

Overview

# A Comparison of Customs IPR Protection in the U.S. & China

Jennifer Diaz, Diaz Trade Law and Wen Peng, Chofn IP

**Bloomberg  
Law**

[Read Professional Perspectives](#) | [Become a Contributor](#)

Reproduced with permission. Published May 2022. Copyright © 2022 The Bureau of National Affairs, Inc.  
800.372.1033. For further use, please contact [permissions@bloombergindustry.com](mailto:permissions@bloombergindustry.com)

# A Comparison of Customs IPR Protection in the U.S. & China

Contributed by [Jennifer Diaz](#), [Diaz Trade Law](#) and [Wen Peng](#), [Chofn IP](#)

It is important for companies to understand how China's intellectual property protections compare with those in the U.S. With the rapid [increase in trade volumes](#) between the U.S. and China over the past decade, protecting intellectual property has become an increasingly important policy priority.

U.S. Customs and Border Protection (CBP) has designated the protection of intellectual property rights (IPR) as a [Priority Trade Issue](#) (PTI). This means that IPR infringement represents a high-risk area that can cause significant revenue loss, harm the U.S. economy, and/or threaten the health and safety of the American people. CBP has focused its actions and resources around PTIs to better direct its trade facilitation and enforcement approach.

Despite the U.S. government's [stated criticisms](#) that China does not do enough to prevent the importation and exportation of counterfeit goods, the [General Administration of Customs of the People's Republic of China \(GACC\)](#) asserts that it has actively taken steps to protect legitimate trade while enforcing its IPR laws and seizing counterfeit goods. This article compares and contrasts various IPR enforcement and protection mechanisms used by both CBP and GACC.

## Types of IPR Under U.S. & Chinese Customs Protection

While both the U.S. and China provide protection for trademarks and copyrights, the recordation of [trade names](#) with CBP is only available when the "name or trade style has been used for at least 6 months." Neither domains nor trade secrets are enforced by CBP or GACC, and patents are rarely enforced by GACC, and [only enforced by CBP](#) when an exclusion order is issued by the International Trade Commission.

**Practice Tip:** The search engines to determine whether others have recorded their IPR with the GACC are the [GACC database](#) and the [China National Intellectual Property Administration's \(CNIPA's\) database](#). It should be noted that the CNIPA's official database is not always timely updated. It is best practice to have counsel review the search results and provide a professional opinion on the likelihood of success of registration, prior to proceeding with the registration. In the U.S., the search engine to determine whether others have recorded their IPR is the [Intellectual Property Rights Search \(IPRS\)](#).

### IPR Recordation

IPR recordation refers to the process in which companies record their registered trademark or copyright. By recording IPR with a customs agency, the IPR enforcement process can be facilitated. Both CBP and GACC offer IPR recordation systems. While not compulsory, the recordation of IPR is highly advisable. In the U.S., IPR protection is offered via the [recordation process](#) (discussed further below), in which companies partner with CBP to prevent counterfeit products from entering or exiting the U.S. Recordation protections include in-transit goods that are transiting through the U.S. Publicly available [CBP IPR seizure statistics](#) do not distinguish between seizures of imports versus exports.

**Practice Tip:** In China, companies should record their IPR as early as practical and in the broadest terms possible. The sooner the IPR is recorded, the less likely the IPR will already be covered by another party in that country. The broader the terms are, the wider the protection afforded to the IPR.

It is recommended that companies record IPRs for the following reasons:

#### [Benefits of IPR Recordation with GACC](#)

1. Recordation will enable GACC to take action against the suspected infringing goods
2. The recordation is not subject to official government fees
3. Infringers may be deterred by the recordation and the owners' vigilance and refrain from exporting or importing infringing goods

4. Without an IPR recordation, the detention period will be much shorter, namely, 20 working days, as opposed to 50 working days
5. The recordation can bring the IPR to the attention of GACC officials and increase the likelihood of seizure

#### Benefits of IPR Recordation with CBP

1. CBP will monitor and seize infringing merchandise at all 328 ports of entry so that the trademark or copyright holder does not have to locate and prosecute every unauthorized importer, distributor, and retailer illegally using its trademark or copyright.
2. CBP has the authority to seize counterfeit merchandise and thereafter issue monetary fines against anyone who facilitates the attempted introduction of counterfeit merchandise into the U.S.
3. CBP may go to the U.S. Attorney's Office and request that those involved in the illegal activity be criminally prosecuted under the Trademark Counterfeiting Act of 1984.
4. A recordation is subject to minimal fees:
  - a. \$190 per International Class of Goods (IC), per trademark registration
  - b. \$190 per copyright
  - c. A recordation can be renewed for another term for the fee of \$80 per International Class of Goods (IC) for trademarks, and \$80 per copyright.
5. A recordation will remain in force concurrently with the underlying registration.
6. A recordation may be filed online with CBP's IPR [e-Recordation online system](#), and searchable via the [Intellectual Property Rights Search \(IPRS\)](#) database.

