

Civil Enforcement of Patent in China

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Contents

Overview
of
Patent
Infringement
litigation

Difficulties in
evidence
collection
and low
damage

New Trends

Comparison
between
China and
US &
Summary



1. Overview of patent infringement litigation in CN

1.1 Ways of patent enforcement in China

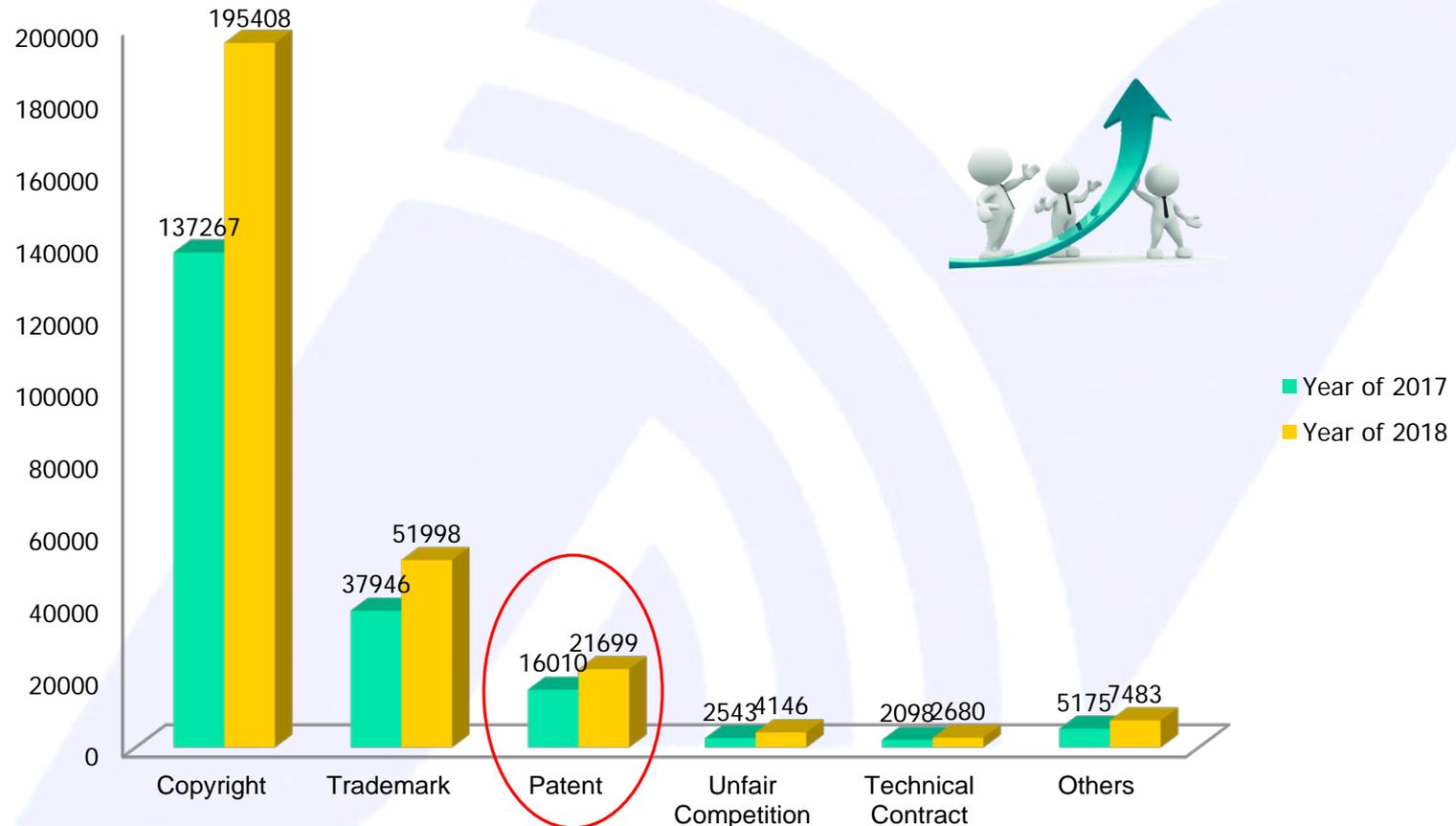


	Civil Litigation	CNIPA Administrative Action (or by CNIPA's local offices)	Custom Enforcement
Injunction	Preliminary/Permanent Injunction	Injunction	N/A
Monetary Compensation	Statutory Infringement profit/damage No punitive damage	No monetary compensation	N/A
Others	Court order	Seizing/destroying infringing items	Seizing infringing items



