

Improving Australian border enforcement of IPR by referring to the Chinese experience

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Abstract

The border enforcement of intellectual property rights (IPR), known as IPR customs protection, plays an important role in the national and global endeavour of combating IPR infringements especially in the growing trend in counterfeiting and piracy. Australia and China are among the countries that have put in place a comprehensive IPR border enforcement regime for this purpose. This paper analyses key aspects of Australia's regime compared with that of China, and proposes improvements to the former with reference to the Chinese experience to strengthen the customs protection of IPR in Australia.

1. Introduction

The main objective of the border enforcement of intellectual property rights (IPR) is to protect IPR from the cross-border traffic of infringing goods. Generally, this particular enforcement role is assumed by the national customs authority and is therefore often referred to as the customs protection of IPR. IPR border enforcement plays a critical part in the national IPR enforcement regime. Worsening trends in cross-border counterfeiting and piracy have prompted governments to expand their legislative and operational efforts to enhance IPR enforcement at their borders.² As can be seen in a number of international and regional initiatives led respectively by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)³ and the Anti-Counterfeiting Trade Agreement (ACTA),⁴ IPR border enforcement has grown in significance with a substantial number of clauses included in these agreements.⁵ This has led IPR stakeholders and others to pay increased attention to IPR border enforcement.

This growing interest necessitates a comprehensive study of national IPR border enforcement regimes. There is an emerging body of literature about these regimes, especially in relation to the United States of America (USA), the European Union (EU) and China⁶ but little about Australia. This paper analyses key aspects of the Australian IPR border enforcement regime in comparison with that of China. Through such a comparative study, areas can be identified where the Australian IPR border enforcement regime could be significantly improved and strengthened by drawing on the experience of its Chinese counterpart. It is noteworthy that though the Chinese IPR regime may not be as sound as that of Australia as a whole, its IPR border protection, which has been tested by and developed through intensive operational practice,⁷ is quite sophisticated and systematic. It conforms in most aspects to international norms and even exceeds international standards in some areas.

2. Overview of the Australian IPR border enforcement regime

The legal basis for IPR border enforcement in Australia lies in three sets of legislation, namely, the *Copyright Act 1968* (Cwth), *Trade Marks Act 1995* (Cwth), and *Olympic Insignia Protection Act 1987* (Cwth), supplemented respectively by the *Copyright Regulations 1969* (Cwth), *Trade Marks Regulations 1995* (Cwth), and *Olympic Insignia Protection Regulations 1993* (Cwth). In their provisions concerning

infringing importation, these Acts and Regulations explicitly confer on the Australian Customs and Border Protection Service (ACBPS)⁸ the power to seize goods suspected of infringing copyright, trade marks or protected Olympic expressions at the request of IPR holders.

To implement these provisions, ACBPS adopts and administers a scheme known as the Notice of Objection Scheme. Broadly described, the right owner, or in some cases an authorised user, can object, in advance, to the importation of goods infringing their copyright, trade mark or protected Olympic expressions by filing a Notice of Objection with ACBPS. A Notice of Objection is a legal document that requests ACBPS to seize imported goods that may infringe the relevant IPR. If suspected infringing goods are seized at the border, the objector will be notified that goods are being intercepted and they have 10 working days to pursue civil action (with a further possible extension of 10 working days approved by ACBPS' Chief Executive Officer) against the importer. In response, the importer may voluntarily forfeit the goods at any time prior to the commencement of legal action. Generally, if no court action is taken or the court finds no infringement, the seized goods will be released back to the importer. A Notice of Objection is valid for four years and may be renewed indefinitely to ensure ongoing protection. Though no application fee is required, security must be provided by the objector to cover expenses incurred in seizing the goods.⁹

3. Key aspects of the Australian IPR border enforcement regime in comparison with that of China

As noted above, Australian legislative provisions governing IPR border enforcement are incorporated into three different sets of IPR-related Acts and Regulations and are specifically integrated into the section in these laws dealing with importation regulations. These provisions provide the main source of authority and constitute the legal framework for ACBPS to enforce IPR at the border. At the same time, the Australian *Customs Act 1901* (Cwth) empowers the customs authority to take general border measures necessary for the fulfilment of its border duties. These measures are also available in relation to IPR border enforcement, though the Act does not specifically address the issue of IPR customs protection.

