RECENT EFFORTS IN CHINA'S DRIVE TO PROMOTE INVESTMENT THROUGH THE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS: THE 1988 TRADEMARK RULES AND THE 1988 TECHNOLOGY IMPORT CONTRACT RULES

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China's recognition of the importance of protecting intangible property rights in its modernization program has become manifest in a number of its laws relating to foreign economic relations and trade. Such legislation in the post-Mao era include: the Trademark Law (1982) and its initial set of detailed implementing rules of 1983;¹ the Patent Law (1984) and its set of detailed implementing rules of 1985;² various provisions of the General Principles of the

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Civil Law (1986) as well as numerous other regulations such as the Regulations on the Administration of Technology Import Contracts (1985) and related regulations.

3. The General Principles of the Civil Law were adopted on April 12, 1986 by the Fourth Session of the Sixth National People's Congress. The Chinese text and English translation may be found in China L. for Bus., supra note 1, at ¶ 19-150. The relevant provisions provide:

**Article 94.** Citizens and legal persons enjoy rights of authorship (copyright). According to law, they have such rights as those to sign, issue, publish and be remunerated.

**Article 95.** Patent rights obtained according to the law by citizens or legal persons are protected by law. **Article 96.** The exclusive right to use a trademark obtained, according to law, by a legal person, individual industrial and commercial leasehold or a partnership between individuals is protected by law.

**Article 97.** Citizens enjoy the right of discovery with regard to their own discoveries. A discoverer has the right to apply for and obtain a certificate of discovery, a monetary award or other award.

Citizens have the right, with regard to their own inventions or other scientific and technical achievement, to apply for and obtain a certificate of honour, monetary award or other award.

**Article 118.** If a citizen's or legal person's right of authorship (copyright), patent right, right to the exclusive use of a trademark, right of discovery, right of invention or other right pertaining to scientific or technical achievements is infringed upon in the form of plagiarism, falsification or imitation, the citizen or legal person shall have the right to demand that the infringement be stopped, the effects of the infringements eliminated and damage compensated for.

For discussion, see generally Zheng, China's New Civil Law, 34 AM. J. COMP. L. 669 (1986).

4. The Regulations on the Administration of Technology Import Contracts was promulgated by the State Council on May 24, 1985. The Chinese text and English translation is in China L. for Bus., supra note 1, at ¶ 5-570. The Law on Technology Contracts was adopted on June 23, 1987 by the 21st Session of the Standing Committee of the Sixth National People's Congress. The Chinese text and English translation are in China L. for Bus., supra note 1, at ¶ 5-577. The Shenzhen and Xiamen Special Economic Zones and the Guangzhou Economic and Technological Development Zone have each promulgated specific local regulations in this area. See Provisional Regulations of the Shenzhen Special Economic Zone Governing the Import of Technology (approved on January 11, 1984 by the Standing Committee of the Sixth Guangdong Provincial People's Congress at its Fifth Session and

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In an attempt to further enhance the investment environment in general, and the protection of intellectual property rights in specific, in January 1988 China promulgated two sets of detailed implementing rules under the Trademark Law and the Regulations on the Administration of Technology Import Contracts. This article will analyze these two developments in an effort to assess how they promote China's stated policy of using advanced technology to spur economic development and thus aid in its modernization efforts. Part One discusses the Detailed Implementing Rules for the Trademark Law (January 13, 1988) (the "1988 Trademark Rules"), focusing on how this revised set of rules closes legislative gaps and addresses other issues in the areas of the trademark application process, trademark protection and enforcement, and remedies for infringement and counterfeiting and related issues. Part Two examines the Detailed Implementing Rules for the Regulations on the Administration of Technology Import Contracts (January 8, 1984), in China L. for Bus., supra note 1, at ¶ 73-510; Regulations of the Xiamen Special Economic Zone on the Import of Technology (approved on July 14, 1984 at the Eighth Session of the Standing Committee of the Sixth Fujian Provincial People's Congress), in China L. for Bus., supra, at ¶ 77-650; Provisional Regulations of the Guangzhou Economic and Technological Development Zone on the Import of Technology (Promulgated by the Guangzhou Municipal People's Government on April 9, 1985), in China L. for Bus., supra, at ¶ 85-029.

