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INTRODUCTION

The People’s Republic of China (“China”) is on the road to a new era of protection for intellectual property rights as it learns how to enforce its own intellectual property laws. During the past twenty years, China has experienced vast change in its intellectual property rights system, but those positive reforms still provide less protection than desired by many foreign countries, especially the United States. Nevertheless, the modernization of China’s system is underway, and its advances cannot be discounted.

In the late 1970s, China began modernizing its basic legal system to protect intellectual property rights. This effort has resulted in a series of regulations, including the 1982 Trademark Law (“Trademark Law”), the 1984 Patent Law (“Patent Law”), the

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4th Session of the Standing Committee of the 6th National People’s Congress. See id. It was amended on September 4, 1992, in accordance with the decision made at the 27th Session of the Standing Committee of the 7th National People’s Congress. See id.


To resolve conflicts between domestic law and the provisions of an international treaty, China has provided, in accordance with article 142 of the General Principle of the Civil Law of the People’s Republic of China (“General Principle”), that any international treaty will become Chinese domestic law, if China is a contracting party to or accedes to the treaty. China took just a decade to finish a legal task that took several decades—or even centuries—in most developed countries. Clearly, protection of intellectual property rights has become a priority in China’s national policy. But statutes are only statutes until enforced effectively.

This Essay explores the trade issues, policies, and practices associated with intellectual property law enforcement in China. Part I provides an overview of China’s basic intellectual property enforcement system. Part II describes China-United States trade is-


13. According to the General Principle: “In the event of a difference between the provisions of an international treaty concluded or acceded to by the People’s Republic of China and the civil law of the People’s Republic of China, the provisions of the international treaty shall apply . . . .” Id. at 107.
sues. Part III examines China’s enforcement policies. Part IV discusses China’s enforcement practices. This Essay concludes that, in time, China’s system will provide adequate protection for intellectual property rights.

I. CHINA’S BASIC INTELLECTUAL PROPERTY ENFORCEMENT SYSTEM

In the last decade, China has made substantial efforts to enforce intellectual property laws. Those efforts fall into two broad enforcement areas: judicial and administrative. Both enforcement mechanisms are still in the intermediate stages of development.

A. Judicial Enforcement

China has established a mechanism for adjudication of intellectual property disputes—a critical step toward improved enforcement. In general, Chinese People’s Courts have four divisions: (1) a civil trial division, (2) an economic trial division, (3) a criminal trial division, and (4) an administrative trial division. The civil trial division is in charge of civil cases, including copyright disputes, in accordance with the civil procedural laws. The economic trial division deals with economic matters, and is charged with the enforcement of economic contract laws and industrial property laws. Industrial property laws include Patent Law, Trademark Law, and the Unfair Competition Law. The criminal trial division, which has exclusive jurisdiction over all criminal cases, may hold defendants liable under criminal law for intellectual property violations. The administrative trial division handles all intellectual property cases arising under administrative law, in accordance with the administrative procedural law.

Efforts to enhance the judicial enforcement of intellectual property rights have also led to the establishment of the intellectual property rights trial division, which has exclusive jurisdiction

17. Unfair Competition Law, supra note 5.
over all intellectual property cases not involving criminal or administrative law. In effect, it unifies the functions of the civil and economic trial divisions in intellectual property matters.\(^\text{19}\)

Since 1993, intellectual property trial divisions have been set up in the High People’s Courts of Beijing, Shanghai, Tianjin, and the Guangdong, Fujian, Jiangsu, and Hainan Provinces; and in the Intermediate People’s Courts of cities where those high people’s courts are located. Additionally, those courts have been founded in the Special Economic Zones within the jurisdictions of those high people’s courts.\(^\text{20}\)

In addition to that judicial reform, special tribunals have been established in both the civil and economic trial divisions of all other high people’s courts and intermediate people’s courts in the cities where these high people’s courts sit. They deal primarily with copyright disputes and industrial property cases. These developments have spurred an increase in intellectual property litigation. Between 1991 and 1995, the total number of civil lawsuits concerning intellectual property rights totaled 15,543; ninety-six percent of which reached a final judgment.\(^\text{21}\)

Recently, the Supreme People’s Court of China established the Intellectual Property Rights Office,\(^\text{22}\) chaired by the vice president of the court, Judge Li Guoguang. Prior to this appointment, he was the head of the intellectual property trial division of the Shanghai High People’s Court. In his new position, Judge Li is in charge of guiding all judicial issues in intellectual property trials nationwide.

