

China says it is Taking Intellectual Property Protections to a New Level

“No More Knock-Offs” says One Government Official; Should Western Companies Feel More Secure?

SCDigest Editorial Staff

China has long been known for weak protection for Intellectual Property, and a haven for counterfeit name-brand products as well as a risk for theft of design, engineering and other corporate intellectual property.

Case in point: As we reported last week, US Customs officials in Los Angeles have reported that 80% of all the counterfeit products they have seized in the past year have come from China. (See [Companies Pulling Out All Guns to Thwart Counterfeit Goods.](#))

The Chinese government, after some years of denial, has recognized the problem, and pursued both legal and PR strategies to improve the reality and perceptions of Western companies worried about IP protection.

In a recent byline column in the Wall Street Journal, **Wang Qishan**, vice premier of China’s State Council, said starting in 1978 with the opening of the country to the outside world, “China has managed to accomplish in 30 years what took Western-developed countries more than 100 years” to develop in terms of intellectual property rights (IPR) protection.

Last week, driven by Western and Japanese concerns over a variety of IPR issues, from lack of copyright protection for software and media to counterfeit goods, China announced its “Outline of National Intellectual Property Rights,” a new set of programs to shore up IPR protections, both for companies outside China as well as within.

The new program has four main thrusts:

Will the rhetoric be matched by real action? Most observers would probably agree that some progress has been made regarding intellectual property in China, but there is still a long, long way to go by developed economy standards.

1. New laws and revisions to current laws in such areas as patents, trademarks and copyrights.
2. Greater enforcement and speed of action with regard to “punishment” for IPR infringements, with a corresponding strengthening of judicial and administrative infrastructure. “We will mete out more severe penalties, reduce the cost of IPR protection, and deter violation by raising its cost,” Qishan says.
3. Improved definition of the scope of intellectual property rights to prevent their abuse, ensure a level playing field, and protect the lawful rights and interests of the public. What this means is not clear, but Qishan says it will help ensure “that innovation achievements are shared more equitably,” a perspective that may make some companies nervous.
4. A broad education program aimed at raising public awareness of IPR concepts and laws.

Qishan claims China has of late made significant progress in IPR law and enforcement. For example,

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he says that the Xiangyang Street Market in Shanghai, long known as a megacenter for counterfeit goods, has been closed down by the government, while Silk Street in Beijing, also known for its knock-offs, went through "rectification" and now peddles authentic brand name goods.

Qishan also says that "The number of foreign applications for patents and trademarks in China is growing rapidly," and the improve process and enforcement of IPR is driving many Western companies to increase research and development work in China.

The tone of Qishan's comments seems to imply that China recognizes a failure to better protect intellectual property rights will ultimately curtail Western investment and sourcing from China.

"The implementation of the national IPR strategy will open a new chapter of IPR protection in China," Qishan added. "We will focus on improving the IPR regime, creating a legal market and cultural environment conducive to IPR protection, and substantially upgrade China's capacity in IP creation, IPR usage, protection and management, so as to provide strong support for



our endeavor to build an innovative country and a prosperous society."

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