

SIPO is Reinforcing its Role in Patent Protection in China

July 7, 2015

Intellectual Property Litigation

On May 29, 2015, the State Intellectual Property Office of China (“SIPO”) issued an amendment to the 2011 Measures on Patent Administrative Enforcement (“Patent Administrative Measures”)¹. The amendment to the Patent Administrative Measures (the “Amendment”) follows President Xi Jinping’s [announcement](#) at the 18th CPC Central Committee’s Fourth Plenum regarding the party’s commitment to the rule of law.² The Amendment, which took effect on July 1, 2015, seeks to strengthen SIPO’s power to enforce patentees’ rights through its administrative procedure and to attract more patentees to seek protection from SIPO, as an alternative to court litigation.³

In China, SIPO and its local counterparts (collectively “SIPO”) are responsible for enforcing patent rights through administrative procedures, which supplements the enforcement of patent rights via the courts.⁴ The cases handled by SIPO mainly include the counterfeiting and infringement cases.

SIPO may, on its own initiative or based on the report or the complaint from the rights owner or other third party, take action to crack down on the patent counterfeiting, in which SIPO may seize, detain, and destroy the counterfeiting products, confiscate the illegal gains, impose monetary fines and injunctions (e.g., cease counterfeiting and take corrective action to remove the mark) over the wrongdoers, and even transfer the case to the criminal prosecution authority if the circumstance is serious.

Based on the petition from the rights owner, SIPO may build a patent infringement case to decide whether a patent is infringed upon, and will issue an injunction (e.g., cease manufacture,

¹ 2011 Measures on Patent Administrative Enforcement, effective July 1, 2015, *available at* http://www.sipo.gov.cn/zcfg/fifg/zi/bmgz/201506/t20150609_1128751.html.

² SIPO’s Explanation on Amendment to Measures on Patent Administrative Enforcement, *available at* http://www.sipo.gov.cn/zcfg/zcjd/201506/t20150609_1128705.html.

³ 2011 Measures on Patent Administrative Enforcement, effective July 1, 2015, *available at* http://www.sipo.gov.cn/zcfg/fifg/zi/bmgz/201506/t20150609_1128751.html.

⁴ In other words, patent owners can choose to initiate a patent administrative case before SIPO or file a patent litigation before the court, but cannot initiate a patent administrative case and a patent litigation at the same time. In practice, SIPO will generally not accept a patent administrative case if there is an existing patent litigation between the same parties over the same dispute. See Requirements of Fujian Intellectual Property Office on Patent Dispute Resolution, *available at* http://www.fjipo.gov.cn/html/11/74/776_20091116515.html.

sale, offer for sale or import of the infringing product, or destroy the infringing products or the equipment or moulds specially used for the manufacture of the infringing products) when it finds infringement. For such patent infringement cases, SIPO only has the power to order injunctive relief, while courts can order compensatory relief as well as injunctive relief. However, considering that compensatory damages awarded by the courts are generally low, pursuing infringement enforcement action through SIPO is still attractive to some companies because a determination is usually issued within a short period⁵ and the rights owner can obtain a quick injunction. More importantly, when SIPO determines the existence of infringement, the injunction will be immediately enforced by SIPO until it is reversed in the subsequent administrative or court review.

SIPO is increasingly strengthening its enforcement power in recent years. The table below demonstrates SIPO is becoming a more and more popular forum for patent protection in China. It also demonstrates more and more foreign companies are treating SIPO as an considerable alternative forum to solve their problems.

Type of Cases	2013	2014	Increased by
New patent cases before China courts	9,195	9,648 ⁶	4%
Patent administrative cases before SIPO	16,227 ⁷	24,479 ⁸	50.9%
- patent counterfeiting cases	11,171	16,259	45.5%
- patent infringement cases	4,684	7,671	64%
- patent infringement cases involving foreign patent owners	362	521	43.9%

⁵ According to the Civil Procedure Law (2012 Revision), Art. 149, a first instance civil case applying the regular procedure should be completed within 6 months from the date when it is accepted by a court. This period is extendable to another 6 months upon approval of the head of the first instance court and extendable for a further additional period upon approval of the higher level court. According to SIPO's statistics, 99.24% of first instance IP cases were completed within the first six months in 2012. See 2012 China IP Protection White Paper, issued by SIPO, *available at* http://www.sipo.gov.cn/zwgs/zscqbps/201310/t20131023_828920.html.