1. Overview of patent infringement litigation in CN

1.2. Case numbers are still increasing



2018 nationwide increase in the numbers of first trial IP Civil Cases

1. Overview of patent infringement litigation in CN

1.3. Terms and compensation



Average time needed

1st instance: 1 to 1.5 years;

2nd instance: 0.5 months;

Term

Complicated invention patent infringement cases : 3-4 years



Statutory damages : < 1M CNY (USD 147 K)

95% apply to statutory damages of no more than 1 M CNY

Average : USD16,348

Currently, **no punitive damage** for patent infringement.

Compensation

But for trademark, trade secret cases, we already have punitive damage



1. Overview of patent infringement litigation in CN

1.4. Jurisdiction of Patent Cases in China

Two types of litigation jurisdiction criteria

Territorial jurisdiction

determines that the court has the power to hear cases that appear within the geographical range of its region.

Court-level jurisdiction

determines at which level of the court a case would be heard.

A Chinese court would decide which specific court has jurisdiction over a case based on both “territorial jurisdiction” and “court-level jurisdiction”



1. Overview of patent infringement litigation in CN

1. 4. Jurisdiction of Patent Cases in China _ Forum Selection

Factors to be considered when choosing the forum:

- the **ability and experience of the judges** to try similar cases, and their **precedents records**;
- **transparency** and **independence** of the court; and
- whether the court holds **certain standpoint for similar cases.**

Usually, a party wishes to choose the place where he or she is located, while avoiding the opposing party's location to carry out the trial.

1. Overview of patent infringement litigation in CN

1.4. Jurisdiction of Patent Cases in China _ Infringement case

court- level jurisdiction for patent infringement litigation

Re-Trial stage: 3rd Tribunal of Supreme Court



Appellate Stage: 1 IP Tribunal of Supreme Court



Trial Stage: 3 specialized IP Courts + 20 IP Tribunals



Beijing, Shanghai, Guangzhou

+ Local Intermediate People' s Court

20 IP Tribunals of Courts in Tianjin, Zhengzhou, Changsha, Xian, Hangzhou, Ningbo, Jinan, Qindao, Fuzhou, Shenzhen, Nanjing, Suzhou, Wuhan, Hefei, Chengdu, Nanchang, Changchun, Wulumiqi, Haikou and Lanzhou



1. Overview of patent infringement litigation in CN

1.4. Jurisdiction of Patent Cases in China _ Invalidation case

court- level jurisdiction for patent invalidation cases

Re-Trial stage: 3rd Tribunal of Supreme Court



Appellate Stage: 1 IP Tribunal of Supreme Court



Trial Stage: Beijing IP Courts



**Administrative Proceeding:
CNIPA (China National IP Administration)**



1. Overview of patent infringement litigation in CN

1.5. The New IP Tribunal of Supreme Court

Purposes

- deepening IPR judicial reform and improving trial system and mechanisms
- strengthening supervision and guidance to guarantee unification of trial criteria (*minimize local protection*)
- pushing forward modern IPR trial procedures and capacity (*in the same building with Beijing Internet Court using high-tech, electrical documentation, online trial*)



1. Overview of patent infringement litigation in CN

1.5. The New IP Tribunal of Supreme Court

Group Photo of New IP Tribunal of Supreme Court



1. Overview of patent infringement litigation in CN

1.6. Judge, collegiate panel, technical investigation officer



Most judges have **no technical background** ;

More and more **newly recruited judges** have **both law and science/technology** background.

