

Evolving Patent Landscape in China

James J. Zhu, Ph.D.

Partner

JunHe LLP

May 4, 2017

©All rights reserved





Agenda

- iRobot Pat. Lit. in PRC (permitted by iRobot)
- Perception
- Issues
- Statistics
- Improving judicial system
- Recent Amendments
- Unique issues in PRC patent
- Take home messages



iRobot Patent Litigation

- Initiated litigation against “knock-off” product in Germany
 - Sophisticated and patent-friendly courts
 - iRobot had a wide variety of patent assets
 - Reasonable costs
 - Predictable

- Within one month received a preliminary injunction on four patents, and we could use German officials to seize goods at a tradeshow.

iRobot Patent Litigation



**Booth at IFA
before Seizure**



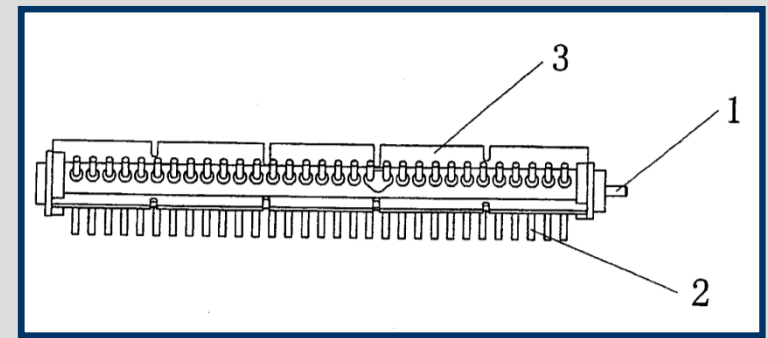
**Booth at IFA
after Seizure**



iRobot Patent Litigation

- Chinese company then brings administrative action using local AIC against iRobot's contract manufacturer for infringing its "utility model" patent for a cleaning brush.
 - Brush patent applied for two years before, years after iRobot began manufacturing the design in China.

A cleaning brush comprising a rotation shaft (1) in which multiple rows of bristles (2) are implanted, characterized in that, a squeegee (3) is disposed between each two neighboring rows of the bristles (2).





iRobot Patent Litigation

- iRobot then challenged the validity of this patent at the Chinese patent office (SIPO)
 - In October, SIPO determines on an interim basis that the patent was invalid
 - Later, SIPO makes invalidity ruling final
- In November, Chinese Company filed three court complaints against iRobot, contract manufacturer & distributor and invalidation suit against iRobot CN patent
- We won all cases – dismissed or withdrawn, the CN company's patent was invalid (uphold by Beijing Intermediate Court); and iRobot patent sustains.