Also of great importance is the recent establishment of intellectual property tribunals within the economic trial divisions in all of the district people’s courts Shanghai. These tribunals handle intellectual property cases that do not involve criminal or administra-

\(^{19}\) See id.


tive law matters.\textsuperscript{23} Furthermore, two of the district people’s courts in Shanghai have established intellectual property divisions, which function similarly to their counterparts in the high and intermediate people’s courts.\textsuperscript{24} The two divisions have jurisdiction over intellectual property cases, including those involving matters of criminal and administrative laws.\textsuperscript{25}

It is expected that China will develop a unique judicial system, with special trial divisions from the supreme people’s courts to the district people’s courts,\textsuperscript{26} which will have unified, exclusive jurisdiction over all cases relating to the protection of intellectual property rights.

\textbf{B. Administrative Enforcement}

Administrative enforcement is more widely used than judicial enforcement. The administrative system in China is divided into four distinct areas, which share authority over Chinese intellectual property.

In the patent area, the China Patent Office is the national administrative authority under the State Council, which may grant patents, according to article 3 of the Patent Law.\textsuperscript{27} Additionally, more than fifty local patent offices have the authority to settle patent right disputes and issue orders prohibiting patent infringement, if the plaintiff does not file a lawsuit in court.\textsuperscript{28} This is quasi-judicial enforcement of patent laws.

According to article 2 of the Trademark Law, the Trademark Office, under the China State Administration of Industry and Commerce ("SAIC"),\textsuperscript{29} is responsible for the nationwide registra-

\begin{thebibliography}{9}
\bibitem{24} See id.
\bibitem{25} See generally Chen Yanni, \textit{IPR Cases Get Close Scrutiny by Law Courts}, \textit{CHINA DAILY}, Jan. 9, 1997 (describing the high and intermediate people’s courts’ intellectual property trial divisions), \textit{available in} 1997 WL 8258286.
\bibitem{26} See generally Wheare, supra note 18, at 28 (describing specialist intellectual property courts).
\bibitem{27} Patent Law, supra note 2, art. 3.
\bibitem{28} See id. art. 60.
\bibitem{29} Trademark Law, supra note 1, art. 2.
\end{thebibliography}
tion and administrative control of trademarks. Chinese trademarks are registered at different levels within the trademark administrative offices. The trademark offices also have the power to handle trademark infringement cases and to impose fines when the infringing activity does not constitute a criminal offense. Like the patent system under the China Patent Office, the trademark authority is also a quasi-judicial enforcement mechanism.

Article 7 of the Copyright Law Implementing Regulations provides that the China National Copyright Administration (“NCA”) shall be the State Council’s copyright administrative department. The NCA has the power to investigate copyright infringement cases that have a major effect on the whole country. The provincial copyright offices and the centrally governed municipalities are responsible for localized copyright affairs. The local offices are responsible for investigating copyright infringement cases within their administrative areas.

Article 8 further provides that, beginning in 1995, computer software copyrights must be registered within the NCA, rather than in the administrative department of the electrical industry. This change in jurisdiction was brought about by China’s newly unified administrative enforcement regime for the protection of copyrights.

The Chinese Customs Agency has special administrative powers to protect intellectual property rights, including the recording of patents, trademarks, and copyrights; investigation of imported and exported goods suspected of violating Chinese intellectual property laws; detention of goods that are suspected to be infringing products; and confiscation of any goods confirmed to be in-

30. Id.
33. See id.
34. See Copyright Law, supra note 3, art. 8.
35. See Birden II, supra note 23, at 441-42.
36. See id.
fringing goods. 37 To strengthen administrative enforcement, the State Council established a Working Conference on Intellectual Property Rights ("Working Conference"). The Working Conference is chaired by a council member, who is the director of the State Scientific and Technology Commission. This conference is in charge of guiding the affairs of intellectual property enforcement on a national scale. 38

Even though China has made great efforts to enforce intellectual property laws, there are still many unresolved problems in the enforcement mechanism. For example, most Chinese judges are unfamiliar with intellectual property law, especially the cases relating to international treaties. Therefore, it is not surprising that the United States is dissatisfied with the level of intellectual property law enforcement in China. Likewise, many Chinese intellectual property rights holders also complain that their rights are not effectively protected.

It is not easy to predict how these problems will be resolved. In order to gain insight into these problems, one must first understand why China wants to modernize its legal system of intellectual property protection, and how Chinese laws are enforced in practice.

