

Intellectual Property



Note from the Editors

Welcome to the Fall issue of our *Intellectual Property Quarterly Newsletter*.

We are pleased to announce the launch of our Patent Reform Resource Center, our online resource of key developments and practical advice for dealing with the complex changes of the Leahy-Smith America Invents Act (AIA). The site includes relevant articles, client alerts, presentations, upcoming events, and a link to the USPTO's Implementation Information. Please visit the Patent Reform Resource Center at www.mofo.com/patent-reform.

In this issue of our *IP Quarterly Newsletter*, we examine current topics involving patent law, including:

- venue selection in patent litigation and the move away from multidendant litigation and the Eastern District of Texas; and
- a comprehensive look at patent procurement and enforcement in China.

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Editorial Team

Eric M. Acker (858) 720-5109
eacker@mofo.com

Jason A. Crotty (415) 268-6381
jcrotty@mofo.com

Contributing Editors

Glenn Kubota
Scott C. Moore
Peng Li
Nicole M. Smith
Kenneth X. Xie
David T. Yang

The End of an Era? The Move Away From Multidefendant Litigation and the Eastern District of Texas

By Nicole M. Smith and
Scott C. Moore

Patent holders—especially non-practicing entities, which are typically not tied to particular geographical areas—have long sought to bring patent infringement lawsuits in venues perceived to be plaintiff-friendly. Although the Federal Circuit has issued a series of decisions over the past few years that have made it easier for defendants to seek transfers, patent holders have still been able to resist transfers in certain judicial districts, such as the Eastern District of Texas, by bringing suit against multiple companies from different areas of the country. This strategy makes it difficult for the defendants to identify an alternative venue that is clearly more convenient than the venue chosen by the plaintiff—a requirement for seeking a transfer.

A provision of the Leahy-Smith America Invents Act changes the joinder rules in a way that will make it much more difficult for patent holders to sue multiple independent companies in a single patent infringement lawsuit. In so doing, this new law should severely limit one of the last, best strategies that non-practicing entities have used to maintain litigation in their chosen forums.

Venue in Patent Cases

Federal law generally allows a plaintiff to file a lawsuit in any judicial district of the United States in which the defendants are subject to personal jurisdiction.¹ Thus, larger companies and companies that sell products throughout the United States may find themselves subject to personal jurisdiction nationwide.² A patent holder can bring a lawsuit against such a

defendant in whatever forum it considers to be most favorable. A common choice of forum for patent holders is the Eastern District of Texas.

The law permits defendants to request a transfer to a different forum if it can show that the transfer would be more convenient for the parties and witnesses, and serve the interest of justice.³ The convenience analysis often turns on how close in distance the parties, witnesses, and evidence are to the plaintiff's chosen forum and the proposed transferee forum.⁴ However, courts have generally held that the plaintiff's choice of forum is entitled to deference, and that a transfer is therefore only available if the defendants can show that an alternative court would be a clearly more convenient forum for the dispute.⁵

Commonly Used Forum-Shopping Strategies

Non-practicing entities have employed several strategies in order to prevent defendants from seeking transfers to venues that are viewed as less favorable to plaintiffs. They have formed subsidiaries in their preferred forums, and then brought suit through these forum-based subsidiaries. This strategy allows non-practicing entities to argue that their chosen forum is, in fact, the plaintiff's home forum: a factor that strengthens the arguments against transfer.⁶ Because the location of evidence is an important factor in the transfer analysis, non-practicing entities have also attempted to resist transfer by transporting evidence to a subsidiary or other location within their chosen forum. However, recent Federal Circuit decisions have rejected both of these strategies.⁷

One strategy that has so far survived appellate court scrutiny is joining separate defendants that are based in different parts of the country in a single patent infringement lawsuit. The transfer statute does not empower courts to transfer claims against one defendant, while retaining jurisdiction over claims against a different defendant.⁸ Thus, unless a defendant can meet the legal standards for having the plaintiff's claims against it severed into a separate one-defendant lawsuit—something that has been particularly difficult to accomplish in the Eastern District of Texas⁹—transfer is usually an all-or-nothing proposition.

For example, a patent holder who wishes to maintain a lawsuit in the Eastern District of Texas may choose to sue a California defendant and a New York defendant. In this situation, a transfer to the New York-based defendant's home forum might be more convenient for that defendant (i.e., result in a trial closer to that defendant, its witnesses, and its evidence). However, this convenience gain would be offset by the additional inconvenience the transfer would cause to the California-based defendant. In such circumstances, it would be difficult for the defendants to argue that either obvious alternative forum would be clearly more convenient than the forum chosen by the plaintiff.

Impact of the Leahy Smith America Invents Act

The Leahy-Smith America Invents Act ("AIA"), which was signed into law on September 16, 2011, may severely curtail this strategy. The AIA enacted specialized joinder rules for patent infringement actions that prohibit

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plaintiffs from joining multiple defendants together in a single lawsuit “based solely on allegations that they each have infringed the patent or patents in suit.”¹⁰ This new statutory provision was designed to overrule the Eastern District of Texas case law permitting plaintiffs to consolidate patent infringement claims against unrelated defendants.¹¹ Under the new law, accused infringers may only be joined as defendants if (1) the right to relief asserted arises “out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing . . . offering for sale, or selling of the same accused product or process; and (2) “questions of fact common to all defendants . . . will arise in the action.” For example, both the manufacturer and seller of an accused product could conceivably be joined under this standard, but multiple unrelated sellers of different accused products should not be.

While the old joinder rule (which still applies in non-patent cases) was embodied in Rules 20 and 21 of the Federal Rules of Civil Procedure, the new joinder rule is written directly into the patent statute. Thus, it is highly likely that the Federal Circuit will develop and enforce its own interpretation of the new joinder rules.¹² Indeed, in view of its history of hostility to forum shopping, as well as a recent speech given by Chief Judge Rader,¹³ it appears likely that the Federal Circuit will interpret the new joinder rule to narrowly and severely limit multidefendant litigation.