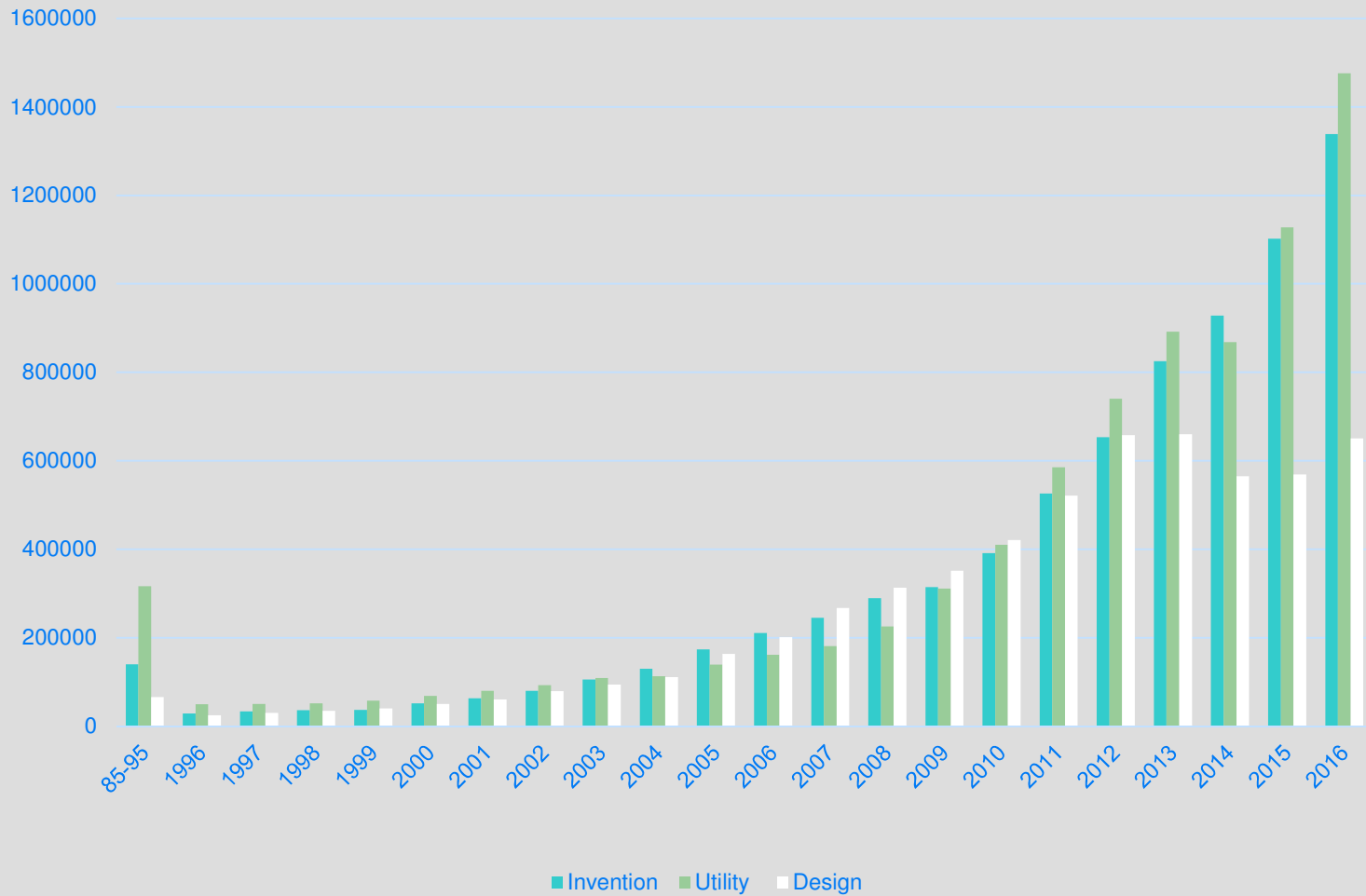


Still general perceptions in the US

- Local Protectionism, bias, discriminatory treatment
- Unpredictability
- Insufficient monetary damages
- Difficulty in enforcing court order
- Benefiting local companies at the expense of US entities
- Why bother



Statistics – Patent Filings in SIPO



Statistics – Patent Litigations

- Prof. Brian Love “Pat. Lit. in China” (Feb. 2016)
 - 2006-2011 471 pat infringement cases (no UM or design)
 - 5 F v. F (80%); 44 F v. D (70%); 24 D v. F (67%); 392 D v. D (57%)
 - Foreign (F) as plaintiffs wins as roughly as domestic (D)
 - Findings contradicts the conventional perception

- Recent data (www.openlaw.cn) (April 2016)
 - 2013-2015 Pat. Lit. cases (4388 case)
 - 234 cases having F as a party (128 first-instance (117 F as plaintiffs; 11 D as Plaintiff))
 - 117 cases - F (P) won 89%, 11 cases -D (P) won 64%
 - Most damages award <0.5M RMB; 5 cases > 0.5M RMB, largest 4.84M RMB

- USPTO (April 18, 2017)
 - 1327/101324 IPR Cases, 1.3% of 2015 PRC docket
 - Foreign companies do not fully participate in China’s IP markets



Issues – Behind Perception

- **Civil Law Country**
 - No discovery in general
 - Burden of proof on plaintiff
- **Evidence Collection**
 - Infringing goods; notarization
 - Objective evidence v. self-produced evidence
 - Damages – shifting burden
 - Process patent
- **Jurisdiction**
 - Basically no minimal contact
 - Decoy to bring the infringers to the jurisdiction of choice
- **Money damages v. Injunction**
 - Overall damages low (lack discovery)
 - Injunction awarded
- **Publicity**



Improving Patent Examination

- 1985 enacted, 1991, 2010, and still evolving
- Amended regulation (Effective 4/1/2017):
 - Business method – becoming possibly patentable (medium containing instructions..) – IT
 - Data supplement (if artisans can recognize by reviewing the specification) – BIO/PHARM
 - From strict to relatively liberal amendment in patent invalidation



Improving IP Court System (Beijing)

- Citing precedent cases
- Technical Investigator
- Amicus brief
- En Banc decision
- Dissenting opinions



Unique Patent Examination Issue

- Genetic source disclosure
- Foreign filing licensing
- Restriction - genus vs. species
- Difficulty to overcome obviousness for antibodies or crystal structures

BUT.....

- *NO Alice, NO Myriad Genetics; NO Prometheus*
- Utility Model for device



Utility Model (UM) Patent

- Borrowed from Germany patent law to protect physical things of shape and/or structure (e.g., device)
- **Fast Allowance**: Granted within 6-12 months from the filing date without substantive examination
- **10-year patent term** but with an option for 20-year protection from the same specification with right filing and prosecution strategies (same day from Paris Conv., not from PCT; species v. genus)
- **Lower obviousness standard** to sustain validity challenge or expand your patent protection
 - Substantive features and progress (UM) vs. prominent substantive features and remarkable progress (regular patent)
- **Foreign to US companies**: heavily utilized by domestic Chinese companies but severely under-utilized by foreign companies
 - Historically UMs by foreign entities is ~0.5-1% of domestic UM filings
 - In 2016 , 1,468,295 by domestic v. 7682 by foreign



UM Patent – Benefits & Risks

- Benefit of having UM
 - Quick and low-cost way to gain patent rights against infringers
 - Manufacture, market, & custom
 - More defensible weapon in case of invalidation (obviousness)
 - Avenue to protect certain improvements which may not meet patentability requirements due to obviousness
 - Product life time <10 yrs (UM sufficient); >10yrs (both UM & regular)
 - First-mover advantage for foreign companies
- Risk of not having UM or patents
 - UM minefield (1,468,295 v. 7,683 in 2016 alone)
 - If you don't file, someone (domestic copycats or your competitors) else will
 - US innovators turning into defendants in China (Chint v. Scheinder; GoerTek v. Knowles, SSSIT v. iRobot)
 - Lack of arsenal to stop infringing manufacture, sales in the market or the export of infringed goods at custom



Take-away messages

- Re-visit the conventional view such as “local protection” & “bias” in light of improving court system and PRC issues not commonly known to the US
- Trend towards protecting patent holders due to PRC domestic investment, innovation, and competition
- Imagining – attacking a drug lord in a foreign jungle
 - Armored vehicle & arsenal (CN patents or other IP rights)
 - Right entry (jurisdiction)
 - Competent local guide (competent local counsel)



Contact Information

James J. Zhu, Ph.D.
Partner

JunHe LLP



(650) 265-2682 (US)
+86 1367 166 2279 (China)
Email: zhuj@junhe.com