CHINA IP LEGAL WATCH

CHINA'S SUPREME PEOPLE'S COURT HAS CLARIFIED FOUR TYPES OF IP RELATED ADMINISTRATIVE CASES TO BE HEARD BY SPECIAL IP TRIBUNALS

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On July 1, 2009, the China's Supreme People's Court ("Supreme Court") issued a Regulation on the Division of Work in the Hearing of Administrative Cases Regarding Granting and Confirmation of Patents, Trademarks and Other Intellectual Property Rights ("Regulation")[1], which took into effect immediately. In the Regulation, the Supreme Court has clarified those administrative cases involving granting and confirmation of four types of intellectual property ("IP") –trademark, patent, integrate circuit layout design and new plant variety, to be accepted and heard by the special IP Tribunals of the relevant Beijing Intermediate People's Courts, Beijing Higher People's Court and the Supreme Court. As an important regulation to the series of recent judicial interpretations of the Supreme Court on strengthening IP protection in the current economic situation, the Regulation plays a decisive role in unifying the hearing of IP related administrative cases. The Regulation implies that IP related administrative disputes will be heard by more specialized judges who are familiar with both laws and IP practice, particularly, the relevant technologies. This is a great improvement in China's IP trial practice. It is a very good and exciting news for foreign investors who have already applied for or owned the foresaid IP in China. Foreign IP owners shall acquaint themselves with this Regulation so as to timely adjust their IP protection strategies in China.

BACKGROUND

Under the current Chinese IP laws and administrative laws and regulations, the granting of exclusive rights of four types of intellectual property rights - patent, trademark, integrate circuit layout design and new plant variety, is subject to the review and approval by the relevant competent state administrative authorities. Dissatisfied with the refusal of those administrative authorities, the applicant or owner will have to initiate administrative litigation against those authorities. From 1985 when the Chinese Patent Law[2] took into effect till 2002, the administrative litigation against the Patent Re-examination Board ("PRB") for its refusal of granting invention patents had always been accepted and heard by the IP Tribunal of the Beijing No. 1 Intermediate People's Court and Beijing Higher People's Court. However, the Chinese Patent Law and Trademark Law[3] were revised in 2000 and 2001,

respectively. The revised Chinese Patent Law and the Trademark Law had both abolished the administrative final decision system of PRB and Trademark Review and Adjudication Board ("TRAB"). Instead, the final decision to grant invention, utility model and design patents, as well as trademark had been transferred to people's court. In order to efficiently try those cases, the Supreme Court issued a *Written Reply on the Division of Work for Hearing Patent and Trademark Related Cases after Revision of the Patent Law and Trademark Law* ("Written Reply")[4]. According to the Written Reply, in the civil litigation involving patents and trademarks, if the concerned parties also initiate administrative litigation against PRB's invalidation decision on their patents or TRAB's refusal decision on registration of their trademarks, such administrative cases shall be heard by the IP Tribunal, while other administrative cases against PRB or TRAB's decisions shall be heard by the Administrative Tribunal of the relevant people's courts. The Written Reply was issued to satisfy the trial needs after China's access into World Trade Organization. However, during the implementation of the Written Reply, whether the cases shall be heard by the IP Tribunal or Administrative Tribunal depends on whether the concerned parties have any civil disputes. In practice, it is very difficult to define the boundary between such disputes involving IP. Further, in order to effectively keeping in line with the *Outline of the National Intellectual Property Strategy* ("Strategic Outline")[5], which clearly requested to establish special IP Tribunal in people's courts to uniformly accept and hear IP related civil, administrative and criminal cases. For this purpose, the Supreme Court further issued a *Task Division for Implementing the Outline of the National Intellectual Property Strategy* ("Task Division")[6], and spent five months in researching and consulting opinions of Beijing Intermediate People's Courts and Beijing Higher People's Court, and then finally adopted and issued this Regulation.

Main Trial Division Specified by The Regulation

The Regulation has clearly designated the special IP Tribunals rather than the Administrative Tribunals of the relevant courts to accept and hear four types of IP related administrative cases involving trademark, patent, integrate circuit layout design and new plant variety. According to the Regulations, the following IP related administrative cases of the first and second instances shall be accepted and heard by the aforesaid IPR Tribunals of the relevant Beijing Intermediate People's Courts, Beijing Higher People's Court and the Supreme Court, when the concerned parties are not satisfied with

1. the re-examination and invalidation decisions of PRB under the State Intellectual Property Office ("SIPO");

2. SIPO's decision on compulsory license on their patents or the royalties of the said compulsory license of the patents;

3. the trademark review decisions and awards of TRAB under the China Trademark Office affiliated with the State Administration for Industry and Commerce;

4. the re-examination or cancellation decision of the IP administrative authorities under the State Council on integrate circuit layout design;

5. the decision of the IP administrative authorities under the State Council on involuntary license and the royalties thereof for their integrate circuit layout design;

6. the re-examination, invalidation or renaming decision of the agricultural and forestry administrative authorities under the State Council on new plant variety; and

7. the decision of the agricultural and forestry administrative authorities under the State Council on compulsory license and the royalties thereof for their new plant variety.