**A PROVISION
OF THE LEAHY-SMITH
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LAWSUIT.**

1. Venue in a patent infringement action is proper in any judicial district in which the defendant is subject to personal jurisdiction. See 28 U.S.C. §§ 1400(b), 1391(c).
2. Personal jurisdiction is governed by long-arm statutes, which vary from state to state. However, most long-arm statutes permit courts to exercise personal jurisdiction over any company that transacts significant business within a state, or which is registered to do business in a state.
3. See 28 U.S.C. § 1404(a).
4. See, e.g., *In re Volkswagen of Am., Inc.*, 545 F.3d 304, 315 (5th Cir. 2008) (en banc).
5. See, e.g., *In re Volkswagen*, 545 F.3d at 314-15; *Cofey v. Van Dorn Iron Works*, 796 F.2d 217, 219-20 (7th Cir. 1986).
6. The plaintiff's choice of forum is given less weight where the plaintiff is not a resident of the chosen forum. See, e.g., *In re Apple, Inc.*, 602 F.3d 909, 913 (8th Cir. 2010).
7. See *In re Microsoft Corp.*, 630 F.3d 1361, 1364-65 (Fed. Cir. 2011) (plaintiff's connections to the chosen forum were irrelevant because those connections were created “in anticipation of litigation and for the likely purpose of making that forum appear convenient”); *In re Zimmer Holdings, Inc.*, 609 F.3d 1378, 1380-81 (Fed. Cir. 2010) (documents transported to chosen litigation for purpose of litigation were not relevant to the transfer analysis).
8. *Chrysler Credit Corp. v. Country Chrysler, Inc.*, 928 F.2d 1509, 1518 (10th Cir. 1991).
9. The Eastern District of Texas has permitted plaintiffs to join separate and unrelated companies as defendants in a single lawsuit as long as there are similarities between the defendants' accused products. See, e.g., *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 445, 456-57 (E.D. Tex. 2004); *Adrain v. Genetec Inc.*, No. 2:08-cv-423, 2009 WL 3063414, at *1-3 (E.D. Tex. Sept. 22, 2009). In contrast, other courts have

held that it is improper to join separate defendants in a single lawsuit unless there is an overlap in accused products. See, e.g., *WiAV Networks, LLC v. 3Com Corp.*, et al., No. C10-03448 WHA, 2010 WL 3895047, at *3 (N.D. Cal. Oct. 1, 2010); *Spread Spectrum Screening, LLC v. Eastman Kodak Co.*, No. 10 C 1101, 2010 U.S. Dist. LEXIS 90549, at 6-7 (N.D. Ill. Sept. 1, 2010).

10. New 35 U.S.C. § 299 provides:
 - (a) JOINDER OF ACCUSED INFRINGERS.—With respect to any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271(e)(2) has been pled, parties that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, or counterclaim defendants only if—
 - (1) any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and
 - (2) questions of fact common to all defendants or counterclaim defendants will arise in the action.
 - (b) ALLEGATIONS INSUFFICIENT FOR JOINER.—For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit.
 - (c) WAIVER.—A party that is an accused infringer may waive the limitations set forth in this section with respect to that party.
11. See H.R. Rep. No. 112-98, pt. 1 at 55, n. 61 (2011).
12. See, e.g., *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 803 (Fed. Cir. 2000).
13. In a September 27, 2011 speech at the Eastern District of Texas Judicial Conference, Chief Judge Rader specifically addressed transfer motions and joinder practice, cautioning plaintiffs that the “Northern District of California, District of Delaware, or the Eastern District of Texas should not be chosen by default, or for attorney convenience, especially with 12 [sic, 11] other districts participating in the Patent Pilot Program.” The Chief Judge further warned that the Federal Circuit Advisory Council “intends to turn its full attention to the trend toward cases and appeals with many parties [because] [t]his trend is very evident and worrisome to our Court as well.”

Patent Procurement and Enforcement in China: A Field Guide

By Peng Li, Kenneth X. Xie, and David T. Yang

It is difficult to read the world news today and not come across an article (or three) that discusses the increasingly important role that China plays in the world's economy.¹ Within the past decade, the country that lost the Opium War more than 100 years ago has become the richest country in the world, replaced Japan as the second largest economy, and surpassed Germany as the world's largest exporter. Also in the past decade, China has managed to transform itself from being the world's factory, making things for other countries, to being the world's largest market for luxury goods and consumer electronics.² As a result, China wields growing economic (and thus political) power over the West, including the once-mighty colonial powers of the past century. However, despite its recent economic success, China remains a hot zone of piracy issues and has yet to reinstate itself as a country of consistent innovation as it once was a thousand years ago.³ Multinational entities control much of the exports from China, especially in technology. Each year, Chinese manufacturers pay billions of dollars in licensing royalties to foreign holders of patent rights. Beijing is aware of, and wishes to avoid, the race to the bottom on profit margin. Instead, China wants to meaningfully participate in the value-added aspects of the technology industry, and in turn rebalance what it perceives as a disproportionate distribution of wealth between the IP haves of the West and the have-nots of China. An agenda by the Chinese to spur domestic growth to be less dependent on the export industry has sewn the seeds for encouraging domestic innovation.

Beijing's many past initiatives for technology transfers, mostly via Western partners of joint ventures in China, have not resulted in growth of innovation by the Chinese.⁴ If anything, those initiatives appeared to have encouraged the hard-to-break habit of copying from others. Perhaps realizing that technology transfer is not the solution, Beijing in the past two decades has slowly but surely created a web of policies and initiatives, ranging from government R&D investments⁵ and procurement protocols to the establishment of Chinese technical standards that are designed to encourage indigenous innovation within China. While the specifics of those policies and initiatives are beyond the scope of this article, statistics suggest that Beijing may finally be making some headway.⁶ For instance, in 2010, 1.2 million patent applications were filed in China, more than double the number of patent applications filed in the U.S. In fact, China's patent office, the State Intellectual Property Office ("SIPO"), is the largest patent office in the world. The statistics suggest that the Chinese are transforming themselves into significant patent rights holders. More importantly, Chinese patent owners are more aggressive in asserting their patent rights than their U.S. counterparts. In 2010, about 5,700 patent infringement lawsuits were filed in China, more than twice as many as filed in the U.S. Based on the number of patents in China that are currently in force (a little over 2 million), an issued patent in China is three times more likely to be asserted than an issued patent in the U.S. Furthermore, there is evidence that the non-practicing entity (NPE) business model is catching on in China, complemented by the ongoing building of infrastructure necessary to

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transfer ownership of patents within China from individual inventors to such NPEs.⁷ Indeed, many foreign entities doing business in China today are legitimately more concerned about being sued for patent infringement than having their products pirated or counterfeited.

The combination of China's rising domestic consumption power, along with impressive growth of indigenous ownership of patent rights in China, signals a maturing IP legal landscape and compels any global company doing business with China (whether it be importing, exporting, or both) to aggressively build an IP portfolio and have in place a deliberate strategy for successfully managing IP assets and risks in China.⁸ In this article, we review the fundamentals of patent procurement in China under the current law, including prosecution practices that help achieve effective patent protection in China. Additionally, we also provide an overview of patent litigation practices in China. This article is not intended to be an exhaustive treatment of the issues discussed, but hopefully will highlight important issues and point the reader in the right direction to ask further questions.

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I. PATENT PROCUREMENT IN CHINA

As in the U.S., patent procurement in China typically involves a long and complex process involving numerous legal considerations as well as practical concerns. In the following paragraphs, we focus on a few unique issues pertaining to patent procurement in China.

A. Available patent protection in China

Three types of patents exist in China: invention patents, utility model patents, and design patents. Of the three, utility model patents have no equivalent in the U.S. but have become an increasingly useful tool in patent enforcement in China. We discuss each of the three types of patents below.

