

Venue Analysis Following 1st Chinese Patent Office Rulings

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The China National Intellectual Property Administration recently made two benchmark administrative rulings in a major patent infringement dispute. The case was brought by international innovator drug company Boehringer Ingelheim Pharma GmbH & Co. KG against two Chinese generic drug makers Guangdong HEC Pharmaceutical Co. Ltd. and Yichang HEC Changjiang Pharmaceutical Co. Ltd., and a series of injunctions were granted against the two generic drug makers.[1]

The benchmark rulings are significant because: they (1) are the first time that CNIPA heard and ruled on a patent infringement case, and (2) demonstrate its willingness to adjudicate high-profile patent infringement cases and the potential for resolving key patent infringement cases in China.

Historically, patent right owners in China were only allowed to seek relief in patent disputes before the courts and local IP agencies — e.g., provincial and lower-level patent agencies.

In 2020, China amended its patent law to authorize the CNIPA, with nationwide jurisdiction, to hear "patent infringement disputes having significant influence throughout the country." [2] the CNIPA then issued administrative adjudication measures for major patent infringement disputes on May 26, 2021 to establish implementation rules for this new venue.

In view of its significance, we recommend all international companies facing potential patent disputes in China to keep updated on the development of this new practice. Below, we highlight some key takeaways.

What determines whether a case can be heard by the CNIPA?

The dispositive issue is whether it is a cross-provinces dispute.

Article 3 of the Major Case Measures authorizes the CNIPA to hear four types of major patent infringement disputes:

- Disputes involving significant public interest;



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- Disputes seriously affecting the development of the industry;
- Major cases across provincial administrative regions; and
- Other disputes that may have significant impacts.

Among these four types, major cases across provincial administrative regions seem to be relatively objective and easy to distinguish, as it is easier to prove a dispute is crossing provinces.

But one issue remains unclear from this provision — i.e., whether the term major is limiting and what standards the CNIPA applies to determine whether a dispute constitutes a major case.

The benchmark rulings provide a good example of the CNIPA's interpretation of Article 3.

Specifically, the fact that a dispute is a cross-provinces issue may be adequate to satisfy the requirement for major.

The benchmark rulings hold that the accused products were sold in at least three provinces and listed on public procurement websites in 24 provinces — evidencing the offering to sell — which makes the case "belong to major cases across provincial administrative regions." No other considerations are mentioned.

For this reason, it is expected that in future cases, the cross-provinces factor should be a main one to be considered by the CNIPA when deciding whether to hear a case, though it is still to be observed whether there is a minimum requirement on the number of provinces to be involved.

How efficient or speedy is a CNIPA proceeding?

In principle, a CNIPA proceeding for regular cases is expected to be concluded within 3 or 4 months from the date of institution,[3] but for particularly complicated cases this time limit could be extended with no hard upper limit.[4]

By comparison, a typical court proceeding has a six-month limit for regular first-instance cases and unlimited extensions for complicated cases.[5]

In the case of the benchmark rulings, the actual proceeding took only 3 months and 21 days.

It should be noted, however, that the proceeding was stayed for around five months after the respondent filed an invalidity petition for the patent-in-suit in the middle of the proceeding and CNIPA decided to wait for the conclusion of the invalidity proceeding.

Even counting the stay period, the total length of the proceeding was still less than 9 months, which is fairly reasonable and speedy — as compared to the court procedure in China, partly due to the fact that CNIPA has no power to adjudicate the damages issue as discussed below — for resolving a cross-provinces major patent dispute with high technical complexity.

What relief can be sought?

Patent right owners may seek injunctions, but no monetary remedies, through the CNIPA. The major case measures do not permit CNIPA to rule on damages. Thus, CNIPA may only mediate rather than rule on the amount of damages, and cannot grant any monetary relief.

However, CNIPA may issue permanent injunctions against infringers and the permanent injunctions take effect immediately after the corresponding CNIPA ruling is made.

Although the parties may still seek a judicial review of a CNIPA ruling, an injunction will remain valid as long as the ruling has not been overruled or ordered to be stayed by the judicial review, and the enforcement of the injunction will not cease during the judicial review.[6]

In the case of the benchmark rulings, CNIPA granted all injunctions requested by the patent right owner, banning the infringers from manufacturing, selling or offering to sell any infringing products as well as listing the infringing products on public e-commerce websites, which is believed to be very effective in protecting the patent owner's rights.

The CNIPA hears both infringement and invalidity cases.

In addition to its new role as a venue to hear patent infringement cases, the CNIPA is the exclusive first-instance venue to resolve patent invalidity disputes in China.[7] Therefore, a question comes up if a case involves both infringement and invalidity disputes: how would the two proceedings interplay with each other?

