

Summer 2009 Eye on China Newsletter

» 中文版

With unprecedented growth in and influence over the global market — coupled with an ever-evolving legal landscape — China presents as much complexity as opportunity. With internationally recognized IP capabilities and extensive hands-on experience in the Chinese business market, Foley is well positioned to provide legal insight to U.S., Asian, and European companies preparing to do or doing business in China. Moreover, China's fast-growing industries and businesses are seeking to expand their international reach. With more than 160 years of experience, 18 offices in the United States, and a network of international partners, Foley is equally well positioned to assist Chinese companies as they expand globally.

We are pleased to offer Foley Legal News: China Quarterly Newsletter, *Eye on China*, designed to offer companies helpful insight as they successfully navigate China's complex and ever-changing legal and regulatory environment.

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News and Noteworthy

PRC Supreme People's Court Patent Infringement Enforcement Guidance: The "Draft" Published for Comments by the Patent Community

Legal News Alert, July 6, 2009: http://www.foley.com/publications/pub_detail.aspx?pubid=6159

PRC Supreme People's Court (SPC) Justice He Zhonglin introduced the draft of Several Provisions of the Supreme People's Court on Issues Concerning Applicable Laws to the Trial of Patent Infringement Controversies (Judicial Interpretations). The Judicial Interpretations document is particularly important, as it comes from the SPC and, when finalized, will represent a powerful interpretative tool for Chinese patent law and practice.

China Marches Toward Third Revision of Trademark Law: New Draft Amendments Signal Potential Ease of Surveillance Burden on Owners

Legal News Alert, July 6, 2009: http://www.foley.com/publications/pub_detail.aspx?pubid=6163

The current era of IP reform in China is impacting both patent and trademark law alike. China is in the process of revising — for the third time — its Trademark Law, which was first promulgated on August 23, 1982. On June 20, 2009, the State Administration for Industry and Commerce issued a revised draft of the proposed amendments to the PRC Trademark Law (2009 Draft Amendments). The 2009 Draft Amendments are significant, as they represent changes currently contemplated in an ongoing process to reshape the law governing brand procurement and protection in China.

Current Topics

West Meets East — Current Topics in China

- **Staying Off the Radar in China: Avoiding Prosecution Under the U.S. Foreign Corrupt Practices Act**, by *Mike Koehler and David W. Simon, Foley & Lardner LLP*

A common misperception is that the U.S. Foreign Corrupt Practices Act (FCPA) applies only to U.S. companies and U.S. citizens.

Under certain circumstances, however, the broad-reaching FCPA — which prohibits improper payments to foreign officials to obtain or retain business — can apply to the conduct of Chinese companies and business executives. View full article: http://www.foley.com/publications/pub_detail.aspx?pubid=6244

- **Chinese Government Policies Aimed to Invigorate Auto Industry**, by Ken Duck, Foley & Lardner LLP

After several years of double-digit growth in new vehicle sales in China, 2008 new vehicle sales slumped to a seven-percent increase over 2007 sales growth. In furtherance of the Chinese government's goal of maintaining at least a 10-percent annual growth rate during the next several years, it has implemented consumer incentive programs ranging from road-fee reductions and subsidies to tax reductions. View full article: http://www.foley.com/publications/pub_detail.aspx?pubid=6246

- **China's Health Care Reform Promotes International Pharmaceutical Commercialization**, by Patricia Wu and James F. Ewing, Foley & Lardner LLP

Stymied by the defects of its current health care system, the Chinese government has outlined goals to bring about a solid health care reform plan by increasing government control and insurance coverage; alleviating the growing disparity in health care between the rural and urban populace; improving safety regulations for pharmaceuticals and manufacturing quality; and strengthening IP protection. With the third revision of China's patent law soon to be implemented, the desired changes will create both opportunities and challenges for domestic and foreign health care systems and overall pharmaceutical practices. View full article: http://www.foley.com/publications/pub_detail.aspx?pubid=6248

- **Taxpayers Beware: New Measures on Transfer Pricing Rules in China**, by Z. Julie Lee and Liang (Leo) He, Foley & Lardner LLP

On January 8, 2009, the State Administration of Taxation (SAT) issued the Implementation Measures for Special Tax Adjustments (Trial), Guo Shui Fa (2009) No. 2 (Measures), which were formulated in accordance with Chapter 6 (Special Tax Adjustment) of China's new Corporate Income Tax (CIT) Law and its Implementing Rules. The Measures extend the definition of related parties and significantly increase the documentation and disclosure burdens of taxpayers engaged in related-party transactions. Taxpayers should take proactive approaches to review their relationships (including pricing) with related parties to ensure compliance. View full article: http://www.foley.com/publications/pub_detail.aspx?pubid=6250