**Practice Tip:** The U.S. and China both require IPR (trademark and copyright) to be registered prior to having the ability to receive protection from their customs agencies. In the U.S., registration of a trademark must be made with the U.S. Patent and Trademark Office (USPTO) and copyright with the [U.S. Copyright Office \(USCOP\)](#). CBP does allow an application to record a pending copyright registration for a period of 6 months by providing proof that you have filed an application with the [USCOP](#).

Similarly, China only protects IPRs registered with the relevant Chinese government authorities, it is highly advisable to apply for the registration or grant of copyrights, and trademarks before requesting GACC protection or recordation. If the intellectual property does not have the correct registration or is otherwise not granted appropriate IPR protection, then the intellectual property cannot benefit from either customs agency's protection.

### Inbound vs. Outbound IPR Protection

China and the U.S. enforce IPR both for importations and exportations. In China, the protection is based on the condition that the relevant IPR has been granted registration or approval by the relevant Chinese authorities. Pending or not-applied-for IPRs usually enjoy no protections. [In 2020, the outbound infringing goods](#) seized by the GACC accounted for 99% of the total, namely 61,300 outbound batches as opposed to 614 inbound batches.

The GACC has protected the lawful interests and rights of over 1,000 IPR owners of about 45 countries, which reflects China's strong commitment to IPR protection. CBP publishes annual [IPR seizure statistics](#), but, does not differentiate import from export seizures. In FY 2020, ICE-HSI arrested 203 individuals, obtained 125 indictments, and received 98 convictions related to IPR crimes. In FY 2020, there were 184 million express shipments and 356 million international mail shipments, and over 90 percent of all IPR seizures occur in the international mail and express environments. The total number of seizures by CBP in GY 2020 were 26,503, with an estimated MSRP of \$1.3 billion.

### Parallel/'Gray Market' Imports

The U.S. and Chinese customs agencies' legal attitudes toward "parallel import" or "gray market goods" differ significantly.

CBP recognizes [three levels of infringement](#) in its enforcement of trademarks: counterfeit marks, copying or simulating marks, and restricted gray market goods—i.e. parallel imports. Gray market goods are genuine products bearing a trademark / brand name that has been applied with the approval of the right owner for use in a country other than the U.S.

Gray market goods are different from goods bearing counterfeit markets because goods bearing counterfeit marks are never genuine. According to [CBP guidance](#), CBP provides limited protection to trademark owners against importations of certain gray market goods. Only trademarks and trade names that are recorded with CBP are entitled to gray market protection, and gray market status is determined at the time of recordation with CBP. Gray market protection is only offered if you have the following in place:

1. The U.S. and foreign trademarks are not owned by the same person
2. The U.S. and foreign trademark owners are not a parent or subsidiary, or otherwise subject to common ownership or control

Currently, [Phillip Morris](#) is an example of a company that has been able to meet this stringent burden and CBP offers its trademarks gray market protections. The image below is a search result from the CBP IPRS database.

### Search Result

Meanwhile, in China, parallel imported goods—i.e., gray market goods—are typically permitted as these goods do not harm the interests of consumers. Chinese IPR policy asserts that permitting parallel imported goods liberalizes rather than restricts global trade through competition. Despite a general policy of permitting parallel imported goods into China, the Chinese government evaluates prospective importations to determine whether the parallel imported goods should be allowed entry based on the following factors (as determined by the Guangzhou IP Court's recent ruling No. (2020) YUE73MINZHONG1944 initiated by [Budweiser China against a parallel importer](#)):

1. Are the goods indeed “parallel imported”? If the answers to the below three questions are positive, the goods can be considered as “parallel imported.”
  - a. Are the goods genuine?
  - b. Are the goods almost identical with the lawfully authorized ones in China?
  - c. Are the imported goods and the lawfully authorized goods in China controlled by the same rightful owner?
2. Does such import constitute trademark infringement? If the answers to the below three questions are negative, the import does not constitute trademark infringement.
  - a. Will it potentially cause product confusion for the customers?
  - b. Will it jeopardize the function of quality assurance of a trademark?
  - c. Will it harm the consumer's interests?

