



**GLOBAL MARKETPLACE — EYE ON CHINA:
ROUNDTABLE SERIES**



GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES



Protecting Your Innovation in China

December 10, 2009
Silicon Valley, CA



Welcome

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Moderator
 - George C. Best, IP Litigation Partner, Foley & Lardner LLP
- Speakers
 - Anna M. Han, Law Professor, Santa Clara University Law School
 - Xu Wen, President, Scihead Patent Agent Co., Ltd.
 - David McIntyre, Assistant General Counsel, Johnson & Johnson
 - Alex Y. Nie, IP Associate, Foley & Lardner LLP



©2009 Foley & Lardner LLP

Discussion Topics


GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Challenges to Doing Business in China - Hidden Pitfalls
 - Anna M. Han, Santa Clara University, School of Law
- New Trends of IP Protection in China
 - Xu Wen, Scihead Patent Agent Co., Ltd.
- Brand Protection in the Global Economy - Addressing Medical Product Counterfeiting
 - David McIntyre, Johnson & Johnson.
- Patent Enforcement in China
 - Alex Y. Nie, Foley & Lardner LLP



©2009 Foley & Lardner LLP

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES 5



Doing Business in China - Potential Pitfalls

Anna M. Han
Santa Clara University, School of Law

FOLEY
FOLEY & LARDNER LLP
美國富強律師事務所

©2009 Foley & Lardner LLP

Technology Companies in China

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES 6



- Conducting R and D with Chinese Institutions—most are related to universities, which are under Chinese government supervision: does your partner share your IP concerns and who controls the resulting IP?

FOLEY
FOLEY & LARDNER LLP
美國富強律師事務所

©2009 Foley & Lardner LLP

Mergers and Acquisitions

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Anti- Monopoly law in effect since 2008.
- MOFCOM Review required.
- Increase scrutiny and may be more restrictive than other jurisdictions and possible extra-territorial application.
 - Coca Cola
 - Panasonic



©2009 Foley & Lardner LLP

Hidden Issues:

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Who is on your “Board” and who are the “Advisors”?
 - FCPA
- Early termination - who owns the IP?
- If you have multiple types of investments in China - are you your own competitor?



©2009 Foley & Lardner LLP

Joint Ventures

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Joint Venture with a Chinese partner - will you lose your trade secrets?
 - Examples of TSMC/SMIC and GM/Cherry
- Unless required to enter into a JV, is the WFOE now the way to invest?



©2009 Foley & Lardner LLP

China's Cherry and GM's Spark

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES



©2009 Foley & Lardner LLP

Trademark Concerns

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

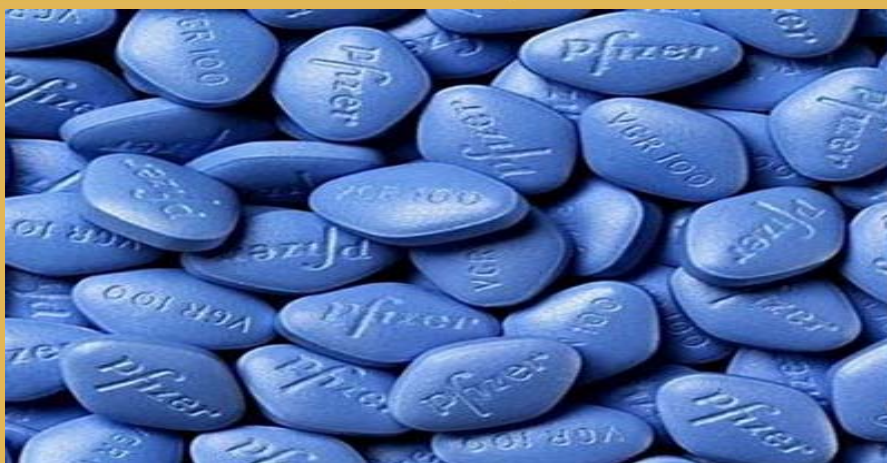
- Outright infringement is rampant.
- Subtle changes in your mark in Chinese can be hard to detect.
- Register your marks in Chinese!

