

Judicial Workshop on Hot Issues in IP-related Civil Litigation

On 10 April 2008, the Judicial Workshop on Hot Issues in IP-related Civil Litigation was successfully held by the China Intellectual Property Training Centre and Beijing No.1 Intermediate People's Court, with assistance from the CAEFI Quality Brands Protection Committee. On the agenda of the Workshop were six major issues to be addressed. At the Workshop, judges of the Beijing No.1 Intermediate People's Court first made special presentation on each of these issues, and judges, experts and scholars present asked questions about, and discussed, all these issues. Following is an overview of the discussions of these special issues.

Issue 1: Jurisdiction

In IP-related civil litigation, it is often the case that interested parties fight with each other for the right to choose jurisdiction over their litigation; one party chooses a court in its or his own favour by unfairly utilising the legal procedure, and the other party abuses jurisdiction to delay instituting litigation. Regarding interested parties' avoidance of regional jurisdiction in bad faith, consensus has been reached from the discussions mainly as to the follows:

1) The doctrine of convenience for a court to hear a case and for an interested party to bring an action is the main consideration underlying jurisdiction determination, with convenience towards the rightholder for it or him to have the right to choose jurisdiction in practice. As for cases with several applicable regional jurisdictions, the court of the place where the most closely related act takes place would be the court having the jurisdiction over them.

2) Jurisdiction is chosen by bringing action against a seller or distributor as a co-defendant. This makes it possible to hold liable the sellers on the same distribution network branch and even the manufacturers of an infringing product in suit, but claim should not be made against the sellers on the other network branches for distribution of the same products. To hold all these sellers liable, an action can be brought against only the first manufacturer of the products. In other words, the action can be brought in the court of the place where the product manufacturer has its domicile. It is suggested that a rightholder claim all its or his right and dam-

ages when it or he brings one action to save on the judicial resources and to reduce litigation costs.

3) While it is a procedural issue, the issue of jurisdiction, is by no means one in which hearing is not held on matter of facts: facts related to the jurisdiction procedure should be ascertained.

4) Acts of patent and trademark application should not be a factor to be considered in determination of jurisdiction.

Issue 2: Abuse of litigation right

Abuse of the litigation right is an issue judges often encounter in IP-related cases. The discussion on the issue is focused on the establishment of such abuse, and matters relating to whether counteraction against abuse is an independent infringing act and action may hence be independently instituted; and whether these cases need to be heard together after a defendant brings an action against abuse in an infringement lawsuit.

Views put forward in the discussion are mainly as follows:

1) Action brought by abuse of litigation right should be treated with caution, and full protection should be accorded to the litigation right of an interested party under the principle established in the Civil Procedure Law, without prejudice to the legitimate litigation right of any interested party.

2) Acts of abuse of the litigation right should be established with account taken not only of whether the accused abuser is in bad faith, but of whether its or his abuse has caused any injury: only when an act of abuse is sufficient to affect the impartial and fair procedure and is likely to impede the normal procedure, inhibit the opposite party from enforcing its or his legitimate right, and influence a judge's proper judgment should the procedure be initiated to hear a case of abuse of the litigation right.

3) To ensure that a citizen duly exercises his litigation right, it is due to adopt relatively stringent standards for establishing bad faith.

4) Regarding the frequent circumstances of abuse of opposition to jurisdiction, it is suggested that the system of guaranty be put in place in relation to litigation for opposition

to jurisdiction to increase the cost of abuse of opposition to jurisdiction, and to help lead disputes toward settlement between interested parties.

Issue 3: Procedural preservation

The procedure preservation under this issue covers evidence preservation, property preservation and pre-trial injunction. Now, the existing problem is the inadequacy of the procedural rules under the current laws and regulations, which makes it necessary for judges to over-stretch their free discretion. Following are mainly the views and suggestions put forward during the discussions:

1) The panel concerning the issue suggest providing in the judicial interpretation, with reference to the provisions on the temporary restraining order under the US laws, that interested party may not be informed when a decision or ruling on grant of pre-trial injunction is made.

2) The measures of procedure preservation should be taken with great caution. For example, the pre-trial injunction should be granted only when an infringement is possible to such an extent that it can be substantially determined. The property preservation is granted only when the realisation of an interested party's litigant interest become unlikely in an action for pre-trial injunction.

3) Regarding the circumstances where a respondent refuses to observe the procedure preservation ruling, the corresponding provisions on punishment and the measures of effective sanction are absent in the current laws, which poses challenge to the judicial authority.

4) The preservation measures may cause irreparable injury to the respondent. It is hence suggested not requiring a respondent to completely cease and desist from its or his production or business operation, and allowing it or he to continue its or his production or business operation of non-alleged infringing products under the court supervision (e.g. with its or his bank account under supervision).

Issue 4: Evidence and burden of proof

The issue of proof is one of the difficulties confronted in judicial adjudication. The discussion on the issue is focused on the matter of distribution of burden of proof and standards of proof, with views and suggestions put forward mainly as follows:

1) Under some circumstances, it may result in impartiality to decide that a party loses a case for failure to present evidence. It is suggested adding review or verification of the ability to testify in distributing burden of proof. When distributing burden of proof, a judge should find out whether an interested party is able to present evidence and whose adduction of evidence can better explain the facts of a case.

2) It is suggested adding examination of the credibility of evidence to step up punishment of giving false testimony.

3) Cross-examination of, and question on, appraisal made with an interested party's own entrustment and wit-

ness's testimony should be conducted in observance of the rules and regulations as to who to ask question and what type of acts to be questioned. To this end, it is suggested formulating uniform procedural rules on cross-examination of evidence.

Issue 5: Damages for IP infringement

To date, the standards for imposition of damages are not consistent in the judicial adjudication. The matters that have been addressed in the discussion of the issue are methods of calculation of damages, undue benefit gained by plaintiff from damages claim, and application of the statutory damages, with the views presented mainly as follows:

1) In today's judicial adjudication, there are now too many cases in which amount of damages are determined on the basis of the "statutory damages". Judges should determine amounts of damages on the basis of evidence, and they should consider applying the "statutory damages" only when it is still impossible to make the determination after use of various methods of calculation by way of precise statistics and fuzzy presumption.

2) When the amount of damages is presumed with reference to a license fee or royalties, the amount of damages should exceed the normal license fee.

3) When a defendant does not present evidence to testify an infringement, paying damages with all the defendant's profit would make it possible for the plaintiff to receive undue benefit from the damages payment. For that reason, the judge should estimate or presume, according to his experience, the percentage the profit from infringement takes up of all the profit made, and calculate the amount of damages accordingly.

Issue 6: Litigation for declaratory judgement

The litigation for declaratory judgment is a new type of IP litigation. The discussion on the issue has mainly touched upon the amplification of the system of the litigation for declaratory judgment, with suggestions made as follows:

1) Efforts should be made to prevent the new litigation means from being turned into means for interested party to abuse the right. To this end, conditions for accepting litigation for declaratory judgment should be further specified by duly raising the threshold of case acceptance.

2) Where a litigation for declaratory judgment coexists with an infringement litigation, the former should be incorporated in the latter, that is, the court only hears the infringement litigation, without the need for hearing the two cases together.

3) The court should accept, with caution, any case for declaratory judgment claiming non-infringement of a trade secret.