

Copyright protection in China: Part II

This article is the concluding follow-up to Part I which can be found in the previous edition of INSME. Part I described what can be protected as copyright and why taking care to do so can prove beneficial to your business in China and this second instalment outlines how copyright ownership is determined, how copyright can be registered and details how you can enforce your rights in China.

How is copyright ownership determined?

A copyright of a work belongs to its creator, or the employer of the author. Protected creative acts include those intellectual activities that directly result in the creation of the work. Acts of support such as rendering services or material or financial resources are not considered creative acts. For example, if you provide only managerial support to the creation of a work, you will not be considered an author of the work. If it is expected that a copyright be licensed, transferred, or used as an in-kind contribution to registered capital for the establishment of a legal entity in China, you must clearly determine the ownership of the copyright. Without evidence to the contrary, the person or entity whose name appears on the work is considered the author of the work.

Commissioned works

Without an agreement which states otherwise, the copyright of a commissioned work belongs to the commissioned party. This means that if you commission a third party to create a work, you do not own the copyright unless a relevant contract states that the copyright belongs to you. For example, if software development is performed by employees of a foreign company's subsidiary in China, the subsidiary owns the copyright unless there is an agreement between the foreign company and the subsidiary that states otherwise.

In all other cases, your employee owns the copyright to the service work. However, your business enjoys such preferential rights to use the work within your business scope such as preventing your employee for a period of two years from licensing the work to a third party without your consent, or if you give consent, obtaining an agreed share of the licensing fee. Employment contracts should clearly address who owns the copyright to works created by employees and provide, where desired, that copyrights to works created by employees be assigned to the employer in exchange for compensation.

Acquiring the copyright of another

If you are not the author of a work or the employer of the creator, you may obtain the copyright to the work by license, assignment, succession, or by other contractual arrangement with the copyright holder. The license or assignment agreement is effective upon execution and registration is not compulsory, unless the type of work falls within the scope of certain restricted technologies.

Fair use and statutory licences

In China, certain reasonable or personal use of copyrighted works without permission or remuneration is permitted where the use falls within the scope of fair use. For example, quoting a small portion of a work in a scholarly article is considered non-infringing fair use. The Copyright Law

contains a list of twelve acts which constitute fair use. Types of acts considered fair use in China are similar to those in Europe.

Examples of permitted private use include self-study, research or self-enjoyment, appropriate quotation and reporting of current events. You should avoid using a copyrighted work without permission or remuneration in a way that is not listed as fair use in the Copyright Law. Also, the Copyright Law allows certain types of works to be used without permission as long as royalties are paid to the copyright owner. This is called a statutory licence. A statutory licence often applies to producers, broadcasters, and publishers who may use published works without the permission of the copyright owner but remuneration is paid and moral rights are respected. Fair use of a copyright-protected work or the use of such work under a statutory licence does not constitute an infringement of copyright.

If my work is protected automatically, why should I register my copyright?

Registration of copyright is not necessary for obtaining copyright protection in China, but there is a voluntary registration system. Registration is strongly recommended in certain circumstances, such as situations where you expect to license or enforce the copyright-protected work. Although the registration certificate does not definitively prove copyright ownership, it can save you from extra complications if problems arise at a later date.

How do I register my copyright?

Registration of copyright in China is administered by the Copyright Protection Center of China (CPCC). You must complete the copyright registration application form and mail the application materials to CPCC. The application should also include supplemental documents such as the identification documents of the applicant, any documents of copyright ownership, samples of the work, and a brief description of the work. After receiving the application, the CPCC will review the application materials, determine the application fee, and notify you. Once you pay the application fee, you will receive a notice of receipt of payment and notice of application acceptance. The examination of the application takes approximately 30 working days to complete from the date of acceptance. After the successful completion of the examination, you will receive a Copyright Registration Certificate.

You may apply directly for copyright registration or entrust an agent to apply on their behalf.

Applications for copyright registration are within 30 days after the CPCC accepts the application or if supplemental materials are required, within 30 days of receipt of the supplemental materials. However, registration may be delayed if you do not pay registration fees within 10 days of receipt of the notice for payment. Cost of copyright registration can range from RMB 100 – 2,000. In addition, there may be separate charges for changes, amendments, cancellations or additional certificates. There are no periodic fees for maintaining a copyright registration.