## U.S. & GACC IPR Enforcement Procedures

For GACC, they take actions proactively ex officio or passively upon request. In proactive protection, IPR recordation is a precondition. When and if a shipment suspicious of infringing the recorded IPRs is seized by GACC, a notification shall be served to the IPR owner, who is entitled to submit an application for detainment as well as a bond of CNY100,000 in maximum (approximately \$15,700) within three working days. GACC will then conduct an investigation and:

1. If no infringement is found, the goods shall be released, and the bond shall be refunded.
2. If infringement is found, the goods shall be disposed of, and storage and disposal fees shall be deducted from the bond before refunded.
3. If GACC cannot determine the nature of the infringement, Customs shall wait for 50 working days from the detainment date to see if the owner launches a court proceeding. If no lawsuit is filed, the goods shall be released, and the bond shall be refunded after the storage fee or disposal fee is deducted.

In passive protection, when and if the IPR holder knows an infringing shipment is arriving in a Chinese port, the IPR holder is entitled to request the Customs officials to seize the goods regardless of whether the IPR is recorded or not. In such a circumstance, GACC shall detain the goods provided that the IPR holder has provided qualified application documents and has paid a bond amount equal to the value of the goods. However, GACC will have 20 working days to see if any court proceeding has been initiated without investigation. In the event of no lawsuit, GACC shall release the goods.

Here is a brief summary of [the law](#) with the two levels of protection by the GACC:

	<b>Proactive Protection</b>	<b>Passive Protection (upon request)</b>
Recordation needed?	YES	NO
Stop shipments ex officio?	YES	NO
Annual bond allowed?	YES	NO
Bond amount	CNY100,000 max. (≈\$15,700) <ul style="list-style-type: none"> <li>• If the value is less than CNY20,000, the bond shall equal to goods' value</li> <li>• If the value is between CNY20,000 CNY 200,000, the bond shall be half of the goods' value, but CNY 20,000 min.</li> <li>• If the goods' value is higher than CNY 200,000, the bond shall be a fixed amount of CNY100,000.</li> </ul>	The bond shall equal to the goods' value
Investigate?	YES	NO
Days to wait for court news?	50 working days	20 working days

Meanwhile, with U.S. CBP, IPR rights will generally only be protected by CBP if the IPR holder has the intellectual property recorded. CBP has made IPR enforcement a priority trade initiative, meaning it takes enforcement extremely seriously, and even shipments not destined for the U.S., which are merely in transit—for example goods exported from China, even if only stopping to refuel in Miami, while in route to the ultimate destination in Latin America—are no exception.

When a trademark or copyright is recorded with CBP, the trademark holder can teach CBP both how to spot infringers, as well as the countries and parties' legitimate merchandise should originate from so infringing merchandise may more easily be detected by CBP at all 328 official ports of entry across the country.

During the recordation process, the applicant can also name any alleged counterfeiters and assist CBP in comparing genuine versus counterfeit product. Once a trademark or copyright is recorded with CBP, the owner's information is entered into an electronic database accessible to over 60,000 CBP officers in the U.S. and overseas.

## CBP Detention and Seizure Process & Notification to IPR Owners

CBP administers and enforces a specific detention and seizure process that is outlined in detail in [19 C.F.R. Part 133](#). During the detention component of the detention and seizure process, it is critical that importers demonstrate that the subject importation adequately complies with U.S. importation laws and regulations.

Failure to demonstrate compliance at the detention phase will likely result in the merchandise being seized. Furthermore, a number of other costs such as administrative delays, demurrage fees, and legal fees may apply. Accordingly, it is important for importers to proactively retain legal counsel during the detention phase in order to effectively demonstrate that the detained merchandise is genuine and does not infringe on others' IPR.

Within five days from CBP's decision to detain the suspect merchandise, CBP regulations ([19 C.F.R. § 133.21\(b\)\(1\)](#)) require CBP to notify the importer of the detention in writing. The detention notice also informs the importer that a disclosure of information concerning the detained merchandise may be made to the IPR holder to assist CBP in determining whether any marks are counterfeit. If the importer presents information establishing to CBP's satisfaction that the detained merchandise does not bear a counterfeit mark within seven days of the notification—excluding weekends and holidays—CBP may choose not to notify the IPR holder, and may even release the merchandise.

**Practice Tip:** In practice, detention notices are often not issued timely or at all by CBP. An importer is best served to contact an attorney at the time of detention to advocate for their interests in a timely and effective manner.

According to the regulations, the detention phase is supposed to last for a period of up to 30 days from the date on which the merchandise is presented for examination. After this time period, if not released, the imported goods are deemed excluded for the purposes of [19 U.S.C. 1514\(a\)\(4\)](#).

