

WIPO Workshop zu IP Streitbeilegungsverfahren IP Litigation in China

Dr. Thomas Pattloch, LL.M.Eur



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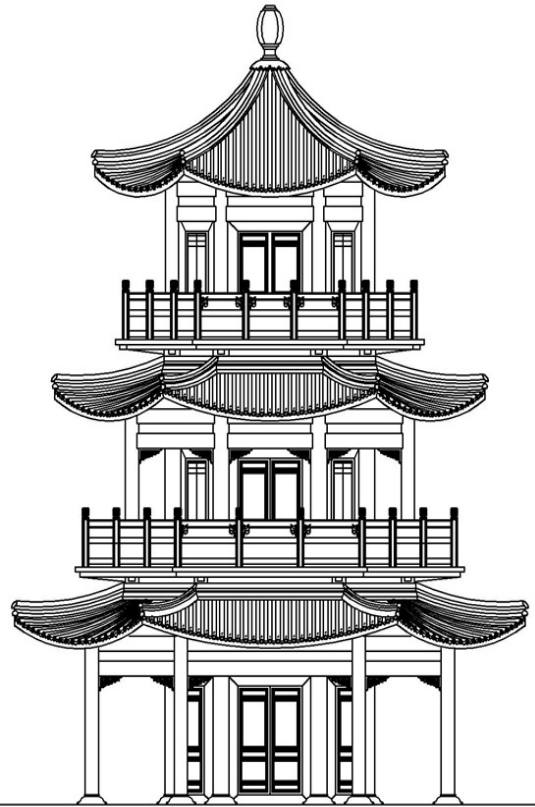
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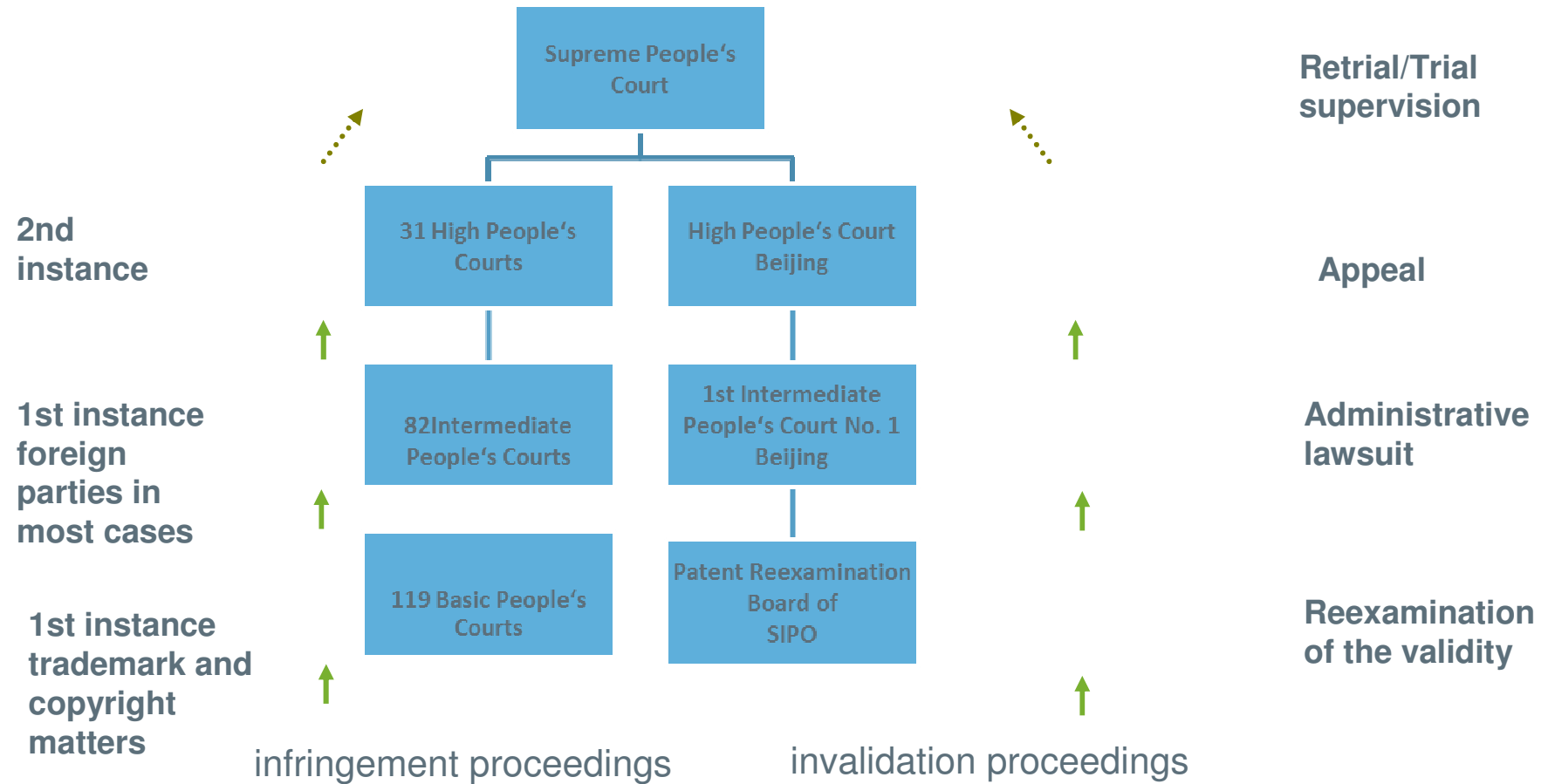
03 > Court Procedure





01 > Judicial system in China

Court system in China for IP cases






Welcome to the website
of the Supreme People's Court

▶ Judicial News ▶ Grand Justices ▶ Judicial System ▶ Laws&Regulations ▶ PRC Laws ▶ Focus News

JUSTICE

■ CHIEF JUSTICE

 **Wang Shengjun**
Wang Shengjun, male, ethnic Han, born in October 1946, native of Suzhou, Anhui Province, Member of the 15th CPC Central Commission for Discipline Inspection, Member of the 16th and 17th CPC central committees, President and Party secretary of the Supreme People's Court of PRC, and Chief Justice.

