Patent Enforcement Procedures in China*

The Third International Affairs Committee

(Abstract)

Many companies have started business in China as production basis and a huge market. China's accession to the World Trade Organization (WTO) on November, 2001 will attract further companies to this country. In respect of protection of intellectual property, however, the legal system has not been implemented to the level of U.S. and European countries. In addition, development of China is expected to increase patent and utility model infringements in the near future as more design patent infringements have been reported in recent days than trademark infringements which had been the major intellectual property infringement cases in China. This article discusses Chinese system for enforcement of patent and utility model and point to be noted.

Contents

1. Introduction

In 1985, China implemented Patent Law of the People's Republic of China (protecting patent for invention, utility model patents and design patent, collectively hereinafter referred to as "Patent Law") which was amended in 1992 and 2000. Existing Patent Law which was amended in 2000 and Implementing Regulations of the People's Republic of China (hereinafter referred to as "Implementing Regulations") became effective on July 1, 2001. While Patent Law was significantly amended in 2000 to be prepared for accession to the World Trade Organization (WTO), it contains peculiar provisions which are not seen in Japanese, U.S. or European corresponding laws. This article mainly explains two ways of enforcement, administrative route and judiciary route, as well as lists points to be noted.

Patent for invention, utility model patent and design patent are collectively hereinafter referred to as patent or patent rights.

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2. Mode of Patent Infringement

Article 11 of Patent Law provides infringement of patent, according to which working of invention means:

1) making, using, offering for sale, selling or importing patented products for the purpose of production management;
2) using patented process; and
3) using, offering for sale, selling or importing product directly obtained by patented process,

and such acts without patentee's authorization

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will constitute infringement.

The Law contains unique provisions to China under which infringing party may be released from liability for damages if the origin of production or procurement, that is, the legitimate trader is shown when the infringing party made or sold patented product without patentee's authorization, or used or sold for the purpose of production management, product directly obtained by patented process without knowledge of the patented process (i.e., in the case of good-faith infringement). (Article 63 of Patent Law) In that case, however, the act of infringement may be subject to injunction and the patentee may seek for civil liability including removal of negative effect and public apology other than damages.

The concept of indirect infringement has also been found in several court decisions though there is no relevant provision in the Patent Law. "Opinion (Observation) on Some Issues relating to Patent Infringement Adjudication" issued by Beijing People's High Court on September 29, 2001 recognizes indirect infringement in Articles 73 through 80. The Opinion, however, was made by Beijing People's High Court to give guidelines to Beijing People's First Intermediate Court and Beijing People's Second Intermediate Court that it is not binding to other People's Courts unlike law construction shown by People's Supreme Court.

3. Measures Available to a Patentee and Points to be Noted

3.1 Measures Available to a Patentee

Article 57 of Patent Law provides that any patent infringement shall be settled by discussion between the parties concerned, and that patentee or interested party may seek appropriate measures to People's Court as judicial institution or Administrative Authority for Patent Affairs as administrative institution if he/she does not want to have discussion with the other party or if settlement has not been reached.

Article 57, however, does not provide that negotiations are the prerequisite condition for seeking relief to People's Court or Administrative Authority for Patent Affairs. The party concerned may file complaint without discussion if there is threat of escape or destruction of evidence that he/she does not want to have discussion.

One of the features of the Chinese system is that a patentee has two ways of seeking relief: administrative route by which he/she requests remedies to Administrative Authority for Patent Affairs; and judicial route by which he/she requests to People's Court.

Generally speaking, the administrative route is useful in that procedures are simple, not costly and quick while it has such demerit that the adjudication is not satisfactorily executed and is effective only within the jurisdiction of the administrative authorities, that only arbitration is available in respect of damages, that temporary injunction and preservation of evidence and property cannot be sought prior to filing complaint. The judicial route is effective in that the court decision will be strictly executed and effective throughout the country, that damages may be awarded, and that temporary injunction and preservation of evidence and property may be sought prior to filing complaint while there is such demerit as complicated, costly and time-consuming procedures.

There is provision which prohibits resorting to both procedures. A case brought to court proceedings may not be filed with the administrative route. In addition, objection to adjudication by the Administrative Authority for Patent Affairs may be filed with the court in charge of the jurisdiction as an administrative case in which the Administrative Authority for Patent Affairs is the defendant though the objecting party may participate in the case as a third party. If one party files complaint based on the administrative route while the other party does not file answer to the complaint and newly institutes proceedings before a court, the case will be examined before the court. Once, however, the other party files answer to the complaint under the administrative procedure, subsequent complaint before the court will not be accepted. If both parties file complaint to the court during the ongoing administrative procedures, the case will be accepted and continued by the judicial route. ("Answer on Some Issues relating to Trial of Patent Disputes" issued as Notice of People's Supreme Court on December 29, 1992)

Evidence filed with the Administrative

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Authority for Patent Affairs must be submitted newly and separately to the court as the Administrative Authority for Patent Affairs and People's Court are two different institutions.

