Patent Right Enforcement In China

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Introduction

As the number of patent applications being filed is on the increase and more patent rights are being granted in China, foreign companies are starting to feel concerned as to whether their patents can be enforced in China. Until recently, the Chinese legal system has been a mystery to Western-trained lawyers. Chinese intellectual property (IP) law is relatively new, and the interpretation of Chinese IP law appears not to be uniform and is unpredictably applied. This article is intended only as an introduction for foreign attorneys to familiarize themselves with IP protection in the People's Republic of China (PRC), especially concerning enforcement of patents in China.

Two-Track System for IP Protection

China has a two-track system for IP protection: the administrative track and the judicial track. Intellectual property rights (IPR) holders may resort to either of *but not simultaneously to both of* these tracks to protect their legitimate rights when their IPR is infringed.

Administrative Protection of Patent Rights

While the administrative track offers a relatively fast and inexpensive solution for trademark and copyright protection, administrative protection of patent rights can be wholly another story.

When the patent owner spots any patent infringement, he can conduct an investigation, collect information on the infringer, buy samples of infringing goods as direct evidence and then file a complaint at the local administrative office of the State Intellectual Property Office (SIPO). The local administrative office of SIPO has the authority to mediate, order the patent infringer to cease infringement, and seize and destroy the infringing goods or equipment used in manufacturing the *infringing* products. Additionally, when there is a passing-off activity relating to a patent, e.g. indicating the patent number of another party on the product without authorization, the administrative office can fine the infringer.[1] Normally the procedure will take a relatively short time and there is no fee payable to apply for administrative protection.

However, such administrative protection of patent rights can be effective only if the patent infringement is obvious (e.g. for the passing-off activity referred to above), and thus the administrative office would be willing to take action against an infringer. In most patent infringement cases, the administrative office is reluctant to take action since it is difficult for its officers to judge whether there is patent infringement either due to the complexity of the case, or due to insufficient technical and legal support within the administrative office.

In addition, even if the administrative office accepts the complaint and starts mediation or orders the patent infringer to cease infringement, undertaking of the judicial procedure may still be unavoidable. As an example, if the mediation fails, legal proceedings will have to be instituted in the People's Court in accordance with the Civil Procedural Law of the PRC. Further, even if an order is made by the Administrative Office, and the infringer is not satisfied with this order, he may (within 15 days from the date of receipt of the notification of the order) institute legal proceedings in the People's Court in accordance with the Administrative Procedural Law of the PRC.[2] In such a case, none of the advantages of the administrative protection can be realized.

Further, the administrative protection usually does not provide a large amount of compensation for the IPR holders as the administrative office only acts as a mediator. If the IPR holder is seeking such a large amount of compensation, the judicial track may be a better choice. Nevertheless, it may still be an effective tool to use and should be borne in mind when deciding on the course of action to adopt.

The patentee should bear in mind that the administrative proceeding and the judicial proceeding cannot be conducted at the same time. The administrative office will not accept the infringement complaint from the patentee if the patentee has filed a lawsuit in the People's Court alleging the same infringement issue.[3] In addition, if the patentee commences the administrative proceeding and later files a lawsuit alleging the same infringement issue, the fact of simultaneous judicial proceedings can cause the

1. See Article 57, *Patent Law of PRC*, and国家知识产权局局令（第19号）, 专利行政执法办法, December 17, 2001.

2. See Article 57, *Patent Law of PRC*, and *Administrative Procedural Law* of PRC.

cessation of the administrative proceedings (e.g. after the administrative office becomes aware of the simultaneous judicial proceeding through the defendant).

Judicial Protection of Patent Rights

Judicial protection of patent rights is costly and time-consuming, but it is worthwhile when the stakes are high or if the infringers have deep pockets. However, the procedure for commencement of the judicial protection can be confusing. Since patent litigation falls under civil litigation, the Civil Procedural Law applies.

Statute of Limitation

Legal proceedings for patent infringement are limited to two (2) years from the date the plaintiff became aware of or should have become aware of the infringing act. If the plaintiff already knows of the infringing act at a time while the patent is pending, he must wait for the patent to be issued before he can commence legal proceedings. In such a case, the two year period shall be counted from the date of the patent grant.[4] In a Supreme People's Court judicial interpretation, it was indicated that a patent owner may be allowed to file suit against an alleged infringer even if he had been aware of the infringing activity for over two years, so long as the activity is still ongoing, but the damage can only be calculated at the earliest commencing two years before the date of filing of the lawsuit.[5]

Who Can Act as a Counsel?

