RECENT IP DEVELOPMENTS IN CHINA

Panel: Structural IP Changes in China

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China launches appeal court for intellectual property right disputes

Laura Zhou https://twitter.com/laurachou

China's first ever appeal court for intellectual property disputes – a major bone of contention in the ongoing trade war with the US – will open for business in Beijing on Tuesday, the nation's top court said on Saturday.

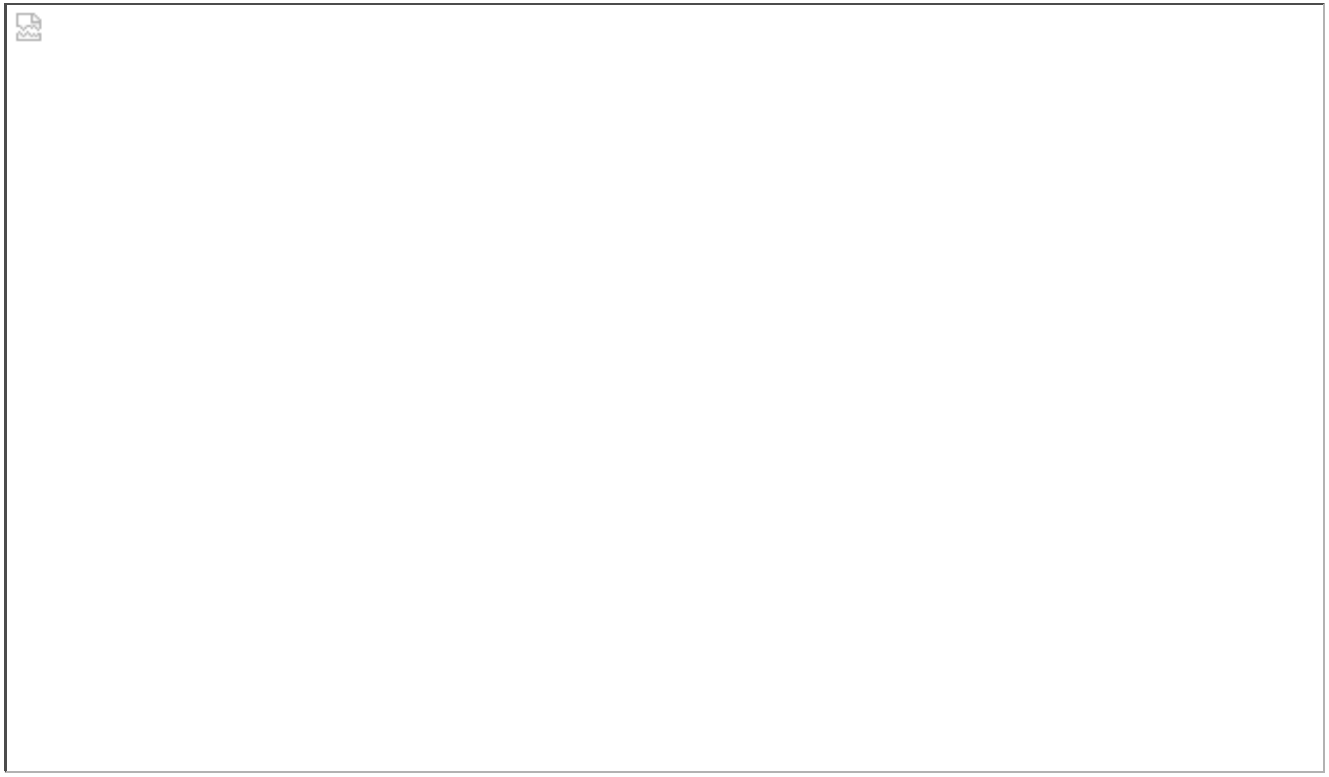
The new body would handle cases that demanded "highly technical expertise", Luo Dongchuan, vice-president of the Supreme People's Court, which established the new body, told a press conference in the Chinese capital.

The creation of the appeal court was the latest effort to protect intellectual property rights, inspire innovation and improve the business environment, said Luo, who will oversee its operations.

China drafts law protecting foreign intellectual property and prohibiting forced technology transfer

Individuals and companies would be able to use it to appeal against the rulings of other courts in cases involving patents, new varieties of plants, the design of integrated circuit boards and computer software, and monopolies, among other things, Luo said.

It would not handle cases concerned with unfair competition, trademarks or commercial secrets, he said.



The protection of intellectual property rights has been a key issue of the trade war, with the US accusing China of rampant IPR theft, often in the form of forced technology transfers. US President Donald Trump has repeatedly lashed out at Beijing's lax protection laws, saying they had cost the United States up to US$600 billion a year.

Will China's new forced technology transfer law satisfy US concerns?

The announcement of the new appeal court comes as trade negotiators from the two countries are preparing to meet in Beijing, but Luo dismissed suggestions its creation was influenced by Washington.

"China has for many years followed international regulations and international treaties to protect intellectual property rights," he said. "So it's not because of the demands by foreign countries that we've stepped up protection [efforts]. This is an integral part of our own development."

Beijing has always argued that it fulfils the commitments it made when joining the World Trade Organisation in 2001 and puts great effort into protecting the intellectual property rights of foreign firms. But IPR protection remains a major concern for foreign companies operating in the country.

"There have been improvements in IPR protection over the past two decades, but that's not enough given the fact that China is now the world's second-largest economy," said a European diplomat who is involved in intellectual property protection but asked not to be named.

China to host US trade talks in Beijing in early January

Zheng Wanqing, a professor at Zhejiang Gongshang University who specialises in IPR protection, said that a national appeal court could help to standardise the rules for handling IPR cases and in doing so ease the concerns of foreign businesses.

"Many of the complaints by foreign companies are the result of different standards at different local courts," he said. "A national appeal court could help to consolidate those standards, which would protect foreign companies from local protectionism."

The new court is not the only move Beijing has taken to improve IPR protection recently. Last week, a draft of a new foreign investment law, which outlaws forced technology transfers, received its first review by the Standing Committee of the National People's Congress, China's legislature.

This article appeared in the South China Morning Post print edition as: Beijing launches new appeal court for IP disputes

Service of Process

Disclaimer:

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Prohibition

Foreign Service officers are generally prohibited by Federal regulations (22 CFR 92.85) from serving process on behalf of private litigants or appointing others to do so, state law notwithstanding.

Service by Foreign Central Authority Pursuant to Multilateral Treaty or Convention

The United States is a party to two multilateral treaties on service of process, the Hague Service Convention and the Inter-American Convention on Letters Rogatory and Additional Protocol. Procedures for service under these conventions are summarized below. See also our country-specific information pages on judicial assistance.

- **Hague Service Convention**

Complete information on the operation of the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters can be found in the Service Section of the website of the Hague Conference on Private International Law. This includes the current list of countries that are party to the Convention, each country's reservations, declarations and notifications relating to the operation of the Convention, the date the Convention entered into force for each country, as well as designated foreign central authorities. See the U.S. Department of Justice's Office of International Judicial Assistance website or its contractor, ABC Legal, for forms and information about how to submit requests.

- **The Additional Protocol to the Inter-American Convention on Letters Rogatory**

The United States is a signatory to the Additional Protocol to the Inter-American Convention for the purposes of legal service of documents only. Thus, only countries party to the Additional Protocol have a treaty relationship with the United States. For the most up to date information about ratifications and accessions to the Additional Protocol, see the Organization of American States website. See the U.S. Department of Justice's Office of International Judicial Assistance website or its contractor, ABC Legal for forms and information about how to submit requests.

- **U.S. Central Authority for the Hague and Inter-American Service Conventions**

The Office of International Judicial Assistance (OIJA) serves as the U.S. Central Authority pursuant to the Hague Service Convention and the Inter-American Convention. Since 2003, the Department of Justice has delegated its function as the Central Authority with respect to the ministerial act of service of judicial and extrajudicial documents directed at private individuals and companies in the United States to a private contractor, ABC Legal. Thus, outgoing requests for service pursuant to the Additional Protocol to the Inter-American Convention should be sent directly to ABC Legal in accordance with the treaty. Please note, OIJA plays no role with regard to requests for service from the United States to foreign countries pursuant to the Hague Service Convention. For guidance on how to effect service abroad, please visit OIJA's website.

ABC Legal
633 Yesler Way
Seattle, WA 98104 USA
Email: info@hagueservice.net
Phone: (001) 206-521-2970
Website: http://www.hagueservice.net/homepage.asp?lang=english

Office of International Judicial Assistance
Civil Division, Department of Justice
1100 L. St., N.W., Room 8102
Washington, D.C. 20530
Email: OIJA@usdoj.gov
Phone: 202-514-6700
Website: https://www.justice.gov/civil/office-international-judicial-assistance-0

Service by International Registered Mail

Service by registered or certified mail, return receipt requested is an option in many countries in the world. FRCP 4(f)(2)(C) provides that this method of service may be used unless prohibited by the law of the foreign country. U.S. courts have held that formal objections to service by mail made by countries party to a multilateral treaty or convention on service of process at the time of accession or subsequently in accordance with the treaty are honored as a treaty obligation, and litigants should refrain from using such a method of service. Service by registered mail should therefore not be used in the countries party to the Hague Service Convention that objected to the method described in Article 10(a) (postal channels). The Hague Conference on Private International Law maintains information on the applicability of Article 10(a) on its website.

Personal Service by Agent

If personal service is permitted in a particular country, the most expeditious method may be to retain the services of a foreign attorney or process server. FRCP 4(f)(2)(C) provides for personal service unless prohibited by the laws of the foreign country. The attorney (or agent) may execute an affidavit of service at the nearest U.S. embassy or consulate, or before a local foreign notary. Lists of foreign attorneys are available from U.S. embassies and consulates overseas. See also our web page, "Retaining a Foreign Attorney." It should be noted, however, that this method of service may not be considered valid under the laws of the foreign country. If eventual enforcement of a U.S. judgment in the foreign country is foreseen, this method may be subject to challenge. It may be prudent to consult foreign counsel early in the process to determine what methods of service are available and considered effective under the domestic law of the country where the service is executed. U.S. process servers and other agents may not be authorized by the laws of the foreign country to effect service abroad, and such action could result in their arrest and/or deportation.

