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Chinese Intellectual Property Judges Panel

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Panelists:

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PROFESSOR NGYUEN: Good morning, and welcome to our first panel. Digger Chen will be moderating this panel. He is currently an attorney at Locke Lord Bissell & Lidell LLP, but prior to being an attorney, he was a scientist in China. Then he came to the United States and obtained his J.D. from Temple Law School before he moved to Texas. I am so glad he is here because without Mr. Chen's assistance, we would not be able to assemble this incredible and distinguished panel. Mr. Chen, the podium is yours.

MR. CHEN: Thank you everyone. It is exciting to have China's intellectual-property frontrunners and experts at SMU Dedman School of Law to do this presentation. Let me introduce each guest before we begin the panel. Judge Cheng Yongshun started his career as an intellectual-property judge around the same time that the first patent law in China was enacted in 1984. He has been on the bench for twenty years and has adjudicated hundreds of intellectual-property cases on the Beijing Supreme People's Court. In 2005, Judge Cheng retired and started the Beijing Intellectual Property Institute, where he conducts case studies, exchanges information, and renders opinions and recommendations to government entities, companies, and individuals. He is truly a frontrunner and an expert on China's intellectual-property law.

Our second guest is Professor Zhang Yumin. Professor Yumin graduated from Peking University in 1970 and started her career as a basic-law-court judge. She later joined the Southwest University of Political Science and Law in Chongqing as a faculty member. She began to do intellectual-property research prior to the enactment of China's first patent law, and she has done so ever since. She has published numerous books and articles about intellectual-property issues in China, specifically regarding both liability issues and trademark registration versus use. Professor Zhang Yumin is truly one of the earliest and leading intellectual-property professors in China.

The third guest I would like to introduce is Professor Yi Jianxiong. Professor Yi is an associate professor at Southwest University of Political Science and Law. He previously spent a couple of years in an intellectual-property court as an advisor to judges. He is currently an up-and-coming young professor who researches China's intellectual-property law.

The fourth guest is Jennie Wu. Ms. Wu is a research associate for Judge Cheng at the Beijing Intellectual Property Institute. She graduated from Beijing Normal University and Beijing University, majoring in intellectual property. She also attended Hong Kong City University, majoring in World Trade

Organization research. Today she will do a presentation on one of the biggest cases in China.

I will briefly introduce each speaker's interpreter, and then we can kick off the panel. Tim Wong is a graduate of SMU, and he is currently an attorney at Shore Chan Bragalone Depumpo LLP. Jun Li is going to translate for Professor Zhang. He is the most senior engineer in the room, and he is currently attending SMU's J.D. program. Howard Lim is also currently a J.D. student at SMU. He is a leader at Songyoung OEM, where he works as an engineer.

We are going to start this panel with Professor Yi and Ms. Wu presenting a brief presentation about the current situation of intellectual-property litigation in China. Afterwards, we will have a question-and-answer period regarding intellectual property in China so the audience can access the panel's wealth of information.

PROFESSOR YI (through a translator): Good morning, ladies and gentlemen. Thank you very much for having me here today. I am going to speak about the state of intellectual-property litigation in China today. Originally, this was a homework assignment given to me by Digger Chen. Some of the work I will be presenting here today is based on research I am currently working on in China. Therefore, some of the figures will not be finalized until I complete my research in about two years.

I will speak about five agenda items today—again these were decided together with Digger. To begin, I will give an update on intellectual-property litigation occurring in the past five years in China. I will also describe the intellectual-property tribunals that are available in China. Then, I will talk briefly about the damages that are often awarded in intellectual-property infringement lawsuits. Additionally, I will describe the proof required in evidentiary issues—specifically in cases involving a foreign party or foreign elements. Finally, I will discuss the general trends of intellectual-property litigation in China.

Most of the recent intellectual-property suits are civil suits. Criminal prosecution is only available in patent-law suits that involve copyright or trademark infringement. Civil suits involving patents rarely involve criminal prosecution. Further, administrative suits are usually brought to resolve dissatisfaction with the decision in a civil suit. Of the three kinds of intellectual-property cases filed, the copyright cases form the majority. However, the number of patent suits filed over the years has been relatively consistent with the growth in the other kinds of intellectual-property lawsuits.