■ GRAND JUSTICE OF THE FIRST RANK

 **Shen Deyong**
Shen Deyong, Male, ethnic Han, born in February 1954, native of Xiushui, Jiangxi Province, Member of the Standing Committee of the 16th CPC Central Commission for Discipline Inspection, Member of the 17th CPC Central Commission for Discipline Inspection, Executive Vice President and Vice Party Secretary of the Supreme People's Court of PRC, Member of the Judicial Committee, and Grand Justice of the first rank.

 **Zhang Jun**
Zhang Jun, Male, ethnic Han, born in October 1956, native of Bo Xing, Shandong Province, Member of the Standing Committee of the 17th CPC Central Commission for Discipline Inspection, Vice President and Vice Party Secretary of the Supreme People's Court of PRC, Member of the Judicial Committee, and Grand Justice of the first rank.

■ GRAND JUSTICE OF THE SECOND RANK

The SPC leadership

IP Judicial Protection--Courts

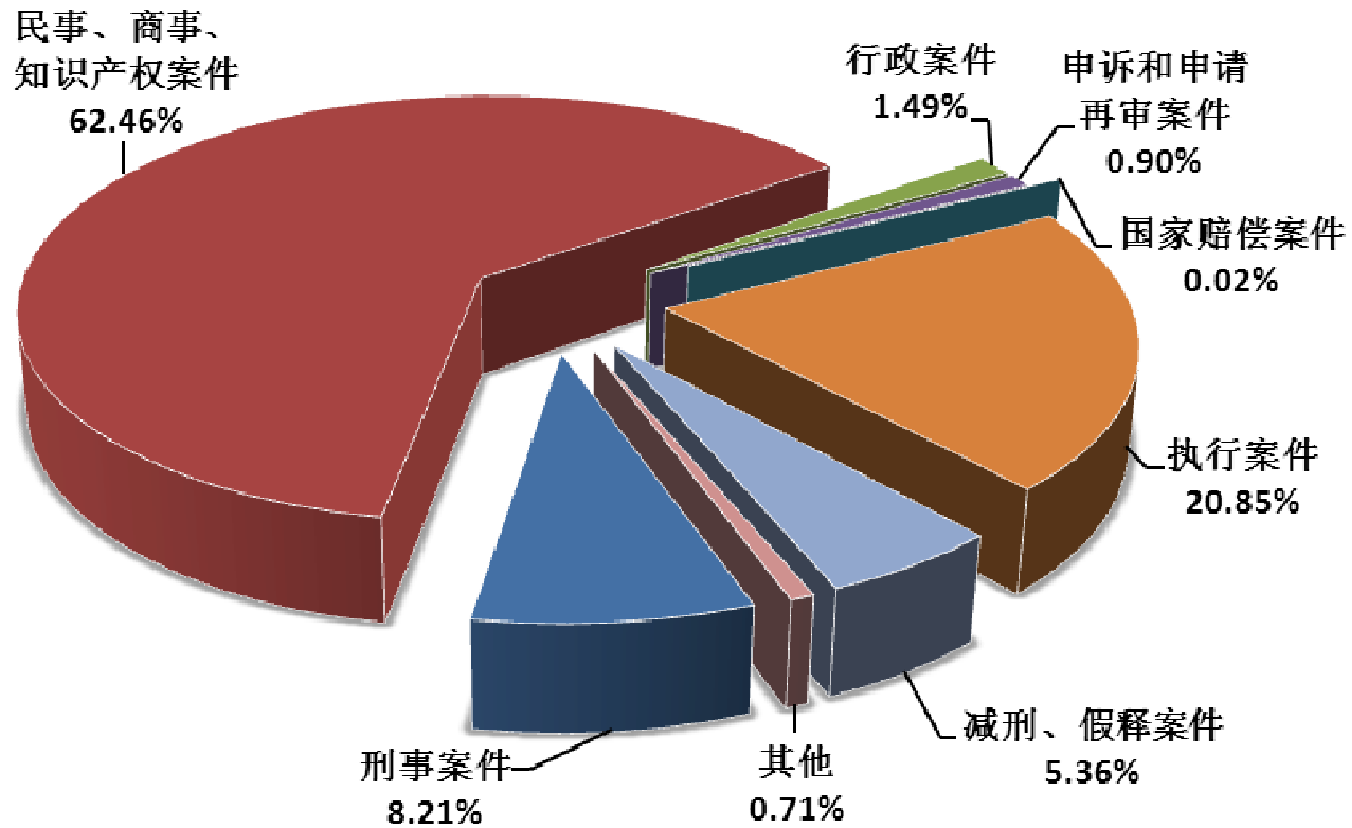
- > Supreme People's Court

- > Higher People's Courts
 - About 30 courts
 - Second and first instances of some IPR cases

- > Intermediate People's Courts
 - Over 400 courts
 - First and second instances of all non-patent IPR cases
 - Till the end of 2011, 82 courts able to handle first instance of patent cases; 45 courts for new plant variety case, 46 courts for integrated circuit case, 43 courts for well-know trademark recognition

- > Basic People's Courts
 - Over 3000 courts
 - Till the end of 2011, 119 courts able to handle first instance of non-patent IPR cases, 3 courts are pilots on handling first instance cases involving utility model and designs

Case distribution in 2011: 62% civil/commercial/IP cases



Some statistics in 2011 (SPC Annual Report)

- > In 2011, of all cases filed in Chinese courts about 10% appeal rate
- > 98.58% of those cases upheld in second instance
- > Civil cases in 2011: 7,226,871, increase by 7.62%
 - E.g.: Product liability 6,981 cases, increase by 33.94%

- > IP cases in 2011: 57,068, increase by 36.79%;
 - Foreign-related civil cases: 1,296, decrease by 5.33%
 - Cases with parties from Hong Kong, Taiwan, Macao: 619, increase by 122.66%
 - Administrative cases 2,470 (986 foreign related, 251 Hong Kong, Taiwan, Macao), increase by 3.3%.
 - Criminal cases 5,504, increase by 39.62%