3.2 Administrative Route

(1) Organization (See Figure 1)

One of the central organizations directly under State Council is the State Intellectual Property Office of the People's Republic China (SIPO) in Beijing, which is mainly in charge of examination and appeal board procedures of patent applications as well as planning, coordination and liaison relating to intellectual property matters.

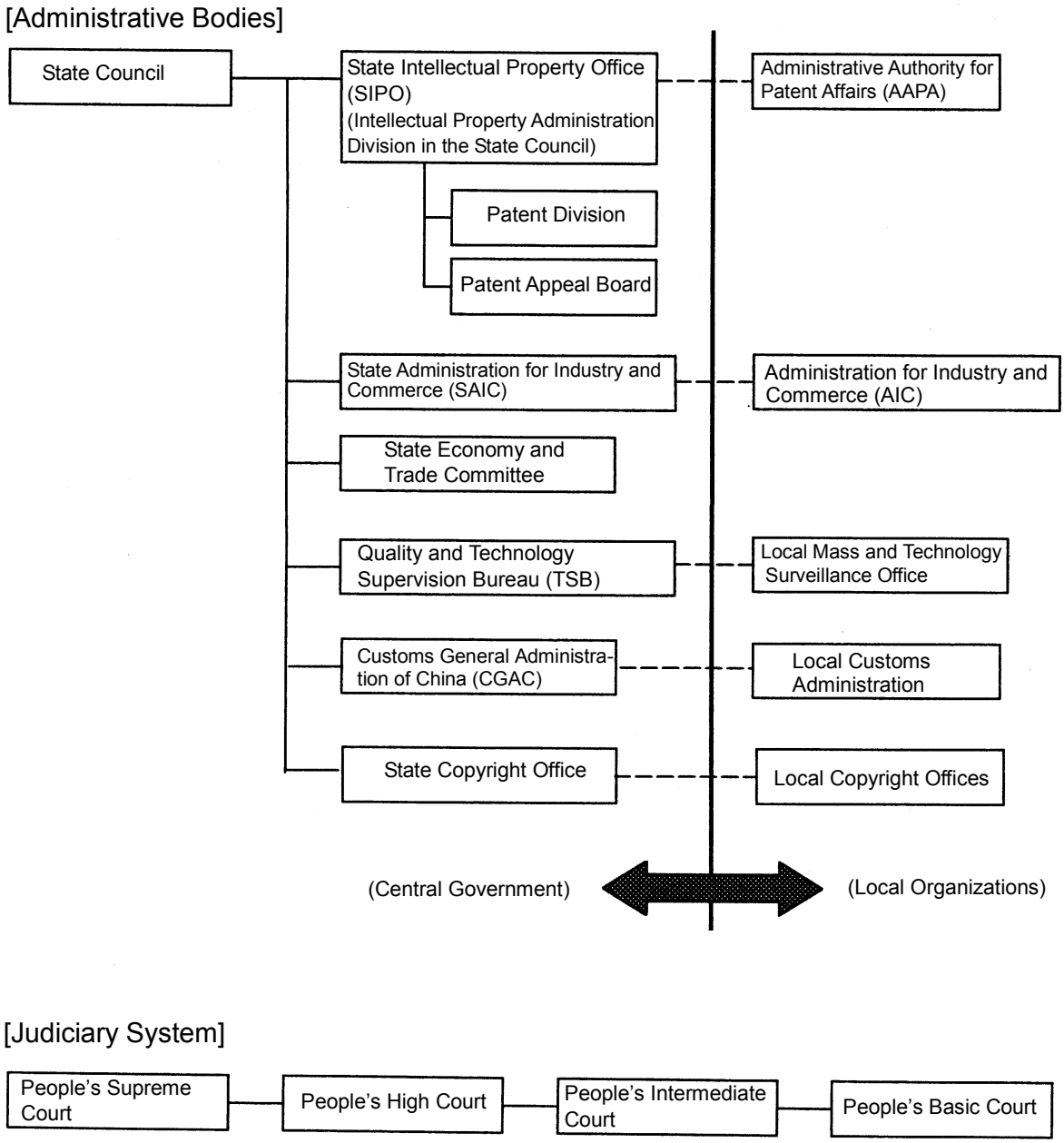

Figure 1 Organization Chart of Chinese Government and Judiciary System

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Administrative Authority for Patent Affairs (AAPA) of local governments functions to facilitate effective implementation of Patent Law and maintain the market order under the direction of State Intellectual Property Office (Rule 80 of Implementing Regulations).

As Administrative Authority for Patent Affairs is organized under the authority of each local government and thus the personnel matters are controlled by the local government, dispute settling procedures before Administrative Authority for Patent Affairs may sometimes be affected by local protectionism. If, for instance, the result of a dispute is expected to have a great impact on the local economy, the adjudication may not always be delivered based on a fair examination.

