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EDITORIAL NOTE ON VOLUME 14, NUMBER 1, 2025

Editorial Note

Dr. Yii-Der Su

Associate Professor,

Graduate Institute of Intellectual Property,

National Taipei University of Technology

As the Executive Editor of this issue, I wish to extend my sincere thanks to all contributors involved in the publication process, whose dedication and professionalism have upheld the scholarly standards of this journal.

Drawing on perspectives from East Asia, Southeast Asia, and South Asia, and reflecting the interconnected development of industries and legal systems across the Indo-Pacific region, the articles in this volume examine contemporary issues in intellectual property law through comparative, empirical, and doctrinal approaches, engaging with diverse industries as well as classic themes such as limitations on intellectual property rights and their interaction with competition.

It is hoped that the contributions presented here will offer meaningful insights for both academic research and professional practice, while further promoting interdisciplinary and international engagement in intellectual property scholarship.

With deepest appreciation,

Executive Editor

Dr. Yii-Der Su

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NTUT Intellectual Property Law and Management is a multidisciplinary journal which concerned with legal, economic and social aspects of IP issues. This journal is included in the SCOPUS, WESTLAW, WESTLAW HK, LAWDATA, AIRITI LIBRARY citation databases, and it welcomes contributions to address IP topics at national, regional and international level.

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Analysing ‘patent’ & ‘undisclosed information’ provisions under India-EFTA TEPA from access to medicine perspective

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Abstract

To enhance export-oriented domestic manufacturing, India is actively negotiating International Investment Agreements (IIAs) with multiple nations. In March 2024, India signed an IIA with four European EFTA nations, aiming to attract \$100 billion in investments. While many provisions of the IP-chapter of the Trade and Economic Partnership Agreement (TEPA) mirrors those in the TRIPS Agreement, an analysis of the IP-chapter and related annexures suggests that the agreement imposes TRIPS-plus standards on India. This study examines whether the provisions related to ‘patents’ and ‘undisclosed information’ could adversely impact India’s patent regime, potentially hindering access to essential medicines. It further evaluates relevant amendments to the Indian Patent Rules and assesses their combined impact on the Indian patent regime.

Keywords: India-EFTA Trade and Economic Partnership Agreement (TEPA); Access to Medicine; Patent; Undisclosed Information; Pre-Grant Opposition; Patent Working Requirement; Test Data Protection; Test Data Exclusivity.

The author could be reached at ns.neeleshshukla@gmail.com. Orcid ID: 0000-0003-1687-1428. The author would like to thank the reviewers for their valuable comments and suggestions. The author also expresses sincere gratitude to the editors of the journal for ensuring a rigorous and constructive review process.

I. Introduction

India and the four member nations of the European Free Trade Association (EFTA) – Switzerland, Norway, Iceland, and Liechtenstein – concluded a Trade and Economic Partnership Agreement (TEPA) on March 10, 2024.¹ Negotiations for this Free Trade Agreement (FTA) began in 2008 and were finalized after 21 rounds of rigorous discussions spanning over 16 years. This marks the first FTA between India and a European bloc. The agreement aims to eliminate customs duties on a wide range of products and offer preferential duty benefits for goods from both sides. From an investment perspective, the FTA is significant as EFTA nations have pledged to invest \$100 billion in India over the next 15 years.²

The agreement comprises fourteen chapters, focused primarily on ‘market access’ related to goods, rules of origin, trade facilitation, trade remedies, SPS measures, TBT, investment promotion, intellectual property rights (IPRs), trade, and sustainable development.³ From the investment perspective, the agreement *prima facie* seems to be an excellent opportunity for India to attract foreign investment. However, it is yet to be evaluated through the touchstone of time.

Chapter 8 of the TEPA provides for ‘Protection of Intellectual Property’, which further refers to the Annex. 8.A (IP-chapter) providing detailed IPR provisions. The IP-chapter contains 23 articles with provisions covering various aspects like international IP conventions, TRIPS & public health, copyright, indication of sources, GI, patents, protection to undisclosed information, designs and other provisions relating to civil and criminal remedies.⁴ Although the majority of the provisions forming part of the IP-chapter are replica of the TRIPS Agreement; however, it does contain provisions that are of TRIPS-plus standard.

In part II of this study, the author argues that the patent-related provisions in the IP-chapter could negatively impact the pre-grant opposition mechanism, a crucial safeguard against patent protection to incremental and obvious inventions. In part III, the author contends that the provisions of the said chapter would weaken the patent working requirement, which is essential in ensuring the availability of protected invention, including essential medicines, in the market.⁵ In part IV, the author evaluations the annexure on ‘Record of Understanding’ (RoU) regarding undisclosed information as provided under Article 15 of the IP-chapter. The author contends that the RoU serves as an attempt to encourage India to adopt a *data exclusivity* regime, which has been proven to restrict access to affordable medicines in multiple nations.

¹ EUROPEAN FREE TRADE ASSOCIATION, INDIA, [HTTPS://WWW.EFTA.INT/TRADE-RELATIONS/FREE-TRADE-NETWORK/INDIA](https://www.efta.int/trade-relations/free-trade-network/india) (LAST VISITED OCT. 15, 2025).

² Shairee Malhotra, *Will the India-EFTA Trade Deal Bring Substantial Benefits to India*, Observer Research Found. (May 10, 2024), <https://www.orfonline.org/expert-speak/will-the-india-efta-trade-deal-bring-substantial-benefits-to-india>; see also Press Release, Press Info. Bureau, Gov’t of India, Ministry of Com. & Indus., *India-EFTA Trade and Economic Partnership Agreement* (Mar. 10, 2024), <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2013169>.

³ *Trade and Economic Partnership Agreement Between the EFTA States and the Republic of India* (Mar. 10, 2024), <https://rtais.wto.org/UI/PublicShowMemberRTAIDCard.aspx?rtaid=598>.

⁴ European Free Trade Ass’n, Annex 8.A, Protection of Intellectual Property (May 30, 2024), <https://www.efta.int/sites/default/files/documents/legal-texts/free-trade-relations/india/8.A%20-%20Protection%20of%20Intellectual%20Property.pdf>.

⁵ SUNIL MANI, DIMENSIONS OF INDIA’S INTELLECTUAL PROPERTY RIGHT SYSTEM: HOW MANY PATENTS ARE COMMERCIALIZED IN INDIA?, CTR. FOR DEV. STUDIES, COMMENTARY SERIES (JUNE 6, 2024), [HTTPS://CDS.EDU/WP-CONTENT/UPLOADS/2021/02/2COMMENTARY-MIN.PDF](https://cds.edu/wp-content/uploads/2021/02/2COMMENTARY-MIN.PDF).

The study primarily seeks to evaluate whether the provisions relating to patents and undisclosed information would adversely affect access to medicines in India. Against this backdrop, it further examines the 2024 amendments to the Indian Patent Rules and the combined impact of both on the Indian patent regime.

II. Article 11 – A dent on Pre-grant opposition mechanism

To promote innovation and elevate the dissemination and transfer of technology, the patent system grants a limited-time exclusivity where the patentee could prevent others from unauthorized usage of her invention. The *quid-pro-quo* of such exclusivity is the disclosure of entire invention to the public. The procedure for granting a patent is rigorous to ensure that only inventions worthy of protection are granted exclusivity.⁶

In India, the ‘Controller General of Patent, Designs and Trademark’ (the Controller) is entrusted with the responsibility of granting patents.⁷ From accepting provisional or complete specifications to evaluation to awarding a patent, the Controller has exclusive power and authority to administrate the cumbersome and multifaceted process of the patent grant in India.⁸ Since the patent is awarded under the seal of the Controller, while evaluating, the Indian patent office has to ensure that only genuine inventions are granted exclusivity, not the ‘trivial inventions’.⁹ This mandate is backed by the fact that the Indian Patent law provides for multiple ‘safety valves’, which assist the Controller in deciding the genuineness of an invention and rejecting the application which is not up to the Indian patent standards.¹⁰

One such mechanism is ‘patent opposition’, which in *strictō sēnsū* allows a third party to oppose a patent application before or after the grant. Section 25 of the Indian Patent Act (1970 Act) provides two opportunities to oppose a patent application. Under Section 25(1), ‘any person’ can oppose a patent application after its publication but before the grant.¹¹ This procedure is known as pre-grant opposition. Under Section 25(2), after the grant of patent but before the expiry of one year from the grant date, ‘any person interested’ may oppose the grant application on listed grounds.¹² This procedure is generally known as ‘post-grant opposition’. The grounds to oppose a patent enlisted under clauses 1 and 2 of Section 25 are practically the same.

The pre-grant opposition plays a crucial role in minimizing the grant of low-quality patents as it allows any person, including the generic drug makers and bonafide health organizations, to oppose a patent grant.¹³ Given that the opportunity of pre-grant opposition is open to ‘any third party’, it helps the Controller the protection to obvious inventions.¹⁴ The mechanism becomes more significant during the examination of pharmaceutical and agrochemical inventions, as through this procedure a third party may bring to the notice of the Controller if a

⁶ Benedetta Ubertazzi, *Intellectual Property Rights and Exclusive (Subject Matter) Jurisdiction: Between Private and Public International Law*, 15 MARQ. INTELL. PROP. L. REV. 357 (2011).

⁷ The Patents Act, 1970, No. 39 of 1970, § 43 (India).

⁸ Rajeev Dhavan et al., *Power Without Responsibility: On Aspects of the Indian Patents Legislation*, 33 J. INDIAN L. INST. 1, 1–75 (1991).

⁹ RYO SHIMANAMI, *THE FUTURE OF THE PATENT SYSTEM* 229–275 (EDWARD ELGAR PUBL’G 2012).

¹⁰ For example, provisions like Section 3(d) allow the Controller to reject a patent application if the invention is merely a new form of a known substance.

¹¹ The Patents Act, 1970, No. 39 of 1970, § 25(1) (India).

¹² Id. § 25(2).

¹³ B.N. Pandey & Prabhat Saha, *2020 Special 301 Report: Patents and Public Health*, 63 J. INDIAN L. INST. 325, 325–35 (2021).

¹⁴ Id.

medicine is a ‘derivative’ of the existing patent or the invention is only the ‘new use’ of the existing patent.¹⁵ Therefore, an ‘unconditional’ pre-grant opposition procedure remains a crucial safeguard to ensure quality of patents and to prevent the grant to inventions that are obvious, incremental, derivative, ‘new form of a known substance’¹⁶ or ‘new use of known substance’¹⁷ – all of which may facilitate the evergreening of patents and adversely affect access to essential medicines.

Article 11.7 of the IP-chapter to the India-EFTA TEPA attempts to add a condition to the existing ‘unconditional’ pre-grant opposition mechanism. The said provision provides;

*“Where a Party provides for a process that allows a third party to oppose a patent application before its grant, it shall ensure that this opposed patent application is processed and disposed of within a reasonable period and without undue delay including by swiftly rejecting *prima facie* unfounded oppositions, as determined by the competent authority.”¹⁸*

The new procedure requires the Controller to ‘swiftly reject’ a patent application if it is *prima facie* found to be vague. Although the Ministry of Commerce and Industry, Government of India, through the Patent (Amendment) Rules, 2024, has incorporated the said clause under *Rule 55* of the Patent Rules 2003 (2003 Rules),¹⁹ the same is against procedure well settled through the judicial precedents that the Controller is bound to look into the merits of each opposition application, hear all the opponents, and then decide as per the 1970 Act.²⁰

The new provision places arbitrary powers in the hands of the Controller to reject the ‘patent opposition application’ without considering the merits of the claims mentioned in the application. It would weaken the essential safeguard that prevents the awarding of unmerited patents. The *prima facie* rejection of opposition application may result in an elevation in the grant of incremental patents or patents to known-medicines with simple modifications or improvements.²¹

In India, the significance of ‘unconditional’ pre-grant opposition is already established by the successful opposition of the ‘Drug-Resistant Tuberculosis (DR-TB)’ medicine *Bedaquiline* manufactured by Johnson & Johnson (J&J).²² The patent application for *Bedaquiline* was filed in India in August 2017. After the publication of the application, in December 2020, two TB survivors opposed the same, claiming it to be a ‘secondary patent’ containing incremental innovation.²³ They were given an opportunity for a hearing, where they presented evidence to

¹⁵ S. Mani, S. Chaudhuri, V.K. Unni, C. Pray & L. Nagarajan, *TRIPS Compliance of National Patent Regimes and Domestic Innovative Activity: The Indian Experience*, in *TRIPS Compliance, National Patent Regimes and Innovation* (Edward Elgar Publ’g 2013); see also Neelesh Shukla & Prateek Deol, *Patent Evergreening as Part of India–UK Free Trade Agreement: A Dilemma for India*, 10 KASHMIR J. LEGAL STUD. 203, 203–16 (2023).

¹⁶ The Patents Act, 1970, No. 39 of 1970, § 3(d) (India).

¹⁷ Id.

¹⁸ *Trade and Economic Partnership Agreement Between EFTA and India*, art. 11.7, Mar. 10, 2024.

¹⁹ India Patent Rules, 2003, r. 55, <https://ipindia.gov.in/writereaddata/Portal/ev/rules-index.html> (last visited Oct. 20, 2025).

²⁰ Zaheer Abbas, *An Evaluation of the Indian Legislative Framework for Patent Opposition Mechanism: Merits and Demerits of the Procedural Safeguard*, 4 J. INTELL. PROP. STUD. 62, 62–86 (2021).

²¹ Ashish Pareek & Shivendra Singh, *Concept of Obviousness: Scenario Post KSR International v. Teleflex Inc.*, 13 J. INTELL. PROP. RTS. 7, 7–18 (2008).

²² The patent application can be located using Application No. 201727030045 on the Intellectual Property India website (<https://iprsearch.ipindia.gov.in/PublicSearch/PublicationSearch/ApplicationStatus>). It includes the Controller’s order dated July 2024, which accepts the opposition application and rejects the patent application.

²³ Médecins Sans Frontières Access Campaign, *DR-TB & TB-Prevention Drugs Under the Microscope* (7th ed.

support their claims on how the new invention is frivolous and how the patent application attempts to further monopolize the salt for another twenty years after the expiry of ‘primary patent’ which was due in July 2023.²⁴ The opposition was accepted, and the Controller rejected the patent application from J&J, leading to the availability of a generic version of *Bedaquiline* in the Indian market at less than half the original price.²⁵ Would the Controller have the power of rejecting the opposition *prima facie*, and had it been exercised, it would have prevented the access to cheap medicines for TB patients in India.

Although TEPA was signed in March 2024, India had planned to make such changes in its Patent rules in mid-2023 when the DPIIT released the first draft Patent (Amendment) Rules. The proposed amendments to ‘pre-grant opposition’ mechanism were criticized and opposed by multiple patient groups and health organizations at that time too. For instance, Eldred Tellis – the Director of *Sankalp Rehabilitation Trust*²⁶ commented that “granting the Controller discretionary authority to determine who may file pre-grant oppositions is beyond the scope of the Patents Act and contradicts prior judicial rulings, which allowed organizations like ours and anyone to file pre-grant oppositions. This proposed amendment could potentially curtail our ability to file pre-grant oppositions to prevent the grant of unmerited patents on medicines to ensure timely availability of quality assured, affordable generic medicines.”²⁷

The mechanism of unconditional pre-grant opposition has played a crucial role in strengthening the ‘access to essential medicine’ for India and for other nations too, given India is the largest exporter of generic medicine to multiple nations, including least developed countries.²⁸ Allowing any additional pre-grant opposition condition, either through domestic laws or through an international treaty, would permit the Controller to exercise power arbitrarily, leading to the grant of exclusivity to ‘incremental innovations’ and denial of access to essential medicines to the needy ones.

2020), https://w.msfaccess.org/sites/default/files/2020-10/MSF-AC_IssueBrief_UTM_7th-Ed_2020.pdf (last visited Oct. 21, 2025).

²⁴ The patent application can be accessed using Application No. 201727030045 on the Intellectual Property India website (<https://iprsearch.ipindia.gov.in/PublicSearch/PublicationSearch/ApplicationStatus>). It includes the order from the opposition hearing dated December 22, 2023, which the patent applicant declined to attend or contest, as stated in their reply dated January 19, 2024. *Also see*; Vasudevan Mukunth, *Explained | Bedaquiline, India’s anti-tuberculosis fight, and a patent battle*, THE HINDU (Mar. 25, 2023, 06:32 PM)

<https://www.thehindu.com/sci-tech/health/bedaquiline-drug-resistant-tuberculosis-patent-law-safety/article66657638.ece#:~:text=J%26J%27s%20patent%20application%20was%20for,supported%20by%20M%C3%A9decins%20SANS%20Frontiers%C3%A8res>. Also see, *Grounds for Opposing Patent Application for Bedaquiline Formulation in India*, MEDECINS SANS FRONTIERES ACCESS CAMPAIGN (Jul. 23, 2024, 03:39 PM)

https://msfaccess.org/sites/default/files/2019-02/BDQ%20Opposition_Briefing%20Document_India_Fab2019_ENG.pdf. Also see, Banjot Kaur, *J&J’s Patent for Paediatric TB Drug Rejected, Move Hailed as ‘Significant Victory’ for Children*, THE WIRE (Jul 5, 2024, 02:10 PM) <https://m.thewire.in/article/health/jjs-patent-for-paediatric-tb-drug-rejected-move-hailed-as-significant-victory-for-children>.

²⁵ The patent application can be accessed using Application No. 201727030045 on the Intellectual Property India website (<https://iprsearch.ipindia.gov.in/PublicSearch/PublicationSearch/ApplicationStatus>). It includes the Controller’s order dated July 2024, accepting the opposition application and rejecting the patent application.

²⁶ An NGO based in Mumbai (India) working in the field of ‘injecting drug using community’ since 1995 to prevent HIV / AIDS.

²⁷ SpicyIP, *Draft Patent Amendment Rules: Big Impact but Limited Commentary* (Sept. 2023), <https://spicyip.com/2023/09/draft-patent-amendment-rules-big-impact-but-limited-commentary.html> (last visited Oct. 24, 2025).

²⁸ Olugbenga Olatunji, *Historical Account of Dwindling National Flexibilities from the Paris Convention to Post-TRIPS Era: What Implications for Access-to-Medicines in Low- and Middle-Income Countries?*, 25 J. WORLD INTELL. PROP. 391, 391–411 (2022).

III. Article 12 – An attempt to eliminate Patent working requirement

Article 12 of the IP-chapter attempts to alter the existing patent working requirement as provided under Section 146 read with Rule 131 of the 2003 Rules.²⁹ To ‘work a patent’ means it has to be practiced within the territory of India.³⁰ While a patent is a limited-time exclusivity awarded to an inventor for sharing the invention, the ‘working requirement’ mitigates the effect of this exclusivity by mandating the inventor to demonstrate if the invention has been disseminated into the local market and if the public has gained through the exclusivity.³¹ *Prabhat* and *Shivam* describe the benefits of ‘working requirement’ as it “aids domestic industrialization, employment generation, economic independence, seamless technology transfer, and technological capacity building”.³²

Historically, India has advocated for strong patent working disclosure requirements, until recently.³³ India was among the nations that fiercely defended such requirements during the Uruguay round of TRIPS negotiations.³⁴ As part of the proposal, India submitted that the working of a patent should be considered a patentee’s primary obligation, and the law should explicitly provide that “mere importation of a patented product does not amount to its working in the host country”.³⁵ India further proposed that the patent grant should mean, in the case of a product patent, the making of an invention within the territory and, in the case of a process patent, the use of process within the territory.³⁶ Therefore, for India, the ‘working requirement’ has always been analogous to ‘manufacturing’ the product or process within the territory.

In India, ‘working of patent’ is a statutory requirement forming part of Chapter XVI of the 1970 Act.³⁷ Section 83 of the said chapter outlines the general principles applicable to working of patented inventions.³⁸ The Indian legislature – through the 2002 amendments – brought multiple changes to the provision, which now provides additional justifications for India’s patent working requirements. It mandates that the patents should not serve to block competition or enable monopoly via importation alone. Additionally, it emphasises that the Patents should not impede protection of public health and the invention should be made available to the public at reasonably affordable prices.³⁹ Hence, the requirement serves to address potential negative impact on exclusivity on availability of essential medicines in India.

Furthermore, the ‘working requirement’ plays a crucial role in evaluating the grant of compulsory licensing under Section 84 of the 1970 Act. One of the grounds mentioned under

²⁹ *Trade and Economic Partnership Agreement Between EFTA and India*, art. 12, Mar. 10, 2024.

³⁰ Jorge L. Contreras et al., *Patent Working Requirements and Complex Products*, 7 NYU J. INTELL. PROP. & ENT. L. 1, 1–50 (2017).

³¹ Prabhat Saha & Shivam Kaushik, *Patents (Amendment) Rules 2020: India’s Patent Working Requirement at Stake*, 16 J. INTELL. PROP. L. & PRAC. 1340, 1340–46 (2021).

³² *Id.*

³³ Jae Sundaram, *India’s Trade-Related Aspects of Intellectual Property Rights Compliant Pharmaceutical Patent Laws: What Lessons for India and Other Developing Countries?*, 23 INFO. & COMM’NS TECH. L. 1, 1–30 (2014).

³⁴ The Secretariat, Meeting of Negotiating Group of 30 October–2 November 1989 (Aug. 4, 2024, 10:51 AM), http://ipmall.law.unh.edu/sites/default/files/hosted_resources/lipa/trips/16.pdf.

³⁵ *Multilateral Trade Negotiations: The Uruguay Round*, MTN.GNG/NG11/W/37 (July 10, 2024).

³⁶ *Id.*

³⁷ *The Patents Act, 1970*, ch. XVI (Working of Patents, Compulsory Licences, and Revocation) (India) (containing § 82–94).

³⁸ *The Patents Act, 1970*, No. 39 of 1970, § 83 (India).

³⁹ *Id.*

the said provision is that the invention has not been worked within the territory of India'.⁴⁰ Additionally, while evaluating such application under Section 84(1)(a), for checking if the reasonable requirement of the public has been met,⁴¹ the Controller has to further refer to Section 84(7)(d). Under said clause, the reasonable requirements of the public is not deemed to be satisfied – if the patented invention has not been worked within the territory of India on a commercial scale to an adequate extent.⁴²

Furthermore, India's the requirement was one of the prominent contentions in its compulsory licensing dispute – *Natco vs Bayer Corp.*⁴³ Natco filed for a CL application in 2008 to produce the generic version of Bayer's patented drug *Nexavar*. After evaluating the Natco's application, the Controller awarded the CL in 2012. One of the contentious grounds for such award was that the patented drug has not been produced within India for past three years – which fulfills the requirements under Section 84(1)(c) of the 1970 Act.⁴⁴

Bayer Corp. appealed against the Controller's decision before Intellectual Property Appellate Board (IPAB) arguing that it is not mandatory to produce and manufacture medicine within India's territory; even importing medicine would satisfy such a requirement.⁴⁵ Additionally, it contended that the 'working' requirement should be examined on a case-to-case basis, as in this case, the number of patients requiring *Nexavar* was extremely low; it does not economically justify setting up a separate manufacturing facility in India.⁴⁶

Natco contended that the patented product was merely imported into India and was not being sufficiently worked within the country to the fullest extent reasonably practicable.⁴⁷ Natco stated that the importation of *Nexavar* is a deliberate and thoughtful decision of Bayer as it imports the medicine instead of manufacturing it within India, even after having multiple manufacturing facilities.⁴⁸

The IPAB, after assessing the arguments of both parties, held that the term 'worked' requires the patented invention to be manufactured or licensed within India. It reasoned that, without providing such opportunities for domestic technological capacity building, the Indian public would be disadvantaged and unable to effectively utilise the patented invention once the patent term expires.⁴⁹ The IPAB, while upholding the Controller's decisions, held that Bayer has not 'worked' the patent within India's territory since the importation of *Nexavar* is insufficient to constitute 'working' a patent.⁵⁰ Consequently, the effective operability of the compulsory licensing provisions is also based upon the patent 'working requirement'.

In addition to Chapter XVI, Section 146, read with Rule 131 of the 2003 Rules, empowers the Controller to require the patentee to submit statements detailing the extent to which the

⁴⁰ The other two grounds for granting a compulsory licence are that 'the reasonable requirements of the public with respect to the patented invention have not been satisfied' and that 'the patented invention is not available to the public at a reasonably affordable price'.

⁴¹ *The Patents Act, 1970*, No. 39 of 1970, § 84(1)(a) (India).

⁴² *The Patents Act, 1970*, No. 39 of 1970, § 84(7)(d) (India).

⁴³ *Bayer Corp. v. Union of India*, Order No. 45/2013 (Intell. Prop. App. Bd. Chennai).

⁴⁴ *Id.* at 50.

⁴⁵ *Bayer Corp. v. Union of India*, 2014 (60) PTC 277 (Bom) at 50.

⁴⁶ *Id.*

⁴⁷ *Id.* at 51.

⁴⁸ *Id.* at 52.

⁴⁹ *Id.* at 52.

⁵⁰ *Id.* at 53.

patented invention has been commercially worked in India.⁵¹ The patentee is required to submit such information regarding the patent working under Form 27 of the 2003 Rules. Section 146 – along with Rule 131 and Form 27 – are indispensable part of the process through which the Controller obtains the information regarding the working of patents in India. Through the 2024 amendments, the Government of India has made substantial changes to Rule 131 and Form 27 of the 2003 Rules. The amendments significantly dilutes the existing patent working requirement.⁵²

The earlier Rule 131.2 required the patentee or assignee to submit Form 27 every year; however, the 2024 amendment diluted this by extending the reporting period to once every three financial years.⁵³ Hence, the first Form 27 must be submitted within six months after the end of the financial year following the patent grant, and subsequent submissions are due within six months after the end of every third financial year. While these changes may seem to reduce the regulatory burden on patentee, they also substantially delay the availability of critical information regarding working of patent in India. Also, this undermines the primary purpose of Section 146, which is to ensure regular oversight of patent implementation. Given the disclosure information is essential for the Controller in determine the availability of inventions – including pharmaceutical products, such delay could obstruct the availability of essential medicines in the market.

The inspiration of the amendments to ‘working requirement’ appears to align with the provisions of the TEPA. Article 12 of the IP-chapter, which provides for ‘working of patent’, contains provisions, the effect of which could be a setback to the patent working disclosure requirement. Clause 1 and 3 of the said article provide;

“1. No Party shall require patent owners to provide annual disclosures of information concerning the working of a patent. Where a Party does provide for periodic disclosure of information concerning the working of a patent, the periodicity shall not be less than 3 years, and confidential information, including information of commercial value, contained in such disclosure may not be published.

3. Concerning the working of a patent, a patented invention may not be considered as ‘not worked’ within the territory of a Party merely because the product resulting from the invention was imported. ”⁵⁴

Clause 1 provides two options to the member nations; *first*, they need not provide for disclosure requirement, and *second*, if they are, the disclosure regarding the working of patent cannot be asked by the authority (here, the Controller) for at least three years. Additionally, clause 1 mandates that if a nation adopts the latter option, it cannot ask for the disclosure of ‘confidential information’ like commercial value, price, quantity sold, etc. Although the provision cannot be considered to be against the bare text of the 1970 Act and 2003 Rules, at least not after the 2024 amendments, a bare reading of clause 1 suggests that it attempts to eliminate the ‘patent working’ requirement, or at least to dilute the requirement up to such an

⁵¹ *The Patents Act, 1970*, No. 39 of 1970, § 146 (India).