II. CHINA-UNITED STATES TRADE ISSUES

Since the late 1970s, China-United States trade issues have dominated the course of modernizing Chinese intellectual property legislation and improving its enforcement mechanisms. After the end of the "Cultural Revolution" in 1979, while taking steps to build a society according to the basic principles of democracy, China implemented its "Open Door Policy," aiming to modernize the Chinese economy. 39 By 1978, during negotiations with the

United States on science and technology cooperation as well as trade issues, China began to consider protecting intellectual property rights in accordance with international standards. Thus, on January 31, 1979, China and the United States signed the Implementing Accord on Cooperation in the Field of High Energy Physics (the “Energy Accord”). Article 6 of the Energy Accord provides that “the parties recognized the need to agree upon provisions concerning protection of copyrights and treatment of inventions or discoveries made or conceived in the course of or under this Accord.”

Although the Energy Accord was limited to protecting intellectual property only in scientific cooperation, it was an important first step toward developing a broad system for the protection of intellectual property. This was the first bilateral agreement signed by China in this respect. At that time, there were few administrative rules protecting copyrights and inventions in China.

On July 7, 1979, China and the United States reached the Agreement on Trade Relations (“Trade Agreement”), which specifically provided for reciprocal treatment of intellectual property rights in both countries. Both countries acknowledged the importance of effective intellectual property protection and pledged to enforce or enact patent, trademark, and copyright laws for their respective countries, and afford a level of protection to the foreign party equal to that of its own party.

41. Id. at 348.
42. Id. at 346.
44. Article VI of the Agreement on Trade Relations Between the United States of America and the People’s Republic of China, states in part:
   1. Both Contracting Parties in their trade relations recognize the importance of effective protection of patents, trademarks and copyrights.
   2. Both Contracting Parties agree that on the basis of reciprocity legal or natural persons of either Party may apply for registration of trademarks and acquire exclusive rights thereto in the territory of the other Party in accordance with its laws and regulations.
   3. Both Contracting Parties agree that each Party shall seek, under its laws and with due regard to international practice, to ensure to legal or natural per-
In order to implement the above agreements, especially the Trade Agreement, China joined WIPO in 1980 and enacted the 1982 Trademark Law, the 1984 Patent Law, and the 1990 Copyright Law. Without doubt, China had to implement a legal system that protected intellectual property rights, if China were to follow through on its “Open Door Policy.” Thus, enactment of these laws was in China’s own interests.

There has been internal and external pressure on China to establish a new system to protect intellectual property rights, corresponding with China’s move toward a free-market orientation. The United States had, for its part, been influencing China to improve its intellectual property legislation through the threat of trade sanctions pursuant to the “Special 301” provision of United States trade law. In order to promote trade relations, the two countries reached a Memorandum of Understanding on the Protection of Intellectual Property ("Memorandum of Understanding") on January 17, 1992.

Id. at 4657.

45. WIPO Convention, supra note 7.
46. Trademark Law, supra note 1.
47. Patent Law, supra note 2.
48. Copyright Law, supra note 3.
The Memorandum of Understanding was the first bilateral trade-related intellectual property agreement signed by China, which focused on legislation. It required China to revise the Patent Law to (1) cover patent subject matter on all chemical inventions, whether products or process; (2) extend the term of protection for a patent of invention to twenty years from the date of filing the patent application, the same term requirement as in the United States; and (3) limit the use of compulsory licenses.\footnote{17, 1992, U.S.-P.R.C., 34 I.L.M. 676 (1995) [hereinafter Memorandum of Understanding].} Also under the Memorandum of Understanding, China was required to accede to the Berne Convention\footnote{Id. at 677-80.} and the Geneva Convention,\footnote{Id. at 680; see supra note 10 (detailing China’s accession to the Berne Convention).} and issue new regulations to comply with these conventions and the Memorandum of Understanding.\footnote{The Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms, Oct. 28, 1971, 25 U.S.T. 309.} Finally, the Memorandum of Understanding obligated China to enact a law against unfair competition as provided for in article 10\textsuperscript{bis} of the Paris convention.\footnote{Id. at 683.} China fully implemented the Memorandum of Understanding with passage of the 1992 Revision of Patent Law,\footnote{See Memorandum of Understanding, supra note 50, at 683.} the 1992 Implementing International Copyright Treaties Provisions\footnote{Id.; see also David Hill & Judith Evans, Chinese Patent Law: Recent Changes Align China More Closely With Modern International Practice, 27 Geo. Wash. Int’l L. & Econ. 359 (1994).}—after accession to the Berne and Geneva Convention—and the 1993 Law Against Unfair Competition.\footnote{Patent Law, supra note 2 (outlining the legislative history of the statute).}

Nonetheless, China has experienced difficulty in providing effective enforcement of these new laws within a short period of time. Those difficulties have been the greatest in the area of protecting foreigners’ copyrights. This is due to the short history of copyright law in China, the lack of Chinese officials with experience in the enforcement of copyright law, and the general igno-
rance of copyright law among many Chinese.