Now we will discuss in detail the courts that adjudicate intellectual-property cases. The adoption of intellectual-property law protections began in China as early as the 1980s. The very first intellectual-property court tribunal was established in Beijing. Presently, all courts that have jurisdiction over intellectual-property issues have already established intellectual-property tribunals.

It is important to understand that there are actually four levels of courts in the Chinese court system. First is the basic people's court, followed by the

intermediate people's court, the higher people's court, and, finally, the Supreme People's Court. Because intellectual-property litigation requires specialized knowledge, unlike most civil cases that start in the basic People's Court, intellectual-property litigation usually starts in the intermediate-level courts. In the case of patent suits, only the intermediate-level courts, which are provincial in nature, are allowed to have jurisdiction.

One of the items of judicial-system reform that is being advanced in China right now is the three-in-one tri-mode, which allows the intellectual-property tribunal court to have jurisdiction over civil, administrative, and criminal intellectual-property cases. Moreover, it was announced at the 2008 China IP Law National Strategy Outline that an appeals court is to be established for intellectual-property cases. But the creation of this court is still being debated and it has not been finalized yet.

A major issue in intellectual-property lawsuits is the amount of damages that are being awarded. An essential part of this, as Mr. Cohen mentioned in his presentation, is the percentage of the damages that are sought relative to those that are actually awarded. Commonly, the amount of damages in intellectual-property cases is determined by the judges. In theory, however, there are three methods that could be used to determine the damages.

The first method is to calculate the actual damages suffered by the plaintiff. If the actual damages suffered by the plaintiff cannot be ascertained, then the second method is to ascertain the profits that are gained by the defendant from the infringement. The third method is to estimate the potential licensing costs or royalties that could be negotiated from the license, if granted. In actual practice, often none of these three methods is used to determine the amount of damages. In 90% of the cases, the damages are actually awarded by the judge's decision. Additionally, based on our understanding and studies, the average number of claims that are actually awarded damages as a percentage of the damages sought in the original claim usually averages a mere 15%.

Based on my studies, we have categorized cases into two groups: first, where the plaintiff and defendant are both Chinese parties; and second, where the plaintiff is a foreign party and the defendant is a Chinese party. We compared the two groups and found that, generally speaking, where the plaintiff is a foreign party, the damages awarded are higher. The actual number of the cases where foreign parties are the plaintiffs, however, is still being calculated at this point. Another aspect we are studying is the amount of damages awarded versus the expenses incurred by the plaintiff due to the suit. The overall trend is that the damages awarded, as a percentage of damages sought by the plaintiff, have been increasing.

The fourth item concerns evidentiary issues, especially with regard to evidence coming from foreign parties and from foreign areas. One of the evidentiary issues that was raised in the past, but has recently been resolved, is what is literally translated from Chinese as "trapping evidence." This is where the plaintiff, seeking evidence for the suit, procures one of the defen-

dant's products. It is very important, especially for foreign parties, to pay attention to the notarization and certification requirements for evidence.

The actual number of items that are required in such notarization and certification cases may be more than that which foreign parties are actually providing. These requirements can be onerous and may include: gathering information regarding the legal status of the signer of the document; obtaining copies (versus the originals) of the documents; determining who is the signer; and discerning what is the significance of the signer's position. For example, is the plaintiff the CEO or on the board of the company being infringed?

It is advisable in a suit for a plaintiff to bring evidence gathered from administrative and government agencies rather than evidence that is brought by witnesses. The plaintiff should gather evidence from China as much as possible. For example, it would be preferable to seek evidence from Chinese customs rather than seeking evidence from U.S. customs.

The last item I would like to mention relates to issues of power of attorney. With regard to documents and representation, powers of attorney need to be as clear and as unambiguous as possible.

MR. CHEN: We will continue with Ms. Wu's presentation. She is going to very briefly go through the largest patent case in China.¹ After her presentation, we can open the floor for the questions-and-answers period.