⁵² Ministry of Commerce & Industry (Department for Promotion of Industry & Internal Trade), *Patents (Amendment) Rules, 2024*, CG-DL-E-15032024-253078 (notified Mar. 15, 2024), cl. 12; also available at https://ipindia.gov.in/writereaddata/Portal/IPORule/1_83_1_Patent_Amendment_Rule_2024_Gazette_Copy.pdf.

⁵³ Id. cl. 12; see also *The Patents Rules, 2003*, r. 131, https://ipindia.gov.in/writereaddata/Portal/Images/pdf/Indian_Patent_Rules_2003__1_.pdf (last visited Oct. 20, 2025).

⁵⁴ *Trade and Economic Partnership Agreement Between EFTA and India*, art. 12, Mar. 10, 2024.

extent that it becomes redundant. As discussed previously, the patent ‘working requirement’ plays a crucial role in pharmaceutical patents as it helps the Controller in understanding the circulation of medicine, the price at which it is available, and whether it is reaching the public. The requirement helps the Controller determine if the exclusivity granted to a drug is being made available to the citizen of India.

Furthermore, the ‘confidential information’ which the agreement excludes from the ambit of ‘working requirement’ is essential for the Controller in determining if the patented medicine is available to the public at a ‘reasonably affordable price’ – one of the prerequisites of granting compulsory licensing.⁵⁵ The same could be understood from the *Nacto vs Bayer* dispute, where, through the disclosure of working requirements, the Controller was able to conclude that *Nexavar* was made available in the market at Rs. 2,80,000/- (per month), which is not the affordable price for an average patient in need of such drug.⁵⁶ This enabled the Controller to grant compulsory licensing to *Nexavar*, allowing Natco Pharma to produce the same drug at a price of less than Rs. 9,000/- (per month).

Clause 3 states that if a member nation provides for the patent ‘working requirement’ under its domestic laws, the importation of the invention cannot be the sole criterion for declaring it to have ‘not worked’. In India, the ‘non-working’ of a patent is one of the grounds for granting compulsory licensing under Section 84(1)(c), as stated previously.⁵⁷ Additionally, while dealing with the appeal of Bayer Corp. against the order of the Controller, the Bombay High Court, in *Bayer Corp. vs Union of India*, observed that the objective of patent exclusivity is not for the importation of invention.⁵⁸ Furthermore, the court observed that Section 84, read with the principles provided under Section 83, elucidates that there has to be some effort on the part of the patentee to manufacture the patented invention in India.⁵⁹ This could also be done through the ‘transfer of technology’, which would reduce the cost of medicine for a user and develop the required skills in its labour forces for the producer.⁶⁰ Additionally, under Section 84(7)(e), the court observed that the importation of an invention by the patentee or any of her representatives would be considered as ‘prevention or hindrance of working of the patented invention in India’.⁶¹ Hence, the text of Article 12 of the agreement goes against what is settled through the sole judicial precedent in India and the principles provided under Section 83 – which are crucial for the operation of Chapter XVI of the Act.

The patent ‘working requirement’ has historically played a crucial role in ensuring that patented inventions – particularly medicines – are made available to the public at affordable prices. It also enables the Controller to determine whether a patented invention should be subjected to compulsorily licensing, thereby reducing its market price. In the context of pharmaceutical patents, this requirement facilitates the patient access to cheaper medicines. Although Article 12 of the agreement does not directly conflict with the text of the Patent Act and Rules, in practice it would severely limit the Controller’s ability to take action against the non-working of an invention.

⁵⁵ *The Patents Act, 1970*, No. 39 of 1970, § 84 (India).

⁵⁶ Feroz Ali, *Nexavar: The First Market-Initiated Compulsory Licence*, 9 NUJS L. REV. 229, 229–57 (2016).

⁵⁷ *The Patents Act, 1970*, No. 39 of 1970, § 84(1)(c) (India).

⁵⁸ *Bayer Corp. v. Union of India & Ors.*, AIR 2014 Bom 178.

⁵⁹ *Id.*

⁶⁰ Prabhat Saha & Shivam Kaushik, *Patents (Amendment) Rules 2020: India’s Patent Working Requirement at Stake*, 16 J. INTELL. PROP. L. & PRAC. 1340, 1340–46 (2021).

⁶¹ *Id.*

IV. Article 15 – Undisclosed Information vis-à-vis Data Exclusivity

The next issue concerns the annexure titled “Record of Understanding” under Article 15 of the IP-chapter, which addresses the protection of ‘Undisclosed Information’.⁶² The text of Article 15 mirrors Article 39 of the TRIPS Agreement, which mandates the member nations protect such information.⁶³ Clause 3 of the provision is often contentious, as it provides ‘test data protection’ in relation to pharmaceutical and other chemical products.⁶⁴ Article 39.3 has consistently been at the centre of debates surrounding *data protection* and *data exclusivity*.⁶⁵ It requires the member nations to protect ‘undisclosed test and other data’ – submitted for market approval of any new pharmaceutical or agrochemical product – against any ‘unfair commercial use’.⁶⁶

The provision has been interpreted differently across jurisdictions. Pro-data exclusivity nations – like United Kingdom and United States – argue that the TRIPS agreement mandates test data exclusivity for a limited period.⁶⁷ In contrast, the developing nations such as Argentina, Brazil and Mexico adopt a more liberal interpretation, focusing on test data protection rather than exclusivity.⁶⁸

India does not have a dedicated statute protecting undisclosed information – including test data – through either exclusivity or trade secret legislation.⁶⁹ Instead, such information is safeguarded through common law principles and contractual agreements.⁷⁰ India’s interpretation of Article 39.3 differs significantly from other jurisdictions. In India, while test data submitted for market approval cannot be disclosed to the public or shared with third parties (such as generic drug manufacturers), the regulatory authority may internally use that data to approve subsequent applications for pharmaceutical or agrochemical substances.⁷¹

This means that the Central Drugs Standard Control Organization (CDSCO) can rely on undisclosed test data submitted for an existing product to approve other products with same chemical composition or bioequivalent, even if the subsequent applicant does not submit its own supporting test data. This approach is commonly referred to as *test data protection*.

⁶² *Trade and Economic Partnership Agreement Between EFTA and India*, art. 15, Mar. 10, 2024 (Record of Understanding to Annex 8.A expressly refers to art. 15).

⁶³ The three clauses in art. 15 of the IP chapter mirror the three clauses in TRIPS art. 39.

⁶⁴ Ingo Meitinger, *Implementation of Test Data Protection According to Article 39.3 TRIPS: The Search for a Fair Interpretation of the Term “Unfair Commercial Use”*, 8 J. WORLD INTELL. PROP. 123, 123–39 (2005); see generally TRIPS art. 39.3 (requiring protection of undisclosed test or other data involving considerable effort against unfair commercial use and, subject to public-interest exceptions, against disclosure).

⁶⁵ Carlos M. Correa, *The Law and Theory of Trade Secrecy* 568–90 (Edward Elgar Publ’g 2011); see also Srividhya Ragavan, *Data Exclusivity: A Tool to Sustain Market Monopoly*, 8 JINDAL GLOBAL L. REV. 241, 241–60 (2017).

⁶⁶ *Agreement on Trade-Related Aspects of Intellectual Property Rights* (TRIPS), Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, art. 39.3.

⁶⁷ Srividhya Ragavan, *Data Exclusivity: A Tool to Sustain Market Monopoly*, 8 JINDAL GLOBAL L. REV. 241, 241–60 (2017).

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ Law Comm’n of India, *Protection of Trade Secrets* (22d Rep. 2024) (recommending statutory protection and appending a draft Trade Secrets Bill; no bill introduced to date).

⁷¹ Amit Singh & Paramita Gupta, *Pharmaceutical Test Data Protection and Demands for Data-Exclusivity: Issues and Concerns of Developing Countries and India’s Position*, 24 J. INTELL. PROP. RTS. 69, 69–88 (2019); see also Eric M. Solovy, *Protection of Test Data Under Article 39.3 of the TRIPS Agreement: Advancements and Challenges After 25+ Years of Interpretation and Application*, 43 NW. J. INT’L L. & BUS. 55, 55–92 (2022).

Data exclusivity regime, on the other hand, protects the undisclosed test data in two ways: first, by prohibiting its disclosure to the public, and second, by prohibiting its use for approving any subsequent applications based on previously submitted test data. Under this model, the proprietor of the test data retains exclusive rights over its use for market approval of any medical or agrochemical product for the exclusivity period.⁷²

For instance, Bayer Corp. conducts trials for a new drug, *Betadine*, and submits its test data to the CDSCO for market approval. Once approved, Bayer can launch the drug in India. Later, Natco Pharma applied for market approval of *Metadine*, claiming it has the same chemical composition as *Betadine*. Under a data exclusivity regime, the CDSCO would be barred from using Bayer's test data to evaluate Natco Pharma's application, ensuring Bayer's exclusive control over data.

In a *data protection* regime, however, the CDSCO could use Bayer's test data to evaluate the market viability of *Metadine*, since both drugs share the same chemical formula or are bioequivalent. Under data exclusivity, this would not be permitted until the exclusivity period expired, even if the active ingredient or salt was patented.

As noted earlier, there is no substantial issue with the text of Article 15 of the IP-chapter of TEPA, as it mirrors Article 39.3 of the TRIPS Agreement and, *prima facie*, does not mandate test data exclusivity. However, concerns have emerged regarding the intent underlying the drafting of RoU in furtherance to Article 15. The RoU text provides;

“About Article 15 (Undisclosed Information) of Annex 8. A (Protection of Intellectual Property) of the Agreement, the Parties have reached the following understanding: In implementing Article 15, Parties agree to enter into consultations, one year after entry into force of this agreement, to discuss issues relating to the protection of undisclosed information from unfair commercial use.

This Record of Understanding shall form an integral part of the Agreement.”⁷³

The RoU requires the TEPA member to enter into consultation one year after the agreement's entry into force to discuss issues relating to Article 15. Given that the four EFTA members already provide for *data exclusivity* ranging from six to ten years, the RoU appears to be a mechanism aimed to persuade India to adopt the *data exclusivity* regime. Developed nations such as United States, United Kingdom, or European Union bloc have, for over two decades, exerting consistent pressure on India to adopt such a regime through various International Investment Agreements (IIAs) including Free Trade Agreements (FTAs) and Bilateral Investment Treaties (BITs).⁷⁴

⁷² Owais Shaikh, *Access to Medicine Versus Test Data Exclusivity* (Springer 2016).

⁷³ European Free Trade Association, *Record of Understanding Relating to the Annex on Intellectual Property Rights* (EFTA-India TEPA), <https://www.efta.int/sites/default/files/documents/legal-texts/free-trade-relations/india/Record%20of%20Understanding%20on%20IPR.pdf> (last visited Oct. 27, 2025).

⁷⁴ Gargi Chakrabarti, *Need of Data Exclusivity: Impact on Access to Medicine*, 19 J. INTELL. PROP. RTS. 325, 325–36 (2014).

This pressure is evident in the recent negotiations, such as the India-UK FTA (2023)⁷⁵ and India-EU FTA (2024)⁷⁶, where India maintained a strong position against *data exclusivity*. Notably, the failure of the first India-EU FTA negotiation (2007-2013) has been partly attributed to the EU's insistence on including data exclusivity provisions.⁷⁷ Such lobbying is not confined to IIA negotiations; domestic and global pharmaceutical corporations and their industry associations have persistently advocated for the adoption of a data exclusivity regime in India.⁷⁸

The core issue with data exclusivity lies in its creation of a time-bound monopoly – often for a fixed period such as five years – over test data, irrespective of any underlying patent rights. During the exclusivity period, the protected data cannot be used for any purpose, even by regulatory authorities to approve competing products. This exclusivity is granted merely because the original applicant possessed the resources to invest in the clinical trial, not because of any inventive contribution. The adverse impact on the generic pharmaceutical sector is well documented: generic manufacturers, lacking the capital to conduct costly trials, depend on existing test data submitted by the first applicant to demonstrate the safety and efficacy of their products.⁷⁹

Consequently, *data exclusivity* provisions hinder the timely introduction of affordable generic medicines, undermining public health objectives and restricting access to essential medicines in India. In this context, the inclusion of the RoU under the India-EFTA TEPA appears strategically designed to influence India toward accepting a data exclusivity framework, thereby weakening the country's established access to medicine regime.

V. Conclusion

India has long maintained a robust patent law framework, characterised by rigorous scrutiny to eliminate weak patents, enhance transparency and ensure that the patent serves the public interest. This approach has been instrumental in facilitating global access to affordable medicines by fostering generic competition, which has significantly reduced the prices of HIV, TB and cancer drugs that were initially under patent protection. A key element of this success is India's firm stance against patent evergreening, which involves patenting minor modifications to existing drugs to extend monopoly beyond the standard 20-year term.

However, persistent efforts by various developed nations seek to dilute the structural integrity of India's patent grant mechanism. As discussed, the IP-chapter of the India-EFTA

⁷⁵ Amiti Sen, *India-UK FTA: Gov't Draws Red Lines to Safeguard Sensitive Areas*, THE HINDU BUS. LINE (June 21, 2023, 8:32 PM), <https://www.thehindubusinessline.com/economy/uk-fta-india-not-to-cross-red-lines-in-ipr-data-protection-and-public-procurement/article66993992.ece>; see also Editorial, *Deeper FTA with the UK: The Big Question Is Whether a Mutually Satisfactory Agreement Is Likely in a Few Months*, FIN. EXPRESS (Aug. 10, 2023, 4:15 AM), <https://www.financialexpress.com/opinion/deeper-fta-with-the-uk-the-big-question-is-whether-a-mutually-satisfactory-agreement-is-likely-in-a-few-months/3205463/>.

⁷⁶ PTI, *India Rejects European FTA Bloc's 'Data Exclusivity' Demand to Protect Generic Drug Firms' Interest*, ECON. TIMES (Feb. 15, 2024, 5:28 PM), <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-rejects-european-fta-blocs-data-exclusivity-demand-to-protect-generic-drug-firms-interest/articleshow/107724834.cms>.

⁷⁷ Jan Wouters et al., *Some Critical Issues in the EU-India Free Trade Agreement Negotiations*, 20 EUR. L.J. 848, 848-69 (2014); see also Debasish Chakraborty et al., *The Rise and Fall of Free Trade Agreements: Analytical Evidence from India's Practice*, 17 J.L. ECON. & POL'Y 54, 54-94 (2022).

⁷⁸ *Id.*

⁷⁹ Srividhya Ragavan, *Data Exclusivity: A Tool to Sustain Market Monopoly*, 8 JINDAL GLOBAL L. REV. 241, 241-60 (2017).

Trade and Partnership Agreement (TEPA), particularly the patent and undisclosed information-related provisions, appear designed to impose TRIPS-plus standards on India. While some of these provisions may align with the Indian Patent Rules, their implementation would cripple the Indian generic drug manufacturing industry. Consequently, this would adversely affect the access to affordable medicines for both Indian citizens and populations in other nations that rely on Indian generic exports.

Recent amendments to the Patent Rules suggest that India is gradually yielding to demands for elevated IP standards from developed nations in exchange for foreign investment. Such a shift would undermine the existing robust patent evaluation and grant mechanism by encouraging the issuance of unmerited patents and enabling patent evergreening. The inevitable consequences would be higher drug prices and delayed market entry for generic manufacturers. This policy trajectory – prioritising foreign investment over the protection of India's generic pharmaceutical sector – would ultimately erode the nation's access to medicine regime and undermine its long-standing public health achievements.

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Regulating Fashion Designs by Intellectual Property Law: A Comparative Study and Proposed Reform Thereof

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Abstract

It is in line with our interest to facilitate our fashion industry incubation to share the increasingly demanded and profitable fashion designs international market. To effectively initiate this task, a mere reform to the current intellectual property system does not suffice, we need to consider establishing a *sui generis* one.

The intellectual property system is not specifically enacted for fashion designs, so there may be inadequacies in protection. For example, copyright law may only protect the graphic design of clothing, but it cannot protect the clothing itself. And the creativity requirement of the design patent law imposes too strict requirements on fashion designs and cannot cope with the reality of low creativity in fashion products.

R.O.C.'s intellectual property law is influenced by the U.S., but the U.S. Congress has admitted that, by comparing with the *sui generis* protection of European countries, its protection for the fashion industry is insufficient. This article proposes a *sui generis* system where the enumeration can provide precise and comprehensive protection, with a minimum level of creativity requirement and short-term protection period after registration.

Such a narrowly tailored *sui generis* system can afford the protection necessary to protect the innovative fashion designs and help drive the vibrancy of the fashion industry.

Keywords: fashion, aesthetics, subject matter protectability, functionality, *sui generis*

I. Introduction

Consumers are pursuing extravagances by purchasing fashion designs such as clothing, cosmetics, handbags, jewelry, and footwear, in the fashion market. With the fashion industry's worth reached \$1.7 trillion in 2022, wherein the online fashion market continues growing by 9.4% annually and hit \$953.1 billion in the end of 2024.¹ In the past two decades, luxury products had been sold three times the original amount.² And if it were ranked alongside individual countries' GDP, the global fashion industry would represent the seventh-largest economy in the world.³ With this amount of dollars in its transactions annually, the fashion industry obviously is becoming a very profitable business.⁴

The Republic of China (R.O.C.)'s endeavors to technology in the past decades had established well-known electronic devices foundries, however, little resources had allocated to the fashion industry, nor aiming to share this part of market at all.⁵ However, tracing back to the history of the strong cultural of luxury goods,⁶ we had well established a social concept of fine textiles, among others. In fact, until our industrial policy changed course to developing the electronic industry, the textile industry was one of the major export goods providers. As our core economic strength has upgraded from manufacturing to design, none of our fashion industry has been lifted to a higher level to share more with the international fashion market.

It not only reveals lacking an incubation industrial policy but also exposes a risk of "putting all eggs in one basket". In this regard, intellectual property regulations, *inter alia*, should be readily available to facilitate fashion industry incubation.

Therefore, this article's first intent is, from the perspective of fashion design protectability,⁷ to check the readiness of the current intellectual property system. However, it is noted that the current intellectual property laws are enacted to protect a rather broad scope of creations, not solely to fashion designs. Thus, the current system may not provide protection needed to fashion designs.

Fashion designs can be identified by matching with the statutory exemplification in various regimes for acquiring protection, e.g., copyright law's "writing", trademark law's "logo", or design patent law's "shape". Fashion designers may find out that copyright law is more suitable to protect jewelry rather than clothing and footwear; trademark law is suitable to protect registered logos but not clothing and footwear; design patent law is more suitable to protect certain handbags and footwear, clothing possibly cannot. Moreover, fashion designers in U.S. may protect clothing or footwear via "trade dress", which however is not mandated in

¹ Dunja Radonic, *The Most Important Fashion Industry Statistics in 2024*, Fashion Discounts, <https://fashiondiscounts.uk/fashion-industry-statistics/>. (last visited: 2025/05/31).

² Shieva Salehnia, *A Golden Opportunity: Supporting Up-and-Coming U.S. Luxury Designers Through Design Legislation*, 42 Brooklyn J. Int'l L. 367, 367 (2016).

³ *Global Fashion Industry Statistics*, Fashion United, <https://fashionunited.com/global-fashion-industry-statistics>. (last visited: 2025/05/31).

⁴ Elizabeth Ferrill & Tina Tanhehco, *Protecting the Material World: The Role of Design Patents in the Fashion Industry*, 12 N.C. J.L. & Tech. 251, 258 (2011).

⁵ Five Trusted Industry Sectors, Major Policies, Executive Yuan, <https://english.ey.gov.tw/News3/9E5540D592A5FECD/52616955-2e61-4a30-95b0-1fd59c010933>. (last visited: 2025/05/31).

⁶ Salehnia, *supra* note 2, at 416.

⁷ For purpose of discussion, the "protectability" includes not only copyrightability, trademarkability but also patentability.

the R.O.C. laws.

Concerning whether statutory exemplification can provide precise and full protection to fashion designs, two issues need to be considered, i.e., the expansion of subject matter and overlapping of protection.

First, expansion of subject matter happens because it is a tendency where more novel subject matters are flooding into the intellectual property arena. And it is realized by many that an exemplification list which, by its nature, is not exhaustive, so there are rooms for expansion. However, academic and judicial point of views are different.⁸ Second, overlapping protection happens when it allows multiple intellectual property laws to simultaneously protect the same subject matter. Again, academic and judicial point of views are different.⁹ These two issues are worthy to be discussed because they will impact the scope of protection to the booming fashion industry, and this article will explore these various opinions.

Moreover, to acquire protection, fashion designs need to fulfill, *inter alia*, creativity requirements, i.e., copyright law's "originality"; trademark law's "distinctiveness"; and design patent law's "novelty and nonobviousness". However, while the level of scrutiny of creativity is different among individual laws, fashion designs in its nature have a minimum degree of creativity. It raises issues as to what level of scrutiny of creativity being feasible in general and whether high-level scrutiny of nonobviousness shall be eliminated in particular. These issues are worth discussing because they will affect the eligibility of protection to fashion designs.

Like many other countries, R.O.C.'s intellectual property laws are influenced by U.S. as well. However, the fashion industry in U.S. is criticized for lacking specially tailored intellectual property protection.¹⁰ For example, problems caused by knockoffs and counterfeits are not specifically prohibited by any U.S. law.¹¹ Given that attempted *sui generis* system never enacted, the U.S., merely maintains a traditional intellectual property system to protect its fashion designs. On the other hand, some countries in Europe set forth protection systems, including *sui generis* system with statutory enumeration to explicitly cover individual fashion designs, to provide ample incentive and protection to fashion designs instead.¹²

Currently, R.O.C. maintains an U.S.-style traditional intellectual property system to protect fashion designs, without having a *sui generis* system. It raises a question about whether we should continue to follow this part of U.S. system or adopt a *sui generis* system. Therefore, it is a further intent of this article to conduct a comparative study among these major fashion industry countries, and seek to find the best protection scheme thereof, including a *sui generis* system to be considered.

After this introduction, Part II discusses issues regarding fashion designs regulations by the current protection system, including statutory exemplification and creativity requirement thereof, and analyses and suggestions are provided; Part III conducts a comparative study to associated European and US systems, while a proposed *sui generis* protection system to us is provided; and Part IV is the conclusion.

⁸ *infra* note 93 and accompanying text.

⁹ *infra* note 118 and accompanying text.

¹⁰ *Id.*, at 252.

¹¹ *Id.*, at 256.

¹² Salehnia, *supra* note 2, at 419.

II. Fashion Designs Regulations by the Current Protection System

A. Regarding Statutory Exemplification

1. Pictorial, Graphic and Sculptural Works in Copyright Regime

The statutory exemplification of the fashion designs listed by the section 102(a)(5) of U.S. Copyright Act (17 U.S.C. §102(a)(5)) provides that “pictorial, graphic, and sculptural works” (PGS) were protectable.¹³ Specifically, 17 U.S.C. § 101 provides that PGS encompass “two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions”,¹⁴ wherein according to the legislative history of this provision, “applied art” includes all “pictorial, graphic, or sculptural work.., embodied in useful articles”.¹⁵

On the other hand, the article 5, paragraph 1, clause 6 of R.O.C. Copyright Act (R.O.C. Copyright Act §5(I)(6)) provides that “pictorial and graphical works” were protectable, while “sculpture works” are protected by R.O.C. Copyright Act §5(I)(4) encompassed as artistic works.¹⁶

Fashion designs being PGS subject matters eligible for copyright protection include, *inter alia*, fabric prints, patterns, and jewelry.¹⁷ Indeed, according to the 17 U.S.C. §102(a)(5), fabric prints are copyrightable because they are interpreted as being “pictorial work”.¹⁸ Similarly, R.O.C. Copyright Act §5(I)(6) deems fabric prints as being “pictorial work” as well. Among these copyrightable subject matters, fashion clothing is mostly associated with fabric prints. However, it is noted that, from the copyright perspective, clothing itself is distinguishable from fabric prints.

As shown in these U.S. cases, court in *Jack Adelman, Inc. v. Sonners & Gordon, Inc.*¹⁹ held that fashion sketches and drawing are copyright protectable, while the dress itself is not. And in *Peter Pan fabrics, Inc. v. Brenda Fabrics, Inc.*,²⁰ and *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*,²¹ courts held that fabric design, prints and patterns are copyright protectable.

A plaintiff can establish copying by showing (1) that the defendant had access to the plaintiff's work and (2) that the two works are substantially similar.²² The “substantial similarity” seems a challenge to fulfillment of burden of proof by the plaintiff. However, in *L.A.*

¹³ 17 U.S.C. §102(a)(5). ((a)Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories: ... (5) pictorial, graphic, and sculptural works....)

¹⁴ 17 U.S.C. §101. (“Pictorial, graphic, and sculptural works” include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans....)

¹⁵ Leonard D. DuBoff, *What Is Art - Toward a Legal Definition*, Hastings Communications and Entertainment Law Journal, Volume 12, Number 3 Article 3, 304.

¹⁶ R.O.C. Copyright Act §5, para. 1 cl. 6. (For the purposes of this act, "works" shall include the following... 4. Artistic works(美術著作)... 6. Pictorial and graphical works (圖形著作)....)

¹⁷ Guillermo Jimenez and Barbara Kolsun, *Fashion Law - Cases and Materials*, Carolina Academic Press (2016), at 5.

¹⁸ See *Id.*, at 59-61.

¹⁹ 112 F. Supp. 187 (1934).

²⁰ 169 F. Supp. 142 (1959).

²¹ 274 F.2d 487 (1960).

²² 676 F.3d 846 (2012).

Printex Industries, Inc. v. Adropostale, Inc.,²³ the court held that minor differences do not preclude the finding of copyright infringement. Stylized fabric design is properly entitled to broad copyright protection. It is not necessary that the defendant's design is virtually identical to infringe.²⁴ On the contrary, R.O.C. had stipulated that "style" is not protected by the Copyright Act. In particular, the Taiwan Intellectual Property Office (TIPO) and the Tainan District Court had held that the "style" is not copyrightable.²⁵

Seasonal clothing may be considered out of scope of intellectual property protection. For example, the "hot news doctrine" was denied being applicable in *Cheney Brothers v. Doris Silks*,²⁶ so clothing is utilitarian and thus not protectable under copyright.²⁷ Nevertheless, the U.S. Supreme Court (USSC) had different point of view in, for example, *Mazer v. Stein*, where the manufacturer obtained a copyright registration for the statuette as lamps base with an issue of whether a "work of art" could be copyrighted if it was sold commercially. The USSC held that clearly the commercial exploitation of a work of art does not bar copyright protection.²⁸ This case had opened the gate for allowing the commercial items to be protective under copyright law.²⁹

There are variants deriving from statutory exemplification. For example, "trend" is often associated with fashion, as being a synonym with a fad or passing style which sweeps through seasons, and it may last as short as a few weeks or as long as a few years.³⁰ "Trend" is highly correlated with "fast fashion", which is defined as "an approach on design, creation, and marketing of clothing fashions that emphasizes making fashion trends quickly and cheaply available to consumers."³¹

In *Kieselstein-Cord*, jewelry is held to be a sculpture feature,³² without too much controversial occurring in sculpture related cases. It may suggest that copyright law is more suitable to protect fashion jewelry rather than fashion clothing and footwear.