Any plaintiff irrespective of whether it is an individual or a corporate entity can be represented by any Chinese citizen in a civil lawsuit before the People's Court under the Civil Procedural Law,[6] but a Power of Attorney would be required if the plaintiff is represented by another party.[7] However, if the plaintiff is a foreign corporate entity and wishes to be represented by one of its employees, proper authorization is required (e.g. a certified Chinese version of a Power of Attorney.[8] Alternatively, a plaintiff may authorize a Chinese lawyer for representation before the People's Court.[9] It is recommended that a Chinese lawyer be retained as the Chinese lawyer has advantages in evidence collection and judgment enforcement (e.g. checking the defendant's public record and financial record, etc.).

As always, choosing the right lawyer is critical for any lawsuit. For a foreign company, a good patent attorney must have experience in Chinese law as well as the ability to communicate with the client in his own language. Unfortunately, there is a very limited number of good patent attorneys in China. The Western-trained Chinese IP lawyers may lack experience in Chinese patent practice, and good Chinese lawyers may have never touched patent law at all because traditionally Chinese law firms were not allowed to retain patent and trademark agents. Recently, though, the government has allowed law firms to retain patent agents to practise patent law.

Subject Matter Jurisdiction

The judicial system in China has four levels of courts:

- The Basic People's Court (in each city and county);
- The Intermediate People's Court (at least one in each province, autonomous region or municipality directly under the central government);
- The High People's Court (only one in each province, autonomous region or municipality directly under the central government); and
- The Supreme People's Court (only one in Beijing).

Generally, the court of first instance for a patent infringement is the Intermediate People's Court. The decisions of the court of first instance can be appealed to the court at the next higher level (e.g. to the High People's Court from the Intermediate People's Court), which makes final decisions.[10] Either party may still try to further appeal to the Supreme People's Court, but it will be completely at the Supreme People's Court's discretion as to whether or not to accept an appeal.

The plaintiff can file directly before the High People's Court if the damage claimed is above a certain amount or if the High People's Court believes it is necessary to take over the case at first instance. The amount can be different depending on the par-

3.See Section 5, 国家知识产权局局令（第19号）, 专利行政执法办法, December 17, 2001

4. See Article 62, *Patent Law of PRC*.

5. See Section 23, 最高人民法院关于审理专利纠纷案件适用法律问题的若干规定, Supreme People's Court, June 22, 2001.

6. See Article 58, *Civil Procedural Law*.

7. See Article 59, *Civil Procedural Law*.

8. See Articles 242, *Civil Procedural Law*; and最高人民法院关于是否允许外籍当事人委托居住我国境内的外国人或本国驻我国领事馆工作人员为诉讼代理人问题的批复, Supreme People's Court, June 8, 1985.

9. See Articles 241 & 242, *Civil Procedural Law*.

ticular High People's Court (for example, we have ascertained although some of the information is not on public record that the current amount is RMB 10 million for the HuBei High People's Court,[11] RMB 20 million for the Jiangsu High People's Court,[12] RMB 80 million if a foreign party is involved or RMB 100 million for regular civil litigations for the Shanghai High People's Court,[13] RMB 100 million for the Guangdong High People's Court,[14] or RMB 100 million for the Beijing High People's Court[15]). Accordingly, it is vital for the plaintiff to carefully consider whether he is qualified to sue directly in the High People's Court. The advantage of filing directly before the High People's Court is that the plaintiff is guaranteed to have a chance to appeal to the Supreme People's Court if the plaintiff is dissatisfied with the judgment of the High People's Court.

Territorial Jurisdiction

Patent infringement cases are under the jurisdiction of the court in the place where the infringer has his domicile or where the infringement takes place. In an interpretation by the Supreme People's Court judicial, the place where the infringement takes place includes not only the place where the infringing act actually takes place, but also the place where the consequence of infringement occurs.[16] However, such interpretation is still somehow unclear for lower courts to follow and debate is still going on regarding the interpretation of "where the consequence of infringement occurs" even though the Supreme People's Court further provided some guidelines, e.g. the place where the consequence of infringement occurs should be the place where the direct damage due to the infringing act occurs but not necessarily the place where the plaintiff has suffered damage due to the infringement.[17]

If there are multiple courts which all have the requisite subject matter jurisdiction and territorial jurisdiction, the plaintiff should carefully choose which would be the more appropriate court to avoid any possibility of local protectionism. The best venue would be courts in Beijing because the judges there are more experienced and cosmopolitan and the parties would not expect local protectionism. If lawsuits alleging the same issue are filed by either party in several courts which all have the requisite subject matter jurisdiction and territorial jurisdiction, the court which first establishes the case will be the proper venue, and all relevant documents and files of the other courts will be required to be transferred to the court that first establishes the case.[18]

