

The Last (or First) Line of Defense: Using Customs to Protect your IPR in China

Businesses in Europe have increasingly benefited from Customs authorities acting to prevent counterfeit products from entering their borders – seizures of products infringing on others intellectual property (IP) make news stories around Europe every week. Not many businesses, however, realise that unlike most countries the Chinese Customs authorities not only have the power to examine and seize criminal imports, *but also exports*. China Customs have the authority to protect IP rights by confiscating infringing goods and imposing fines on infringers. If the infringement of IP rights exceeds a certain threshold, then the Customs authorities will also arrange for criminal proceedings to be brought against the infringing party.

The Customs IP Regulations provide that IP rights can be recorded with the General Administration of Customs (GAC) in Beijing. Although it is not compulsory to record IP rights at the GAC in order to apply to local customs for enforcement proceedings, it is beneficial for a company moving goods in and out of China, because if IP rights are registered with Customs, then Customs has the power to detain at will any suspected infringing consignment of goods. In addition, local customs offices are more proactive when IP rights are recorded with GAC mainly because the recordal provides Customs officials with easy access to internal IP databases and makes it easier for them to determine whether goods passing through Customs are genuine or counterfeit. Recordal of IP rights also facilitates the process of commencing Customs enforcement proceedings.

Given that the recordal of IP rights with GAC is free and straightforward, recording with GAC is recommended by the China IPR SME Helpdesk experts.

Recordal of IP Rights with GAC

The types of IP rights that can be recorded with GAC are trademarks, patents (including patents for invention, utility model and design patents) and copyrights and separate applications need to be filed for separate IP rights. In the case of trademarks, for example, holders must submit a separate application for customs recordal for each trademark in each class. At present there are no fees associated with IP registration. To record IP with the customs authorities, you must submit:

- A copy of your business registration certificate (including a Chinese translation)
- A copy of the trademark certificate (China registration)
- Information regarding related licences (Customs do not want to withhold legitimate goods), photos of the goods and their packaging
- A power of attorney in the name of the agent responsible for the registration process, if one is used

In addition, you can also register information about infringers that they may have collected independently, such as names, company names, contact details, etc. If you have detailed knowledge of specific deliveries of goods, you can inform the customs authorities, who will then examine the delivery in question.

Decision

Within 30 days of receipt of all relevant documents, GAC will make a decision whether to record the IP rights in question. If GAC approves the submission, the recordal of IP rights is valid for the duration of the IP right or for a maximum period of ten years. Renewal of customs recordal can be filed six months prior to expiration.

Customs Enforcement Proceedings

There are generally two ways of commencing customs enforcement proceedings.

If you suspect that infringing goods are to pass through customs, you may file an application with the local customs office at the place of entry or exit of the infringing goods. You are required to provide the local customs office with a deposit to cover potential losses of the consignee or consignor and/or costs incurred by Customs for warehousing, storage and destruction of any infringing goods. This payment is usually made in the form of bank transfer or cash payment. According to the recently revised Customs IP Measures, blanket securities in the form of bank guarantees are now acceptable upon prior approval from the GAC. This option is available those who have not registered with customs, however the process is quicker, easier and more likely to be resolved successfully if the right is already registered.

If the customs authorities suspect that goods infringe IP rights, they will request that the consignee or consignor make a declaration regarding the status of such goods and the IP rights in question. If a declaration is not provided, the authorities will suspend the release of the goods and will immediately notify you. You must act within three days of notification, in order to file an application to detain the goods and commence customs enforcement proceedings as well as provide the deposit to the local customs office. Given the short deadline, if a guarantee is made by bank transfer from an overseas account, the local customs authorities usually accept an advance copy of the bank transfer slip as preliminary evidence of timely submission of the guarantee. This Ex Officio action by Customs is only possible if you have already registered the right with Customs.

You will also have to confirm whether or not the goods in question are in fact, counterfeit. The customs authorities will make a final decision as to whether the goods infringe the IP rights within a six-month period. The customs authorities will then decide whether to detain and destroy the goods. The customs authorities can also fine the consignee or consignor. If the value of the infringement exceeds limits stipulated in the PRC Criminal Law, the customs authorities will submit the case for criminal proceedings.

The customs authorities will inform you about its final decision and return any security payment made, after deducting expenses (such as for warehousing, destruction of the goods in question, or for losses incurred by the consignee or consignor).

Customs Recordal – points to bear in mind

The purpose of recording your IP rights at customs in China is to stop the export or import of infringing products and thereby preventing counterfeit versions of your goods from entering the international market. Recordal gives customs the ability to intercede autonomously if they believe this might happen.

Recordal of IP rights has, in the past, resulted in a number of encouraging results. However, in order for the customs authorities to make proper and quick decisions when checking goods passing the borders, you should maintain close contact with the customs authorities. It is particularly important that you provide the customs authorities with a comprehensive description of your products, including pictures and samples (which you should retain), so that the customs authorities can easily recognise counterfeit goods. Customs authorities are also generally willing to attend ‘training’ meetings with you or your representatives to allow the best chance of limiting infringing products from crossing through customs in China.

In the latest implementing rules for the Customs regulations on IPR protection (effective as of 1 July 2009), you are obliged to provide Customs with as much information about the legitimate business usage of the right as possible, if you wish to continue to benefit from this service. For example, it is required that if there is any change to the information made in the recordal application, Customs must be notified within thirty days. Failing to meet your obligations to Customs can lead to your recordal being cancelled, so take the time to familiarize yourself with them.

*The **China IPR SME Helpdesk** supports small and medium sized enterprises (SMEs) from European Union (EU) member states to protect and enforce their Intellectual Property Rights (IPR) in or relating to China, Hong Kong, Macao and Taiwan, through the provision of **free information and services**. The Helpdesk provides jargon-free, first-line, confidential advice on intellectual property and related issues, along with training events, materials and online resources. Individual SMEs and SME intermediaries can submit their IPR queries via email (question@china-iprhelpdesk.eu) and gain access to a panel of experts, in order to receive **free and confidential first-line advice within 3 working days**.*

The China IPR SME Helpdesk is co-funded by the European Union.

To learn more about the China IPR SME Helpdesk and any aspect of intellectual property rights in China, please visit our online portal at <http://www.ipr-hub.eu/>.