FOLEY
FOLEY & LARDNER LLP
美國富強律師事務所

©2009 Foley & Lardner LLP

Your Trademark in English is not Enough- Pfizer

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES



FOLEY
FOLEY & LARDNER LLP
美國富強律師事務所

©2009 Foley & Lardner LLP

Viagra in Herbal Form?

13

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES



FOLEY
FOLEY & LARDNER LLP
美国富国律师事务所

©2009 Foley & Lardner LLP

Starbucks? Consumer Confusion

14

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES



FOLEY
FOLEY & LARDNER LLP
美国富国律师事务所

©2009 Foley & Lardner LLP

Labor Contract Law

15

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Effective in 2008.
- Requires written contracts.
- Severance pay for termination.
- Open ended contract if multiple renewals.
- There is no “at will” employment in China.



©2009 Foley & Lardner LLP

Important Clauses in the Employment Contract for Tech Companies

16

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Confidentiality Agreements: An employment contract may include confidentiality provisions relating to maintaining the employer’s trade secrets and intellectual property rights.
 - Be very specific- list the types of IP the employee has access to; and
 - Include the obligation in your employee handbook.



©2009 Foley & Lardner LLP

Non Compete

17

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Non-Compete Agreements: An employment contract may include competition restriction provisions.
- The employer must pay compensation on a monthly basis during the term of the non-compete.
- Only senior management, senior technicians, and other employees with a confidentiality obligation may be subject to a non-compete.
- Limited to 2 years.



©2009 Foley & Lardner LLP

Drafting Suggestions

18

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- List competitors;
- Clearly state what the compensation is for;
- List scope of non-compete, duration (limited to two years) and region; and
- How the compensation is being calculated.



©2009 Foley & Lardner LLP

Other Labor Contract Issues

19

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Non-Solicitation is a different obligation - separate from non-compete.
- Include an obligation to return company documents and data and enforce this.



©2009 Foley & Lardner LLP

Pay the Inventor

20

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Patent Law Article 16. Requires the entity that is granted a patent right to reward the inventor or creator of the invention and, upon exploitation of the patent, give the inventor or creator a reasonable remuneration based on the extent the invention-creation is applied and the economic benefits it yields.
- Unclear at present what exactly is required- draft rules provide some guidance.



©2009 Foley & Lardner LLP

Suggestion:

21

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Employment contracts can be drafted to preempt rules and can help clarify obligations. Example would be one time payment in lieu of yearly obligations which can be cumbersome to calculate and allows the patentee freedom to license or otherwise dispose of the patent.



©2009 Foley & Lardner LLP

Questions and Answers

22

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Anna M. Han
Law Professor
Santa Clara University
School of Law
500 El Camino Real
Bannan Hall 200M
Santa Clara, CA
Phone: 408.554.4711
Email: ahan@scu.edu



謝謝



©2009 Foley & Lardner LLP



广州三环专利代理有限公司
Scihead Patent Agent Co., Ltd

捍卫智慧 没有硝烟的战场
**Defending Intelligence - A Battle Ground
Without Gunpowder**
中国大陆知识产权保护现状简介

An Introduction to IP Protection in China
广州三环专利代理有限公司/北京三环知识产权代理有限公司董事长
Scihead Patent Agent Co., Ltd

温旭 教授、律师
Professor Xu Wen, Attorney/President
December 8, 2009

www.scihead.com



广州三环专利代理有限公司
Scihead Patent Agent Co., Ltd

一、中国大陆专利商标代理机构及专利商标申请简况

1. Patent & trademark agencies and applications in China

(一) 全国共有专利代理机构722家, 数量排在前10位的省市依次为: 北京196, 广东69, 上海59, 辽宁42, 浙江42, 江苏41, 山东25, 湖南23, 四川20, 湖北19, 共计536家, 占全国专利代理机构的74.2%。

