

Deacons Bitesize IP

China Intellectual Property

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Tackling Chinese counterfeits is not child's play

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Did you know?

At the end of last year, US Customs and Border Protection officers seized around US\$1.3 million worth in China counterfeit toys at the Port of New York and New Jersey. The seizure included more than 141,000 counterfeit UNO card games, 9,600 "LOL Surprise! Under Wraps" balls and almost 2000 "LOL Surprise!" capsule toys.

According to recent research conducted by the Hong Kong Trade Development Council, an estimated 75% of all toys produced worldwide are made in China and, with toy sales spiking during the pandemic, the war against the counterfeiters is a constant challenge. However, recent developments, including the new e-commerce law which cracks down on e-commerce platform operators and merchants selling counterfeits, and the landmark LEGO decision, are signs that the tide is turning. The LEGO case resulted in jail for 9 defendants and a RMB 90 million fine for counterfeiting LEGO toys.

Why does this matter to you?

Owners of intellectual property rights (IPRs) need to be aware of the tools available to help them fight back against the counterfeiters. Many IPR owners are not aware that, unlike customs in many other countries, who take action to prevent counterfeit products from entering their borders, Chinese Customs are empowered not just to examine goods that are being imported into China, but also to take active steps to stop suspected counterfeiting goods from being exported from China. This means that they can seize suspected infringing products intended for export and prevent them from reaching overseas markets.

Chinese Customs will generally take enforcement action upon receiving an IP holder's complaint. However, they may also carry out "ex officio" inspections of goods suspected of infringing IPRs that have been registered with them. In such cases, Customs may confiscate counterfeit goods at the border, impose fines and hand the case over to the Public Security authorities if the infringement is severe enough to constitute a crime. It is important to note that, in practice, the "ex officio" enforcement option is only available for IPRs registered in the Customs recordal system.

Although it is not compulsory to register your IPRs with Customs, it is advisable to do so as recordal will make it easier for Customs to effectively identify counterfeit goods and Customs tends to be more proactive about investigating IPRs recorded with them. Trade marks, copyright, patents and designs may all be recorded with Customs. However, determination of patent infringement will usually require a certain level of technical expertise, and Customs are likely to require proof of patent infringement in order to take action.

A sensible recordal strategy requires not only registration of key IPRs, but also active engagement with Customs to provide them with comprehensive information about your products, regular training and meetings to exchange information on counterfeiting activities.

In recent years, Customs have also had to focus on tackling counterfeit exports through e-commerce sales and postal delivery in addition to traditional export channels, which presents new challenges. As the last gatekeeper before counterfeit goods leave the country and enter the international market, Chinese Customs undoubtedly has a tough job. However, details of Typical Cases of Intellectual Property Enforcement released by the General Administration of Customs in April this year, show that efforts are being made: https://www.cnipa.gov.cn/art/2021/4/27/art_55_159201.html.

IPR owners should take proactive steps to record their IPRs which can help Customs block the import and export of infringing products.

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