Service by Letters Rogatory

Letters rogatory are requests from a court in the United States to a court in a foreign country seeking international judicial assistance. They are often employed to obtain evidence abroad, but may also be utilized in effecting service of process, particularly in those countries that prohibit other methods of service. In some countries service by letters rogatory is the only recognized method of service. Service of a judicial summons in criminal matters may also be effected pursuant to letters rogatory. Service of process by judicial authorities in the receiving State pursuant to letters rogatory from a court in the sending State is based on the principle of comity. Procedural requirements vary from country to country. See our web page guidance on "Preparation of Letters Rogatory." See also our country-specific flyers for information on particular countries. Letters rogatory are a time consuming, cumbersome process and need not be utilized unless there are no other options available. If the laws of the foreign country permit other methods of service, the use of letters rogatory is not recommended given the routine time delays of up to a year or more in execution of the requests.

Service by Publication

Service by publication may also be a viable option, however, this may not be a valid method of service under the laws of the foreign country. If eventual enforcement of a U.S. judgment in a foreign country is foreseen, it may be prudent to consult foreign counsel or U.S. foreign legal consultants abroad before proceeding with such a method of service.

Waiver of Service

FRCP 4(d). Waiver of service may also be a viable option, however, this may not be a valid method of service under the laws of the foreign country. If eventual enforcement of a U.S. judgment in a foreign country is foreseen, it may be prudent to consult foreign counsel or U.S. foreign legal consultants abroad before proceeding with such a method of service. Waivers of service may be executed before a U.S. consular official abroad in the form of an acknowledgment or affidavit.

Foreign Sovereign Immunities Act

Service of process on foreign states and foreign state-owned agencies and instrumentalities is governed by the Foreign Sovereign Immunities Act (FSIA). If all other methods of service provided for by the FSIA have failed, U.S. Embassies will serve a summons, complaint and notice of suit or a default judgment on a foreign government (28 U.S.C. 1608 (a)(4); 22 C.F.R. 93) on instructions from the Department of State. Similarly, letters rogatory requesting service of process on an agency or instrumentality of a foreign government pursuant to 28 U.S.C. 1608(b)(3)(A) may be transmitted through the Department of State. See Sec. 1608 of the Act for the specific hierarchical service provisions. See also our web page feature about service under the Foreign Sovereign Immunities Act and FSIA checklist.

Last Updated: November 7, 2018

Preparation of Letters Rogatory

Preparation of Letters Rogatory

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Summary

Letters rogatory are the customary means of obtaining judicial assistance from overseas in the absence of a treaty or other agreement. Letters rogatory are requests from courts in one country to the courts of another country requesting the performance of an act which, if done without the sanction of the foreign court, could constitute a violation of that country's sovereignty. Letters rogatory may be used to effect service of process or to obtain evidence if permitted by the laws of the foreign country.

Before initiating the letters rogatory process, parties should determine whether the country where they are seeking to serve process or take evidence is a party to any multilateral treaties on judicial assistance such as the Hague Service or Evidence Conventions, or the Inter-American Convention on Letters Rogatory and Additional Protocol. Streamlined procedures for requesting judicial assistance under these conventions greatly reduce the time and burden associated with traditional letters rogatory. Parties should also review the Department of State's country specific judicial assistance pages to determine whether other alternatives are available, such as serving process by mail or in person, or hiring a local attorney to petition a court directly to collect evidence.

Time Frame for Execution of Letters Rogatory

Execution of letters rogatory may take a year or more. Letters rogatory are customarily transmitted via diplomatic channels, a time-consuming means of transmission. The time involved may be shortened by transmitting a copy of the request through a local attorney directly to the foreign court or other appropriate authority if permitted in the foreign country. Lists of foreign attorneys who have expressed a willingness to assist U.S. clients are available on the websites of U.S. embassies and consulates overseas.

Drafting Letters Rogatory:

- Letters rogatory should be written in simple, non-technical English and should not include unnecessary information which may confuse a court in the receiving foreign country.
- Many countries have different systems for obtaining evidence and may view U.S. discovery rules as overbroad.
- Requests for documents should be as specific as possible to avoid the appearance of being overbroad, which may result in refusal of the foreign country to execute the request.
- If particular procedures to be followed by the foreign court are preferable, include the specifics in the letters rogatory (for example, verbatim transcript, place witness under oath, permission for U.S. or foreign attorney to attend or participate in proceedings if possible, etc.)
- The letters rogatory should be addressed To the Appropriate Judicial Authority of (Insert name of Country).
- The form of letters rogatory depends on the country to which it is addressed and the assistance being sought. Some countries have statutory guidelines for granting assistance.

Essential Elements of Letters Rogatory:

- A statement that a request for international judicial assistance is being made in the interests of justice;
- A brief synopsis of the case, including identification of the parties and the nature of the claim and relief sought to enable the foreign court to understand the issues involved;
- The type of case [e.g. civil, criminal, administrative];
- The nature of the assistance required [compel testimony or production of evidence; service of process];
- Name, address and other identifiers, such as corporate title, of the person overseas to be served or from whom evidence is to be compelled, documents to be served;
- A list of questions to be asked, where applicable, generally in the form of written interrogatories;
- A list of documents or other evidence to be produced;
- A statement from the requesting court expressing a willingness to provide similar assistance to judicial authorities of the receiving state;
- Statement that the requesting court or party is willing to reimburse the judicial authorities of the receiving state for costs incurred in executing the requesting court's letters rogatory.

Signature and Authentication

Letters rogatory must be signed by a judge. The clerk should not sign on behalf of the judge. For most countries, the seal of the court and signature of the judge is sufficient. Consult our country-specific information for guidance about authentication procedures for particular countries. Many countries will not accept letters rogatory issued by an Administrative Law Judge. In administrative cases, it may be possible to obtain letters rogatory issued by a federal district court under 28 U.S.C. 1651.

Translation

The letters rogatory and any accompanying documents must be translated into the official language of the foreign country. The translator should execute an affidavit as to the validity of the translation before a notary.

Number of Copies

Forward to the U.S. Department of State for transmittal to the foreign authorities:

- The original English version bearing the seal of the court and signature of the judge [or a certified copy]; a photocopy of the English.
- The original translation and a photocopy of the translation.
- The original documents will be served upon the designated recipient or deposited with the foreign court in connection with a request for evidence, and the copies returned to the court in the U.S. as proof of execution.
- For requests involving multiple witnesses in diverse locations, either prepare separate letters rogatory for each witness, or provide a certified copy of the letters rogatory (plus translation and duplicate copy noted above) for each witness. The foreign country may assign the matter to different courts.

Fees

The current consular fees for transmittal of letters rogatory are available at 22 CFR 22.1 Schedule of Fees. Requests must include a certified check payable to the U.S. Embassy (insert name of capital of the foreign country, for example, U.S. Embassy Tokyo). Corporate or personal checks are not acceptable. Foreign authorities may also charge a fee. The U.S. embassy and/or the Office of American Citizens Services and Crisis Management in the Department of State will notify the requesting party if the Embassy is advised by foreign authorities of any applicable local fees. If the letters rogatory request compulsion of evidence from more than one witness or service of process on more than one person, multiple fees may be charged if more than one foreign court is required to execute the request due to multiple jurisdictions.

Transmittal to the Department of State

The letters rogatory and accompanying documents may be submitted to:

ATTN: Judicial Assistance Officer
U.S. Department of State
Office of Legal Affairs, (CA/OCS/L)
SA-17, 10th Floor
2201 C Street, NW
Washington, DC 20522-1710

Cover Letter

The documents should be accompanied by a cover letter including the following elements:

- Name of case;
- Docket number;
- Foreign country;
- Nature of request: (service of process; compulsion of testimony; production of documents, etc.)
- Person to be served or from whom evidence is to be obtained: (name and address mandatory, phone number if possible.)
- Mailing address of U.S. court or attorney to which the executed letters rogatory should be returned:
- Special instructions: (Example, Federal Express account number; U.S. hearing/trial date, etc.)
- Fee enclosed
- Deposit (if required) enclosed
- Statement of responsibility, if applicable, for additional costs incurred in excess of the required deposit which accompanies the letter.
- Local foreign attorney (if any): (name and address, phone number)
- Name, address, telephone, fax number and email address of requesting attorney in United States.

Transmittal of Letters Rogatory by Department of State to the Foreign Authorities through Diplomatic Channels

Letters rogatory generally are transmitted to foreign judicial authorities through diplomatic channels, a formal system of communication between governments. This system is used to transmit letters rogatory to a foreign government so that they may be directed to the appropriate foreign court.

Execution of Letters Rogatory by the Foreign Court:

Foreign courts will generally execute letters rogatory in accordance with the laws and regulations of the foreign country. In compelling evidence, for example, many foreign courts do not permit foreign attorneys to participate in their court proceedings. Not all foreign countries utilize the services of court reporters or routinely provide verbatim transcripts. Sometimes the presiding judge will dictate his or her recollection of the witness' responses.

Return of Executed Letters Rogatory

When letters rogatory are executed by foreign authorities, they are generally returned to the Department of State via diplomatic channels and the Office of American Citizens Services will send them to the requesting court in the United States via certified mail. The requesting party is also notified. At the request of the court, the executed letters rogatory and proof of service/evidence produced can be returned directly to the requesting attorney.

Example - Letters Rogatory

NAME OF COURT IN SENDING STATE REQUESTING JUDICIAL ASSISTANCE

NAME OF PLAINTIFF

V.