3 in 1 system

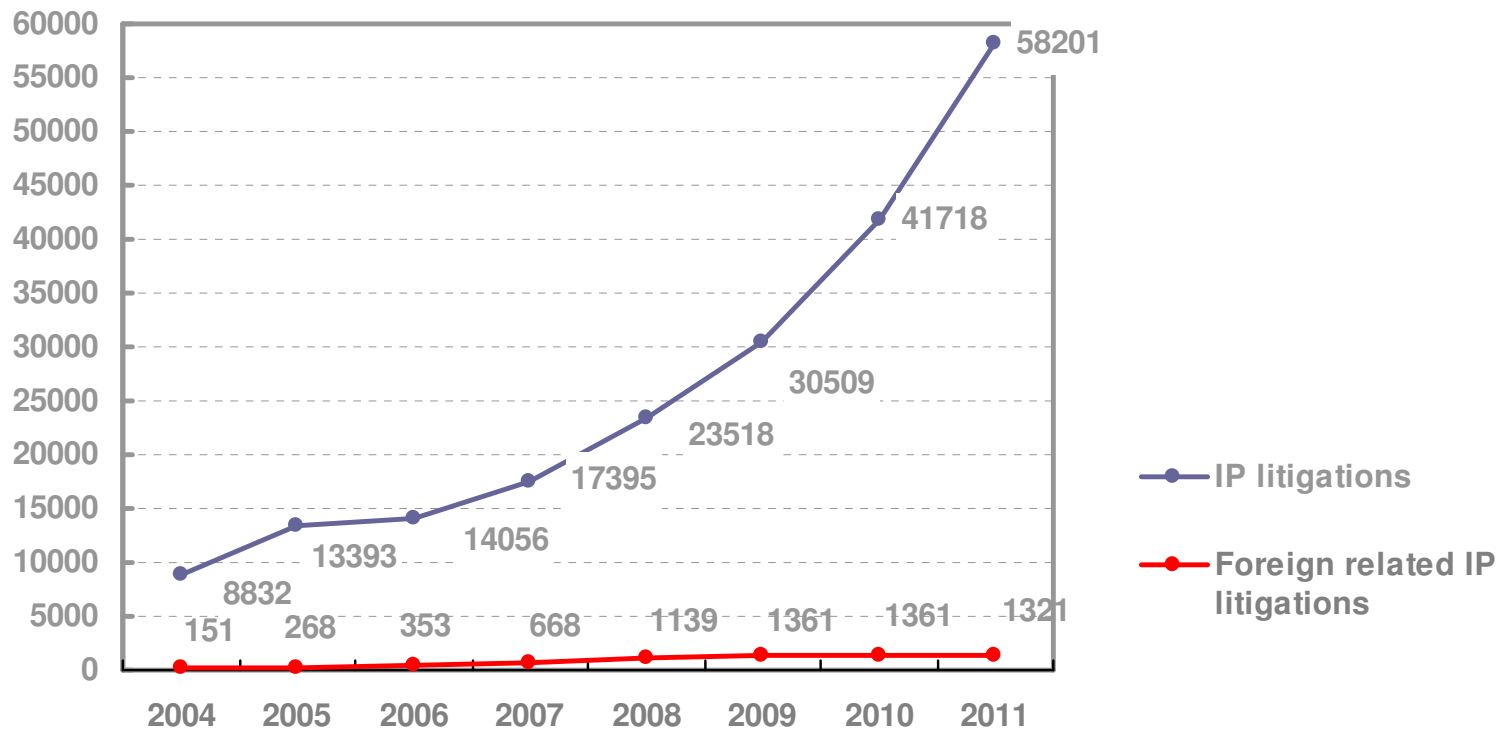
- > Hearing of civil, administrative, criminal IP cases by the same chamber and the same judges
 - 5 participating High People's Courts, 50 Intermediate People's Courts, 52 Basic People's Courts
 - Preparation for a future IP Court?



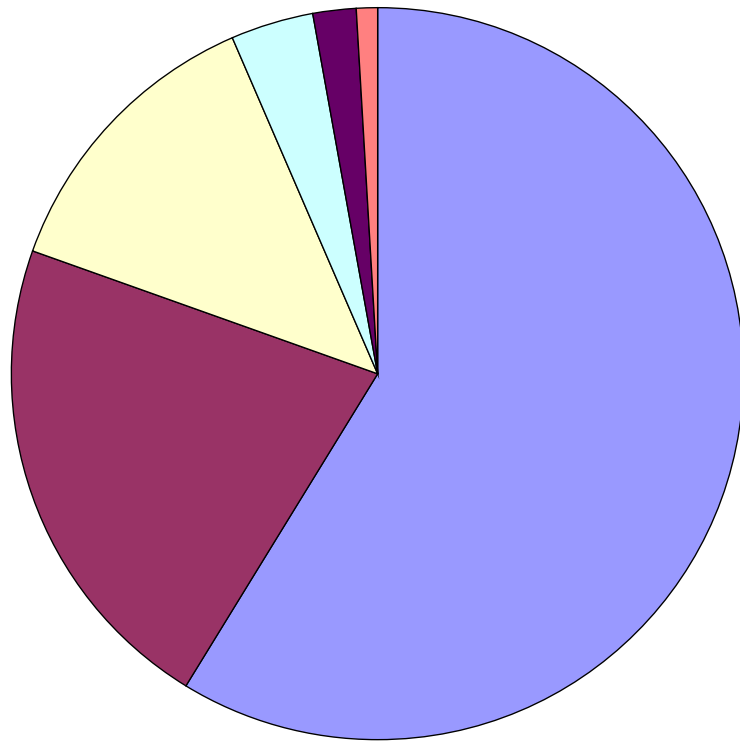
Mediation

- > Courts in China tends to mediate (“harmonious society”)
- > In 2011, 72.72% of first instance cases were closed by mediation
- > Outside mediation resources used by courts:
 - Shanghai Copyright Dispute Mediation Center
 - China Internet Association