(2) Responsibilities of Administrative Authority for Patent Affairs

Administrative Authority for Patent Affairs is responsible for facilitating effective implementation of the patent system and maintaining the social order. Administrative Authority for Patent Affairs is mainly in charge of dealing with and mediate patent disputes based on the administrative procedures, which is specifically explained as follows:

1) To find infringing act contained in patent infringement dispute as well as grant injunction and mediate in the amount of compensation for damages (Article 57 of Patent Law):

A patent dispute is in principle settled by mediation. The arbitration panel of Administrative Authority for Patent Affairs examines evidence submitted by the concerned parties and conducts survey, if necessary. The procedures before the Administrative Authority for Patent Affairs are lead by the Administrative Authority for Patent Affairs whose arbitration panel will examine the case and make appropriate decision based on submitted evidence, and concerned parties are not in the position of actively establishing their cases.

Should mediation fails, the Administrative Authority for Patent Affairs will decide whether there existed infringement, who will pay the mediation fee and other matters.

2) Other Reconciliation of Patent Dispute (Rule 79 of Implementing Regulations)

Administrative Authority for Patent Affairs mainly examines the following types of cases based on complained filed by either party:

i dispute over the ownership of the right to apply for patent and the patent right;
ii dispute over the qualification of the inventor and/or creator;
iii dispute over the award and remuneration of the inventor and/or creator of a service invention-creation; and
iv dispute over the appropriate fee to be paid for the exploitation of an invention after the publication of the application for patent but before the grant of patent right.

3) Control

Administrative Authority for Patent Affairs controls:

i passing off patents of another person (Article 58 of Patent Law); and
ii false patent marking (Article 59 of Patent Law)

4) Administrative Advice and Training to Promote Wider Use of Patent System

In addition to responsibilities relating to patent dispute settling procedures, the Administrative Authority for Patent Affairs provides administrative advice and training to facilitate patent administration in its administrative jurisdiction and promote wider use of patent system.

(3) Patent Infringement Dispute Settling Procedures by Administrative Authority for Patent Affairs

Article 57 of Patent Law allows patentee or interested party to seek relief to the Administrative Authority for Patent Affairs in the case of a patent infringement dispute. Procedures for settling a patent infringement dispute under the Administrative Authority for Patent Affairs, are provided in detail in State Intellectual Property Office Bureau Chief Directive No. 19, or "Patent Administration Execution Law" (hereinafter referred to as "SIPO Directive No. 19"), which may be outlined as follows:

1) Motion

Procedures for settling patent dispute may be requested upon the following requirements (Article 5, SIPO Directive No. 19).

i complainant is the patentee or an interested party to the case;
ii respondent is stipulated;
iii there are specific claim, facts and grounds;

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iv the case is covered by the prescribed scope and responsibilities of the relevant Administrative Authority for Patent Affairs; and

v the patent infringement dispute has not been brought to the People's Court.

Interested parties as referred to in ⅰ include licensee and legitimate successor of registered patent. While the exclusive licensee(patentee has no rights for working of the invention) may file a motion on his/her own, and the exclusive licensee(patentee has a right for working of the invention) may file if patentee does not file a motion, a non-exclusive licensee may not file on its own unless otherwise provided in the agreement. (Article 5, SIPO Directive No. 19)

2) Documents to be Filed with Motion

Motion must be filed stipulating precise name and address of the respondent and accompanied by evidence of infringement. If subject patent is relating to a process for the manufacture of a new product, the burden of proving non-infringement lies on the part of respondent, not complainant. (Article 57 second paragraph of Patent Law) In that case, the respondent is required to prove not only the process for the manufacture of the product but also that the respondent's process is not equivalent to the patented process.

In the case of a utility model infringement case, Administrative Authority for Patent Affairs may request the patentee to furnish a search report made by State Intellectual Property Office. (Article 57 third paragraph of Patent Law; Article 6 of SIPO Directive No. 19)

3) Filing Motion (Request for Instituting Administrative Procedures) and Subsequent Procedures

A foreigner is required to file motion to the Administrative Authority for Patent Affairs via a patent agency (patent firm that can represent for foreign applications) designated by State Intellectual Property Office (Article 19 of Patent Law). The Administrative Authority for Patent Affairs in charge is determined by respondent's place of residence or place of infringement covered by the jurisdiction of each Administrative Authority for Patent Affairs. Should more than one Administrative Authorities have jurisdiction, the party concerned may choose one of them to file his/her motion. Any dispute over jurisdiction will be settled by the superior People's Government in charge of the Administrative Authorities concerned. Should there be no People's Government in charge of the Administrative Authorities, State Intellectual Property Office will determine to which jurisdiction the case belong (Rule 81 of Implementing Regulations).

If the motion meets prescribed requirements, the Administrative Authority for Patent Affairs will institute the case within seven days after the date of receipt of the motion and notify thereof to the party filing the motion to deal with the patent infringement dispute (Article 8 of SIPO Directive No. 19).