NAME OF DEFENDANT

DOCKET NUMBER

REQUEST FOR INTERNATIONAL JUDICIAL ASSISTANCE (LETTERS ROGATORY)

(NAME OF THE REQUESTING COURT) PRESENTS ITS COMPLIMENTS TO THE APPROPRIATE JUDICIAL AUTHORITY OF (NAME OF RECEIVING STATE), AND REQUESTS INTERNATIONAL JUDICIAL ASSISTANCE TO (OBTAIN EVIDENCE/EFFECT SERVICE OF PROCESS) TO BE USED IN A (CIVIL, CRIMINAL, ADMINISTRATIVE) PROCEEDING BEFORE THIS COURT IN THE ABOVE CAPTIONED MATTER. A (TRIAL/HEARING) ON THIS MATTER IS SCHEDULED AT PRESENT FOR (DATE) IN (CITY, STATE, COUNTRY).

THIS COURT REQUESTS THE ASSISTANCE DESCRIBED HEREIN AS NECESSARY IN THE INTERESTS OF JUSTICE. THE ASSISTANCE REQUESTED IS THAT THE APPROPRIATE JUDICIAL AUTHORITY OF (NAME OF RECEIVING STATE) (COMPEL THE APPEAR OF THE BELOW NAMED INDIVIDUALS TO GIVE EVIDENCE/PRODUCE DOCUMENTS) (EFFECT SERVICE OF PROCESS UPON THE BELOW NAMED INDIVIDUALS).

(NAMES OF WITNESSES/PERSONS TO BE SERVED)

(NATIONALITY OF WITNESSES/PERSONS TO BE SERVED)

(ADDRESSED OF WITNESSES/PERSONS TO BE SERVED)

(DESCRIPTION OF DOCUMENTS OR OTHER EVIDENCE TO BE PRODUCED)

FACTS

(THE FACTS OF THE CASE PENDING BEFORE THE REQUESTING COURT SHOULD BE STATED BRIEFLY HERE, INCLUDING A LIST OF THOSE LAWS OF THE SENDING STATE WHICH GOVERN THE MATTER PENDING BEFORE THE COURT IN THE RECEIVING STATE.)

(QUESTIONS)

(IF THE REQUEST IS FOR EVIDENCE, THE QUESTIONS FOR THE WITNESSES SHOULD BE LISTED HERE).

(LIST ANY SPECIAL RIGHTS OF WITNESSES PURSUANT TO THE LAWS OF THE REQUESTING STATE HERE).

(LIST ANY SPECIAL METHODS OR PROCEDURES TO BE FOLLOWED).

(INCLUDE REQUEST FOR NOTIFICATION OF TIME AND PLACE FOR EXAMINATION OF WITNESSES/DOCUMENTS BEFORE THE COURT IN THE RECEIVING STATE HERE).

RECIPROCITY

THE REQUESTING COURT SHOULD INCLUDE A STATEMENT EXPRESSING A WILLINGNESS TO PROVIDE SIMILAR ASSISTANCE TO JUDICIAL AUTHORITIES OF THE RECEIVING STATE.

REIMBURSEMENT FOR COSTS

THE REQUESTING COURT SHOULD INCLUDE A STATEMENT EXPRESSING A WILLINGNESS TO REIMBURSE THE JUDICIAL AUTHORITIES OF THE RECEIVING STATE FOR COSTS INCURRED IN EXECUTING THE REQUESTING COURT'S LETTERS ROGATORY.

SIGNATURE OF REQUESTING JUDGE

TYPED NAME OF REQUESTING JUDGE

NAME OF REQUESTING COURT

CITY, STATE, COUNTRY

DATE

(SEAL OF COURT)

Chinese-style discovery

One of the most important problems that should be tackled in litigation is the reasonable allocation of the burden of proof to each party, which could help with the identification of legal facts.

Except as otherwise required by law, Civil Procedural Law of the People's Republic of China (Amended in 2017) Article 64 provides the basic principle of the distribution of the burden of proof in civil litigation.

Article 64 Litigants shall be responsible for providing evidence for their assertions.

Besides, there are more detailed regulations to explain this basic principle in the Interpretations of the Supreme People's Court on Application of the "Civil Procedural Law of the People's Republic of China.

In general, the burden of proof has two meanings: one refers to the objective burden of proof, which is when the existence of a certain fact cannot be determined (the state of truth remain unclear), when a party bears the weight of unfavourable legal judgement; the other is the subjective burden of proof, in a specific lawsuit, in order to avoid the risk of losing the case, the party should provide evidence to the court to prove its claim.

Guidelines for Evidence submission to courts of China can be found in Chapter VI of the Civil Procedure Law of the P.R.C., as well as in some of the Provisions of the Supreme People's Court on Evidence in Civil Procedures.

In China, as stated in Civil Procedure Law, parties are responsible for submitting their own evidence and those evidences can be in the form of "(1) documentary evidence; (2) material evidence; (3) audio-visual reference materials;(4) testimony of witnesses; (5) statements of parties; (6) expert conclusions; and (7) records of inquests." As opposed to, for instance, certain courts in China, which may have a preference for, say, witness testimony, other courts of China have a preference towards documentary evidence, though all of types of evidence stated above are acceptable. Specifically, the "testimony of witnesses" is less prevalent in courts of China in civil litigation than in, for instance, U.S. courts.

In addition to focus on documentary evidence by the courts of China, there are specific guidelines established so that all evidence, including documentary evidence, may have to be offered to the Court under time constraints.

Interpretations of the Supreme People's Court on Application of the "Civil Procedural Law of the People's Republic of China Article 99 A People's Court shall determine the duration for presentation of evidence during the preparatory phase for the trial. The duration for presentation of evidence may be negotiated by the litigants and shall be submitted to the People's Court for approval. The duration for presentation of evidence People's Court shall

be not less than 15 days for cases of first instance which follow general procedures, and not less than 10 days for cases of second instance for which a litigant provides new evidence.

On the one hand, people who are in favour of judicial efficiency may applaud the desire of the Courts bench to push along these lawsuits, but for the litigating parties, these limited evidence production periods can often strain their abilities to collect relevant evidence. (Richard W. Wigley and Xu Jing,2011)

Obviously, for civil litigation, the standard of proof in criminal law that the evidence is "certain and sufficient" should not be used. However, the civil parties who has the burden of proof has to prove their assertation to a certain level, and the judge determines whether the evidence has the strength enough to prove the assertation from both parties and to what extent that the assertation from both parties could be proved by the evidences.

The principle of high possibility is established in 2001 in "Several Provisions of the Supreme People's Court on Evidence for Civil Actions (2001)" Article 73 Where the parties to a case produce conflicting evidence on the same fact but neither has sufficient basis to rebut the evidence submitted by the other party, the people's court shall assess whether or not the evidence submitted by one party is clearly more persuasive than the evidence submitted by the other party, taking into consideration the circumstances of the case as a whole, and if so, affirm which party's evidence has greater probative value. Further in 2015, "Interpretations of the Supreme People's Court on Application of the "Civil Procedural Law of the People's Republic of China" regulated that For evidence provided by a litigant who has the burden of proof, where the People's Court, upon examination and taking into account the relevant facts, confirms that it is highly probable that the facts sought to be proved exist, the People's Court shall deem that the facts exist; For evidence provided by a litigant to rebut the facts asserted by the other litigant who has the burden of proof, where the People's Court, upon examination and taking into account the relevant facts, concludes that the authenticity of the facts sought to be proved is uncertain, the People's Court shall deem that the facts do not exist. (Article 108).

As far as the burden of proof in the IPR trial is concerned, the rules of burden of proof for civil litigation of intellectual property rights have always been a major controversial issue and a long-term concern of the Supreme People's Court. There is a big difference between the burden of proof in the field of intellectual property and in the other civil field. In particular, the burden of proof of "the losses" does not conform to the general principle of "Litigants shall be responsible for providing evidence for their assertions" in civil litigation. Therefore, it is undoubtedly important to discuss the differences between the burden of proof on "the losses" in the general civil litigation and in the IPR trial, and take a serious look at the root causes of the problem. To analyse the rules of burden of proof for intellectual property civil litigation remains significant.

1. the general background related to the burden of prove in **Trademark law.**

The Trademark Law has been revised three times since 1981. These three amendments have affected the state, society and even foreign countries, and judicial practice nearly 30 years. The trademark legal system and judicial practice are also on constant revision and enriching the system of the burden of proof which related to the infringement of trademark rights and the “the losses” of the rights holder.

Before 2001, the Trademark Law did not have any provisions concerns about the burden of proof of trademark infringement. Judicial practice usually takes the evidences from both the public authority and the parties. The provisions of the second amendment of the Trademark Law in 2001 are directly related to the rules of statutory compensation and the exceptions form liability of the infringing sellers; while judicial practice also emphasises the application of Several Provisions of the Supreme People's Court on Evidence for Civil Actions (2001) and tends to reduce the burden of proof of the right holder.

The Trademark Law which was amended for the third time in 2013, which partially standardised the burden of proof for different compensation methods. The previous provisions in the Trademark law could not reach the actual needs of the compensation of the Infringement of trademark rights. As an example, In the case between Apple Inc. and a SHENZHEN company, the settlement fee reaches 60 million US dollars, which is way much higher than the limited amount if the determination of compensation is by the People's Court, and as the original provision ruled the amount of the compensation to be no more than Five hundred thousand CNY and it has been modified into no more than 3 million CNY based on the extent of the infringement. It is so obvious that the original provision could not reach the actual needs.

Besides, the Trademark law also rules that the rights holder has provided proof to its best effort, and the accounts books and materials relating to the infringement are held by the infringer, the People's Court may order the infringer to provide accounts books and materials relating to the infringement.

2. the burden of proof of “the losses” should not conform to the general principle in the Trademark law.

The reason for the burden of proof of “the losses” in the Trademark law does not conform to the general principle which is mainly because of the nature of the trademarks. Generally, when the tangible property rights are infringed, and the amount of “the losses” of the right holders can usually be determined more conveniently.

However, the actual losses suffered by the right holders according to the trademark rights are somehow like the loss of personality interests. It is not easy to actually recover by some means, and it is difficult to accurately confirm the amount of money of the losses of the rights holders. Therefore, the issue of the liability of the allocation of the burden of proof referring to the damages in infringing trademark cases must be considered comprehensively.