1. Invention Patents

Most U.S. applicants are familiar with invention patents because of their similarity to regular utility patents in the U.S. Thus, it is not surprising that the majority of Chinese patent applications filed by non-Chinese or foreign entities are invention patent applications. In fact, in 2010, almost 87% of the patent applications filed by foreign entities were invention patent applications.⁹ Invention patents in China protect “new technical solutions proposed for a product, a process or the improvement thereof.”¹⁰ Invention patents are substantively examined and typically take from three to five years to grant. An invention patent is entitled to a 20-year patent term from its filing date.

2. Utility Model Patents

Utility model patents may be unfamiliar to some U.S. applicants simply because there is no counterpart in the U.S. patent system. This may account for the fact that

less than 3% of all patent applications filed in China in 2010 by foreign entities were utility model applications, and less than 1% of the utility model applications filed in China in 2010 were filed by foreign entities.¹¹ In contrast, Chinese entities filed far more utility model applications (407,238) than invention applications (293,066) in 2010.¹² The number of utility model patents granted in 2010 (344,472) was more than twice the number of granted invention patents (135,110).¹³ Based on these statistics alone, those interested in applying for patent protection in China should not discount utility patent protection. As a matter of fact, the largest damages (close to \$45 million) ever awarded in a patent infringement case in China involved utility model patents.¹⁴

Utility model patents protect “new technical solutions proposed for the shape and structure of a product, or the combination thereof, which are fit for practical use.”¹⁵ Accordingly, methods and processes cannot be protected using a utility model patent. Unlike invention patents, utility model patents are not substantively examined and therefore are much easier to obtain. Typically, it takes only about four to eight months from the filing date for a utility model application to grant. The patent term for utility model patents is 10 years from the filing date. Because they can be procured quickly, utility model patents may be a better option than invention patents for applicants seeking protection for inventions that may become obsolete in a relatively short period of time. At the same time, the straightforward nature of the utility model patent makes it easier to comprehend and, as a result, easier to assert in certain venues of China. Absent PCT priority, Applicants should also consider filing applications for both an invention patent and a utility model patent for the same invention on the same day. The utility model patent will likely be granted first and offer some protection while the invention patent application is being prosecuted. In some instances, when the claims of the utility model patent

1.2 MILLION PATENT APPLICATIONS WERE FILED IN CHINA, MORE THAN DOUBLE THE NUMBER OF PATENT APPLICATIONS FILED IN THE U.S.

have substantial overlap with the claims of the invention patent application, the utility model patent can be abandoned prior to the granting of the corresponding invention patent.

Because utility model patents are not examined substantively before they are granted, patentees must furnish a search report generated by the SIPO before a utility model patent can be enforced. If the SIPO determines that a particular utility model patent does not satisfy the novelty and/or inventive step requirements of Chinese patent law, the patent evaluation report will include the relevant prior art references and an explanation as to why such conclusions were made. For this reason, utility model patents can be more vulnerable to validity challenges and can be more difficult to enforce than invention patents.

3. Design Patents

Design patents in China are similar to design patents in the U.S. They protect, “with respect to a product, new designs of the shape, pattern, or the combination thereof, or the combination of the color with shape and pattern, which are rich in an aesthetic appeal and are fit for industrial application.”¹⁶ Like utility model patents in China, design patents are not substantively examined and thus typically only take three months to grant. Design patents in China also have a term of 10 years from

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the filing date. Not as overlooked as utility model patents, design patents nonetheless make up only a small percentage of all applications filed in China by foreign entities (roughly 10% in 2010).¹⁷ This is not surprising, considering that the number of design patent applications filed in the U.S. in any given year is typically 5% of the total number of applications filed.¹⁸ However, the total number of design patent filings in China has continued to increase at a rapid rate. In fact, in 2010, more design patent applications were filed in China than invention applications and utility model applications. Even foreign entities have started to realize the value of owning design patents in China. For example, Apple Inc. has recently secured more than 40 design patents covering its various highly popular products and even the design of its Shanghai store.¹⁹ At the same time, infringement actions seeking to enforce design patents have also increased significantly. In one recent case, *Neoplan v. Zhongwei Company et al*, damages of more than \$3 million were awarded for infringement of a design patent.²⁰ It is also worth noting that the plaintiff in that case was a foreign company.

To build a solid patent portfolio in China, any entity should fully consider the benefits provided by all three types of patents available under the Chinese patent law.

B. Key Issues to Consider When Procuring Patents in China

Chinese patent laws and practice are similar to those in the U.S. in many aspects, from the patent format (e.g., specification, drawings, and claims) to patentability requirements including novelty and nonobviousness. However, there are also some fundamental differences. For example, compared to the USPTO,

the SIPO is much more conservative on the patent eligibility of business methods and computer software inventions. Also, the SIPO has very strict requirements for amendments to a patent application, some of which may appear unreasonable to U.S. patent practitioners. Neglecting these differences can cause an applicant to completely lose or significantly compromise its patent rights in China. It is important for U.S. companies to form a patent strategy that takes into account these differences before they start filing applications in China. Equally important is to stay proactive and engaged during the post-filing stage to ensure that the applications are prosecuted properly. One common mistake of many U.S. applicants is that they rely solely on their Chinese local counsel to handle patent prosecution without any quality control, often due to practical difficulties such as the language barrier and time zone differences. Unbeknownst to these companies, however, the value of their issued patents may have been substantially reduced due to incorrect translations and improper prosecution. Below is a list of dos and don'ts, summarized from our experience working with local counsel in prosecuting patents in China.

1. Don't Get Lost in Translation

U.S. applicants usually have their patent applications prepared in English and later translated into Chinese for a direct filing or PCT national entry in China. However, if the application is not translated properly, U.S. applicants may be subject to numerous rounds of rejections due to ambiguous descriptions and claims, which can cause excessive time delays and increased costs. Some translation errors may make the claims much narrower than intended. In the worst case scenario, some translation errors are irreversible and may result in no allowable claims at all or issued claims of very limited value.

In China, patent documents are often translated by a professional translation

agency selected by Chinese local counsel. However, because a translator sometimes does not possess sufficient legal or even technical background, his or her translation product may need to be reviewed by a bilingual patent attorney. For example, the SIPO Guidelines for Examination provide clear guidance on distinguishing between claiming an open-ended mode ("comprising") and close-ended mode ("consisting of") in the chemistry field.²¹ In practice, however, "comprising" can easily be mistranslated into "consisting of" unless the translator is fully aware of their distinctions in the legal context. Thus, it can be highly beneficial for U.S. applicants to have a patent attorney fluent in both English and Chinese check the translated patent documents for both legal and literal accuracy before filing with the SIPO.