5. The Chinese text and English translation are in China L. for Bus., supra note 1, at ¶ 11-520. For commentary, see Kay, Trademark Update, 15 China Bus. Rev. 49 (July-August 1988).

I. THE 1988 TRADEMARK RULES

An attractive trademark regime must offer effective avenues for (1) trademark registration ensuring that protection attaches; (2) contesting improper registrations; (3) stemming infringement; and (4) seeking redress in infringement cases. Practice since the promulgation of the Trademark Law has revealed various legislative gaps that detracted from these four goals. The 1988 Rules strike at some of these lacunae, and further refine the law in this area. Yet, some serious problems still remain related to the protection and effective enforcement of trademark rights in China.

A. Application

The 1988 Trademark Rules add a degree of certainty and sophistication to the trademark application process. The amendments and clarifications reflect attempts at increasing the efficiency of trademark administration, and also highlight China's efforts at using trademark regulation as a means of ensuring consumer protection.

First, the language of the 1988 Trademark Rules relating to foreign trademark applications indicates an effort to speed up the

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8. This article does not provide a general background or comprehensive discussion of all legal issues arising in technology transfers to China. For such background and discussion, see JISHU MAOYI SHOUCE (A handbook on technology trade) (Liu Chaopu trans. 1979); Cohen & Pierce, Legal Aspects of Licensing Technology, 11 CHINA BUS. REV. 44 (May-June 1987); Dong, Restrictive Clauses in Technology Import Contracts, in FUDAN, supra note 2, at 114; Lubman, Technology Transfer to China: Policies, Law, and Practice, in M. Moser, FOREIGN TRADE, supra note 2, at 170; Wilson, The Legal Structures Governing Technology Transfers and Joint Ventures with the People's Republic of China, 3 INT'L TAX & BUS. L. 1 (1985); Wu & Min, supra note 2, at 251-300; Zhang & Ding, supra note 2, at 170-98; ZHENG CHENGI, supra note 2, at 293-356.

9. This Section I is a reprinted version, with revisions and annotations, from Silk, China's Drive to Protect Intellectual Property Rights. The 1988 Trademark Rules, 10 E. ASIAN EXEC. REP. 8 (1988), appearing here with the permission of the East Asian Executive Reports.
trademark application process. The Trademark Law established China's modern trademark administrative structure, and charged the Trademark Office of the SAIC with the tasks of trademark registration and administration. Under Trademark Law, applications involving foreigners have to be handled by a state-designated organization. The 1983 Rules formally named the China Council for the Promotion of International Trade ("CCPIT") to be this organization. Since that time, CCPIT's China Trade Mark Agency, as well as other affiliated organizations such as the China Patent Agent (H. K.) Ltd. in Hong Kong and China Patent and Technology Trade (U.S.A.) Ltd. in New York have been acting as agents on behalf of foreigners for the purpose of effecting trademark application filings.

This extra layer in the filing process has various practical implications on the protection of trademark rights. For example, China operates under the first-to-file system so that priority attaches to the earliest application filed in the Trademark Office, contingent on approval of the trademark. Foreign applicants, therefore, rely on the better benevolence of their agents to engage in the mad rush to the Trademark Office since the filing date does not hinge on when an applicant entrusted the agent to effect the filing, but rather when the agent actually filed the application. There has been at least one instance where an agent received powers of attorney from two different clients to register a similar trademark, and the later client has had its filing effected first, thus granting priority to the later client, while denying protection to the former client, which was actually the rightful owner of the trademark in other countries.