In contrast, China takes a quite different approach. None of China's IPR laws mentions IPR border enforcement except its Patent Law, Article 11 of which provides for the prohibition of, among other things, the importation of goods infringing patent rights.¹⁰ However, its Customs Law in Article 91 clearly empowers the customs authority to take IPR border measures, such as the confiscation of IPR infringing goods and the imposition of a pecuniary penalty.¹¹ Based on the Customs Law, the State Council (that is, the highest administrative organ in China with legislative power) enacted the Regulations of the People's Republic of China (PRC) on Customs Protection of Intellectual Property Rights (IPR Customs Protection Regulations) and the General Administration of Customs in turn promulgated the Measures of the General Administration of Customs of the PRC for Implementing the Regulations of the PRC on Customs Protection of Intellectual Property Rights (Implementation Measures). These specialised regulations and measures make detailed provisions for IPR customs protection, thereby establishing a comprehensive IPR customs protection regime.

At the statutory level, China's IPR border enforcement legislation may seem much less elaborate than Australia's. However, this does not necessarily indicate a weaker legislative framework as a whole but is partly due to the common style of Chinese legislation, according to which laws are usually drafted in a broad-brush manner, leaving much discretion to the administrative authority to make detailed regulations. It is usually the administrative legislation, such as regulations, rules and measures, which plays the key role in law enforcement. In this case, the IPR Customs Protection Regulations and Implementation Measures constitute the direct legal basis for the actual border enforcement of IPR in China. The specialisation and sophistication of the provisions contained therein guarantee a comprehensive and enforceable legal framework for the Chinese IPR border enforcement regime. Moreover, Chinese legislation shows

prominent design features that would contribute to the efficacy of border enforcement of IPR in practice. Specifically, the ‘enshrinement’ of IPR protection in Customs Law and the use of the term ‘customs protection’ in the titles of the specialised instruments suggest that the Chinese legislative framework is designed from the perspective of the customs role. The benefits of this approach are manifold. First, it means that IPR customs protection is accorded top priority in customs work and, more importantly, is highly positioned within the national IPR enforcement framework. This not only provides a stronger incentive for Customs to keep improving IPR border measures but also attracts increased investment of national resources into IPR border enforcement. Secondly, along with the promulgation of specialised instruments comes the entrustment of more tailored enforcement means and powers for Customs which take into account both the customs enforcement needs and IPR specialty and may therefore significantly facilitate the implementation of border measures. Finally, the specialised legislation also provides a uniform basis for enforcement compared to the Australian situation where the relevant provisions are scattered in more than one statute.

4. The scope of IPR border enforcement

Under Australian law, IPR border enforcement extends only to copyright, trade marks and protected Olympic expressions. No other laws, for example, the *Designs Act 2003* (Cwth) or the *Patents Act 1990* (Cwth), provide for customs seizure of infringing goods. Moreover, IPR border enforcement only applies to imports under the relevant Acts. In comparison, Chinese IPR Customs Protection Regulations cover a broader scope of IPR, including trade marks, copyrights and copyright-related rights, and patent rights. Besides, the Olympic and World Exposition Insignia are also protected in accordance with the IPR Customs Protection Regulations under the relevant legislation.¹² Although Chinese legislation does not protect all types of IPR, it is more comprehensive in affording protection to all three major categories of IPR. It is worth noting that the copyright-related rights are also protected apart from the copyrights themselves. In addition, Chinese border enforcement is exercised not only in relation to imported goods but also to exported items.