Simply applicate the principle of “Litigants shall be responsible for providing evidence for their assertions” or the principle of reverse Burden of Proof in general civil litigation may lead to injustice. To construct a reasonable and fair principle of the allocation of burden of proof of the damages referring to the infringement of the trademark rights, we must re-recognise the uniqueness of trademarks.

The uniqueness of the trademark itself is not merely an artistic symbol or a professional symbol, but trademark produced its own recognition value which is attached to the symbol. In short, the combination of the symbol and the recognition function could be called as a Trademark which also means the core value of a trademark is the recognition function. And the most important meaning of the recognition function is the business valuation and the goodwill. This is also the most important meaning of the trademark, that is, the recognition of the consumer and quality of a certain brand. Since the most important value of a trademark is the identification function and commercial value, the calculation of damages for trademark infringement can be considered as damage to identification function and commercial value.

Currently, there are three methods to determine the amount of compensation for infringement of trademark’s exclusive rights, one shall be determined in accordance with the actual losses suffered by the right holder due to the infringement; where it is difficult to determine the actual losses, the compensation amount may be determined in accordance with the gains derived by the infringer from the infringement; where it is difficult to determine the losses of the rights holder or the gains derived by the infringer, the compensation amount shall be determined reasonably with reference to the multiple of the licensing fee of the said trademark. And the above methods need to be applied in order.

Therefore, the first method to calculate the losses of infringement of trademark exclusive rights is actual losses suffered by the rights holder, which is already difficult to estimate the amount of compensation for infringement of trademark exclusive rights.

When the rights holder wants to claim the actual losses, the owner might need to know the scope of the trademark in which the defendant infringes the exclusive right, for how long that the defendant has used the trademark, the sales area of the defendant’s business, the total amount that the defendant has sold, their sales methods and sources etc., beside mentioned methods, many other factors need to be considered.

It is obvious that the above-mentioned factors are hardly considered fully due to the imperfect information from the market, or the incomplete information held by the infringer, or the incomplete statistics of the information. Thus, to completely calculate the compensation for the plaintiff is almost impossible. Consequently, the plaintiff is certainly unable to provide prima facie evidence which has the objective reasons. For example, the infringer has their own selling methods or sources which cannot be obtained by the rights holders; or if the infringing product is sold to a specific third party, the plaintiff cannot obtain the infringing product and can only provide photos or pictures.

Although, the objective reasons lead to the lack of prima facie evidence of infringement, in judicial practice, the judge still requires the plaintiff to at least provide evidence which is related to their assertion, so that the judge could make a judgement of whether these has an infringement according to the evidence. On the second hand, it is more important for the plaintiff who must provide the prima facie evidence of the infringement as the prima facie evidence could be a prerequisite for the shifting of the burden of proof.

Since discretionary power of the judge, the principle of the shifting of burden of proof is largely reflect the relief of obligation to provide the evidence of the rights holder. But in the IPR infringement lawsuit, the plaintiff’s requirement for the burden of proof cannot be less than the minimum standard. This minimum standard requirement depends on the proofing ability of the plaintiff after comprehensively judging the difficulty of all types of IP civil cases as well as the daily life experience and the difficulty of the plaintiff's ability to provide the evidence in a specific case. And the shifting of burden of proof can only be considered if it is impossible to do so.

Where it is difficult to determine the actual losses, the compensation amount may be determined in accordance with the gains derived by the infringer from the infringement. Because of the factors stated above, it is difficult to fully provide positive evidence for the profit of the infringer's infringement as the right holders, and it is also impossible for the infringer to provide such evidence themselves. Therefore, the Trademark law also rules that the rights holder has provided proof to its best effort, and the accounts books and materials relating to the infringement are held by the infringer, the People's Court may order the infringer to provide accounts books and materials relating to the infringement, which could be treat as the reverse of the burden of proof. The reverse burden of proof is largely reducing the obligation to provide the evidence of the rights holder.

In conclude, the principle of the special allocation of burden of proof (the shifting of the burden of proof and the reveres the burden of proof) need to be applied as the nature of the trademark is unique. it definitely needs to be thought that the importance of the general principle, however, the mechanical practices of the general principle might lead to the key facts of many cases have no evidence provided on both sides and make the facts remain unclear. There is no doubt that due to the particularity nature of trademarks, there are still many problems existing in the trademark law and its judicial practice of the burden of proof of the infringement of trademark rights. But the current trademark law has begun to pay attention to this issue, and it will continue to develop towards such trend.

Article 63 The compensation amount for infringement of exclusive rights to use trademarks shall be determined in accordance with the actual losses suffered by the rights holder due to the infringement; where it is difficult to determine the actual losses, the compensation amount may be determined in accordance with the gains derived by the infringer from the infringement; where it is difficult to determine the losses of the rights holder or the gains derived by the infringer, the compensation amount shall be determined reasonably with

reference to the multiples of the licensing fee of the said trademark. For malicious infringement of exclusive rights to use trademarks, in serious cases, the compensation amount shall be determined in accordance with the aforesaid method based on one to three times of the determined amount. The compensation amount shall include reasonable expenses incurred by the rights holder to curb the infringement.

In the determination of compensation amount by the People's Court, where the rights holder has provided proof to its best effort, and the accounts books and materials relating to the infringement are held by the infringer, the People's Court may order the infringer to provide accounts books and materials relating to the infringement; where the infringer does not provide accounts books and materials or where the accounts books and materials provided are false, the People's Court may determine the compensation amount with reference to the assertion of the rights holder and the evidence provided.

Where it is difficult to determine the actual losses suffered by the rights holder due to the infringement or the gains derived by the infringer from the infringement or the licensing fee of the registered trademark, the People's Court shall rule on a compensation amount of not more than RMB 3 million based on the extent of the infringement.

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14. CONVENTION ON THE SERVICE ABROAD OF JUDICIAL AND EXTRAJUDICIAL DOCUMENTS IN CIVIL OR COMMERCIAL MATTERS[1]

(Concluded 15 November 1965)

The States signatory to the present Convention,
Desiring to create appropriate means to ensure that judicial and extrajudicial documents to be served abroad shall be brought to the notice of the addressee in sufficient time,
Desiring to improve the organisation of mutual judicial assistance for that purpose by simplifying and expediting the procedure,
Have resolved to conclude a Convention to this effect and have agreed upon the following provisions:

Article 1

The present Convention shall apply in all cases, in civil or commercial matters, where there is occasion to transmit a judicial or extrajudicial document for service abroad.
This Convention shall not apply where the address of the person to be served with the document is not known.

CHAPTER I – JUDICIAL DOCUMENTS

Article 2

Each Contracting State shall designate a Central Authority which will undertake to receive requests for service coming from other Contracting States and to proceed in conformity with the provisions of Articles 3 to 6.
Each State shall organise the Central Authority in conformity with its own law.

Article 3

The authority or judicial officer competent under the law of the State in which the documents originate shall forward to the Central Authority of the State addressed a request conforming to the model annexed to the present Convention, without any requirement of legalisation or other equivalent formality.
The document to be served or a copy thereof shall be annexed to the request. The request and the document shall both be furnished in duplicate.

Article 4

If the Central Authority considers that the request does not comply with the provisions of the present Convention it shall promptly inform the applicant and specify its objections to the request.

[1] This Convention, including related materials, is accessible on the website of the Hague Conference on Private International Law (www.hcch.net), under “Conventions” or under the “Service Section”. For the full history of the Convention, see Hague Conference on Private International Law, *Actes et documents de la Dixième session (1964)*, Tome III, *Notification* (391 pp.).

Article 5

The Central Authority of the State addressed shall itself serve the document or shall arrange to have it served by an appropriate agency, either –

a) by a method prescribed by its internal law for the service of documents in domestic actions upon persons who are within its territory, or

b) by a particular method requested by the applicant, unless such a method is incompatible with the law of the State addressed.

Subject to sub-paragraph *(b)* of the first paragraph of this Article, the document may always be served by delivery to an addressee who accepts it voluntarily.

If the document is to be served under the first paragraph above, the Central Authority may require the document to be written in, or translated into, the official language or one of the official languages of the State addressed.

That part of the request, in the form attached to the present Convention, which contains a summary of the document to be served, shall be served with the document.

Article 6

The Central Authority of the State addressed or any authority which it may have designated for that purpose, shall complete a certificate in the form of the model annexed to the present Convention.

The certificate shall state that the document has been served and shall include the method, the place and the date of service and the person to whom the document was delivered. If the document has not been served, the certificate shall set out the reasons which have prevented service.

The applicant may require that a certificate not completed by a Central Authority or by a judicial authority shall be countersigned by one of these authorities.

The certificate shall be forwarded directly to the applicant.

Article 7

The standard terms in the model annexed to the present Convention shall in all cases be written either in French or in English. They may also be written in the official language, or in one of the official languages, of the State in which the documents originate.

The corresponding blanks shall be completed either in the language of the State addressed or in French or in English.

Article 8

Each Contracting State shall be free to effect service of judicial documents upon persons abroad, without application of any compulsion, directly through its diplomatic or consular agents.

Any State may declare that it is opposed to such service within its territory, unless the document is to be served upon a national of the State in which the documents originate.

Article 9

Each Contracting State shall be free, in addition, to use consular channels to forward documents, for the purpose of service, to those authorities of another Contracting State which are designated by the latter for this purpose.

Each Contracting State may, if exceptional circumstances so require, use diplomatic channels for the same purpose.

Article 10

Provided the State of destination does not object, the present Convention shall not interfere with –

a) the freedom to send judicial documents, by postal channels, directly to persons abroad,

b) the freedom of judicial officers, officials or other competent persons of the State of origin to effect service of judicial documents directly through the judicial officers, officials or other competent persons of the State of destination,

c) the freedom of any person interested in a judicial proceeding to effect service of judicial documents directly through the judicial officers, officials or other competent persons of the State of destination.

