



IP: 3 litigation strategies for enforcing IP rights in China

LITIGANTS SHOULD STUDY JUDICIAL GUIDELINES, ESTABLISH GOVERNMENT AND COURT CONTACTS, AND SEEK EVIDENCE PRESERVATION ORDERS

The court system in China is unlike the court system in the United States—as different as F. Scott Fitzgerald thought the “very rich” were “from you and me.” It is possible to protect intellectual property rights in China by taking infringers to court; but as is true everywhere, winning is unlikely if you don’t know the rules of the game. To illustrate the point, here are three China-centric litigation strategies.

1. China is a civil law country and therefore is unlike the U.S., which has a common law legal system based primarily upon previous judicial opinions interpreting legislation. Judges in China make rulings based only on the civil codes and statutes. Chinese judges make their decisions autonomously by requesting and challenging evidence, questioning witnesses, receiving briefs and hearing arguments from legal counsel, and even consulting their own selected experts. The judges in China do not respond to caselaw-based precedent. But recently, the Chinese Supreme People’s Court (SPC) issued judicial guidelines for IP infringement adjudication

illustrated with hypothetical cases. These guidelines do not form a part of the law as they would under a common law system; but, coming from the SPC, they have an authoritative aura. Drawing the local court’s attention to the similarity between one’s case in the local court and such illustrative cases should have a persuasive effect on the ruling of the local court.

2. In China, the courts are not independent of the government, as they are in the U.S. The court appointments are made by the local government. The local government in turn depends on local companies for employment and tax income. These relationships tie local businesses to the courts. “Conflict of interest” is still a new concept to Chinese officials and business people. While in the U.S. it is considered inappropriate for a litigant or a prospective litigant to get to know the judge or other powerful people involved in the court system in order to improve one’s likelihood of success in court, this is often not a concern in China. Foreign companies must also exploit these practices. They must try to establish contacts in the local government

as well as the courts as part of doing business. In its simplest form, the goal for a foreign company seeking to enforce its IP rights in the local courts should be to identify a local counsel with strong relationships and a prominent reputation, even if the brunt of the legal work will be done by a shadow counsel.

3. Because there is no U.S.-style discovery in China, plaintiffs must collect and submit their own evidence to meet their burden of proof. However, the Chinese courts rarely accept evidence unless it is in its original form; and documentary evidence is practically the only form of evidence that carries significant weight in a Chinese court. This can present a problem to the IP rights holder needing certain proof to show the infringing activity or to confirm the extent of infringement for the calculation of damages. A powerful tool for these situations is provided under Article 74 of the Chinese Civil Procedure Law, which states that when there is a likelihood that evidence may be destroyed, lost or difficult to obtain later, a party in the proceeding may apply to the court for preservation of the

suspected evidence. Accordingly, a party may seek *ex parte* a court order to preserve such evidence. Pursuant to the evidence preservation order, the court may question the respondent, order production of certain documents, take samples of the infringing product, conduct an inspection of the premises and so on. Such orders can be very effective because the judges typically enforce the order themselves. The respondent generally has not been notified in advance and may be required to comply with the order by providing the relevant documentation and evidence on the spot. The evidence obtained from evidence preservation efforts by the court is usually automatically admissible in the subsequent court proceeding. To prevent abuse of this process, however, the court may require the plaintiff to post a bond to cover the respondent's expenses if, for example, the suspected evidence is determined not to exist.

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