Despite such difficulties, the United States was eager for China to enforce these new intellectual property laws as soon as possible. The United States wanted to protect the American companies that were losing profits in China due to intellectual property piracy—especially copyright piracy. In 1994 and 1996, the United States initiated an investigation under “Special 301”\(^59\) and threatened to impose a one hundred percent duty on Chinese imports, equivalent to the estimated losses to American companies caused by China’s failure to enforce intellectual property laws. China retaliated by threatening trade sanctions against United States imports\(^60\) because China believed that the United States failed to consider the speedy progress China had made in protecting foreign intellectual property rights.\(^61\) Instead of trade sanctions, however, China was willing to continue this progress through negotiations or consultations with the United States.


\(^61\) See Garcia, supra note 49.

\(^62\) IPR Agreement, supra note 6.

\(^63\) Id. at 887.

ment and Market Access Accord. 65 These two agreements focus on administrative enforcement of copyright law and market access for American audio-visual and published products as well as computer software in China.

The 1995 IPR Agreement provides that China will establish a nationwide administrative intellectual property rights enforcement structure, including (1) a state council working-conference on intellectual property rights and sub-central working-conferences, (2) enforcement task forces, (3) a special enforcement period, (4) enforcement efforts in specific fields, (5) enforcement directly through administrative agencies and departments, (6) additional administrative actions, (7) customs enforcement, (8) establishment of copyright verification systems, and (9) administrative and regulatory matters. 66

The 1996 Agreement is composed of a report and market access accord (“Access Accord”). The report includes (1) actions taken by the Chinese government to stop piracy in CD factories, (2) a concentrated enforcement period, (3) border enforcement, and (4) monitoring of CD factories. 67 The Access Accord provides that China will open its markets more widely for American cultural products, subject to Chinese censorship requirements. 68

It is obvious that China-United States intellectual property disputes are a trade issue. For its part, China wants to keep the Open Door policy and develop trade relations with the United States. On the other hand, the United States wants to increase its market share in China as much as possible. Thus, it is in the best interest of both countries to protect intellectual property rights.

Despite recent intellectual property rights disputes between China and the United States, trade has quickly increased between the two countries. In 1995 alone, total United States exports to China increased by nearly twenty-seven percent. 69 At $12 billion, these exports were more than double the level of the exports in

65. See id.
66. See IPR Agreement, supra note 6, at 887-907.
67. See Enforcement Action Report, supra note 64.
68. See id.
1990. Disputes still remain, but it is certain that China will continue to improve the enforcement of intellectual property rights.

III. CHINA’S INTELLECTUAL PROPERTY LAW ENFORCEMENT POLICIES

China’s policy regarding enforcement of intellectual property rights can be understood as one of guiding or basic principles. Although it is difficult to define China’s particular guidance policies for intellectual property rights enforcement, the constitutional law may reveal some of the policy issues. The Constitution of China has three articles relating to the protection of intellectual property.

Article 20 of the Constitution of China provides that, “[t]he state promotes the development of the natural and social sciences, disseminates scientific and technical knowledge, and commends and rewards achievements in scientific research as well as technological discoveries and inventions.” To modernize its economy, China must promote the development of science and technology. Promoting this development is the basic principle for patent legislation and enforcement.

Enforcement of Chinese patent rights is much more effective than other areas of intellectual property, and thus it is relatively difficult to infringe on a valid patent. As one of the major patent offices in the world, the China Patent Office is recognized as a highly qualified administration. There are no ideological obstacles to overcome before enforcing patent laws and Chinese leadership regards development of science and technology as a top priority. This might explain why the first China-United States intellectual property rights-related agreement was the Energy Accord, regarding cooperation in the field of high energy physics.