In the proceeding of the benchmark rulings, the infringement case was stayed, as discussed above, to wait for the conclusion of the invalidity case. However, such a stay is not a mandate.

Article 17 of the major case measures stipulates that the CNIPA may — not must — decide to stay a case if there is a parallel invalidity proceeding.

In fact, the respondent filed a second invalidity petition in the hopes of obtaining a second stay after they voluntarily withdrew the first invalidity petition and had their first stay terminated, but the CNIPA rejected their request and continued the case proceedings.

It is still to be observed in the future whether the CNIPA's dual role of hearing both the infringement and the invalidity issues can be merged in a single proceeding, or whether the two proceedings can be heard by the same collegial panel, which may further speed up the resolution of the disputes.

In addition to efficiency of the CNIPA proceeding and the available relief, there are other benefits for choosing CNIPA as the venue to resolve patent disputes.

For example, there is no official fee for filing a CNIPA case,[8] and the CNIPA has advantages in dealing with complicated technical cases as it has a large pool of experienced patent examiners/re-examiners with a variety of different technical backgrounds.

Below is a brief comparison of different venues to resolve patent disputes in China:

	CNIPA	Courts	Local IP agencies
Scope of jurisdiction	Nationwide.	Regional.	Regional.
Injunctive reliefs	Available.	Available.	Available.
Monetary reliefs	Not available.	Available.	Not available.
When the judgements/rulings take effect	Take effect immediately. Parties may seek judicial review, but the ruling will remain valid as long as the it has not been overruled by the judicial review, and the enforcement of the ruling will not cease during the judicial review.	First-instance: If appealed, no effect. If not appealed, take effect after 15 days from the date when the judgement is served. Appeal: Take effect immediately.	Take effect immediately. Parties may seek judicial review, but the ruling will remain valid as long as the it has not been overruled by the judicial review, and the enforcement of the ruling will not cease during the judicial review.
Filing fees	Free.	Depending on claimed damages, or RMB 500-1,000 if no damage is claimed.	Free.
Regular time limits for proceedings	3 months.	First-instance: 6 months. Appeal: 3 months.	3 months.
Extension(s) for time limits for proceedings	1 month for first extension and unlimited for second extension.	First-instance: 6 months for first extension and unlimited for second extension. Appeal: Unlimited.	1 month.

This new venue presents both challenges and opportunities for innovator companies facing patent infringement disputes in China.

Through this venue, they may enjoy more efficient protection over their innovation, but there is still hard work to be done to ensure that their needs can be thoroughly addressed.

For example, before initiating a CNIPA proceeding, the patent owners may need to comprehensively evaluate any potential countermoves that could be taken by the opposing parties, including but not limited to patent invalidity challenges and objections to the CNIPA's jurisdiction.

They may also need an in-depth analysis on how to pursue a balance between a quicker resolution of the patent disputes before CNIPA and more satisfactory remedies, including the monetary reliefs, through the court.

In conclusion, it is highly recommended that when facing potential patent disputes in China, the innovator companies should think strategically about the merits of each venue, consider whether a combination and comprehensive selection of different venues would be advantageous, and evaluate whether the forum selection in China would have any impact on the global resolution of the disputes.

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[1] Case Nos.: (2021) Guo Zhi Bao Cai No. 1 and (2021) Guo Zhi Bao Cai No. 2.

[2] Article 70 of Patent Law the People's Republic of China (Amended in 2020).

[3] The time for some activities cannot be counted against this time limit. For example, the time for stay for the pending parallel invalidity proceeding and the time for testing and appraisal is excluded from the statutory time limit.

[4] Article 22 of the Major Case Measures stipulates that "[w]hen handling a patent infringement dispute, the CNIPA shall close the case within three (3) months from the date of docketing the case. If the case cannot be closed within this time limit due to its complexity or any other reason, the time limit may be extended by one month subject to approval. If the case is particularly complicated or there is any other special circumstance and the case still cannot be closed after the extension, and if a second extension is approved, a reasonable period of the second extension shall be determined at the time of approval."

[5] Article 152 of Civil Procedure Law of the People's Republic of China.

[6] Article 23 of the Major Case Measures.

[7] Articles 45 and 46 of Patent Law the People's Republic of China (Amended in 2020).

[8] For the patent cases before the Chinese civil courts, the plaintiff needs to pay the filing fees proportionate to the damages it claims in the complaint. Even if no damage is claimed, the plaintiff should still pay a filing fee of RMB 500-1,000.