

LEGAL UPDATES



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Intellectual Property

The Supreme Court Issues Opinions on Due Implementation of National Intellectual Property Strategy

On March 29, 2009, the Supreme People's Court of the People's Republic of China (the "Supreme Court") promulgated the Opinions on Various Issues relating to the Due Implementation of National Intellectual Property Strategy (the "Opinions"). The Opinions, which consist of six parts including 36 articles, formulate an overall plan for the people's courts to implement the national intellectual property strategy on the basis of their judicial practices for protection of intellectual property rights ("IPRs").

Key Features

- Increase in civil compensation liabilities and criminal liabilities for malicious IPR infringements:

Article 5 of the Opinions provides that, the people's courts shall "... adhere to the principle of full compensation, increase the compensation liability according to law, increase the compensation liabilities for malicious infringements, repeated infringements, large-scale infringements and other severe infringing activities, endeavor to guarantee that the IPR owners can obtain sufficient compensations for damage...". Article 21 of the Opinions provides that, the people's courts shall "enlarge the scope and degree of application and enforcement of the fine penalties", and take measures to "deprive the infringers of their abilities and conditions to recommit the crime".

- Civil, administrative and criminal IPR proceedings will be exclusively handled by the IPR tribunals of the people's courts; the special IPR appellate court is likely to be established in the future; and the judicial standards for IPR proceedings will be much more consistent:

Article 25 of the Opinions provides that, the people's courts will "consider establishing the special IPR tribunals to hear civil, administrative and criminal IPR cases". Article 26 of the Opinions provides that, the Supreme Court will consider the feasibility and necessity for establishment of the IPR appellate court. As provided in the Opinions, the Supreme Court "will timely promulgate the judicial interpretations and judicial polices" (Article 3) to "unify the judicial standards and regulate and elaborate the exercise of discretion" (Article 31 thereof).

- In respect of the patent cases, the people's courts will apply the doctrine of equivalents in a strict standard manner when deciding upon infringement:

Article 9 of the Opinions provides that, "in addition to protecting the patent rights under the law and preventing the improper enlargement of the scope of protection of the patent rights, which would restrict the innovation and creativity and public interests", the people's courts shall "apply the doctrine of equivalents in a strict manner, determine the application of the doctrine of equivalents reasonably, and prevent abuse of the application of the doctrine of equivalents".

- In respect of the trademark cases, the standard for recognition of well-known trademarks will become more stringent:

Article 10 of the Opinions provides that the people's courts should "accurately interpret the law relating to recognition and protection of well-known trademarks... prudently recognize the well-known trademarks according to law". The Opinions also provides "the judicial interpretation in respect of the legal protection of well-known trademarks published recently" (Article 31).

- In respect of the copyright cases, the people's courts will hold an open attitude to the innovative business models on the internet:

Article 11 of the Opinions provides that the people's courts "... shall effectively respond to the challenges to the copyright protections due to the developments of new technologies such as the internet, accurately interpret the scope of judicial protection for copyrights on the internet, properly deal with the relationship between protection of copyrights and security of information dissemination, so as to promote the development and application of new network technologies and business models and to promote the information dissemination, and in full consideration of unique characteristics of infringements and difficulties in IPR protections on the internet, to improve the rules of evidence and effectively protect the copyrights under the internet environment".

- In respect of the Anti-Unfair Competition Law, the application of

basic principles in Anti-unfair Competition Law will become be more stringent:

Article 15 of the Opinions provides that “competition activities, which are not specifically regulated by law, shall be recognized as unfair competition activities only if such activities are deemed as in violation of basic principles under the Anti-unfair Competition Law according to publicly recognized business standards and common sense, so as to avoid the obstacles to free and fair competition caused by improper enlargement of the scope of the unfair competition activities. In respect of such fields where there are no trade secrets nor any statutory or established restriction as to competition, the people’s courts shall not, simply on the ground of utilizing of or damaging certain competitive advantages, recognize as unfair competition by applying the basic principles under the Anti-unfair Competition Law”.

Comments

- The Opinions aim to aggravate the punishment for malicious infringements and other severe infringement activities, which will provide a stronger legal basis for protection of the IPR, and will cause deterrence to the infringers.
- The hearing of the IPR cases in China will become more professional and the judgment will be more foreseeable.
- In patent infringement cases, in order to balance the interests of

patent owners and the public interests, the people’s courts will prudently apply the doctrine of equivalents to expand the protection scope of patent right. Therefore, the patent owners shall pay more attention to accurately defining their claims in patent applications.

- The people’s courts will be more prudent in recognition of well-known trademark and the phenomenon of explosion of well-known trademark will be remedied to a certain extent, and on the other hand, the real well-known trademarks will receive more effective protection.
- The people’s courts will pay more attention to protect the new business models on the internet. In case of conflicts between the traditional copyright protections and the new internet business models, the people’s courts may incline to protect the new internet business models. At the same time, the internet infringement activities will be severely punished.
- The people’s courts will be more prudent in application of the basic principles under the Anti-unfair Competition Law. If the alleged unfair competition activity is not within the nine classes of unfair competition activities listed in the Anti-unfair Competition Law, the plaintiff (rights holder) shall prudently evaluate whether such activity violates the principle of honesty and good faith, publicly recognized business standards and common sense. However, we take the view that if the application of the above standards is too narrow, it may lead to failure to prohibit certain unfair competition activities which does not fall within the nine classes of unfair competition activities under the Anti-unfair Competition Law.