In addition, on Sept. 18, 2015, CBP published a final rule titled "[Disclosure of Information for Certain Intellectual Property Rights Enforced at the Border](#)" in the Federal Register. This final rule amends the CBP regulations to further enhance information-sharing procedures by requiring CBP to release to the importer an unredacted sample or image of the suspect merchandise or its retail packaging any time after presentation of the suspect goods for examination.

By providing unredacted information to the importer, the regulatory change is meant to provide the importer with complete information appearing on imported goods, so that the importer can provide CBP with a meaningful response to a detention notice. In doing so, the regulatory change is meant to assist CBP in making an admissibility decision.

Throughout the detention process, CBP must disclose information appearing on the merchandise and/or its retail packaging, images (including photographs) of the merchandise and/or its retail packaging in its condition as presented for examination, or a sample of the merchandise and/or its retail packaging in its condition as presented for examination. CBP will release a sample to the owner of the mark when the owner furnishes CBP with a bond in the form and amount specified by the port director, to hold the United States, its officers and employees, and the importer harmless from any loss or damage resulting from furnishing of the sample. See [19 C.F.R. § 133.21\(b\)\(1\)](#), [133.21\(c\)](#).

Before the notice of detention is issued, CBP may, or once a notice of detention is issued, CBP must disclose to the owner of the trademark or trade name the following information:

- The date of importation
- The port of entry
- A description of the merchandise
- The quantity involved
- The country of origin of the merchandise

CBP may also disclose the following information to the trademark holder:

- Unredacted samples or images of merchandise or its retail packaging that is suspected of bearing a counterfeit trademark, serial numbers, dates of manufacture, lot codes, batch numbers, universal product codes, the name or address of the manufacturer, exporter, or importer of the merchandise, or any mark that could reveal the name or address of the manufacturer, exporter, or importer of the merchandise, in alphanumeric or other formats.

When merchandise is seized, CBP will disclose to the owner of the mark the following comprehensive importation information:

- The date of importation
- The port of entry
- The description of the merchandise from the notice of seizure
- The quantity as set forth in the notice of seizure
- The country of origin of the merchandise
- The name and address of the manufacturer
- The name and address of the exporter
- The name and address of the importer

Upon receipt by the owner of the mark, CBP may provide, if available, photographs, images, or a sample of the seized merchandise and its retail packaging, in its condition as presented for examination. To obtain a sample, the owner of the mark must furnish to CBP a bond in the form and amount specified by CBP.

**Practice Tip:** It is a common practice in the U.S. to retain counsel to assist in identifying and reporting intellectual property infringers to the U.S. government—often via the [e-allegation](#) program. Similarly, businesses should retain legal counsel to carefully identify and report intellectual property infringers to the Chinese administration for market regulation.

This agency has a strong presence throughout China and the agency's functions include the investigation of IP infringement, making cease and desist orders to IP infringers, and confiscating infringing products. The Chinese administration for market regulation is responsive to complaints of IP misuse and infringement.

## IPR Seizure Statistics

In 2020, GACC [seized 56.2 million items](#) of goods suspected of infringing IPRs. Approximately [99.3% of seized goods](#)—i.e., approximately 55.8 million pieces—related to trademark infringement. [More than 4,000 companies](#) newly recorded their IPRs before GACC, approximately 40% of which were non-Chinese companies. In the U.S., CBP conducted 20,252 seizures in 2021, amounting to approximately [\\$2.1 billion](#) worth of goods (if valued at the retail value of the genuine goods). Of these 39.8% of the seizures were for goods coming from mainland China, with another 26.5% of the seizures for goods coming from Hong Kong. Accordingly, 66.3% of U.S. IPR seizures were of Chinese origin.

## Treatment of Infringing Goods and Infringers

The infringing goods, once confirmed as counterfeit goods by CBP can be forfeited, destroyed, delivered to any government agency, gifted to any charitable institution, or sold at a public auction. China has essentially the same policy, except that the goods may not be used by a government agency. Furthermore, the IPR holder has the right to buy the infringing goods if interested.

Generally, the Chinese government [destroys](#) the infringing goods in order to deter intellectual property infringement. Issuing penalties for IPR infringement is a routine practice in both the U.S. and China. In the U.S. the penalty is only issued after the administrative seizure process is over, and the penalty value is the MSRP as if the item(s) were genuine.

## Conclusion

Both U.S. and GACC authorities actively enforce IPR. In both jurisdictions, IPR recordation is highly advisable as a key mechanism for protecting IPR. Although customs IPR enforcement differs procedurally, IPR enforcement is a key function of both jurisdictions' customs enforcement.

Accordingly, businesses engaged in international trade in both China and the U.S. should ensure that they are being proactive about their IPR protection and adequately utilizing the recordation process which is either affordable or free and offered by the two countries' respective customs authorities.