Sales of clothing have been very significant because it accounted for twenty-four percent of the luxury product market in the world,³³ while fashion footwear also takes a significant share. But copyright law does not seem to provide proper protection for clothing and footwear. Although some suggest that copyright is better suited than trademark to protect fashion designs,³⁴ while others suggest that protection - that is, some kind of restriction on copying, be it design patent, trade dress, or a *sui generis* form of protection - may be appropriate, copyright law is not the right approach.³⁵ Among these opposite arguments, it is admittedly that the statutory exemplification may not provide enough protection to certain fashion designs, while

²³ *Id.*, at 841.

²⁴ *Id.*, at 850. Jimenez & Kolsun, *supra* note 17, at 116.

²⁵ Criminal Division, Tainan District Court, 108 Zhi Yi Zi No.9 (2020).

²⁶ *Mazer v. Stein*, 248 U.S. 215 (1918).

²⁷ Salehnia, *supra* note 2, at 388.

²⁸ *Mazer*, 347 U.S. at 218.

²⁹ 347 U.S. 201 (1954); Susanna Monseau, *The Challenge of Protecting Industrial Design in a Global Economy*, 20 Tex. Intell. Prop. L.J. 495, 531 (2012).

³⁰ Ferrill & Tanhehco, *supra* note 4, at 262.

³¹ *Fast Fashion*, Merriam-Webster.com, <https://www.merriam-webster.com/dictionary/fast%20fashion> (last visited: 2025/05/31)

³² Jimenez & Kolsun, *supra* note 17, at 67.

³³ Salehnia, *supra* note 2, at 367.

³⁴ Claire Guehenno, *Color War: The Louboutin Decision and Single-Color Marks in the Fashion Industry*, 4 Harv. J. of Sports & Ent. Law 225, 257 (2013).

³⁵ Viva R. Moffat, *The Copyright/Patent Boundary*, 48 U. Rich. L. Rev. 611 (2014), at 611.

the variant fast fashion may cause expansion of subject matter due to its features of rapid response to latest trends.

2. Trademark and Trade Dress in Trademark Regime

The statutory exemplification of the fashion designs listed by the paragraph 1, article 18 of R.O.C. Trademark Act (R.O.C. Trademark Act §18(I)) provides that “a trademark shall refer to any sign with distinctiveness, which may, in particular, consist of words, devices, symbols, colors, three-dimensional shapes, motions, holograms, sounds, or any combination thereof”.³⁶ On the other hand, the section 1125(a)(1) of U.S. trademark law under the Lanham Act (15 U.S.C. §1125(a)(1)) protects “any word, name, symbol, or device, or any combination thereof” that is used to identify the source of the product.³⁷

As to whether statutory exemplification can properly cover the fashion designs seeking protection, the trademark law appears to provide broader and therefore better protection to fashion designs. It is noted however, that clothing is protected not by U.S. trademark, but its biggest variant, trade dress.³⁸

The U.S. Court of Appeals of Second Circuit (Second Circuit) defines trade dress as “the total image of a good as defined by its overall composition and design, including size, shape, color, texture, and graphics.” The modern term “trade dress” has been used to mean (1) the appearance of a product's packaging, (2) the appearance of a product itself, and (3) a business's entire image, including service or some subset of the total image.³⁹

Under the Lanham Act, trade dress may also be protected,⁴⁰ if it is a distinctive and nonfunctional element of a good,⁴¹ and show a secondary meaning, acquired through commercial use.⁴² It is noted that we don't have the term “trade dress” in our Trademark Act, but barely deem the “three-dimensional shapes” as an equivalence.⁴³

In *Qualitex Co. v. Jacobson Products Co.*, the USSC had expanded the scope of trademark protection covering items such as “colors, sounds, shapes, smells, feel, and trade dress”.⁴⁴ Noteably, there are two kinds of trade dress, packaging and design, as shown in *Two Pesos, Inc v. Taco Cabana, Inc.*,⁴⁵ and an issue of whether infringement of unregistered trade dress under §43(a) of Lanham Act can be found in *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*⁴⁶ The USSC held that product packaging trade dress may be inherently distinctive and therefore immediately registrable, but product design trade dress only protects clothing if the clothing has acquired distinctiveness or secondary meaning among consumers as being associated with

³⁶ R.O.C. Trademark Act §18, para.1 (立體形狀)

³⁷ 15 U.S.C. §1125(a)(1).

³⁸ Anna M. Luczkow, *Haute off the Press: Refashioning Copyright Law to Protect American Fashion Designs from the Economic Threat of 3D Printing*, 100 Minn. L. Rev. 1131, 1138; Dinwoodie, *infra* note 93, at 616.

³⁹ Rudolf Callmann, Louis Altman & Malla Pollack, *Callmann on Unfair Competition, Trademarks and Monopolies*, §19.1 (4th ed. 1981).

⁴⁰ Denisse F. García, *Fashion 2.0: It's Time for the Fashion Industry to Get Better-Suited, Custom-tailored Legal Protection*, 11 Drexel L. Rev. 337, 345 (2018).

⁴¹ 15 U.S. Code §1125(a)(3) (In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.)

⁴² Salehnia, *supra* note 2, at 392.

⁴³ R.O.C. Trademark Act §18, para.1.

⁴⁴ Beckerman-Rodau, *supra* note 93, at 69-70.

⁴⁵ *Two Pesos, Inc v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

⁴⁶ *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000).

a particular brand.⁴⁷ Therefore, trade dress is suitable to protect clothing which had acquired distinctiveness or secondary meaning. And it may apply to footwear as well although rare case law had illustrated the same protection rendered to it.

The USSC's ruling in *Wal-Mart* restricted protection for clothing designs ~~under the~~ by trade dress, because the short life span of "would render its acquiring at a later time meaningless ".⁴⁸ Moreover, courts tend to grant trademark and trade dress protection on a brand's popularity.⁴⁹ On the other hand, fashion industry in France and other European countries enjoy much stronger social, governmental, and legal support protecting their brands.⁵⁰

While fashion clothing and footwear failed to be adequately protected by copyright law, we wonder how and to what extent they can be protected by trademark law. In general, almost all infringement actions regarding counterfeit or knockoff designs won suits based on trademark law,⁵¹ the trademark law protection seems more promising to certain fashion designs like clothing and footwear.

3. Design in Patent Regime

Although the protections available through copyright and trademark are often helpful for some fashion designs, other fashion designs can be safeguarded by design patents.⁵²

The statutory exemplification of the fashion designs listed by article 121 of the R.O.C. Patent Act (R.O.C. Patent Act §121), "design" means the creation made in respect of the shape, pattern, color, or any combination thereof, of an article as a whole or in part by visual appeal. For computer generated icons (ICONs) and graphic user interface (GUI) applied to an article, an application may also be filed pursuant to this Act for obtaining a design patent.⁵³

On the other hand, there is no statutory exemplification of the fashion designs listed by the U.S. Patent Act, wherein the section 171(a) of the U.S. Patent Act (35 U.S.C §171(a)) merely provides that design patents can be obtained for "any new, original and ornamental design for an article of manufacture."⁵⁴ However, the United States Patent and Trademark Office (USPTO)'s Manual of Patent Examining Procedure (MPEP) promulgated that a patentable "design for an article of manufacture" may consist of: "(1) a design or an ornament, impression, print, or picture applied to or embodied in an article of manufacture (surface indicia); (2) a design for the shape or configuration of an article of manufacture; or (3) a combination of the first two categories".⁵⁵

Still, based on these definitions, designs would include a wide array of subject matters.

⁴⁷ Ferrill & Tanhehco, *supra* note 4, at 277; Jimenez & Kolsun, *supra* note 18, at 219.

⁴⁸ Silvia Beltrametti, *Evaluation of the Design Piracy Prohibition Act: Is the Cure Worse than the Disease? An Analogy with Counterfeiting and a Comparison with the Protection Available in the European Community*, 8 Nw. J. Tech. & Intell. Prop. 147, 156 (2010).

⁴⁹ Salehnia, *supra* note 2, at 371.

⁵⁰ *Id.*, at 404.

⁵¹ Luczkow, *supra* note 38, at 1137.

⁵² Kaitlyn N. Pytlak, *The Devil Wears Fraud-a: An Aristotelian-Randian Approach to Intellectual Property Law in the Fashion Industry*, 15 Va. Sports & Ent. L.J. 273, 284 (2016).

⁵³ R.O.C. Patent Act §121.

⁵⁴ 35 U.S.C §171(a). (Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.)

⁵⁵ U.S. PATENT & TRADEMARK OFF., MANUAL OF PATENT EXAMINING PROCEDURE § 1504.01 (8th ed. Rev. 9, Aug. 2012); *see also* §1502.01; Sarah Burstein, Design Patents in The Modern World Symposium: Moving Beyond the Standard Criticisms of Design Patents, 17 Stan. Tech. L. Rev. P305, 309 (2013).

Most of the designs registered by fashion houses are not for clothing, but for accessories – watches, bags, sunglasses, etc., which fall under several different Locarno classes – an important source of income for fashion labels.⁵⁶

Indeed, the Locarno Classification shows that there is a close linkage between designs and various industries. And therefore, there is a potential link between design and global competitiveness.⁵⁷ For example, series of litigations between Apple and Samsung are focusing on design patents, rather than utility patents. In fact, design has long been the top companies' focus point. According to WIPO's statistics, for the fifth consecutive year, Samsung headed the list of top design patent filers in the world in 2021.⁵⁸

Given the increasing variety of fashion designs, this article further suggests that there is a potential link between design and fashion design as well. As the above-mentioned example of smartphone, people consider it as a fashion design in addition to its inherent communication function. By incorporating the design into the fashion industry, we would be able to akin to the developing trend and encompass more subject matters to be protected.

One of the main purposes of the Hague System is to lower the cost of acquiring design protection across countries. Commentators have argued that the U.S. should abandon the design patent system for a design registration regime to make design protection cheaper to obtain.⁵⁹ However, WIPO statistics show the fastest growth in the number of designs contained in international applications since 2010. The 20.8% increase shows the Hague System regaining strength after a sharp fall during the peak of the COVID-19 pandemic.⁶⁰ This booming situation may cause expansion of subject matter problems.

B. Regarding Creativity Requirement

To acquire protection, fashion designs need to fulfill creativity requirements first, i.e., originality in copyright regime; distinctiveness in trademark regime; and novelty and nonobviousness in patent regime.

1. Originality in Copyright Regime

The R.O.C. Copyright Act §3(I)(1) mandates that, "work" means a "creation" that is within a literary, scientific, artistic, or other "intellectual domain".⁶¹ This definition is rather broad and abstract but nevertheless includes attribute of creativity. On the other hand, 17 U.S.C. §102(a) provides that, to qualify for copyright protection, a creation must be an "original work of authorship fixed in any tangible medium of expression."⁶² These substantive requirements set forth in U.S. copyright law expressly provide two fundamental criteria: originality and fixation in tangible form.

Although there are various theories about definitions of art, one common threshold does exist, i.e., all the legislation requires some sort of originality on the part of the creator before

⁵⁶ Fridolin Fischer, *Design Law in the European Fashion Sector* (2008).

https://www.wipo.int/wipo_magazine/en/2008/01/article_0006.html. (last visited: 2025/05/31)

⁵⁷ Monseau, *supra* note 30, at 502-503.

⁵⁸ Hague System – New Statistical Data for 2021 Released.

https://www.wipo.int/hague/en/news/2022/news_0009.html. (last visited: 2025/05/31)

⁵⁹ Sarah Burstein, *Costly Designs*, 77 Ohio St. L.J. 107 (2016), at 154-155.

⁶⁰ Hague System, *supra* note 58.

⁶¹ R.O.C. Copyright Act §3, para.1 cl.1.

⁶² 17 U.S.C. §102(a).

the work will be considered art to enjoy copyright protection.⁶³ In a copyright sense, "originality" does not equate the "novelty" requirement for patent protection. Indeed, the originality requirement is nothing more than an independent effort,⁶⁴ and the U.S. Congress clearly rejects the intent of encompassing novelty, ingenuity, or aesthetic merit, with no intention to enlarge the standard of copyright protection.⁶⁵

Unlike the novelty in patent regime and distinctiveness in trademark regime, there seems no relevant creativity requirement in copyright regime. In fact, there was proposed to add creativity, but eventually abandoned.⁶⁶ In fact, to meet the minimal level of independent creativity required to qualify as original.⁶⁷

Notably, the USSC had interpreted in *Feist Publications v. Rural Telephone Service Co.*,⁶⁸ that U.S. Constitution mandates, in addition to traditional originality inquiry into whether a work was independently originated, there must be some "minimal degree of creativity" as well, although a degree of creativity over the one in telephone directories suffice.⁶⁹ Following *Feist*, the *Bleistein* admonition makes judges reluctant to say what expression is creative as well as what expression is not creative.⁷⁰

Regarding fashion designs, the minimum degree of creativity would not jeopardize protectability because it is merely a low-threshold scrutiny. On the contrary, it is rather an advantage where the copyright would be aligned with trademark and design patent laws regarding creativity requirement.

It should be noted that there exist certain relations between aesthetics and minimum creativity threshold which can be found in cases. The USSC insists that, to identify whether the party possesses the requisite minimum level of creativity, there must be some "injection of independent aesthetic or artistic judgment" in the decisions,⁷¹ and this reasoning points out the existence of a relationship between aesthetic and creativity and this notion surely applies to fashion designs.

A low-level scrutiny of creativity to copyright law is suitable to fashion designs such as seasonal clothing or even fast fashion due to its features of rapid mass production of passing style.

2. Distinctiveness in Trademark Regime

The R.O.C. Trademark Act §29 provides that a trademark shall not be registered without distinctiveness in certain events.⁷² And, distinctiveness means the character of a sign capable of being recognized by relevant consumers as an indication of the source of goods or services and distinguishing goods or services of one undertaking from those of other undertakings.⁷³ The corresponding 15 U.S.C. §1052 provides that no trademark by which the goods of the

⁶³ DuBoff, *supra* note 15, at 305.

⁶⁴ *Id.*

⁶⁵ House Report No. 94-1476, Federal Register.

⁶⁶ Howard B. Abrams, *Originality and Creativity in Copyright Law*, 55 Law & Contemp. Probs., 3, 15 (1992).

⁶⁷ *Id.*, at 25.

⁶⁸ *Feist Publications v. Rural Telephone Service Co.*, 111 S. Ct. 1282 (1991).

⁶⁹ *Id.*, at 1293.

⁷⁰ Brian L. Frye, *Against Creativity*, 11 N.Y.U. J.L. & Liberty 426, 442 (2017); Justin Hughes, Restating Copyright Law's Originality Requirement, 44 Colum. J.L. & Arts 383, 442 (2021).

⁷¹ Abrams, *supra* note 66, at 3.

⁷² R.O.C. Trademark Act §29.

⁷³ Paragraph 2, Article 18, R.O.C.

applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it contains defects.⁷⁴

Because the trademark law's purpose is to guard a user's mark as a source-identifying symbol, it protects a product's logo, but not the good itself. Designers, thus, have no infringement action against a copyist who duplicates the design without the logo.⁷⁵

In *Abercrombie & Fitch Co. v. Hunting World, Inc.*, trademarks were classified into four categories according to distinctiveness: fanciful and arbitrary marks, suggestive marks, descriptive marks and generic terms. Fanciful and arbitrary marks, suggestive marks are protected per se. Descriptive marks are protected only if an acquired distinctiveness is proved. Generic terms are not protectable.⁷⁶ In early U.S. trademark cases, "technical trademarks" were close to fanciful, arbitrary or suggestive marks in *Abercrombie's* classification.⁷⁷

In the U.S. regulations set forth for trademark protection, the fundamental concept underlying trademark protection is "distinctiveness" which allows the right holder to exercise his right based on the strength of the registered logo. When seeking to maximize the scope of trademark protection, the provision languages such as "identical with or similar to goods" would serve to provide the mechanism. Indeed, according to our Trademark Act, the trademark or logo extends the scope protection to the subject matters in relation to, not only identical, but also similar goods.

The R.O.C. Trademark Act §68 provides those acts in the course of trade and without consent of the proprietor of a registered trademark, constitute infringement of the right of such trademark. And these acts include the situation where the mark is "identical with or similar to the registered mark". More specifically, it is infringed if the alleged mark is used in relation to goods or services similar to those for which the registered one is designated, and hence there exists a likelihood of confusion on relevant consumers, we have the similar regulation as mandated in our Trademark Act.⁷⁸ Once the existence of "likelihood of confusion" is found and proved to be caused by the alleged infringer, the alleged infringer will be held liable for the resulting damage.

In this regard, the scope of protection by trademark law is rather broad, and thus trademark law is suitable to protection of clothing and footwear if they have registered logos. However, these four different categories of distinctiveness rendered by *Abercrombie*, reflect an intermediate-level scrutiny of creativity but may not necessarily fit with most fashion designs of which mostly having minimum degree of creativity.

3. Novelty and Nonobviousness in Patent Regime

Certain handbags and footwear meet the patent law's statutory requirements for designs - novel, useful, and nonobvious. For example, Alexander Wang was granted a design patent for aspects of his hobo bag because of his bag's original four-cornered base.⁷⁹ But, clothing

⁷⁴ 15 U.S.C. §1052.

⁷⁵ *Id.*, at 1138-1139.

⁷⁶ *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

⁷⁷ Xiaoren Wang, *Aesthetic Functionality at A Crossroads: What A Troublesome Doctrine Can Learn from Its Past*, 19 Chi.-Kent J. Intell. Prop. 357, 369 (2020).

⁷⁸ R.O.C. Trademark Act §68.

⁷⁹ Pytlak, *supra* note 53, at 285.

typically cannot acquire such design patent due to lack of such kinds of solid form.⁸⁰

The R.O.C. Patent Act §121, wherein design means the “creation” made in respect of shape, pattern, color, or any combination thereof, of an article as a whole or in part by visual appeal.⁸¹ Further, our Patent Act §122 mandate the “novelty”, “nonobviousness” and industrial utility as requirements for granting a design patent.⁸²

The corresponding 35 U.S.C. §171(a) provides that the appearance of useful articles, or design, may be granted protection under patent law.⁸³ Indeed, design patents provide legal protection to inventors of “new”, original, and ornamental design for an article of manufacture.⁸⁴ But note that a design subject to the conditions and requirements of other provisions of this law,⁸⁵ which includes novelty of 35 U.S.C. §102. A design which satisfies the novelty requirement, then must pass the muster of nonobviousness of 35 U.S.C. §103. That is, to qualify for federal design patent protection under 35 USC §171, design must (1) present aesthetically pleasing appearance that is not dictated by function alone, and (2) satisfy other criteria of patentability.⁸⁶

Due to the vague nature of the claim, design patent present differences compared to utility patent, however, ordinary observer principle still applies to it. Specifically, as with a utility patent, design patent anticipation requires a showing that a single prior art reference is “identical in all material respects” to the claimed invention.⁸⁷

Unlike copyrights and trademarks, there is a high-level scrutiny for design patents - they require a strong showing of novelty, nonobviousness, and other such qualities. Even if fashion designs qualify as utilitarian, they may fail to meet the element of “nonobviousness”.⁸⁸ As with the utility patent, in order to fulfill the factual inquiry to nonobviousness, the design patentability is examined by: (1) determining the scope and content of the prior art; (2) ascertaining the differences between the claimed invention and the prior art; (3) resolving the level of ordinary skill in the art; and (4) evaluating any objective evidence of nonobviousness (“secondary consideration”).⁸⁹

However, such a high-level scrutiny of creativity does not fit with most fashion designs which mostly having minimum degree of creativity.

⁸⁰ Luczkow, *supra* note 38, at 1140.

⁸¹ R.O.C. Patent Act §121, para.1. (“Design” means the creation made in respect of the shape, pattern, color, or any combination thereof, of an article as a whole or in part by visual appeal.)

⁸² R.O.C. Patent Act §122, para.1&2. ((I) A design which is industrially applicable may be granted a design patent upon application in accordance with this Act, provided any of the following does not exist: 1. an identical or similar design was disclosed in a printed publication prior to the filing of the patent application; 2. an identical or similar design was publicly exploited prior to the filing of the patent application; or 3. the design was known to the public prior to the filing of the patent application. (II) A design that is without the circumstances prescribed in the preceding paragraph but can be easily conceived by a person ordinarily skilled in the art based on prior art shall not be patented.)

⁸³ 35 U.S.C. §171(a).

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 109 S. Ct. 971, 103 L. Ed. 2d 118, 9 U.S.P.Q.2d (BNA) 1847, 1989 U.S. LEXIS 629 (1989).

⁸⁷ Peters v. Active Mfg. Co., 129 U.S. 530, 537 (1889).

⁸⁸ Luczkow, *supra* note 38, at 1140.

⁸⁹ Graham v. John Deer Co., 383 U.S. 1 (1966).

C. Issues to Be Considered

Statutory exemplifications, relied on by fashion designers for protection, are not providing precise and full protection to them. This article suggests that these problems can be solved by, *inter alia*, setting forth a statutory enumeration provided by a *sui generis* system.

However, it does not mean that fashion designs are completely barred from acquiring protection via the current system. For example, there are elements of apparel that prefer receiving trademark protection, e.g., Ralph Lauren's "POLO" mark, Louis Vuitton's multi-colored "LV" design combination appearing on handbags, the Lacoste crocodile, and Chanel's interlocking "CC" buttons.⁹⁰ So, there are issues to be considered.

1. Issues Deriving from Fragmented Statutory Exemplification

The fragmented statutory exemplification raises two issues, one is the matter of subject matter expansion, another is the overlapping protection.

a. Subject Matter Expansion

It is noted that the current list does not provide precise nor full coverage to fashion designs. Examples include that fashion clothing does not quite match with PGS items in copyright regime; in the same token, clothing and footwear do not match with "three-dimensional shapes" in trademark regime either; or fashion accessories cannot match with design patent exemplification.⁹¹ So, there is a need to extend the subject matters in these regimes.

However, Professor Beckerman-Rodau suggests that the expansive view of subject matter protectable via intellectual property law has erased the clear delineation between copyright, trademark, and patent law.⁹² He points out that, according to U.S. Constitution, copyright authorization can protect the "writings" of authors,⁹³ so copyright initially protected maps, charts, and books. Now it extends to "original works of authorship", therefore more types of subject matters outside of aesthetic works were involved.⁹⁴ The result is that computer software, three dimensional commercial products such as jewelry, and photographs are subject matter within the domain of copyright law.⁹⁵

Further, traditional trademark protection based upon a symbol's ontological classification as a word, picture, shape, packaging, color, or smell, is estranged from reality,⁹⁶ now it may consist of "almost anything at all that is capable of carrying meaning".⁹⁷ After *Qualitex Co. v. Jacobson Products Co.*, the USSC, as previously mentioned, had expanded the scope of trademark protection covering items such as "colors, sounds, shapes, smells, feel, and trade dress".⁹⁸ In this social context, a broad array of non-traditional symbols are increasingly apt to

⁹⁰ Anya Jenkins Ferris, *Real Art Calls for Real Legislation: An Argument Against Adoption of the Design Piracy Prohibition Act*, 26 Cardozo Arts & Ent. L.J. 559, 566 (2008).

⁹¹ See Part II of this article.

⁹² Beckerman-Rodau, *The Problem with Intellectual Property Rights: Subject Matter Expansion*, 13 Yale J. L. & Tech. 35, 39, 88 (2010); Graeme B. Dinwoodie, *The Death of Ontology: A Teleological Approach to Trademark Law*, 84 Iowa L. Rev. 611, note 62 (1999).

⁹³ Article 1 Section 8 Clause 8, U.S. Constitution.

⁹⁴ 17 U.S.C. §102(a) (1994).

⁹⁵ Beckerman-Rodau, *supra* note 93, at 63-64.

⁹⁶ Dinwoodie, *supra* note 93, at 616.

⁹⁷ *Qualitex Co. v. Jacobsen Prods.*, 514 U.S. 159, 162 (1995).

⁹⁸ Beckerman-Rodau, *supra* note 93, at 69-70.

serve as trademarks.⁹⁹

Initially, patent law protects any "useful art, manufacture, engine, machine, or device, or any improvement therein",¹⁰⁰ now "anything under the sun that is made by man" is potentially patentable subject matters.¹⁰¹ Specifically, design patents cover the ornamental appearance of products,¹⁰² wherein the scope of protection has also been expanded, e.g., ICONs. This is a significant subject matter expansion that essentially ignores the "article of manufacture" limitation in the statute.¹⁰³

It is noted that Professor Dinwoodie advocates a concept of shifting ontology to teleology, by providing a "teleological model",¹⁰⁴ featuring functionality versus distinctiveness.¹⁰⁵ The teleological approach can reconcile the limitless meaning found in our current society with the necessarily limited nature of trademark rights,¹⁰⁶ without categorical differentiation between aesthetic and utilitarian features.¹⁰⁷

The teleological model, focusing on individualized, contextualized, analysis of distinctiveness and functionality.¹⁰⁸ Under this model, there are three conceptual types of marks: distinctive and nonfunctional marks; nondistinctive and nonfunctional marks; and distinctive but functional marks.¹⁰⁹ The relevant situation is on the third one where both distinctiveness and functionality analysis to be guided by the particular purposes for which they exist: distinctiveness measures source-identification and functionality evaluates competitive effect.¹¹⁰ Specifically, trademark protection should depend upon whether the particular symbolic matter identifies the source of a product (i.e., whether the matter is "distinctive"), and upon whether protection of the particular symbol would accord the producer a practical monopoly and prevent effective competition by others (i.e., whether the matter is "functional").¹¹¹

The case law had agreed to this theory, for example, in *Qualitex Co. v. Jacobsen Prods. Co.*, the USSC held that "the ontological nature of subject-matter was irrelevant because that was not what permitted the mark at issue to serve the purposes of trademark law".¹¹² The USSC held that it is distinctiveness, not its ontological status as color, shape, fragrance, word, or sign, that permits it to serve the basic purposes of trademark protection.¹¹³ And, trademark analysis must therefore focus on the purposes of protection, both protect source-identification and impede competition or serve as a surrogate for patent law.¹¹⁴

This article concurs with this teleology theory and suggests adopting the notion of expansion of subject matters because that it is a tendency where more novel subject matters are

⁹⁹ Dinwoodie, *supra* note 93, at 615-616.

¹⁰⁰ *Id.*, at 621.

¹⁰¹ S. REP. No. 82-1979, at 5 (1952).

¹⁰² Beckerman-Rodau, *supra* note 93, at 80.

¹⁰³ *Id.*, at 61.

¹⁰⁴ Dinwoodie, *supra* note 93, at 645, 681, 684, 729.

¹⁰⁵ *Id.*, at 617.

¹⁰⁶ *Id.*, at 752.

¹⁰⁷ *Id.*, at 620.

¹⁰⁸ *Id.*, at 681.

¹⁰⁹ *Id.*, at 732.

¹¹⁰ *Id.*, at 734.

¹¹¹ *Id.*, at 617.

¹¹² *Qualitex Co. v. Jacobsen Prods. Co.*, 514 U.S. 159, 164 (1995).