The vague wording of the 1988 Trademark Rules in omitting mention of CCPIT represents the authorities realization of the

10. Trademark Law, supra note 1, art. 10.
11. 1983 Rules, supra note 1, art. 29.
12. China Patent and Technology Trade (U.S.A.) Ltd. is a subsidiary of the China Patent Agent (H.K.) Ltd., and acts on its behalf. It is not a direct liaison with the State Administration of Industry and Commerce. Its legal relationship with the Hong Kong agent should thus be viewed as an agent of an agent.
13. Art. 18 of the Trademark Law embodies the first-to-file principle. Art. 18 provides: Where two or more applicants apply for the registration of identical or similar trademarks for the same or similar goods, the preliminary approval, after examination, and the publication shall be made for the trademark which was first filed. Where applications are filed on the same day, the preliminary approval, after examination, and the publication shall be made for the trademark which was the earliest used, and the applications of the others shall be refused and (their trademarks) shall not be Published.
need for expanding the number of authorized agents. The wording will also, according to one reliable source, give the SAIC flexibility in naming other authorized agents, which it is presently considering. Appointing additional authorized agents would certainly relieve the congestion at the agent's level, and thus decrease the possibility of situations arising as outlined above. Added agents are especially necessary given the volume of foreign applications, numbering in the thousands annually.

Second, China's use of the Trademark Laws as a means of ensuring consumer protection can be seen in various provisions of the 1988 Trademark Rules relating to applications. One stated purpose of the Trademark Law is to promote consumer protection. Aside from a general statement in the Trademark Law, providing that trademark administration protects the interests of consumers, this purpose is manifested in two provisions in the 1988 Rules. First, the 1988 Trademark Rules in restating the Pharmaceutical Control Law (1985), the 1983 Rules, and two administrative notices, one with regard to pharmaceuticals and the other relating to tobacco products, now require statutorily that both these products must bear registered trademarks. This measure ensures a threshold standard of quality for these two categories of goods, as well as other categories of goods as they are named by SAIC. Second, the 1988 Trademark Rules go one step further than the 1983 Rules in denying applicants the right to seek trademark protection for goods that "exceed the approved or registered scope of business" of the applicant. One aim of this built in monitoring mechanism is to guard against protecting a trademark on goods that the applicant may have little or no experience in manufacturing. The only potential downside is that this restriction, assuming

14. Art. 3 of the 1988 Trademark Rules provides in pertinent part:

If a foreigner or a foreign enterprise applies to register a trademark in China or requires to carry out other matters concerning trademarks, an organization designated by the State Administration of Industry and Commerce shall act as agent.

15. Trademark Law, supra note 1, art. 1.

16. See generally Yaping Quan Li Fa Jiben Zhishi (Basic knowledge on the law of pharmaceutical control) (He Yiren eds. 1986) in which the Pharmaceutical Control Law is reprinted. See also 1983 Rules, supra note 1, art. 4; State Administration of Industry and Commerce, Ministry of Health, and State Bureau of Pharmaceutical Control Joint Circular on Various Questions [Relating to] the Mandatory Use of Registered Trademarks on Pharmaceuticals, reprinted in Shangbiao Fagui, supra note 6, at 34.

17. See Act on the Sale of Tobacco (promulgated by the State Council of September 23, 1983), art. 16, reprinted in Shangbiao Fagui, supra note 6, at 36.

18. 1988 Trademark Rules, supra note 5, art. 7.

19. Id. art. 10.
active enforcement, would forestall prophylactic filings by foreigners to guard against potential improper registrations.

B. Trademark Protection and Enforcement

The 1988 Trademark Rules have removed various obstacles to effective trademark protection. Most notably, the 1988 Trademark Rules lifted a standing barrier which previously hindered the contesting of improper registrations, and infringements. Prior to the 1988 Rules, many rightful owners of trademarks outside of China were barred from challenging improper trademark registrations because of a standing requirement effectively allowing only trademark registrants the right to challenge a trademark.20 This situation arose because many individuals capitalized on China's first-to-file system by registering the trademark in China before the rightful owner and therefore deriving benefit from other companies' trademarks. The barrier served to deny rightful owners of trademark protection in China since China follows the first-to-file system and does not require proof of rights in the trademark, prior use or good faith to register. In such cases of "improper registration," the rightful owner would have to pay through a licensing or some other type of arrangement for rights in its own trademark in China.