MS. WU: Good morning, ladies and gentlemen. I am here today from the Beijing Intellectual Property Institute, where one of our currently focuses is on this case study. We chose this case because of the amount of the damages awarded by the court. Also, going back to what Professor Yi just discussed, the damages in this case were calculated based upon the defendant's profits.

First, I will quickly give you some background concerning the two parties. The plaintiff, Chint, was founded in July 1984 in Wenzhou Zhejiang Province. It grew from a small shop to one of the largest privately-owned companies in China, selling industrial electrics in over 70 countries worldwide. Chint's product lines include low-voltage electrical products. The defendant was Schneider Electric Low Voltage Tianjin Company. The company was established as a joint venture between Schneider Electric and another Tianjin-based Chinese company. Schneider Electric is a very famous global company founded in France in 1836.

Next, let's look a little bit at the background of the dispute. In the early 1990s, Schneider Electric attempted to enter the Chinese market by acquiring Chint. However, this acquisition never materialized. Following this failure, the relationship between the companies began to deteriorate. Since 2004,

1. *Chint v. Schneider Elec.* (正泰诉施耐德电气), WENZHOU INTERMEDIATE PEOPLE'S CT. 2007 (China). (*Ed. note:* The *Chint v. Schneider* case is mentioned multiple times during this discussion. An English-language description of the case is available at: english.mofcom.gov.cn/aarticle/newsrelease/commonnews/200709/20070905150629.html.)

Schneider and its subsidiaries have filed over 20 suits against Chint, both in Europe and China.

This case actually includes two parts—a civil part and an administrative part. First, we will look at the civil part. In July 2006, Chint filed a patent-infringement case with Wenzhou Intermediate Court against Schneider and its distributor in Zhejiang Province. In its initial filing, Chint requested that the court issue an injunction and award damages of about 500,000 Renminbi (RMB). During the presentation of the evidence, the independent accounting firms found that the profit Schneider made due to the alleged infringement in question was much more than 500,000 RMB and, therefore, increased the damages to 330 million RMB.

The Wenzhou Intermediate People's Court heard the case in April 2007. In September of that year, the court issued a judgment against Schneider for damages of 330 million RMB.

Schneider was not satisfied with the trial court's decision, and in October 2007, he filed an appeal with Zhejiang High People's Court.² There was no trial with this appeal.³ The court conducted mediation, and the civil case was settled by an agreement between the two parties.⁴

Let's discuss the administrative part. In the civil case, Schneider filed an invitation request before the Patent Reexamination Board (PRB) of China's State Intellectual Property Office (SIPO).⁵ During this process, Schneider supplemented the documents six times and claimed all four of Chint's patent claims should be invalidated.⁶ Chint requested to amend the claims by combining the original claim one and claim two into a single new claim, reducing the number of claims in the patent from four to three.⁷ On April 21, 2007, the PRB held the newly amended claims of Chint's patent were valid, but Schneider was not satisfied with the decision.⁸ Schneider filed an administrative case against the PRB in the Beijing Number One Intermediate People's Court on December 1, 2008. However, the trial court affirmed the PRB decision, and then Schneider appealed to the Beijing High People's Court. On February 26, 2009, the Beijing High People's Court also rejected Schneider's appeal. Thus, the Chint patent remained valid.

Let's return to the legal issues in the civil case. There were three legal issues discussed by the Wenzhou Intermediate People's Court. The first issue

2. Chint v. Schneider Elec. (正泰诉施耐德电气), WENZHOU INTERMEDIATE PEOPLE'S CT. 2007 (China).

3. *Id.*

4. *Id.*

5. *Id.*

6. *Id.*

7. Chint v. Schneider Elec. (正泰诉施耐德电气), WENZHOU INTERMEDIATE PEOPLE'S CT. 2007 (China).

8. *Id.*

was the defense of prior art. The court ruled that because Schneider's patent did not disclose all the technical features of the patent, the defense of prior art could not be established.⁹ The second issue was determining whether Chint's products infringed Schneider's patent. The court ruled that the products, manufacturing, and distribution by Schneider contained new features covered by claim one and claim two of Chint's patent and, therefore, Schneider's actions constituted an infringement.¹⁰ The third issue concerned damages. Based on their commercial documents, Schneider's profits related to the sale of infringing products from August 2, 2004 to July 31, 2006 were more than 355 million RMB. This exceeded the 334 million RMB of damages Chint claimed, and so the court fully supported Chint's claimed amount of damages.¹¹