¹¹³ *Id.*

¹¹⁴ *Id.*, at 169.

flooding into the intellectual property arena, and laws have responded by adding non-traditional items into the trademark list and ICONs and GUI to the design patent list. In addition, as shown in Part II (A), the “fast fashion” in copyright domain, the “trade dress” in trademark domain, and “contemporary arts” in design patent law domain, are all come to be based on these expansion

As mentioned earlier, although an exemplification list is inexhaustive by its nature, leaving rooms for subject matters expansion, but the protection would not be precise and full no matter if it follows ontology or teleology principle.

b. Overlapping Protection

Overlapping protection occurs when certain subject matter can be protected by more than one intellectual property law during same period of time. Professor Beckerman-Rodau points out that such overlapping protection is problematic because it interferes with the carefully developed doctrines that have evolved over time to balance the private property rights in intellectual creations against public access to such creations.¹¹⁵

The result of this overlap indeed can be found in situations where, for example, both patent and copyright law simultaneously protect the same fashion design, e.g., software, clothing, ICONs, GUI, and music.¹¹⁶

The manufacturer may take advantage to maintain his or her products’ appearance protection after a design patent’s expiration while the copyright protection would keep providing the protection afterward because it lasts much longer.¹¹⁷

Professor Beckerman-Rodau suggests that the expanded scope of subject matter protection can be allowed only if no intellectual property is overly protected and jeopardize the public interests.¹¹⁸

But there is legislative, and statutory opinions suggest to the opposite. From the point of view of U.S. Congress to *Mazer*, that the USSC assumes that the very same elements, if both useful and expressive, may be awarded both copyright and patent protection.¹¹⁹ Also, the EU Council Directive provides that a design protected by a design right registered in or in respect of a member state shall also be eligible for protection under the law of copyright of that state.¹²⁰

Although many legal systems that offer protection to products under different intellectual property regimes devote substantial attention to avoiding overlap between alternative forms of protection,¹²¹ it has been well established that more than one kind of intellectual property law can be utilized to protect over a subject matter.¹²² For example, the Vessel Hull Design Protection Act allows any overlapping trademark rights;¹²³ and it is acceptable that designs can

¹¹⁵ Beckerman-Rodau, *supra* note 93, at 39, 88; Dinwoodie, *supra* note 93, at note 62.

¹¹⁶ Beckerman-Rodau, *supra* note 93, at 35.

¹¹⁷ *Id.*, at 80-81.

¹¹⁸ *Id.*, at 89.

¹¹⁹ H.R. Rep. No. 94-1476, at 50 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5663.

¹²⁰ Council Directive 98/71, art.17, 1998 O.J. (L 289) (EC).

¹²¹ Dinwoodie, *supra* note 93, at 626-627.

¹²² Beckerman-Rodau, *supra* note 93, at 73.

¹²³ 17 U.S.C. §1330(2) (2011). ("Nothing in this chapter shall annul or limit . . . any right under the trademark laws or any right protected against unfair competition.").

be protected as "trademarks" under the Lanham Act, a trademark law.¹²⁴

Despite the different academic and judicial point of views, for purpose of providing better protection to fashion designers, a *sui generis* protection system is needed.

2. Issues Deriving from Creativity Requirement

a. Nonobviousness Requirement

To acquire protection, copyright, trademark and design patent regulations all require creativity, but by different mechanisms in different level of scrutiny. That is, "originality" with the lowest level of scrutiny in copyright regime; "distinctiveness" with an intermediate level of scrutiny in trademark regime; and "novelty and nonobviousness" with the highest level of scrutiny in patent regime.¹²⁵

Fashion designers are quite limited in their level of creativity, for example, clothing must fit the human body, and the general social need to conform to accepted dress codes tends to lead to uniformity. Thus, the few new fashion designs on the market are truly exceptional in terms of form.

However, as mentioned earlier, the nonobviousness requirement in design patent is questionable due to its too high a level of scrutiny comparing to low-level scrutiny "originality" in copyright or intermediate-level scrutiny "distinctiveness" in trademark regulations. There are several points to address the infeasibility of the nonobviousness requirement in design patent as follows.

First, the ordinary observer shall not be incorporated into the examination,¹²⁶ because the nonobviousness was in fact never intended to apply to design patents in the first place.¹²⁷ The nonobviousness requirement was forced on design patents through an odd series of administrative, legislative, and judicial mishaps.¹²⁸

Further, the complete analogy between utility and design patents is not feasible.¹²⁹ 35 U.S.C. §171(a) provides that whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title. That is, a design which satisfies the novelty requirement, then must pass the muster of nonobviousness of 35 U.S.C. §103,¹³⁰ the same requirement as to utility patents. Nevertheless, Professor Gerard Magliocca pointed out, that most fashion designs involve rearranging basic artistic elements into a new pattern, so it would almost always open to a nonobviousness attack.¹³¹

Even further, the fictitious person, the "person having ordinary skill in the art" (PHOSITA),

¹²⁴ See Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 209-10 (2000); Lars Smith, Trade Distinctiveness: Solving Scalia's Tertium Quid Trade Dress Conundrum, 2005 MICH. ST. L. REV. 243, 247 n.20 (2005).

¹²⁵ See Jason J. Du Mont, A Non-Obvious Design: Reexamining the Origins of the Design Patent Standard, 45 Gonz. L. Rev. 531 (2010).

¹²⁶ *Id.*, at 532.

¹²⁷ *Id.*, at 609.

¹²⁸ *Id.*, at 535.

¹²⁹ *Id.*, at 533.

¹³⁰ 35 U.S.C. §171(a).

¹³¹ Gerard N. Magliocca, *Ornamental Design and Incremental Innovation*, 86 Marq. L. Rev. 845, 874-875 (2003).

is problematic as judge Rich in *Laverne* suggested that PHOSITA would exclude all patent protection for ornamental designs for articles of manufacture.¹³²

Nevertheless, no matter which fictitious person was adopted, the aesthetic subject matter is not limitless because each seemingly simple line or shape may link to non-aesthetic constraints, such as production costs or marketing constraints, etc.¹³³

Last, it is doubtful as to combinations of prior art when they focused on constituent elements, instead of its overall design or effect, granting design with nothing more than the sum of known parts.¹³⁴

In *in re Glavas*,¹³⁵ a case regarding the proper scope of prior art for the application of nonobviousness to design patents under the analogous art doctrine. The USPTO cited a life preserver, body pillow, baby supporter pillow, razor blade sharpener, bar of soap, and two bottles as prior art against the swimmer's float design of the applicant. The court pointed out that the references sought to be combined as analogous arts cannot be in the mechanical sense and started excluding nonanalogous arts.¹³⁶

Later, *in re Rosen* provided a rather clear guidance wherein it required that one of the references must be "basically the same" as the claimed design.¹³⁷ Nevertheless, from the perspective of patent prosecution, that by requiring "a claim in a specific form is a necessary element of a design patent application",¹³⁸ there is little room for a nonobviousness test.¹³⁹

This article suggests eliminating the nonobviousness threshold to design. That is, in patent regime, fashion subject matters shall not be additionally examined by nonobviousness, merely novelty suffice.

3. A Unitary Standard

Prior regulations had provided that a protectable design must not merely pass the novelty threshold but manage to reach certain level thereof,¹⁴⁰ but the standard shall not be lifted up to the nonobviousness level, which is indeed too harsh to fashion designs as mentioned earlier. Some suggest that design is art and should be protected by copyright law.¹⁴¹ This may mean novelty requirement at most, no need for nonobviousness.

Then comes a further issue as to whether there is an ideal regime which would provide an unitary standard for conducting associated creativity scrutiny. Given that fashion designs are mostly low creativity goods, this article suggests that the copyright law regime is proper where the minimum creativity requirement is suitable to be the unitary standard.

¹³² 1 Chisum on Patents §23.03. at 20, 49, 50, 53-58-62, 68, 77, 82, 83, 84, 87, 88-90, 130, 131, 160.

¹³³ Du Mont, *supra* note 128, at 601.

¹³⁴ See, e.g., *Phoenix Knitting Works v. Rich*, 194 F. 708, 712-13 (1911).

¹³⁵ *In re Glavas*, 230 F.2d 447 (C.C.P.A. 1956).

¹³⁶ Du Mont, *supra* note 128, at 604-605.

¹³⁷ *Id.*, at 608-609.

¹³⁸ See MPEP §1503.01, subsection III.

¹³⁹ See Part III.C.3.

¹⁴⁰ Burstein, *supra* note 56, at 328.

¹⁴¹ *Id.*, at 313.

II. A Comparative Study and Proposed Sui Generis Protection System

A. Sui Generis Protection Systems in Europe

Traditional intellectual property law may not properly protect fashion designs, e.g., the EU trademark law does not grant trademark registration on a shape mark when it contributes significant value to products.¹⁴² However, in 2002, the European Community Design Protection Regulation (the Regulation) was enacted and provided designers in member states with exclusive rights to use their designs in commerce, to enforce these rights against infringers, and to claim damages. With a minor amendment currently made to the Regulation, it maintains three-year term of protection for Unregistered EU Design (UEUD) and up to twenty-five years of protection for Registered EU Design (REUD).¹⁴³

In the United Kingdom (U.K.) and France, designers do not need to stretch intellectual property protections that may or may not directly protect fashion works; rather, these countries have specific laws that explicitly protect creations in the fashion industry.¹⁴⁴

In the U.K., under the Copyright, Designs, and Patents Act (CDPA), fashion designs are treated as works of art that receive proper protections if the design "relates back" to the original sketches. After a design has been registered, design protection will last fifteen years.¹⁴⁵

Paris is well known as the haute couture in the world.¹⁴⁶ France extends protection to the fashion industry because it sees these creations as pieces of art, fashion designs are protected once the design simply becomes popular with the public - it does not need to be original.¹⁴⁷ Under French intellectual property law, some seasonal goods such as clothing design, may be copyrighted,¹⁴⁸ including the rights of moral and patrimonial.¹⁴⁹

It is important to note that, under French law, a statutory enumeration is explicitly provided for "the making of dresses, furs, underwear, embroidery, fashion, shoes, gloves, leather goods" and "the manufacture of fabrics of striking novelty," among other things.¹⁵⁰

However, regarding "not need to be original" under French law, it is a concept like "piracy paradox" in that free copying is, to some degree, allowable in believing that free copying would promote progress without hurting the original works.¹⁵¹ Therefore, this article does not agree with the concept of this regulation on the notion that originality is not a requirement thereof.

¹⁴² Salehnia, *supra* note 2, at 383.

¹⁴³ Regulation (EU) 2024/2822 of the European Parliament and of the Council of 23 October 2024 amending Council Regulation (EC) No 6/2002 on Community designs and repealing Commission Regulation (EC) No 2246/2002. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202402822 (last visited: 2025/05/31).

¹⁴⁴ Pytlak, *supra* note 53, at 286.

¹⁴⁵ *Id.*, at 287.

¹⁴⁶ Ferris, *supra* note 91, at 573.

¹⁴⁷ Pytlak, *supra* note 53, at 288.

¹⁴⁸ Salehnia, *supra* note 2, at 406.

¹⁴⁹ Pytlak, *supra* note 53, at 288-289.

¹⁵⁰ Law 92-597 of July 1, 1992 for the Intellectual Property Code, OFFICIAL GAZETTE OF FRANCE, art. L 112-2.

¹⁵¹ Paige Holton, *Intellectual Property Laws for Fashion Designers Need No Embellishments: They Are Already in Style*, 39 Iowa J. Corp. L. 415, 428 (2014).

B. Attempted *Sui Generis* Protection System in U.S.

In the U.S., the legal models have failed to fully extend to the fashion industry. Specifically, under certain conditions, the creative portions of a fashion design, if separable from its functional aspects, may qualify for copyright protection; trademarks can sometimes be used to protect the shape of a fashion design that has acquired secondary meaning; and a few fashion designs may qualify for patent protection. But there is no legal protection for fashion design *per se*.¹⁵² For example, copyright law may not provide protection for the associated cut and shape of the clothing although may otherwise for patterns on clothing.¹⁵³

The reluctance of U.S. Congress to grant product designs a broad property right is based on a belief that marginal design innovations do not deserve property protection.¹⁵⁴ However, it had been criticized that it had provided insufficient protection to these related brand designers.¹⁵⁵ Even the U.S. Congress admitted that “fashion design in the U.S., for the most part, has not enjoyed substantial intellectual property rights protection”.¹⁵⁶

It can be further argued that, according to TRIPS, neither U.S. copyright nor design law currently provide sufficient protection to.¹⁵⁷ Therefore, to acquire an equal footage for competition, proposed legal protections had been called upon for fashion design in the U.S.¹⁵⁸

Nevertheless, there are scholars such as Chris Sprigman and Kal Raustiala suggested to maintain the status quo by providing "piracy paradox" theory, believing that copying prompts new designs,¹⁵⁹ despite counterfeits being a pervasive problem.

Early efforts at a *sui generis* statute were struck down by the USSC as anticompetitive.¹⁶⁰ In fact, there are in total three bills submitted but failed to make it out of Congress. Specifically, the Design Piracy Prohibition Act (DPPA) was introduced in 2009,¹⁶¹ the Innovative Design Protection and Piracy Prevention Act (IDPPPA) in 2010,¹⁶² and the Innovative Design Protection Act (IDPA) in 2012, but none of them were enacted.

The DPPA was the first bill introduced in the U.S. Congress that would have amended U.S. Copyright Act to provide *sui generis* protection to fashion designs for a period of three years. The Act would have extended protection to “the appearance as a whole of an article of apparel, including its ornamentation”.¹⁶³

The latest bill IDPA was a revised version of the previous IDPPPA, which would give copyright protection to fashion designs, provided they meet certain standards.¹⁶⁴

The IDPA adds a definition for “fashion design” to provides that it is the appearance as a

¹⁵² Monseau, *supra* note 30, at 496.

¹⁵³ Salehnia, *supra* note 2, at 394.

¹⁵⁴ Magliocca, *supra* note 134, at 894.

¹⁵⁵ Pytlak, *supra* note 53, at 372.

¹⁵⁶ 2011 Legis. Bill Hist. US S.B. 3523.

¹⁵⁷ Monseau, *supra* note 30, at 532.

¹⁵⁸ *Id.*, at 536.

¹⁵⁹ See *supra* note 156 and accompanying texts.

¹⁶⁰ Ferrill & Tanhehco, *supra* note 4, at 252.

¹⁶¹ *Id.*, at 273.

¹⁶² *Id.*, at 274.

¹⁶³ Beckerman-Rodau, *supra* note 93, at 66.

¹⁶⁴ Casey E. Callahan, *Fashion Frustrated: Why the Innovative Design Protection Act is a Necessary Step in the Right Direction, But Not Quite Enough*, 7 Brook. J. Corp. Fin. & Com. L. (2012).

whole of an article of apparel, including its ornamentation; and must consist of original elements and “provide a unique, distinguishable, non-trivial and non-utilitarian variation over prior designs for similar types of articles.”¹⁶⁵ It is important to note that the IDPA further adds a definition for the term “apparel” to include: “(1) an article of men's, women's, or children's clothing, including undergarments, outerwear, gloves, footwear, and headgear; (2) handbags, purses, wallets, tote bags, and belts; and (3) eyeglass frames”.¹⁶⁶

Certain arguments against U.S. regulations have been widely recognized that there are rooms for reforms thereof.¹⁶⁷

C. A Proposed *Sui Generis* Protection System to R.O.C.

1. Setting the Course

Indeed, to facilitate our fashion industry incubation, a mere reform to the current framework does not suffice, we need a *sui generis* protection system because it would provide more efficient and effective protection.

Despite the strength of the provisions under France, U.K., and European Union legislation addressing design piracy, Sprigman argues that *sui generis* system used by European countries is of no effect, because these countries continue to be annoyed by wild copying.¹⁶⁸ However, a completed wiping-out of piracy may not be a realistic expectation, as Ms. Coco Chanel points out: "if you want to be original, be ready to be copied." And, contrary to Sprigman's argument, an article has observed that the new E.U. unregistered design right is becoming extremely useful for fashion designers, prompting a spate of recent suits and settlements.¹⁶⁹ By picking and choosing the merits of the European systems and attempted U.S. bills, it would be helpful for purpose of establishing our *sui generis* one.

Many advantages found in the former are seemingly encapsulated in the latter. Therefore, this article takes IDPA as datum for proposing our *sui generis* system. However, low-IP threshold terms highlighted in the of IDPA are rather unclear because no express definition provided. This can be resolved by incorporating its previously proposed reformed system into this proposed *sui generis* system.

This article suggests a system which can provide a short-term protection period to enumerated fashion designs with a minimum level of creativity after completing a registration process.

2. Defining and Enumerating the Fashion Designs

Considering the proposed reform to the current system, certain findings can be incorporated into this *sui generis* system, e.g., a low-level scrutiny to creativity.

Therefore, “fashion design” may be defined as: (1) a creation of an article as a whole or in part by visual appeal with (2) original elements of the article of apparel that provide a non-utilitarian variation over prior designs for similar types of articles. And the definition provides

¹⁶⁵ Section 2(a)(2)(B)(8), IDPA.

¹⁶⁶ Section 2(a)(2)(B)(10), IDPA.

¹⁶⁷ Burstein, *supra* note 56, at 307, 327.

¹⁶⁸ Ferris, *supra* note 91, at 585.

¹⁶⁹ Tedmond Wong, *To Copy or Not to Copy, That Is the Question: The Game Theory Approach To Protecting Fashion Designs*, 160 U. Pa. L. Rev. 1139, 1152 (2012).

advantages as follows.

First, the term “original” mandates a low-level scrutiny of creativity. Indeed, unlike under traditional intellectual property laws’ protection which may confront various creativity requirements depending on which law is applied, there is only one creativity requirement in the *sui generis* system. With the IDPA’s highlighting of “originality”, not only does it mean the “creativity” with a minimum degree is included, but also the exclusion of nonobviousness.

Second, the term “non-utilitarian” mandates a single channeling device. Indeed, unlike under traditional intellectual property laws’ protection which may confront various channeling devices due to the difficulty of having an unitary one, there is only a channeling device in the *sui generis* system so no extra effort is needed for seeking one. And this article suggests taking dual-nature functionality doctrine, advocated by Professors Buccafusco and Fromer, because it provides a clear guideline covering copyright, trademark and design patent regimes which is needed for a *sui generis* system.¹⁷⁰ According to this doctrine, features of product designs fall into three mutually exclusive categories. Features can be (1) purely functional; (2) purely nonfunctional; or (3) dual-nature.¹⁷¹ All three IP regimes are suitable to this unitary classification. However, it should be noted that the term “non-utilitarian” is corresponding to fashion designs which fall in (2) purely nonfunctional, neither (1) purely functional nor (3) dual-nature is legible for protection.

The dual-nature fashion designs can be shown in case like *Star Athletica, LLC v Varsity Brands, Inc.*, where the arrangement of stripes, chevrons, zigzags, and color-blocking in the garment designs has both expressive and utilitarian aspects, the USSC held that only design features that can be separated from a garment qualify for copyright protection in the U.S., according to the 17 U.S.C.S. §101.¹⁷² However, it is noted that the R.O.C. Copyright Act does not have similar regulations in this regard.

Third, the term “visual appeal” solves the problems which caused by “aesthetics”-related terms, e.g., ornamental, as above-mentioned. And this term is the same as the one mandated in our current design patent law, which this article suggests maintaining.

More importantly, a statutory enumeration shall be established in *sui generis* system for providing precise and full protection to many fashion designs, such that long held problems associated with statutory exemplification can be solved.

The “apparel” in the statutory enumeration of the *sui generis* system encompasses specific fashion goods, to whichever they would fit our fashion industry policy. Therefore, “apparel” may tentatively include: (1) clothing; (2) footwear; (3) handbags, purses, wallets, and belts; and (4) eyeglass frames in the corresponding list.

Statutory enumeration would effectively protect these fashion designs whichever fall within the scope of the list, without being required to fulfill various creativity or functionality requirements or entangled by aesthetics issues in different IP regimes. Further, the inexhaustive enumeration set forth by policy eliminates the possible argument about “expansion of subject matter”. Also, given the single protection warranted within the enumeration, there is no issue of “overlapping protection”.

¹⁷⁰ Christopher Buccafusco and Jeanne C. Fromer, *Fashion’s Function in Intellectual Property Law*, 93 Notre Dame L. Rev. 51 (2017).

¹⁷¹ *Id.*, at 55.

¹⁷² See *Star Athletica, LLC v Varsity Brands, Inc.*, 580 U.S. 405; 137 S. Ct. 1002 (2017).

In sum, by providing precise and full coverage to selected fashion designs, the enumeration solves the problems long held to statutory exemplification.

3. Encapsulating in Copyright Act

A *sui generis* system may be either enacted as an independent law, like the CDPA in U.K.; or incorporated into a pre-existed legal framework, like the IDPA proposed to amend the U.S. Copyright Act,¹⁷³ or fashion designers in France remain protected by their country's copyright laws.¹⁷⁴

This article suggests adopting the last one by encapsulated in the Copyright Act, not only would it save more resources by setting up less complementary measures,¹⁷⁵ but with at least two more advantages as follows.

First, copyright realm lays the ground of low-level serenity of creativity. Indeed, given that fashion designs are mostly low creativity goods, the minimum creativity requirement environment in copyright law regime is properly suitable to them. Given previous-mentioned cases like *Feist*, even fast fashion would be able to pass the muster for acquiring copyright protection. It would eliminate the blurred line drawn between coping or innovation in fast fashion if the policy of the *sui generis* system is to be set forth. On the other hand, the design patent law, with a high threshold scrutiny, i.e., nonobviousness, is too harsh to them and thus not a proper one.

Second, copyright realm is suitable for above-mentioned dual-nature functionality doctrine, because said doctrine was originally provided for protectable fashion designs in copyright regime.¹⁷⁶ This doctrine is important because it is also applicable to trademark and design patent regimes, and would be able to provide an unitary channeling device which can serve all three intellectual property regimes for purpose of excluding functionality. So, fashion designs are more suitable with protectable subject matters in copyright realm.

4. Short-Term Protection with Registration

It is true that, unlike the U.S. Copyright Act, registration procedure is not set forth in our Copyright Act, with an exception, the plate right. Indeed, the plate right is provided in the R.O.C. Copyright Act §79, mandating that the plater shall enjoy exclusive right to a literary or artistic work that has no economic rights or for which the economic rights have been extinguished for ten years after "registration".¹⁷⁷

A further question is whether we should set forth the requirement of registration to fashion design. This article suggests that we should. While the Regulation provides protection for Unregistered EU Design (UEUD) and Registered EU Design (REUD), this article suggests that we should selectively adopt the latter because a registration is needed to avoid legal dispute due

¹⁷³ Emma Yao Xiao, *The New Trend: Protecting American Fashion Designs Through National Copyright Measures*, 23 Cardozo Arts & Ent. L.J., 405, 418 (2008).

¹⁷⁴ Catherine Potter, *Keeping Up with Copyright Infringement: Fast Fashion's Modern Takeover*, 108 KY. L. J. ONLINE, January 9, 2020. <https://www.kentuckylawjournal.org/blog/keeping-up-with-copyright-infringement-fast-fashions-modern-takeover>. (last visited: 2025/05/31)

¹⁷⁵ 2011 Legis. Bill Hist. US S.B. 3523.

¹⁷⁶ Buccafusco and Fromer, *supa* note 167, at 54, 83. (According to this doctrine, a particular fashion design containing both expressive and utilitarian, i.e., the dual-nature component, should not be protected by copyright law, because these features cannot be treated as separable under any recognized test for separability.)

¹⁷⁷ R.O.C. Copyright Act §79.

to lack of notice to public.

Even further, although the CDPA of U.K. would grant a design protection up to fifteen years if the design has been registered, this article suggests a three-year short-term protection based on the rationale that it fits to the seasonal feature demanded by the fashion market, the same as the term of protection drafted in IDPA.

Due to short-term protection, the registration fee should be minor comparing to regular trademark registration or design patent examination and certificate fees. The actual fee will be promulgated according to the decision rendered by legislative enactment.

V. Conclusion

It is in line with our interest to facilitate our fashion industry incubation to engage in and share the increasingly demanded and profitable fashion designs international market. To effectively initiate this task, a mere reform to the current intellectual property system does not suffice, we need to consider establishing a *sui generis* one.

By reviewing the current intellectual property system to check the readiness from the perspective of fashion design protectability, this article concludes that the statutory exemplification, relied on by fashion designers for protection, is not providing precise and full protection to them. The problem can be solved by, *inter alia*, setting forth a statutory enumeration provided by a *sui generis* system, which would allow the expansion of subject matters avoid the overlapping protection problem.

Fashion designs should be examined by a low-level scrutiny standard, given their seasonal features. There are problems created by nonobviousness mechanism in design patent regime due to its high-level scrutiny standard. In facts, nonobviousness was never intended to apply to design patents in the first place. This article suggests eliminating the nonobviousness requirement to design patent regime, merely examining novelty suffice.

Unlike other major fashion industrious countries, U.S. does not have a *sui generis* system. So, we need to consider merits of the European systems and attempted U.S. bills before establishing our *sui generis* system which, this article suggest, provides a short-term protection period with a minimum level of creativity requirement after completing a registration process. Indeed, by enumerating and defining fashion designs, it would solve problems associated with statutory exemplification, including expansion of subject matters and overlapping protection. This article further suggests encapsulating the *sui generis* system in the Copyright Act, not only would it save more resources by setting up less complementary measures, but with advantages that the minimum creativity requirement environment in copyright law regime is properly suitable to fashion designs, and dual-nature functionality doctrine which was originally provided for protectable fashion designs in copyright regime.

Such a narrowly tailored *sui generis* system can afford the protection necessary to protect the innovative fashion designs and help drive the vibrancy of the fashion industry.

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Reporting the Qualitative Content Analysis Results of the Study on the Competition Law and IP in Bangladesh

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Abstract

Authors conducted the Key Informant Interviews (KII) among the experts having knowledge regarding the competition law, intellectual property rights (IPR) and the functioning of the Competition Commission of Bangladesh. Qualitative Content Analysis (QCA) was performed by both the researchers to analyse the responses. Respondents having direct experiences of working with the Commission and/or the law made interesting revelations. The data analysis (qualitative) results from the KII were subject to 3 (three) separate research articles. Questions having direct connections with the IPR issues formed the content of this research article. Researchers derived recommendations based on the findings from the empirical investigation. Furthermore, a legal framework was added to substantiate the discussion. It is pertinent to mention that, involvement of two separate data analysts allowed the extensive data transformation to derive meaningful insights.

Key Words: Competition, Qualitative, Content, Analysis, Market, Intellectual Property

I. Introduction

This article reports the Qualitative Content Analysis (QCA) results of four (04) questions directly relating to Intellectual Property (IP) and competition law of the Key Informant Interviews (KII) conducted among the eleven (11) respondents having good command over the subject. Only nine (9) responses could be analyzed as two (02) respondents had not completed their responses on time. Though the questionnaire was comprised of 10 questions, only four (04) of them tested their perceptions on IP and competition-related matters and they were opted for this article. The QCA results of question nos. 3¹, 4², 6³, and 9⁴ of the questionnaire can be found here in this article. The questions tested the correlation between the “price of the goods and services” and “competition and IP”. Respondents were asked their opinions and preferred options regarding the remedy for anti-competitive behavior. A comparative aspect was explored by asking the respondents if they could suggest anything for Bangladesh to learn from the EU anti-trust laws or any other countries.

