

A Comparison Of Patent Dispute Resolution In US And China

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In the global marketplace, the U.S. and China stand out as two of the most significant arenas for patent disputes. This is a reality that multinational corporations must navigate with care.

Companies often grapple with a range of challenges when engaging in cross-border patent disputes, particularly those involving differences in dispute resolution mechanisms. While China has, in recent years, amended its patent laws to incorporate several aspects akin to the U.S. system — such as the patent linkage system in which patent disputes can be resolved before the marketing of generic drugs[1] — there remain distinct differences rooted in each country's traditions and practices.

This article provides a comparative analysis of key differences between the Chinese and American patent protection systems. By delving into these distinctions, the article offers guidance for companies involved in transnational patent disputes, ensuring they are better equipped to handle the complexities of such cases.

Avenues for Dispute Resolution

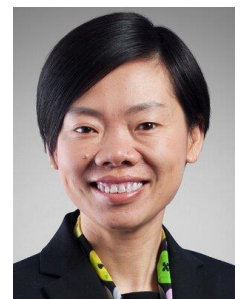
In the U.S., patent infringement disputes typically commence through one of two major avenues: patent cases before the federal district courts or Section 337 investigations before the International Trade Commission.

Similarly, both courts and administrative actions are available in China.

First-instance cases in China are generally heard by specialized IP courts or certain intermediate courts located where the alleged infringement occurred or where the defendant is domiciled.[2]

Parties may appeal first-instance decisions, with invention patent disputes and significant or complex utility model patent disputes falling under the jurisdiction of the Intellectual Property Tribunal of the Supreme People's Court.[3]

The tribunal is somewhat similar to the U.S. Court of Appeals for the Federal Circuit. Notably, however, Chinese appellate courts can review any grounds for appeal presented by the appellant, including both legal and factual disputes, and their decisions serve as final judgments.



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China delegates most patent disputes to local patent management agencies, primarily local intellectual property administrations. Major patent infringement disputes, particularly those across multiple provinces, may be filed with the China National Intellectual Property Administration, or CNIPA.[4]

In addition, alongside solving them through litigation, pharmaceutical patent linkage disputes can also be administratively decided by the CNIPA.[5] Administrative decisions are enforceable upon issuance, but if challenged, judicial review may be sought through the courts.[6] Nevertheless, administrative decisions generally remain enforceable during the judicial review.[7]

Adjudicative Bodies

In the U.S., either party may request a jury trial in court proceedings. ITC Section 337 investigations, on the other hand, are adjudicated by an administrative law judge.

Administrative procedures in China are similar to bench trials in the U.S.[8]

China's court system does not use U.S.-style lay juries; instead, cases are mostly decided by judges and, in some first-instance cases, jointly with one or two people's assessors as a panel.

Although people's assessors, like jurors, are lay citizens, they function very differently from U.S. juries in that their role is almost like that of judges. In most cases, people's assessors on the collegiate bench have the same authority as judges to independently express opinions on factual and legal issues and exercise voting rights on findings of fact and application of the law,[9] which is why they are also commonly referred to as judges without robes. Also, unless there are grounds for recusal, the parties have no right to interfere with the selection of the people's assessors.

Reliefs

In the U.S., monetary damages are the most common form of judicial relief. Although the ITC cannot award monetary damages, it does have the authority to issue exclusion orders and cease-and-desist orders. Obtaining an injunction in a U.S. court can be difficult; plaintiffs must meet the strict four-factor standard established by the U.S. Supreme Court in *eBay v. MercExchange* in 2006.[10]

By contrast, while administrative actions in China may result only in injunctions, not damages, Chinese courts are generally more inclined to grant a permanent injunction as a default remedy upon a finding of infringement.

In addition to permanent injunctions, preliminary injunctions, also referred to as interim measures, are not uncommon in China. The court may, at the request of a party, grant a preliminary injunction either before or after the case is instituted, although Chinese courts generally apply a much stricter test in granting preliminary injunctions than in granting permanent injunctions.[11]

While Chinese courts may impose monetary damages, the amounts awarded by Chinese courts are generally much lower than in the U.S.