This situation was remedied in part when China acceded to the Paris Union, which provides that a proprietor of a trademark registered in a Paris Union member country may claim a six month filing priority for filings in other Paris Union member countries.21 Nevertheless, six months is an inadequate time during which to detect and file a claim of opposition.

The 1988 Trademark Rules have relaxed the standing requirement giving rise to this problem. Anyone, not just prior registrants, may now challenge an alleged improperly registered trademark.22 Thus, trademark proprietors previously without redress in China may now contest and seek invalidation of an alleged unauthorized registration. Aside from relieving problems connected with filing, the 1988 Trademark Rules also enhance protection against infringement.

20. See 1983 Rules, supra note 1, art. 12.
22. 1988 Trademark Rules, supra note 5, art. 25.
and counterfeiting of exclusive rights in trademarks. A significant definitional change in the 1988 Trademark Rules is the specificity used to expand the elements of infringement. Article 38 of the Trademark Law defines infringement as:

the unauthorized use of an identical or similar trademark on like goods; the unauthorized manufacturing or marketing of a registered trademark; or otherwise injuring the exclusive trademark rights of another person.

The broad terms of the third category opened question as to what constituted “otherwise injuring” another person’s exclusive trademark rights. The 1988 Trademark Rules refine this provision to encompass the acts of:

- selling or distributing goods bearing the exclusive trademark of another person;
- using any word(s) or design as the name or on the packaging of goods if (i) such word(s) or design bears a strong likeness to a registered trademark of another, and (ii) such use is likely to cause confusion; or
- aiding in the storage, transport, mailing or concealment of goods bearing infringing trademarks.\(^23\)

A similar standing problem existed in the area of stanching infringement and counterfeiting. Under the 1988 Rules, anyone, again not just registrants, may lodge complaints against infringers or counterfeiters.\(^24\) Yet despite the relaxation of standing requirements, numerous practical problems confront the foreigner wishing to contest an improper filing or lodge an infringement complaint. One such problem relates to adequate representation. For example, CCPIT and its affiliates have a monopoly on the representation of foreigners in various administrative actions.\(^25\) This reality poses grave questions as to a trademark agent’s fiduciary obligations to its foreign clients when the agents of opposing parties in an infringement action work under the same roof. The Chinese have a long tradition of building the greatest walls in the world, but there is no indication that they have begun to build Chinese Walls to avoid such conflicts.

Another troubling situation might arise when a Chinese lawyer is reluctant to pursue actively an infringement or counterfeiting claim on behalf of a foreigner. In contrast with the United States

\(^{23}\) Id. art. 41.
\(^{24}\) Id. art. 42.
\(^{25}\) See supra notes 10, 11, 14 and accompanying text.

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and other Western countries, Chinese lawyers owe primary duty to the state, not their client, and as such are not bound to further zealously their client’s interests. A potential conflict would occur, for example, where a foreign interest retains a Chinese lawyer to pursue an infringement or counterfeiting claim against a Sino-foreign joint venture. If the Chinese party to the joint venture was originally troubled economically, and was subsequently revitalized through the capital contribution of a foreign party, part of which was an improperly registered trademark, then an actionable infringement or counterfeiting suit — while nevertheless supported under Chinese law — would be irreparably damaging to the Chinese enterprise. Such damage would affect local economic plans and, in a broad sense, the state. This situation would place the Chinese attorney in a precarious position between the interest of the state and his/her foreign client, potentially bearing on how the case would handled.