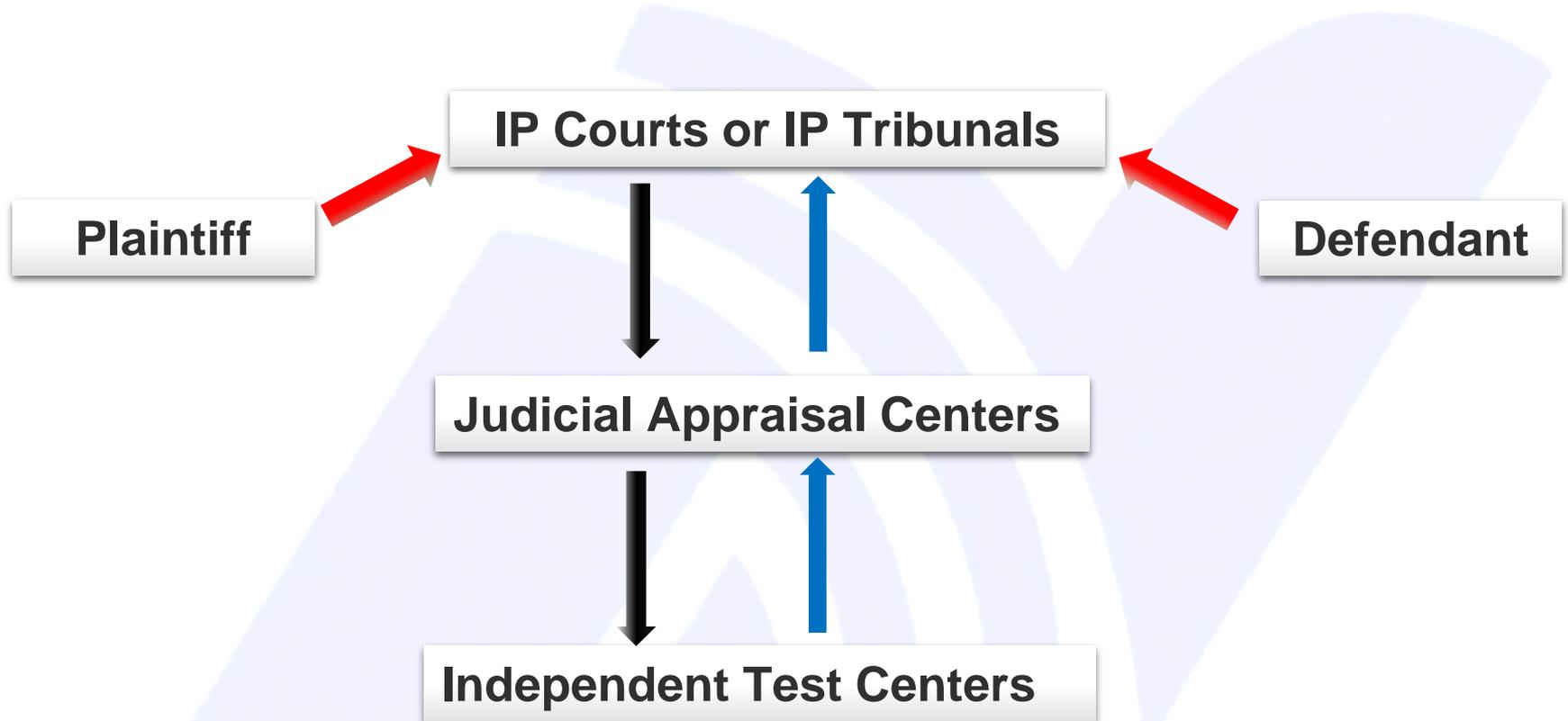
Expert testimony and **reports from judicial appraisal centres** and court-appointed **technical investigation officer** can be used to help judges identify and understand the **technical facts** of a patent case

No jury, and no Markman hearing.



1. Overview of patent infringement litigation in CN

1.7. Judicial appraisal centers & Independent test centers



1. Overview of patent infringement litigation in CN

1.8. Proceeding of patent infringement lawsuit



2. Difficulties in Evidence Collection

Burden of Proof

Principle:

He who claims shall prove.

i) plaintiff has the **patent right** and **standing** to sue

ii) defendant committed **infringement**;

iii) evidence to support the claim for **damages**

Exception:

Shift of burden of proof

Pre-conditions:

- i) infringement involves “**new product**” and
- ii) the sued infringer manufactured the “**identical product**”

Article 61.1 of the Chinese Patent Law (2008), a patentee may choose to shift its burden of proof for infringing process to the defendant when the **patented process is for obtaining new product**.

