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VIA EMAIL: IP.Policy@uspto.gov

Re: Request for Comments on Intellectual Property Enforcement in
China

Dear Ms. Shaw:

The Business Software Alliance ("BSA") appreciates the opportunity to make this submission in response to the United States Patent and Trademark Office's Request for Comments on Intellectual Property Enforcement in China. BSA represents more than 25 software and computer companies¹ that collectively hold hundreds of thousands of patents around the world. Our members invest billions of dollars in research and development every year, and they regularly rely on patents to protect their innovations against misappropriation. As part of their global presence, BSA members have a strong interest in obtaining and, if necessary, enforcing their patent rights in China.

Every one of BSA's member companies relies on intellectual property protection for the viability of its business. Patents, copyrights, and trademarks are indispensable both to provide incentives to innovate and

¹ *The Business Software Alliance (www.bsa.org) is the leading global advocate for the software industry. It is an association of nearly 100 world-class companies that invest billions of dollars annually to create software solutions that spark the economy and improve modern life. Through international government relations, intellectual property enforcement and educational activities, BSA expands the horizons of the digital world and builds trust and confidence in the new technologies driving it forward. BSA's members include: Adobe, Apple, Autodesk, AVEVA, AVG, Bentley Systems, CA Technologies, CNC/Mastercam, Cadence, Compuware, Corel, Dell, Intel, Intuit, Kaspersky, McAfee, Microsoft, Minitab, Progress Software, PTC, Quark, Quest Software, Rosetta Stone, Siemens PLM, Dassault Systemes SolidWorks, Sybase, Symantec, and The MathWorks.*

to protect assets against misappropriation and infringement. In recent years, patents have become a more important form of protection for software developers. As a result, all BSA members have been very active in filing and obtaining patents in the United States as well as all major international markets, including China.

An effective patent system that promotes innovation in computers and software has certain essential elements. Patents must be available without limitations on classes of invention or preconditions, including where the invention occurred, the nationality of the applicant, and how the invention is to be commercialized. In addition, the application and examination process has to be predictable, transparent, and rigorous to ensure patents are granted for only meritorious inventions. BSA submitted comments to the Chinese government on each of these issues in 2007 when China was promulgating rules on the operation of its patent system. Finally, the ability to enforce a patent against infringers is critically important to preserving the integrity and efficacy of the system.

With these considerations in mind, it is our understanding that in recent years all BSA members have been actively applying for patent protection in China. None of our member companies report significant problems in obtaining patents in China. Because many of our members have only recently been developing their patent portfolios in China, they have not had extensive experience in enforcing their patent rights within China.

While BSA members have limited experience enforcing patents in China, they do have a great deal of experience enforcing copyrights within the country. BSA members have worked diligently with the Chinese government to strengthen China's copyright laws and litigation procedures.

Transparency, due process, and the ability to enforce judgment awards are a few of the issues that BSA members have encountered in the copyright area. BSA members are therefore concerned that as they increase their patent enforcement efforts in China, they will confront similar issues.

The comments set forth below draw from BSA members' collective experiences and understandings of the Chinese legal system when enforcing intellectual property rights.

As an initial step, it is imperative that the Chinese system for enforcing patents be transparent, including:

- a clearly articulated standard for determining whether a court will accept or reject a case;
- a system that allows for the appeal of decisions to reject a case;
- a clear case schedule identifying when the party bearing the burden of proof must present its evidence;
- a process that requires that written decisions to reject a case be provided to the plaintiff and that judicial decisions be published; and
- a regime that includes stronger and more transparent rules concerning evidence collection and preservation.

Such measures are important to ensure that China's patent litigation process is both objective and fair. Under current practice in China, courts first decide whether to "accept" or "reject" a case based on the initial complaint, but Chinese courts have not articulated a clear standard for determining the types of allegations and evidence that are required for a case to be accepted. This inhibits enforcement efforts. Inventors need predictable criteria when deciding whether to initiate a case. BSA members believe China should articulate a clear standard for determining whether a court will accept or reject a case.