As mentioned earlier, Schneider filed an appeal in Zhejiang High People's Court in April 2009.¹² Under the mediation of Zhejiang High People's Court, the parties reached an agreement.¹³ This was the content of the agreement: within 15 days of signing the mediation agreement, Schneider should pay Chint 157 million RMB, in addition to 1.7 million RMB for trial expenses. Further, expenses for the appeal should be split between Schneider and Chint after a 50% discount. Finally, each party should pay about 429,000 RMB, and there should be no further dispute after the conclusion and fulfillment of the agreement.

The settlement agreement ended three years of patent litigation in China and is known as the largest case in terms of the amount of damages.¹⁴ After the settlement, Chint and Schneider Electric also reached a global compromise, resulting in the settlement of disputes in Europe and elsewhere.

MR. CHEN: Thank you very much. Now, we open up the floor, and you may ask questions directly to any of the speakers. You may also ask general questions, and I will direct them to the speakers.

AUDIENCE QUESTION: Regarding success rates in IP litigation in China—I have frequently heard the statistics that foreigners are more successful in IP cases than Chinese parties. I believe the chances of success in patent, trademark, or copyright cases in China are greater than the chances in the U.S., in general. However, my belief is that this does not reveal preference. Instead, it could reveal a problem behind the low number of foreign-

9. *Id.*

10. *Id.*

11. *Id.*

12. Chint v. Schneider Elec. (正泰诉施耐德电气), ZHEJIANG HIGH PEOPLE'S CT. 2009 (China).

13. *Id.*

14. Connie Carnabuci and Victoria White, *Largest Damages Award for Patent Infringement*, INTERNATIONAL LAW OFFICE, (Dec. 15, 2008), <http://www.internationallawoffice.com/newsletters/detail.aspx?g=0b0a92e6-3305-4d9a-8469-02ee61a0db79>.

related cases, which are only 3% of the total docket. It is possible that foreigners are self-selecting the types of cases they will pursue, and that they are only willing to bring cases that have a very high likelihood of success. The number can be used positively to show that foreigners succeed. But because they bring few cases, it can also prove that foreigners are very reluctant to bring cases unless they know the cases are extremely strong. I would like to know your thoughts on this issue.

JUDGE CHENG: I did a lot of research on this topic. I studied hundreds of IP cases in China involving foreign entities. Actually, the winning rate for foreign plaintiffs is about 73%, which is pretty high. For Chinese plaintiffs, the winning rate is only about 60%. It is true that China's IP judges are very careful when they are dealing with IP cases involving foreign entities. One tenant of our culture is that we treat guests in our homes well. For example, we will present the very best food we have to our guests.

Actually, I think judges act very deliberately in cases involving foreign entities. They want to make correct judgments and provide a kind of showcase for foreign entities. In the past, we went around the country with cases involving foreign entities, saying: "We treat foreign entities well and fairly in China."

I think there are three major reasons behind the higher winning rates for foreign plaintiffs in China. First of all, most of the patents are invention patents, which I think are better quality and better prosecuted. The second reason is that they are willing to pay more in these kinds of cases, so they hire the best IP attorneys in China. The third reason is that a lot of efforts are put into evidence collecting and basic preparation of the lawsuits. They are better prepared, and that is essential.

AUDIENCE QUESTION: How are IP judges trained? How many IP judges are in the different levels of China's judiciary?

JUDGE CHENG: Unlike in America, where intellectual-property law has existed for nearly 200 years, it is a relatively new area of law for China. Intellectual-property cases have arisen in China only within the last 30 years. Because there is little established law upon which to base the judicial system, China's judiciary development in the IP field has lagged behind more developed countries like the United States. As a result, no judge had exclusively adjudicated intellectual-property cases until 1993, when China established the first court dedicated to IP. By the end of 2008, there were around 2,800 IP judges across the country. By now, that number likely exceeds 3,000.