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Territorial jurisdiction can be waived, therefore the defendant cannot challenge territorial jurisdiction during the hearing if he has not contested territorial jurisdiction within a time limit, typically within the answer period of trial (usually 15 days, but if the defendant is a foreign entity, then 30 days).[19]

Governing Laws

While Civil Procedural Law governs the procedures for patent litigation, the Patent Law of PRC and Implementing Regulations of the Patent Law provide substantive laws and regulations for patent infringement litigation.[20]

The Chinese legal system does not have any case law as in the U.S. or other Western legal systems. The statutes are binding and the judge makes his decision case-by-case based on his own interpretation of the law. Even if the judge wishes to refer to previous judgments in other provinces, there have been no publicly-known judgments that were systematically

10. See 最高人民法院关于开展专利审判工作的几个问题的通知, Supreme People's Court.

11. See 湖北省高级人民法院关于印发《关于知识产权民事案件管辖及收案范围的暂行规定》的通知, HuBei High People's Court, December 5, 2002.

12. See 最高人民法院关于批准江苏省高级人民法院提高第一审知识产权案件受理标的额请示的答

13. See *http://www.hshfy.sh.cn/fyitw/channel.pl?link_ID=FYQSW1038964421240.*

14. See *http://www.gdcourts.gov.cn/susongzhinan/susongzhinan.htm.*

15. See 北京市高级人民法院关于《北京市高级人民法院关于北京市各级人民法院受理第一审知识产权纠纷案件级别管辖的规定》的通知, Beijing High People's Court, December 18, 2000.

16. See Sections 5&6, 最高人民法院关于审理专利纠纷案件适用法律问题的若干规定, Supreme People's Court, June 22, 2001.

17. See 如何理解最高人民法院关于专利法(2001）法释字第21号司法解释（5）最高法院民三庭编著

18. See Section 35, Civil Procedural Law; and Sections 1&2, 最高人民法院关于在经济审判工作中严格执行《中华人民共和国民事诉讼法》的若干规定, Supreme People's Court, December 22, 1994.

19. See Section 113, *Civil Procedural Law*.

20. See Articles 11-13 and 57-67, *Patent Law of PRC* and Rules 78-87, *Implementing Regulations of the Patent Law of PRC.*

available to follow, until recently. The result is that the trial can be very unpredictable, especially for those courts which have little experience in patent litigation.

However, the one recognized binding precedent is from the Supreme People's Court. Lower courts are not allowed to deliver judgments which are obviously contrary to a previous judgment from the Supreme People's Court. For some important issues raised during some of its own previous cases, the Supreme People's Court has issued more than ten "judicial interpretations" on IP laws to provide guidance to lower courts, and the Supreme People's Court does follow its own previous decisions. Practically speaking, the "judicial interpretations" have become the law which can be cited in the Court decision, and lower courts must follow these "judicial interpretations." There is a small number of these "judicial interpretations" which relate to patent issues. In addition, there are also some "responses to request for clarification by lower courts" that have been issued by the Supreme People's Court which also provide important guidance.

Evidence

As always, evidence is critical to the success of any lawsuit. The available laws regarding evidence are Sections 63-74 of Civil Procedural Law and a few judicial interpretations on evidence from the Supreme People's Court.[21]

The plaintiff has to submit prima facie evidence in order for the court to accept the case. However, collection of evidence is not easy because China does not have a discovery procedure. It is very frustrating sometimes for the patentee to clearly know of infringing activities by a competitor but cannot obtain prima facie evidence to commence legal proceedings. Obviously, the most effective way of collecting evidence for initiating legal proceeding is to buy a sample product from an infringer. Although such evidence might not be admissible in the trial because of the lack of authenticity, usually it is sufficient as prima facie evidence for the court to accept the case. Once the court establishes the case, the party can then request the court for further evidence collection if the party cannot collect such further evidence because of "objective" reasons (e.g. the third party such as a bank may refuse to disclose evidence until it is ordered to do so by the court), or if the court deems such further evidence is necessary for the hearing.[22] Of course, this further collected evidence will be admissible in the trial because it is collected by order of the court.