4) Prescription

Patent infringement action must be filed within two years after alleged act of infringement comes into the knowledge of the patentee or interested party. (Article 62 of Patent Law) Prescription will be discussed in detail in the sections explaining judicial route (3.3 (15)).

5) Examination of Patent Infringement Dispute

The Administrative Authority for Patent Affairs must provide its decision of settlement unless the parties concerned reached agreement of reconciliation or the party filing the motion withdrew his/her claim (Article 13 of SIPO Directive No. 19). If the Administrative Authority for Patent Affairs finds any act of patent infringement, it can order injunction though the order is not entitled to forcible execution. The parties concerned may file appeal against the decision within fifteen days after notice of decision to the People's Intermediate Court in charge of the jurisdiction the Administrative Authority for Patent Affairs in accordance with the People's Republic of China Administrative Action Law (Article 57 of Patent Law). In the appeal, the Administrative Authority for Patent Affairs will be defendant. However, decision of the Administrative Authority for Patent Affairs finding act of patent infringement will be effectively executed even if the respondent in the administrative procedure files an administrative action to the People's Court (Article 34 of SIPO Directive No. 19). Should alleged infringing party do not stop its act of infringement or file an appeal within the prescribed period, the Administrative Authority for Patent Affairs may request forcible execution to the People's Court

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(Article 34 of SIPO Directive No. 19).

The Administrative Authority for Patent Affairs may order injunction of act of infringement based on its decision of settlement or request forcible execution to the People's Court only to the extent within its own jurisdiction. Thus if the patentee wants to seek injunction with respect to other areas, he/she must file request for execution based on its decision of settlement to the People's Court of each areas.

6) Arbitration of Patent Dispute

If the parties concerned intent to request arbitration of a patent dispute, they must file a written request to the Administrative Authority for Patent Affairs. If arbitration is requested only in respect of the amount of damages for patent infringement, a copy of decision of settlement finding infringement issued by related Administrative Authority for Patent Affairs must be submitted (Article 15 of SIPO Directive No. 19). Should arbitration fail, the parties concerned may file suit to the People's Court in accordance with the "People's Republic of China Code of Civil Procedure" (hereinafter referred to as "Code of Civil Procedure") (Article 57 of Patent Law). In that case, the Administrative Authority for Patent Affairs will not be the defendant, and any decision of arbitration here will be effective only within the jurisdiction of the Administrative Authority for Patent Affairs.

7) Miscellaneous Matters

It usually takes about six months to obtain decision of settlement for patent infringement dispute before the Administrative Authority for Patent Affairs.

3.3 Judiciary Route

(1) Organization (See Figure 1)

Chinese judiciary system consists of the People's Supreme Court, about forty People's High Courts located in each province, autonomous districts, directly governed cities, about three-hundred People's Intermediate Courts and about four-thousand People's Basic Courts. A lawsuit may be examined on the two levels. Many People's Courts have intellectual property trial court dealing with intellectual property-related cases.

Unlike Japan, People's High Courts and lower People's Courts belong not to the People's Supreme Court but to the local people's government at each province, autonomous districts and directly governed cities which has the authority to appoint judges. In other words, judges are equivalent to local governmental officers. The fact that judges tend to protect the local interest as a local governmental officer does, constitutes one of the obstacle to eliminating local protectionism.

(2) Temporary Injunction and Preservation of Evidence and Property Prior to Court Action

The patentee or interested party may, if necessary, request injunction of act of infringement and preservation of evidence and property to the People's Court of appropriate jurisdiction. (Article 61 of Patent Law) See comments of People's Supreme Court on June 5, 2001 titled "Some Provisions of People's Supreme Court in relation to Laws Applied to Injunction of Patent Infringement Prior to Court Proceedings" for temporary injunction. (No. 20 of Law Commentary (2001), hereinafter referred to as "Law Commentary No. 20").

Interested party as referred to in Article 61 of Patent Law includes licensee and legitimate successor of patent right. Among various types of licensees, exclusive licensee(patentee has no rights for working of the invention) may independently file a motion while exclusive licensee (patentee has the right for working of the invention) may file a motion if the patentee does not institute an action and non-exclusive licensee may not file suit (Article 1 of Law Commentary No.20). The plaintiff must submit a motion stipulating the reasons for filing the complaint together with evidence, search results provided by State Intellectual Property Office in the case of utility model infringement and security bond (Articles 3, 4 and 6 of Law Commentary No. 20). The amount of security bond varies depending on the People's Court in charge, though most courts seem to require provision of security bond equivalent to the value of monetary payment sought. Temporary injunction may not be lifted by the counter-security bond provided by the defendant (Article 8 of Law Commentary No. 20). People's Court must deliver adjudication within forty-eight hours after receipt of appropriate motion, and temporary injunction must be executed immediately if granted (Article 9 of Law Commentary No. 20). The party concerned

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may submit objection to the adjudication within ten days after service of adjudication though the adjudication will be continuously executed during the procedures for considering the opposition (Article 10 of Law Commentary No. 20). Measures ordered by the adjudication will be lifted unless the party filing the motion files suit a complaint within fifteen days after the date of temporary injunction (which applies equally to the person who does not have the place of residence in China) (Article 12 of Law Commentary No. 20). In the event temporary injunction is granted, People's Court may order preservation of evidence at the same time (Article 74 of Code of Civil Procedure) at the request of either party (Article 16 of Law Commentary No. 20). Also, People's Court may order preservation of property (Articles 92 and 93 of Code of Civil Procedure) at the request of either party (Article 16 of Law Commentary No. 20).