Though Australia is not obliged under its international commitments to offer protection beyond trade marks, copyrights and importation,¹³ the current scope has become inadequate for IPR protection. Taking into consideration Australia’s national interest in innovation and the potentially massive economic loss that would be incurred by rights holders, it is imperative to expand customs protection to cover more categories of IPR, especially patent rights. Besides, as is stressed by the World Customs Organization (WCO), based on the experience of its member countries, customs authorities should be enabled to apply IPR border measures to both goods destined for export and in transit ‘to ensure that customs have the tools necessary to fight effectively the growing problem of cross-border counterfeiting and piracy’.¹⁴ Thus, ACBPS is expected to be much more effective in fighting cross-border counterfeiting and piracy by extending its IPR protection to both exports and goods in transit.

5. Modes of IPR border enforcement

As noted above, ACBPS seizes goods suspected of infringing IPR only if a valid Notice of Objection has been filed by the rights holder. The seized goods are only held for a certain period of time for the rights holder to take legal action and shall be released at the end of that period if no legal proceedings have been initiated, unless they are voluntarily forfeited by the importer. In other words, ACBPS does not take action *ex officio* but only acts upon the application of IPR rights holders.

Unlike Australia, China Customs is vested with the power to implement two modes of enforcement. Besides taking measures at the request of rights holders, it is also authorised to suspend, on its own initiative, the release of goods suspected of infringing IPR recorded with Customs. After suspending the release of goods, Customs notifies the rights holder, who may apply for the detention of the infringing

goods. Where goods are detained upon the rights holder's application, Customs will investigate and make a decision whether the goods detained infringe IPR and may impose an administrative penalty in case of infringement.

Allowing Customs to act *ex officio* is a key feature of an effective border enforcement regime as 'In the vast majority of cases Customs officers are the only ones to know when and which allegedly infringing goods are transported'.¹⁵ It may be argued that because IPR are private rights, the rights holders should take prime responsibility to protect their rights,¹⁶ and it is therefore inappropriate for the customs authority to intervene. However, given the incidence of rampant counterfeiting and piracy, it is very much in the interest of not only the rights holders but also the public at large for Customs to assume a more active role in curtailing IPR infringements. This is especially true when one considers that an increasing number of infringing goods are found to be hazardous to human health and safety. The absence of the power to take border control measures *ex officio* would deprive ACBPS of an essential tool in combating IPR infringements to protect the interests of the public and rights holders.

6. The issue of *de minimis* goods

'*De minimis* goods' are defined in TRIPS as 'small quantities of goods of a non-commercial nature contained in travellers' personal luggage or sent in small consignments'.¹⁷ It is an international practice to exempt *de minimis* goods from IPR border enforcement, though it is not mandatory under TRIPS to do so. The approach under Australian law on this issue is not explicit as there is no clear provision spelling out what its position is in this area. The provisions in Section 135 of Australian Copyright Law stipulate that copies to be seized by Customs have to be imported for certain commercial and trade purposes, which implies that copies imported for personal use are not subject to border measures. Similarly, it can be inferred from the legal text of Australian Trade Mark Law that *de minimis* imports infringing trade marks are also exempt from border enforcement.¹⁸

In contrast, China takes a much clearer stance on this issue by specifically providing in Article 31 of the IPR Customs Protection Regulations that where an individual brings or mails infringing articles exceeding a reasonable quantity for self-use on entry or exit, such articles shall be subject to IPR border enforcement. Interestingly, the provision addresses the *de minimis* goods issue by stating that Customs has the power to take enforcement measures in relation to goods beyond *de minimis* standard. The practical benefit of this approach is that the customs authority now has a clear and definite legal basis and statutory power to seize infringing goods that are contained in travellers' luggage or sent through the mail. Equally noteworthy are two key terms featured in this provision, namely 'personal use' and 'reasonable quantity', which not only provide direction and criteria for actual enforcement but also leave customs officers with the discretion and flexibility to make a judgment in light of the facts of each individual case. In summary, the Chinese approach to *de minimis* infringing goods is quite proactive, which is consistent with the recognition that growing cross-border counterfeiting and piracy calls for active and effective border measures.

