, but not good examples which are worth following. Those legislatives adopted two approaches: one approach is to incorporate all IP clauses into civil codes. In the IP laws, where most copyright clauses are private law norm, total

²²Gazette of the State Council, 1993, No. 4, p. 124; 2001, No. 33, p. 16. English translation, www.chinabusinessdesk.com/pages/investment/laws/trademark.html.

²³ Article 2, Trademark Law of the People's Republic of China (2001).

²⁴ Shen Liu & Associates, Newsletter special issue, March 2002, p.1.

²⁵ China Law & Practice, May 2001, Volume 15, No. 4, p.10 and November 2001, Volume 15, No. 9, p. 51.

²⁶ China Law & Practice, December 1997, Volume 11, No. 10, P.26.

²⁷ LIU Chuntian (ed.), Intellectual Property Law, Beijing 2000, p.19.

²⁸ WU Handong, Faxue Yanjiu, 6/2002, p.128.

²⁹ FEI Anling/DING Mei, An Introduction to Italian Civil Code, 9th chapter of 5th book, Beijing 1997.

³⁰ Auther S. Hartcamp, Revision of Holland Civil Code, 1947-1992; Foreign Law Translation and Review, Jan. 1998.

³¹ YU Xianyu, Russian Civil Code and Conflict Law, Beijing 1995, p.124.

³² MI Liang, Vietnam Civil Code, Yunnan 1998.

³³ See: WU Handong: Copyright Laws of Western Countries, Beijing 1998, p. 333-335.

incorporation maybe good; but to industrial property, which contains much public law norm, it is very hard to deal with in terms of legislative technology. The other approach is that the codes contain some common applying norms extracting from the IP, while keeping the single laws. This approach keeps pureblood and formal orderliness of private right law, but there is not much value in practice.

Differing from the above codification approaches, France followed another approach, that is the codification of a special IP code. The French Intellectual Property Code in 1992 compiled 23 laws and regulations related to IP into a uniform code, which is the first IP code in the world.³⁴ This Code is an institutional innovation that responds to economic and technological development. The codified IP does not change its status of civil law ad hoc and its nature. There are two reasons: 1. Civil Law and Commercial Law are basic laws, and the IP law is the law ad hoc in France. 2. The French Intellectual Property Code presents a special mode of systematisation of special laws. The code is not a collection of all regulations and norms that existed then, but is a systematized document, which coordinates existing documents. In the making of the IP Code, the French legislator integrated and organized single regulations and norms as a code, in order to meet requirements. But French Intellectual Property omitted an important factor in codification, that is that no common principle and norm apply to the IP system. Maybe the French legislators did not or had no capacity to design General Provisions for an IP code that is similar to the traditional civil code. Thus the French Intellectual Property Code in 1992 can be seen as a compilation of single laws concerning IP and a systematisation of special laws, and it does not change the status of IP law as a civil law ad hoc.

Chinese legislators should use the two approaches above for reference in their lawmaking work. China Civil Code has finished its first draft; legislators are still consulting experts. So how to deal with the IP system is an unavoidable question. As to whether China's Civil Code should take up an IP system, proponents and opponents all stick to their arguments. Proponents proposed that the civil code should include the IP due to the following reasons: foreign countries have the precedents that provide the IP in civil code, and the General Principle of Civil Law of the People's Republic of China also

provide the Intellectual Property in the chapter 5, "Citizens rights"³⁵. Therefore, the IP should be a part of civil code.³⁶ The meeting held by the Law Committee of the NPC Standing Committee in October of 2002 was informed of the legislative interpretation by the drafters of the IP book. The IP book (draft) contains general principles, rights conferred and supplementary provisions, containing more than 100 articles.³⁷ The choice of legislation style not only concerns the legal tradition and legal cultural orientation, but also relates to legislative skill, legislative rule and it is often influenced by such factors as politics, economy, science and technology. No matter which road people take, codification is the only way for Chinese intellectual property legislation.

³⁵See: Collections of Chinese Economic Law, by Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH, 2002, Beijing, p. 38-39.

³⁶ See: ZHENG Chengsi's and WANG Jiafu's speeches, <http://www.lawintime.com/read> (Dec. 11, 2003).

³⁷ During the meeting Prof. Dr. Handong Wu disagrees with this first draft and suggests: the codification of IP should take a two-step approach. The first step is for the coming Civil Code just to provide general principles of IP, and keep the single IP laws. The second step is to codify the IP code under civil code. Civil code provides the fundamental provisions of IP, while keeping the separate laws and regulations. The fundamental provisions include: nature of IP, effective territory of IPR, subject matter of IPR, subject of IPR, rights conferred, limitation of IPR, application of IPR, protection of IPR, etc. compiling effective single regulations as chapters of IP code.

³⁴ HUANG Hui, Translator's preface for *French Intellectual Property Code*, Chinese version, HUANG Hui (translated), French Intellectual Property Code (Legislative Part), Beijing 1999.