70. See id.
74. Energy Accord, supra note 40.
Like the United States Constitution, the Constitution of China has no specific articles solely related to trademark protection. It should be mentioned that the 1982 Trademark Law was adopted before the new Constitution was ratified by the National People’s Congress on December 4, 1982. Article 7 of the 1993 Amendments of the Constitution revises article 15 of the 1982 Constitution, which now provides that “[t]he State practices a socialist market economy . . . . The state strengthens economic legislation and perfects macrocontrol . . . . The state prohibits, according to the law, disturbance of society’s economic order by any organization or individual.” Article 7 is mostly related to the protection of trademarks because article 1 of the Trademark Law defines its purpose as the promotion of a socialist commodity economy, i.e., a market economy. This is the basic principle of trademark legislation and enforcement. In July 1992, China implemented a nationwide crackdown on fake and poorly made goods, and in February 1993, amended its Trademark Law. It seems as though there are no ideological obstacles to China enforcing trademark laws and protecting registered trademarks, which is crucial for promoting a socialist market economy.

The more difficult problem is the enforcement of copyright laws. In accordance with article 22 of the Constitution, “[the] State promotes the development of literature and art, the press, broadcasting and television undertakings, publishing and distribution services, libraries, museums, culture centers, and other cultural undertakings, that serve the people and socialism . . . .” This is the basic principle of copyright law. Theoretically, China wants to protect copyrights to enhance their culture and society. But copyright protection—unlike patent or trademark rights—is

75. Trademark Law, supra note 1.
76. Compare Constitution of China, supra note 72, with Trademark Law, supra note 1 (indicating that the Trademark Law preceded the Constitution of China by several months).
77. XIANFA, art. 15, (1982). The Constitution of China was adopted on December 4, 1982 by the 5th Session of the 5th National People’s Congress. See id. It was amended on April 12, 1988, and subsequently on March 29, 1993, at the First Session of the 8th National People’s Congress. See id.
78. Trademark Law, supra note 1.
79. XIANFA, art. 20.
related to ideological issues.

China is very concerned with any publication that does not serve the people and socialism. China controls the publications and press with censorship. This power belongs to the Publication and Press Administration, rather than the National Copyright Administration. In effect, the propaganda department of the Chinese Communist Party controls publication and the press.

China conducts this form of censorship because they are concerned about cultural influences from Western countries. Obviously, controlling Western cultural influences while protecting foreigners’ copyrights is a significant challenge for China. Nevertheless, in an attempt to overcome this obstacle, article 2 of the Copyright Law provides that a foreigner’s copyright will be protected if the work is first published in China. If it is not first published in China, it will be protected according to a bilateral agreement, such as the one signed by China and the United States, or an international agreement acceded to by China. Furthermore, because China is now a member of the Berne Convention, any foreigner’s work must be protected by Chinese copyright law if the foreign country is a member of the Berne Convention. Despite these laws, it will still be difficult for Americans to export audiovisual products into China even though the 1995 and 1996 IPR Agreements on Market Access are in force.

Copyright piracy, on the other hand, is an issue of making money, rather than an ideological problem. In general, China wants to crack down on all copyright piracy, regardless of who owns the copyright, but in the area of copyright the Chinese government is more concerned about how to control the publication and press while serving the people and socialism. If the Chinese government paid more attention to the economic interests of copyright holders than to controlling the publication and press, the issue

80. Copyright Law, supra note 3.
81. See Kolton, supra note 59, at 422.
82. See id. at 421-22.
84. See Kolton, supra note 59, at 422.
of copyright piracy could be resolved more efficiently. Furthermore, paying attention to the economic interests of copyright holders is not only in the best interests of foreign copyright holders, but also of Chinese copyright holders.

In short, it is relatively difficult for China to enforce copyright laws, in some cases, due to China’s ideological policy. China wants to open the door for foreign technology while preventing the penetration of Western ideology. Enforcement measures against piracy, however, should be easier to implement.

IV. CHINA’S JUDICIAL ENFORCEMENT PRACTICES FOR INTELLECTUAL PROPERTY LAW

As judicial enforcement is the last resort, Chinese People’s Courts possess significant responsibility for enforcing intellectual property laws. Although the People’s Courts do not handle cases according to precedent, case law is becoming more important in current judicial practice. It may help to understand how Chinese intellectual property laws, especially the copyright laws, are enforced in practice and what are the unresolved problems concerning some copyright infringement cases involving United States parties.