In this article, the interpretation of the Major Key Themes (MKT) contains words, phrases, and sentences quoted from the respondents but for the purpose of *anonymity*, their names were not cited.⁵ The “profession” of the respondent could be a “predictor” variable to explore a “significant” association or “promising trend” between their “response” variables, if we had conducted a quantitative data analysis. However, it also has been observed that multiple respondents affiliated with the same organization have expressed contrasting opinions on the same subject.

In this work, the words “competition law” and “anti-trust law” are used interchangeably to make the same meaning. This empirical investigation required months of data analysis by the authors and consultation with the experts. Furthermore, the interviewees were kind enough to sacrifice their valuable time for our self-funded research. We received cooperation from experts and colleagues from relevant disciplines.⁶

II. The Legal Framework

A. IP Laws in Bangladesh

The IP legal regime in Bangladesh is extensive and spans several legislations. The most recent one of these legislations is the Bangladesh Patents Act, 2023.⁷ Other laws include the following:

¹ Do you think competition in a market can reduce the price of the goods and services?

² Do you think that the intellectual property (IP) right contributes to the high prices of goods and services?

³ Do you think that there are important lessons to learn from the anti-trust law enforcement in the European Union or other jurisdictions?

⁴ Between civil liability (compensation) or penal liability (prison term), which one do you think is more effective in deterring the anti-competitive behavior?

⁵ The reviewer had the full access to the table containing the list of the respondents/interviewees.

⁶ We owe a great debt of thanks to Sami Farook, Sagor Talukder, Md. Fahim Tanvir, Md Al -Ifran Shahriar Hossain Mollah, Md. Shamsuddin Masum, RHM Alaol Kabir (Deputy Director (Senior Assistant Secretary), Bangladesh Competition Commission), Nyemur Rahman, Md Nazmul Hossen, Mr. Ershadul Alam (Prince), and Md Nur Uddin Zubair and Tanveer Zaman.

⁷ *Bangladesh Patent Act, 2023, Act No. 53 of 2023*, Available at: <<http://bdlaws.minlaw.gov.bd/act-1472.html>>(last visited Aug. 28, 2025).

- Geographical Indications of Goods (Registration and Protection) Act, 2013⁸
- Trademarks Act, 2009⁹
- Right to Information Ordinance, 2008¹⁰
- The Copyright Act, 2000¹¹
- Penal Code, 1860¹²
- The Patents and Designs Act, 1911¹³
- Patents and Designs Rules, 1933¹⁴
- The Customs Act, 1969¹⁵
- The Copyright Rules, 2006¹⁶
- Code of Civil Procedure, 1908¹⁷
- SRO No. 312-Law/2000¹⁸
- The National Curriculum and Text-Book Board Ordinance, 1983¹⁹

B. The Competition Act 2012

The Competition Act 2012 (Act No XXIII of 2012) came into force in 2012 establishing the Competition Commission of Bangladesh to ensure and to regulate fair competition in the market. The Act contains 46 sections distributed into 7 chapters concerning the organogram of the Commission, anti-competitive behavior and abuse of dominant position in the market, complaint, and investigation; reconsideration, appeal, penalties; the Commission's financial responsibilities, and miscellaneous matters.

Section 2 is the definitional clause defining several key terms such as oligopoly²⁰ (any situation wherein a group of people or organization control the market of any particular product

⁸ *Geographical Indications of Goods (Registration and Protection) Act 2013 (Act No. LIV of 2013)*, available at <<https://www.wipo.int/wipolex/en/text/506193>>(last visited Jul. 17, 2023).

⁹ *Trademarks Act, 2009 (Act No. XIX of 2009)*, available at <[WIPO Lex](#)>(last visited Jul. 17, 2023).

¹⁰ *Right to Information Ordinance, 2008 (Ordinance No. 50 of 2008)*, available at <[WIPO Lex](#)>(last visited Jul. 17, 2023).

¹¹ *Copyright Act, 2000 (Act No. 28 of 2000, as amended up to Act No. 14 of 2005)*, available at <[WIPO Lex](#)>(last visited Jul. 17, 2023).

¹² *Penal Code, 1860 (Act No. XLV of 1860)*, available at <[WIPO Lex](#)>(last visited Jul. 17, 2023).

¹³ *The Patents and Designs Act (Act No. II of 1911, as amended up to Act No. XV of 2003)*, available at <[WIPO Lex](#)>(last visited Jul. 17, 2023).

¹⁴ *Patents and Designs Rules, 1933 (as amended up to June 15, 1946)*, available at <[WIPO Lex](#)>(last visited Jul. 17, 2023).

¹⁵ *The Custom Act (Act No. IV of 1969)*, available at <[WIPO Lex](#)>(last visited Jul. 17, 2023).

¹⁶ *The Copyright Rules, 2006*, available at <[WIPO Lex](#)>(last visited Jul. 17, 2023).

¹⁷ *Civil Procedure Act, 1908 (Act No. V of 1908)*, available at <[WIPO Lex](#)>(last visited Jul. 17, 2023).

¹⁸ *SRO No. 312-Law/2000*, available at <[WIPO Lex](#)>(last visited Jul. 17, 2023).

¹⁹ *The National Curriculum and Text-Book Board Ordinance, 1983 (Ordinance No. LVII of 1983)*, available at <[WIPO Lex](#)>(last visited Jul. 17, 2023).

²⁰ *The Bangladesh Competition Act 2012, (Act No 23 of 2012)*, § 2 (c), available at <[20533_10683.pdf](https://dpp.gov.bd/20533_10683.pdf)>(dpp.gov.bd)> (last visited Jul. 21, 2023).

or service), monopoly²¹ (defines monopoly as a situation where a person or an enterprise controls the market of any particular product or service), collusion²² (as any written or unwritten contract or agreement to facilitate or further the dishonest intention of disrupting a healthy and normal competitive atmosphere in the market and to control such market), and cartel (corresponds to when any person or group of persons by express or implied contract, to establish a monopoly in the market, controls or attempts to control the production, distribution, sale, price or transaction or limits any type of service in the market).²³

Sections 5 to 14 detail the establishment, composition, and responsibilities of the Commission which include encouraging competition in the market, eradicating practices that have a deleterious impact on competition, ensuring freedom of business entities, investigating anti-competitive activities *suo motu* or based on complaint submitted to it, and create awareness concerning competition regime among the mass population. In its endeavor to deal with anti-competitive activities, the Commission will be deemed to be a civil court.

Under section 15, any person is prohibited, expressly or impliedly, from entering into any contract or collusion regarding the production, supply, distribution, storing, or acquisition of any product or service to disrupt or cause disruption to the competition in the market or facilitate a scenario of monopoly or oligopoly.²⁴ Furthermore, it shall be deemed to be detrimental to the market if any person or association of persons involved in a goods and services market enters into any contract or undertakes any practice of decision that expressly or impliedly, a) unnaturally or fraudulently through forgery in the tender and all other matters determines the sale or purchase price of such goods and services; b) constraints or manipulates the supply, technical development, production, market, investment or services facilities or splits the source of production or service facilities based on market consumer number, market geography, class or any other basis.²⁵

Additionally, section 15 earmarks the following actions as anti-competitive:

- conditional arrangement²⁶ (an agreement wherein the buyer accepts goods or benefits from any entity or person employed by the vendor while purchasing product from such vendor);
- exclusive supply agreement²⁷ (an agreement where the buyer is restricted from purchasing any goods or services from any person other than the seller dealing in such goods);
- exclusive service agreement²⁸ (an agreement confining, specifying, or suspending the stream, amount, territory, or market for any product);
- refusal to deal²⁹ (an agreement constraining who can sell or who can purchase goods or products from selling or buying such product or goods by any means);

²¹ *Id.* § 2 (o).

²² *Id.* § 2 (q).

²³ *Id.* § 2 (e).

²⁴ *Id.* § 15 (1).

²⁵ *Id.* § 15 (2).

²⁶ *Id.* § 15 (3) (a).

²⁷ *Id.* § 15 (3) (b).

²⁸ *Id.* § 15 (3) (c).

²⁹ *Id.* § 15 (3) (d).

- reservation of resale price³⁰ (whereby contract the seller determines the price the buyer can claim upon resale of goods sold by the seller to the buyer unless stipulation for a lower price is made).

The Competition Act 2012 prohibits dominant market players from abusing their position in the market.³¹ A dominant player or a dominant position has been defined as a business entity's advantageous position in the market allowing it to function free of market force influence and giving it the ability to influence the market to its advantage.³² A dominant market player is considered to have abused its position in the following scenarios:³³

- express or implied imposition of prejudicial stipulations while buying or selling products or setting unfair prices or synthetically decreased prices (where the selling price of a product is less than that of its production cost to drive out competition) in the act of such sale or purchase;
- confining or obstructing the market or production of goods or services or predetermined consumer notion of the technical or scientific development of such product;
- implementation and continuation of practice or practices that obstruct market access for others;
- enters into any conditional contract wherein the other party of such contract is required to undertake additional obligations that are not connected to the subject matter of the contract according to the category or style of their commercial practice; or
- uses market dominant position to gain entrance into separate related markets.

Sections 17 to 23 detail the investigative process and powers of the Commission including the power to issue intermediate orders in anticipation of or in actual contravention of sections 15(1), 16(1), and 21 for 60 days, extendable by a further 60 days with scope for appealing against such as order within 30 days of it being promulgated.

Sections 24 to 30 ordain the appeal procedures of the Act wherein it is mentioned that contravention of the Commission's orders without any valid reason will be considered a criminal offense punishable by fine or imprisonment. Within 30 days of any order of the Commission, any person aggrieved by such order may appeal to the Commission or the Government concerning such order.

Sections 31 to 46 mete out the financial particulars of the Commission and certain miscellaneous matters such as good faith clause, English translation, annual reporting, the privacy of information, power to promulgate rules and regulations, offenses committed by companies, and the special status of the Act providing it an overriding effect over other laws. However, section 37 states that the Commission will be bound to substantiate the Government's directives in terms of administrative matters and implementation of this Act and that the decision of the Government will be final.

³⁰ *Id.* § 15 (3) (e).

³¹ *Id.* § 16 (1).

³² *Id.* § 16.

³³ *Id.* § 16 (2).

C. The Patent Act, 2023

Divided into 13 chapters and 72 sections, the Patent Act 2023³⁴ has been promulgated to address IP-related issues in Bangladesh. Chapters I to VI deal with the definitional clauses, the patent administrator, application for a patent, inventions that are patentable, patent rights, ownership, cancellation, and revocation of a patent. Chapter VII deals with the operationalization of a patent, compulsory licensing, while Chapter VIII outlines the utility model patent, and Chapter IX covers the operationalization of patent rights. Chapters X to XIII deal with punishment & procedures for filing a suit, powers of the patent administration, exceptions, and miscellaneous provisions.

Section 34³⁵ allows the government to revoke a patent if it is satisfactorily established, after giving the patent holder an opportunity to present their case, that the patent or its operation is harmful to the public health or public interest of the people of Bangladesh.

Section 35³⁶ outlines the general principles which are to be followed when exercising the powers under Chapter VII, namely:

- Patents shall be granted on the grounds of encouraging innovation and ensuring that such innovation is effectively executable and ordinarily usable in Bangladesh without delay³⁷;
- In case of import of patented products, patents shall not be granted only for the purpose of enabling the patent holder to enjoy exclusive rights³⁸;
- Patent rights, their enforcement, and protection are intended to create a balance of rights and obligations, and bring about advancement of new technologies, facilitation of the transfer and dissemination of technology, mutual benefit to both producers and users of technology, as well as socio-economic welfare³⁹;
- Granted patents shall not impede the public health and nutrition and shall play a regulatory role in advancing public interest, in particular concerning the promotion of areas of vital importance for the socio-economic and technological development of Bangladesh⁴⁰;

In no way shall granted patents obstruct the safeguarding of public health⁴¹;

- The patent holder or any person deriving rights or interests from the patent of the patent holder shall not misuse the patent, nor shall practices be permitted that unreasonably restrain trade or the international transfer of technology⁴²; and
- Patents shall be granted for the purpose of ensuring that the results of the patented innovation are made available, at a reasonable price, to the public⁴³.

³⁴ *Bangladesh Patent Act, 2023, Act No. 53 of 2023*, Available at: <<http://bdlaws.minlaw.gov.bd/act-1472.html>>(last visited Aug. 28, 2025).

³⁵ *Id*, § 34.

³⁶ *Id*, § 35.

³⁷ *Id*, § 35 (a).

³⁸ *Id*, § 35 (b).

³⁹ *Id*, § 35 (c).

⁴⁰ *Id*, § 35 (d).

⁴¹ *Id*, § 35 (e).

⁴² *Id*, § 35 (f).

⁴³ *Id*, § 35 (g).

Section 36⁴⁴ addresses compulsory licensing, with 36(1) stating that any person may, at any time, apply for a compulsory license under the following circumstances:

- When it is necessary from a public interest perspective for national security, nutrition, health, or the development of the national economy⁴⁵;
- When the exploitation of the invention by the patentee or licensee is determined to be anti-competitive by any court or executive authority⁴⁶;
- When the patentee abuses exclusive rights without importation and is unable to prove that it is economically and technically feasible to manufacture it fully or partially, exclusive rights include the patented invention failing to meet the reasonable requirements of the public, not being available at an affordable price to the public, and not being worked in Bangladesh on a commercial scale⁴⁷;
- When a second patent is sought after involving an economically significant technical advantage related to the first patented invention, and the second patent cannot be granted without infringing the first patent⁴⁸;
- Where the patentee, without reasonable cause, fails to grant a license within four (4) months from the date of application⁴⁹;
- Where access to any essential facility (including necessary physical infrastructure) is needed, including the production and marketing of fixed-dose combination medicines⁵⁰.

The Director-General may, upon receiving an application under sub-section (1), grant a compulsory license, contingent on such conditions as may be necessary, and such application shall be considered and disposed of within six (6) months from the date of its submission⁵¹.

Where an application is made under sub-section (1), the applicant shall first make efforts to obtain a compulsory license from the patentee on reasonable commercial terms; however, if such effort fails within a reasonable time, this requirement shall not be applicable in relation to a decision taken under clause (b) sub-section (1).⁵²

Following clause (c) of sub-section (1), in case of non-working or insufficient working of the patented product, a compulsory license shall not be refused once a period of four (4) years from the date of filing the patent application or three (3) years from the date of grant of the patent, whichever expires later, unless the patentee is able to show reasonable cause for such non-working or insufficient working.⁵³

A compulsory license granted under sub-section (4) shall not be exclusive and shall not be assignable, even by way of sub-license, provided that it may be so with that part of the enterprise or goodwill in which the license is being worked.⁵⁴

⁴⁴ *Id*, § 36.

⁴⁵ *Id*, § 36 (1) (a).

⁴⁶ *Id*, § 36 (1) (b).

⁴⁷ *Id*, § 36 (1) (c).

⁴⁸ *Id*, § 36 (1) (d).

⁴⁹ *Id*, § 36 (1) (e).

⁵⁰ *Id*, § 36 (1) (f).

⁵¹ *Id*, § 36 (2).

⁵² *Id*, § 36 (3).

⁵³ *Id*, § 36 (4).

⁵⁴ *Id*, § 36 (5).

Except where it is granted to remedy anti-competitive practices under clause (b) of sub-section (1) or for export to any foreign territory having insufficient or no manufacturing capacity under section 39, the use of the invention under a compulsory license shall be primarily for the supply of the domestic market of Bangladesh.⁵⁵

In case of semiconductor technology, compulsory licenses shall only be granted for public non-commercial use by the Director-General or where a court or a lawfully constituted authority determines that the manner of exploitation of the patented invention by the patentee or licensee is anti-competitive, and that the government is satisfied that the granting of a non-compulsory license would not provide an adequate remedy.⁵⁶

Where a compulsory license is granted under clause (iv) of sub-section (1)

- the patentee of the first patent shall be entitled to a license on reasonable terms to the invention claimed in the second patent, and
- the license in respect of the second patent shall not be assignable except with the license in respect of the first patent.⁵⁷

Section 37⁵⁸ details the procedure of obtaining a compulsory license, the Director-General, after receiving an application under section 36, shall serve a notice along with a copy of the application to the patent applicant or patentee.⁵⁹ The patent applicant or patentee who intends to oppose such an application may file a notice of opposition within a prescribed time.⁶⁰ When such notice of opposition is filed, the Director-General shall notify the applicant for compulsory license, and shall provide both the applicant and the opponent an opportunity of being heard before disposing of the matter within a time specified under section 36(2).⁶¹ When a compulsory license is granted under section 36(2), the Director-General shall determine the reasonable remuneration payable to the patentee, not exceeding four percent (4%) of total sales, and shall impose such additional conditions as may be necessary.⁶²

In case of determining the amount of remuneration, consideration shall be given to any application filed by the licensee for rectifying the anti-competitive use of the patent.⁶³ Following the application by the patentee, if the Director-General is satisfied that the circumstances justifying the compulsory license have ceased to exist, and are unlikely to recur, or that the compulsory licensee has failed to comply with the terms of the license, they may, subject to adequate protection of the legitimate interests of the compulsory licensee, revoke the compulsory license.⁶⁴

Section 38⁶⁵ mandates that notwithstanding anything contained in section 36(2), if the Government is satisfied that a situation of national emergency or other circumstances⁶⁶ of

⁵⁵ *Id.* § 36 (6).

⁵⁶ *Id.* § 36 (7).

⁵⁷ *Id.* § 36 (8).

⁵⁸ *Id.* § 37.

⁵⁹ *Id.* § 37 (1).

⁶⁰ *Id.* § 37 (2).

⁶¹ *Id.* § 37 (3).

⁶² *Id.* § 37 (4).

⁶³ *Id.* § 37 (5).

⁶⁴ *Id.* § 37 (6).

⁶⁵ *Id.* § 38.

⁶⁶ Circumstances includes public health emergencies of international concern defined under the International Health Regulations, public health crises, AIDS, HIV, tuberculosis, malaria or any other pandemic as well as non-communicable diseases such as cancer, diabetes, cardiovascular disorders, or similar diseases, in relation to the

extreme urgency exist, or that it is necessary to grant a compulsory license for non-commercial use of the patent at any time after its sealing, the Government may, by notification in the Official Gazette, make a deceleration to that effect, and thereupon the following provisions shall be applicable:

- The Director-General shall, at any time after the issuance of such notification, upon application by any interested person, grant a license in favour of the application on such terms and conditions as deemed appropriate⁶⁷;
- The Director-General, in granting a license under this section, shall make efforts to ensure that the products manufactured under such a license is made available to the public at prices that are affordable⁶⁸;
- The conditions laid out under 36(3) and 37(1)-(3) shall not apply with respect to the grant of a license⁶⁹;
- The licensee shall be informed of the decision of the Director-General as soon as possible, and the application shall be disposed of within sixty (60) days of filing.⁷⁰

Section 39⁷¹, addressing compulsory license of patented pharmaceutical products⁷² for export, outlines that it may be granted in the following cases:

- To countries where the production of pharmaceutical products is insufficient, or where there is no production capacity, a compulsory license may be granted for the manufacture, marketing, or export of patented pharmaceutical products⁷³ (Provided that such countries must grant a compulsory license, or, as the case may be, authorize the import of patented pharmaceutical products from Bangladesh by notification);
- The Director-General shall, in the prescribed manner, grant a compulsory license solely for the production and export of the relevant pharmaceutical product upon receipt of an application⁷⁴.
- Pharmaceutical products manufactured under a compulsory license pursuant to clauses (a) and (b) may be exported in accordance with any other applicable provisions of this Act⁷⁵.

Under section 40⁷⁶, the Government or any person authorized by it may, after the filing of a patent or the grant of a patent, at any time, use the invention in accordance with the provisions of section for the purposes of the Government⁷⁷. Any person may apply to the government under section 40(1), concerning which a reasoned decision shall be communicated within sixty

grant of licenses for medicines.

⁶⁷ *Id.* § 38 (a).

⁶⁸ *Id.* § 38 (b).

⁶⁹ *Id.* § 38 (c).

⁷⁰ *Id.* § 38 (d).

⁷¹ *Id.* § 39.

⁷² Pharmaceutical products mean and include any patented pharmaceutical product, or any pharmaceutical product manufactured through a patented process that is necessary to address public health problems, including the materials required for producing such products and diagnostic kits.

⁷³ *Id.* § 39 (a).

⁷⁴ *Id.* § 39 (b).

⁷⁵ *Id.* § 39 (c).

⁷⁶ *Id.* § 40.

⁷⁷ Purposes of the Government includes public interest & health, nutrition, environment, existing demand for the patented product, high prices of the patented product, and the supply of pharmaceutical products in any government-notified health service.

(60) days of the application after providing both the applicant and patentee an opportunity of being heard.⁷⁸ The government, in respect of any innovation before or after the grant of a patent, may authorize any person, whether directly or indirectly authorized by the applicant or patentee or not, to manufacture, use, exploit, or sell the invention or to import any apparatus, equipment, or any other product, medicine, or drug covered by the patent.⁷⁹ The government shall pay the patentee a reasonable remuneration not exceeding four percent (4%) of the sales for such use.⁸⁰

Section 41⁸¹ additionally provides that in case of a compulsory license issued under any of sections 36 to 40, the applicant or patentee may be directed to provide the licensee with relevant information, apparatus, necessary dossiers, test results, or other data for the purpose of manufacturing, using, selling, offering for sale, importing or exporting the subject matter protected by the patent or patent application, and if the patent applicant or patentee refuses to comply with any request under section 41(1), any regulatory agency or other government authority or institution holding such relevant information, apparatus, necessary dossiers, test results or other data may be directed to provide the same to the licensee.⁸²

Under section 60⁸³, parallel importation is permitted and is not regarded as a violation of patent law in Bangladesh. Additionally, it also recognizes the applicability of the international exhaustion principle.

III. Qualitative Content Analysis of the Key Informant Interviews

Throughout the paper, respondent's words are cited within quotation marks without footnotes, since they were anonymous. The data analysis files referred to as the appendices contain the original responses of the respondents in quotation. All files were submitted to the reviewer. After conducting the Key Informant Interviews, the researchers painstakingly completed the Qualitative Content Analysis and reported in this paper only 4 (four) elected questions' answers.

⁷⁸ *Id*, § 40 (2).

⁷⁹ *Id*, § 40 (3).

⁸⁰ *Id*, § 40 (4).

⁸¹ *Id*, § 41.

⁸² *Id*, § 41 (1)- (2).

⁸³ *Id*, § 60.

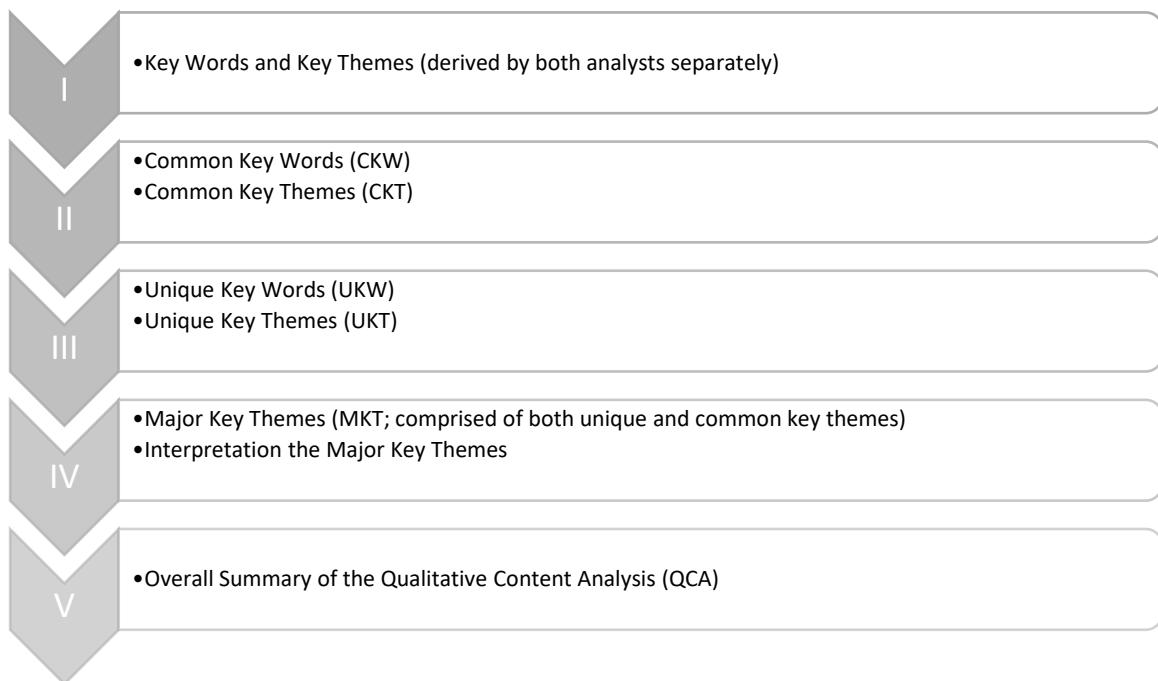


Fig.1: Steps of the Qualitative Content Analysis.⁸⁴

Major Key Themes derived from the responses to question 3 (Do you think competition in a market can reduce the price of the goods and services?):

- “Multiple producers”/competition in a market can reduce the price of goods and services;
- Monopoly business and commission affected after the entry of strong competitor;
- Competition in a market can reduce the price of goods and services;
- Control the prices in case of single producer;
- Telecom sector of Norway applied regulation and litigation;
- Price of goods and services in a market can be reduced where there is sound competition;
- Balance between the customers interest and the profit of the business;
- Bangladeshi “leather footwear” industry as example of sound competition;
- “[N]ot sure” whether competition will “reduce the cost” but affirms that “there will be an impact”;
- “[C]onglomerates are not beyond the purview of law”;
- Fully affirmative that the competition in a market can reduce the price of the goods and services;

⁸⁴ Arif Jamil & Ahmed Ragib Chowdhury, *A Study on the Performance of the Competition Commission and Competition Law in Bangladesh: Qualitative Content Analysis of the ‘Other Opinion’*, 34(2) DHAKA UNIVERSITY L.J. (2023) (“Figure 1: QCA step by step”; accepted for publication).

- “Commission has the authority to protect competition and ensure competition”;
- Competition can reduce the price of goods and services;
- Multiple producers in a market allows the consumer to compare and purchase;
- Limited number of producers leads to price being set arbitrarily;
- Competition definitely aids in maintaining the price stability of goods;
- “[F]air competition in the market can reduce the price of the goods and services”;
- “Multiple producers and variation of products” can reduce the price of goods and services;
- “[M]ain purpose” is “to establish a competitive environment”;
- “[M]ultiple producers in the market can reduce the price of the goods and services significantly”.

Interpretation of the Major Key Themes derived from the responses to question 3:

Respondent firmly supports the idea that competition in a market can reduce the price of goods and services. Respondent cited the example of Nagad and Bkash. *Bkash's monopoly business and commission were affected after the entry of a strong competitor (Nagad).* Similarly, *after the entry of a competitor (Banglalink) in the telecom market, the prevailing high call rate of “6.90 BDT including VAT [italics added]” charged by existing giant operators [GrameenPhone and Airtel/Robi] was “reduced to 2 BDT [italics added]”.*

Respondent supports the idea that competition in a market can reduce the price of goods and services. Competition is required to control the prices in the case of a single producer. Respondent cited the example of Norway, where, in the telecom sector, to maintain competition, regulation and litigation was applied to prevent “abnormally rising prices/rates of goods and services” and “punishment has been administered” too.