(1) There are 722 patent agencies in mainland China, 536 (about 74.2%) of which are in the top 10 areas including Beijing(196), Guangdong(69), Shanghai(59), Liaoning(42), Zhejiang(42), Jiangsu(41), Shandong(25), Hunan(23), Sichuan(20), and Hubei(19).

www.scihead.com

24

一、中国大陆专利商标代理机构及专利商标申请简况

1. Patent & trademark agencies and applications in China

(二) 全国共有商标代理机构4703家, 数量排在前10位的省市依次为: 北京1019, 广东985, 浙江395, 江苏319, 上海303, 山东257, 福建155, 四川130, 辽宁103, 重庆100, 共计3766家, 占全国商标代理机构的80.1%。

(2) There are 4,703 trademark agencies in mainland China, 3,766 (about 80.1%) of which are in the top 10 areas including Beijing(1,019), Guangdong(985), Zhejiang(395), Jiangsu(319), Shanghai(303), Shandong(257), Fujian(155), Sichuan(130), Liaoning(103), and Chongqing(100).

一、中国大陆专利商标代理机构及专利商标申请简况

1. Patent & trademark agencies and applications in China

(三) 全国共有14051家律师事务所, 从业人数约15万人, 其中数量排在前十位的依次是: 广东1192, 北京1083, 上海845, 江苏750, 山东696, 浙江592, 湖南577, 辽宁555, 四川551, 河南539, 共计7378家, 占全国律师事务所的52.5%, 但从业人数却约占70%以上, 因为人数规模较大的律师事务所都集中在北京、广东、上海等前十位的省市。

(3) There are 14,051 law firms in mainland China with about 150,000 people in practice. Top 10 areas with the most law firms are Guangdong(1,192), Beijing(10,83), Shanghai(845), Jiangsu(750), Shandong(696), Zhejiang(592), Hunan(577), Liaoning(555), Sichuan(551), and Henan(539) which altogether have 7,378 law firms, (about 52.5% of total) and employ about 70% of all people in practice.

一、中国大陆专利商标代理机构及专利商标申请简况

1. Patent & trademark agencies and applications in China

(四) 1985年4月至2009年7月全国共申请专利4457062件, 数量排在前十位的依次为: 广东696488件, 江苏507157件, 浙江448731件, 山东332898件, 上海322370件, 北京298580件, 辽宁192163件, 四川145359件, 湖北129608件, 河南114940件, 共计3198294件, 占全国总申请量的71.8%。

(4) From Apr. 1985 to Jul. 2009 4,457,062 patent applications were filed. Top 10 areas are Guangdong(696,488), Jiangsu(507,157), Zhejiang(448,731), Shandong(332,898), Shanghai(322,370), Beijing(298,580), Liaoning(192,163), Sichuan(145,359), Hubei(129,608), Henan(114,940), totaling 3,198,294 filings (about 71.8% of total).

一、中国大陆专利商标代理机构及专利商标申请简况

1. Patent & trademark agencies and applications in China

(五) 自1979年我国恢复全国商标统一注册以来, 我国的商标注册年申请量从1980年的2.6万件迅猛增长到2008年的69.8万件(其中受理国外申请为10.8万件), 国内商标申请排名前5位省(市)分别为广东省105541件、浙江省79063件、北京市51855件、江苏省38014件和上海市35540件, 共计310013件, 占国内总申请量的52.5%。

(5) In 2008, there were 698,000 trademark applications, significantly higher than 26,000 applications in 1980. Top 5 areas were Guangdong(105,541), Zhejiang(79,063), Beijing(51,855), Jiangsu(38,014), Shanghai(35,540) with 310,013 applications (about 52.5% of total).