With the increasing number of counterfeit or pirated commodities brought into Australia in travellers' luggage or by post, and the severe damage caused to interested parties in the Australian domestic market, ACBPS has increased its efforts in fighting IPR infringement by travellers or occurring through the post. The vagueness displayed in the relevant legislation, as shown above, does not help ACBPS to take an active role in its efforts and may undermine the effectiveness of IPR enforcement in the long term.

7. The issue of security in IPR border enforcement procedures

TRIPS provides that in border enforcement procedures, competent authorities shall have the authority to require the applicant for IPR protection to provide a security or an equivalent assurance sufficient to

protect the defendant and the competent authorities and to prevent abuse.¹⁹ It is realised that the IPR rights holder may abuse customs protection procedures to engage in unfair competition which may cause damage to international traders as well as to the customs authority itself. The requirement for the payment of security can effectively inhibit the rights holder's incentive to abuse his or her rights. It also puts in place protection for the defendant who can be compensated by the security fund for possible loss or damage caused by unjustified border measures.

Under Australian law, the provision of security is also required in border enforcement procedures but it differs fundamentally from what is stipulated in TRIPS. According to the applicable statutory provisions,²⁰ Customs may not seize goods unless the rights holder provides a security to cover the expense that may be incurred by the authorities in seizing the goods. In practice, the applicant is required to sign a deed of undertaking when applying for border measures, under which the applicant shall repay to Customs such expenses.²¹ Thus, the security requirement under Australian law is not intended to protect the defendant or prevent the rights holder's abuse of the border enforcement procedure.

In contrast, the Chinese IPR border enforcement regime has devised a much more sophisticated security mechanism which strikes a balance between different stakeholders' interests and achieves a fairer result in its implementation. Firstly, the Chinese security mechanism readily addresses the abuse problem and the protection of a defendant's interests. Specifically, the IPR Customs Protection Regulations provide in Article 14 that in applying for the detention of goods, the rights holder shall provide Customs with security which shall be used to indemnify the losses caused to the consignee or consignor because of inappropriate application, and to pay the warehousing, custody and disposal fees, etc. of the detained goods. The Regulations unequivocally indicate that one of the main purposes of the security is to cover an importer's or exporter's losses due to inappropriate application which has the effect of ensuring that the lawful interests of international traders are guaranteed. By identifying the issue of 'inappropriate application' and associating it with the payment of security, it discourages abusive applications for border enforcement and deters rights holders from engaging in unfair competition.

Secondly, the Chinese security mechanism has the merit of being sensitive to the financial burden on rights holders, especially small and medium-sized enterprises, in relation to the provision of security. In this connection, the Implementation Measures of IPR Customs Protection Regulations differentiate between two modes of border enforcement and provide for different sets of security rules for each. For border enforcement actions taken by Customs *ex officio*, the Implementation Measures limit the security to a maximum amount of RMB100,000 and further specify different amounts of security to be provided in proportion to the value of goods. The financial burden is further eased by the flexibility in permitting the security to be furnished in the form of cash or a letter of guarantee issued by a bank or non-bank financial institution.

Thirdly and more notably, the Chinese security mechanism introduces two innovative concepts, namely 'General Security' and 'Counter Security', which make the Chinese IPR border enforcement regime more facilitative and 'business-friendly' in operation. Under the 'General Security' provisions, trade mark rights holders are allowed to provide a one-off 'General Security' for all the seizures in one whole year, rather than providing security for every seizure. This facilitates access to the border protection of trade marks by saving rights holders' high administrative costs, especially for those trade mark rights holders who are the victims of frequent counterfeiting and otherwise have to provide security each time a suspected infringement arises. Under the 'Counter Security' provisions, which apply in the case of infringement of patent rights, if the consignee or consignor believes there is no infringement, they may request the release of the seized goods on the condition that they provide security equivalent to the value of goods. It is well known that infringement of patent rights is much more difficult to determine than that of a trade mark or copyright. Thus, there is a high probability that in such cases the rights holder may make an inappropriate application based on erroneous judgment, thereby unjustifiably delaying the customs clearance of the goods. Under these circumstances, to minimise the damages incurred by