Further, the applications of the concerned parties for retrial of the legally binding judgments or awards made by the aforesaid courts on the above-mentioned seven cases with the people's courts of higher levels when they are not satisfied with those judgments or awards shall be reviewed and heard by the special IP Tribunal of the people's courts of the higher level. However, the Regulation fails in specifying which courts shall review and hear those retrial applications directly accepted by the people's courts which originally tried the cases. The reason for the failure is that, in practice, those administrative cases are generally heard by the Adjudication Supervision Tribunal of the people's courts which originally tried the cases.

SIGNIFICANCE AND IMPLICATION OF THE REGULATION

Since the trial of IP related administrative cases concerning the granting and confirmation of patent, trademark, integrate circuit layout design and new plant variety will have to follow the administrative trial procedures and also deal with some technical issues, such trial requests the judges hearing the case to be familiar with both laws and IP practice, particularly, technical issues. Normally, the judges from Administrative Tribunal are familiar with administrative laws, but do not know technology and IP practice. To uniformly get those IP related administrative cases accepted and heard by the judges from IP Tribunal who are familiar with both administrative laws and the knowledge related to the IP to be tried can effectively assure the procedural and judgment or award quality. This further implies that China is strengthening IP protection by providing high quality trial by more professional judges as an effective response to the current global economic crisis. The Regulation will lessen the worry of foreign investors to some extent that their IP can not be fully protected in China in case of administrative disputes. The Regulation also keeps in

line with the Strategic Outline and series of the recent juridical interpretations of the Supreme Court on strengthening IP protection. It is also an effective measure to improve and perfect China's investment environment with the purpose of absorbing more foreign investment in the current global economic downturn.

Conclusion

Considering the characteristics of IP related administrative litigation and also to satisfy the requirements imposed by the Strategic Outline, the Supreme Court has timely issued the Regulation which has clarified four types of IP related administrative cases involving the granting and confirmation of patent, trademark, integrate circuit layout design and new plant variety to be accepted and heard by the special IP Tribunal rather than Administrative Tribunal of a very limited designated people's courts. This will greatly assure the IP trial quality and lessen the worry of foreign owners that their IP can not be fully protected in the event of administrative disputes in China. The Regulation implies that China is continuously strengthening IP protection and attaching importance to IP trial. This is a good message for foreign IP owners. Foreign investors shall familiarize themselves with this Regulation so as to timely adjust their IP protection strategies in China.

About The Author

Bill H. Zhang is the managing partner of China Sunbow & Associates with rich experience in cross-border transactions involving China, particularly on intellectual property transactions such as patent and trademark prosecution, enforcement, dispute resolution, infringement analysis, due diligence, technology license and transfer, as well as on corporate and commercial matters, such as mergers and acquisitions, direct investment in China, joint venture, international trade, corporate governance and compliance, restructuring and reorganization, labor and employment, and dispute resolutions. He has advised many multi-national companies on registering, prosecuting and enforcing various trademarks, patents and copyrights worldwide and represented them to merge and acquire Chinese enterprises, make direct investment and resolve commercial disputes in China. He has also counseled many foreign invested enterprises on their daily operations in China.

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About China Sunbow & Associates

China Sunbow & Associates ("Firm") is a Chinese law advisory firm mainly practising Chinese intellectual property ("IP") and commercial laws and rendering the same services around the world. From incorporation in 2004, the Firm has been providing high quality IP and commercial law advisory services on China related IP and commercial transactions, particularly, on registering and enforcing various trademarks and patents, conducting IP due diligence, providing legal analysis on registerability, patentability and infringement, and advising IP license and transfer. Apart from IP practice, the Firm has also assisted many multi-national companies entering into Chinese markets and establishing business in China. The Firm's attorneys have accumulated extensive experiences in counseling foreign investors on registering and enforcing various trademarks and patents, or setting up joint venture enterprise, wholly foreign owned enterprise, and representative office, as well as on their daily operation in China, including employment, tax, corporate governance, restructuring and compliance, etc. Further more, the Firm has successfully advised many foreign investors on merging and acquiring Chinese entities and resolving their IP and commercial related disputes in China.

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1 The Regulation was adopted by the Judicial Committee of the Supreme Court under Documentation *Fa Fa (2009) No. 39* on June 22, 2009. However, the Regulation was not published until July 1, 2009

2 The Chinese Patent Law was enacted on March 12, 1984 and took into effect on April 1, 1985. After that, it had been revised for three times every eight years on September 4, 1992, August 25, 2000 and December 27, 2008.

3 The Chinese Trademark Law was enacted on August 23, 1982 and then was revised for twice on February 22, 1993 and October 27, 2001, respectively.

4 The Written Reply was issued by the Supreme Court on May 21, 2002 under Documentation No.: *Fa (2002) No. 117*.

5 The Strategic Outline was issued by the State Council on June 5, 2008.

6 The Task Division was issued by the Supreme Court on February 25, 2009.