一、中国大陆专利商标代理机构及专利商标申请简况

1. Patent & trademark agencies and applications in China

专利商标申请及专利商标代理机构较集中分布在:

Patent & Trademark application filings and agencies are concentrated in:

- 珠三角的广东Guangdong Province of the Pearl River Delta;
- 长三角的江浙沪Jiangsu, Zhejiang, Shanghai of the Yangtse River Delta;
- 北京市Beijing

中国知识产权的大三角; The Great IP Delta of China;

三环知识产权的大三环 The Great Three-ring of Scihead IP.

二、中国大陆知识产权服务机构的组成特点

2. The characteristics of IP agencies in mainland China

了解中国知识产权服务机构的组成特点, 有助于外国事务所选择最佳最合适的合作伙伴。随着2009年中国涉外专利申请业务的全面开放, 全国专利商标所经历了一次较大的调整与变化, 目前代理机构共有如下几种模式:

An understanding of the characteristics of IP agencies in China helps overseas IP firms choose best suited business partners. Typically there are three types of IP agencies in China.

二、中国大陆知识产权服务机构的组成特点

2. The characteristics of IP agencies in mainland China

(一)以港专、贸促会、柳沈、上海所、永新所等为代表的大约10家老招牌最早从事涉外知识产权代理机构涉外经验较丰富,手中的国外客户资源多,翻译人才多,但面临的问题是国内案源很少,人才流失严重,收费较高;

业务比较单一,重点在于翻译工作,又懂专利,又懂技术,又有律师执照的人较少,随着特权的消失,竞争力已今非昔比。

(1) Old brand in bound IP agencies represented by 10 earliest agencies such as CPA, CCPIT, Liu-Shen, SPTL, NTD, etc:

Experienced in handling in bound cases, specialized in servicing in bound foreign applications and translation, high service fees; lack of domestic cases, loss of talents.

Simplified business, focused on translation, shortage of patent attorneys with technological qualifications, losing edges in competition.

二、中国大陆知识产权服务机构的组成特点

2. The characteristics of IP agencies in mainland China

(二)以三友、三环、集佳、康信等为代表的大约10家中生代的涉外事务所:

- 大多数是在2000年左右
- 100人以上规模的事务所
- 竞争力较强,业务保持平稳,甚至有较大发展
- 三环所的优势

(2) The new vital force of in bound IP firms represented by 10 firms including Sanyou, Scihead, Unitalen, Kangxin, etc:

- Started in around 2000;
- More than 100 staff;
- Competitive, stable business, progressing quickly;
- Advantages of Scihead

二、中国大陆知识产权服务机构的组成特点 2. The characteristics of IP agencies in mainland China

(三)以金杜、大成、华诚等律所为代表的具有专利代理资质的律所：

- 具有专利资质
- 实际上从事专利申请的人数、代理专利申请的业务量很有限，主要从事知识产权诉讼业务，相对来讲不够专业。

(3) Law firms with patent agent service qualifications, represented by King & Wood, Dacheng, Huacheng:

- Qualified for patent agent service;
- Limited staff and experience in patent prosecution, technologically not competitive, focus on IP litigations.

二、中国大陆知识产权服务机构的组成特点 2. The characteristics of IP agencies in mainland China

建议合作的伙伴应该考虑选择一些中等规模以上，专利、商标、诉讼业务较全面的，并且有中国客户案源与之交换业务的代理机构，作为合作伙伴，这些代理机构的收费也较合理，通常比老牌所低20%左右，而且实际代理水平并不亚于老牌所，有些方面还优于其。

Suggestions for choosing business partners in China:

Agencies should be of medium size, comprehensive service in patent, trademark and litigation aspects, having lots of domestic cases for exchange. Such agencies charge 20% less than old brand agencies, and they offer high quality and provide even better service in some aspects.