(3) Qualification for Plaintiff

Should patent right of one is infringement, the patentee or interested party may file an action to the People's Court (Article 57 of Patent Law). See comments of People's Supreme Court (Supreme Court) on June 19, 2001 titled "Some Provisions of People's Supreme Court in relation to Laws Applied to Trial of Patent Infringement Case" for patent infringement action. (Law Commentary (2001), hereinafter referred to as "Law Commentary No. 21"). Interested party as set forth in Article 57 of Patent Law is defined by Article 1 of People's Supreme Court Law Commentary No. 20 as stated in section 3.3 (2) herein.

(4) Jurisdiction

The court of first instance for a patent infringement action is People's Intermediate Court of each province, autonomous district or directly governed city covering the place of infringement (where production premise of infringing product or the place of sales exist) or defendant's place of residence, or People's Intermediate Court designated by the People's Supreme Court (i.e., People's Intermediate Courts of Qingdao, Dalian and each special economic district, to be more specific). (Articles 2 and 5 of Law Commentary No. 21) In some places, the case will be subject to the jurisdiction of People's High Court for the first instance depending on the monetary payment sought.

In Beijing, Shanghai and Guangdong Province, for instance, a patent infringement case may be filed to the People's High Court for the first instance if the monetary payment sought exceeds 100 million yuan, which principle applies equally to Chinese nationals and foreigners. One of the effective ways for a party to make his/her case heard by as qualified court as possible may be to intentionally set a high monetary payment sought to make his/her case tried by the People's High Court for first instance. If a case if filed against manufacturers and distributors, People's Court of the jurisdiction covering the place of sales will hear the case. In the event the distributor is one of subsidiaries of the manufacturer, and the plaintiff intends to file suit with respect to the production and sales by the manufacturer at the place of sales, the People's Court of the jurisdiction covering the place of sales will hear the case (Article 6 of Law Commentary No. 21).

The party instituting an infringement action to a People's Court should pay attention to who to name as defendant and what act to allege as infringement so that his/her case will be heard by People's Court in urban area which is believed to be affected less by local protectionism. According to the interview-based survey conducted to companies having experience of enforcing their rights in China, they felt less local protectionism at the courts in Beijing and Shanghai.

(5) Claim Construction

Article 56 first paragraph of Patent Law provides that "the scope of protection for patent for invention and utility model patent shall be decided based on claims while specifications and drawings may be used to help claim construction." The scope of protection includes essential technical features as clearly stated in the claims and its equivalence. According to the construction of People's Supreme Court, alleged infringing product may be found equivalent to the patented invention when the product performs basically the same function by the same method and has the same effect as the patented invention and when a person skilled in the art can easily anticipate without creative activities (Article 17 of Law Commentary No.21).

On September 29, 2001, Beijing People's

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High Court published "Opinion (Observation) on Some Issues relating to Patent Infringement Adjudication" (hereinafter referred to as "Opinion") as guidelines for finding scope of clams and infringement in patent infringement action. Since the Opinion was aimed to give advice and directions to the Beijing First People's Intermediate Court and Beijing Second People's Intermediate Court, and was not law construction of People's Supreme Court, it is not binding to any People's Court beyond its jurisdiction. The Opinion, however, is very likely to be referred to by many People's Court all around China. The Opinion may be outlines as follows:

1) Claim Construction

Patent claims will be construed based on the principle of reasonable, compromise construction, not narrowly under the principle of denying peripheral meanings nor broadly under the principle of denying obviously different meanings (Article 6 of Opinion). The presuppositional part and characteristic part of a claim will be treated equally in the claim construction (Article 7 of Opinion). Scope of rights will be construed based not only on the claim terms but also on specifications and prior arts to ensure the principle of fairness (Articles 8 and 9 of Opinion). File wrapper estoppel applies to the claim construction (Article 19 of Opinion).

2) Findings of Infringement

Infringement will be found upon application of doctrine of equivalence, estoppel and incomplete use (redundancy elimination principle) (Articles 26 through 55 of Opinion). Here whether or not alleged infringing product falls within the scope of equivalence will be determined as of the time of infringement (Article 37 of Opinion). Estoppel may be applied at the request of the defendant (Article 46 of Opinion). The concept of incomplete use is to determine the scope of right stripping off obviously redundant features to protect patentee who is unfamiliar with patent drafting. Under the concept of incomplete use, a patent must maintain its patentability after the redundant part is eliminated (Article 50 of Opinion); features of which function or work is not explained in the specifications will not be deemed as redundant features (Article 49 of Opinion), and the concept must be applied at the request of patentee (Article 52 of Opinion). The concept of incomplete use will not apply to utility models to determine the scope of protection (Article 54 of Opinion). Recent People's Court decisions, however, tend to apply the concept carefully, and decisions applying the concept is expected to decrease as awareness toward intellectual property is improved.