In addition, if the further evidence may possibly be destroyed or lost, or if it would be difficult to obtain afterwards, the party may request the court for an order for evidence preservation with or without notice to the alleged infringer depending on the type of evidence to be preserved (e.g. generally if it is a raid, no notice is required but for most other situations the likelihood is that notice will be required).[23] Upon receipt of the request, the court has to make a decision within 48 hours. If the court decides to make an order for evidence preservation, the court can issue such an order and search the alleged infringer's factory building, including the workshops, warehouses, offices, sample rooms, etc. The court can seize all samples, sales contracts, invoices, account books and moulds during the search and they will be used as evidence in the trial. Unlike requesting for a pre-suit injunction which will be discussed later, usually the applicant is not required to provide a bond for requesting an order for evidence preservation, or even if a bond is required, the amount of the bond is relatively low, e.g. a few thousand RMB (Exchange rate: USD1=RMB8.05).

Apart from deciding whether the evidence is admissible, the court is strict on the authenticity of the evidence. Usually the court requires the originals of all documentary or material evidence, and the validity of legal acts and legal facts often require notarization.[24] Foreign evidence may additionally need to be legalized. Further, the court is also strict on the legitimacy of the source of the evidence, for example, according to a recent case by Beijing High People's Court, where the plaintiff induces or encourages the infringer to commit an infringing act in order to obtain evidence of the infringement, the court ruled that such evidence is inadmissible.[25]

Burden of Proof

Usually the IPR holder has the burden of proof for the alleged patent infringement. However, in certain circumstances, the burden of proof may be

21. See Sections 63-74, *Civil Procedural Law*; 最高人民法院关于民事诉讼证据的若干规定, Supreme People's Court, December 6, 2001; and最高人民法院关于行政诉讼证据若干问题的规定, Supreme People's Court, June 4, 2002.

22. See Sections 64 & 65, *Civil Procedural Law*.

23. See Section 74, *Civil Procedural Law*.

24 See Sections 67-69, *Civil Procedural Law.*

25. See 北京北大方正集团公司, Beijing High People's Court, July 15, 2002 and 程永顺先生在论坛上的发言.

shifted to the defendant. In particular, where the patent infringement litigation is regarding a new product from a method claim, the defendant has the burden of proof that the method he used to make the alleged infringing product is different from the claimed method.[26]

Trial

The judge controls the process of the trial, followed by court investigation and court debate. Meanwhile, each party shall answer questions raised by the judge to clarify the facts. Usually there is no jury in civil or criminal litigation. However, when the technical issues involved are too complex for the judge (who usually does not have a technical background), a technical or IP law expert may be appointed to be an adviser to the judge. According to Chinese legal practice, the court may handle a case with complex technical issues in three ways: invite technical experts to serve as court consultants, entrust technical experts to verify specific technical issues, and/or appoint technical experts as "jurors" who may directly participate in the trial.[27] Of course, the actual litigation practice varies within each court.

What to Expect from the Defendant—Invalidation

As with the practice in other countries, it is not unusual for the defendant (usually the alleged patent infringer) to request the court to suspend the legal proceeding by attacking the validity of the patent. The defendant can commence the invalidation procedure against a utility model patent or a design patent before the Patent Re-Examination Board of SIPO (similar to the Board of Patent Appeals and Interferences of the United States Patent and Trademark Office (USPTO)) during the answer period of the trial.[28] Considering that the utility model patent or the design patent has a relatively high possibility of being invalidated by the Patent Re-Examination Board (e.g. that a utility model patent or a design patent was granted after preliminary examination without substantive examination), the court will suspend the legal proceeding and await the invalidation result from the Patent Re-Examination Board.

However, there are a few exceptions where the court may deny the defendant's request for suspension. These include situations where the search report presented by the patentee shows no prior art that can destroy the novelty and inventiveness of the utility model patent, or if the defendant can provide sufficient evidence to show that the alleged infringing technology is publicly known, or if the defendant does not provide sufficient evidence or counter-argument to attack the validity of the patent, or other situations where the court has discretion to deny the defendant's request for suspension.[29]

Even so, it seems that the judicial interpretation made by the Supreme People's Court allows the trial court to have its own discretion to decide whether or not to allow or deny the defendant's request for suspension. This is also true regarding the Patent of Invention, which is supposed to have a presumption of validity after substantive examination (e.g. on issues such as novelty, inventiveness, etc). The judicial interpretation states that the court may deny the defendant's request for suspension with respect to a patent infringement concerning a Patent of invention, or a utility model patent or a design patent, where validity is sustained by the Patent Re-Examination Board.[30]

However, the situation can be more complicated if the defendant loses its patent invalidation procedure and appeals to the court against the Patent Re-Examination Board. In such a case, since the administrative proceedings between the defendant and the Patent Re-Examination Board run parallel with the civil proceedings between the defendant and the patentee, the court has discretion whether or not to suspend the civil proceedings. It may continue the civil proceedings, or alternatively it may suspend such civil proceedings and wait for the related administrative judgment if it believes that *any further* civil proceedings may be in conflict with the judgment of the related administrative proceedings.[31] However, it is important to note that where the court continues