Another challenge in translation is to properly convey the meanings of terms that have different definitions or customary uses in different technical fields. As an example, the term "interface" is often translated as "界面" (graphic user interface) in a software context, but its common translation is "接口" (connector) in the context of electronics or electrical circuits. Another example is the term "cell." Its correct translation is "光电管" (photocell) or "传感器" (sensor) in electronics, "蜂窝式电话" (cellular or cell phones) in wireless communications, "电池" (battery) in chemistry, or "细胞" (basic structure of living organisms) in the biotech field. Sometimes special or key terms have such specific meanings in a particular invention that translators are unlikely to translate these terms accurately or consistently if they merely rely on a common technical dictionary. As a result, patent applications having such translation errors may receive rejections for indefinite or insufficient disclosure, or lack of support for the claims. To combat this problem, U.S. applicants should strongly consider creating a proprietary technical dictionary or glossary that includes appropriate Chinese translations for key terms in their inventions

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and inventive fields. With such a dictionary, glossary, or other form of translation guidelines, translators can minimize translation errors and unify translation of key terms so as to improve the quality of the translated patent documents, both within a particular patent document and across entire patent portfolios.

2. Do Consider Maximizing “The Scope of Original Disclosure” at the Time of Drafting

Claim amendments during the prosecution of a U.S. patent application are generally allowed as long as they are supported by the original disclosure. In practice, U.S. examiners are often lenient with such required support and accept most amendments. In China, however, the applicant cannot go beyond the scope of the original disclosure. Compared to U.S. practice, the scope of the original disclosure is often construed very narrowly by the SIPO and Chinese examiners to include only (1) content literally recited in the original specification and (2) content that can be directly and unambiguously determined from the original specification and drawings.²² The content in the second category does not include any content that can be derived within reasonable limits by those skilled in the art. Therefore, an amendment may go beyond the scope of the original disclosure in China, even though it may be considered to be supported by the specification in the U.S. Following are a few examples to show some strict requirements for amendment practice in China.

Example #1: The original specification discloses “normal human body temperature” but does not specify it to be 37°C. A claim limitation of “the normal human body

temperature” is later amended to recite “the normal human body temperature of about 37°C.” Such an amendment may be permitted in the U.S. because “about 37°C” can be supported from the disclosure of “normal human body temperature.” However, such an amendment will likely be rejected as introducing new matter in China, as a Chinese examiner may be of the opinion that the amendment is not literally supported in the specification, and that the amendment cannot be directly or unambiguously determined from the original disclosure because 37.1°C, 37.2°C, 36.9°C, 36.8°C, etc., are also considered to be possible normal human body temperatures.

Example #2: The original specification describes three specific embodiments directed to “red,” “white,” and “blue,” respectively, but fails to mention a generalized concept of “colorful.” In the U.S., the general concept of “colorful” is likely to be viewed as supported by the description and thus can be added via amendment. However, the same amendment is unlikely to be allowed in China because it is a new generalization that is not literally recited in the specification and cannot be directly and unambiguously determined from the original specification.

Example #3: In the original specification, an embodiment is described as including A, B, C, and D. Claim 1 is initially drafted as including A+B+C+D. Soon after the application is filed, the applicant realizes that A+B is sufficiently patentable over the prior art. In the U.S., the applicant can file a preliminary amendment to claim 1 to recite A+B only. The applicant can further claim A+B+C and A+B+C+D by adding dependent claims 2 and 3. However, none of these amendments would be allowed in China because the original disclosure only describes an embodiment of A+B+C+D.

To avoid new matter rejections as presented above, an applicant should consider including as much details as possible in the original disclosure. The original

THERE IS EVIDENCE THAT THE NON-PRACTICING ENTITY (NPE) BUSINESS MODEL IS CATCHING ON IN CHINA, COMPLEMENTED BY THE ONGOING BUILDING OF INFRASTRUCTURE NECESSARY TO TRANSFER OWNERSHIP OF PATENTS WITHIN CHINA FROM INDIVIDUAL INVENTORS TO SUCH NPES.

specification and drawings not only define the scope of possible amendments to an application in China, but also determine what can be claimed in a divisional application of the application. As such, it is critical to maximize the scope of the original disclosure in anticipation of subsequent amendments or divisional filings. To that end, we highly recommend including in the specification literal recitations of all key claim limitations. Also, the original specification should describe specific embodiments as well as generalized concepts. If possible, all embodiments at various levels of generalization should be provided in the specification. The original disclosure should also include technical features that are known in the art, but an omission thereof can give rise to a rejection for insufficient disclosure of the claimed invention.

3. Don’t Miss Opportunities to Voluntarily Amend the Claims

In China, the timing of filing an amendment is of vital importance. Two types of

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amendments can be filed with the SIPO: a voluntary amendment prior to substantive examination and an amendment in response to an Office Action during examination.

For a PCT application with national entry in China, there are three opportunities to file a voluntary amendment: (1) at the time of entering into the national phase, (2) at the time of requesting substantive examination of the application, and (3) within three months of receiving a Notice of Entry into Substantive Examination Procedure. Similar to a preliminary amendment in the U.S., a voluntary amendment in China can allow an applicant to replace the original claims with one or more new sets of claims, add additional independent or dependent claims, amend existing claims with a different scope, and so forth, as long as the amendment does not go beyond the scope of the original disclosure.

Once the application is examined and an Office Action issues, the applicant can only make amendments for the purpose of overcoming rejections raised in the Office Action. Such amendments are referred to as responsive amendments. No voluntary amendments are allowed at this stage, unless the Chinese examiner discretionarily accepts such an amendment. In other words, if an applicant misses opportunities for filing a voluntary amendment, the applicant may not be able to later broaden or change the scope of the pending claims. The only option is to file a divisional application to capture the unclaimed features. This is different from U.S. prosecution, where applicants generally have more leeway in making amendments during examination.

In view of the above, U.S. applicants should be aware of deadlines for filing voluntary amendments in China, especially when conforming a Chinese application to the

U.S. claims. In general, we encourage U.S. applicants to monitor their Chinese applications while the U.S. counterparts are being prosecuted. U.S. applicants should work closely with Chinese local counsel throughout prosecution to ensure that they do not miss the time window for amendments.

4. Do Consider Filing for Software-Related Inventions

Compared to the USPTO, the SIPO is much more conservative on the patent eligibility of inventions relating to business methods and computer software. However, contrary to common perception, it is possible to seek patent protection for software-related inventions in China. Article 25 of the Chinese patent law categorically excludes rules and methods for performing mental acts. Thus, business methods and computer programs are unpatentable per se. However, under Article 2 of the Chinese patent law, a software-related invention can be patentable if it constitutes a "technical solution." According to the SIPO Guidelines for Examination, a technical solution is formed when a technical measure is adopted, a technical problem is solved, and a technical effect is achieved. There is no clear and full explanation of these three technical elements, and therefore these determinations are often left to the discretion of the Chinese examiner. In our experience, Chinese patent examiners tend to accept a software-related application if the description includes a description of the algorithms including flow charts and functional blocks sufficient to demonstrate the technical nature of the invention. Also, method claims as well as apparatus claims (or "virtual device" claims) comprising functional modules or functional components are acceptable in most cases. Therefore, U.S. applicants should consider patent filings to protect their inventions relating to computer software.