Finally, evidentiary problems may frustrate attempts at pursuing infringement or counterfeiting claims. In many cases it will be necessary to examine various documents such as the feasibility study, the underlying contract in the transaction (e.g., joint venture contract) and other approval documents in order to establish infringement. Such documents would not be made readily available from a potential adverse party, making the government agency with which they are on file the only other possible viewing source. Yet such documents, as held by approval authorities, are deemed to be “internal” (neibu) under Chinese law and as such are not of public record. Wrongful disclosure of such documents would probably amount to a breach of state secrets law, and could result in criminal penalties. Thus, owing to systemic factors, obtaining the

26. The primacy of the state can be seen in various provisions of the Provisional Regulations on Lawyers, adopted on August 26, 1980 by the 15th Session of the Standing Committee of the Fifth National People’s Congress and promulgated on August 26, 1980 by the Standing Committee of the National People’s Congress for implementation on January 1, 1982. The Chinese text and English translation appear in China L. for Bus., supra note 1, at ¶ 19-450. Articles 2 and 3 of the Provisional Regulations on Lawyers require lawyers to “propagate the socialist legal system”, “safeguard state and collective interests and the lawful rights and interests of citizens”, and “serve the cause of socialism”. For a discussion on this point, see Zheng, The Evolving Role of Lawyers and Legal Practice in China, 36 AM. J. COMP. L. 473, 500-505 (1988).

27. See the Criminal Law of the People’s Republic of China (adopted by the Second Session of the Fifth National People’s Congress on July 1, 1979, effective as of January 1, 1980), art. 186. The Chinese text and English translation are in THE CRIMINAL LAW AND THE CRIMINAL PROCEDURE LAW OF CHINA, 9 Foreign Languages Press (1984) [hereinafter THE CRIMINAL LAW]; See also The Provisional Regulations on Guarding State Secrets, in S.
very evidence on which it would be necessary to base a complaint may pose practical problems and delay or completely block efforts to bring an action to protect one's trademark rights.

C. Remedies and Related Issues

Recent enforcement efforts reflect a commitment to the protection of trademark and other intellectual property rights in China. According to Chinese statistics, administrative and judicial authorities have uncovered over 60,000 trademark infringement cases from 1983 to 1986.28 The fruits of SAIC's war against trademark infringements and counterfeiting were displayed at a major exhibition in Beijing in late 1987.29 Further, Chinese trademark authorities have been instrumental in resolving disputes through informal and administrative means involving the trademarks of such famous foreign companies as Sony, Lacoste, Suquos and Coca-Cola.30

Yet, the most severe problem in China's trademark program is that the penalties imposed against trademark infringers and counterfeiters lack the teeth necessary to rise to the level of an effective deterrent. China's arsenal of remedies and penalties include: self-criticism of the offender, cancellation of the trademark, fines of less than twenty percent of the illegal turnover or less than twice the amount of illegal profits gained, seizure of the false marks, and compensation.31

It is generally recognized in the trademark regimes of both numerous industrialized countries as well as many of China's neighbors that stiff economic deterrents coupled with harsh criminal penalties are essential to stemming illicit trademark activity. The severe social ills and economic damage caused by trademark counterfeiting and like activity justify this harsh stance.32

First, China's fines in connection with trademark infringements fail to act as a real economic deterrent. As mentioned above, the fines imposed under the 1988 Trademark Rules are linked to

31. 1988 Trademark Rules, supra note 5, art. 43.
illegal turnover or illegal profits and range from ten to twenty per­
cent of such measures. This calculus assumes, however, that trade­
mark counterfeiters will be maintaining flawless accounting records
so as to facilitate the accurate valuation of turnover or profits. It is
thus reasonable to assume that fines imposed will be on the low
end, and will thus be seen by the counterfeiter as an added cost of
doing business, not an economic deterrent. Fines for trademark
counterfeiting in the United States, for example, may be as high as
U.S. $250,000 for the individual and U.S. $1,000,000 for the
corporation. 33

Second, it is not clear that China's seizure provisions contain
an adequate detection mechanism. Seizure of goods bearing false
trademarks acts as an effective deterrent in disallowing profits to
the operator for its illicit activities. SAIC needs to consider work­
ing in tandem with Customs and other administrative authorities
by working trademark checks into the process of granting import
and export licenses and other Customs formalities for goods. Goods
detected as counterfeit could then be seized and destroyed. This
has been the practice adopted by the United States and some of
China's neighbors. 34