Respondent firmly supports the idea that competition in a market can reduce the price of the goods and services provided that there is “sound” competition. Respondent defined sound competition as a market where there is “balance between the customers interest and the profit of the business”. Respondent cited “leather footwear” industry as an industry in Bangladesh where there prevails sound competition.

Respondent thinks that competition has benefits but is not sure it (competition) will reduce the cost. Competition may ensure the quality of the goods. “Fair competition” may benefit people. Though the respondent is unsure if the competition “will reduce the cost” but added that “there will be an impact”. The same respondent emphasized ensuring the “[f]air competition”.

Respondent is fully affirmative that the competition in a market can reduce the price of the goods and services and to support that respondent cited the examples of India and Singapore. Respondent mentioned that he learned from attending a seminar in Singapore that a particular “conglomerate” was *denied permission to open its own Bank* because the authorities feared that they might have an *unfair competitive advantage over LCs opening*. Respondent believes that such a decisive move gives a strong signal that “conglomerates are not beyond the purview of law”.

Respondent is affirmative that the competition in a market can reduce the price of the goods and services. Respondent thinks that in a market condition with multiple producers “consumer can compare the quality, price and other factors of a similar product and buy accordingly” but if the number of producers is very limited “they set the price arbitrarily and the quality of the products is not maintained”. Respondent believes “competition definitely helps in maintaining the stability [italic added] of the price of a good in the market”.

Respondent is affirmative that “*fair* [italic added] competition in the market can reduce the price of the goods and services”. Respondent strongly supports the idea that competition in a market can reduce the price of goods and services. The respondent suggested that “[m]ultiple producers and variation of products” can reduce the prices of goods and services. The respondent suggested that the “main purpose” is “to establish a competitive environment”.

Respondent supports the idea that competition in a market can reduce the price of goods and services. The respondent suggested that “having multiple producers in the market can reduce the price of the goods and services significantly”.

Overall Summary of the QCA shows how the respondents commented on the impact of competition on reducing the price of goods and services in a market.

Respondent echoed that “[m]ultiple producers in a market with fair competition can definitely reduce the price of the good and services”. Respondent observed that there is no “other better way” than *multiple producers* (competition) to reduce the price of goods and services. Respondent emphasized on maintaining the “sound” competition and imagined it as a market condition “[w]here there is check and balance between consumer rights protection and business monopolization”. Respondent affirmed that competition in a market can “definitely” reduce the price of the goods and services and stated that the “*Commission has the authority to protect competition and ensure competition in the market* [italics added]”. Respondent also underscored that the “*conglomerates are not beyond the purview of law* [italics added]”. Respondent affirmed that “competition definitely helps in maintaining the stability of the price of a good” allowing the consumer to “compare the [product] quality” and buy accordingly where the absence of the same hinders product quality and price stability. Respondent noted that “ensuring fair competition in the market can reduce the price of goods and services”. Respondent noted that “*multiple producers* [italics added]” and *product variations* aid in reducing the price of goods and services and “establish a competitive environment or price for all other products and services”. Respondent observed that “competition is a vital component” in reducing the prices of goods and services in the market.

Major Key Themes derived from the responses to question 4 (Do you think that the intellectual property (IP) right contributes to the high prices of goods and services?):

- “IP rights does not contribute to the high prices of goods and services”;
- “[T]here should be some mechanism to determine what is the right amount of royalty”;
- Prevention of IP infringement;
- Determination of “fair price”;
- “IP rights is a built-in feature” including the price determined by the innovator to receive royalty;
- IPR (intellectual property rights) contributes to the high prices of goods and services;

- The price increases for the IPR;
- Increased “digitalization”;
- “[F]rom the context of a developing economy”, IP rights does contribute to the high price of goods and services due to import dependency;
- Unsure of the impact of IPR regarding the cost of the goods and services;
- Supports IP as a “valuable right” for “innovative ideas”;
- There should be a ceiling for the royalty enjoyed by the innovator;
- “[M]arket itself will determine the price of the product”;
- “IP rights encourage competition”;
- IPR “prevents IP infringement”;
- “[C]onsumers who have the purchasing power”;
- Price will be reduced if the “sales and revenues are dwindling”;
- Supports the idea that the IPR (intellectual property rights) contributes to the high prices of goods and services;
- Certain medicines cost higher for their IPR;
- IP rights involve “IP charges” or “royalties”;
- 6 to 8 years [of “IP protection period”] could be more appropriate in comparison to the current 20 year’s of IP protection;
- Does not think that the IPR (intellectual property rights) contributes to the high prices of goods and services but stated that “it varies case to case”;
- Recommends shorter term of protection;
- There is lack of IP awareness in Bangladesh;
- Association between IP and price may be more obvious in the USA or EU;
- Broader mandate for the Commission;
- IP rights should fall within the jurisdiction of the Commission though barred under section 15(4) of the Act
- Moderately (“[t]o some extent”) supports the idea that the IPR (intellectual property rights) contributes to the high prices of goods and services.

Interpretation of the Major Key Themes derived from the responses to question 4:

Respondent does not support the idea that the IPR (intellectual property rights) contributes to the high prices of goods and services. The inventor is expected to enjoy the royalty. Respondent emphasized “royalty”, prevention of IP infringement, and determination of “fair

price”. Respondent thinks that “there should be some mechanism to determine what is the right amount of royalty”, in the absence of which an inventor can ask any amount of price.

Respondent supports the idea that the IPR (intellectual property rights) contributes to the high prices of goods and services. Referring to the increased “digitalization” and own experience of dealing with Google’s features, the respondent thinks that the price increases for the IPR.

Respondent supports the idea that the IPR (intellectual property rights) contributes to the high prices of goods and services if experienced from the context of low and mid-income country experience (“developing economy”). Respondent emphasized that most of the goods and services are imported in Bangladesh and implied a correlation between the high price and IPR for the goods of foreign origin.

The respondent is unsure of the impact of IPR regarding the cost of the goods and services. Respondent supports IP as a “valuable right” for “innovative ideas”. Respondent supports the idea that there should be a ceiling for the royalty enjoyed by the innovator to control the price of goods and services.

Respondent thinks that “market itself will determine the price of the product”. Respondent cited the example of Apple products and said that they are highly priced but still selling because there exists “that segment of consumers who have the purchasing power to meet the valuation of Apple products”. Respondent believes the price will be reduced if the “sales and revenues are dwindling because of the high price of their products”. Respondent believes that IP does not have “any significant contribution to the high price of goods and services”. Respondent thinks that “IP rights encourage competition”.

Respondent supports the idea that the IPR (intellectual property rights) contributes to the high prices of goods and services. Respondent outlined that “[t]he products that have IP rights over them involve a significant amount of fees as royalties or IP charges” and “those product prices are obviously going to be higher”. Respondent cited as for example “the medicines that are high value have higher price tags attached to them higher than the value of the ingredients because of IP rights attached”; hence, meaning certain medicines cost higher for their IPR.

Respondent mentioned that ‘6 to 8 years [of “IP protection period”]’ could be more appropriate in comparison to the current 20 years of IP protection, which indicates that he/she is referring to the patent system, because different types of IP offers different term of protection and 20 is typically the term of protection for the patents. Respondent does not think that the IPR (intellectual property rights) contributes to the high prices of goods and services but stated that “it varies case to case”. It seems that respondent has a positive view regarding the IPR but recommends a shorter term of protection.

Respondent thinks that there is a lack of IP awareness in Bangladesh and due to that lack of awareness there is no association between price and IP in Bangladesh. Respondent thinks that the association between IP and price may be more obvious in the USA or EU. The respondent suggested a broader mandate for the Commission and stated: ‘All properties, whether IP or not of any company or individual should fall within the jurisdiction of this Commission’.

Respondent moderately (“[t]o some extent”) supports the idea that the IPR (intellectual property rights) contributes to the high prices of goods and services.

Overall Summary of the QCA shows how the respondents think about IP rights contributing to the high price of goods and services.

Divergent opinions were observed in response to this question.

Respondent opined that “IP rights does not contribute to the high prices of goods and services rather is an element of fixing the fair price”. Further noted that “IP rights is a built-in feature” including the price determined by the innovator to receive royalty and that there “should not be any product” infringing IP rights though “some mechanism” should be there to determine the appropriate amount of royalty.

The study found that the respondent supports the idea that IPR contributes to the high prices of goods and services, and hence, the respondent thinks that the price increases for the IPR.

Respondent affirmed that “from the context of a developing economy”, IP rights does contribute to the high price of goods and services due to import dependency.

Respondent does not think that IP rights will increase the price of goods and services though there may be “some sort of impact”. Further opined that “IP rights should prevail as it is a valuable right” concerning the “ownership of innovative ideas and patents”.

Respondent does “not think that IP makes any significant contribution to the high price of goods and services. Rather it helps competition and prevents IP infringement”. Also added that “[o]pen market policy is that the market itself will determine the price”.

Respondent opined that IP rights involve “IP charges” or “royalties” that contribute to the high prices of products. Respondent mentioned that certain medicines would cost higher for their IPR.

Respondent disagrees that that IP rights contribute to the high price of goods and services but accepts that it may vary on a case-by-case basis; additionally suggesting “6 to 8 years [period] would be more appropriate”.

Respondent believes that there is a lack of IP awareness in Bangladesh but supported that IP rights should fall within the jurisdiction of the Commission though barred under section 15(4) of the Act.

Respondent observed that IP rights indeed contribute to the high price of products but to only a certain extent.

Major Key Themes derived from the responses to question 6 (Do you think that there are important lessons to learn from the anti-trust law enforcement in the European Union or other jurisdictions?):

- EU has rather practiced them for a long period of time;
- Other best practices can be adopted in Bangladesh;
- Law has to be enforced in “fair and equitable manner”;
- Importance of developing a culture of practicing the anti-trust law;
- “[G]ood governance” is important to implement the law;

- Local adaptation and adoption is possible;
- “[E]xtreme seriousness and hefty penalty is imposed”;
- Depends on the business turnover;
- If locally relevant for Bangladesh’s socio-political context;
- There are important lessons to learn,
- Fines as penalty;
- Merger, acquisition, and undue pressure;
- Open market policy;
- Anti-trust Ordinance 1970;
- Comparative study;
- There are important lessons to learn;
- Commission and the law followed “the Indian ‘[c]ompetition legal regime’ ”;
- After 4 or 5 years, the Commission will have enough development to set their own practice standards;
- ‘[L]egal framework and functioning and jurisdictional considerations’;
- ‘[I]mportant to garner good practices’;
- ‘[S]hortage of manpower’;
- Comparatively lower emphasis on ‘knowledge-base’ and ‘strengthening of the Commission’ to be able to make a difference in the ‘economy’;
- Less capable of (‘far behind’) ‘utilizing technological advances’;
- ‘[O]ur (Bangladesh) law and the Indian Competition Act has similarities’;
- ‘[T]reating anti-trust activities as criminal offence’;
- Incorporating ‘leniency provisions’;
- ‘[D]awn raid provisions’;
- There are important lessons to learn from the anti-trust law enforcement in the European Union or other jurisdictions;
- “[T]he situation is developing”;
- Lack of awareness concerning domestic legislation;
- “[P]racticing” of the “ongoing works” and “verdicts” of “European Union (EU) or other jurisdictions”.

Interpretation of the Major Key Themes derived from the responses to question 6:

Respondent underscored the importance of developing a culture of practicing the anti-trust law and mentioned that the EU has rather practiced them for a long period of time. EU or other best practices can be adopted in Bangladesh. Respondent thinks that the law has to be enforced in “fair and equitable manner” and “good governance” is important to implement the law.

Respondent believes that in the EU jurisdictions “competition matters are dealt with extreme seriousness and hefty penalty is imposed”, whereas in Bangladesh there are hefty penalties in the Competition Act but it depends on the business turnover. The respondent suggested that local adaptation and adoption are possible if the principles and procedure of implementation are locally relevant to Bangladesh’s socio-political context.

Respondent supports the idea that there are important lessons to learn from anti-trust law enforcement in the European Union or other jurisdictions. Fines as penalty on Facebook and Google is cited as an example that Bangladesh also can learn to regulate big corporations to allow open market policy to be fair and competitive. Respondent identified some behaviors of big corporations like “Google and Facebook” as detrimental to competition, e.g., merger, acquisition, and undue pressure. Respondent observed a market phenomenon in Bangladesh and stated “the big corporations are driving out the smaller industries who are being left behind ultimately”.

Respondent mentioned that Bangladesh had an Anti-trust Ordinance in 1970 and underscored that a comparative study can be conducted to see the lessons learned from there.

Respondent supports that there are important lessons to learn from the anti-trust law enforcement in the European Union or other jurisdictions. Respondent informed that at the initial stage, since the inception in 2016, the Commission and the law followed “the Indian ‘[c]ompetition legal regime’ due to socio-economic and other similarities”. Respondent believes that though currently they are following “the Indian Competition Commission as a model, in the near future, hopefully after 4 or 5 years, we [they (the Commission)] will have enough development to set our own practice standards”.

Respondent supports that there are important lessons to learn from the anti-trust law enforcement in the European Union or other jurisdictions. Respondent reported certain limitations of the “relatively new” Commission, such as, (1) “legal framework and (2) functioning and jurisdictional considerations”. Respondent stated that “it is important to garner good practices, advocacy and awareness policies from other jurisdictions”. Respondent reported that “our (Bangladesh) law and the Indian Competition Act has similarities and we have conducted exposure visits to the Indian Competition Commission to better understand how they have been able to strengthen the role of the Commission there”. Respondent identified the key differences between the Competition Commissions of Bangladesh and India at the moment are: (1) “shortage of manpower” (“[t]he Indian Commission has 8 to 10 times [more] ... manpower than we have”), (2) comparatively lower emphasis on “knowledge-base” and “strengthening of the Commission” to be able to make a difference in the “economy” and (3) less capable of (“far behind”) “utilizing technological advances”.

Respondent supports that there are important lessons to learn from the anti-trust law enforcement in the European Union or other jurisdictions. The respondent suggested “treating anti-trust activities as criminal offence”, incorporating “leniency provisions” and “dawn raid provisions” in Bangladesh’s competition-related legal framework.

Respondent supports that there are important lessons to learn from the anti-trust law enforcement in the European Union or other jurisdictions. Respondent thinks that the law on

Competition and IPR are “very much popular in other jurisdictions while unknown here” but he/she believes that “the situation is developing and people are becoming more aware”.

Respondent supports that there are important lessons to learn from the anti-trust law enforcement in the European Union or other jurisdictions. In his/her words: “By practicing the verdicts or ongoing works of the anti-trust law enforcement in the European Union (EU) or other jurisdictions, we can learn and improve our works”.

Overall Summary of the QCA shows the respondents' remarks on (important lessons to learn from the anti-trust law enforcement in the European Union or other jurisdictions) learning from the anti-trust law enforcement lessons of the EU or other jurisdictions.

Respondent noted that “best practices can be adopted from the European Union or other jurisdictions” as they “have a comparatively longer history of anti-trust law enforcement”. Stressed that the most “important requirement is that the law is enforced in a fair and equitable manner”.

Respondent opined that the “principals [sic; principles] and the procedures of implementation” of the EU “can be adopted locally” taking into account “[l]ocally relevant substances”.

Respondent affirmed that there indeed are lessons to be learned as the EU “has imposed hefty fines” on companies (“Google and Facebook”) “for merging and acquiring small scale companies and creating undue pressure over the market”.

Respondent informed that at the initial stage the Commission followed the Indian competition legal regime and in the near future (“hopefully after 4 or 5 years”), will have their own “practice standards”.

Respondent opined that “it is important to garner good practices, advocacy and awareness policies from other jurisdictions”. The “Commission is relatively new” with limitations in jurisdiction, legal framework, and functionality. Also noted that “exposure visits to the Indian Competition Commission” revealed that they had “8 to 10 times the manpower” with an expansive “knowledge base” and adept utilization of technology, aspects Bangladesh is behind in wholly.

Respondent affirmed that there are lessons to learn from the EU regime such as “treating anti-trust activities as criminal offence, leniency provisions and dawn raid provisions that are absent in Bangladesh competition legal regime”.

Respondent affirmed that there are lessons to learn and noted that the main issue is a lack of awareness concerning domestic legislation though “the situation is developing and people are becoming more aware”.

Respondent emphasized on the “practicing” of the “ongoing works” and “verdicts” of “European Union (EU) or other jurisdictions” to learn and improve the work of the Commission.

Major Key Themes derived from the responses to question 9 (Between civil liability (compensation) or penal liability (prison term), which one do you think is more effective in deterring the anti-competitive behavior?):

- “Both [‘civil liability (compensation) or penal liability (prison term)’] are necessary and effective” and should be “applied justly”;

- Majority of “anti-competitive behaviour is committed by giant companies”;
- Criminal liability would be significantly effective for “small-scale” businesses;
- “[F]ine” (compensation) for the big companies;
- “[C]ompetition and offences related to it has an impact on the mass people [general population]”;
- “[C]ivil liability is enough”;
- Both liability (simultaneously) can be implemented considering the nature and gravity of the breach;
- Liability for “someone who earns a lot by anti-competitive behavior”;
- Targeted language of the penal laws;
- Resemblance/connection with financial/white collar crime;
- Civil liability is a “standard practice”;
- Penal liability can be applicable in “extreme cases”;
- Both civil and criminal liability may be invoked;
- The jurisdictional limitations of the Commission;
- “[I]n Bangladesh, penal liability has more impact than civil liability”;
- “For civil liability to have similar or greater impact, a more developed population is needed”;
- Impact on the profits;
- Penal liability is more useful in deterrence of crimes;
- Emphasized on human behavior;
- “[P]enal liability will be more effective in this case”;
- “[B]oth should be present and applied very strictly”;
- Financial penalties are inadequate;
- “[M]ulti-billion conglomerates”;
- “[P]enal liability is more effective”.

Interpretation of the Major Key Themes derived from the responses to question 9:

Respondent recognizes that “competition and offences related to it has an impact on the mass people [general population]”. Respondent does not support penal liability for the big corporations and underscored that “[m]ost of the time, anti-competitive behaviour is committed by the giant companies”. Respondent recommended “fine” (compensation) for the big

companies. Respondent recommended “imprisonment” for the “small-scale businessman”. Respondent emphasized that “[b]oth are necessary and effective” and should be “applied justly”.

Though the respondent supported civil liability (compensation) as adequate at the beginning of the discussion, he concluded by emphasizing the necessity of both forms of punishment. Respondent referred to other jurisdictions (India, EU) where penal liability exists. Respondent agreed that anti-competitive behavior may have resemblance/connection with financial/ white collar crime “to some extent”. Respondent stated that “someone who earns a lot by anti-competitive behavior, the penalty [compensation] is not enough for them”.

Respondent thinks that civil liability is a “standard practice” but added that “penal liability can also be sought”. Respondent cited “price manipulation of life saving drugs” in the USA as an example where top executives were subject to “both civil compensation and imprisonment”.

Respondent identified that both civil and criminal liability may be invoked. Respondent expressed doubt regarding the application of the jurisdiction/authority of the Commission for the “offences”. Respondent expressed the view that there should be a clearly stated parameter of civil and criminal liability of the offender framed in consultation with other institutions regarding the exercise of the jurisdiction of the Commission.

Respondent thinks that “considering the socio-economic situation in Bangladesh, penal liability has more impact than civil liability”. Respondent added that “[f]or civil liability to have greater impact, a more developed population is needed”. From the professional experience respondent cited that the *responses are better here in Bangladesh if deterrent effect is involved in case of non-compliance* of the business communication.

Respondent thinks that “[c]ivil liability or compensation is more important”. Respondent cited that “[p]enal liability can be used to deter crimes”. But respondent justified the response by saying that “civil liability is more useful as it can directly have an impact on the profits being made by business entities”.

Respondent thinks that “penal liability will be more effective in this case” but emphasized on human behavior and stated that “it can vary from country to country”.

Respondent expressed that “both should be present and applied very strictly”. Further stated that “financial penalty is not enough” in most cases (involving “multi-billion conglomerates”) and that “[i]t should be increased” as business entities “are hardly impacted by the penalties”. This means that though financial penalties are there, they are inadequate in terms of deterring the big business entities from anti-competitive behavior by impacting their financial standing.

Respondent noted that “penal liability is more effective” in deterring anti-competitive behavior. Thereby, meaning that the threat of prison sentence is more likely to police the anti-competitive behavior of entities or individuals than the threat of financial penalties.

Overall Summary of the QCA shows the respondents' comments on whether civil or criminal liability is more efficacious for deterring anti-competitive behavior.

Respondent opined that both civil and criminal liability “are necessary and effective” in addressing anti-competitive behavior conditional upon them being “applied justly”. Further noted that “fines are an effective remedy” as majority of “anti-competitive behavior is committed by giant companies”, however, criminal liability would be significantly effective for

“small-scale” businesses or business persons to deter anti-competitive behavior on an individual level. Nonetheless, respondent stated that “[b]oth are necessary and effective, if applied justly”.

Respondent is inclined towards “civil liability”, though acknowledged that there is scope for penal liability being applicable. Furthermore, concluded by saying that both kinds of liabilities (simultaneously) can be implemented considering the nature and gravity of the breach. Also noted that targeted language of the penal laws to impose civil and criminal sanctions for person/s guilty of anti-competitive behavior can play a role in holding them accountable. Respondent ended the answer by stating: “In case of penal liability or both, they [“someone who earns a lot by anti-competitive behaviour”] can be held more accountable.”

Respondent observed civil liability as “the standard practice” and that penal liability can be applicable in “extreme cases”. Therefore, civil liability remains as the standard liability whereas for criminal liability to become applicable, a certain gravity or threshold has to be reached.

Respondent opined that both civil and criminal liability should exist and that the “Commission should have both kinds of responsibility” in this regard. Respondent also cautioned that the jurisdictional limitation of the Commission for this purpose would have to be strictly outlined.

Respondent specified that “[t]his is a debatable matter” with “no conclusive answer”. For Bangladesh, penal liability has greater impact than civil liability, “[f]or civil liability to have similar or greater impact, a more developed population is needed”.

Respondent stressed that “[c]ivil liability or compensation” as the more essential alternative as it can “directly have an impact on the profits being made by business entities” where penal liability is more useful in the deterrence of crimes.

Respondent opined that civil and criminal liability are both effective, however, owing to “human behavior” and country conditions (“can vary from country to country”), “penal liability will be more effective [in Bangladesh]”.

Respondent thinks that “both should be present and applied very strictly”. Respondent thinks fines should be increased as “[i]n most cases, financial penalty is not enough to have an impact on the multi-billion conglomerates in the country who are hardly impacted by the penalties”.

Respondent stated that “[t]o prevent the anti-competitive behaviour, I think penal liability is more effective”.

IV. Findings

The majority of the respondents affirmed that competition is very important in reducing the price of goods and services and hence, certain respondent also finds that the “Commission has the authority to protect competition and ensure competition in the market”. Respondent believes that competition *prevents arbitrary pricing* of the products and helps *maintain price stability*.

Respondent also found to believe that there may be an association between the “multiple producers” and “competitive environment”. Hence, if we achieve a “competitive environment”, we achieve the goal. The keywords “multiple producers” were found to be repeated by many

respondents to emphasize that such market condition allows to reduce the price of the goods and services.

Respondent cited the examples of telecom operators (Banglalink, GrameenPhone, and Airtel/Robi) and mobile financial services (Nagad and Bkash) in Bangladesh and made a correlation of the service charges. Respondent claimed that the cost and services reduced, once the competitor entered the market.

Respondent cited the example of the Norwegian telecom sector where to maintain competition they have applied regulation and litigation to prevent the “abnormally rising prices/rates of goods and services” and also administered “punishment”.

Respondent imagined an ideal concept such as “sound” competition and defined it as a market (condition) where there is “balance between the customers[’] interest and the profit of the business”. Certain respondents emphasized on ensuring the “[f]air competition”. Multiple respondents are observed to have quoted the term “fair competition” and emphasized it. It appears to the researchers that sound competition, fair competition and perfect competition are different expressions to emphasize that *market needs to be competitive*.

Certain respondent stated from their experience that the Competition Commission should take into account the big “conglomerates” as well, because they may extend their operation (e.g., open their own Bank) to get an unfair competitive advantage (e.g., over LCs opening).

Respondent emphasized on the prevention of IP infringement and also reminded that ‘some mechanism[]’ should be there to determine the appropriate amount of royalty.

Multiple respondents supported the idea that IPR contributes to the high prices of goods and services. Some of them made a *correlation between the “high prices due to IPR” and the “origin of the goods”* (goods of foreign origin (imported for a “developing economy”)) and products deriving from technological advancement (mentioned the increased “digitalization” and respondent’s own experience of dealing with Google’s features).

Respondents supporting the idea that IPR contributes to the high prices also stated that IP rights involve “IP charges” or “royalties” that contribute to the high prices of products. Respondent additionally mentioned that certain medicines would cost “higher than the value of the ingredients” for their IPR.

Researchers observed that respondents also supported a control or ceiling over the limits of royalty enjoyed by the innovator.

Respondents also recognized the importance of IP rights and their valuable connection with the innovation. Furthermore, multiple respondents also expressed that IPR does not contribute to the high prices of goods and services and it was referred to as the “element of fixing the fair price” and beneficial to competition and useful for preventing IP infringement. The respondent who did not find “that IP makes any significant contribution to the high price of goods and services” also suggested that “the market itself will determine the price”.

Respondents rejecting co-relation/association between IPR and cost/price also suggested a shorter term of protection for patents (instead of 20 years, “6 to 8 years”). Respondent believes that there exists a *lack of IP awareness in Bangladesh* and for that reason there is no association between price and IP in Bangladesh. The same respondent supports that IP rights should fall within the jurisdiction of the Commission though barred under section 15(4) of the Act.

Furthermore, respondents found to have moderately (“[t]o some extent”) supported the idea that the IPR (intellectual property rights) contributes to the high prices of goods and services.

The majority of the respondents supported that the EU experience or other countries’ best practices can be useful to develop the anti-trust law enforcement culture in Bangladesh. Respondent emphasized on the enforcement of law in “fair and equitable manner” and on “good governance”.

Respondent underscored that both in the EU and Bangladesh the penalty is “hefty” but what is unique in Bangladesh is that it depends on the “amount of turnover accumulated by the concerned business entity”.

Respondent identified a Bangladeshi phenomenon of “the big corporations [...] driving out the smaller industries” as an unbecoming market behavior for “an open market policy”.

Respondent informed that at the initial stage, the Commission and the law followed “the Indian ‘[c]ompetition legal regime’ due to socio-economic and other similarities”. Respondent believes that “in the near future,....,we [they (the Commission)] will have enough development to set our own practice standards”.

Respondent identified particular limitations of the “relatively new” Commission, such as, (1) “legal framework and (2) functioning and jurisdictional considerations”. Respondent thinks that Bangladeshi “law and the Indian Competition Act has similarities”. Respondent identified the key differences between the Competition Commissions of Bangladesh and India at the moment are: (1) “shortage of manpower”, (2) comparatively lower emphasis on “knowledge-base” and (3) less capability of “utilizing technological advances”.