26. See Article 4, 最高人民法院关于民事诉讼证据的若干规定, Supreme People's Court, December 6, 2001.

27. See Zhongqi Zhou, *Litigation, Managing Intellectual Property.*

28. See Section 8, 最高人民法院关于审理专利纠纷案件适用法律问题的若干规定, Supreme People's Court, June 22, 2001.

29. See Section 9, 最高人民法院关于审理专利纠纷案件适用法律问题的若干规定, Supreme People's Court, June 22, 2001, and *http://www.chinaiprlaw.com/fgrt/fgrt116.htm*, 如何理解最高人民法院关于专利法（2001）法释字第21号司法解释（9） 最高人民法院民事审判第三庭编著.

30. See Section 11, 最高人民法院关于审理专利纠纷案件适用法律问题的若干规定, Supreme People's Court, June 22, 2001.

31. See 最高人民法院关于对江苏省高级人民法院《关于当宣告专利权无效或者维持专利权的决定已被提起行政诉讼时相关的专利侵权案件是否应当中止审理问题的请示》的批复, Supreme People's Court, April 15, 2003.

with the civil proceedings and finds in favour of the patentee, even if the patent is later invalidated, the invalidity of the patent will not retroactively affect the civil judgment that has been enforced.

What Can You Get?—Infringement Liability

A patent infringer may be held liable for civil and/or criminal liability in China. Traditionally, damages are compensatory rather than punitive, and there are no treble-damages even for intentional infringement. However, due to the effect of "adequate compensation" required by TRIPS, Chinese courts have been awarding higher damages recently. According to a judicial interpretation from the Supreme Peoples' Court, damages can be one to three times the potential royalty lost, but this is at the court's discretion and depends on the merits of each particular case.[32]

Damages are calculated either based on the patentee's loss of profits or the infringer's profits. Unfortunately, it is hard for the patentee to prove either the actual loss of its profits or the amount that the infringer may have made and the court may not accept the evidence provided by the patentee showing the patentee's loss or the infringer's profit. In such a situation, damages can be decided with reference to the royalty of a patent license if any. If there is no royalty for reference or if the royalty is clearly unreasonable, the court has its discretion to decide the damage, which normally is between RMB 5K (approx. U.S. $620) to RMB 300K (approx. U.S. $37,270), up to RMB 500K (approx. U.S. $62,100) in a particular case.[33]

Further, the patentee may request the court to include in reasonable disbursements in investigating and stopping the infringement as well as attorney fees incurred. The Beijing's Intermediate People's Court has been known to award disbursements, damages and attorney fees to the plaintiff who won the case,[34] but the quantum may regretfully be significantly less than the actual expenditure.

The foreign patentee may be surprised that the Patent Law of PRC does provide limited protection for "innocent infringers." According to the Patent Law of PRC, any person who, for production and business purposes, uses or sells a patented product or a product that was directly obtained by using a patented process, without knowing that it was made and sold without the authorization of the patentee, shall not be liable to compensate for the damage of the patentee if he can prove that he obtained the product from a legitimate source.[35] Of course, if the patentee has sent a notice to the user or seller and provided sufficient information to the user or seller that his product is infringing but he still continues to use or sell it, then the act is deemed to be intentional. In such a case, even if the user or seller can prove the legitimate channels of distribution for the product, he can no longer claim to be an "innocent infringer" and would be subjected to the same liability as that of an intentional infringer.[36] Although the patentee cannot obtain damages from the "innocent infringer," at least he can stop the "innocent infringer" from continuing with infringement activities.

The act of passing-off a patent can constitute a crime with up to three years imprisonment.[37] A judicial interpretation from the Supreme People's Court which came into force on December 22, 2004 provides the following guidelines for taking criminal prosecution of patent passing-off activity[38]:

- If the passing-off business revenue is over RMB200,000 (approx. U.S. $24,850) or the illegal income from the passing-off activity is over RMB100,000 (approx. U.S. $12,420); or
- If the direct damage to the patentee due to the passing-off activity is over RMB500,000 (approx.. U.S. $62,100); or
- If the infringer passes off two or more patents, and if the business revenue from such passing-off activity is over RMB100,000 (approx. U.S. $12,420) or the illegal income from the passing-off activity is over RMB50,000 (approx. U.S. $6,210); or
- For other serious passing-off activities that

32. See Section 21, 最高人民法院关于审理专利纠纷案件适用法律问题的若干规定, Supreme People's Court, June 22, 2001.

33. See Section 21, 最高人民法院关于审理专利纠纷案件适用法律问题的若干规定, Supreme People's Court, June 22, 2001.

34. See 中华人民共和国北京市第一中级人民法院民事判决书 (2002）一中民初字第7232号; 中华人民共和国北京市第一中级人民法院民事判决书（2003）一中民初字第9546号; and北京市第一中级人民法院民事判决书（2002）一中民初字第3255号, Beijing Intermediate Courts.

