



Chofn Intellectual Property

B316 Guangyi Plaza,
5 Guangyi Str., Xicheng,
Beijing 100053, P.R. China
Tel: +86-10-6213 9699
Fax: +86-10-6213 1230; +86-10-6213 1630
Email: patent@chofn.cn; trademark@chofn.cn
Web: www.chofn.com

Customs Recordation—Cost-Effective to Enforce IP

Ms. Haiyu Li of Chofn IP

In China, intellectual property rights can be enforced at the border by the General Administration of Customs of China (GACC), the national authority empowered. According to the GACC's regulations and the law, the Chinese Customs at different levels primarily protect trademarks, copyrights, patents, Olympic symbols and world expo symbols. In practice, the Customs are normally more efficient and experienced in protecting trademarks registered in China. The other types of intellectual property, either too small or too technical for the Customs to enforce, are more often enforced by other authorities and the courts. Therefore, I hope to introduce the Chinese Customs' trademark recordation and protection.

I. General Introduction

Generally, if a right holder records its registered trademark before the GACC and the local Customs note suspicious goods bearing the trademark in routine random spot inspections, they will detain the goods and notify the right holder. Nevertheless, if the right holder does not record its registered trademark before the GACC, the right holder has to file direct request for such Customs protection each and every time when it finds any counterfeits passing the border. Therefore, if trademark holders record their registrations before the GACC, it will be very helpful to prevent the potential counterfeits from entering or leaving mainland China, not including Hong Kong, Macao or Taiwan.

The chart below well demonstrates the Customs' seizures in mainland China in the years 2013-2018:

| Year | Batches | Quantity | Portion of Detainment for |
|-------------|----------------|-----------------|----------------------------------|
|-------------|----------------|-----------------|----------------------------------|

| | | | Trademark Infringement |
|---|--------|------------|-------------------------------|
| 2013 | 20,464 | 75,945,594 | 98.50% |
| 2014 | 23,860 | 91,965,548 | 96.86% |
| 2015 | 23,000 | 70,000,000 | 98.00% |
| 2016 | 17,400 | 42,058,200 | 98.56% |
| 2017 | 19,100 | 40,940,000 | 98.48% |
| 2018 | 47,200 | 24,800,200 | 96.70% |
| Note: The above percentage data is about the quantity of the detained goods. | | | |

From the above data, we can note the following facts:

1. Every year, a large number of counterfeits are detained by the Chinese Customs; and
2. More than 96% of the detainments are related to trademark infringement.

The reasons for such high percentage of trademark cases are mainly that 1) trademarks are easier to compare and decide; 2) more than 70% of the recorded IP rights are trademarks registered in China; and 3) patent rights and copyrights involve highly professional and technical knowledge and are more complicated to enforce, which makes the Customs reluctant or prudent to process.

In addition, according to the official statistics, a large number of counterfeits, especially for goods of high value and small volume, such as tobacco and cigarettes, hardware and machinery, cosmetics and personal care products, medicines, jewelries, watches, clothing, shoes, etc., are being exported through the border. More than 90% of the detentions are related to export and more than 95% of the detained goods are exported or imported through the local Customs located in eastern coastal cities, such as Shanghai, Shenzhen, Ningbo, Xiamen, Hangzhou, Tianjin, Huangpu and Nanjing.

Based on the above, if the holders own Chinese trademark registrations on goods, especially for goods of high value and small volume, it is highly advisable to record their trademark registrations before the GACC to more effectively prevent the potential counterfeits from entering or leaving mainland China.

II. Advantages of Customs Recordation

There are two ways to seek the Chinese Customs' protections:

- **Direct request.** To initiate Custom detainment through direct request, the applicant should provide good evidence proving that counterfeits bearing the applicant's registered trademark are going to cross the border through the local Customs. The evidence includes but is not limited to the region of the infringing production, the name of the factory, the details of the company ordering the products, the specific Customs, etc., the more accurate the better; or
- **Customs recordation.** Recordation of registered trademarks before the GACC will enable the local Customs to detain the suspicious goods *ex officio* in routine random inspection.

Compared with the direct request, the Customs recordation is advantageous in the following aspects:

- **Less costly.** It is no longer necessary for the trademark holders to carry out the expensive investigation, surveillance, etc. to find out the counterfeits and evidence to support the complaint.
- **More efficient.** Recordation of intellectual property rights usually is a precondition for the Customs to take *ex officio* action against infringing goods and the Customs is more efficient in finding out the potential counterfeits.
- **Lower bond.** A maximum bond of RMB100,000 needs to be paid in a case of recordation, without which the bond should be equal to the value of the seized goods.
- **More deterrent.** As the recordation information is open to the public, the infringers can notice it easily and be deterred.

The effect of the Chinese Customs' enforcement can be better illustrated through data below from 2013 through 2018, with the *ex officio* action as the dominating portion.

| Year Methods | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------------------|------|------|------|------|-------|-------|
| Detainment based on request | 0.2% | 0.1% | 1% | 1% | 0.22% | 3.04% |

| | | | | | | |
|--|-------|-------|-----|-----|--------|--------|
| Detainment ex officio | 99.8% | 99.9% | 99% | 99% | 99.78% | 96.96% |
| Note: The above percentage data is about the batches of the detained goods. | | | | | | |

III. Procedures of Customs Protection

- Protection based on request:

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|----------------------------|------------------------|-----------------------|---|--|-------------------------------|--|
| Right holder files request | Right holder pays bond | Customs detains goods | Exporter/Importer possibly requests for release | Right holder requests court's order of seizure | Customs follows court's order | Customs concludes expense and returns bond |

- Protection *ex officio*

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|-------------|---------------------------------|--|-----------------------|----------------------|------------------------|------------------------------|--|
| Recordation | Suspension of Customs clearance | Right holder requests detainment and pays bond | Customs detains goods | Customs investigates | Customs makes decision | Customs handles counterfeits | Customs concludes expense and returns bond |

VI. Valid period of the recordation

An approved recordation is valid for ten years in maximum during the remaining valid term of a trademark and can be renewed every ten years if the trademark is renewed at the Trademark Office.

Note: The data in this article is quoted from the Reports on Intellectual Property Protection of China Customs issued by the GACC.