Statistics of IP Civil Cases (closed) in China 2004 - 2011



IP Cases in 2011: More than 50% related to copyright



1. Copyright: 35185 cases
2. Trademark: 12991 cases
3. Patent: 7819 cases
4. Others: 2193 cases
5. Unfair competition: 1137 cases
6. Technical contract disputes: 557 cases

Judges and lawyers

- > 195.000 judges in 2011, about 50% with college degree or higher education
- > “Professionalization“: Judges Law of the PRC of 1995, revised in 2001
 - Amended/enlarged role from participant to mass education to participant in social management, ensuring social stability and economic development
 - No trial without complaint – rule of law since 1997
 - No power to put into question administrative decisions of State Council, laws and regulations as regards constitutionality
 - “Judicial activism“ with Chinese characteristics: avoid disputes, foster mediation, avoid social contractions, meet people’s satisfaction:
 - Balance the law with the parties needs – and the public?

Independence of judges

- > Traditionally: local administrative powers hold judges' power
- > Oversight by People's Procuratorate: Art 14 Civil Procedure Law
- > Judicial Committees
- > Deputies of National People's Congress
- > Pressure by society to "popularize" application of the law
 - Apply the law – or solve/settle the dispute? Conflicting role of judges
 - Example for IP: Opinions of the Supreme People's Court on Giving Full Play to the Functional Role of Intellectual Property Trials in Advancing the Great Development and Prosperity of Socialist Culture and Promoting Independent and Coordinated Economic Development Fafa 2011 No. 18

Revision of Civil Procedure Law

- > The revision was approved on August 31, 2012 and will take effect on January 1, 2013.
- > Preliminary assessment: Questions remain, impact in practice still unclear
- > Main changes:
 - > Expanded interim injunctive relief
 - Available to all types of civil cases now
 - A party is entitled to obtain a court order requesting the other party to cease certain acts or undertake certain acts
 - > Evidence
 - Pre-filing evidence preservation
 - Electronic evidence
 - Obligation to provide evidence upon court's request

Revision of Civil Procedure Law (continued)

- > Retrial right granted to third party
 - A third party is allowed to initiate a separate action to challenge a court's judgment within 6 months when he/she knew or should have known

- > One instance trial as final trial for cases in small volume
 - China's judicial system is second instances trial as final trial in general (Retrial (third trial under certain condition))
 - This revision provides that only one instance trial for case in small volume (less than 30% of average yearly salary)

- > Public interest actions
 - Institutions and relevant groups may initiate action in cases where the social public interest is injured, such as environmental pollution and consumer right matter.
 - Possible in IP cases? Compulsory license?



Revision of Civil Procedure Law (continued)

- > Enforcement of judgment
 - Punishment increased for not cooperating with court on enforcement of judgment or providing evidence
 - Punishment on conspiracy and malicious litigation to avoid the enforcement of an earlier judgment

- > Conspiracy and malicious litigation
 - Punishment on conspiracy and malicious litigation to infringe legal interest of others
 - Fake well-know trademark case? Patent owner suing infringer with patent the owner knows will be invalidated?



Revision of Civil Procedure Law (continued)

- > Establishment of the case
 - The court shall make written decision if the court refuses the acceptance of a case
 - The difficulty in establishment of case will be solved?

- > Transparency
 - The public may check the ruling paper

- > Choose Jurisdiction
 - Two parties may agree on the jurisdiction
 - The chosen jurisdiction shall be actually relevant to the dispute



02 > Pre-litigation

Evidence

- > Extreme high requirements on evidence: certainty threshold?
 - Legalization of documents from foreign countries, Art 69 CPL
 - Notarized evidence/purchase of infringing goods, Art 70 CPL
 - Private investigators – trade secrets – reversal of burden of proof
 - Technical appraisal, Art 76 et seq. CPL
 - Application for evidence preservation, Art 81 (see also 64), 100, 101 CPL
 - Bond

- > Significant cost and resources are often needed for collecting evidence



Preparation for Filing a Litigation

- > Assess validity of own right
 - Certificates: patent, trademark, copyright registration (not mandatory but helpful as evidence)
 - Validity of your IP rights
 - Patent evaluation report for utility model and design
 - Search report

- > Assess infringement
 - Information about infringer
 - Obtain infringing goods
 - Technical analysis

- > Assess business interest
 - Competition
 - Risk of Counter reaction
 - Possible amount of damage

- > Assess possibility of settlement



Preparing litigation: Defendant - Jurisdiction

- > Get information about the defendant: Size, location, reputation, resources, connections