35. See Article 63, *Patent Law of PRC*.

36. See Article 104, Draft of scheme for solving problems concerning patent infringement disputes, July 2003.

37. See Article 58, *Patent Law of PRC.*

38. See Article 4, 最高人民法院、最高人民检察院关于办理侵犯知识产权刑事案件具体应用法律若干问题的解释, Supreme People's Court & Supreme People's Procuratorate, December 8, 2004.

the court deems necessary for criminal prosecution.

As the criminal liability threshold has been lowered, recent statistic reveals that there is 35.40% increase for the criminal cases of infringing intellectual property right in the year of 2005 compared with the year of 2004.

Pre-Suit Injunctions

Under the Patent Law of PRC, the court has the power to issue a pre-suit injunction before the commencement of legal proceedings. In particular, where any patentee or interested party has evidence to prove that another person is infringing or will soon infringe any patent right and that if this infringing act is not checked or prevented in time, it is likely to cause *irreparable harm* to him, he may request the People's Court to order the suspension of relevant acts and the preservation of property before any legal proceedings are instituted.[39]

The petitioner requesting the court to grant a pre-suit injunction must satisfy the following requirements according to a judicial interpretation[40]:

(l) The patentee shall submit documents proving the authenticity and validity of his patent right, including the patent certificate or a certified copy of the patent, claims, description and the latest receipt of payment for the annual patent fee.

(2) The interested party shall submit the patent licensing contract and the proof for filing with the Patent Administrative Organ under the State Council; where the proof for filing is not available, he shall submit the certificate of the patentee or other evidence that proves that he enjoys such right.

(3) The applicant shall submit evidence to prove that the party against whom an application is filed is committing or will commit an act of infringing his patent right, which evidence is to include the alleged infringing product and the technical features of the patented technology and the comparison thereof.

(4) The applicant shall provide a bond when filing an application. When the People's Court determines the scope of the bond, it shall take account of the sales of the product in question; of the reasonable costs of storage and stock-keeping; of the losses that may be caused by stopping the relevant act of the party against whom the application is filed; and other reasonable costs, such as the wages or salaries and any other factors. In practice, the court may ask the applicant to post a bond that is equal to the potential damages that may be caused to the enjoined party. In some cases, the amount of the bond may be up to three times the potential damage.

(5) Where, in the process of executing the ruling to stop the relevant act, the party against whom the application is filed may suffer greater losses due to the adoption of the measure, the People's Court may order the applicant to provide an additional bond.

Actually, a pre-suit injunction is not unusual for patent litigation according to Lu Guoqiang, a Senior Judge and Vice President of the Shanghai No. 2 Intermediate People's Court.[41] When executing the pre-suit injunction, the court can collect sample products, seize products and documents, and obtain any other evidence indicating infringement. Because the evidence is obtained via the court order, the seized property is admissible in the trial. Not surprisingly, the pre-suit injunction provides a convenient way for collection of evidence. Although the patentee has to have quite strong evidence to successfully persuade the court to issue a pre-suit injunction, a few courts (e.g. the Beijing and Shanghai courts) have issued such pre-suit injunctions and it is to be hopefully expected that more courts would follow suit for stronger IPR protection.

The recent statistic reveals that from January to November in the year of 2005, the support rate for pre-suit injunction for IP cases has reached to 88.89%.

Settlement

Over 90% of IP litigation cases are settled. However, to enforce the settlement between private parties can be a problem or can lead to another lawsuit. Thus, when the parties reach a settlement during the course of proceedings, the parties must petition the court to be an administrator of the settlement and issue an official conciliation agreement. Since the

39. See Article 61, *Patent Law of PRC*.

40. See Sections 3, 4, 6 and 7, 最高人民法院关于对诉前停止侵犯专利权行为适用法律问题的若干规定, Supreme People's Court, adopted on June 5, 2001.

41. See Judge Lu Guoqiang, *Injunctive Relief, Managing Intellectual Property.*

agreement bears the official seals of the court, it is readily enforceable as a judgment.