⁶ See Chinese courts' Judicial Protection of IPR in 2013, *available at* <http://www.chinacourt.org/article/detail/2014/04/id/1283299.shtml>.

⁷ See SIPO Data Analysis of IPR enforcement cases in 2013, *available at* http://www.sipo.gov.cn/zlqls/zfgl/zftjyfx/201404/t20140423_937714.html.

⁸ See SIPO Data analysis of Patent Law Enforcement cases in 2013 and 2014, *available at* http://www.sipo.gov.cn/zscqgz/2014/201501/t20150106_1056435.html.

The major changes in the Amendment include the following:

Shortens enforcement timelines

Item	Previous timeline	New timeline
Time to close a patent infringement case ⁹	4 months, adding one month for complex cases from the date of acceptance	3 months, adding one month for complex cases (Art. 21)
Time to initiate a patent administrative case	Only provided that a case shall be opened in a “timely manner” without an explicit deadline	<p>Patent infringement cases: Provides for opening of case within 5 business days from receipt of complaint (Art. 24)</p> <p>Patent counterfeiting cases: Provides for opening of case within 5 business days from discovery or 10 business days from receipt of complaint (Art. 28)</p>

Adds new measures to protect patentee online and at exhibitions

To prevent the potentially widespread infringing effect of online activities or the activities at the exhibitions, the Amendment emphasizes the speedy resolution of patent infringement and patent counterfeit occurring online or at the exhibitions and adds two new measures to protect rights of patentees. With regards to online sale or offering for sale of the patent-infringing or patent-counterfeiting products, SIPO can notify the e-commerce platform to delete, block, disconnect, or take other measures against the web pages containing the infringing or counterfeiting products.¹⁰ With regards to exhibitions, when SIPO determines the existence of a patent infringement, SIPO can order the infringer to withdraw the infringing or counterfeiting products, destroy or seal up the infringing promotional materials and replace or cover up display board.¹¹

Streamlines and increases the transparency of administrative procedure

The Amendment adopts stricter standards for certain aspects of patent administrative procedure. For example, officials engaging in patent administrative measures now must obtain a qualification (which is called an “administrative law enforcement certificate”) and will be held responsible for the cases they are charged with handling.¹²

The Amendment further requires SIPO to publish decisions online within 20 business days after they are made. This requirement was foreshadowed by SIPO’s February 2014 notice to

⁹ The timeline to close a patent counterfeit case remains unchanged, *i.e.*, within 1 month and an additional 15 days for complex cases.

¹⁰ Patent Administrative Measures, Art. 45.

¹¹ Patent Administrative Measures, Art. 43(6).

¹² Patent Administrative Measures, Art. 4.

promote publication of patent administrative case decisions.¹³ Prior to this notice, SIPO was not required to adhere to a timeline for publishing its administrative decisions and, as a result, it was quite difficult to find decisions of patent administrative cases. This new requirement will improve the transparency of patent administrative cases, as well as strengthen the social impact of winning a patent administrative case.

By shortening timelines, adding new measures against infringement online and at exhibitions, and improving transparency, the Amendment represents a step forward for SIPO's role in China's intellectual property enforcement regime. It is expected that more and more companies, either domestic or foreign patent owners, will treat SIPO as a serious and attractive forum to protect their patent rights.

* * *

If you have any questions concerning the material discussed in this client alert, please contact the following members of our Intellectual Property Litigation practice group:

Ruixue Ran	+86 10 5910 0511	rran@cov.com
Cairu Huang	+86 10 5910 0305	chuang@cov.com
Sheng Huang	+86 10 5910 0515	shuang@cov.com
Mark Chu	+86 10 5910 0512	mchu@cov.com

This information is not intended as legal advice. Readers should seek specific legal advice before acting with regard to the subjects mentioned herein.

Covington & Burling LLP, an international law firm, provides corporate, litigation and regulatory expertise to enable clients to achieve their goals. This communication is intended to bring relevant developments to our clients and other interested colleagues. Please send an email to unsubscribe@cov.com if you do not wish to receive future emails or electronic alerts.

¹³ Notice of the State Intellectual Property Office Regarding Public Disclosure of Patent Administrative Enforcement Cases, available at http://www.bjipo.gov.cn/zlzf/zfjggg/201412/t20141223_33014.html