2. Difficulties in Evidence Collection

Causes

No discovery process

High and rigid requirement for the authenticity of evidence

Heavy reliance on documentary evidence, and probative values of affidavits and witness are underrated



2. Difficulties in Evidence Collection

Solutions

Private Investigation

Notarized Purchase

Notarization at Trade Fairs

Test Report

by patentee

Customs Seizure

IP Administrative Action

EIA report

Registration documents at CFDA

by other GOV agencies

Evidence Investigation Order

Evidence Preservation



3. Low damage Compensation

4 ways of Monetary Compensation Calculation

Loss of the patentee due to patent infringement

Profit of the infringer from patent infringement

License Fee
(reasonable times)

Current: 10K to 1 M CNY
Pending draft amendment to the Patent Law: 100K to 5M CNY

Statutory Compensation

In most cases, statutory damages were applied. Why?

No evidence to support an accurate calculation of compensation.



3. Low damage Compensation

Court Assistance

Evidence Preservation
on
profit of the defendant

Where it is likely that evidence may be destroyed, lost or become difficult to obtain later on, the plaintiff has the right to apply to the people's court for the preservation of the evidence
*Civil Procedure Law of the PRC

Burden of Proof Shift
under
certain circumstance

IP Courts or IP Tribunals

Plaintiff's Preliminary Evidence
showing profit or damage

Order Defendant
to provide financial books

No

Award a Compensation

based on the estimation of the plaintiff



4. New Trends

Partial judgment in Patent Infringement

Applied on the **First patent infringement case heard by Supreme People's Court IP Tribunal**

VALEO SYSTEMS D' ESSUYAGE v. Xiamen Lucas Auto Parts Co., Ltd.

Case Background

- Shanghai IP Court made a **partial judgment** holding that the defendants infringed the patent and ordered the **stop of infringement**. But there's **no decision on the compensation**.
- The defendants appealed to the Supreme People's Court IP Tribunal. The Supreme People's Court IP Tribunal affirmed the Partial Judgement. The case then would be returned to Shanghai IP Court running the first trial for the decision on compensation amount.

Why Partial Judgement

- According to **Article 153 of Civil Procedure Law** in China, if some of the facts in a civil case are already found clearly, the court may first pass judgment on that part of the case.
- In this case, whether the accused product fails into the scopes of claims 1-10 is the key of the dispute. And it is also the premise of the decision on the defendant's liability and the amount of the compensation.
- Partial Judgement can efficiently issue a permanent injunction and increase the chance on settlement of damages, **saving the judicial resources**.

4. New Trends

Trying to Break Through the Traditional Binary Discrete System

- Traditionally, China adopts **a binary discrete system** of **civil procedure** (say patent infringement litigation) and **administration procedure** (say the patent Invalidaiton). Review on Patent Validity in Civil Procedure is not allowed in China's current law system.
 - This binary discrete system can cause low efficiency and unfair adjudication to some cases.
 - Now the IP Tribunal of the Supreme Court has exclusively jurisdiction for both civil patent case's second trial and administrative civil case's second trial. The judges there have the capability to handle both administrative and civil patent cases.
- Thus, the IP Tribunal of the Supreme Court is making some exploration based on the traditional binary discrete system, seeking to involve **review of patent validity in patent infringement litigation**.

5. Comparison & Summary

Comparison	
U.S.	China
Discovery	No
Jury	No
Markman Hearing	No
Lengthy Process	Relatively Quick
Low possibility of injunction	High possibility
High damage compensation	Low damage compensation
Affidavits and deposition are widely used	Low probative value

5. Comparison & Summary

IP protection in China are getting better and better.

IP protection is no longer compromise to US delegation but a fundamental need of China itself in changing from the old development pattern to a technology driven economy.

Patentee could select China as an important battlefield for patent infringement lawsuits because

- ❑ Court conclude patent litigation in a faster way
- ❑ less consideration of the purpose of litigation of plaintiff
- ❑ higher rate to being awarded injunction
- ❑ Huge population and huge market

Thank You!

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