Execution of the Judgment

If the court decides that there is infringement and compensation is awarded, the court will order the infringer to stop the infringement, destroy the infringing products, and pay costs and damages.

If the property of the infringer is located in another province beyond the jurisdiction of the court that issues the infringement judgment, the IPR holder can go to the court of the other province for judicial assistance to enforce the judgment. Although PRC Constitution does not specifically require one province to give full faith and credit to another province (equivalent to that provided between the states under the U.S. Constitution, Article IV, Section 1: Full faith and credit shall be given in each state to the public acts, records, and judicial proceedings of every other state), theoretically speaking, a judgment of a court of one province can be enforced in another province according to the Civil Procedural Law.[42] The other court has no power to doubt or attack the validity of the judgment but only has the duty to provide judicial assistance. However, practically speaking, local protectionism may exist, especially in small towns or counties.

What Can We Expect in the Near Future?

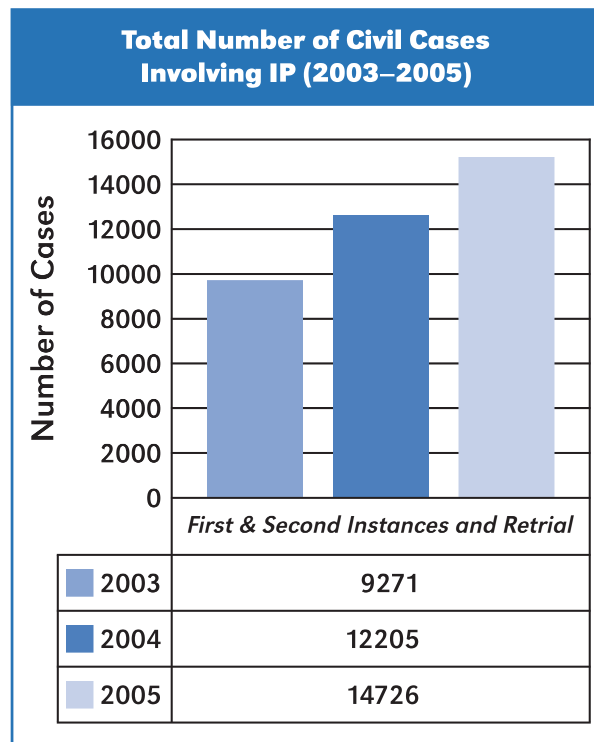
Although we see many issues remaining unresolved, it must be taken into account that the Chinese patent system is relatively new, and the Chinese government (including the judicial authority) is making progress. With respect to patent litigation which involves complex technical issues, the court authority has realized the necessity to ensure consistency and uniformity in court decisions. There have been a few proposals to follow and learn from the U.S. legal system (e.g. establishing the Court of Appeals for the Federal Circuit) and Japanese patent system to set up separate IP courts. Frequently, cases are now being published in court gazettes, media and the Internet. In addition, some important cases involving foreign parties have also been translated into English.

Even though China does not have a case law system, patent precedents do provide guidance or reference to most judges. The Supreme People's Court also constantly delivers judicial interpretations to provide clearer guidelines. The Scheme for Solving Problems Concerning Patent Infringement Disputes, which combines parts of Chinese Patent Law, Implementing Regulations of the Patent Law, Civil Procedural Law, Administrative Procedural Law, Judicial Interpretations from the Supreme People's Court, as well as opinions of judges and lawyers practicing Chinese patent law, has been drafted and published in July 2003 to solicit opinions from various domestic and foreign fields.[43]

Summary

Patent litigation is generally lengthy, complicated and expensive, but patentees can take comfort from the fact that the PRC authorities are taking seriously all IPRs. Statistics[44] (reproduced here) also show that the system is working and patentees (even foreign ones) are generally able to enforce their rights. ■

The Countrywide Statistics For The Civil Cases Involving IP



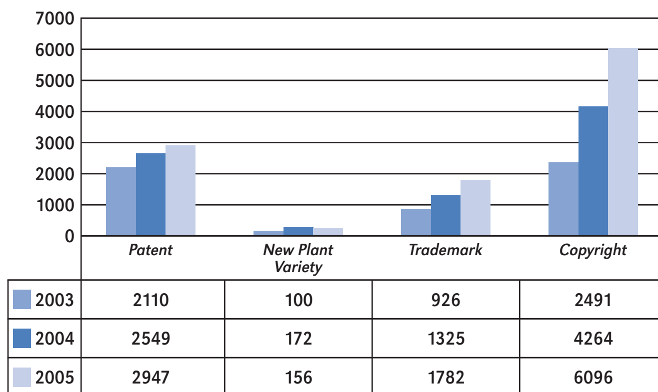
	First & Second Instances and Retrial
2003	9271
2004	12205
2005	14726