Finally, civil damages available to the rightful trademark
owner in infringement cases in most instances will not put the
owner in the shoes he would have been in absent the infringement.
The Trademark Law allows for compensatory damages in cases of
infringement. Damages are based on illegal profits earned or losses
incurred, with the right of choosing the method of calculation rest­
ing with the rightful owner. 35 Yet, as stated above, the rightful
owner will be lucky if accurate financial records were kept by the
counterfeiter, and an adequate measure of damages will thus be
near impossible to establish.

II. THE 1988 TECHNOLOGY CONTRACT RULES

The Ministry of Foreign Economic Relations and Trade
("MOFERT") promulgated the 1988 Technology Contract Rules in

34. 19 U.S.C. §1526(e); Regulations of the Ministry of Economic Affairs of the Republic
of China Governing the Prevention of Trademark Counterfeiting and False Marking of
35. Supreme People's Court Reply on the Question of Calculating the Amount of
Losses and Compensation and the Period of Infringement [Relating to] the Infringement of
Exclusive Trademark Rights (1985), in ZHONGGUO FALUI NIANJIAN [Yearbook of Chinese
January, 1988. The 1988 Technology Rules govern technology transfer contracts of all enterprises that operate with foreign investment (namely, equity and cooperative joint ventures, and wholly foreign-owned enterprises), and apply to the transfer or licensing of industrial property rights derived from a patent or trademark, the licensing of technical know-how and contracts for technical services. The 1988 Technology Contract Rules serve to codify the established principles governing technology transfers that have emerged in practice over the years, implement in greater detail the developed body of law in this area, further clarify some murky areas, and generally add sophistication to the legal framework. A foreign investor planning to transfer technology to China must, however, understand and appreciate both general aspects of Chinese economic planning which necessarily affects the negotiation and implementation of the technology contract, as well as established legal principles and limitations governing technology transfers as reflected in Chinese laws and regulations.

A. Approval

China operates under a socialist, centrally-planned economy. Thus, as reinforced by the 1982 Constitution, all economic activities must fit within the state economic plan. One way in which the foreign investor is subject and exposed to this grand planning system is through the contract approval process. All contracts for the transfer of technology must be approved by MOFERT or its subordinate, or a designated authority. This requirement allows the agency to monitor the essential terms of the cooperation —
such as the level of technology transferred, foreign exchange requirements under the contract, and the level of exports that may result from the cooperation. This approval requirement has the practical effect of adding an extra layer to the negotiation process in the form of post-signing/pre-approval negotiations. The process can be costly, time consuming, and frustrating, and may delay the ultimate implementation of the contract.

The 1988 Technology Rules serve to consolidate and clarify the practice and rules related to approvals. Specifically, the new rules specify from which approval authority one should seek approval, clarify the required scope of contents of technology transfer contracts (which, if followed, should appease the approval authorities and ultimately smooth the process), and also reveal some circumstances under which the approval authorities may require amendments.

Under the 1988 Technology Rules, the essential terms that must be included in the contract are as follows:

name of the contract;
contents, scope and requirements of the technology;
criteria, time limits, and measures for verifying the technology once transferred;
confidentiality obligations and requirements relating to improvements and modifications in the technology;
the itemized contract price and terms of payment;
compensation guidelines in the event of breach;
dispute resolution provisions, and measures for interpreting key terms and phrases.  

Technology contracts may not, however, contain provisions that (i) guarantee preferential tax treatment without the approval from the tax authorities, or (ii) restrict the export of products manufactured from the imported technology, which are deemed to be contrary to current laws and regulations, harmful to the public interest, violative of China’s sovereignty, or inconsistent with the initial feasibility study prepared in connection with the transaction.  

Moreover, they may not contain terms that are generally unclear, unequal or irrational.

