

Enforcing your rights

Awareness of local courts and judges' practices as well as understanding of the laws, judicial trends and case outcomes are critical for MNCs' IP protection in China

More multinational companies (MNCs) are realising that, as an indispensable part of a global IP strategy, the importance of successfully enforcing IP rights in China cannot be overstressed. In addition to administrative remedies, initiating an IP infringement lawsuit in China is widely considered a feasible yet challenging measure for enforcing IP rights.

Understanding the broader picture and getting an update on the most important developments of IP litigation in China in 2013 will benefit the decision makers at MNCs and help them to plan a comprehensive global IP strategy.

Overview of infringement cases

In 2013, there were 6,523 completed patent cases, of which 6,311 involved only domestic parties and only 212 (3%) involved foreign parties.

Among all the foreign related cases, the US took the lead with 37 cases, while Great Britain followed closely with 36, and Japan and France came next with 19 and 11 cases respectively.

The win rate of the patentee tells a more interesting story. According to the statistical data of 3,362 Chinese courts' decisions (updated on April 2 2014) collected by Darts-IP Case Law, in which patent infringement was actually confirmed by the judges, the win rates for invention and utility model-related cases are worth noting.

Table 1. Court decisions on patent infringement cases

Lawsuit	Invention patents (1,319 total decisions, 61% win rate)		Utility model patents (2,043 total decisions, 72% win rate)	
	Domestic	Foreign	Domestic	Foreign
Number of decisions	752	567	1,562	481
Win rate	57%	66%	72%	72%

According to the statistics presented in Table 1, it worth noting following points:

- The average patentee win rate is about 66%, which means that patent right is indeed enforceable in China as long as a thorough strategy has been carefully prepared;
- For invention patents, the win rate of a foreign patentee is higher than that of a domestic patentee by 9%, which means, compared with the domestic patentee, the foreign patentee receives even better protection from the judicial system of China; and
- The total win rate related to utility models is higher than that related to invention by 11%, which means it is advisable to consider utility models, not only invention patents, when considering enforcement of a patent portfolio in China.

Forum shopping

Similar to patent enforcement in the US and Europe, the foreign patentee should always attach great importance to forum shopping while litigating patent-related lawsuits in China.

It is widely understood that the domicile of the defendant or the locations where the infringing activities have been taking place can be selected to initiate an infringement lawsuit. In addition to that, however, sometimes the venue can be selected based on other factors. For example, in the *Huawei v Interdigital* cases that drew the most attention of Chinese patent circle in 2013, Huawei argued

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in the patent royalty dispute that the Intermediate People's Court of Shenzhen (where Huawei is headquartered) should hear the case because Shenzhen is the place of contract performance according to negotiations between Huawei and Interdigital, which was supported by the court.

In practice, a court located other than in the domicile of the defendant will usually be preferred by the patentee to avoid the potentially negative influence of court bias. Usually, the patentee will bring a lawsuit in a location where selling of the infringing product occurs, which nowadays may be anywhere in China, especially for consumer electronic products that are launched and circulated in the open market.

However, instead of recommending Beijing, Shanghai and other experienced IP courts in China for forum shopping, there are more factors beyond fairness that should be considered.

To ensure a predictable outcome of a forum shopping case, local judicial regulations, local courts' practice and the practice and experience of particular judges need to be considered seriously.

First, local judicial regulations should be taken into consideration when selecting a venue. For example, the Jiangsu Higher People's Court has a local rule stating that expert witnesses should be properly used while finding facts, while the Guangdong Higher People's Court has local regulations to ensure that the evidence on monetary damages is adequately produced and ascertained. While selecting the venue for a lawsuit, the patentee should fully understand the local judicial regulations of various locations, selecting particular venues to fully take advantage of particular regulations.

Second, the patentee should learn about the local courts' practice. For example, when the asserted claim scope is indefinite, the Shanghai and Beijing courts may come to different conclusions after claim construction. The Shanghai Court would dismiss the

case directly by referring to a precedent recently issued by Shanghai Higher People's Court. In contrast, the Beijing Court will interpret the claim in a manner according to the *Guidelines on Determination of Patent Infringement* (北京市高级人民法院专利侵权判定指南) recently issued by the Beijing Higher People's Court, and make decisions on infringement anyway. The courts' unique practices therefore really matter.

Last but not least, by attending conferences and seminars and analysing case studies and articles, the patentee can keep a close eye on prominent IP judges' practices and opinions. For example, one senior IP judge recently issued an article, wherein the national go-green policy was echoed, the principle of exhaustion of patent right was explained in an unfavourable way to the patentee and it was stressed that domestic industry needs to be protected from the abuse of patent rights. The patentee should pay special attention to the practice and attitude of particular judges, so as to be prepared in advance while selecting a venue.

2013 top IP cases

On April 21 2014, the Supreme People's Court (SPC) of China published three lists: China 2013 Top 10 IP Cases, China 2013 Top 10 Innovative IP Cases and China 2013 Top 50 Typical IP Cases.

