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INSIGHT

CHINA'S INTELLECTUAL PROPERTY ENFORCEMENT TRENDS

September 09, 2022

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Comprising tiers of specialized intellectual property (IP) courts within its court system, China bifurcated judicial and administrative proceedings for those seeking to protect and enforce against a patent infringement. The judicial route is more commonly used first which would see a case pass through the Intermediate People's Courts, High People's Courts, and ultimately, the Supreme People's Court.

The administrative route operates through a local IP office or, if the case is of national significance, the China National Intellectual Property Administration ("CNIPA") to request administrative enforcement, such as requests to cease infringement and to issue administrative penalties, but notably no damages are awarded through this route. A patentee or an interested-party may take the administrative route first and then the judicial route, but, but they cannot be undertaken concurrently. An administrative proceeding is much shorter and cheaper than a judicial proceeding.

Below, we take a closer look at some key takeaways from IP cases that have been through the courts in the last 18 months.

OVERVIEW

In 2021, the IP court within the Supreme People's Court received over 2,500 new civil IP cases and concluded 2,023 cases. Around a quarter were computer software-related cases involving artificial intelligence, ecommerce, or internet-based patents, demonstrating the direction of travel in today's market and the significant part that technology plays in IP landscape.

The average timeframe for a patent case to reach a decision in 2021 was 134 days, a relatively short compared to other key patent enforcement jurisdictions, but an increase from 2020.

The Supreme People's Court also received 1,290 administrative IP cases dealing with previous patent prosecution rejection or invalidation cases challenging the Patent Office's decisions and concluded 971 cases. It is worth noting that over 10% of these cases involved an international entity, an increase of 16.2% compared with 2020.

PATENT LITIGATION

- **Pro-patentee shift:** In the past, patentholders in China often had trouble proving damages from infringement; however, recent cases have shown an increasing pro-patentee shift.
- **High Damage Awards:** Chinese courts have entered exceptionally high damage awards in cases in recent years. Awards have been ordered up to 160 million Chinese yuan (\$26 million), which is the highest damages award in the Chinese appliances industry.

TRADE SECRETS

Key cases considered whether a licensee can disclose or use trade secrets after the confidentiality period stipulated in a license agreement expires, as well as the use of customer information by ex-employees in divulging business secrets of their former employers. Additional considerations are as follows:

- **Maintain good confidentiality clauses:** Agree on the confidentiality obligation within the confidentiality period and after the confidentiality period expires.
- **Minimize theft of trade secrets:**
 - Develop trade secret policies and procedures.
 - Conduct trade secret audit and inventory.
 - Educate your employees, business partners, and contractors.
- **Limit exposure to liability when hiring:** Before the employment relationship starts, including provisions for requiring protection of prior employer's trade secrets.
 - Understand employee's contractual and legal obligations regarding non-disclosure or use of information and "inevitable disclosure" issues, if any.
- **Exit interviews:** Keep robust records
 - Reiterate confidentiality obligations.
 - Secure a written agreement to honor obligations.
 - Ensure the return of confidential materials and confirm their return in writing.
 - Assess behavior and evaluate likelihood of compliance.
 - Ask questions such as, "Why are you leaving? What and where is the new position?"
 - Consider sending a letter to the new employer.

COPYRIGHT

Some interesting cases came to light in the copyright space, including the violation of a general public license ("GPL") agreement by abusing open source code, emphasizing the importance of understanding, monitoring, and tracking an open-source software (OSS) license, and selecting the one which best suits a business. In addition, in relation to copyright protection sought for gaming maps, it was found by the courts that a game map can be protected as a graphic work, as well as its game scene thumbnail, and that the spatial layout structure of a game is the core offering in many cases, especially for shooting games.

TRADEMARK

2021 saw some significant rulings in the trademark sphere from disputes relating to packaging look and feel, to the use of certain terms to describe food and beverages. Each provide important guidance for those seeking to enforce on grounds of trademark infringement.

Our team discussed these issues and more during the IP Year in Review: Important Chinese Cases Decided in 2021 session of our 2022 Asia Technology Innovation Series. Contact Bhavisha Arora for further information and a copy of the slides or recording.

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