三、中国大陆的一些专利资助政策

3. Financial incentives for patent filings in mainland China

- 中国由“中国自造”到“中国制造”再到“中国创造”的改革演变过程中, 专利的数量逐年增加, 专利的含金量逐年提升, 对外专利商标申请或PCT申请量每年也在增多, 华为2008年以1737项PCT申请成为全球第一, 标志着中国在若干年后涉外专利申请将有大幅度的提升。了解中国大陆的专利激励政策, 有助于结合中国国情, 拓展中国的专利业务。
- The number of patent applications increases year by year, including foreign-related patent applications or PCT applications. Take *Huawei* as an example, in 2008, *Shenzhen Huawei Technology Co., Ltd.*, was ranked No. 1 in the number of PCT applications filed (1737), overtaking Japan's Panasonic and Philip.
- Inventor/Creator remuneration and reward encourage the development of IP business in China.

三、中国大陆的一些专利资助政策

3. Financial incentives for patent filings in mainland China

- (一) 高新技术企业认定, 须有一项发明或六项实用新型专利, 占30分, 满分为100分, 缺少专利分不能认定为国家高新技术企业, 被认定为高新技术企业可减税10%。
- (1) In China, for a company to be certified as a high-tech enterprise, there is a patent requirement which accounts for 30% of the overall evaluation: the company must have one invention or six utility model patents. Without this 30% patent aspect, application for high-tech enterprise can't be approved. A high-tech enterprise can enjoy 10% reduction on Enterprise Income Tax.

三、中国大陆的一些专利资助政策

3. Financial incentives for patent filings in mainland China

(二)国内专利申请普遍给予资助,实用新型专利资助500—2000元不等,发明专利资助1000—6000元不等,有的分为申请和授权两个阶段分别给予资助。国外申请的资助奖励10000—100000元不等。

(2) Inventor/Creator remuneration and reward:

Utility model — RMB500~2,000

Invention — RMB1,000~6,000

Foreign filings:

RMB10,000 — 100,000

三、中国大陆的一些专利资助政策

3. Financial incentives for patent filings in mainland China

(三)对优秀的专利授予省或国家的专利金奖或优秀奖,最高奖金可达300万元。

(3) Golden patent prizes or outstanding patent prizes are granted for high quality patents by the state or provincial government, up to RMB3,000,000.

三、中国大陆的一些专利资助政策

3. Financial incentives for patent filings in mainland China

- 诸如此类的奖励措施对企业的专利申请有较大的促进作用。国外的事务所应当注意到国内的动态，拓展业务要结合中国国情，切不可完全照搬美国及西方的一套，尤其在收费方式及标准上应有所变通，英国有一个所就采取定额打包方式收费，获得了不少中国客户。
- Such encouraging policies greatly promote the patent applications of the enterprises. Foreign law firms should pay attention to these IP trends in China and take China's situation and circumstances into consideration while developing business in China.
- Foreign law firms should be flexible in fee schedule, instead of copying the same standard rate from their own countries. For example, a British law firm attracts many Chinese clients by providing a fixed package fee rather than charging by hourly rate.

三、中国大陆的一些专利资助政策

3. Financial incentives for patent filings in mainland China

- 不少国外的所，为了减低成本，拓展中国业务，通常采取中国申请国外的专利的基础性工作尽量由中国的所完成，程序和核心部分由美国或其他国家的所完成，反过来由外国进入中国的业务也尽量由中国所去做，这样收费的标准可以降低。
- In order to reduce the cost when expanding business in China, many foreign law firms often choose local Chinese agents to do the basic work for Chinese companies' foreign patent application, or foreign companies' operation entering the China market. Foreign law firms only handle the core issues and oversee the entire procedure.

四、中国的专利、商标法律修改情况

4. Revision of patent law and trademark law in China

(一) 中国的商标法草案正在修改之中, 其中最大的修改是取消异议程序, 加快审批速度。

(1) The most obvious revision of the 3rd draft of Chinese Trademark Law is to cancel the trademark opposition procedure in order to accelerate the application.