Both forms of liability seem to be the popular choice for the majority of the respondents. However, while making an association between “human behavior” (prevailing psyche) and “liability” of the offenses, respondents thought that penal liability is more suitable for Bangladesh. We also have come across a number of respondents favoring civil liability (compensation). Respondent favoring the penal liability referred to the “deterrent effect” and “country conditions”. Respondent thinks that fines should be increased for the “multi-billion conglomerates in the country”.

The respondent suggested “[b]oth [“civil liability (compensation) or penal liability (prison term)’] are necessary and effective” and should be “applied justly”. However, the respondent’s “profession” may have an association with the response to this question. Particular respondents, despite opining that “[m]ost of the time, anti-competitive behaviour is committed by the giant companies”, recommended “fine” (compensation) for the big companies and did not support penal liability for the big corporations. We think (researchers of this paper) big corporations with big money will get away with any plausible amount of fine and will be hard to make them compliant and accountable if only damages/fines are imposed for their anti-competitive behavior by them. Penal liability may work as a deterrent factor for big corporations as well. However, separate respondent answered differently and supported the inclusion of penal liability (imprisonment for fixed-term) in the drafting of the law and stated: “[S]omeone who earns a lot by anti-competitive behavior, the penalty is not enough for them, they just give the fine and get released from their liability. In case of penal liability or both, they can be held more accountable.”

Respondent cited “price manipulation of life-saving drugs” in the USA as an example of “extreme cases” where penal liability can be applicable. In Bangladesh, there have been three regulatory policies on commercial exploitation, availability, quality, and price of medicine/drug products, i.e., National Drug Policy 1982, National Drug Policy 2005, and National Drug Policy 2016. These policies are meant to control and ensure certain aspects of access to essential medicines including the issue of drug price regulation.

Respondent cautioned that the jurisdictional limitation of the Commission would have to be clearly stated and underscored the “co-ordination” stating: “[y]ou have to have limits to imply the jurisdiction of the institution identifying the where civil and criminal liability will apply coordinating with other bodies.”

Respondent co-related with the professional experience that penal liability has a deterrent effect and works better in the context of Bangladesh and said: “throughout societal structure in Bangladesh, penal liability has more impact than civil liability”. Respondent thinks, for civil liability to work better, “a more developed population is needed”.

Respondent was found to have identified a co-relation between “[c]ivil liability or compensation” with business “profits” and penal liability with “crimes”. Respondent stated: “Civil liability or compensation is more important. Penal liability can be used to deter crimes. However, civil liability is more useful as it can directly have an impact on the profits being made by business entities.” We explored during this study if the anti-competitive activities are “white collar crimes”. Being asked this question (Can anti-competitive behavior be treated as financial/ white collar crime, in your opinion?) to further elaborate question 9, respondent answered affirmatively (“[y]es, to some extent”).

V. Conclusion by way of Recommendation

The study found that experienced professionals claimed/supported that “[m]ultiple producers in a market with fair competition can definitely reduce the price of the good and services”. Therefore, the *regulatory authority (the Commission) may establish effective oversight/surveillance mechanisms/capacity for those services that have a monopoly in their particular market.*

Respondents cited the “leather footwear” in Bangladesh and the Norwegian telecom sector as the industries where prevail good competition and hence, *can be studied further.*

The regulatory authority has to be vigilant and must carefully observe the expansion of big conglomerates. When a big corporation extends its business, the authority must establish the potential connection of the “new adventure” with their “existing operation” and assess if they (the conglomerate) would gain any unfair competitive advantage from the “new adventure” and if so (the regulatory authority) should prevent it. Why would a big business entity want to open their own Bank; the regulatory authority must enquire this question (is it to get advantage over the LCs opening?) to establish a link between the missing dots.

Respondent supporting IP rights acknowledged that ‘[t]here should be some mechanism to determine what is the right amount of royalty’. We recommend that the Competition Commission fill the void.

We believe that *maintaining the balance* for “protection of IP rights” and “ensuring access to the goods and services at a reasonable cost”, is the job of the *regulatory authority* and the law provides the mandate. International law on access to IP-protected goods and services are

constantly evolving and developing countries can play a role to make contribution and indeed they should raise their concerns. Furthermore, we reiterate that the prevention of infringement of IPR is very important to allow innovation to thrive, but access to essential facilities at a reasonable cost balanced with the income level of the population, must be ensured by taking *protective measures* in the domestic laws of the country in harmony with the international obligation. We believe that international law on allowing access to essential facilities (e.g., healthcare products, medicine) to support the global south has more room to develop.

A new proviso or section can be inserted in the Competition Act 2012 addressing the *abuse of the dominant position by the IP monopoly* (there is a provision under Section 36 of the Patent Act 2023 to this effect, the Competition Act 2012 could have a parallel provision reflecting the same). We suggest that the provisions of compulsory licensing and parallel import should be available for the “essential facilities” including life saving drugs (to the fullest extent and meaning, allowed under Doha Declaration of 2001 of the TRIPS Agreement 1994), under the competition law framework. If the essential facility is IP protected and the IP owner abuses this monopolistic market by charging a far higher price than the competitive price, making that essential facility inaccessible to a larger number of the members of the public, the Act of 2012 should allow the Commission to issue compulsory licenses to the competitors for a competitive price affordable to the general population. Therefore, the issue of IP monopoly, circumstances where an *exception would grant use without authorization from the IP owner*, and the Commission’s power in case of abuse of legal monopoly, should be incorporated in clear language. Section 15(4) in its current condition is a problem because it vaguely excludes the Commission’s power in potential *anti-competitive agreements on IP-protected goods and services* and does not effectively address if the legal monopoly (IP) is abused, and how the Commission will deal with that.

Heightening the standard of “rule of law” seems to be the foundation for achieving good results from the enforcement of the laws enacted. Respondent made reference to the ‘enforcement of laws in “fair and equitable manner” and emphasized on “good governance”.

As the respondent opined that the “principals [sic; principles] and the procedures of implementation” of the EU “can be adopted locally” taking into account “[l]ocally relevant substances”, we also recommend that the *local adaptation and adoption of EU best practices* can be an option to improve the anti-trust legal regime in Bangladesh, provided that the principles and procedure of implementation are tailored to be locally relevant taking into account Bangladesh’s socio-political reality and the present culture of practice of the rule of law into account.

The respondent suggested that fines as a penalty can be effective against wrongful market behavior such as mergers, acquisitions, and undue pressure.

Respondent emphasized the knowledge and technical skill development of the manpower of the Commission.

Respondent recommended that “anti-trust activities” should be treated as crime, “leniency provisions and dawn raid provisions” should be introduced “in Bangladesh’s competition legal regime”.

The highly paid managers, CEOs, shareholders, and directors can get away with paying a fine, which could be meager (de minimis penalty, comparing the magnitude of the breach) for them, for a consistent and serious breach of law and violation of rights of the general population, if fine/compensation is the only legal remedy, and hence, “prison term” is

important to be imposed/inflicted on individuals directly involved and contributing to the systematic or planned violation of competition law.

Low and mid-income countries should have a regulatory policy (“National Policy” enforceable as a Constitutional (fundamental) right)

- on affordable access to medicine;
- drug/medicine price control; and
- identification of essential medicine.

Social context is important in framing the “liability” clause of the law. In Bangladesh, it is observed that deterrence as a factor is present (fear of imprisonment works) in the psyche of the population. Respondent recalled:

“[W]e are currently conducting market research for which plenty of data is needed. I have sent letters requesting data from business entities, I have not received any kind of response. However, when I mentioned provisions of the Competition Act that when asked by the Commission for any information, any person is obligated to provide such information unless otherwise, they will be liable for imprisonment up to 3 years. This had an instant impact; I have immediately begun receiving replies”.

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Establishment of capacity restrictions in China's intellectual property law

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Abstract

The capacity restriction system has been incorporated into various areas of Chinese law and has been adopted by several countries' intellectual property (IP) frameworks. Despite this, the enforcement of IP laws in China continues to encounter significant challenges due to limitations in current civil and administrative regulations. There is an urgent need to establish a capacity restriction system within China's IP legal framework to address these shortcomings. This system focuses on deterring repeat offenses by imposing restrictions on offenders, strengthening its deterrence effect, and addressing gaps in the existing legal mechanisms. Clearly defining the necessity of this system highlights its role in solving the persistent problem of ineffective IP enforcement. The capacity restriction system is particularly significant for IP holders, as it provides stronger protection for their legitimate rights and interests. Minimizing the risks of recurring offenses plays a crucial role in safeguarding innovation and creativity, which are essential and critical for economic and cultural development. Additionally, this system has broader implications for strengthening IP law enforcement in a rapidly changing legal and technological landscape. It aligns with global trends in improving legal deterrents and ensures that China's IP protection mechanisms are systematic, standardized, and internationally competitive. It is also essential to determine its core components: the subjects of the restrictions, the authorities responsible for enforcement, the scope of application, and the duration of the limits to establish an effective capacity restriction system. By addressing these elements, we can develop a comprehensive and operational system that deters offending behavior and fosters a more robust and reliable IP enforcement environment.

Keywords: capacity restrictions, Chinese intellectual property law, infringement regulation, system construction

I. Introduction

This research seeks to assess the effectiveness of existing Intellectual property (IP) protection measures and investigate the potential advantages of integration capacity restriction as a deterrent strategy within China's IP legal framework. IP is classified as a private right that differs from typical private rights in that its objects are intangible rather than tangible.¹ The objects of IP are intangible, reflecting their non-material nature. This non-materiality is the critical attribute of IP and fundamentally sets it apart from traditional property ownership. Roman jurist Gaius emphasized the intangible nature of IP, or incorporeality, which defined intangible objects as those that could not be touched, such as rights, inheritance rights, usufructs, and various forms of debt claims.² This incorporeal aspect of IP renders it particularly vulnerable to infringement because technological advancements have increased the likelihood risk of such violations. In response, many countries have strengthened their IP protection measures, imposing civil, administrative, and criminal liabilities on offenders to deter them from committing further violations and prevent future offenses.

Several characteristics of IP infringement, such as low costs, high potential rewards, and challenges in proving violations, encourage offenders to engage in risk-bearing civil, administrative, or criminal liabilities for profit.³ As these offenders are willing to accept various penalties to gain illicit benefits, exploring measures beyond the current regulatory framework is essential to deter violators and prevent future offenses.

One approach to curbing IP infringements is capacity restriction. In private law, capacity restriction refers to a system in which the legal capacity of a subject is limited, preventing that subject from engaging in certain civil activities for a specified period. Legal capacity encompasses the qualifications that individuals, legal entities, or organizations with legal personalities possess rights and undertake obligations.⁴ Thus, capacity restriction involves partial denial of legal subject status.

In the context of IP, an offender may engage in unauthorized actions that violate the rights of the IP holder. As a result, the law mandates such violators to bear legal responsibility, including ceasing the infringement and compensating for damages. These legal liabilities aim to impose negative consequences on the offender, ensuring the effectiveness of legal rights, obligations, and powers while upholding the values of the law.⁵ Legal norms punish unlawful conduct, provide remedies to IP holders, and act as a preventive measure against potential offenses, ultimately fulfilling the purpose of legal responsibility.⁶

Introducing the capacity restriction system into China's IP law would allow for targeted restrictions on the legal capacity of offenders. In coordination with civil, administrative, and criminal laws, this approach can deter repeated offenses and prevent potential offenses. Such a

¹ Wu H.-D., *On the protection of intellectual property rights*, 2000(1) Chinese Journal of Law 68 (2000).

² Drahos P., *A Philosophy of Intellectual Property*, 17 (Dartmouth Publishing Co. Ltd. 1996).

³ Intellectual Property Office, Intellectual Property Counter-Infringement Strategy 2022 to 2027, GOV.UK (2022). (accessed 20 November 2025). URL: <https://www.gov.uk/government/publications/ip-counter-infringement-strategy-2022-to-2027/intellectual-property-counter-infringement-strategy-2022-to-2027>

⁴ Zhang S.-B., *Theory of Legal Capacity*, 220 (China Soc. Scis. Press 2016).

⁵ Zhang Q., *On the purposes, functions, and basic principles of liability attribution in contemporary Chinese law*, 1999(6) Peking University Law Journal 28 (1999).

⁶ World Intell. Prop. Org., Intellectual Property Enforcement, WIPO. (accessed 20 November 2025). URL: <https://www.wipo.int/en/web/ip-enforcement>

system ensures that the legitimate rights of IP holders are safeguarded and helps maintain fair market order.

The present work evaluates the effectiveness of current IP protection measures and explores the potential benefits of incorporating capacity restriction as a deterrent strategy in China's IP legal framework.

While capacity restriction is used as a legal technique in other domains, China's IP regime lacks a systematic, operational design that is calibrated to local enforcement frictions. This study proposes a four-pillar framework comprising subjects, empowered authorities, offense-congruent scope, and time-bounded duration that translates the concept of capacity restriction into implementable rules for China's IP law. By consolidating comparative insights and domestic constraints, we recast capacity restriction as a targeted, ex-ante compliance tool that complements civil, administrative, and criminal tracks rather than replacing them.

II. Methods

Data were gathered through a comparative analysis of domestic and international legal frameworks, drawing from laws of France, Germany, and Italy to identify best practices and potential limitations. Additionally, case studies involving IP infringement in China were examined to highlight gaps in the existing enforcement mechanisms. The analysis concentrated on several areas, including judicial rulings, administrative penalties, and legislative amendments.

We employ a doctrinal comparative approach (including France, Germany, and Italy) anchored in enforcement diagnostics in China. The goal is analytic generalization to jurisdictions with similar institutional features rather than statistical inference. Therefore, we foreground design choices and safeguards that enable replication and adaptation.

III. Findings

A. Limitations of Civil Legal Remedies

IP represents a property right established and maintained within the market environment.⁷ As a private right, IP is inherently personal and belongs to specific subjects of civil legal relationships. This private nature signifies that IP constitutes an exclusive right specific civil entities enjoy.⁸ When an IP right is violated, the preferred remedy for the rights holder is often civil redress, while the primary liability faced by the offender is civil liability. Thus, civil liability serves as the primary method for addressing IP infringement.

The primary purpose of civil liability is to compensate the injured party and penalize the violator of obligations. Additionally, it serves to caution and educate others.⁹ This process helps safeguard the injured party's interests and promotes social fairness and justice.

China's Copyright, Trademark, and Patent Laws all impose civil liabilities for IP infringement. These liabilities include obligations such as ceasing the offense, mitigating impacts, issuing public apologies, and compensating for damages. These forms of civil liability

⁷ Drahos P., *A Philosophy of Intellectual Property*, 119 (Dartmouth Publishing Co. Ltd. 1996).

⁸ Wu H.-D. (ed.), *Intellectual Property Law*, 6–10 (Law Press 2014).

⁹ Liu S.-G., *On the provisions of civil liability in the general principles of civil law*, 2016(5) *Jurist* 139 (2016). (accessed 24 November 2025). <https://doi.org/10.16094/j.cnki.1005-0221.2016.05.011>

aim to restore the rights of the IP holder and deter further offenses. However, there are limitations to these remedies.

1. Example: The Limitations of Ceasing Infringement as a Civil Remedy

Ceasing infringement is the fundamental civil liability aspect of IP law. China's Civil Code explicitly provides for this remedy, and in nearly all IP infringement cases, plaintiffs request the cessation of the infringing activities. Once the court confirms the offense, it typically orders the defendant to stop the illegal conduct. However, despite its utility, the application of this remedy remains contentious.

Several challenges have emerged regarding the scope and implementation of the cease-and-desist orders:

a. Unclear Scope of Application: There is ongoing debate about whether this remedy applies only to ongoing offenses or can be applied preemptively to prevent potential future violations.

b. Applicability to All Rights or Only Specific Ones: Another area of contention is whether cease-and-desist orders apply universally across all IP rights or are enforceable for specific types of offenses.

c. Vague Implementation in Judicial Rulings: In practice, Chinese courts often frame their orders in vague terms, typically stating, for example, "The defendant must immediately cease the infringement of the plaintiff's patent." However, such rulings rarely specify what actions must be halted, how to comply with the order, or the consequences of non-compliance.¹⁰ This lack of clarity makes it difficult for the plaintiff to enforce the order, leading to challenges during the execution phase.

The ability of a legal rule to guide and constrain behavior is the core function of the law.¹¹ Therefore, the law must be practical and enforceable for this function to be fulfilled. When judicial rulings lack specificity and enforceability, the law risks becoming ineffective, often referred to as a "zombie clause," which is a provision that exists on paper but has little practical impact. Therefore, improving the operational clarity and enforceability of cease-and-desist orders is essential to ensuring that civil remedies effectively deter offenses and uphold the rule of law.

2. Compensation for Damages

Article 63, Paragraph 1 of China's Trademark Law outlines three methods for calculating the compensation for infringement of exclusive trademark rights: the actual losses the rights holder suffered, the profits the offender gained, and reasonable licensing fees. These methods must be applied sequentially. Before the recent amendments, the Copyright and Patent Law followed a similar sequential approach for calculating compensation. This requirement for sequential application restricts the rights holder's ability to choose a preferred calculation method, leading to several problems.

¹⁰ Zhang L., *On injunctive civil liability and its improvement in patent infringement litigation*, 2011(4) *Jurist* 106 (2011). (accessed 24 November 2025). <https://doi.org/10.16094/j.cnki.1005-0221.2011.04.009>

¹¹ Raz J., *The rule of law and its virtue*, in *The Authority of Law: Essays on Law and Morality*, 210 (2d ed. Oxford Univ. Press 2009).

Under the first method, the rights holder must demonstrate a causal relationship between the defendant's illegal activities and the reduction in the plaintiff's sales. However, when the offense and declining profits are not evident, it can be difficult for the rights holder to establish a direct causation link.

The second method involves calculating the offender's profits by multiplying the sales volume of the illicit product by its unit profit. However, infringing products in China are often sold at low prices, resulting in minimal recoverable profits through this method.

The third method, reasonable licensing fees, typically offers the most favorable outcome for the rights holder in China. However, this method can only be used if the sequential requirements of the first two methods are deemed inapplicable.¹² The burden of proof associated with establishing a direct causal link in the first method complicates the rights holder's ability to claim compensation. While the second method is easier to execute, it often yields unsatisfactory results, as the low compensation amounts may not adequately cover the rightsholder losses. Furthermore, the sequential application of these methods limits the ability to fully leverage the third method, which could provide more effective compensation. In response to these challenges, the fourth amendment to the Patent Law and the third amendment to the Copyright Law is introduced to allow the rights holder to choose their preferred method for determining compensation and eliminating the sequential requirement. Regardless of the chosen method, the goal is to compensate for the rights holder's losses and diminish or eliminate the offender's capacity to engage in further violations.

Therefore, while improving the existing laws is essential, new regulatory mechanisms should also address illegal actions. These mechanisms should prevent offenders from engaging in repeated violations and prevent future offenses.

B. Ineffectiveness of Administrative Legal Regulation

China utilizes a dual-track system for IP protection, combining judicial and administrative mechanisms. Administrative IP protection involves managing IP disputes, enforcing IP regulations, and promoting public awareness regarding IP protection through relevant administrative agencies.¹³ These agencies operate within the bounds of legal procedures and administrative measures. This dual approach capitalizes on the strengths of both judicial and administrative systems, helping to address weaknesses in the IP system.¹⁴

The use of administrative power in IP protection is justified for several reasons. First, as the economy and society grow, public awareness of individual rights has increased, resulting in increased disputes. However, the capacity of China's judicial system is limited, necessitating the delegation to offload some IP infringement cases to administrative agencies for resolution. Second, since China's IP legal framework is relatively new and the protection system is still developing, the low cost and high profits associated with IP infringement have resulted in a high frequency of such cases. Therefore, administrative intervention is crucial for quickly addressing disputes and protecting the rights holders' interests. Third, China has a history of

¹² Wang Q., Tan T. & Zhu X., *Damages for intellectual property infringement: Issues and reflections*, 2016(5) Intellectual Property 34 (2016).

¹³ Deng J.-Z. & Shan X.-G., *The meaning of administrative protection of intellectual property in China*, 2007(1) Intellectual Property 62 (2007).

¹⁴ Qu S.-Q. & Zhang H.-B., *Administrative protection of intellectual property rights*, 2011(6) Journal of Political Science and Law 56 (2011).

using administrative means to resolve social disputes, making the administrative resolution of IP conflicts suitable and practical.

Administrative IP protection aims to safeguard public interests, the legitimate rights of others, and IP holders' private rights.¹⁵ Administrative measures have played an essential role in supporting the development of China's IP system. However, several issues have emerged, particularly concerning the incompleteness of administrative penalties for offenders.

For instance, Article 53 of China's Copyright Law specifies that copyright infringement that adversely affects public interests may incur administrative penalties. The copyright administrative department may order to cease the illegal activities, confiscate illegal gains, and seize or destroy unauthorized copies. Additionally, fines may be imposed. In cases of serious infringement, the administrative department can also confiscate the materials, tools, and equipment used to produce the unauthorized copies. While these provisions were influential in the analog era, their efficacy has diminished in the digital era.

In today's digital environment, offenders no longer rely solely on physical copies to violate rights. Instead, they can use the Internet and other digital media to disseminate electronic works and generate illicit profits.¹⁶ In such instances, there are no physical copies to seize; the only tool or equipment involved may be a computer. Consequently, the penalties outlined in Article 53 of the Copyright Law are inadequate to address modern digital offenses. As reproduction technologies advance, the static legal framework struggles to protect copyrights sufficiently.¹⁷

Updating the law is essential when traditional legal measures fail to effectively regulate or prevent illegal activities.¹⁸ New regulations are needed to curb illegal activities and prevent ongoing violations of IP rights in the digital age.

C. The Inevitable Result of the Principle of Leniency in Criminal Law

In addition to civil and administrative laws, criminal law is crucial in protecting IP in China. The criminal protection of IP refers to classifying certain IP violations as crimes, subjecting offenders to criminal sanctions. This criminal punishment holds offenders accountable through criminal procedures, safeguarding the interests of IP holders and maintaining the state's regulatory order over IP.¹⁹

China's criminal law includes specific provisions regarding IP-related offenses, such as copyright, trademark, and patent rights violations, which are treated as criminal acts. Penalties for IP-related crimes in Chinese law include imprisonment and fines. The severity of the penalty is determined based on the gravity of the offense, with courts having the authority to impose either imprisonment, fines, or both penalties. From a hierarchical perspective, the punishment of IP-related crimes is divided into two levels in Chinese criminal law:

¹⁵ Qu S.-Q. & Zhang H.-B., *Administrative protection of intellectual property rights*, 2011(6) *Journal of Political Science and Law* 56 (2011).

¹⁶ De Strel A., Defreyne E., Jacquemin H., Ledger M., Michel A., Innesti A., Goubet M. & Ustowski D., *Online Platforms' Moderation of Illegal Content Online: Law, Practices and Options for Reform*, European Parliament (2020). (accessed 20 November 2025).

URL: [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652718/IPOL_STU\(2020\)652718_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652718/IPOL_STU(2020)652718_EN.pdf)

¹⁷ Lessig L., *Code: Version 2.0*, 172 (Basic Books 2006).

¹⁸ Ard B.J., *Making Sense of Legal Disruption*, 2022 *Wis. L. Rev. Forward* 42 (2022). (accessed 20 November 2025). URL: <https://wlr.law.wisc.edu/making-sense-of-legal-disruption/>

¹⁹ Jiang W. (ed.), *Research on the Criminal Protection of Intellectual Property*, 27–28 (Law Press 2004).

a. For offenses involving significant amounts of money or causing substantial harm to the rights holder, offenders may face up to three years imprisonment, detention, or control, with or without fines.

b. For offenses involving substantial sums of money or causing particularly severe damage to the rights holder, offenders may be sentenced to three to seven years of imprisonment and fined.

Many countries have introduced increasingly strict penalties for IP-related crimes. For instance, the French IP Code imposes a maximum sentence of three years imprisonment for copyright violations and five years for organized crimes.²⁰ The U.S. Copyright Act imposes severe penalties, including up to five years imprisonment for a first offense and up to ten years for repeat offenses.²¹ Similarly, countries like Italy and Japan impose stringent penalties for IP crimes.²² Globally, criminal penalties for IP violations continue to rise, with higher maximum imprisonment and fines.²³

In comparison, China's criminal penalties for IP crimes are relatively moderate. However, this does not mean that these penalties should be increased arbitrarily. The principle of leniency in criminal law emphasizes that the application of criminal law must align with its intended purpose, ensuring that penalties are not excessively harsh to avoid the misuse of criminal sanctions and the infringement of citizens' rights.²⁴

The principle of leniency requires criminal law to control the scope and severity of punishment. Behaviors should not be classified as crimes if other forms of legal regulation, such as civil or administrative measures, are sufficient to deter future violations and protect legitimate interests. Similarly, a heavier penalty should not be imposed if a lesser penalty can adequately prevent criminal behavior and protect rights. Additionally, if a behavior can be regulated through administrative, civil, or moral norms, it should not be subjected to criminal punishment. For example, Article 13 of China's Criminal Law states that acts with minor harmful consequences do not constitute a crime. Although such acts may harm individual or public interests, they should be addressed through other means than criminal sanctions, such as administrative measures, civil remedies, or moral education.

The principle of compensation and civil preference is established in Article 36 of China's Criminal Law, which emphasizes the restitution of economic losses. Article 37 further introduces non-criminal penalties, such as public apologies, compensation for damages, and administrative penalties, as alternatives to criminal punishment. These provisions reflect an underlying philosophy of leniency in criminal law. Since criminal punishment is sometimes required, its application must be approached cautiously to protect human rights and the fair administration of justice.²⁵ The ultimate goal of leniency is to minimize the negative impact of criminal penalties on society while regulating individual behavior. Jescheck (REF) argues that

²⁰ Translation Team, trans., *Copyright Laws of Twelve Countries*, 117 (Tsinghua Univ. Press 2011).

²¹ Translation Team, trans., *Copyright Laws of Twelve Countries*, 869 (Tsinghua Univ. Press 2011).

²² Translation Team, trans., *Copyright Laws of Twelve Countries*, 331 (Tsinghua Univ. Press 2011).

²³ Zhao C., A Specialized Study on the Criminal Law Protection of Intellectual Property, 144 (China Procuratorial Press 2011).

²⁴ Zhang M.-K., *On the principle of restraint in criminal law*, 1995(4) Studies in Law and Business——Zhongnan University of Political Science and Law Journal 55 (1995) (accessed 24 November 2025). <https://doi.org/10.16390/j.cnki.issn1672-0393.1995.04.010>

²⁵ Lei S.-M. & Lin Y.-G., *On the basic principles of the criminal law protection of intellectual property*, 34(10) Law Science Magazine 77 (2013). <https://doi.org/10.16092/j.cnki.1001-618x.2013.10.014>

criminal law is a double-edged sword; if misused, it can harm both the state and individuals.²⁶ Therefore, criminal law must be applied carefully, with efforts to mitigate any negative consequences.

Punishment is inherently variable; it varies based on the nature of the offense and the offender's status or social rank. Moreover, the implementation of punishment can be cruel and harsh if it is based on historical practices, such as capital punishment and corporal punishment. There is no precise definition of crime, and individuals are not always adequately protected from the state's potential misuse of criminal punishment.²⁷ Given the inherent variability and harshness associated with some forms of punishment, legislators and judges must embrace the principle of leniency to balance the inequity of punishment and safeguard the rights of offenders.