If I discover an infringement of my copyright, how can I enforce my rights?

The two most common ways to enforce your copyrights is through administrative and judicial routes. First, you need to confirm any suspected infringement and gather and preserve evidence which may be needed at a later stage. For example, if suspected infringing goods are encountered at a trade show, you should attempt to gather business cards, take photographs and ask questions about the

source of the goods. Where suspected infringement is discovered on the internet, you need to determine the identity of the seller or user of the copyrighted work and the ISP network on which the infringing content is stored. For serious cases, you may want to consider hiring a lawyer or a private investigator to conduct an investigation to confirm the infringement, assess the scope of infringement and identify the infringers.

While administrative enforcement for copyright protection administered by the National Copyright Administration of China (NCAC) is often a faster and less expensive alternative to judicial proceedings, NCAC is not empowered to issue damages. It can however, order infringers to stop infringement of copyright, confiscate illegal income, confiscate and destroy pirated goods and the equipment and materials used to manufacture them, and issue fines.

Meanwhile, the People's Courts hear judicial enforcement cases. You may request the court for preliminary or permanent injunctions, to preserve evidence of infringement and property of the defendant and to order the defendant to destroy any infringing goods or instruments of infringement, pay damages, negate the effects of the infringement, and make a public apology.

If damages can be proved with reasonable certainty, there is no limit on the amount of damages a court can award. If your actual losses or illegal income of the infringer cannot be determined, the court may order the defendant to pay compensation up to a maximum of approximately EUR 60,000. In most cases, damage awards for copyright infringement have been relatively low, although large damage amounts have occasionally been awarded. In circumstances that copyright infringement is at a large enough scale to constitute a crime, you can submit a criminal complaint and supporting evidence to the People's Court or the Public Security Bureau for public prosecution. Criminal penalties can include imprisonment and monetary penalty.

In minor cases or as a first-step to enforcing your copyright in serious cases, you may send a cease and desist letter to the suspected infringer requesting the infringer to stop the use of the copyrighted material. In the letter, you should identify the copyrighted work, ownership of the copyright and the alleged infringing activity. The letter may also include a demand that the recipient immediately cease all infringing acts under threat of litigation or further legal action, but you should seek legal advice in advance to determine whether it is appropriate. Letters to Chinese parties should be in Chinese and sent by fax, Email, and by courier. A follow-up letter may be necessary. Depending on the circumstances of each case, you should consider whether to gather evidence necessary to support any potential administrative or judicial actions before sending a letter because alerting the suspected infringer may make it more difficult to gather important evidence later.

It is estimated that approximately 80% of all counterfeit goods worldwide come from China. Thus, copyright infringement and piracy in China is a concern for European SMEs in other markets in addition to China. Fortunately, border protection of copyrighted works and products by the General Administration of Customs (GAC) can be a cost-effective way to prevent counterfeit goods from entering or leaving China. You may directly apply to Customs to seize goods suspected of infringing a copyright or record your copyright with the GAC to take advantage of Customs' routine screening of shipments at all ports of entry/exit in China and facilitate seizures. If suspected infringing goods are seized, Customs will send you a notice. After you post a bond, Customs will conduct an investigation, issue a penalty decision if the goods are found to be infringing on your copyright, and then ask you how to dispose of the goods.

Take-away messages

- It is recommended that you take the step to voluntarily register your copyright as part of a holistic and multi-layered IPR protection strategy. For example, if your company logo is your own creative work, it can enjoy **double protection** as both a trade mark and a copyright. In addition, should you encounter infringement issues, a copyright registration will save you from extra complications by easily proving you are the rightful owner of the copyrighted work in dispute and increasing your chances of successful copyright enforcement actions.
- Carefully structure and check your contracts and license agreements to ensure that ownership of copyright is determined in the manner in which you intended.
- Facilitate enforcement proceedings as much as possible: For example, make sure you include as much documentation of your copyrightable work in the registration application to make it easier for the courts to determine that the Copyright Registration Certificate you possess does actually pertain to the work it registers.



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