四、中国的专利、商标法律修改情况

4. Revision of patent law and trademark law in China

(二) 中国修改后的专利法已于2009年10月1日正式实施, 主要修改为:

1. 相对新颖性修改为绝对新颖性
— 拓宽了现有技术范围, 提高了专利授权标准
2. 外观设计授权标准引入抵触申请规定
— 提高了外观设计授权标准

(2) The third amendment to Chinese patent law has come into force on

Oct. 1st, 2009. The main revisions are:

- A) Adoption of absolute novelty – heightened patentability standard
Adoption of Interference procedure in design patent – raising
- B) patentability standards for design patent

四、中国的专利、商标法律修改情况

4. Revision of patent law and trademark law in China

3.增加了外观设计许诺销售侵权内容

—扩大了专利侵权的范围

4.提高酌定侵权赔偿额, 将制止侵权的合理支出纳入赔偿范围

—加大惩罚专利侵权的力度

C) To add that an offer for sale in relation to design patent is an infringing act, enabling patentees to pursue claims of infringement at trade fairs or wholesale markets
— broaden the scope of the patent infringement

D) Increased statutory damages and reasonable expenses incurred by the patentee to stop infringement that having been in existence in regulations

— heavy penalty for patent infringement

五、专利无效与侵权诉讼的成功案例

5. IP Cases

(一)“索尼”诉“步步高”DVD外观专利侵权案

成功要点: 抢回诉权, 击中要害

(1) “Sony” vs “BBK” DVD design patent infringement case

(二)“晶艺”诉“深圳机场”、“白云机场”、“西安机场”专利侵权案

成功要点: 经营使用, 构成侵权

(2) “KGE” vs “Shenzhen airport”, “Baiyun airport”, “Xi’an airport” patent infringement case

五、专利无效与侵权诉讼的成功案例

5. IP Cases

(三) 组合眼镜发明专利是否具有创造性无效案

成功要点: 反向思维, 有论有据

(3) The patent invalidation case focused on the creativity of patent

(四) “无锡电池”与“深圳电池”专利侵权与无效案

成功要点: 重点突破, 全面突围

(4) The patent infringement and invalidation case concerning battery

五、专利无效与侵权诉讼的成功案例

5. IP Cases

(五) 北京某博士诉广州某博士“博士论文”侵权案

成功要点: 证据反用, 巧破死结

(5) The copyright infringement case concerning a PH.D. dissertation

(六) “佛山日丰”与“上海日丰”商标侵权之诉

成功要点: 企业名称, 突出使用

(6) The trademark infringement case concerning “Rifeng” hose

五、专利无效与侵权诉讼的成功案例

5. IP Cases

(七) 广州星群与广东星群企业名称之诉
成功要点: 曾经合作, 具有恶意

(7) The litigation concerning "Xingqun" trade name

(八) "诸葛酿"与"诸葛亮"酒谁是谁非
成功要点: 在先权利, 依法保护

(8) "Zhugeliang" vs "Zhugeniang" the trademark case concerning wine

五、专利无效与侵权诉讼的成功案例

5. IP Cases

(九) "广州立白"购买"重庆奥妮"商标独占许可纠纷案
成功要点: 未曾备案, 合同存假

(9) The trademark dispute concerning exclusive license

(十) "香港荣华"与"苏氏荣华"荣华品牌争夺战
成功要点: 诚实信用, 皇帝条款

(10) The mooncake brand battle between "HK Ronghua" and "Shunde Ronghua"

五、专利无效与侵权诉讼的成功案例 5. IP Cases

(十一)“西门子”与“深圳合信”专利侵权纠纷案

(11) “Siemens”vs “Co-trust” patent infringement case

谢谢！Thanks!