Case Length

In the U.S, the duration of a case is typically set by the court. At the ITC and in some fast moving district courts, a company may obtain relief within approximately 12-18 months after filing a complaint.[12] In

many district courts, trial occurs 2 to 3 years after the initial complaint is filed, with appeals taking around one more year.[13]

In contrast, China operates under statutory time limits. The general rule is that first-instance court proceedings should be completed within six months and appellate proceedings within three months, both with the possibility of extensions.[14]

Nevertheless, the Chinese system tends to be faster. For example, in 2022, the average time for a complete patent appellate proceeding was 179 days.[15] Administrative actions tend to be even faster, with a general rule of three months, which can be extended if necessary,[16] as seen in the first CNIPA decisions, which took about nine months — including a stay of five months due to a parallel invalidity proceeding — to complete.[17]

Evidence Collection

An important reason for the relative speed of the Chinese process is the absence of pretrial discovery. In China, a plaintiff bears the burden of gathering evidence,[18] which may involve collecting evidence from the public resources or, infrequently, requesting the court to help collect evidence.[19]

This places a heavy burden on the plaintiff to independently gather evidence to support its claims for infringement and damages. This procedural difference means that while the U.S. process can be lengthy and expensive due to expansive pretrial discovery, the Chinese process can be much cheaper and less cumbersome.

Invalidity Procedures

In the U.S., federal district courts, the ITC, and the Patent Trial and Appeal Board all have mechanisms for handling patent invalidity disputes. Furthermore, the courts and the ITC are entitled to handle both infringement and invalidity issues simultaneously.

In contrast, China uses a bifurcated system, similar to Germany, where infringement and invalidity proceedings are separate. Patent invalidity challenges must first be filed with the CNIPA,[20] which ultimately decides on the validity of the patent.[21]

While CNIPA invalidity decisions can be judicially reviewed by the Beijing Intellectual Property Court and further appealed to the tribunal,[22] the courts cannot bypass CNIPA to rule directly on invalidity issues. They can only affirm or overturn CNIPA's decisions, but do not have the final say on patent validity.

Conclusion

In navigating patent disputes in the U.S. and China, multinational corporations must adapt to significant procedural differences: The U.S. accommodates jury trials, potentially large damages awards, and broad and often times expensive discovery, while China is characterized by a bifurcated system, the relative ease of obtaining injunctive relief, and a speedier and cheaper process.

Understanding these nuances is essential for effective intellectual property protection in these key global markets. Companies should therefore develop tailored strategies that address the unique legal landscapes and policy priorities of each jurisdiction.

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[1] Patent Law of the People's Republic of China, art. 76.

[2] Civil Procedure Law of the People's Republic of China, art. 29. See also, Several Provisions of the Supreme People's Court on Jurisdiction of First-Instance Civil and Administrative Intellectual Property Cases, art. 1. See also, Provisions of the Supreme People's Court on the Jurisdiction of Beijing, Shanghai, and Guangzhou Intellectual Property Courts, art. 1(1).

[3] Provisions of the Supreme People's Court on Several Issues concerning Intellectual Property Tribunal, art. 2(2).

[4] Administrative Adjudication Measures for Major Patent Infringement Disputes, art. 3.

[5] Patent Law of the People's Republic of China, art. 76.

[6] Guidelines for Handling Administrative Adjudication of Patent Infringement Disputes, ch. 2, § 3.5.

[7] *Id.*, ch. 2, § 3.4(1).

[8] *Id.*, ch. 2, § 3.1(1).1.

[9] People's Assessor's Law of the People's Republic of China, art. 21. In certain specialized cases that typically do not involve patent disputes, people's assessors adjudicate only on matters of fact (see, e.g., *id.* arts. 14, 16 and 22) which will not be elaborated upon in this article.

[10] *eBay Inc. v. MercExchange LLC*, 547 U.S. 388 (2006).

[11] Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in Reviewing Cases of Preservation of Conduct in Intellectual Property Disputes, art. 7.

[12] U.S. International Trade Commission, Average Length of Investigations, available at https://www.usitc.gov/intellectual_property/337_statistics_average_length_investigations.htm (last visited Nov. 15, 2023).

[13] Lex Machina, Patent Litigation Report 2023 (2023).

[14] Civil Procedure Law of the People's Republic of China, art. 152; *Id.* art. 183.

[15] Supreme People's Court of China, Annual Report of Intellectual Property Tribunal of Supreme People's Court (2022), available at <https://ipc.court.gov.cn/zh-cn/news/view-2268.html> (last visited Nov. 15, 2023).

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[16] Guidelines for Handling Administrative Adjudication of Patent Infringement Disputes, ch. 2, § 3.3(2). See also, Administrative Adjudication Measures for Major Patent Infringement Disputes, art. 22.

[17] CNIPA Decision No. [2021]1 and CNIPA Decision No. [2021]2.

[18] Civil Procedure Law of the People's Republic of China, art. 67, para. 1.

[19] Id. art. 67, para. 2.

[20] Patent Law of the People's Republic of China, art. 45.

[21] Id. art. 46, para. 1.

[22] Id. art. 46, para. 2. See also, Provisions of the Supreme People's Court on the Jurisdiction of Beijing, Shanghai, and Guangzhou Intellectual Property Courts, art. 5(1). See also, Provisions of the Supreme People's Court on Several Issues Concerning Intellectual Property Tribunal, art. 2(1).