The majority of IP judges currently serve in the intermediate people's courts, where most IP cases arise. As a result, there are far fewer judges in both the basic courts and the Supreme Court. However, as IP law develops and more cases are litigated, China is making advances in IP-judge training.

Potential IP judges are required to pass two exams. The first is a bar exam, which certifies one to practice law, much like the bar exam in America. The second measures a potential judge's ability to be a civil servant: ensuring that he has the administrative capabilities, in addition to the legal understanding, required to be a judge. Also, when choosing IP judges,

the court prefers those who have technical backgrounds, are more fluent in English, and have some trial experience. Since 2004, the standards for becoming an IP judge have become more stringent.

MR. CHEN: Judge Cheng is modest in thinking that because other judges have had to pass more stringent tests, they are more skilled. In fact, in 2003, Judge Cheng was held to be one of the top-fifteen most-influential people in the IP world.

PROFESSOR NGUYEN: In the United States, only about 20% of IP cases go to trial. What is the percentage of cases in that go to trial in China?

JUDGE CHENG: There is a current movement in China, undergirded by the idea of pursuing harmony, where the courts are encouraging people to settle cases outside of court. As a result, in some regions, 85% of cases settle outside of court. But in other regions, the percentage of cases that settle hovers around 60%.

AUDIENCE QUESTION: In one of the presentations, it was mentioned that the court of appeals conducted mediation to settle a case. What is the scope of authority of the court of appeals in pursuing alternative dispute resolution procedures as opposed to its traditional role of review? What standard of review does the court of appeals use?

JUDGE CHENG: China's appeals process is much different from that of the United States. Appeals courts will look at both facts *and* legal issues, a standard most comparable to *de novo* review in the United States. Even the higher courts review cases under this same standard. Unlike American appellate review, however, mediation is available throughout the *entire* appeals process.

AUDIENCE QUESTION: The utility model seems to parallel the U.S. model in that it is very powerful and self-serving, but it does not function the same within European jurisdictions. Do you have any observations or suggestions as to when to make the election between the patent invention and utility model when those two are compiled within the same case? Also, do you have any suggestions as to how to respond when U.S. and foreign entities attempt to ask you privately when and how to use the utility model?

MR. COHEN: I would like to respond to that question. This is an issue concerning whether or not there is confidence in Washington, as well as Americans in particular, with not using the utility-model patent system in a similar manner as China. There are even some reports claiming that Americans are excusing the system due to ongoing discussions with both Chinese industry and Chinese government.¹⁵

15. *See generally* Martina, Michael, *Geithner slams China's intellectual property policies*, Reuters (Sept. 23, 2011, 12:43 AM), <http://www.reuters.com/article/2011/09/23/us-china-geithner-idUSTRE78M15G20110923> (representing an example of how ongoing disputes between the U.S. and China regarding intellectual property matters may be contributing to delays in U.S. adoption of the UMP system).

AUDIENCE QUESTION: I noticed that in the case of *Chint v. Schneider*, the damages award determined by the court were 334 million RMB,¹⁶ which was near an earlier damages award of 355 million RMB. Does this similarity in damages awards set the guideline and standard for awarding damages in Chinese intellectual-property cases?

MS. WU: In this particular case, the Wenzhou Intermediate People's Court asked an independent cabinet to conduct the damages award calculation on Schneider's profit.¹⁷ Once this amount was calculated, Chint agreed to the amount.¹⁸ As you can see, the two amounts are quite close.

PROFESSOR YI: The Chinese Supreme Court advises the judge to follow the three guidelines mentioned by Judge Cheng. However, the damages award is determined by the judge in 90% of the current cases.

JUDGE CHENG: First, it is important to note that the *Schneider* case is a unique case in China. Personally, I do not believe that large damages awards will be a trend in Chinese intellectual-property cases. In fact, following the decision in the *Schneider* case, a U.S. attorney called me and said: "This is great. Is China going to start a trend of having larger damages awards in intellectual-property cases?" I responded by saying, "No, that is not going to happen." Moreover, I believe the general trend demonstrates that the amount of damages is still increasing at a gradual rate. Thus, the large damages award in the *Schneider* case is truly unique.