温旭 Xu Wen

广州三环专利代理有限公司、
北京三环知识产权代理有限公司 董事长、总经理

President
Scihead Patent Agent Co., Ltd ;
Beijing Scihead Intellectual Property Agent Co., Ltd
Tel: +86-20-37616191
Mob: +86-13902206386
E-mail: wenxu@scihead.com



Patent Enforcement in China

Alex Y. Nie, Esq.
Foley & Lardner LLP



Patent Enforcement in China is Important for US Companies

- Number of patent cases in trial courts:
 - 2006: 3186
 - 2007: 4028
 - 2008: 4074
- Number of IP cases involving a foreign entity
 - 2008: 70% more than in 2007
 - About 1/4 plaintiffs are US entities
- USTR's 2009 Special 301 Report:
 - China as #1 in the Priority Watch List



The Dual-Track Enforcement System

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Judicial system
 - IP tribunals in over 70 intermediate trial courts, as well as provincial higher courts and the Supreme People's Court
 - The Supreme People's Court is considering to establish an Intellectual Property Appellate Court in Beijing



©2009 Foley & Lardner LLP

The Dual-Track Enforcement System (cont.)

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Administrative system
 - State Intellectual Property Office (SIPO) and its local branches
 - Can hear almost all kinds of patent-related disputes, e.g.:
 - Patent counterfeiting (passing off) – treble damages + criminal prosecution
 - Compulsory licensing



©2009 Foley & Lardner LLP

The Administrative Track

55

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Highly efficient and economic
 - More akin to mediation than adjudication
 - No complicated legal procedure such as discovery or cross-examination
- Highly qualified
 - SIPO is a newly established agency with a large number of employees better trained than many judges
- Decisions reviewable by courts



©2009 Foley & Lardner LLP

The Administrative Track

56

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- The administrative agencies can not award damages
- The administrative agencies may lack effective means to enforce the decisions they render
 - In comparison, disputes over trademarks are heard by the State Administration for Industry and Commerce (SAIC) and its local branches, which have broad power over business activities of local companies



©2009 Foley & Lardner LLP

Damages

57

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Chint (China) v. Schneider Electric (France)
 - Schneider brought a patent infringement lawsuit against Chint, to force Chint into an acquisition deal; Chint sued Schneider for infringement of its own **utility model patent**
 - **\$47M** awarded to Chint in Sept. 2007
 - The parties settled at **\$23M** in April, 2009
 - Wenzhou Intermediate Court (**Zhejiang Province**)



©2009 Foley & Lardner LLP

Damages (cont.)

58

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Holley Communications (China) v. Samsung Electronics (Korea)
 - Holleycomm sued Samsung for patent infringement
 - SIPO held the patent valid
 - **\$7.4M** awarded to Holleycomm in Dec, 2008
 - On appeal now
 - Hangzhou Intermediate Court (**Zhejiang Province**)



©2009 Foley & Lardner LLP

Chint – What do we learn?

59

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Chint v. Schneider and Holley v. Samsung illustrate a trend towards higher damages awarded by Chinese courts – finally to a level to effectively deter infringement?
- Importance of forum – what is special about Zhejiang province?
- Failure to take advantage of the “utility model” patent system
 - In 2008, of the 226,000 utility model applications filed, < 1% were filed by foreign entities
 - Yet, these utility patents may well be enforceable



©2009 Foley & Lardner LLP

Chint - China's IP Wisdom?

60

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- In 1999
 - Hitachi, Panasonic, Mitsubishi, Time-Warner, Toshiba and JVC (6C) issued a statement alleging that various Chinese DVD player manufacturers infringed about 2,000 patents owned by 6C. Chinese DVD manufacturers, without assessment of the merit of the allegation, agreed to pay \$4 royalty per player.
 - Then other foreign companies followed, as of 2006, Chinese DVD manufacturers pay about \$20 royalty for each player, which equals about \$12.5B profit within 5 years.



©2009 Foley & Lardner LLP

Chint - China's IP Wisdom? (cont.)

61

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- In 2009
 - China's top 10 home appliance (TV) manufacturers retained Foley & Lardner and Scihead as preferred legal service providers to represent them in international and domestic IP matters.