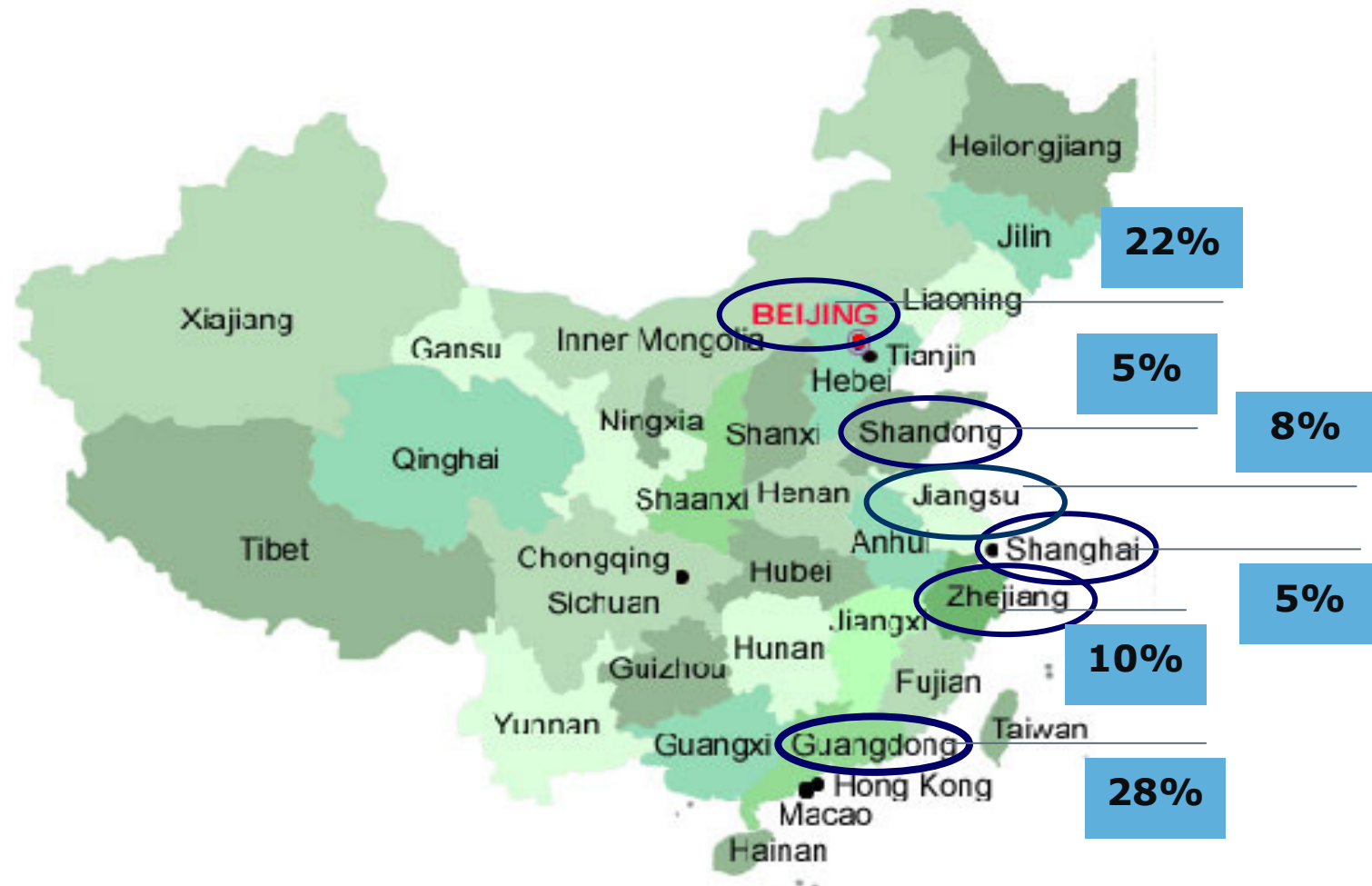
- > Defendant's residence

- > Place of Infringement
 - Manufacture
 - Sales/offer to sell
 - Use
 - Internet case: where the server is located

- > Forum shopping

Where to Enforce Your IP Right

(2010 IP cases breakdown by region)