Article 11

The present Convention shall not prevent two or more Contracting States from agreeing to permit, for the purpose of service of judicial documents, channels of transmission other than those provided for in the preceding Articles and, in particular, direct communication between their respective authorities.

Article 12

The service of judicial documents coming from a Contracting State shall not give rise to any payment or reimbursement of taxes or costs for the services rendered by the State addressed.

The applicant shall pay or reimburse the costs occasioned by –-

a) the employment of a judicial officer or of a person competent under the law of the State of destination,

b) the use of a particular method of service.

Article 13

Where a request for service complies with the terms of the present Convention, the State addressed may refuse to comply therewith only if it deems that compliance would infringe its sovereignty or security. It may not refuse to comply solely on the ground that, under its internal law, it claims exclusive jurisdiction over the subject-matter of the action or that its internal law would not permit the action upon which the application is based.

The Central Authority shall, in case of refusal, promptly inform the applicant and state the reasons for the refusal.

Article 14

Difficulties which may arise in connection with the transmission of judicial documents for service shall be settled through diplomatic channels.

Article 15

Where a writ of summons or an equivalent document had to be transmitted abroad for the purpose of service, under the provisions of the present Convention, and the defendant has not appeared, judgment shall not be given until it is established that –

a) the document was served by a method prescribed by the internal law of the State addressed for the service of documents in domestic actions upon persons who are within its territory, or

b) the document was actually delivered to the defendant or to his residence by another method provided for by this Convention,

and that in either of these cases the service or the delivery was effected in sufficient time to enable the defendant to defend.

Each Contracting State shall be free to declare that the judge, notwithstanding the provisions of the first paragraph of this Article, may give judgment even if no certificate of service or delivery has been received, if all the following conditions are fulfilled –

a) the document was transmitted by one of the methods provided for in this Convention,

b) a period of time of not less than six months, considered adequate by the judge in the particular case, has elapsed since the date of the transmission of the document,

c) no certificate of any kind has been received, even though every reasonable effort has been made to obtain it through the competent authorities of the State addressed.

Notwithstanding the provisions of the preceding paragraphs the judge may order, in case of urgency, any provisional or protective measures.

Article 16

When a writ of summons or an equivalent document had to be transmitted abroad for the purpose of service, under the provisions of the present Convention, and a judgment has been entered against a defendant who has not appeared, the judge shall have the power to relieve the defendant from the effects of the expiration of the time for appeal from the judgment if the following conditions are fulfilled –

a) the defendant, without any fault on his part, did not have knowledge of the document in sufficient time to defend, or knowledge of the judgment in sufficient time to appeal, and

b) the defendant has disclosed a *prima facie* defence to the action on the merits.

An application for relief may be filed only within a reasonable time after the defendant has knowledge of the judgment.

Each Contracting State may declare that the application will not be entertained if it is filed after the expiration of a time to be stated in the declaration, but which shall in no case be less than one year following the date of the judgment.

This Article shall not apply to judgments concerning status or capacity of persons.

CHAPTER II – EXTRAJUDICIAL DOCUMENTS

Article 17

Extrajudicial documents emanating from authorities and judicial officers of a Contracting State may be transmitted for the purpose of service in another Contracting State by the methods and under the provisions of the present Convention.

CHAPTER III – GENERAL CLAUSES

Article 18

Each Contracting State may designate other authorities in addition to the Central Authority and shall determine the extent of their competence.

The applicant shall, however, in all cases, have the right to address a request directly to the Central Authority.

Federal States shall be free to designate more than one Central Authority.

Article 19

To the extent that the internal law of a Contracting State permits methods of transmission, other than those provided for in the preceding Articles, of documents coming from abroad, for service within its territory, the present Convention shall not affect such provisions.

Article 20

The present Convention shall not prevent an agreement between any two or more Contracting States to dispense with –

a) the necessity for duplicate copies of transmitted documents as required by the second paragraph of Article 3,

b) the language requirements of the third paragraph of Article 5 and Article 7,

c) the provisions of the fourth paragraph of Article 5,

d) the provisions of the second paragraph of Article 12.

Article 21

Each Contracting State shall, at the time of the deposit of its instrument of ratification or accession, or at a later date, inform the Ministry of Foreign Affairs of the Netherlands of the following –

a) the designation of authorities, pursuant to Articles 2 and 18,

b) the designation of the authority competent to complete the certificate pursuant to Article 6,

c) the designation of the authority competent to receive documents transmitted by consular channels, pursuant to Article 9.

Each Contracting State shall similarly inform the Ministry, where appropriate, of –

a) opposition to the use of methods of transmission pursuant to Articles 8 and 10,

b) declarations pursuant to the second paragraph of Article 15 and the third paragraph of Article 16,

c) all modifications of the above designations, oppositions and declarations.

Article 22

Where Parties to the present Convention are also Parties to one or both of the Conventions on civil procedure signed at The Hague on 17th July 1905, and on 1st March 1954, this Convention shall replace as between them Articles 1 to 7 of the earlier Conventions.

Article 23

The present Convention shall not affect the application of Article 23 of the Convention on civil procedure signed at The Hague on 17th July 1905, or of Article 24 of the Convention on civil procedure signed at The Hague on 1st March 1954.

These Articles shall, however, apply only if methods of communication, identical to those provided for in these Conventions, are used.

Article 24

Supplementary agreements between Parties to the Conventions of 1905 and 1954 shall be considered as equally applicable to the present Convention, unless the Parties have otherwise agreed.

Article 25

Without prejudice to the provisions of Articles 22 and 24, the present Convention shall not derogate from Conventions containing provisions on the matters governed by this Convention to which the Contracting States are, or shall become, Parties.

Article 26

The present Convention shall be open for signature by the States represented at the Tenth Session of the Hague Conference on Private International Law.

It shall be ratified, and the instruments of ratification shall be deposited with the Ministry of Foreign Affairs of the Netherlands.

Article 27

The present Convention shall enter into force on the sixtieth day after the deposit of the third instrument of ratification referred to in the second paragraph of Article 26.

The Convention shall enter into force for each signatory State which ratifies subsequently on the sixtieth day after the deposit of its instrument of ratification.

Article 28

Any State not represented at the Tenth Session of the Hague Conference on Private International Law may accede to the present Convention after it has entered into force in accordance with the first paragraph of Article 27. The instrument of accession shall be deposited with the Ministry of Foreign Affairs of the Netherlands.

The Convention shall enter into force for such a State in the absence of any objection from a State, which has ratified the Convention before such deposit, notified to the Ministry of Foreign Affairs of the Netherlands within a period of six months after the date on which the said Ministry has notified it of such accession.

In the absence of any such objection, the Convention shall enter into force for the acceding State on the first day of the month following the expiration of the last of the periods referred to in the preceding paragraph.

Article 29

Any State may, at the time of signature, ratification or accession, declare that the present Convention shall extend to all the territories for the international relations of which it is responsible, or to one or more of them. Such a declaration shall take effect on the date of entry into force of the Convention for the State concerned.

At any time thereafter, such extensions shall be notified to the Ministry of Foreign Affairs of the Netherlands.

The Convention shall enter into force for the territories mentioned in such an extension on the sixtieth day after the notification referred to in the preceding paragraph.

Article 30

The present Convention shall remain in force for five years from the date of its entry into force in accordance with the first paragraph of Article 27, even for States which have ratified it or acceded to it subsequently.

If there has been no denunciation, it shall be renewed tacitly every five years.

Any denunciation shall be notified to the Ministry of Foreign Affairs of the Netherlands at least six months before the end of the five year period.

It may be limited to certain of the territories to which the Convention applies.

The denunciation shall have effect only as regards the State which has notified it. The Convention shall remain in force for the other Contracting States.

Article 31

The Ministry of Foreign Affairs of the Netherlands shall give notice to the States referred to in Article 26, and to the States which have acceded in accordance with Article 28, of the following –

a) the signatures and ratifications referred to in Article 26;

b) the date on which the present Convention enters into force in accordance with the first paragraph of Article 27;

c) the accessions referred to in Article 28 and the dates on which they take effect;

d) the extensions referred to in Article 29 and the dates on which they take effect;

e) the designations, oppositions and declarations referred to in Article 21;

f) the denunciations referred to in the third paragraph of Article 30.

In witness whereof the undersigned, being duly authorised thereto, have signed the present Convention.

Done at The Hague, on the 15th day of November, 1965, in the English and French languages, both texts being equally authentic, in a single copy which shall be deposited in the archives of the Government of the Netherlands, and of which a certified copy shall be sent, through the diplomatic channel, to each of the States represented at the Tenth Session of the Hague Conference on Private International Law.

New patent policy to create innovation powerhouse

Patently obvious: an inventor shows his official certificates CREDIT: PROVIDED TO CHINA DAILY

8 MARCH 2017 • 11:30AM

By **Dan Prud'homme**

China is working hard to position itself as a leading centre of innovation by strengthening intellectual property protection for both domestic and foreign businesses.

Recent headlines claim Chinese companies overwhelmingly "don't innovate", "lack creativity" and with the help of the Chinese authorities are "thieving" US intellectual property (IP). They also claim the new administration in the United States has vowed to tackle this "massive theft".

But other headlines state China is a "top innovator" because it receives the most patent applications of any country and that the Chinese government strongly supports this growth through strategic planning.

These disparate narratives suggest that China's patent policy has either failed to make the country innovative or it is already an innovation powerhouse.

The fact is that China is not yet a top global innovator, although it is innovating, is serious about protecting IP and is strategically advancing in these areas. As such, the new US administration should look beyond misleading headlines and develop a nuanced policy response to these shifting dynamics.

China is the world's leading filer of domestic patent applications and has significantly contributed to this accomplishment by providing various incentives for patenting. However, the quality of many of China's patents, and therefore the extent to which they represent true innovation, has come under scrutiny in recent years.