the trader and the indirect losses of the rights holder who has to indemnify the trader for the damages caused by their inappropriate application, it is sensible to release the goods to avoid any or a greater loss being incurred. For this purpose, 'Counter Security' has been introduced into the Chinese IPR border enforcement regime whereby the interests of the rights holder may be met out of the security provided by the trader in case the infringement of patent rights is established.

Turning to the Australian legislation, it is fair to say that its security mechanism is underdeveloped and falls short of the standard set by TRIPS. By limiting itself to covering the expenses of seizing goods, it narrowly focuses its function on protecting customs' interests and fails to balance the interests of the different stakeholders involved. As a result, the defendant's lawful interests are overlooked in the Australian IPR border enforcement regime and the potential problem of abuse by rights holders is also left unaddressed.

8. Conclusions

The comparative analysis above reveals that the Chinese IPR border enforcement regime is more sophisticated and proactive in certain key aspects compared to that of Australia. Based on the Chinese approach, a number of recommendations may be made for reforms to the Australian IPR border enforcement regime in these areas.

Firstly, there is the need to readjust the legal framework of Australian IPR border enforcement around the role of the customs authority. The practical implementation of such a reform could involve adding IPR border enforcement clauses to the Australian Customs Act. In the long run, Australia may introduce specialised amendments into its relevant IPR laws tailored to the customs enforcement needs with a view to making the legislation more systemic and enforceable.

Secondly, an amendment to the Patents Act is recommended to expand IPR border enforcement to patent rights. Amendments to the Designs Act and other IPR Acts are also desirable, though less urgent, and could be introduced progressively in light of future developments.

Thirdly, ACBPS may be authorised to take action *ex officio*. To this end, apart from vesting ACBPS with the power to act on its own initiative, detailed provisions could be put in place specifying the procedure by which Customs will take action and interact with rights holders, importers and exporters.

Fourthly, separate clauses could be added to the relevant Acts to deal with the *de minimis* goods issue. For this purpose, ACBPS may be authorised to take measures at the border to seize goods exceeding the reasonable quantity for self-use when checking travellers' luggage or items sent through the post.

Finally, security provisions could be revised and expanded to make the policy objective inclusive of the interests of the different stakeholders concerned. Specifically, the use to which the security shall be put may be defined, among other things, to refer to 'indemnifying the losses caused to the consignee or consignor because of inappropriate application'. The amount of the security may therefore be linked to the value of the goods on a proportional basis, with the choice of different forms of security being allowed to ease the financial burden on applicants.

It is foreseeable that these reforms would significantly increase the efficacy of the Australian IPR border enforcement regime.