The broad wording of the 1988 Technology Contract Rules relating to approvals, and therefore the degree to which approval au-

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40. 1988 Technology Contract Rules, supra note 5, art. 7.
41. Id. art. 18.
42. Id.
Authorities may pressure or exact concessions from the licensor, requires close liaison, either personally or through a conduit, with the approval authorities at an early stage. In fact, the 1988 Technology Rules contemplate pre-approval examination of the contract. This will allow the licensor to gain an appreciation of the concerns of the approval authorities, and address such concerns in a timely fashion.

The 1988 Technology Contract Regulations do, however, provide solace by establishing a time cap on the approval determination. If the contract is not disapproved within a period of sixty days from submission, then the contract will be deemed approved.43

B. Legal Status of the Licensee

Trade in China until recently has been conducted on a centralized basis, and where not centralized is conducted under the umbrella of regional trading corporations.44 As a consequence, few actual end-users of the technology (such as factories) have the right to enter into foreign economic contractual relations. In this respect, the 1988 Technology Contract Rules confirms the practice in this area by requiring enterprises lacking the authority to enter into foreign economic contracts to use an agent, such as an import/export corporation or trading corporation.45 As a result, the licensor is left to deal with two entities on the other side of the contract (the umbrella trading corporation, as well as the end-user) that may not attach the same degree of concern to or be in unison on their interests in the contract. This situation may potentially protract negotiations, and frustrate the implementation of the contract.

The main obstacle will arise in the mechanics of issuing the certificates normally required under technology transfer contracts. The success and profitability of a technology transfer will hinge on the delivery and acceptance of the technology and technical documentation, the integration of such technology into the existing Chinese facility, the verification of such integration, and payments for these goods and services.46 The completion of these steps is

43. Id. art. 17.
44. Id. art. 19.
45. See generally Horsley, The Regulation of China's Foreign Trade, in M. Moser, FOREIGN TRADE, supra note 2, at 5.
46. 1988 Technology Contract Rules, supra note 5, art. 3.
normally evidenced through the issuance of certificates certifying acceptable discharge of the given obligation. Yet, many logistical and technical problems arise where, as is normally the case, the end-user, which possesses the technical expertise to evaluate the given documents or services and lacks the capacity as a full signatory to the contract, is located hundreds, and sometimes thousands, of miles from the umbrella trading corporation, which bears primary obligations under the contract but will probably lack enough specific knowledge of the circumstances to evaluate the performance. This dilemma, when it arises, necessarily complicates the documentation of the transaction, and requires precise drafting.

C. The Confidentiality of Proprietary Know How

Technology transfer is a risky business in that the confidentiality of intangible rights in proprietary know-how is difficult to police once imparted. Aside from general comfort that one is not dealing with thieves. Certain precautionary steps may be taken in the contract. These include a clear definition of the know-how transferred, restrictions on disclosure and the consequences of wrongful disclosures. It is also prudent to include a survivability clause requiring the licensee to maintain the confidentiality of the know-how for a period beyond the termination of the contract. Yet the 1988 Technology Contract Rules restricts the use of such survivability provisions in limiting the confidentiality duration to the duration of the contract unless special approval is secured. There are examples where the Chinese authorities have accepted surviving obligations of confidentiality; however, the success of securing such protection will likely hinge on the value of the know-how to China and the ability of the particular negotiator.

III. CONCLUSION

The 1988 Rules and the 1988 Technology Rules have ushered the practices relating to and regulation of trademarks and technology import contracts into a new degree of sophistication. The trademark amendments offer avenues to stem improper registrations and infringements by closing legislative gaps and refining various provisions. The new technology contract rules reveal much about the permissible contents of such contracts by offering guid-

47. 1988 Technology Contract Rules, supra note 5, art. 15.
ance on the approval process. However, the law, practice and Chinese system still exhibit shortcomings and present challenges to the investor. Adequate and effective trademark protection in this new environment will require a sound and carefully executed plan, including timely registration and active monitoring of the marketplace. Sound technology contract protection likewise demands deliberative planning coupled with unique appreciation of the Chinese system as it affects the success of such transactions.