"Many Chinese enterprises have grown to a critical level where they need IP protection as much as foreign companies"

In response, the Chinese government has proposed a series of important guidelines and plans in the last three years to better incentivize quality patents. These include the recently issued National Intellectual Property Development Strategy, which sets ambitious targets to stimulate valuable patents (alongside its target for every 10,000 people to own 14 invention patents by 2020).

It says, for example, that two trillion yuan ($291.4bn) in technology contracts should be registered and $8bn in export income from royalties and franchising fees should be accrued from Chinese IP by 2020.

China has also developed a range of initiatives attempting to better encourage usage of inventions, recognising the significant gap between patenting and commercialisation. For example, the latest draft revision to the patent law adds an entirely new chapter of instruments to facilitate patent commercialisation.

Although China experiences many IP rights infringements, IP laws are generally enforced in the country and the government is seriously improving IP protection.

China is home to more patent lawsuits than any other country but also has relatively strong institutions for reasonably adjudicating these disputes.

"US authorities should continue their productive work engaging China on IP protection"

And not only foreign companies enforce IP protection in China. In fact, in part because of their innovation capabilities, many Chinese enterprises have grown to a critical level where they need IP protection as much as foreign companies.

The vast majority of the IP lawsuits in China (more than 98 per cent) are between domestic companies, not between foreign and domestic enterprises.

Moreover, in the past few years, the Chinese leadership has made improving IP protection a national priority. In 2014 and 2015, the first specialised IP courts in China were established in three major cities (in addition to the many IP "tribunals" already in place throughout the country), making China part of a limited number of countries to have such a mechanism.

And there have been an incredible number of recent legislative changes improving IP protection, including dramatically increasing statutory damages that courts can award for IP infringement. And foreign companies today generally win their IP cases in Chinese courts.

Also, in the past three years, the Chinese authorities have significantly strengthened regulation of abuse of patent monopolies and proactively enforced these new rules.

What does this mean for the US?

Supported at least partially by the state, the likely increase in the quality of Chinese patents should better foster innovation, which will create collaborative opportunities and a wealthier consumer base from which foreign companies can profit.

At the same time, these developments will increase competition. Also, stronger IP institutions and new IP laws will enable some Chinese enterprises to better litigate against their foreign counterparts. And new regulations will restrict certain IP monopolies.

These dynamics show that China's IP and innovation capabilities, and the state's role in building them, cannot be distilled into the simplistic media headlines currently dominating some discourses. Instead, they present more nuanced challenges and opportunities.

Of course, the US authorities should continue their productive work engaging China on IP protection. But the sooner the new US administration realises that China in fact can innovate, the faster American policymakers can respond to reality.

That will allow the US to craft the type of foreign and domestic policy needed to keep America competitive in a changing world where China too may eventually be an IP and innovation powerhouse.

The author is a research collaborator at the GLORAD Centre for Global R&D and Innovation, Tongji University, Shanghai.

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Auctions speed up tech commercialization

By Yuan Shenggao | China Daily | Updated: 2018-03-29 07:56

The Chinese Academy of Sciences has been selling a portfolio of 932 patents via online and in-person auctions since mid-March in the coastal provinces of Shandong, Jiangsu and Zhejiang as well as the cities of Shanghai, Fuzhou and Shenzhen.

It is the first time that CAS has held a series of patent auctions nationwide since its establishment in 1949.

The patents are the research achievements made by 57 research institutes affiliated with CAS. They cover a wide range of scientific fields including healthcare, new materials, modern agriculture, information technology and intelligent manufacturing, many of which are strategic industries with key support from the central government.

Yang Ming, a professor of intellectual property rights at Peking University, said these patents represent cutting-edge technologies and are of great significance to the further development of their respective fields.

Tao Xinliang, head of the School of Intellectual Property Rights at Dalian University of Technology, said commercialization of technological achievements has long been a bottleneck for the market-oriented development of science in China.

The efforts of CAS are a bold attempt to promote the industrialization of scientific achievements, he added.

Sui Xueqing, director of the Intellectual Property Operation and Management Center of CAS, said bidding at auctions has become a new approach to acquire patents in international markets, as it saves the time and costs involved in patent trading compared with traditional bilateral negotiations.

It is also an efficient way to generate productivity by transferring the results of scientific research, Sui added.

A birthplace of China's many important scientific and technological achievements, CAS owned about 36,000 patents by the end of 2016, including 30,000 invention patents and more than 820 foreign patents.

To improve the effectiveness of the auctions, CAS' IP center established a system to evaluate and generate estimated values for the patents on offer, taking their innovativeness, feasibility and market relevance into consideration.

According to An Lili from the IP center, the minimum starting bid for the patents was set at about 100,000 yuan ($16,000).

On March 16, CAS held the first patent auction in Jinan, capital of Shandong province, putting 36 patents up for auction. Within three hours, 28 patents had been sold to 11 companies, with 5.03 million yuan paid in total for the rights.

The province's science and technology department and IP office said they would track each patent's future. Bid winners can receive up to 5 million yuan in support funding based on their performance in turning their new patents into products and services.

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The Shandong IP office and the CAS IP center also agreed a cooperation deal during the auction to promote mutual progress.

(China Daily 03/29/2018 page17)

Photo

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Gloriously tasty fare draws the foodie faithful

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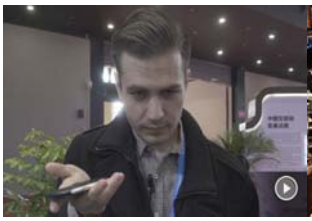

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License your patents in China—a world-leading IP strategist explains how

Posted by Hejab Azam on May 14, 2018 at 10:53 AM

As China becomes a global IP powerhouse—with 1.3 million patent applications filed in 2016—more and more international companies are trying to take advantage of this booming economy. In China, the government is working hard to ensure IP protection and enforcement is stronger than ever. However, many Western companies remain sceptical of

I caught up with Matthew Wahlrab, Founder and CEO of Innovative Foundations and 2017 IAM Strategy 300 Award Winner, who explained some of the key considerations for businesses before they enter licensing deals in China:

- Prepare to finalise the deal quickly
- Fully understand the agreements you sign
- Get to know your Chinese partners in person
- Get relevant patent protection in China

Chinese companies move fast so prepare to finalise the deal quickly

Chinese business culture has an emphasis on friendship and trust. Once the foundations have been laid—for example, you've cooperated and built a good relationship—the deal can happen very quickly.

Matthew says, "One thing that catches people by surprise is how fast things move in China compared to the US. It's not uncommon to fly over there and on the way back receive a contract on the plane… Be prepared for diligence because they move fast. You need to have everything ready to rock and roll—especially IP—otherwise they will find licensing partners somewhere else."

Matthew has first-hand experience of just how fast things can move. As part of one arrangement, his team went to China for lunch with potential partners. Halfway through the meal, the

most of the legal work finalised on the flight home—this was for a $2 million deal.

Matthew says, “The diligence process was the Chinese company asking, ‘Do you have IP?’ ‘Yes.’ ‘Chinese assets?’ ‘Yes.’ ‘Okay, put it in the data room and we are ready to rock and roll.’”

Fully understand the agreements you sign

Non-disclosure agreements (NDAs) provide little protection from imitators in China. NDAs are designed to protect trade secrets from being exposed to the public—however, exposing trade secrets to the public isn’t usually the concern. The real concern is about companies copying inventions for their own benefit and using your knowledge to compete with you.

Matthew says, "With NDAs, you have to be confident with what you’re signing. Many companies in China sign NDAs with companies that they know have IP, and they ask for standstills—which preclude you from asserting a patent against an infringing product in their country, even if they steal your idea during the agreement period. You sign these papers and, all of a sudden, the company in China says, ‘We have a standstill in place, you gave us these patents for 3 years.’”

It’s better to sign NNNs—which stands for non-disclosure, non-use and non-circumvention—rather than just NDAs. The terms in your agreement must be enforceable and in

mistake of bringing over an NDA based on US law—which is difficult to enforce or uphold in Chinese courts.

Get to know your Chinese partners in person

Matthew explains how regular catch-ups can help build trust:

“Expect to spend time in China. What I find is that people are honest if you are checking in frequently. Lots of face-time builds relationships, and strong relationships go along way to keeping honest people honest. If you’re going to license and send things over to China—and commission a company to develop 100 widgets on your behalf—it’s likely that if you don’t follow up with them, they will have developed 1000 widgets and someone who was supposed to be your licensing partner is now a competitor. That’s common.”

Having a colleague or partner in China—who understands Chinese culture, the way they do business and can speak the language—is essential too. Not only can they guide you, but a local partner can save time and reduce barriers by ensuring effective communication.

Matthew says, “If you’re a smaller company, it helps to have a native in your discussions. If you haven’t put roots down there and you don’t have a strong relationship with the team you’re on, you are going to get taken advantage of.”

If you're going to license your patents in China, you need patent protection in China—whether that is a design patent, utility model or invention patent. Protecting your technology locally is important for two reasons. Firstly, Chinese companies will take you seriously. Chinese IP protection is evolving fast—with more and more Chinese companies going head-to-head in litigation. A Chinese partner will recognise the value of patents and collaborate to protect jointly developed IP. Matthew says, “Most Chinese companies, especially big ones, don’t want to partner with you if you don’t have IP there.”

Secondly, without protection for your technology, why would a company pay a premium for your license? These companies can reverse engineer your technology for much cheaper and take advantage of all your R&D time, if you haven’t filed patents in China. Matthew says, “If you don’t have a patent and they find out how to make your secret sauces—and how to get access to your code—they could take it because there is nothing to preclude them from doing so.”

The Chinese government has taken significant steps to boost national R&D and move away from the “imitators” stereotype, through better IP protection and enforcement. More Chinese companies are partnering with foreign firms to enable a multinational presence in key markets… so there are plenty of opportunities for licensing. And the advice you should follow is simple—have adequate protection, understand Chinese business culture, build strong relationships and know the laws so you can act fast. Being prepared will better equip you to take advantage of lucrative licensing deals in a maturing Chinese economy.