The decision by the court to reject a case is not appealable. This leaves parties without any recourse if a court makes a mistake that causes it to reject a case. Accordingly, parties should have an opportunity to appeal a decision to reject a case based on the initial complaint. Not only are decisions to reject not appealable, courts oftentimes fail to provide written notice that a case has been rejected. Thus, the fact that a decision to reject a case is not appealable and that a plaintiff may not even receive a written notification of the rejection makes it very difficult for an inventor to invest the resources required to initiate a case. China should ensure that decisions to reject a case are appealable and that written decisions to reject a case are provided to the plaintiff.

Once a court decides to accept a case, the court should provide a clear case schedule identifying when the parties bearing the burden of proof must present their evidence to the opposing side. Such a schedule would allow litigants to properly plan and allocate their resources at the appropriate time. A complete schedule will also prevent parties from

being caught by surprise, which often happens when deadlines are not clearly identified.

BSA members believe that judicial decisions should be published. By publishing decisions, future litigants will have the ability to craft effective arguments building on arguments that were successful in the past. Moreover, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) states that “decisions on the merits of a case shall preferably be in writing and reasoned.”

Stronger and more transparent rules concerning foreign translations of documents, evidence collection, and preservation are also important. In patent cases, foreign language technical documents can be very important to a party’s case. Chinese courts, however, frequently make it very difficult for parties to submit into evidence foreign translations of these documents. China should promulgate clear and uncomplicated rules for submitting translations.

Litigants oftentimes require access to their opposing party’s files to properly enforce and defend patent cases. It is very difficult for inventors to develop the evidence they need to prove their case because China does not have a robust discovery system. China should establish rules for exchanging relevant information between parties.

Our experience in enforcing copyrights highlights the need for clearer and more comprehensive evidentiary rules. It is very hard for a copyright owner to obtain an order for preservation of evidence. Under current Chinese practice, courts require a copyright plaintiff to submit substantial evidence before the court will order preservation of additional evidence. This “high-showing” requirement, given that gathering such evidence with a court order is very difficult, imposes a substantial hurdle to enforcement actions.

China has no mechanism for ensuring that confidential information exchanged between parties during litigation is protected from public disclosure. Oftentimes, patent cases involve highly valuable confidential and trade secret information. The threat that information a plaintiff provides to a court or the defendant may become public poses a serious impediment to enforcing patent rights. China should establish a system that ensures confidential information is protected.

In order to have a robust and effective patent system, there must be adequate remedies for bringing a case against an infringer. Strong remedies provide motivation for inventors to innovate, patent their inventions, and prosecute others that use their technology without permission. Strong remedies also act as a deterrent against would-be infringers. The remedies of the Chinese system should include:

- Damages awards that motivate inventors to enforce their patents and that also deter potential infringers;
- Clear criteria for obtaining injunctions against infringers; and
- Simple mechanisms for enforcing damages awards and injunctions against companies that attempt to avoid the judgment.

BSA members believe that damages awards must be sufficient to compensate the patentee for the injury caused by the infringer and that the damages award must also act as a deterrent against potential infringers.

The threat of an injunction, in appropriate circumstances, can be a very effective deterrent. Under current Chinese procedures, it is not clear when injunctions will issue and the kinds of evidence required for the court to make its decision on whether to grant an injunction. China should clearly identify the criteria an inventor must meet to obtain an injunction.

Based on our experience in copyright enforcement in China, there is no specific deadline for the court to conclude an infringement suit when a foreign party is involved. In many instances, cases drag on for a very long time. This unreasonably delays the resolution of the case and increases the costs of enforcement on holders of intellectual property rights.

Finally, it is currently very difficult for successful plaintiffs to enforce damages awards and court orders against companies that move to a different province or reincorporate under a different name to avoid enforcement. China should ensure that successful plaintiffs are easily able to enforce their injunctions and damages awards regardless of where the defendant is located or whether the defendant has changed names.

BSA appreciates the opportunity to comment on this issue. Any questions or further communications should be directed to Tim Molino, Director, Government Relations, BSA (timothym@bsa.org).

Sincerely,



Robert W. Holleyman, II
President and CEO