East Meets West — Current Topics in the United States

- **Best Practices for Obtaining and Using Opinions of Counsel**, by Foley Partner C. Edward Polk, Jr., Annora A. Bell, and Debra A. Lange, Foley & Lardner LLP

In the high-stakes world of U.S. patent litigation, an opinion of counsel can be a useful weapon for defending against claims of patent infringement. This article discusses practical tips regarding obtaining and using opinions of counsel under U.S. patent law and concludes that, although U.S. case law no longer requires a company to obtain an opinion of counsel before initiating potentially infringing activity, the failure to do so can be held against a company when involved in U.S. patent litigation. View full article: http://www.foley.com/publications/pub_detail.aspx?pubid=6252

- **In re Bilski Gets Nod for Review by U.S. Supreme Court**, by Jad A. Mills and Christopher E. Everett, Foley & Lardner LLP

While it was already becoming increasingly difficult to obtain prompt U.S. patent protection, the Court of Appeals for the Federal Circuit (Federal Circuit) imposed tough new patentability standards on method claims in its October 2008 *In re Bilski* decision. This issue has become so important that the U.S. Supreme Court agreed in June 2009 to review the Federal Circuit decision. Although the Supreme Court's response to *Bilski* is awaited with great expectation, prudent patent applicants need to understand the Federal Circuit's *Bilski* decision now to best protect their business interests — regardless of how the Supreme Court rules. View full article: http://www.foley.com/publications/pub_detail.aspx?pubid=6254

- **Planning for Patenting Success in a Post-KSR World Is Not Always So Obvious**, by Jad A. Mills and James F. Ewing, Foley & Lardner LLP

The 2007 U.S. Supreme Court decision in *KSR Int'l. Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (2007) (*KSR*) articulated a flexible approach to obviousness. The improved ability to combine prior art references to deny patentability or invalidate patents for obviousness impacts prosecution, reexamination, and litigation strategy. By taking careful note of *KSR* and the obviousness standard, innovators can avoid falling prey to the threat of *KSR* obviousness rejections and guard against future challenges to patent validity. This article details key elements to an effective patent strategy to avoid pitfalls in light of *KSR*. View full article: http://www.foley.com/publications/pub_detail.aspx?pubid=6256

- **Introduction to the U.S. Patent Reform Act of 2009**, by Alex Y. Nie, Foley & Lardner LLP

The Patent Reform Act of 2009, Leahy S.515 (Bill), and a corresponding House bill, Conyers, H.R. 1260 — both of which call for major reforms in the U.S. patent system — were introduced in the U.S. Congress on March 3, 2009. This article explores the proposed changes based on the Bill as amended and passed by the Senate Judiciary Committee. View full article:

http://www.foley.com/publications/pub_detail.aspx?pubid=6265

Staying Connected

Please Join Us — Future Events

- Foley's upcoming **Global Marketplace: Eye on China Series** programs are designed to offer companies helpful insight as they successfully navigate China's complex and ever-changing legal and regulatory environment. Upcoming events include:

Eye on China: Web Conference Series: During the week of September 22, 2009, Foley will host a Web conference focusing on the legal needs of U.S. companies planning to do or currently doing business in China. The program will discuss the implementation of the third amendment to China's patent law and the potential impact on business transactions, securities, and employment in China.

Eye on China: Roundtable Series — U.S. Programs: The U.S. roundtables will focus on the legal needs of U.S. companies planning to do or currently doing business in China. The programs will address issues related to business transactions, securities, and employment in China after the implementation of the third amendment to China's patent law goes into effect on October 1, 2009.

Milwaukee Program: Week of October 19, 2009

Chicago Program: Week of October 26, 2009

San Diego Program: Winter 2009 (Date TBD)

Eye on China: Roundtable Series — China Programs: The China roundtables will focus on the latest key U.S. IP law developments, including the 2009 patent reform bills, new USPTO leadership, and landmark cases. Topics addressing the implementation of the third amendment to China's patent law also will be included.