All the cases listed in these three lists were selected from more than 100,000 IP related decisions nationwide in 2013. The China 2013 Top 10 IP Cases list contains ten cases that were thought to be most influential in IP in China. The China Top 10 Innovative IP Cases list contains 10 cases that make an innovative contribution to laws and regulations. Lastly, the China 2013 Top 50 Typical IP Cases list contains 50 cases that are considered as having the most typical significance to society.

Shanghai Duck King case

Only two trademark cases were selected as Top 10 Innovative IP cases. In one of those, Shanghai Huaihai Duck King Roast Duck prevailed in both of the two administrative retrial cases before the Beijing Higher People's Court as well as the SPC. This case is one of the few IP administrative cases that had two retrials. The first retrial was one of a few IP administrative retrial cases initiated by the Supreme People's Procuratorate, which was finally affirmed by the SPC.

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Experiences in both industry and private practice enable him to understand clients better, thus serve them better. In addition to providing consulting services on Chinese patent practice to multinational companies, as a leading patent attorney in the mechanical field, Dragon has been representing Epson, Toyota, Ericsson and other international giants before the Patent Reexamination Board under SIPO and the People's Court in China to protect and enforce their patent rights.

In 2009, Dragon obtained his LL.M. degree with honours from the John Marshall Law School in Chicago. He is now the Vice General Manager responsible for the Business Development Department.



This case lasted for more than a decade and exhausted all possible legal procedures prescribed in the law. It began with all four administrative proceedings – rejection, rejection appeal, opposition, and opposition appeal – then both the two judicial proceedings (first and second instances), and then the first retrial proceeding requested by the Supreme People's Procuratorate and the second retrial before SPC against the decision of the previous retrial.

In this specific case, the SPC established and affirmed two new standards: the knowledge standard (knew or should have known) and the standard relating to goodwill (with intention to free ride or invade other's goodwill), which shall be cited as criteria for determining the bad faith of the trademark applicant. This is a useful supplement and improvement to the judicial interpretations of the SPC regarding bad faith filing prescribed under Article 31 of the Chinese Trademark Law.

JinZiTianHe patent case

This case was selected as typical mainly because it shows that the described objective of the subject patent sometimes does limit the scope of claim interpreted under the Doctrine of Equivalents (DOE).

The defendant won the first and second instances before the Beijing No 1 Intermediate Court and the Beijing Higher People's Court, and finally successfully defeated the petitioner before the SPC during the retrial.

The judges of the SPC agreed that the objective stated in the

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patent specification should substantially influence the scope of protection of the claim interpreted under the DOE.

The purpose of the subject patent is to provide an elastic damping buffer with a faster compression stroke and a slower decompression stroke. Claims defined a unidirectional current limiting device that is opened during the compression stroke and closed during the decompression stroke.

The defendant's product used a check valve in the buffer. In contrast, the check valve is provided to be closed during the compression stroke and opened during decompression stroke for a slower compression stroke and faster decompression stroke.

The main question to be answered by the SPC is that, whether, under the DOE, the check valve provided in the alleged product is equivalent to the unidirectional current limiting device defined in the claims. In addition to other arguments, the judges were persuaded that the objective described in the specification of the patent shall be considered carefully during claim construction under the DOE. The judges agreed in this case that the objective of the subject patent limits the scope of claim interpreted under the DOE. The function, way and result achieved by the unidirectional current limiting device were decided to be different from those of the check valve in the alleged product.

The decision of non-infringement was finally reaffirmed by the SPC.

Epson patent case

The Epson case and a previous correlating retrial case are considered as landmark cases because it was the very first time that the SPC interpreted the meaning and application of the hotly-discussed Article 33 of the *PRC Patent Law*. Article 33 requires that the amendment to a claim should not go beyond the original disclosure of the filing document, which was applied too rigidly by the State Intellectual Property Office (SIPO) for years. SIPO's practice in this area was questioned and criticised for years but with no change, until this decision came out.

The SPC properly interpreted the meaning and explained the correct way to apply Article 33. This case positively influenced the practice of SIPO. It has now been reported that more than 80% of all office actions were issued based on rejections on novelty and inventiveness, instead of the much-criticised Article 33 rejection.

As a recent positive development, the SPC ruled that the standards for applying Article 33 shall be different for a feature that is related to the core of invention compared with one that is not. That is, generally, the court shall not invalidate a patent simply because

one trivial feature was amended and later deemed as going beyond the original disclosure. The court shall always look at amendments to the essential features of the claim that are related to the core of the patent, to prevent the patentee from obtaining an overly-broad protection of new matters introduced through amendments.

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As China's continuously growing economy shifts the primary focus of the Chinese government and industries from mass production to protection of intellectual property, protecting innovation in China's strong yet enormous market has become one of the top items to be checked off by MNCs. Taking an insightful look at developments of Chinese IP litigation by studying judicial trends and cases will surely help with this purpose.

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