The first copyright case in China involving an United States party was *Walt Disney Co. v. Beijing Youngsters and Children Publishing House*. In January 1994, the Walt Disney Company (“Disney”), filed a lawsuit in the intellectual property trial division of Beijing People’s Intermediate Court against a group of Chinese entities which included the Beijing Youngsters and Children Publishing House, Beijing Publishing House, and the Beijing circulation department of Xinhua Bookshop. The plaintiff claimed that


89. See id.
the defendants were involved in the illegal production and distribution of children’s books using well-known Disney characters, such as Mickey Mouse and Goofy, without Disney’s permission. Disney sought an injunction, an accounting of profits, a public apology, and the equivalent of $77,000 in damages in accordance with article 46 of the Chinese Copyright Law.90 In May 1995, the court issued a judgment in favor of Disney and awarded Disney the equivalent of approximately $27,000 in damages, to be paid in a lump sum by the defendants. Additionally, the defendants were ordered to give a public apology and to stop their illegal publishing activities.91

The first United States software copyright owner to file copyright infringement claims in China was Business Software Alliance, an industry group that includes Microsoft.92 In July 1994, three United States software companies sued five Beijing-based computer companies for pirating and selling copies of their software. The plaintiffs alleged that the defendants had committed ten separate acts of copyright infringement and demanded between $10,000 and $30,000 for each infringing act. In April 1996, the Beijing Intermediate People’s Court ordered the defendants to pay approximately $53,000 in damages to the plaintiffs.93 The court also confiscated computers and software seized from the Beijing Juren Computer Company, one of the defendants. During the investigation of its pirating activities, the company was enjoined from continued piracy of Microsoft, Autodesk, and WordPerfect products, and ordered to make a public apology to the plaintiffs.

Although these cases indicate that foreign intellectual property holders could obtain remedies by judicial enforcement in China, some Americans complain that “the Court did not publish an opinion,”94 and “the small amount of damages and delays in the court system reduced the deterrent effect.”95 These comments are re-

90. See Kolton, supra note 59, at 442.
91. See id.
92. See id. at 446-47.
94. See Kolton, supra note 59, at 450-51.
95. See Beijing Court, supra note 93.
lated to some practical issues.

One serious problem concerns a foreigner’s ability to know the Chinese judge’s legal reasoning. China follows the civil law tradition, in which judges decide cases according to statutes rather than case law. The judgment normally is composed of three parts: (1) fact statements by both parties, (2) ratified facts by the judge, and (3) laws regarding the facts and decision. The judge does not give the court’s reasoning, as would a court in the United States. From an American attorney’s perspective, a Chinese court’s judgment is too fact specific, therefore it cannot be used to predict what will happen in the next case.

Although it is not realistic to criticize Chinese judicial practice from the viewpoint of the American legal tradition, it should be recognized that legal reasoning requires a judge’s jurisprudential knowledge and trial experiences. It is expected that Chinese judges, especially those in appellate courts, are able to provide their legal justifications. Even though there is no requirement to publish judgments in China, a lot of cases have been published recently, some of which were edited by the Chinese Supreme People’s Court. It should be mentioned that the Chinese Supreme People’s Court has published some cases regularly in its monthly publication since 1985. These cases are in fact like precedent and have always supplied a function of guiding judicial enforcement nationwide.

Recovery of damages in copyright infringement, however, is an entirely separate problem. Articles 45 and 46 of the Copyright Law provide that an infringer should be responsible for damages. It is not clear, however, how to calculate the damages. There are some rules regarding calculating damages in patent infringement, which may provide some clues in applying damages calculations for copyright infringement.

In 1992, the Chinese Supreme People’s Court issued judicial

96. See Liu, supra note 87, at 116.
97. See id. at 107.
98. Copyright Law, supra note 3.
rules for trials of patent dispute cases. The rules provide that the principle for determining damages in patent infringement is fairness, and therefore, a patentee should obtain the reasonable damages for actual loss due to the infringement. The method used to calculate the damages is (1) the patentee’s actual economic loss due to the infringement, or (2) the illegal total profits made by the infringer, or (3) a reasonable amount no less than the royalty of patent licensing. It is not unusual for the parties and the court to calculate damages for copyright infringement differently because China lacks a clear rule. Special research, however, is being done in the intellectual property trial division of the Shanghai High People’s Court, which focuses on calculating damages in intellectual property infringement cases, especially in copyright infringement. It is expected that China will find a solution, and will continue to study the experience of other countries in this regard.

CONCLUSION

China has taken great strides in modernizing its intellectual property rights system. Critics charge that these strides have not produced the necessary results, namely, sufficient protection of intellectual property interests. In contrast, advocates of China’s new system are quick to note that China has made significant advances in a relatively short period of time. In any case, if China maintains its present course of development and continues to learn from the laws, policies, and practices of other countries, critics will be forced to recognize the drastic improvement in China’s intellectual property rights system.