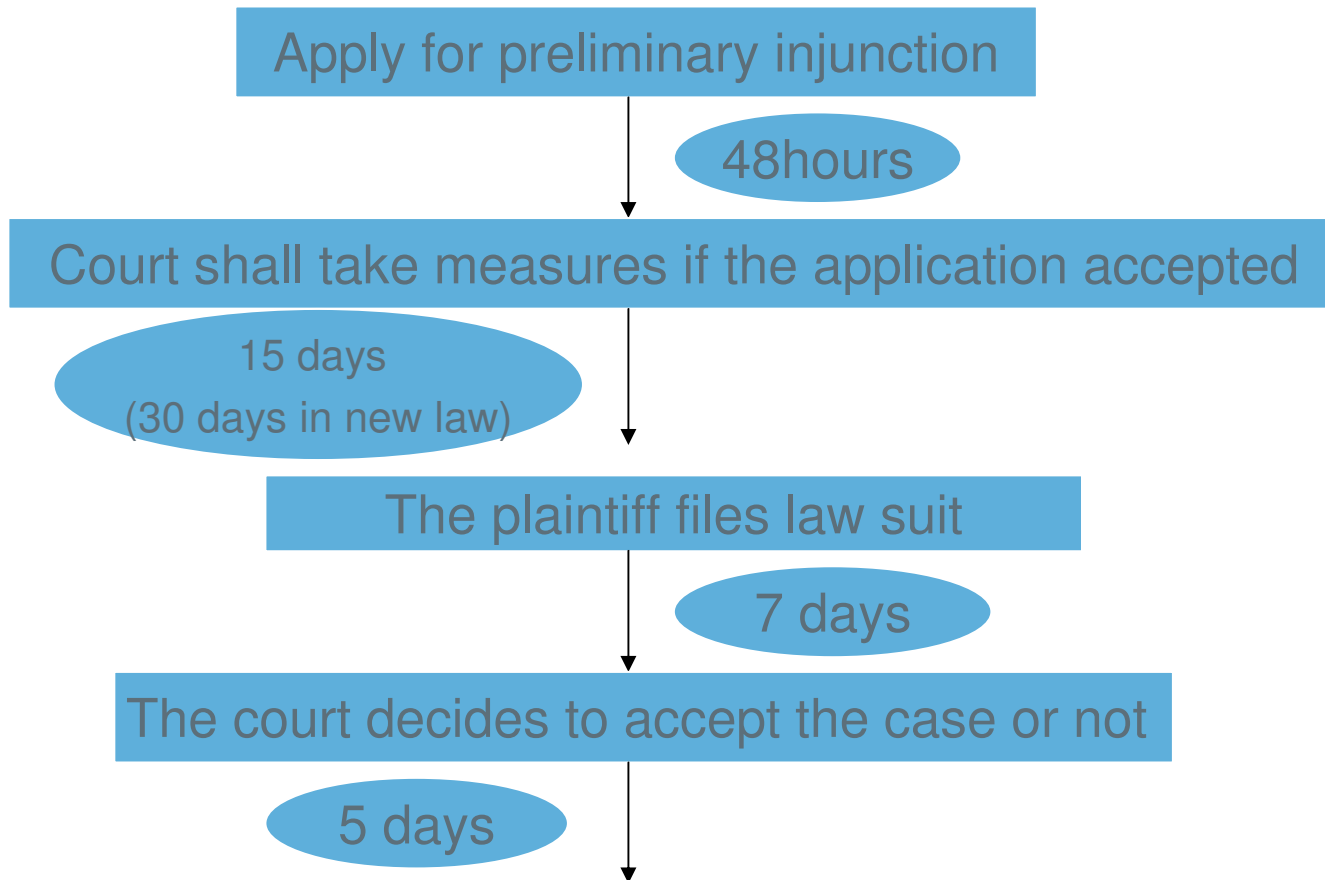
Statute Limitation

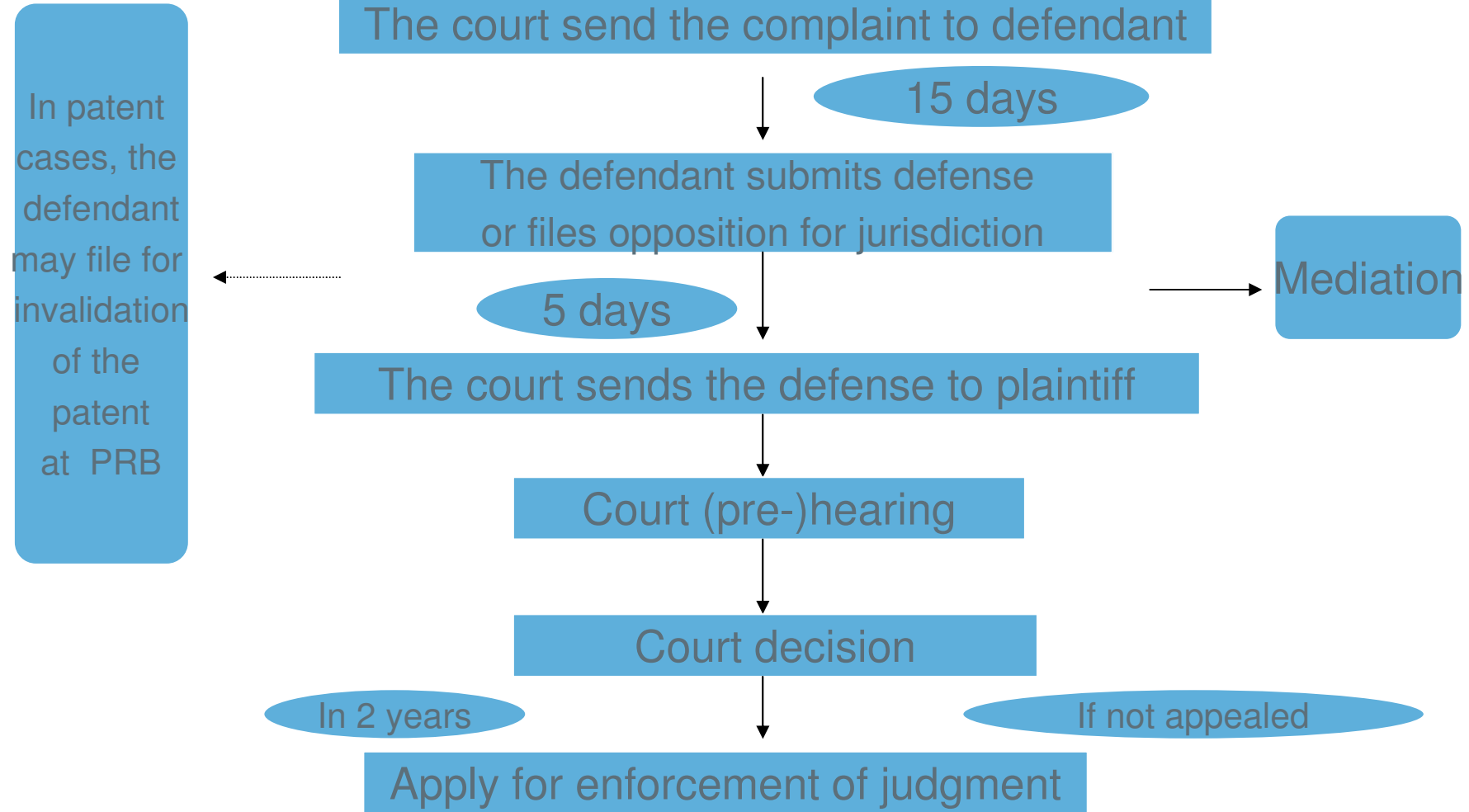
- > In general – two years
- > Known or should have known
- > Continuing Infringement after two years
 - Stopping infringement
 - Damage calculation only for last two years prior to the filing of lawsuit