In addition to 1-4 above, new developments in Chinese patent law may impose further

challenges and require changes in practice. For example, a Third Amendment to the Chinese Patent Law, which came into effect on October 1, 2009, has introduced a higher patentability standard that defines prior art as "any technology known to the public in this country or abroad before the date of filing." Previously, prior public use in countries other than China was not considered to be prior art. The Third Amendment also has removed the "first filing in China" requirement for inventions made in China by Chinese entities. Instead, the Amendment provides that "any entity or individual may file a patent application in a foreign country for its/his invention-creation made in China." However, filing a patent application first in a foreign country for an invention made in China by any entity is subject to a national security review and clearance by the SIPO, which usually takes time. Thus, foreign entities should consider strategically when and where to file patent applications for their inventions made in China.

Patent procurement in China requires strategic planning as well as the consistent investment of resources. It is important for any U.S. company to form an early and comprehensive patent strategy commensurate with its business plans in China. Key issues related to initial filings, translations, and amendments should be addressed in a timely manner to expedite the process of patent procurement. As a foreign applicant, a U.S. company should choose local counsel wisely and work with them closely to ensure a smooth delivery of good quality work throughout prosecution. Building a solid patent portfolio in China will help position a company in the increasingly competitive Chinese market for potential licensing and enforcement of its patent rights.

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II. PATENT LITIGATION IN CHINA: AN OVERVIEW

Patent litigation in China is frequently characterized as a black box. The uncertainties associated with litigation procedures, along with relatively unpredictable results, have deterred many foreign entities from filing patent lawsuits within China. However, as an increasing number of foreign entities doing business in China find themselves in the shoes of defendants in patent infringement actions, it is becoming increasingly important to become familiar with what to expect from patent litigation in China.

The statutory patent law in China on litigation is largely modeled after U.S. statutory patent law. However, in practice, fundamental differences exist between the U.S. and China on how patents can be enforced and how defenses can be raised. Below, we review the two primary systems of patent enforcement in China: administrative and judicial systems. We then discuss practical considerations and strategies for asserting, and defending against assertions of, patent rights in China.

A. ADMINISTRATIVE ENFORCEMENT

As in the U.S., a patentee in China does not have to file a civil lawsuit to enforce patent rights. Instead, a Chinese patentee can bring a complaint to an administrative body. Unlike enforcing patents before the ITC in the U.S., an administrative action in China is much less formalistic (and less costly) than a civil lawsuit in China.

The administrative agencies responsible for enforcing patents in China include the local intellectual property offices and the offices of Chinese General Administration of Customs. A patentee who has reasonable evidence to demonstrate

patent infringement can bring a complaint to the appropriate local intellectual property office, seeking an investigation and administrative remedies. There is no uniform standard for determining the reasonableness of the evidence provided by the complainant, and the local intellectual property offices have wide discretion as to whether to investigate. Although monetary relief is not available through administrative enforcement, local intellectual property offices have the power to order injunctive relief, and/or mediate settlement. If an investigation is ordered, a local intellectual property office will also have the power to collect evidence on behalf of the patentee that may eventually be useful if the patentee later decides to file a judicial complaint to seek monetary relief. This can be a significant advantage given the lack of discovery procedures in China (as will be further addressed below).

During an investigation, the accused infringer will have an opportunity to raise defenses, and the parties will also have opportunities to present their respective cases at an oral hearing before the investigating agency. In the meantime, there is no strict prohibition of ex parte communications with the agencies, and the agencies may proactively advise mediation and/or settlement. Parties may appeal to the People's Courts any adverse decision or action by an administrative agency. The prevailing party may also thereafter seek judicial relief in terms of monetary damages.

Although administrative enforcement may be faster and less costly, a foreign patentee should consider local protectionism, especially if the seizure or injunctive relief sought may result in job losses in the local community. Furthermore, administrative agencies may be reluctant to investigate any complaints that involve more than a straightforward case of counterfeiting. In China, administrative agencies are not always required to provide written opinions of their decisions or actions, which sometimes can lead to a

less transparent process. It should also be noted that customs seizures are more easily obtained in clear cases of design patent infringement. If the alleged infringement is of an invention patent, customs will typically carry out a seizure only if the patentee concurrently files a civil lawsuit within the judicial system and posts a bond of an appropriate amount (as provided under Article 23 of IP Customs Regulations Implementing Provisions).

B. JUDICIAL ENFORCEMENT

If administrative enforcement is inappropriate or ineffective under the circumstances, then enforcement via civil lawsuit at the People's Courts is the only other legal alternative.

1. Overview of Civil Litigation in China Contrasted with the U.S.

Unlike the U.S., China has only one court system: People's Courts, which is composed of (from the top down) the Supreme People's Court, the High People's Courts, the Intermediate People's Courts, and the Basic People's Courts. Before examining patent litigation in China, it is worthwhile to first consider a few noteworthy differences in procedural practices between China and the U.S.

a. China Is a Civil Law Country Without a Jury System

It is important to note that China is not a common law country. Hence, courts are not legally bound by decisions of other courts, including courts of higher authority. The one exception is the Supreme Court, which will from time to time issue advisory opinions and guidelines on statutory interpretations. The lower courts are legally bound by those opinions and guidelines by the Supreme Court.

Furthermore, a jury is not a part of China's judicial system. All trials are bench trials, and the judges are interpreters of both fact and law.

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b. Jurisdiction and Servicing of Court Documents

Chinese courts can exercise jurisdiction over any entities having residence or domicile within the court's jurisdiction. For patent cases, a court may also have jurisdiction if the alleged infringing act occurred within the court's jurisdiction (provided the court is preapproved to handle patent cases in the first instance; see below). As a defendant, a foreign entity not having residence or domicile in the jurisdiction may challenge jurisdiction on those grounds, even if the foreign entity conducts business within the jurisdiction. However, to the extent a foreign entity has a stake in the outcome of the case, especially where the patentee has also sued manufacturers and retailers to seek injunctive relief on the manufacturing and/or sales of the foreign entity's products in China, submitting to jurisdiction in order to participate in the proceedings may be beneficial. This is especially true if the patentee has not alleged monetary damages, which typically requires a filing fee calculated as a percentage of the monetary relief sought.

In China, a plaintiff does not bear the burden of serving the complaint. Rather, once accepted, the court at which the complaint is filed will service the named defendant(s) within five days. For defendants who are resident in China, the complaint may be served personally, via mail, or via public announcement, which is deemed as proper service 60 days after publication.²³ Foreign entities not resident in China may be served through diplomatic channels or procedures deemed acceptable in the territory of the foreign entity.²⁴ For servicing purposes, whether a defendant is resident in China is dependent upon the nature of the entity

as established, not whether the entity has a physical presence in China. Hence, a foreign entity with an office and business operations in China will not be subject to domestic service rules, despite having a physical presence in the jurisdiction. However, a subsidiary of a foreign entity, incorporated within China, will be subject to domestic servicing rules.