3) Indirect Infringement

Opinion also refers to indirect infringement which is not provided in Patent Law and Implementing Regulations (Articles 73 – 80 of Opinion). Here indirect infringement includes act of a third party not engaged in direct infringement to induce direct infringement in such a way as supplying certain parts solely applicable to the product directly infringing a patent. Direct infringement will be found on the premise that direct infringement has not been found in and out of China (Articles 78 and 80 of Opinion).

(6) Filing of Complaint

A complaint must stipulate the name and address of plaintiff and defendant, claimed relief, fact of infringement, grounds for relief claim and other matters (Article 110 of Code of Civil Procedure) and be filed with evidence relating to ownership such as patent certificate, patent publication, and certificate of payment of annuities and evidence relating to infringement including alleged infringing product and receipt issued when the alleged infringing product was purchased. Claimed relief may be in the form of stopping of infringement, payment of damages, elimination of negative effect (Article 18 of Civil Code), return of undue profit (Article 92 of Civil Code), apology and payment of legal fees.

Complaint must be filed with copies of which number is equivalent to the number of defendants (Article 109 first paragraph of Code of Civil Procedure) as well as power of attorney if the parties are represented (Article 59 of Code of Civil Procedure). Power of attorney must indicate in detail on, for instance, whether or not the attorney is authorized to file a complaint and/or examine evidence, and must be accompanied by, if the plaintiff is a foreigner, the notarization issued by notary public's office of the country of origin and certificate thereof issued by the Chinese embassy or consulate in the country (Article 242 of Code of Civil Procedure). It is provided that a party to lawsuit tried in China may have no more than two attorneys (Article 58 of Code of Civil Procedure).

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Complaint to institute utility model infringement action is required to accompany search results provided by State Intellectual Property Office (Article 8 of Law Commentary No.21).

(7) Burden of Proof

Both parties concerned are required to submit evidence supporting their allegation (Article 64 of Code of Civil Procedure). Act of infringement and resulting damage must be established by the patentee as plaintiff. Act of infringement must be established in such a way as comparing claimed technical feature and allegedly infringing product together with submission of an allegedly infringing product and receipt issued upon purchase. Sometimes the purchase may not be accepted as evidence unless the purchase was witnessed by a notary public to prove the relationship of allegedly infringing party (distributor), allegedly infringing product and receipt.

In the case of a dispute over process patent for a new product, it is the burden of the defendant to prove that his/her process is different from the patented process (Article 57 second paragraph of Patent Law).

(8) Answer and Suspension of Proceedings

Within fifteen days (or thirty days if the defendant's place of residence is outside China (Article 248 of Code of Civil Procedure)) after service of a copy of complaint, the defendant must file his/her answer to the complaint (Article 113 first paragraph of Code of Civil Procedure). Failure to file the answer in itself will not be construed in a negative way (Article 113 of Code of Civil Procedure).

Should defendant request suspension of proceedings on the grounds of invalid patent, he/she must file an invalidation action within the period for filing answer to complaint. In that case, proceedings may be suspended if the People's Court finds it necessary though proceedings relating to patent and other proceedings in which invalidation action was not filed during the prescribed period for filing answer to complaint (Articles 8-11 of Law Commentary No.21).

(9) Preparations for Trial

The judge in charge conducts survey and examines witnesses prior to the trial including identifying issues, conducting survey, obtaining necessary special examination and audit and examining evidence by hearing parties concerned and their attorneys. Chinese judges used to form their impression prior to trial during the preparation process, because of which the parties concerned must make their case clear at the pre-trial survey with good evidence. These days, however, Chinese judges have come to weigh more on trial than pre-trial survey.

(10) Trial

A trial usually consists of examinations including allegation of the parties, examination of witness and disclosure of expert opinion, pleadings such as a party's pleading, counter-pleading and mutual pleading, and closing argument.

(11) Reconciliation in the Court

People's Court tries to mediate the case without fail before delivering its decision. If agreement is reached between plaintiff and defendant, memorandum of reconciliation is made and the case will be closed. The memorandum of reconciliation has the binding power equal to the final judgment.

(12) Judgment

The court decision may be delivered immediately upon closure of trial or on a separately designated day in the open court.

(13) Appeal

Within fifteen days (Article 147 of Code of Civil Procedure, or thirty days for those not having place of residence in China (Article 249 of Code of Civil Procedure)) after service of written decision, each party may appeal to People's Court immediately superior to the trial court if he/she is not satisfied with the decision.