42. See Section 210, *Civil Procedural Law.*

43. See *http://www.chinaiprlaw.com/english/news/news23.htm.*

44. See *http://www.chinaiprlaw.com/file/200503214420.html*

Civil Cases of First Instance Involving IP (2003–2005)

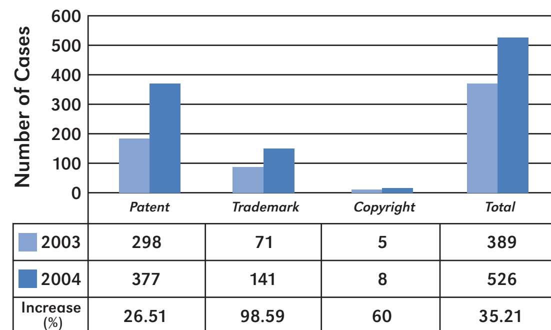


	Patent	New Plant Variety	Trademark	Copyright
2003	2110	100	926	2491
2004	2549	172	1325	4264
2005	2947	156	1782	6096

The total number of cases of first instance in 2005: 13,424, 26% increase compared with 2004, wherein:

- Patent: 2,947, 15.61% increase compared with 2004;
- New plant variety: 156, 10.26% decrease compared with 2004;
- Trademark: 1,782, 34.49% increase compared with 2004;
- Copyright: 6,096, 42.96% increase compared with 2004.

Administrative Cases of First Instance Involving IP (2003 vs 2004)



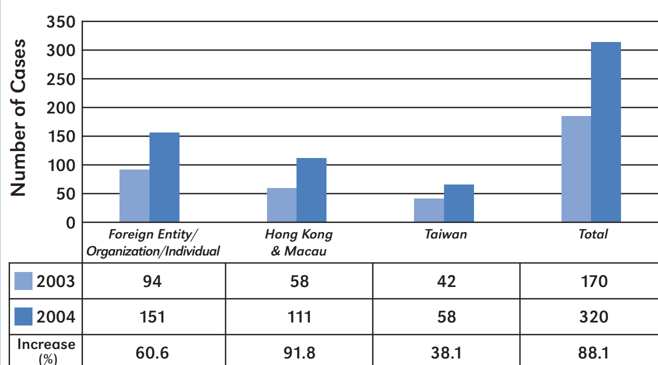
	Patent	Trademark	Copyright	Total
2003	298	71	5	389
2004	377	141	8	526
Increase (%)	26.51	98.59	60	35.21

The Countrywide Statistics In 2004 For The Administrative Cases Involving IP

The total number of cases of first instance: 526, 35.21% increase compared with 2003, wherein:

- Patent: 377, 26.51% increase compared with 2003;
- Trademark:141, 98.59% increase compared with 2003;
- Copyright: 8, 60% decrease compared with 2003.

Court Decisions on IP Civil Cases of First Instance Involving Foreigners (2003 vs 2004)

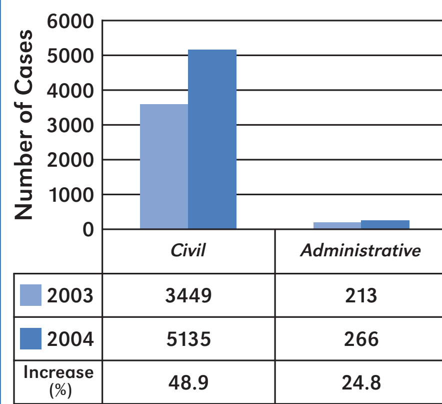


	Foreign Entity/ Organization/Individual	Hong Kong & Macau	Taiwan	Total
2003	94	58	42	170
2004	151	111	58	320
Increase (%)	60.6	91.8	38.1	88.1

The total number of Court decisions of first instance involving foreigners: 320, 88.14% increase compared with 2003, wherein:

- Foreign entity/organization/individual: 151, 60.64% increase compared with 2003;
- Hong Kong and Macau: 111, 91.83% increase compared with 2003;
- Taiwan: 58, 38.1% increase compared with 2003.

Cases of First Instance Involving IP (2003–2004)



	Civil	Administrative
2003	3449	213
2004	5135	266
Increase (%)	48.9	24.8

The Countrywide Statistics From January To May Of 2004 For Cases Of First Instance Involving IP

The number of the civil cases: 5135, 48.9% increase compared with the same period of 2004;

The number of the administrative cases: 266, 24.8% increase compared with the same period of 2004.