As within the U.S., a defendant has the option to challenge whether a complaint was properly served. However, because the court, not the plaintiff, serves the complaint, any challenge to the service of the complaint is effectively a challenge to the court's authority and may cause the court to "lose face." In China, courts have wide discretion on a variety of issues throughout the course of a lawsuit, including ordering evidence production. An unsuccessful challenge to the service of a complaint by the court may still result in the defendant appearing before the same court and being subjected to a hostile of that court going forward. Hence, it is typically not recommended to challenge the servicing of the complaint without good reason, though such a challenge may serve a legitimate reason to seek leave from the court for additional time to respond.

Once the complaint is properly served, defendants have 15 days to respond. In the case of a foreign entity defendant, a responsive period of 30 days is provided. In China, it is not mandatory to answer the complaint, and failure to answer does not result in a default judgment before trial occurs. Nonetheless, it is good practice to answer the complaint to show respect for the court.

c. Discovery, or the Lack Thereof

Another significant difference in civil procedure between China and the U.S. is that there are no discovery proceedings in China. This is perhaps the most significant difference between the litigation practices of the two countries. Although the plaintiff is responsible for

producing all evidence required to prove an alleged wrongful act, a plaintiff does not have the benefit of interrogatories or document requests to assist in the collection of evidence. Rather, a plaintiff needs to rely on the collection of evidence and documents outside the courtroom, sometimes using private investigators. Although Chinese courts have discretion to order evidence preservation by the defendant or even the production of requested evidence that would otherwise be difficult to obtain by the plaintiff, such orders are not common and are unlikely to be issued absent compelling reasons.

d. Evidence Exchange – Setting the Stage for Trial

A significant procedural event in any Chinese civil litigation is evidence exchange. Specifically, before pretrial hearings take place, an evidence exchange hearing is scheduled, at which time the parties present evidence intended to be used at trial. The evidence exchange is also an opportunity for parties to challenge each other's evidence. The type of evidence accepted by a court in China is similar to the evidence accepted by a U.S. court. However, in China, documentary and physical evidence are given much more weight than witness testimony. Furthermore, Chinese courts have stringent requirements for authenticating documentary and physical evidence. In particular, any document or physical evidence presented to the court, such as the purchase receipt of an accused product at a local store, must be notarized to demonstrate authenticity. Also, any foreign documents produced outside of China must be translated into Chinese, notarized, and also legalized before being presented. If the foreign documents are also available in China, e.g., could be accessed in a library in China, the notarization and legalization requirement could be waived. Legalization involves verification by a Chinese embassy or consulate to attest to

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the authenticity of both the document and the notarization.²⁵ As with many things in China, the submission of evidence should take into consideration any possible political issues. For instance, a document that includes content referring to Taiwan as a sovereign nation (including government documents from Taiwan), or a passport stating the birthplace of the individual as the country of Taiwan (or “Republic of China”), may face challenges on political grounds. Finally, expert-related evidence, while accepted, can be of relatively little probative value unless it is from a government agency or an expert agreed upon by both parties and approved by the court beforehand.

e. Ex Parte Communications

In China, it is not forbidden to conduct ex parte communications with the court. In fact, courts often initiate ex parte communications in an effort to mediate or settle a case. This is both an advantage and a disadvantage. The advantage lies in that each party can have a direct line of communications with the court without having to coordinate with the other party's schedule. The disadvantage, of course, is the non-transparent nature of such communications and the unpredictability of any possible influences that may be exerted.

2. Overview of Issues Unique to Patent Litigation in China

As in the U.S., patent litigation in China falls within the category of civil litigation but differs from general civil litigation in some respects. The following paragraphs address certain key issues relevant and unique to patent litigation in China.

a. Subject Matter Jurisdiction

The Basic People's Courts do not have

subject matter jurisdiction over patents. Rather, the first instance of a patent litigation trial occurs at the Intermediate Courts. Furthermore, only a subset of the Intermediate Courts can hear patent cases, including the majority of the Intermediate Courts in the major cities of China. Each Intermediate Court is composed of a panel of three judges (usually one senior judge as the chief judge and two junior judges as the associate judges). For patent cases, a technical master sometimes attends to assist the court with technical issues.

b. Claim Construction

In China, claim terms are interpreted according to the understanding of a person of ordinary skill in the art in view of the specification, prosecution history, and appropriate third-party publications.²⁶

Although there is no requirement to hold claim construction hearings in China, most Chinese courts will hold hearings for the parties to present tutorials and interpretations of key terms. This hearing may take place on or after the evidence exchange. During the hearing, the parties have the option to provide to the court what is effectively claim construction briefing. Because there are no strict mandates or guidelines for how to conduct claim construction hearings, courts may exercise wide discretion on whether to consider certain evidence presented by the parties at the hearing, such as third-party publications or dictionaries that may not be generally accepted as widely known or authoritative. However, while courts may *consider* a wide range of extrinsic evidence, such extrinsic evidence cannot be *relied upon* unless there is a lack of intrinsic evidence on the issue.²⁷ The practical recommendation here is to bring whatever evidence that may be deemed helpful, since the court's refusal to consider such evidence would typically not bear negative consequences.

c. Making a Case of Infringement

Once evidence exchange and claim

construction hearings conclude, a trial may be ordered very quickly thereafter (sometimes within a week or even on the same day). As in the U.S., the burden of showing infringement is on the plaintiff. Although Chinese courts do not specifically define the level of burden required, effectively, the showing must be made beyond a reasonable doubt (or whatever doubt the court may have had).

Because there is no formal discovery, a patentee plaintiff must privately collect evidence to prove infringement. This can be particularly challenging for process patents, since defendants have no obligation to grant manufacturing facility access to the plaintiff. It is a common practice to seek an independent evaluation of infringement by a judicial appraisal institute before filing suit and submit as evidence any findings of infringement (or noninfringement in the case of a defendant). The Patent Review Board of the SIPO provides the service of infringement analysis for a fee that results in an “official report.” Because there is no discovery, any adverse opinion by the SIPO need not be provided to the other side. For cases in which the technology is complex, the court may appoint a judicial appraisal institute, typically a third party, to analyze the issue of infringement and provide an opinion to the court (a technical appraisal). In such an event, the court will typically seek both parties' approval prior to the appointment of a judicial appraisal institute.

Finally, it is worth noting that joint infringement is recognized in China under tort law provisions,²⁸ though inducement to infringe is not widely recognized.

d. Infringement Under the Doctrine of Equivalents

Infringement under the doctrine of equivalents was first recognized in China by the Supreme People's Court in 2001.²⁹ The doctrine of equivalents in China applies to all three types of patents, and generally parallels the U.S.

