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IP ENFORCEMENT IN CHINA -STRATEGY AND PRACTICAL TIPS

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***Proposed 4th Amendment to
Chinese Patent Law within 30
years***

Outstanding Problems of Patent Law Practice in China Recognized by NPC

- **Time-consuming** patent enforcement process
- **Patentee-unfriendly** evidence collection rules
- **High cost** of legal proceedings
- **Low damage** of infringing activities

Highlights of the Proposed Amendments (1)

- Extend the design patent's term to 15 years (from 10 years)
- Offer protection to a partial exterior design of an object
- PRB (PTAB's equivalent at SIPO) may invalidate a patent based on reasons beyond lack of novelty or inventive step
- Give SIPO administrative adjudicate power to crack down massive or repeated infringements

Highlights of the Proposed Amendments (2)

- Defendant should produce its sales and financial data after found infringing a patent
 - If defendant refuses to produce such data, court may determine the damage based on patentee's calculation and related evidence
- Court may provide up to treble damages for willful infringements
- Internet service provider may be held jointly liable for infringing activities by a third party using its service if ISP does not terminate such activities promptly

Highlights of the Proposed Amendments (3)

- Patentee may grant a voluntary license (with or without license fee) to anybody by submitting a request at SIPO
 - UK and Germany have similar practice
- Standard essential patent owners should disclose its SEPs when participating a government standard drafting
 - If not, all practitioners of the standard receive default (not necessarily free) license to the SEPs



Basics of Chinese Judicial System

Bifurcated Adjudication System

- Patent infringement and remedies
 - Tried at one of the IP courts that has jurisdiction over the case
 - Administrative adjudication offers injunction but no monetary damage
- Patent validity
 - Determined by SIPO's PRB

China's Legal System

- China's 4-tier civil law system
 - National Level: One Supreme People's Court (SPC)
 - Has one dedicated IP court
 - Provincial Level: 32 Higher People's Courts (HPC)
 - Each has one dedicated IP court
 - Municipal Level: ~400 Intermediate People's Courts (IPC)
 - Beijing, Shanghai, and Guangzhou have dedicated IP courts
 - County/City District Level: ~3000 Primary People's Courts (PPC)
 - Not authorized to try patent cases

Relationship Between Different IP Courts

- Decisions and Interpretations by SPC are important guidance for lower courts
- Most patent cases are tried at an IPC and appealed at a HPC
- SPC and HPC can remove a high-profile patent case from lower courts (not common)



Tips on Enforcement Strategy

Pre-Litigation Preparation Work (1)

- Determine whether defendant's product/service is covered by patent-at-issue or not
- Check the stability of the patent-at-issue
 - Prior art search
 - Review the file wrapper
 - Check the specification's support of the issued claims
 - Identify potential translation errors

Pre-Litigation Preparation Work (2)

- Decide where to sue defendant
 - The city where the defendant's headquarter is located
 - The city where the infringing product is used or sold
 - It is a common practice by defendant to challenge the court's jurisdiction in order to buy more time
- Purchase infringing products
 - Notarization
 - Infringement analysis by a government-approved judicial appraisal agency

Pre-Litigation Preparation Work (3)

- Attorney letter
 - Notify defendant's customers of its infringement activities
 - Provide the infringement analysis to its customers
 - Suggest preliminary injunctions against defendant
- Consider filing multiple cases at different courts
 - Choose those patentee-friendly courts
 - Avoid local protectionism

How Long Does A Case Last?

- IPC's trial
 - 6-12 months
- HPC's appeal
 - 3-6 months
- A case involving a foreign entity takes longer time
 - Labeled as a "significant matter"
 - Judge's performance tied to the number of cases they concluded for a given time period (e.g., a year)
- Patent Invalidation Proceeding at PRB
 - 6-12 months

Typical Defense Tactics

- Plaintiff has no standing to sue
 - Make sure that you have impeccable evidence to prove your ownership
 - Exclusive licensee can sue
- Defendant practices prior art
- File a patent reexamination at PRB
 - In hope of staying the case

PRB Proceeding

- Most defendants file an invalidity request when hit by a patent lawsuit
 - Cases based on utility model or design patents may be suspended
 - Cases based on invention patents are usually not suspended
- Courts may hold off issuing a ruling on an infringement case while waiting for the PRB decision
 - If the PRB decision is to invalidate the patent, the court will dismiss the case immediately
 - If the PRB decision is to maintain the patent, the court will also issue an infringement decision pretty quickly

Remedies

- Permanent injunction automatically granted to prevailing patentee (if the patent is maintained by PRB)
- Damages determined by the following order
 - Patentee's loss
 - Infringer's illegal gain
 - Patent royalty times a factor
 - Statutory damages (max. \$160K)
- Destruction of infringing products

Enforcement of court decisions

- Patentee may seek a compulsory enforcement if necessary
- Non-complying defendant may face a fine or even jail time
 - The court may seize and transfer defendant's money to patentee's account
 - The court may issue search warrants or restrain the defendant from leaving the country
- Seizure of infringing products by Chinese customs based on tips from patentee

Summary

- Set a realistic goal for your enforcement
 - Permanent injunction or monetary damage
 - Offer a royalty-based license
- Develop a comprehensive enforcement strategy
 - Judicial or administrative or both
 - Litigation in both US and China
- Execute the strategy meticulously
 - Formality versus substance

THANK YOU

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