An appeal may be based on the contention that the trial court made an error in finding facts, applying laws or taking procedures. Both parties are not allowed to submit new evidence before the appellate court where the case will be examined to the extent of the reasons for appeal.

(14) Execution

A court decision is executed by the trial People's Court of jurisdiction covering the place

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of residence or property of the subject person of execution (Article 207 of Code of Civil Procedure). Period for execution is provided as a year for individual and six months for business entity.

(15) Prescription

Article 62 first paragraph of Patent Law provides that "a patent infringement action must be filed within two years after the day on which the act of infringement came into, or should have come into the knowledge of patentee or interested party."

Again, definitions of Article 1 of Law Commentary No. 20 are applied to the term "interested party."

As to the construction of "the date on which the act of infringement should have come into the knowledge," there is no single construction commonly applied by all People's Courts in China though "the date on which the act of infringement should have come into the knowledge" is usually construed as the day on which sales and advertisement of allegedly infringing product were carried out to the level that makes it possibly known to the patentee. However, sometimes the time when the act of infringement was committed is construed as "the date on which the act of infringement should have come into the knowledge" because patentee's ignorance of patent infringement is deemed as a result of patentee's negligence to carefully watch his/her right.

The two-year prescription period for instituting a lawsuit used to apply to the claim for injunction and damages, which means that injunction and damages could not been sought after two years. Now injunction may be sought anytime during the effective term of subject patent in accordance with Article 23 of Law Commentary No. 21 issued by the People's Supreme Court. Article 23 of Law Commentary No. 21 also clarified that damages may be sought retrospectively from two years prior the date on which the case is filed.

If a warning has been given to the allegedly infringing party prior to the prescription, a new prescription period will be counted based on the date of such warning.

(16) Miscellaneous Matters

1) Technical Matters

In Beijing, People's Courts take the following measures in the trial to cope with complicated technical matters:

i to invite specialists and professors as advisers to discussion meeting and special inquiries for the purpose of supplementing technical knowledge;

ii to form technical examination section as an organization relating to intellectual property for the purpose of supplementing technical knowledge;

iii to invite jury who is granted equivalent power to judges for the purpose of supplementing technical knowledge (the jury is different from that of the U.S. system as they are appointed case by case from persons familiar with the technical field).

2) Attorney

Chinese lawyers employed by foreign law firms located in China are not allowed to represent before the court. Thus you need to understand that if you bring your case to a foreign law firm, lawyers from local law firms contracted by the foreign firm will represent you at the court.

3) Trial Period

Trial at the court of first instance takes at leas six months and at the appellate court takes at least three months though it often takes more than a year.

4) Cost

The major cost is attorney fee which amounts to about two-hundred U.S. dollars per hour in the case of a Chinese lawyer. About fifty to a hundred hours seem to be required to resolve a case.

5) Calculation of Damages

People's Court can award damages based on the loss incurred by the patentee or profit acquired by the infringing party as a result of infringement.

Any loss incurred by the patentee due to infringement is the reasonable profit from a patented product multiplied by the reduced sales volume of patented products due to infringement. If this formula is hard to make, the amount will be the reasonable profit from a patented product multiplied by the sales volume of infringing product.

Profit acquired by the infringing party as a result of infringement is the reasonable profit from a patented product multiplied by the sales volume of infringing product.

Should loss of the patentee or profit ac-

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quired by infringing party from infringement be difficult to determine, reasonable amount of damages will be decided referring to the amount equivalent to one – three times of royalties. Should royalties be hard to determine, the amount of damages will be decided between five-thousand yuan and three-hundred thousand yuan. In no event the amount exceeds five-hundred thousand yuan (Articles 20-21 of Law Commentary No.21).

4. Defendant's Countermeasures to a Patentee

(1) Countermeasures Prior to Grant of Patent

Information may be submitted against registration of other's patent during the period from the date of publication of an application until the date of announcement of grant of the patent right (Rule 48 of Implementing Regulations).

(2) Countermeasures After Grant of Patent

1) Invalidation Action

Upon announcement by State Intellectual Property Office of grant of patent, any one can file an action for invalidating patent registration before Patent Appeal Board. Within three months after service of Appeal Board decision, the party concerned may appeal against the decision to a People's Court (Article 41 of Patent Law). Defendant of the court proceedings will be State Intellectual Property Office. Declaration of invalid patent will not be effective retrospectively to any People's Court's decision or adjudication relating to patent infringement delivered and executed prior to the declaration, administrative decision settling patent dispute executed or forcibly executed, or executed patent license agreement or patent assignment agreement. If, however, the patentee will be held liable to indemnify others for their damage if the patentee had known that such damage might be caused (Article 47 of Patent Law).

Should invalidation action be filed after infringement action being filed before People's Court relating to utility model patent or design patent, People's Court is in principle required to suspend the proceedings. On the contrary, the proceedings will not be suspended in principle in the case of an infringement action relating to patent for invention (Article 8-11 of Law Commentary No.21).