Notes

- 1 This paper was prepared as part of the author's study program at the University of Sydney.
- 2 The European Commission (EC) has overhauled its regulations governing IPR border enforcement three times and the current regulations came into force in 2004. (For more information, see Olivier Vrans & Marius Schneider 2006, *Enforcement of intellectual property rights through border measures*, Oxford University Press, New York.) The United States of America has been especially proactive in pursuing strengthened IPR border enforcement by keeping, reorganising and investing in personnel and resources. (For more information, see Timothy P Trainer & Vicki E Allums 2006, *Protecting intellectual property rights across borders*, Thomson-West, Minnesota.) As is illustrated below, China has also been enhancing its efforts to improve its IPR customs protection regime and enforcement performance.
- 3 *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C (*Agreement on Trade-Related Aspects of Intellectual Property Rights*).
- 4 *Anti-Counterfeiting Trade Agreement*, signed 1 October 2011, [2011] ATNIF 22 (not yet in force).
- 5 Part III of TRIPS provides for the enforcement of IPR and Section 4, Articles 51 to 60, specifically regulate "Special Requirements Related to Border Measures". Likewise, ACTA, which mainly deals with IPR enforcement, devotes a separate section to 'Border Measures' in Articles 13 to 22, which set out detailed regulation of IPR enforcement at the border.
- 6 For EU and US-related literature, see Vrans & Schneider. For a China-related study, see 孟杨 [Meng Yang] 2008, 《海关法律概论》 [Introduction of Customs Law] (中国海关出版社 [China Customs Press]; 董潇丽 [Dong Xiaoli] 2010, 《TRIPS协议下我国知识产权边境措施的完善》 [To improve China's IPR border measures under TRIPS] 10南方论刊 South Journal of Theory 39.
- 7 According to official statistics, in 2011 China Customs seized 18,000 consignments of infringing imports and exports, involving 103 million pieces of goods with a total value of up to RMB516 million; see China Customs website www1.customs.gov.cn/tabid/46828/Default.aspx?interviewid=4.
- 8 In 2014, the Australian Customs and Border Protection Service (ACBPS) became part of the Department of Immigration and Border Protection.
- 9 ACBPS, 'Protecting intellectual property', www.customs.gov.au/site/page5369.asp. For more information about the scheme of Notice of Objection, see Guide to Lodging a Trade Mark Notice and Guide to Lodging a Copyright Notice as well as the corresponding forms, available on the ACBPS website.
- 10 《中华人民共和国专利法》 [Patent Law of the People's Republic of China] (People's Republic of China) Standing Committee of the National People's Congress, Order No. 11, 12 March 1984 (last amended 2008).
- 11 《中华人民共和国海关法》 [Customs Law of the People's Republic of China] (People's Republic of China) Standing Committee of the National People's Congress, Order No. 51, 22 January 1987 (amended 2000).
- 12 《奥林匹克标志保护条例》 [Regulations of the PRC on Olympic Insignia Protection] (People's Republic of China) State Council, Decree No. 345, 4 February 2002; 《世界博览会标志保护条例》 [Regulations of the PRC on World Exposition Insignia Protection] (People's Republic of China) State Council, Decree No. 422, 20 October 2004.
- 13 For example, TRIPS only requires WTO members to take action with respect to the importation of counterfeit trade mark or pirated copyright goods but at the same time encourages more extensive protection than this requirement.
- 14 World Customs Organization n.d., 'WCO model provisions for national legislation to implement fair and effective border measures consistent with the Agreement on trade-related aspects of intellectual property rights', ASEAN Project on the Protection of Intellectual Property Rights, www.ecap-project.org/archive/fileadmin/ecap11/pdf/en/ipr_enforcement/customs_handbook/annex3.pdf.
- 15 WCO n.d., 'WCO model provisions ...', p. 24.
- 16 Sub-Committee on Customs Procedures of Asia Pacific Economic Cooperation, *IPR enforcement strategies* (September 2006), Asia Pacific Economic Cooperation, www.apec.org/Groups/Committee-on-Trade-and-Investment/Intellectual-Property-Rights-Experts-Group/~media/Files/Groups/IP/06_sccp_IPR_Strategies_Inventory.ashx.
- 17 See Article 60 of TRIPS.
- 18 This conclusion is confirmed by Australian official responses in the review of Australia's compliance with TRIPS by the WTO Council of Trade-related Aspects of IPR. See 'Council for trade-related aspects of intellectual property rights: checklist of issues on enforcement: responses from Australia', WTO Doc IP/N/6/AUS/1 (16 September 1997).
- 19 See Article 53 of TRIPS.
- 20 See Section 135AA of the *Copyright Act 1968*, Section 133 of the *Trade Marks Act 1995*, and Section 54 of the *Olympic Insignia Protection Act 1987*.
- 21 ACBPS, Guide to Lodging a Trade Mark Notice and Guide to Lodging a Copyright Notice, www.customs.gov.au/site/page5369.asp.

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