Furthermore, the average damages award in China is still very low. The core reason for this is that in civil law cases concerning intellectual-property damages awards, the principle is to achieve equity by covering the plaintiff's losses.¹⁹ Also, there is no penalty involved in awarding intellectual-property damages. Another major reason for the lower damages awards in Chinese intellectual-property infringement cases is that these types of cases tend to enter litigation while the infringement process is still in its beginning stages. These cases are litigated in their early stages because the Plaintiff is attempting to remove the infringer from the market. Hence, not much actual damage accumulates, which leads to lower damages awards. Moreover, there is usually a lack of evidence demonstrating any large damages. The court, how-

16. *Chint v. Schneider Elec.* (正泰诉施耐德电气), WENZHOU INTERMEDIATE PEOPLE'S CT. 2007 (China).

17. *Id.*

18. *Id.*

19. Civil and Commercial Laws: General Principles of the Civil Law of the People's Republic of China (promulgated by Order No. 37 of the President of the People's Republic of China, April 12, 1986, effective April 12, 1986) Ch VI, Section 3, Article 118 (China); *see also* Meeting Minutes of the Supreme People's Court on Judgments on Intellectual Property Rights Cases at Some Courts (promulgated by SUP. PEOPLE'S CT., July 20, 1998, effective July 20, 1998) Fa [1998] No. 65, Ch. 3, Section 5.

ever, would probably support larger damages awards if the plaintiff could demonstrate sufficient evidence.

PROFESSOR YI: I would like to make an addition to the comments regarding the trend of increasing damages awards. It is important to note that the studies I have conducted are based on 40,000 cases that have accumulated over the years. According to my studies, the increasing trend is general in nature; however, there are unique cases with special circumstances. For example, if we look at specialized cases involving infringement of movie and media copyrights in Chinese Internet cafes and Internet bars, we find that the damages awards have not increased, but have actually decreased. The trend demonstrates that in the beginning damages awards were near 50,000 to 60,000 RMB, then gradually dropped lower, and are now as low as 2,000 RMB.

PROFESSOR NGUYEN: What are the direct websites available containing the Mandarin Chinese version of the Chinese Constitution? And for how long will the Constitution be available on the website? How do those attorneys doing a large amount of work in patent infringement access this website?

PROFESSOR YI: The website is the China Intellectual Property Judgment Network, which is a site from where I have drawn much of my research. This is available from anywhere in the world, and published cases are available up to December of 2010. This network is only available in Chinese, so it must be read in Mandarin. There are efforts being made to translate some of these documents. Only the opinions that have taken effect will be published.

Based on my experience when I was at the Chongqing High Court, the requirements are for cases to be published and submitted monthly once the decision takes effect. The goal is to publish as frequently and consistently as possible, but that may differ according to the region.

AUDIENCE COMMENT: One quick comment unrelated to court cases. China has done a remarkable job of publishing drafts of laws and regulations in IP over the past several years. Do you have any comments about that?

MR. CHEN: Those drafts could also be available in English. Professor Yumin asked about the doctrine of equivalents if someone would like to speak on that.

JUDGE CHENG: The doctrine of equivalents is a very hot topic in China, and I believe it is a hot topic in the U.S. and European court systems as well. There are some differences for how we deal with the doctrine in patent-infringement cases.

There was no doctrine-of-equivalents statute in the Chinese IP statutes, but the Supreme People's Court of China, through judicial interpretation of the statute, established such a doctrine for patent cases. In many cases, whether the infringing products are equivalent to the patent claims often depends on if the products are similar in terms of function and purpose. The outcome commonly depends on the subjective assessment of the judge.

So what the Chinese Supreme Court is doing these days is collecting the instructive cases and essentially distributing those cases to the lower courts to help them improve the adjudication of cases involving the doctrine of equivalents. There have been several meetings among the high-level judges in the higher courts to try to come up with documents that would lay out the standard procedure of how to deal with the doctrine of equivalents in patent infringement cases.