The principle of leniency applies to personal crimes and property crimes. Since IP infringement falls under property crime, offenders can still face criminal sanctions. However, the goal of punishment should not be to harm offenders physically. Instead, criminal penalties should be carefully designed to be effective, lasting, and minimally harmful.²⁸ Given that IP-related offenses involve property rather than personal harm, China's criminal law prescribes fines as a penalty.

In some cases, fines may be imposed independently, reflecting the principle of leniency. However, courts may impose imprisonment and penalties in cases of severe IP infringement. In such cases, judges must exercise caution to ensure that criminal penalties align with the principle of leniency.

IP plays a significant role in China's economic development and the cases of continued IP infringement. As a result, it is critical to not impose excessively harsh criminal penalties. While diversifying punishment for IP crimes is necessary, applying penalties must remain humane, civilized, and economically efficient.²⁹ However, criminal punishment typically deters future offenses without eliminating the offender's ability to commit further violations.³⁰ Many offenders can infringe upon IP rights even after serving their sentences.

Since criminal penalties alone cannot entirely prevent offenders from re-offending, the law should avoid relying on harsh criminal sanctions. Instead, other measures must be implemented to regulate the behavior of offender effectively.

IV. Discussion: From Existing IP Remedies to a Capacity-Restriction Layer

China has established a comprehensive IP protection architecture that combines civil, administrative, and criminal tracks to safeguard rights and promote innovation. In practice, however, ex-post civil damages often lack deterrence, administrative sanctions have a limited reach in digital and platform contexts, and criminal thresholds— influenced by leniency principles and evidentiary constraints—are selectively triggered. These frictions insufficiently deter repeat and opportunistic infringements. A calibrated capacity-restriction layer can directly

²⁶ Lin S.-T., *Penology*, 127 (Taiwan Commercial Press Co., Ltd. (Taipei) 1983) (citing R. v. Jhering, *Der Kampf ums Recht*).

²⁷ Chen X.-L. (ed.), *The Forum of Criminal Law* vol. 1, 34 (China Univ. of Political Sci. & L. Press 1997).

²⁸ Beccaria C., *On Crimes and Punishments*, 52 (Huang F. trans., China Legal Publishing House 2005).

²⁹ Tian H.-J., *On the criminal law protection of intellectual property in China*, 2003(3) China Legal Science 143 (2003). (accessed 24 November 2025). <https://doi.org/10.14111/j.cnki.zgjx.2003.03.018>

³⁰ National Institute of Justice, *Five Things About Deterrence* (2016). (accessed 20 November 2025). URL: <https://nij.ojp.gov/library/publications/five-things-about-deterrence>

target recidivism while preserving proportionality and due process, functioning as an ex-ante compliance tool that complements rather than replaces existing remedies.

Capacity restriction provides a tailored, activity-linked response by temporarily limiting an offender's ability to engage in specific IP-related channels or operations.³¹ Unlike civil remedies that predominantly focus on compensation or criminal penalties that are triggered at higher thresholds, capacity restriction aligns enforcement with the nature and locus of the offense and supplies preventative and corrective leverage at a lower social cost.

A. Contrasting Existing Remedies with the Proposed Capacity-Restriction Layer

To clarify the complementary fit, this section compares the functions, triggers, and safeguards of existing remedies with those of a targeted capacity-restriction layer. As shown in Table 1, civil remedies primarily compensate, administrative sanctions order and deter, and criminal penalties incapacitate under high thresholds. In comparison, the proposed layer temporarily curbs specific IP-linked activities of offenders who have already been sanctioned (criminal/administrative), matching the restriction to the offense-congruent domain of conduct.

Table 1: *Existing IP remedies vs. proposed capacity-restriction layer*

Dimension	Civil Remedies	Administrative Sanctions	Criminal Penalties	Capacity Restriction (Proposed)
Primary aim	Ex-post compensation	Compliance/order; general deterrence	Incapacitation; specific deterrence	Ex-ante, recidivism-oriented incapacitation
Typical trigger	Proven infringement; liability found	Statutory violations; agency jurisdiction	Satisfying criminal thresholds	Offenders already sanctioned (criminal/administrative) for IP-related violations
Fit for digital/platform contexts	Execution/liquidation frictions	Limited seizure/removal scope	High evidentiary bar	Activity-linked, domain-specific bans (channels/operations implicated)
Time horizon	Case-bound	Case-bound	Sentence-bound	Time-bounded; reviewable; appeal/lift mechanisms

³¹ U.S. Dep't of Justice, Prosecuting Intellectual Property Crimes Manual (2013). (accessed 20 November 2025). URL: https://www.justice.gov/d9/criminal-ccips/legacy/2015/03/26/prosecuting_ip_crimes_manual_2013_002.pdf

Safeguards	Civil procedure	Administrative due process	Criminal due process	Proportionality; due process; offense-congruence; periodic review
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Capacity-restricting tools are familiar across jurisdictions, as summarized in Table 2. Table 2 shows typical applications in Germany, France, and Italy, where targeted suspensions or disqualifications are used to govern behavior and deter recidivism in IP-adjacent contexts.

Table 2: *Typical applications of capacity-restriction measures in IP-adjacent rules*

Country	Law	Applicable Subjects	Scope of Capacity Restriction
Germany	Section 140 B of the German Patent Act	Patent infringer	The fundamental right to confidentiality of communications of the offender can be restricted accordingly for infringement actions.
	Section 46 of the German Design Act	Design infringer	The fundamental right to confidentiality of communications of the offender can be restricted accordingly for illegal actions.
France	Article L335-7 of the French IP Code	Individuals committing the offenses described in Articles L. 335-2, L. 335-3, and L. 335-4 via public online communication services	Suspension of access to public online communication services and prohibition from entering into other contracts of the exact nature with any operator for up to 1 year.
Italy	Article 171 of the Italian Copyright Law	Individuals exceeding the legal limit in copying works through photography, photocopying, or a similar approach	Suspension of photocopying, electrostatic printing, or similar copying activities for 6 months to 1 year.

In China, capacity restrictions are mature in several legal fields (e.g., company law, road traffic safety law, accounting law, and lawyers law), demonstrating the country's institutional familiarity with time-bounded, reviewable, offense-congruent activity bans (Table 3).

Table 3: *Capacity-restriction provisions in Chinese laws and their operative scope*

Law	Relevant Articles	Applicable Subjects	Scope of Capacity Restriction
Company Law	Article 178, Clause 1	Persons involved in economic crimes or those with significant personal debt	Cannot serve as directors, supervisors, or senior executives
Securities Law	Article 124, Clause 2	Persons dismissed due to illegal or disciplinary actions or those whose professional qualifications have been revoked	Cannot serve as directors or senior executives of securities companies
Accounting Law	Article 40, Clause 3	Persons who have committed serious violations related to accounting duties	Prohibited from engaging in accounting work for five years
Auction Law	Article 15, Clause 2	Persons dismissed from public office or whose auctioneer certificate was revoked within the last five years, or those convicted of intentional crimes	Cannot serve as auctioneers
Lawyers Law	Article 9	Persons who obtained a lawyer's practicing certificate through improper means	Revocation of certificate, prohibition from practicing as a lawyer
Road Traffic Safety Law	Article 101, Clause 2	Persons involved in traffic accidents who fled the scene	Revocation of driving license, permanently prohibited from re-obtaining a driving license

The operational design follows the four-pillar framework set out in Section V (Recommendations)—subjects, empowered authorities, scope, and duration—to ensure legality, proportionality, and replicability.

Historically, capacity restrictions can trace their origins back to Roman-law techniques of status- and role-based disqualification³², and they persist today across criminal and civil codifications in Europe (e.g., driving bans, occupational disqualifications, and guardianship ineligibilities). Rather than reproducing article-by-article narratives here, we consolidate these examples in Table 2 and Table 3, using them as templates for an IP-specific layer in China.

B. Risks, Safeguards, and China-Specific Constraints

³² Stein P., *Roman Law in European History*, 1–2 (Cambridge Univ. Press 1999).

Risks include overbreadth (restrictions exceeding offense congruence), mission creep (expansion beyond IP-linked conduct), and procedural shortfalls (insufficient notice, review, or appeal). In China's enforcement ecosystem, further challenges arise from multi-agency coordination, the need to harmonize with civil, administrative, and criminal tracks, and consistency control across regions.

To address these concerns, we recommend several safeguards aligned with the principles of Chinese public law:

- a. Offense congruence and domain specificity. Restrictions must be narrowly tailored to the channels and operations implicated by the IP offense, and cross-domain spillover is prohibited.
- b. Time-bounded duration with periodic review. Default short-term measures (e.g., months) with scheduled reassessment must be used, with longer terms requiring heightened justification.
- c. Due process. Written decisions, notices, and appeal/lift mechanisms must be used, with records kept for auditability.
- d. Designated authorities and coordination protocols. Competent administrative bodies for issuing, reviewing, and lifting restrictions should be designated by statute. There must also be clear interfaces with civil courts and criminal justice institutions to avoid duplication and to respect *res judicata*.
- e. Data governance and proportionality. Any data-access or platform-access curbs must be necessary and proportionate, and they must have an explicit legal basis and independent oversight where applicable.

With these safeguards, the capacity-restriction layer provides targeted, ex-ante incapacitation against repeat IP offenses while maintaining proportionality and procedural fairness. This fills the deterrence gap left by purely ex-post tools and aligns with comparative practice already recognized in both non-Chinese IP-adjacent rules (Table 2) and Chinese capacity-restriction clauses (Table 3). Incorporating such a layer into China's IP laws can strengthen their alignment with international practice and enhance innovation-oriented governance in complex digital markets.

V. Recommendations: Preliminary Construction of the Capacity Restriction System in IP Law

Herein, we specify four design pillars for capacity restriction in China's IP law: (1) Subject, referring to offenders sanctioned under criminal or administrative tracks for IP-related violations; (2) Empowered Authorities, referring to competent administrative bodies designated by statute for issuing, reviewing, and lifting restrictions; (3) Scope, referring to IP-linked, offense-congruent activity bans (e.g., channels or operations implicated by the offense); (4) Duration, referring to time-bounded restrictions with appeal or lift mechanisms and permanent bans only when narrowly tailored to public safety or systemic integrity.

Establishing a capacity restriction system within China's IP law can draw up similar provisions in other areas of Chinese law. For instance, Article 146, Paragraph 1, Item 2 of China's Company Law states that individuals who have been criminally punished for offenses, such as embezzlement, bribery, misappropriation of property, misuse of funds, or disrupting the socialist market economy are prohibited from serving as directors, supervisors, or senior

managers of companies until five years have passed since their sentencing. This restriction also applies to those deprived of political rights due to a criminal conviction within five years of their conviction.

Therefore, using China's existing legal capacity restriction provisions as a model and integrating them with the capacity restriction systems found in other countries' IP laws, we can outline the following considerations for establishing such a system in China's IP law.

A. Defining the Scope of Subjects for Capacity Restriction

Both international intellectual property standards and Chinese regulations outline the subjects affected by capacity restriction systems, ensuring a transparent framework that enhances compliance and enforcement.

Offenders convicted of IP-related crimes are the first category of subjects eligible for capacity restrictions. Article 171(3)(4) of Italy's Copyright Law stipulates that the law can restrict an offender from engaging in professions, trades, or industries requiring special licenses, qualifications, or approvals if the offender has committed specific crimes outlined in Article 171(1).³³ These offenses include unauthorized reproduction, adaptation, public recitation, broadcasting, selling, offering for sale, or other commercial distribution of works, and the unauthorized publication of previously unpublished works. Therefore, only those who commit the specified crimes under Article 171(1) of Italy's Copyright Law can have their legal capacity restricted.

Similarly, Chinese law highlights capacity restrictions. For example, Article 15 of the Auction Law stipulates that individuals criminally punished for intentional crimes cannot serve as auctioneers. As a result, individuals subject to capacity restrictions include those who commit IP-related crimes under Section 7, Chapter 3 of the Criminal Law. Thus, it is necessary to impose criminal penalties to deter further offenses and restrict specific legal capacities to prevent such offenders from re-offending. Restricting offenders' legal capacity implies being prohibited from engaging in specific civil activities, effectively excluding them from situations where they might commit further IP infringements.

The second category of subjects eligible for capacity restrictions includes offenders subjected to administrative penalties for IP infringements. Chinese Copyright, Trademark, and Patent Laws present administrative penalties as punishment. For instance, administrative penalties punish unlawful behavior, encourage compliance, and maintain public order and social stability by regulating the conduct of offenders who have violated administrative laws but whose actions do not constitute crimes. These penalties protect the public interest and the rights of individuals, legal entities, and organizations.³⁴

Article 53 of China's Copyright Law stipulates that if an offense harms the public interest, the offender must bear civil liability and face administrative sanctions. These may include orders to cease the infringement, warnings, confiscation of illegal gains, seizure and destruction of unauthorized copies, and disposal of materials, tools, and equipment used to produce the unauthorized items. In specific circumstances, fines may also be imposed. According to Article 53, "harm to the public interest" is one of the prerequisites for administrative liability. While Trademark and Patent laws do not explicitly mandate that harm to the public interest is a

³³ Translation Team, trans., *Copyright Laws of Twelve Countries*, 332 (Tsinghua Univ. Press 2011).

³⁴ Jiang M.-A. (ed.), *Administrative Law and Administrative Litigation Law*, 265 (Peking Univ. Press & Higher Educ. Press 2015).

prerequisite for administrative liability, it is an essential underlying principle. This action is like forging registered trademarks or counterfeiting patents, disrupting administrative order, directly impacting the public interest.

The definition of “public interest” is vague but generally refers to the interests of unspecified social subjects rather than those of specific individuals or organizations.³⁵ As a result, in cases where IP infringements harm the public interest, the law must impose civil and administrative liabilities on offenders and restrict their legal capacity. Such restrictions would prevent offenders from engaging in future IP infringements, thereby ensuring the protection and enhancement of the public interest.

B. Defining the Authorities Empowered to Impose Capacity Restrictions

The imbalance between public and private rights highlights the need to limit public power, and the intervention of public power in private rights must be strictly regulated. Protecting private rights requires placing constraints on public power, which can be achieved by improving the public law system. An improved public law system defines the scope of authority and procedures for exercising such authority.³⁶ Therefore, it is essential to determine which authorities have the power to impose capacity restrictions and ensure that these authorities follow statutory procedures when making such decisions. This approach protects public interests and prevents public authorities’ infringement of private rights. Protecting and realizing private rights are among the fundamental purposes of public power.³⁷

Some Chinese laws explicitly designate the authorities responsible for imposing capacity restrictions. For example, Article 7, Items 2 and 3 of the Law on Lawyers stipulate that individuals who have been criminally punished (except for negligent crimes) or who have been dismissed from public office or had their lawyer’s license revoked are ineligible to receive a new lawyer’s license. Additionally, Article 6 of the same law requires a lawyer’s license applicant to apply and provide the necessary materials to the judicial administrative department of the district-level or municipal government. The judicial administrative department of the province, autonomous region, or directly-administered municipality reviews the materials and decides whether to grant the license. If approved, a lawyer’s license is issued to the applicant. Since the judicial administrative department is responsible for issuing the permit, the same department is responsible for denying or revoking it. Thus, the authority to impose capacity restrictions on lawyers lies with the judicial administrative departments of provincial, autonomous, regional, or municipal governments.

Whether an individual is subject to criminal or administrative penalties, any capacity restrictions imposed must be issued by administrative authorities.³⁸

³⁵ Dewey J., *The Public and Its Problems*, 126 (Rogers M.L. ed., Ohio Univ. Press 2016) (1927).

³⁶ Wang Y.-Z., *Rational reflections on the relationship between public power and private rights*, 2006(4) Journal of Shanxi University (Philosophy and Social Science Edition) 61 (2006). (accessed 24 November 2025). [https://doi.org/10.13451/j.cnki.shanxi.univ\(phi.soc.\).2006.04.012](https://doi.org/10.13451/j.cnki.shanxi.univ(phi.soc.).2006.04.012)

³⁷ Pilon R., *Property Rights and the Constitution*, Cato Inst. (2017). (accessed 20 November 2025). URL: <https://www.cato.org/cato-handbook-policymakers/cato-handbook-policy-makers-8th-edition-2017/property-rights-constitution>

³⁸ Administrative Punishment Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Jan. 22, 2021, effective July 15, 2021). (accessed 20 November 2025). URL: <https://www.chinalawtranslate.com/en/administrative-punishment-law-2021/>

For offenders subjected to administrative penalties, the administrative authorities are aware of the specifics of the offense, enabling them to make swift and reasonable decisions regarding capacity restrictions, which conserves enforcement resources. In modern governance, administrative efficiency is paramount, and quick decisions by administrative authorities can help prevent repeat offenses.³⁹

The relevant administrative authorities should be responsible for imposing capacity restrictions for offenders subjected to criminal penalties. In copyright infringement cases, the copyright administrative authority should impose capacity restrictions on the offender. On the one hand, protecting the legitimate interests of IP holders and maintaining market order is part of the administrative authority's responsibilities.⁴⁰ The purpose of capacity restrictions is to punish offenders, protect IP holders' interests, and preserve market order, aligning with the functions of administrative authorities. On the other hand, establishing a capacity restriction system within China's IP law will inevitably require amendments to related regulations. Legal amendments often involve balancing and coordinating multiple laws to prevent conflicts between them.⁴¹

China's Copyright Law, Trademark Law, and Patent Law designate the responsibility of administrative authorities for imposing penalties on offenders. Therefore, if offenders subjected to criminal or administrative penalties are also subjected to capacity restrictions, the relevant administrative authorities should be responsible for imposing these restrictions. In this way, the Chinese legislature would only need to amend the IP-related laws to accommodate capacity restrictions without revising other laws, thereby conserving legislative resources and maintaining legal stability and coherence.

C. Defining the Scope of Capacity Restriction

Capacity restrictions may mandate the offender to lose some or all legal capacities, implying they are prohibited from engaging in certain legal activities. Legal activities refer to private acts intended to create specific legal effects, which occur because the individual desires them to happen.⁴² When certain civil rights of an offender are restricted, the offender loses the ability to conduct legal activities to pursue their interests. However, any administrative authority action that affects the interests of the individual must be justified. If the purpose of a public power action is not legitimate, the slightest restriction on citizens' rights is impermissible. Conversely, the restriction on individual rights may be allowed if the purpose is legitimate.⁴³

The legitimacy of capacity restrictions lies in the fact that the offender has violated IP laws. As a result, the administrative authority may impose capacity restrictions to protect the interests of the victims, the public, and other relevant parties, ensuring that the offender cannot re-offend.

³⁹ Zhang J.-S., *The reconstruction of the basic principles of modern administrative law*, 2003(3) China Legal Science 59 (2003). (accessed 24 November 2025). <https://doi.org/10.14111/j.cnki.zgjx.2003.03.008>

⁴⁰ WIPO, Enforcement Functions of National Intellectual Property Offices, WIPO Doc. WIPO/ACE/11/6 (July 14, 2016). (accessed 20 November 2025). URL: https://www.wipo.int/edocs/mdocs/enforcement/en/wipo_ace_11/wipo_ace_11_6.pdf

⁴¹ Guo D.-H., *A review of strategies for amending laws*, 1989(6) China Legal Science 15 (1989).

⁴² Medicus D., *General Principles of German Civil Law*, 142 (Shao J.-D. trans., Law Press 2013). (citing Mugdan ed., *Materialien zum Bürgerlichen Gesetzbuch*, vol. 1, at 421 (1899/1900)).

⁴³ Liu Q., *The reconstruction of legitimate purpose and the principle of proportionality*, 2014(4) China Legal Science 133 (2014). (accessed 24 November 2025). <https://doi.org/10.14111/j.cnki.zgjx.2014.04.031>

Administrative authorities can neither exercise unchecked privileges nor act beyond the scope of the law. Since capacity restrictions are punitive, defining their scope is vital to avoid infringing on the offender's other rights.⁴⁴ Thus, the scope of the restriction should remain within the IP domain if the offense was committed in the IP field. In other words, the offender's restricted legal capacity should involve IP-related activities.

Article 171(4) of Italy's Copyright Law states that if an offender copies or reproduces works through photography or photocopying beyond the legal limits, they may also be prohibited from engaging in photocopying, electrostatic printing, or similar reproduction activities for six months to one year in addition to administrative fines.⁴⁵ This restriction on the offender's ability to engage in reproduction corresponds directly to the nature of their offense. The offender's illegal reproduction violated Articles 68(3) and 68(4) of Italy's Copyright Law, and the restriction prevents the offender from reproducing further copies, effectively protecting the rights holder's reproduction rights.

China's Criminal Law (Section 7, Chapter 3) outlines seven types of IP-related crimes. Suppose an offender commits an IP-related crime, reaching the threshold for criminal punishment. In that case, the relevant authority can pursue criminal responsibility. This offense involves the unauthorized use of an identical trademark on the same goods without the trademark owner's permission⁴⁶, taking the crime of counterfeiting registered trademarks as an example in severe circumstances. Such unauthorized use can mislead consumers about the origin of the goods or services, violating their right to information and choice while infringing upon the trademark owner's IP rights and reputation and disrupting market order.

The law limits the ability to produce, sell, or offer unauthorized goods or services by applying capacity restrictions to offenders convicted of counterfeiting registered trademarks. Such targeted restrictions prevent offenders from re-offending while ensuring the capacity restriction system is not misused. This approach curbs the offender's capacity to re-offend, ensuring that the restriction's scope is appropriately aligned with the nature of the offense, preventing unnecessary infringements on the offender's other rights.

D. Defining the Duration of Capacity Restrictions

The duration of capacity restrictions is the period the legal capacity of an individual or entity is restricted by law. Capacity restrictions constrain the ability of civil subjects to engage in specific activities, preventing them from using these activities to pursue economic or other legitimate interests.⁴⁷ The capacity restrictions aim to prevent offenders from infringing further IP. Therefore, it is essential to define the duration of the restriction clearly. Once the restriction period ends, the offender regains the relevant legal capacity and can resume participating in specific civil activities.

For example, Article L.335-7 of the French IP Code states that individuals convicted of crimes related to online public communication services or offenses listed under Articles L.335-2, L.335-3, and L.335-4 may be subject to additional penalties, such as a temporary suspension from accessing online public communication services or prohibition from signing new contracts

⁴⁴ Yang J.-J. & Cheng Y.-L., *Administrative punishment authority and rules*, Nanjing University Law Journal 135 (1995).

⁴⁵ Translation Team, trans., *Copyright Laws of Twelve Countries*, 331 (Tsinghua Univ. Press 2011).

⁴⁶ Zhang M.-K., *Criminal Law*, 729 (Law Press 2011).

⁴⁷ Administrative Punishment Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Jan. 22, 2021, effective July 15, 2021). (accessed 20 November 2025).

with service providers. However, the code also specifies that the maximum duration of these additional penalties is one year.⁴⁸ Similarly, Article 174(5) of Italy's Copyright Law allows courts to prohibit offenders from conducting business or engaging in related activities following a conviction for offenses listed in Chapter 2, Section 3 of the law. However, the duration of the restriction must be between three months and one year.⁴⁹

Some Chinese laws also specify time-limited capacity restrictions. For example, Article 40(3) of the Accounting Law states that individuals guilty of serious misconduct related to accounting practices cannot engage in accounting work for five years.

While some Chinese laws impose lifetime restrictions, these laws are designed with specific legislative purposes. A lifetime restriction is justified if the legislative goal can only be achieved through an indefinite restriction. For example, Article 101(2) of the Road Traffic Safety Law stipulates that individuals who cause a traffic accident and flee the scene will have their driver's license revoked by the Traffic Administration department and be permanently prohibited from obtaining a new license. Under criminal law, fleeing the scene of a traffic accident is treated as an aggravating factor intended to encourage offenders to assist victims.⁵⁰ A severe penalty is warranted if the offender abandons the victim and flees. Article 101(2) of the Road Traffic Safety Law reflects a capacity restriction that eliminates the ability of offenders to re-offend, aligning with the law's purpose of maintaining road safety, preventing accidents, and protecting lives.

While restricting offenders' capacity aligns with IP law's goals, overly severe restrictions should be avoided. Legislation is only part of a broader legal system⁵¹, and capacity restrictions represent just one method of holding offenders accountable for infringement. Other methods include ceasing the offense, compensating damages, and, in some instances, administrative or criminal penalties. Imposing lifetime capacity restrictions on offenders for IP-related offenses is unjust and counterproductive. Such measures risk undermining the effectiveness of existing legal remedies and can hinder the necessary coordination among various laws. Therefore, excessive reliance on lifetime restrictions would negatively impact the coherence and effectiveness of the legal system.

VI. Conclusion

It is imperative to identify the relevant subjects, authorized entities, scope, and duration of capacity restrictions, refining the system's structure and regulations to maximize its practical effectiveness. Furthermore, establishing a coherent capacity restriction mechanism within China's IP laws is beneficial and essential for ensuring their efficacy and relevance in a rapidly evolving landscape. The systematization of the capacity restriction mechanism offers multiple functions. It provides a better understanding and mastery of the materials to be processed and constitutes the only possible way to ensure the reliability of the knowledge gained. Without systematization, thinking critically or solving problems is impossible.⁵²

Moreover, systematizing the capacity restriction mechanism can prevent any entity from acting arbitrarily in legal activities, ensuring that the law does not become a tool for interest-

⁴⁸ Translation Team, trans., *Copyright Laws of Twelve Countries*, 121 (Tsinghua Univ. Press 2011).

⁴⁹ Translation Team, trans., *Copyright Laws of Twelve Countries*, 337 (Tsinghua Univ. Press 2011).

⁵⁰ Zhang M.-K., *Criminal Law*, 634 (Law Press 2011).

⁵¹ Zhuo Z.-Y., *Jurisprudence*, 228 (Law Press 2009).

⁵² Huang M.-R., *Legal Method and Modern Civil Law*, 525 (Law Press 2007).

driven conflicts. A systematic framework guarantees that the law remains persuasive and just in its application.⁵³

The systematization of the capacity restriction mechanism will enable it to function as intended by protecting the interests of IP holders, maintaining order in market regulation, and promoting public interests. Integrating capacity restrictions into a coherent system will strengthen IP protection and foster innovation and economic growth.

Implementing a capacity restriction system within China's IP law presents a practical and effective approach to bridging enforcement gaps. By clearly outlining these restrictions' scope, authority, and duration, the legal framework can effectively deter repeat offenses, protect the rights of IP holders, and align more closely with international standards. This strategy ensures that the legal system remains adaptive, fair, and effective in preserving innovation and market order.

Due to its conceptual and doctrinal nature, this study refrains from making causal claims. Future work should quantitatively assess deterrence and external validity by (i) conducting event-study analyses around the introduction or tightening of capacity-restriction provisions (i.e., examining changes in infringement, enforcement actions, or recidivism), and (ii) estimating panel-data models across firms, sectors, and jurisdictions to test heterogeneity by firm size, modality, and regulatory regime. Cross-jurisdictional comparisons (e.g., EU member states with functionally similar disqualification tools) and micro-level datasets (e.g., case-level sanctions and repeat-offense rates) would help validate the framework's predicted effects and boundary conditions.

⁵³ Li C., *On the Systematization of Intellectual Property Law*, 23 (Peking Univ. Press 2005).

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