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version in that equivalence of a particular feature can be found if the corresponding feature of the accused product or method performs substantially the same function, in substantially the same way, to provide substantially the same results in the eyes of an ordinary person skilled in the art.³⁰ As in the U.S., application of the doctrine of equivalents is feature-specific and cannot be used to vitiate limitations,³¹ and is subject to limitations created by file wrapper estoppel.³²

e. Defenses

The primary defense to any assertion of patent infringement is noninfringement or practice of prior art. Invalidity is not a defense because, in China, validity of patents must be separately challenged through reexamination at the PRB of SIPO (this will be covered in Part III of the series: Reexamination Process in China). Although the People's Courts will hear appeals of any adverse decisions by the PRB of SIPO, the courts will not adjudicate issues of validity in the first instance. In the meantime, courts are not likely to stay the litigation proceedings until if and when the asserted patent(s) is/are declared invalid by the PRB of SIPO.

In addition to the defenses of noninfringement or the practice of prior art, Article 69 of China's Patent Law also provides the statutory defenses of exhaustion of rights and temporary entry into China,³³ as well as scientific research, experiments, and clinical trials. Each of these defenses should be exhaustively explored by any defendant. Furthermore, an accused infringer may also consider raising the defense of antitrust violations or that the patented technology is a part of a technical standard adopted in China.

f. Remedies

China's patent law does not specifically address remedies. Rather, one must look to the General Principles of Civil Law for provisions of remedies, which apply equally to patent cases.³⁴ Generally, a finding of infringement entitles a patentee to injunctive relief and monetary damages. Although preliminary injunctive relief is available upon a showing of irreparable harm,³⁵ such relief is normally not granted absent a showing of clear acts of infringement.

Remedies in China remain problematic to obtain. Although injunctive relief is typically automatically ordered upon a finding of infringement, there are no contempt proceedings in China to hold the infringer accountable to the order of injunction. If the injunction will result in significant negative economic impact to the local region, such as shutting down factories, the patentee should expect some resistance by the local agencies to enforcing the injunction.

With respect to monetary relief, although a patentee may be entitled to monetary damages such as lost profits, illegal gains by the infringer, or a reasonable royalty, the lack of discovery can make it difficult for a patentee to collect the evidence necessary to prove damages. To prove any type of damages, the plaintiff bears the burden of providing evidence that shows sales volume by the infringer. Hence, unless the infringer is a publicly traded company and publishes earnings reports that detail such sales, the plaintiff may have a difficult time collecting the necessary evidence to show damages. In certain circumstances, courts may be willing to order evidence production by the infringer, but such instances are rare. If damages are difficult to determine, the patentee may ask the court to award statutory damages, which can total a maximum of 1 million RMB.³⁶ Once monetary damages are awarded, the patentee can seek seizure of assets (including bank accounts) if no money is voluntarily paid.

C. PRACTICAL ISSUES TO CONSIDER WHEN LITIGATING PATENTS IN CHINA

Compared to the U.S., patent litigation in China holds different advantages and disadvantages for the parties involved. The advantages for a plaintiff include a much faster docket (typically less than a year to trial) and generally lower overall attorney's fees due to the lack of discovery. At the same time, the general fear by foreign entities such as American or Japanese consumer electronics companies of being dragged into a relatively nontransparent and unpredictable administrative or judicial system in China, coupled with the prospect of possible injunctive relief that can potentially disrupt not just sales within China but also manufacturing of the accused goods in China, provides compelling settlement leverage to the plaintiff. However, the lack of discovery also makes it much more difficult to collect evidence to prove infringement and establish damages. Furthermore, although the prospect of automatic injunctive relief can be good settlement leverage, the lack of contempt proceedings leaves the plaintiff no legal recourse in the event an injunction is not enforced. Finally, statistics in China indicate that, outside the few exceptional cases, large monetary awards are unusual.

For a patentee considering enforcing patent rights in China, here is some practical *Art of War* advice to consider:

- Know thyself, know thy enemy. Because there is no discovery in China, collect as much evidence as possible before seeking enforcement, including obtaining a favorable infringement opinion from the SIPO. For every piece of evidence collected, strictly observe the evidentiary rules, including any necessary notarization, legalization, and translation requirements. Consider using experienced private investigation agencies to collect evidence. Part of the pre-suit investigation should also include an assessment of the strength of the

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target's patent portfolio in China, since a counteroffensive in China is common.

- Choose your venue wisely. Although Beijing and Shanghai are popular venues for foreign entities, the size of the dockets in these jurisdictions has caused a considerable slowdown in how quickly cases go to trial. At the same time, be sensitive to the political environment of the venue and take into consideration current events; certain venues in China are friendlier to certain foreign entities than others.

If you do find yourself being dragged into a court in China for patent infringement, here are some recommended steps to take and issues to be aware of:

- Think fast and move fast. Extensions in China are not guaranteed and the element of surprise is very much a part of the gamesmanship of patent litigation in China. Expect the unexpected and be ready to improvise and adapt. In China, everything is dynamic.
- Challenge the validity of the patent as quickly as possible through an invalidity submission at the PRB of SIPO. Although Chinese courts rarely stay cases pending outcome of reexamination (especially in instances where invention patents are in dispute), all courts will stay cases if the PRB of SIPO declares a patent invalid. While dockets at the Intermediate Courts can move quickly, reexamination proceedings at the PRB of SIPO can move even faster. Hence, the earlier the better when it comes to reexamination requests. To slow down the speed of the docket at the Intermediate Court, foreign entities may consider challenging jurisdiction even if the challenge is unlikely to succeed, as such challenges can push back the proceedings by a month or two.
- Diligently challenge evidence presented by the plaintiff during evidence exchange, and preserve issues for appeal. Be mindful that sometimes the court may allow evidence by the plaintiff in the absence of a challenge or cross-examination by the defendant.

For both plaintiffs and defendants alike, the following should be considered:

- Carefully select your local counsel. For the same reason an attorney in Los Angeles would not be considered local counsel in Texas, an attorney in Beijing is not "local" in other cities of China, such as Guangzhou, where people speak different dialects of Chinese. It is important that the local counsel be familiar with the judicial landscape. Sometimes it may be necessary to engage a Chinese attorney who is an expert in Chinese patent law and trial procedures, and also retain local counsel who is familiar with the local administrative agencies and judges. Having good local counsel on your side is an invaluable asset.
- Show up to all the proceedings. Unlike the U.S., where courts often never see the faces of the litigants and judges don't really consider it important for the actual parties to be present, some judges in China consider it important that representatives of the litigants attend the proceedings along with their attorneys. This can be especially true for venues outside of Beijing and Shanghai, where homage may be important. In this regard, be mindful of the time it takes to obtain a Chinese visa.
- Retain bilingual U.S. attorneys familiar with both U.S. litigation practice and China legal practice to monitor the case. Although many attorneys in China are educated in English, not all such attorneys are accustomed to dealing with U.S. clients. In certain situations, it may be valuable to involve a U.S. attorney to bridge any communications gap that may

exist and to manage the case proactively in order to minimize surprises to in-house counsel. ■

ABOUT THE AUTHORS

PART I

Peng Li is a patent attorney in the Los Angeles office. She is a native speaker of Mandarin Chinese and received her college degree in China. During her years of practice, Peng has assisted many U.S. as well as Chinese companies in developing their worldwide patent portfolios.