Also, I have the same problem that English speakers have regarding the inability to read Chinese judicial opinions due to the language barriers. Since I cannot read English, I cannot read many U.S. court decisions, either. To help solve this problem, I am donating three books that consist of commentaries and reviews by Chinese judges on cases involving foreign entities. These books are the bilingual version, and I am giving the books to Professor Nguyen to read and enjoy. The books include 51 cases and comments from the judges about those cases. I think they would be wonderful to read, and you can put the books in the library.

AUDIENCE QUESTION: Concerning the *Chint v. Schneider*²⁰ case, the court ruled that the Schneider patent did not disclose all of the technical features of the patent. Was it a mistake that Schneider did not disclose because they wanted to maintain some sort of competitive advantage? Or did Schneider not have the prior art? Also, if Schneider chose not to disclose the prior art that they had, and it was their mistake, does this mean that foreign companies need to disclose more on their patents?

MR. CHEN: It is my understanding that Schneider used its patent as the prior art. Schneider said that it had the patent before Chint filed, and gave notice that the priority date is before the Chint patent's priority date. But the court said that Schneider's patent and technical features did not cover all of the features in Chint's case, and so it was not prior art.²¹

MS. WU: In Chinese patent litigation there are several different defenses, and defense of prior art is one of those defenses. If this defense of prior art can be established, then the court determines that the defendant did not infringe on the patent. The defendant would have to generate a work of art or patent that is identical to the other art or patent in dispute. In this case, Schneider chose one of the company's patents and said that it was prior art, but the court decided that the patent was not identical to the patent in dispute, and so the court did not support the defense of prior art.

AUDIENCE QUESTION: Do you find that foreign companies disclose more, or even over-disclose? My firm has had problems where we try not to disclose everything in the patents to maintain a competitive advantage. In the

20. *Chint v. Schneider Elec.* (正泰诉施耐德电气), ZHEJIANG HIGH PEOPLE'S CT. 2009 (China).

21. *Id.*

Chint v. Schneider case, it seems as though not disclosing enough worked to Schneider's disadvantage.²²

JUDGE CHENG: We are not experts on patent prosecution but want to point out that, for foreign entities, if you want to seek full protection of your intellectual property in China, then you need to disclose as much as possible and do a full disclosure to help deal with patent-infringement cases in China. In Chinese patent law you also need to have enough description to support your claims—basically, have sufficient support of specification—otherwise you won't get the protection you want by filing a patent in China. There is a famous invalidity case in China involving the drug Viagra, and I think it was declared invalid because there was insufficient support in the specification.²³

AUDIENCE QUESTION: A lot of U.S. and other foreign corporations file a procedure-module application. This is because even though only a small number of countries in the world have this, they feel uncertainty about it. Therefore, is it possible for China's patent law to change the mundane and institute a new module?

JUDGE CHENG: There was a big discussion when China initially enacted their first version of patent law about whether we should protect both inventions as well as utility-model patents. The reasoning for the need to protect the utility-model patent is that there are so many individual and small inventors in China that most of the inventions are relatively small. Since they are a much bigger percentage of these inventors and inventions, one opinion is that we need to protect those smaller, individual inventors and smaller-scale inventions. The battle is whether we should include the utility-model patent application, and it will be very difficult to get rid of it in the future.

I have had many problems associated with the utility-model patents. For example, it is difficult to make a distinction between the invention patent and the utility-model patent. Also, because the utility patents do not exempt thoroughly in the patent office, there are numerous frivolous and malicious patent lawsuits involving utility-model patents in recent years. In response to this, the Chinese legal authorities are trying to come up with ways to deal with the issues associated with the utility-model patents.

MR. CHEN: With that, we will conclude this session. Thank you to all of our speakers.

22. *Id.*

23. See generally, JEFFREY A. ANDREWS, *Pfizer's Viagra Patent and the Promise of Patent Protection in China*, LOY. L.A. INT'L & COMP. L. REV., Vol. 28:1, available at, <http://ilir.lls.edu/issues/28/28.1Andrews.pdf>.