Shanghai and Shenzhen Programs: Week of November 16, 2009

In Case You Missed It

- Foley hosted a forum entitled, "Cutting-Edge Intellectual Property Issues Between the United States and China" on June 19, 2009 in Beijing, China. Foley Partner **Jon W. Dudas**, former Under Secretary of Commerce for Intellectual Property and Director of the USPTO, addressed current issues in U.S. patent reform (<http://www.foley.com/files/PatentReformDudas2009.pdf>). Mr. Dudas was joined by **Honorable Cheng Yongshun**, Director of Beijing Intellectual Property Institute; **Shen Rengan**, Chairman of China Copyright Society; and **Hironori Seki**, General Manager of IP at Renesas Technology Corporation. Mr. Seki addressed strategies for contributing to a company's innovation process (<http://www.foley.com/files/LeadingInnovationSeki2009.pdf>). The program also featured several Foley speakers, including Foley partners **Sharon R. Barner**, **Catherine Sun**, **Harold C. Wegner**, **Stephen A. Bent**. Mr. Bent discussed business and IP issues related to China's participation in the global life science sectors (<http://www.foley.com/files/LifeSciencesBent2009.pdf>).
- Foley co-hosted a forum entitled, "High-Level Forum on Chinese and U.S. Patent Protection Practices" on June 22, 2009 in Shenzhen, China. Along with Foley, the forum was sponsored by the Guangdong Intellectual Property Office, Shenzhen Intellectual Property Office, Guangdong IP Protection Association, IPR Committee of Guangdong Lawyers Association, Shenzhen Patent Association, and Scihead IP. **Xu Wen**, President of Scihead IP, as well as other high-level government officials were featured throughout the forum. Foley Partner **Sharon R. Barner**, Chair of Foley's IP Department, addressed current issues in enforcement of intellectual property rights before the International Trade Commission (<http://www.foley.com/files/Section337Barner2009.pdf>). The program also featured Foley partners **Jon W. Dudas**, **Catherine Sun**, **Harold C. Wegner**, and **Stephen A. Bent**. Mr. Wegner discussed key considerations to optimizing the commercial value of Chinese innovation (<http://www.foley.com/files/PatentPracticeWegner2009.pdf>).
- Foley co-hosted a forum entitled, "International Collaboration: Cutting-Edge Intellectual Property Issues" on June 25, 2009 in Shanghai, China. In addition to Foley, the Shanghai Intellectual Property Bureau was a participating sponsor. Foley Partner **Jon W. Dudas** addressed current issues in U.S. patent reform (<http://www.foley.com/files/PatentProsecutionDudas2009.pdf>). Mr. Dudas was joined by **Honorable Dan Zhu**, Chief Judge of IP Tribunal, Shanghai No. 1 Intermediate People's Court; **Lu Guoqiang**, Deputy Director General, Shanghai Intellectual Property Administration; and **Dr. Oliver Lutze**, Head of Intellectual Property, Bayer, China. Mr. Lutze addressed intellectual property management and inventor remuneration schemes. The program also featured several Foley speakers, including Foley partners **Sharon R. Barner**, **Catherine Sun**, **Harold C. Wegner**, and **Stephen A. Bent**. Mr. Bent discussed strategies to optimize the value of IP rights in technology-driven global markets (<http://www.foley.com/files/GlobalMarketsBent2009.pdf>).

- “Effective Strategies for Licensing Technology in China,” the first of Foley’s **Global Marketplace — Eye on China: Roundtable Series**, was held on July 1, 2009 in Foley’s Boston office. The roundtable was moderated by Foley IP Litigation Partner **Matthew B. Lowrie**. Panelists included **Linda Ji**, Senior Counsel in Foley’s China Practice as well as the firm’s Private Equity & Venture Capital and Transactional & Securities practices and Emerging Technologies Industry Team; **Jo Xu**, resident attorney in Foley’s Shanghai office and member of the firm’s China Practice; and **Travis Wilson**, IP Counsel for Morningside Technology Advisory. The forum addressed current issues and strategies related to licensing and protecting technology IP in China. View the event page and presentation at: http://www.foley.com/news/event_detail.aspx?eventid=2850.

Legal News: China Quarterly Newsletter, *Eye on China* is part of our ongoing commitment to providing legal insight to our clients and our colleagues preparing to do or doing business in China. If you have any questions about this publication or would like to discuss the topics presented here, please contact your Foley attorney or the following:

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ABOUT FOLEY

Foley & Lardner LLP continually evolves to meet the changing legal needs of our clients. Our team-based approach, proprietary client service technology, and practice depth enhance client relationships while seeing clients through their most complex legal challenges. The BTI Consulting Group (Wellesley, Massachusetts) recently recognized Foley as one of the top four law firms shaping the U.S. legal market, while *CIO* magazine has named Foley to its CIO 100 list six times for our client-focused technology. Whether in the United States or around the world, Foley strives to provide high-caliber business and legal insight.

Foley & Lardner LLP Legal News is intended to provide information (not advice) about important new legislation or legal developments. The great number of legal developments does not permit the issuing of an update for each one, nor does it allow the issuing of a follow-up on all subsequent developments.

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