Ken Xie is a patent associate in the Los Angeles office. He grew up in China and is fluent in Mandarin and the Shanghai dialect; Ken also travels to China frequently.

PART II

David Yang is Of Counsel in the Los Angeles office. He is a native speaker of Mandarin Chinese who also travels frequently to Asia, including China. David has assisted clients in enforcing IP in Asia as well as defending against patent infringement actions in China.

GENERAL EDITOR

Glenn M. Kubota is a patent partner in the Los Angeles office. He provides worldwide patent prosecution and strategic counseling services for high-technology clients and has helped develop and maintain extensive patent portfolios in China.

1. See, e.g., "China Fuels Corporate Profits, Offsets Sluggish U.S.," *Investor's Business Daily* Vol. 2, No. 78 (August 1, 2011).
2. See, e.g., "China PC Market Tops U.S.," *The Wall Street Journal*, Aug. 24, 2011 at B6.
3. See, e.g., "Ballmer Bares China Travails – Microsoft CEO Details the Software Maker's Struggles with Rampant Piracy in the Region," *The Wall Street Journal*, May 27, 2011 at B1; see also "Made in China: Fake Stores," *The Wall Street Journal*, Aug. 3, 2011 at B1; "Copycats Push the Boundaries of Piracy," *Financial Times*, Jul. 30/31, 2011 at 3.
4. See, e.g., "China Frets: Innovators Stymied Here," *The Wall Street Journal*, Oct. 8, 2011 at B3.
5. "Why educate start-up whiz kids, only to kick them out of the country?" *SmartMoney*, June 2011 ed. at p. 44

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- ("China's goal is to spend 2.2% of its GDP on R&D by 2015, according to the latest five-year plan. For 2011, the U.S. is spending 0.05% of its GDP on R&D. While that may mean nothing more than simply a difference between public and private financed R&D, the contrast is nonetheless indicative of government initiatives in encouraging innovation.")
6. See, e.g., "Does History Say China Wins?" *The Wall Street Journal*, November 4, 2011 at B1.
 7. For instance, the China Technology Exchange (CTEX) recently held its second patent auction in Shenzhen. See, e.g., "Solicitation Activities for CTEX Second Patent Auction Successfully Kicked Off," *China IP*, Jul. 14, 2011 (http://ipr.chinadaily.com.cn/2011-07/14/content_12903303.htm).
 8. See, e.g., "China: Intellectual Property Infringement, Indigenous Innovation Policies, and Frameworks for Measuring the Effects on the U.S. Economy," U.S. International Trade Commission, Investigation No. 332-514, USITC Publication 4199 (amended) (November 2010).
 9. See *Applications for Three Kinds of Patents Received from Home and Abroad (year), January 2010-December 2010*, (Jan. 2011), at http://english.sipo.gov.cn/statistics/gnwsznb/2010/201101/t20110125_570592.html.
 10. See Patent Law of the People's Republic of China, Article 2.
 11. See *Applications for Three Kinds of Patents Received from Home and Abroad (year), January 2010-December 2010*, (Jan. 2011), at http://english.sipo.gov.cn/statistics/gnwsznb/2010/201101/t20110125_570592.html.
 12. *Id.*
 13. *Id.*
 14. *Chint v. Schneider* (Wenzhou Intermediate People's Court, 2007).
 15. See Patent Law of the People's Republic of China, Article 2.
 16. See Patent Law of the People's Republic of China, Article 2.
 17. See *Applications for Three Kinds of Patents Received from Home and Abroad (year), January 2010-December 2010*, (Jan. 2011), at http://english.sipo.gov.cn/statistics/gnwsznb/2010/201101/t20110125_570592.html.
 18. See *Calendar Year Patent Statistics (January 1 to December 31) General Patent Statistics Reports Available for Viewing*, at <http://www.uspto.gov/web/offices/ac/ido/oeip/tafr/reports.htm>.
 19. See, e.g., *China Grants Apple 40 New Design Patents Covering All-Things iPhone, MacBook Air & Their Beautiful Shanghai Store Architecture, Patently Apple* (Sep. 12, 2011), at <http://www.patentlyapple.com/patently-apple/2011/09/china-grants-apple-40-new-design-patents-covering-all-things-iphone-macbook-air-their-beautiful-shanghai-store-architectur.html>. See also Chinese Design Patent Publication No. CN301680166S (published Sep. 21, 2011).
 20. *Neoplan v. Zhongwei Company* (Beijing No. 1 Intermediate People's Court, 2009).
 21. [http://www.sipo.gov.cn/sipo/zlsc/sczn2006/guidelines2006\(EN\).pdf](http://www.sipo.gov.cn/sipo/zlsc/sczn2006/guidelines2006(EN).pdf); see also *Hubei Wushi Pharmaceutical Inc., Ltd. v. Aunuo (China) Pharmaceutical Inc., Ltd.*, China Supreme People's Court, No. 20, (2009) (following closely the SIPO guidelines).
 22. SIPO Guidelines for Examination (2010), at <http://www.sipo.gov.cn/zlsqzn/sczn2010eng.pdf>.
 23. See People's Republic of China Civil Procedural Law, Articles 77-84.
 24. *Id.* at Article 245.
 25. Documents from Taiwan, Hong Kong, or Macau are treated under special evidentiary procedures since China considers them special territories.
 26. Interpretation of the Supreme People's Court on Certain Issues Concerning Application of Law in Patent Infringement Disputes, Articles 2, 3 (2010).
 27. *Id.* at Article 3.
 28. See, e.g., People's Courts General Principles of Civil Law, Article 130; see also Supreme People's Court's Interpretation of General Principles of Civil Law, Article 148, ¶ 1.
 29. See Supreme People's Court's Several Provisions on Issues Relative to Application of Law to Trial of Cases of Patent Disputes, Article 17 at paragraph 2 (2001).
 30. *Id.*
 31. See, e.g., *Dalian Xinyi Jiancai Co., Ltd. v. Dalian Renda Xingxing Qiangti Bld. Material Factory*, Supreme People's Court of China, Civil Third Division No. 1 (2005) (rejecting findings of infringement where asserted claim requires "at least two layers" of glass be inserted within the concrete wall components and the accused products included only one layer of glass, despite all other features being substantially similar).
 32. Supreme People's Court's Several Provisions on Issues Relative to Application of Law to Trial of Cases of Patent Disputes, Article 6 (2001).
 33. This refers to vehicles (such as ships and aircraft) that pass through China and does not apply to goods that are imported into China. See Patent Law of People's Republic of China, Article 69(3).
 34. See Articles 118 and 134.
 35. See Patent Law of People's Republic of China, Article 66.
 36. *Id.* at Article 65, second paragraph.

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