Opposition system was abolished and consolidated with the invalidation action system by law amendment effective from July 1, 2001.

2) Defense of First Use

Patent right will not be effective where the same product was made using the same method as the patented invention or necessary preparations for making or using the product had been made prior to application date of subject patent, and where production and use of the product is continued to the conventional extent (Article 63 of Patent Law). That is to say, so-called defense of first use is effective.

3) Request for Forcible License

In the event certain unit equipped with facilities for working an invention requests the patentee of patent or utility model for a license under reasonable terms and conditions and could not receive consent to give such license within a reasonable time period, Administrative Authority for Patent Affairs may grant a forcible license for the invention or utility model at the request of the unit (Article 48 of Patent Law). However, there seems to exist no precedent of forcible license.

4) Action for Declaratory Judgment of Non-infringement

As the number of patent infringement actions increases, abuse of patent right also increases. It is discussed in China whether or not a party receiving a seemingly groundless warning can institute a court action for declaratory judgment of non-infringement to solve the problem at an early stage. Whether or not a People's Court considers this issue seems to depend on the discretion of each court until People's Supreme Court issues its opinion.

5. Miscellaneous Matters

(1) Patent Marking

A patentee has the right to make his/her patented product and/or packages for the product bear patent marking and patent number (Article 15 of Patent Law). In other words, patent marking is a right, not obligation.

Passing off of other's patent will be subject to Administrative Authority for Patent Affairs' order of correction, publication, seizure of

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illegal income and fines not exceeding the amount equivalent to three times illegal income in addition to court actions clarifying the civil liability (Article 58 of Patent Law). Passing off of other's patent is defined in Rule 84 of Implementing Regulations.

False representation of non-patented product as patented or non-patented process as patented will be subject to Administrative Authority for Patent Affairs' order of correction, publication and fines not exceeding fifty-thousand yuan (Article 59 of Patent Law). False patent representation is defined in Rule 85 of Implementing Regulations.

(2) Claim for Consideration (Claim for Compensation)

Article 13 of Patent Law provides that after statutory publication of patent application for invention, applicant may request to anyone using subject invention for payment of appropriate consideration. It is not clear whether or not the applicant needs to give a warning prior to enforcing his/her right to claim considerations because the law does not have relevant provisions though warning may be considered to be necessary. Provisions does not provide time of enforcing his/her right to claim considerations, though it will be reasonable to believe that enforcement of unregistered patent of which patentability is not clear is not realistic.

(3) Voluntary Accusation (Criminal Procedure)

Patent-related crime may be accused both by party suffered from the crime and party not directly suffered from the crime, and will be indicted by People's Prosecution Council. Patentee him/herself may bring a criminal suit to the People's Court to pursue the criminal liability of the allegedly infringing party. In that case, the serious and/or purposeful nature of the crime such as causing a great damage to the patentee or the State, needs to be established to be legally found as a crime. Under Chinese laws, employer and employees are subject to penalty as in Japan.

(4) Other Administrative Bodies Relating To Protection Of Intellectual Property

While we discussed functions of Administrative Authority for Patent Affairs to which we seek protection of patent under the administrative procedures, there are other administrative bodies relating to the protection of intellectual property as briefly outlined as follows:

i State Administration for Industry and Commerce (SAIC)

SAIC is one of the organizations directly under the State Council. It is in charge of controlling and managing the market and related administrative operations. It also gives directions and advice to local Administration for Industry and Commerce (AIC) engaged in crackdown of trademark infringement and unfair competition.

ii State Economy and Trade Committee

It is one of the departments and committees constituting the State Council, and responsible for macro coordination and control facilitating the national economy.

iii Quality and Technology Supervision Bureau (TSB)

It is one of the departments and committees constituting the State Council, and responsible for operations relating to quality, measure and standardization on a national basis and related administrative operations.

iv Customs General Administration of China (CGAC)

CGAC is one of the organizations directly under the State Council, and responsible for administrative matters relating to custom operations. Owner of intellectual property may register his/her patent, trademark and copyright to request to the customs officers at ports and harbors for seizure of exported and/or imported infringing goods.

v State Copyright Office

It is one of the organizations directly under the State Council, and responsible for administrative matters relating to copyright.

6. Conclusion

Enforcement requires registration of patent in China while a long examination period, at the State Intellectual Property Office of patent applications for invention has become a serious issue. In more than a few technical fields, for instance, it takes more than five years to receive the first official action after request of examination. Under such circumstances, companies should consider actively using utility model patents which may be registered within about eight

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months after the filing date without substantial examination, in addition to filing patent applications for invention to enforce its patents on a timely basis.

Among patent disputes occurred in China from 1985 to 2000, Administrative Authority for Patent Affairs received 6,171 cases and delivered its decision in 5,274 cases while People's Court received 10,324 cases and concluded 9,758 cases. Furthermore, more than eighty percent of patent disputes were relating to utility model patents.

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