Matthew Wahlrab, is the Founder and CEO of Innovative foundations, who specialise in the intersection of patents and business development. He helps develop and manage IP strategy for corporate clients and helps executives of innovative companies, leading institutions and investors, analyse, monetise and commercialise intellectual property. He is also one of the top 300 patent strategists in the world as recognised by IAM with their IAM Strategy 300 Award. The award acknowledges his fifteen years of excellence in the disciplines of patent portfolio management, licensing, patent sales and fund raising.

Website: https://innofoundations.com/

LinkedIn: https://www.linkedin.com/in/matthew-wahlrab/

5 keys to developing a strong patent portfolio

PatSnap is pleased to welcome back Ian Harvey from Tsinghua University, Beijing & Imperial College Business School, London for a webinar on "How to manage IP in China." Ian will share how he thinks many businesses should be managing the opportunities China's innovation holds.

How would you rate the quality of this article?

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Commercialise your intellectual property assets with ease, using PatSnap

PatSnap's AI-driven platform uses technology and commercialisation-focussed data—including patent, grant and licensing data—to reveal optimal paths to success. Download this ebook to learn smarter and more profitable ways of commercialising IP.

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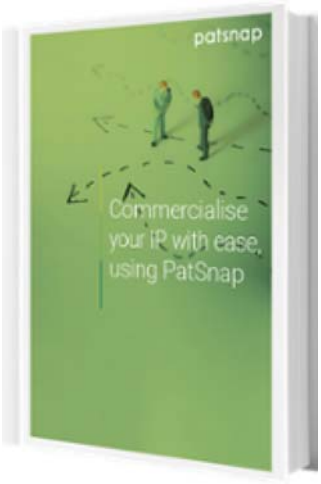

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HOULIHAN LOKEY

Commercializing IP Rights in China

PANELISTS:

PALLAVI SHAH

BEN WANG

DAMON MATTEO

MODERATOR:

GREG LUNDELL

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Introductions

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Pallavi Shah

Global IP Transactions

SVP Houlihan Lokey

SVP Black Stone IP

Technology and Licensing Lead, HP

Ben Wang

Chief IP Counsel

VP & CIPC, ZTE

Head of Patents, China, Unilever

Sr. Patent Attorney, Celera

Damon Matteo

IP/Innovation Strategy

CEO Fulcrum Strategy

Advisory Board Member, Stanford Hoover Institute

VP & CIPC, PARC

Greg Lundell

IP Strategy & Monetization

Partner, Haley Guiliano

Chief Patent Counsel, Kudelski Group

VP, IP Strategy, Rovi (now TiVo)

Commercializing IP Rights in China

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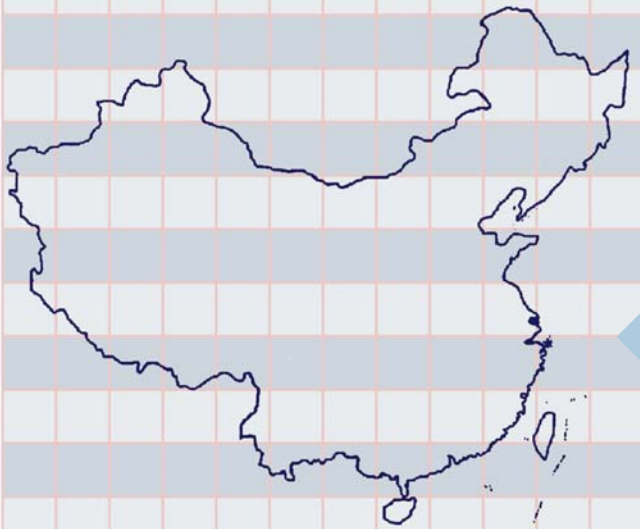
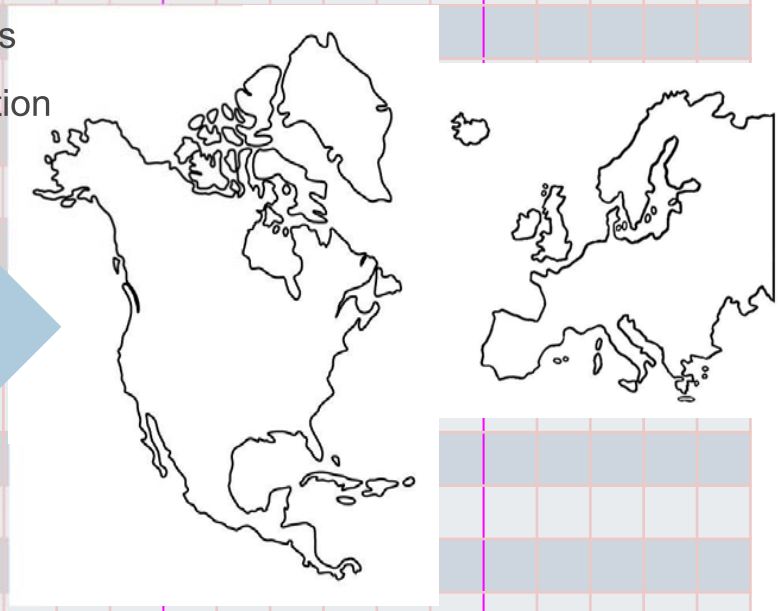
IP Transactions and IP Partnerships

- **Opportunities**
  - Buying and Selling IP/Patents
  - Licensing technologies
  - IP awareness
  - Government Incentives
  - IP budgets for acquisition
  - Cost savings





- **Challenges**
  - Language
  - Cultural
  - Role of Government
  - Funding
  - IP team's non-authority
  - Need for face-to-face

Practical IP Commercialization Issues

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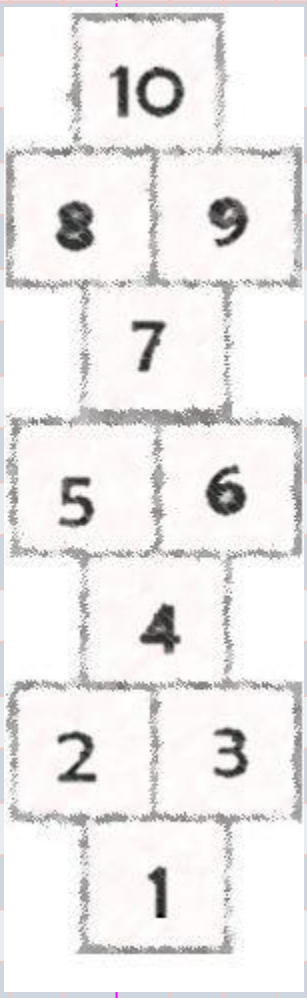
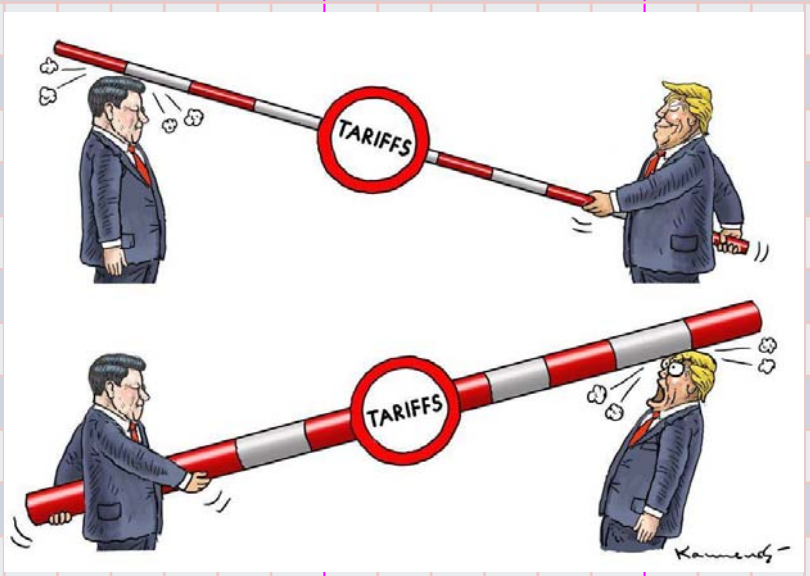
Just as simple as…

- **What Motivates Chinese Companies to:**
  - Decide to build (internal innovation), borrow (license), or buy IP?
  - Transact on Chinese patents?
  - Transact on Foreign patents?
- **What Kind of Chinese Companies are Dealing in IP?**
  - Size?
  - Technology?
  - Geography?
- **What Does It Take To Make A Chinese Company Respond To IP?**
  - Litigation (in China? Ex-China?)
  - Standard essential technology
  - Enforced (e.g., audit) compliance



Developing Trends

- US / China Relations
  - Can tariffs force IP compliance
  - Forced technology transfer
  - Trade war
- Tax Issues / Incentives
- Global suspicion around Chinese companies (e.g., Huawei)



Additional Resources

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- https://www.telegraph.co.uk/news/world/china-watch/business/patent-applications-prove-chinese-innovation-drive/
- http://www.chinadaily.com.cn/cndy/2018-03/29/content_35937826.htm
- http://www.patsnap.com/blog/license-patents-china
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- https://www.bloomberg.com/opinion/articles/2018-03-22/trump-s-tariff-hammer-won-t-hit-china-s-ip-nail

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HOULIHAN LOKEY

Commercializing IP Rights in China

PALLAVI SHAH

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Corporate Finance

2017 M&A Advisory Rankings
All U.S. Transactions

	Advisor	Deals
1	**Houlihan Lokey**	**174**
2	Goldman Sachs & Co	173
3	JP Morgan	164
4	Morgan Stanley	132
5	Barclays	106

Source: Thomson Reuters

No. 1 U.S. M&A Advisor

Top 10 Global M&A Advisor

Leading Capital Markets Advisor

Financial Restructuring

2017 U.S. Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**41**
2*	Lazard	22
2*	PJT Partners LP	22
4	Rothschild & Co.	17
5*	Alvarez & Marsal	12
5*	AlixPartners LLC	12

**Denotes tie. Source: Thomson Reuters*

No. 1 Global Restructuring Advisor

1,000+ Transactions / Valued Over $1.5 Trillion

Financial Advisory

1997 to 2017 Global M&A Fairness Advisory Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**1,001**
2	JP Morgan	959
3	Bank of America Merrill Lynch	699
4	Duff & Phelps	672
5	Morgan Stanley	660

Source: Thomson Reuters. Announced or completed transactions.