03 > Court Procedure

Procedure of first instance



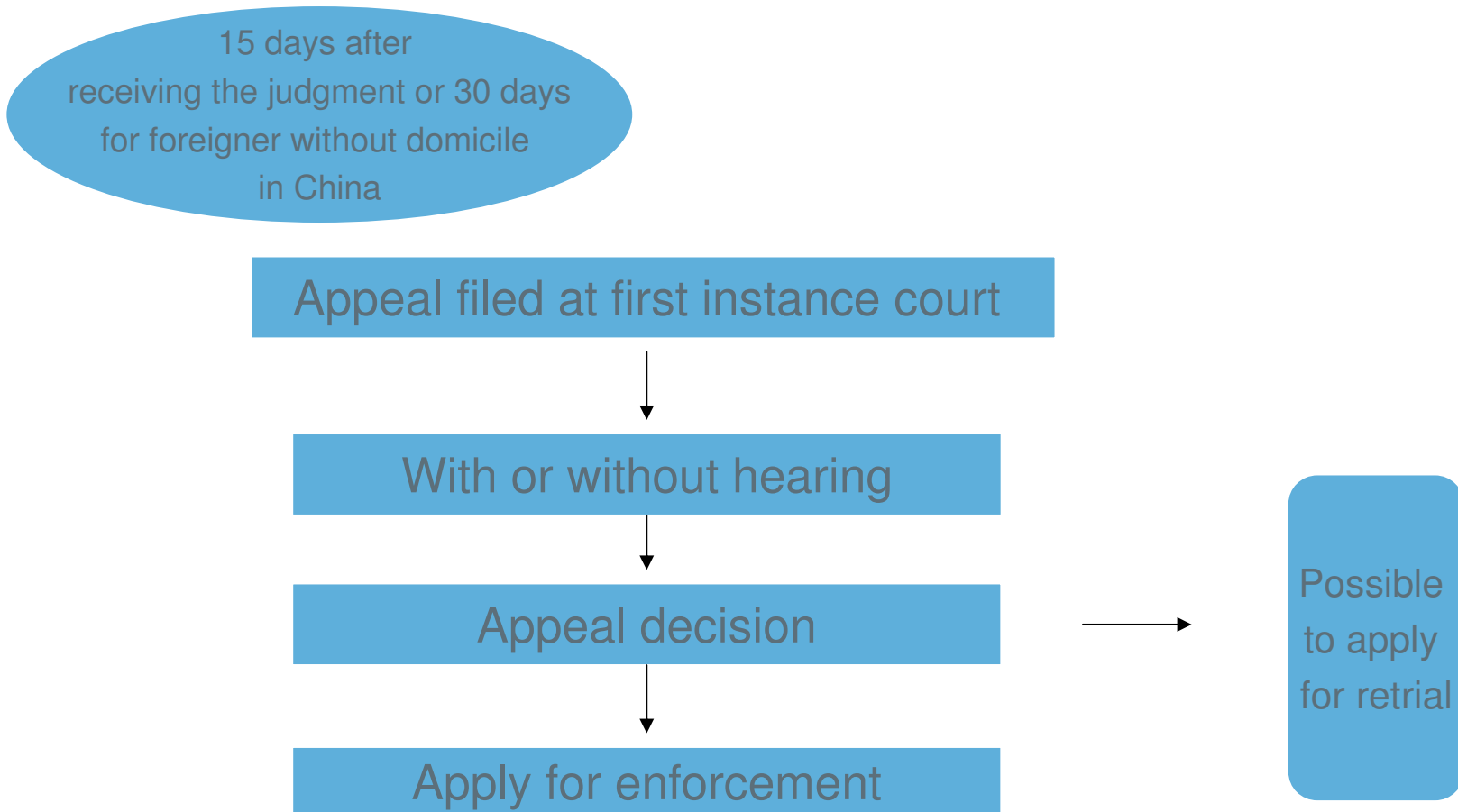




Duration of procedure

- > The whole process normally must be finished in 6 months from the date of establishment of the case. The deadline can be extended for another 6 months after approval from the chief judge.
- > Limitation does not apply in cases involving foreigners.
- > Time for technical appraisal shall not be counted for time limitation.
- > In patent case, if the defendant filed for invalidation of the patent at PRB, the infringement case might be suspended for awaiting the outcome of invalidation procedure.

Second instance



Hearing tribunal

- > Tribunal for the case (usually 3 judges plus one clerk)
 - Presiding Judge (deciding both laws and facts)
 - Assistant Judge
 - Possibly People's Juror (人民陪审员)
 - Clerk (logistic issues and recording the court procedure)

- > IP Tribunal (三审合一)
Combining IP civil, administrative and criminal cases into one tribunal

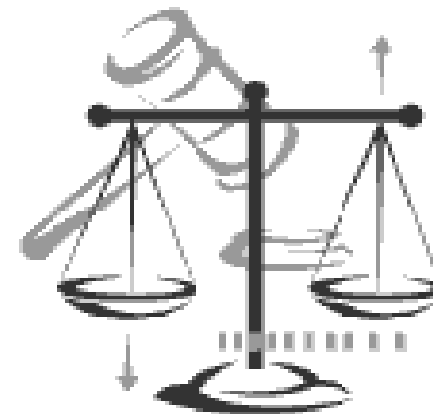
- > Role of judicial committee (审判委员会)

- > Role of experts

Claims

The plaintiff has the following claims arising from the infringement of his patent:

- > Stop infringing conduct
- > Destruction of infringing goods and of means for infringement?
- > Damages
- > Elimination of (negative) effect
- > Apology
 - > Only available for copyright case
 - > Possible to get through mediation for other cases





Experts

- > Courts experimenting with SIPO examiners forming part of court expertise, currently in trial courts of Beijing, Shanghai, Hebei, Guangxi, Shanxi and others
- > Difficulty to find competent experts in many fields still dominant
- > Decision on questions to be answered by the expert
- > Questioning of experts by the parties? – Art 78, 79 CPL, 139 CPL (with permission of the court)

Damages

Three Methods for Calculating Damages:

- > Lost profits of patent owner
- > Illegal profits made by the infringer
- > Reasonable royalty fee

Alternative/standard: Lump sum compensation / Statutory damages

Patent: RMB 10,000 – 1,000,000 (app. 125,000 €)

Trademark/Copyright: Up to RMB 500,000

Reasonable expenses for stopping the infringement (attorney fees inclusive?)



Mediation

- > Nature of mediation agreement
 - Art 9 Civil Procedure Law and practice in the past and today
 - Chapter 8 Civil Procedure Law, Art 211 Civil Procedure Law regarding enforcement

- > Chinese Mediation Law 2010
 - People's Mediation Committee
 - Confirmation procedure of validity in front of the courts upon joint application by the parties, Art 33 Mediation Law



Enforcement of court decision

- > The decisions shall be published by the people's court
- > If the other party does not fulfill obligation on the judgment, the winning party may apply for enforcement in 2 years
- > Apply at first instance court or other same level court where the target asset is located
 - > Enforcement division of the court
- > Local protectionism?