©2009 Foley & Lardner LLP

Damages

62

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Medium damage awarded is ~15% of the IP owner's damage claim ¹
- Damage claims made by IP owners are already low compared to the US and compared to the degree of harm caused ¹
- Statutory damages that can be awarded by a court has been increased from 500K RMB to 1M RMB (~\$146K)

¹ "Intellectual Property Rights Protection in China: Trends in Litigation and Economic Damages," NERA, http://www.nera.com/Publication.asp?p_ID=3693 Last accessed Oct 6, 2009



©2009 Foley & Lardner LLP

Judicial Interpretations

63

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Several Provisions of the Supreme People’s Court on Issues Concerning Applicable Laws to the Trial of Patent Infringement Controversies (“Judicial Interpretation”), draft published in **June, 2009**
 - Doctrine of equivalents, claim construction, and Prosecution history estoppel
 - All elements rule (vs. redundant element rule)
 - Prior art defense



©2009 Foley & Lardner LLP

Judicial Interpretations (cont.)

64

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Declaratory judgment
- For more information, see:
Zhao, Nie and Tang, “PRC Supreme People’s Court Patent Infringement Enforcement Guidance: The “Draft” Published for Comments by the Patent Community,” accessible at:
http://www.foley.com/publications/pub_detail.aspx?pubid=6159



©2009 Foley & Lardner LLP

Doctrine of Equivalents, Claim Construction and Estoppel

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Dongfang Machine Core Factory v. Jinling Hardware Ltd. Co.
 - One of the “Top 100 IP cases” in China, named by the Supreme Court
 - Chinese invention patent, 92102458.4, directed to apparatus and methods for cutting metal plates for making music boxes

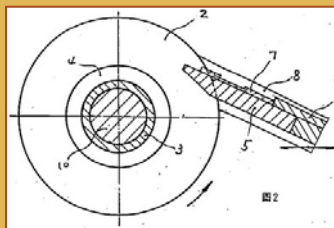


©2009 Foley & Lardner LLP

Doctrine of Equivalents, Claim Construction and Estoppel

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- The specification: an advantage of the invention is that component 7 is attached to a thick fastening component 5 so that it does not vibrate even slightly while being cut by the rotating blade 2
- In the alleged infringing device, component 7 hangs in the air, and there is no fastening component 5



©2009 Foley & Lardner LLP

Dongfang v. Jinling (cont.)

67

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Trial court: no infringement
 - The fastening component 5 is missing from the alleged infringing device
 - Did not consider doctrine of equivalents (DOE)
- Higher court: no infringement
 - DOE is not satisfied
 - Specification estopped the patentee from broadening the claims



©2009 Foley & Lardner LLP

Dongfang v. Jinling (cont.)

68

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Supreme Court: reversed
 - DOE is satisfied – if “basically the same” with respect to means, functions and goals
 - DOE is satisfied even if the alleged infringing product is inferior to the patented
 - The Court made note of the defendant’s inequitable conduct, but did not state whether it was a factor of consideration



©2009 Foley & Lardner LLP

Dongfang v. Jinling (cont.)

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- The Judicial Interpretations will likely clarify the law with respect to DOE
 - DOE requires “substantially identical” means, functions and goals



©2009 Foley & Lardner LLP

Looking Forward

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- Transparency
 - Courts in relatively developed areas, e.g., Beijing, Shanghai, Jiangsu, and Zhejiang, publish decisions on the website
- Political pressure (good or bad?)
 - Pfizer's Viagra patent litigation in China ended with an encouraging success for foreign patent holders
- To watch:
 - Eli Lilly & Co.'s v. Gan & Lee Pharmaceuticals (China)
 - Patents related to Humalog were invalidated, now on appeal



©2009 Foley & Lardner LLP

Questions and Answers

71

GLOBAL MARKETPLACE — EYE ON CHINA: ROUNDTABLE SERIES

- **Alex Nie**
IP Associate
Registered Patent Attorney
Foley & Lardner LLP
975 Page Mill Road
Palo Alto, CA
Phone: 650.251.1124
Email: anie@foley.com



©2009 Foley & Lardner LLP