No. 1 Global M&A Fairness Opinion Advisor Since 2005

1,000+ Annual Valuation Engagements

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- Chicago
- Dallas
- Houston
- Los Angeles
- Miami
- Minneapolis
- New York
- San Francisco
- Washington, D.C.

Europe & Middle East

- Amsterdam
- Dubai
- Frankfurt
- London
- Madrid
- Milan
- Paris

Asia-Pacific

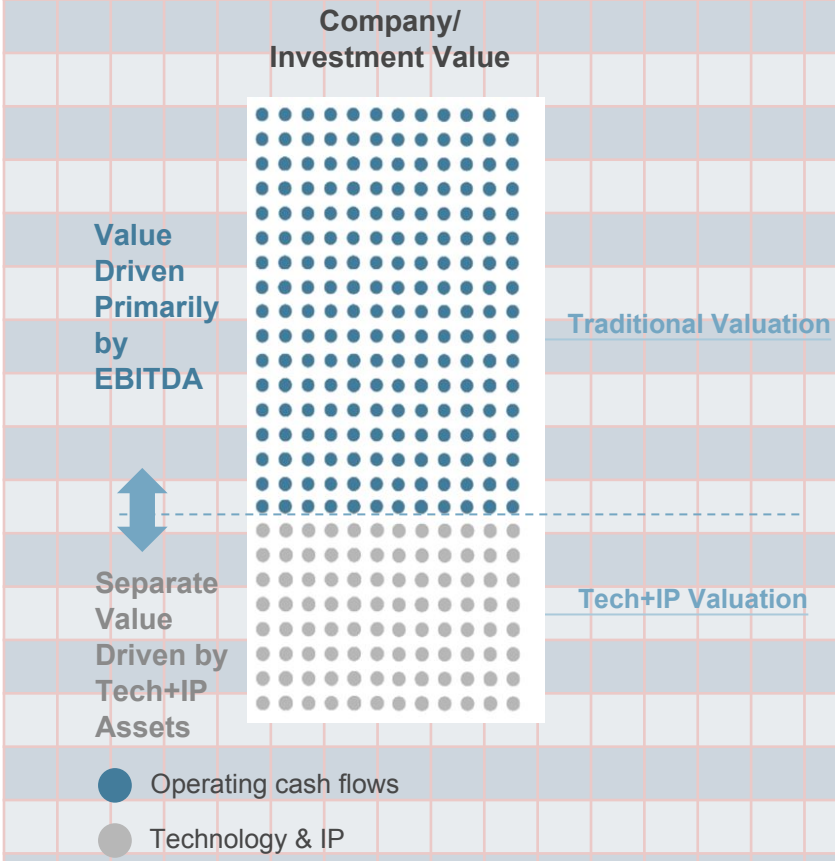
- Beijing
- Hong Kong
- Singapore
- Sydney
- Tokyo

Houlihan Lokey holds an indirect minority stake in Leonardo & Co. S.p.A., an investment bank with offices in Milan.

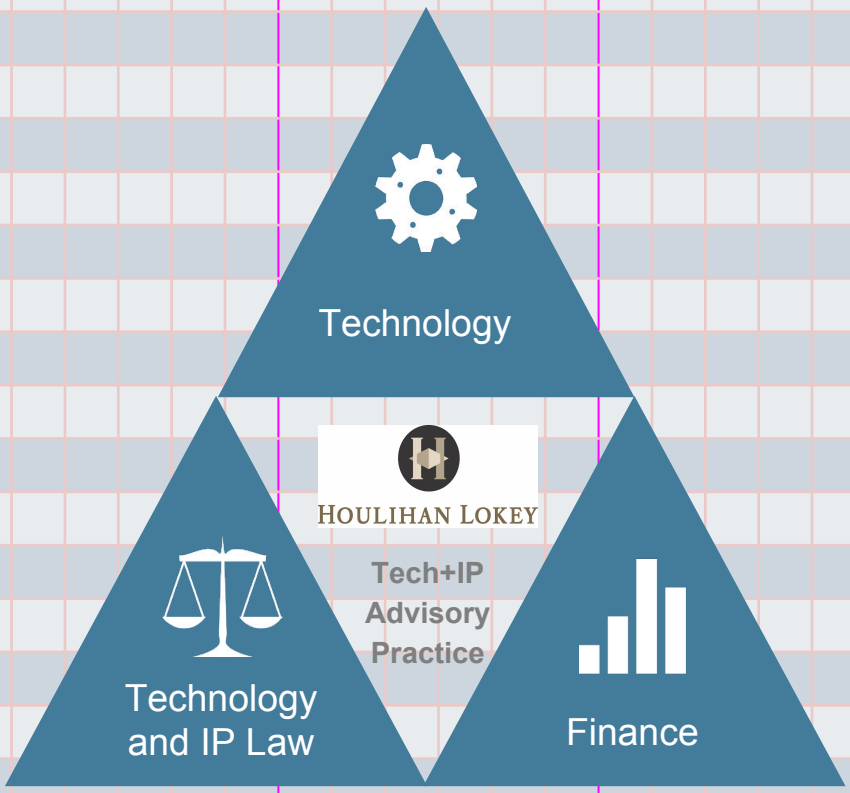
Tech+IP Advisory Helps Clients Understand, Value, and Use Their Technology and IP to Create a Strategic Advantage

Tech+IP Advisory is the largest and most sophisticated advisory practice on Wall Street dedicated to advanced technology and IP transactions, and the only one staffed with over 20 experienced bankers, engineers and attorneys.

We Create EBITDA and Tech+ IP Driven Value



Tech+IP Advisory Skill Set



Industry and technology expertise

Communications Technologies, Consumer Electronics, Digital Media, Energy, Industrials, Internet & Enterprise Software, Materials & Automotive, Medical Devices & Diagnostics, Security & FinTech, Semiconductors & Sensors

The World's Most Sophisticated Companies, and Their Advisors, Bring Us The Toughest Technology and IP Challenges

Tech+IP Advisory practice has worked with the most sophisticated companies and their advisors.

Representative Transaction and Advisory Clients

Institutional Partners

Law Firms

(1) *List not exhaustive of all clients.*

China is a Major Market for HL's Tech+IP Advisory Services

Client	Other Party	Technology Area	Nature of HL Services
Broadcom	Xiaomi	LTE	Sellside engagement: patents
Huawei	-	Wi-Fi	Strategic advice
Lenovo	-	Wireless Charging	Valuation
Large Medical Device Co.	-	Medical devices (ultrasound)	Strategic advice and Buyside
Large Handset Manufacturer	-	Smartphones, base stations, networking (Wi-Fi)	Strategic advice and Buyside

…. And Across the Entire Firm

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Tech+IP Advisory Practice Areas

The Tech+IP Advisory team deploys its skillsets across three specific practice areas, which are often combined on an engagement.

Strategic Transactions (Sellside & Buyside)

Buy and Sell Side Processes

- IP transaction
- Business unit transaction
- Technology transfer
- Technology-driven business transaction

Special Situations

- Buyer/seller and market identification
- Special Purpose Vehicle creation and planning
- Venture creation and monetization

Valuation

Collateral Valuation / Financing Support

- IP portfolio (e.g. patents, copyrights, and trademarks) valuation
- Technology valuation
- Licensing program/exposure valuation
- Royalty stack analysis
- Damages calculation (expert testimony)
- Business valuation
- Fairness opinions and board/special committee advisory
- Financial restructuring valuation and advisory
- Financial reporting valuations (e.g., purchase price allocations)
- Expert witness and litigation advisory

Strategy & Analytics

Technology and IP Analysis

- Core vs. non-core IP assessments
- IP monetization
- IP portfolio categorization and market mapping
- Technical standards analysis

Market Analysis

- Competitive technology market analysis

Strategic Analysis

- Innovation management
- Litigation research
- Strategic alternatives

Transactions Services Overview

Working alongside the Valuation and Analytics services, the Transactions team provides buy and sellside advisory for technology and industrial clients.

General Overview of Services

Sellside Expertise	▪ Assist with the sale of technology and/or IP assets to help companies:
	  ▪ Manage changes in corporate strategy
	  ▪ Generate liquidity
	▪ Develop technology transfer program
	▪ Support divestiture and M&A activity

Buyside Expertise	▪ Assist with the expansion of business ▪ Enter into new product market ▪ Provide defensive (IP) positioning for license negotiation or litigation support ▪ Provide new leverage in pre-litigation context ▪ Aid with the entrance of a business into a new geography

Example Case Studies for Discussion

Case Study	Company Sale	Tech & Patent Acquisition	Company Sale
Tech+IP Advisory Role:	▪ Sellside	▪ Buyside	▪ Sellside
Client:	▪ Designer of artificial/virtual reality headworn devices	▪ Multinational, technology company	▪ Venture-backed, connected vehicle company
Overview:	▪ Provide sellside advisory services including, identifying strategic buyers, developing marketing materials, and running a marketing process (*on-going*)	▪ Provided recurring patent landscape research to identify technology and IP assets for acquisition	▪ Provide sellside advisory services including, identifying potential target buyers, developing marketing materials, and running an marketing process (*on-going*)

Sample Transaction Clients[1]

IDT Integrated Device Technology · INTELLECTUAL VENTURES · Microsemi · PHILIPS · redhat · ViXS

(1) *List not exhaustive of all clients.*

Commercializing IP Rights in China

IP Transactions and IP Partnerships

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  - Need for face to face

- https://www.telegraph.co.uk/news/world/china-watch/business/patent-applications-prove-chinese-innovation-drive/
- http://www.chinadaily.com.cn/cndy/2018-03/29/content_35937826.htm
- http://www.patsnap.com/blog/license-patents-china

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