Evidence preservation under the new Civil Procedure Law

Art 81 of the New CPL reads:

> *“Under the circumstances in which evidence may be lost or it will be difficult to collect the evidence in future, the party concerned may apply with the people's court for preservation of such evidence **in the proceedings**, and the **people's court may also take the initiative to take preservative measures**.*

*Under the **emergencies** in which evidence may be lost or it will be difficult to collect the evidence in future, an interested party may, **before the case or arbitration is filed**, apply for preservation of such evidence with the people's court in the place where the evidence to be preserved is located or the place where the respondent is domiciled, or the people's court with jurisdiction over the case.*

With regard to other procedures for the preservation of evidence, the relevant provisions of Chapter 9 entitled "Preservation" herein shall apply as a reference.”

Property preservation under the new Civil Procedure Law

Art 101 of the New CPL reads:

- > *“Any interested party whose legitimate rights and interests would, due to urgent circumstances, suffer irreparable damage without immediate application for property preservation, may, **before filing a lawsuit**, apply to the people's court in the place where the applicant is located or the people's court which has jurisdiction over the case for the **adoption of property preservation measures**. The applicant shall provide security; if the applicant fails to do so, his application shall be rejected. The people's court shall make a ruling within 48 hours after receiving the application. Where it rules to take preservative measures, the ruling shall be enforced immediately. Where the applicant fails to institute legal proceedings or apply for arbitration within 30 days in accordance with the law after the people's court takes preservation measures, the people's court shall rescind the said measures.”*

Fees and costs

- > Courts fees
- > Investigation fees, notary fees
- > Warehouses
- > Attorney's fees
- > Expert opinion fees
- > Travel costs witnesses, Art 74 CPL
- > Translation costs
- > Winning party's costs



Publications of judgments and transparency

- > White Book in English!
- > www.chinacourt.cn
- > <http://ipr.court.gov.cn>
- > Since 2010 SPC IP Case Report with ten important cases selected and 50 model cases – development to stare decisis / turning away from continental law?

Office Details

Beijing ^Ω

Unit 2307&08, West Tower,
Twin Towers
B-12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022
T. +86 (10)6567 5886

Berlin

Ebertstraße 15
10117 Berlin
T. +49 (0)30 88 56 36 0

Bratislava

TaylorWessing e|n|w|c
Panenská 6
81103 Bratislava
T. +421(0)2 5263 2804

Brno ^Ω

TaylorWessing e|n|w|c
Dominikánské náměstí 4/5
602 00 Brno
T. +420 543 420 401

Brussels

Trône House
4 Rue du Trône
1000 Brussels
T. +32 (0)2 289 6060

Budapest

TaylorWessing e|n|w|c
Dorottya u. 1. III. em.
1051 Budapest
T. +36 (0)1 327 04 07

Cambridge

24 Hills Road
Cambridge, CB2 1JP
T. +44 (0)1223 446400

Dubai

26th Floor, Rolex Tower,
Sheikh Zayed Road,
P.O. Box 33675
Dubai, United Arab Emirates
T. +971 (0)4 309 1000

Düsseldorf

Benrather Straße 15
40213 Düsseldorf
T. +49 (0)211 83 87 0

Frankfurt

Senckenberganlage 20-22
60325 Frankfurt a.M.
T. +49 (0)69 971 30 0

Hamburg

Hanseatic Trade Center
Am Sandtorkai 41
20457 Hamburg
T. +49 (0)4 0 36 80 30

Kiev

TaylorWessing e|n|w|c
Illinsky Business Center
vul. Illinska 8
04070 Kiev
T. +38 (0)44 369 32 44

Klagenfurt ^Ω

TaylorWessing e|n|w|c
Alter Platz 1
9020 Klagenfurt
T. +43 (0)463 51 52 27

London

5 New Street Square
London EC4A 3TW
T. +44 (0)20 7300 7000

Munich

Isartorplatz 8
80331 Munich
T. +49 (0)89 2 10 38 0

Paris

42 avenue Montaigne
75008 Paris
T. +33 (0)1 72 74 03 33

Prague

TaylorWessing e|n|w|c
U Prasné brány 1
CZ-110 00 Praha 1
T. +420 224 81 92 16

Shanghai ^Ω

Unit 1509, United Plaza
No. 1468, Nanjing West Road
Shanghai 200040
T. +86 (0)21 6247 7247

Singapore

RHTLaw Taylor Wessing LLP
Six Battery Road
#09-01, #10-01
Singapore 049909
T. +65 6381 6868

Vienna

TaylorWessing e|n|w|c
Schwarzenbergplatz 7
1030 Vienna
T. +43 (0)1 716 55

Warsaw

TaylorWessing e|n|w|c
ul. Mokotowska 1
00-640 Warsaw
T. +48 (0)22 584 97 40

^Ω Representative offices

Thank you for your attention!



Dr. Thomas Pattloch, LL.M.Eur.
Partner, München

- > **IP law, including licensing**
- > **Applications for IP protection, Litigation & Dispute Resolution**
- > **Practice Area China and Greater China**

Thomas Pattloch specialises in industrial property rights and technology transfer with a particular focus on China. He provides comprehensive assistance and advice with regard to all aspects of Chinese industrial property law, covering inter alia strategic establishment of industrial property rights in China, enforcement of rights and assisting clients in particularly sensitive fields of technology, competition-related aspects of license agreements, drafting of software and technology license agreements, designing R&D projects as well as IP transactions. Furthermore, he advises on target-oriented IP strategies for developing markets in China and Greater China. His remit also comprises assistance in fighting product piracy in China and Asia.

Thomas went to law school in Munich. Afterwards, he did his doctorate at the University of Passau, with a thesis on Chinese IP rights, and was a research assistant with the Asia department of the Max Planck Institute for Foreign and International Patent, Copyright and Competition Law. After obtaining his doctorate degree, he practised law in Shanghai. Before joining Taylor Wessing he was the European Commission's IP Officer in Beijing, China.

Thomas regularly publishes technical papers on IP rights in China and frequently speaks at international seminars and events. He is the author and co-author of several specialist books on Chinese law including also contract negotiations in China. A speaker of Mandarin, Thomas maintains close links to Chinese partners and institutions.

Contact

T: +49 (0)89 210 38 222

E: t.pattloch@taylorwessing.com