

HOW TO EFFECTIVELY USE CUSTOMS RECORDAL SYSTEM TO COMBAT COUNTERFEITING IN THE PRC?

Many of our clients understand the importance of IP registration in China. The actual enforcement of IP rights, specifically design, trademark and copyright rights, can nowadays be effectively achieved by way of recordal with the China Customs. Customs recordal is an effective mechanism to fight against counterfeiting. It is also a strategic mechanism to prevent suppliers from using the client's rights in an unauthorized manner. In this issue, we will discuss the basics of Customs recordal and how we can help to enforce your IP rights in China.

Some often asked questions :

Why do I need to register my IPR with China Customs?

Unlike some jurisdictions such as Hong Kong, China adopts a 'protection by recordation' system, whereby the IPR owner should actively record its IP registration with Customs to prevent infringing products from being exported / imported. The Customs recordal in China is for both import and export of goods.

What do I need to register my IPR?

The IPR registration process is relatively simple. To register an IPR with China Customs, the following are required:-

- A copy of the Identification Card (if a natural person) or Certificate of Incorporation (if a company) of the IPR owner and its English translation;
- A copy of the certificate of registration, and any subsequent renewal certificates and assignment certificates;
- Power of attorney; and
- Photos / samples of the goods / products.

We do not have an office in China. How can Customs notify us?

We can act as your representative for your IPR registrations. Where Customs suspects certain goods are counterfeit, Customs will immediately notify us of the possible infringement.

We have received a notice of infringing goods from Customs and want to have the goods detained. What do we need to do?

Upon receipt of the Customs' notice, the IPR owner or its representative is given 3 working days to respond to Customs as to (a) whether the products are counterfeit or legitimate and (b) whether to detain the goods upon payment of a prescribed bond. The bond required is equal to the value of the suspected infringing goods.

As your representative, we can request Customs to have the goods detained once you have paid the required bond to Customs. In our experience, most Customs only accept bonds in Remenbi and will not accept remittances in other currencies. We are able to assist in transmitting the bond on your behalf through our Beijing and Shanghai offices.



We manufacture our products in China and deadlines must be met. Will my supplier be stopped at Customs?

The IPR owner can submit to Customs a list of authorized suppliers, who are permitted to export / import certain goods bearing the IPR registration.

This is of particular importance especially when the export / import of goods are urgent and undue delay may result in significant costs to the IPR owner.

Can we provide training to the Custom officials regarding our marks and our goods?

Yes. As your representative, we can liaise with Customs and arrange for training to Customs officials on your marks and your goods. Normally, we need to arrange with Customs 3 to 5 weeks before the proposed training time. The purpose of the training is to assist the officials so that they would:-

- Recognize the trademarks the particular IPR owner has recorded with Customs;
- Become familiar with the goods which bear the recorded trademarks; and
- Gain hands-on experience with recognizing infringing / counterfeit products from other Customs offices and administrative sectors.

We have genuine goods being exported from China by a supplier we have not yet included in our authorized list of suppliers. Can we notify Customs in advance?

Until recently, it was possible to notify Customs of a shipment in advance, by providing specific details such as information of the consignor and the consignee, the contents of the shipment, the destination of the shipment, etc. so that urgent shipments are not delayed.

However, Customs have been increasingly reluctant to release a genuine shipment where the supplier is not included in the authorized list of suppliers, even with written authorization from the registered owner. The reason behind this is to encourage IPR owners to make more use of the Customs recordal system.

In view of this recent development at Customs, we encourage our clients to provide a complete list of permanent authorized suppliers to Customs to avoid important shipments from being delayed. We also understand that some clients frequently change suppliers and do not wish to authorize temporary or second tier suppliers at Customs. In this regard, we suggest adding these suppliers onto the Customs authorization list only for the license period which the particular suppliers are authorized, and remove these

We are aware of counterfeit goods being imported / exported but do not have our IPR registered. What can we do?

If the IPR owner is aware of infringing goods that are about to be imported / exported, he may apply to China Customs to have the suspected counterfeit goods detained by providing:-

- A copy of the Identification Card (if a natural person) or Certificate of Incorporation (if a company) of the IPR owner and its English translation;
- A copy of the certificate of registration, and any subsequent renewal certificates and assignment certificates;
- Sufficient evidence showing that the goods are about to be imported / exported and constitute infringement on IPR; and
- A bond equal to the value of the suspected infringing goods.

However, this is a more complicated process, as the IPR owner is required to immediately initiate a court action against the infringing goods, including application for injunction or property preservation, after detaining the goods.

We want to get hold of the confiscated counterfeit goods. Can we ask Customs to send the goods to us?

Where the IPR owner confirms that the goods are counterfeit and requests Customs to detain the goods, Customs will have the power to:-

- Confiscate the infringing goods;
- Transfer the confiscated infringing goods to institutes where the goods can be used;
- Assign the confiscated infringing goods to the IPR owner upon payment of a consideration, if the IPR owner wishes to purchase the goods;
- Auction the confiscated infringing goods after removing the infringing mark if the goods cannot be used and the IPR owner does not wish to purchase the goods; or
- Destroy the confiscated infringing goods if the infringing mark cannot be removed and the goods cannot be used.

At this stage, the IPR owner does not have the right to request Customs to choose how to deal with the confiscated goods.

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