

# New Private Law? Intellectual Property “Common- Law Precedents” in China

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# China is strengthening the IP protection.

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## 1. Exogenous effects

- a. TRIPS

- b. Trade pressures from the U.S.

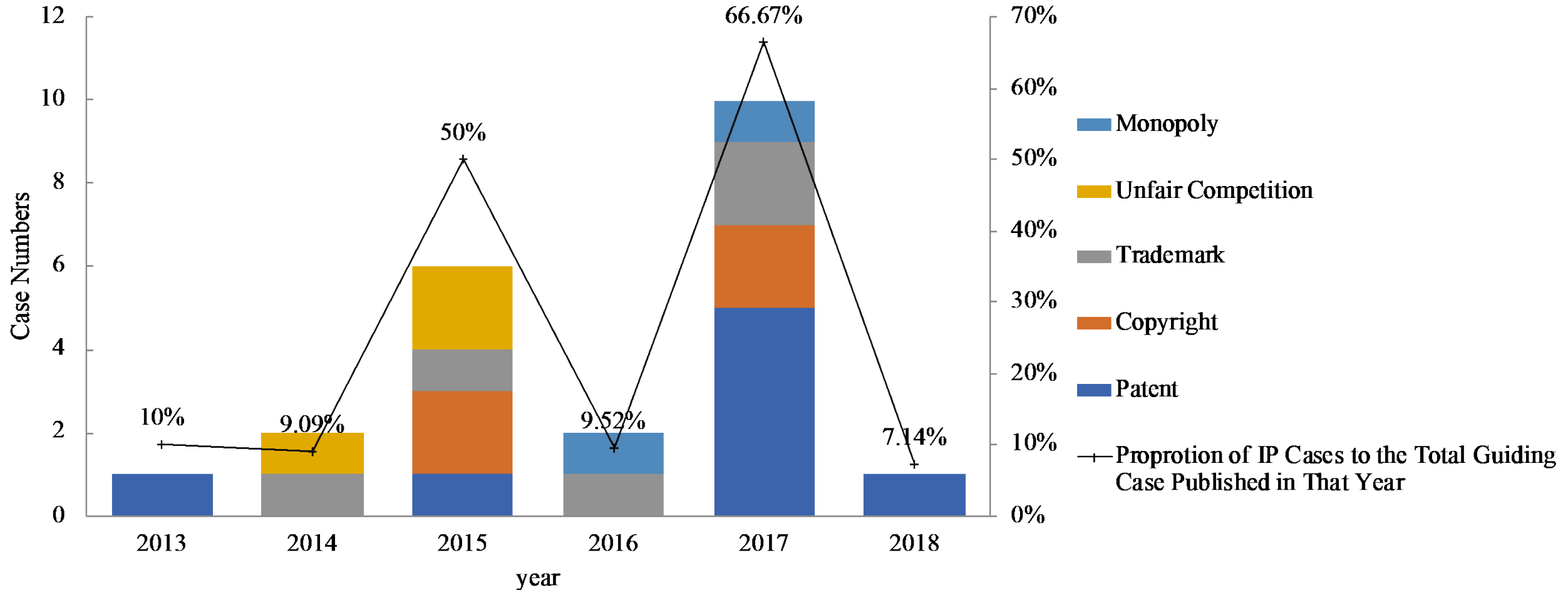
## 2. Internalize IPRs through the guiding cases

# What are the guiding cases?

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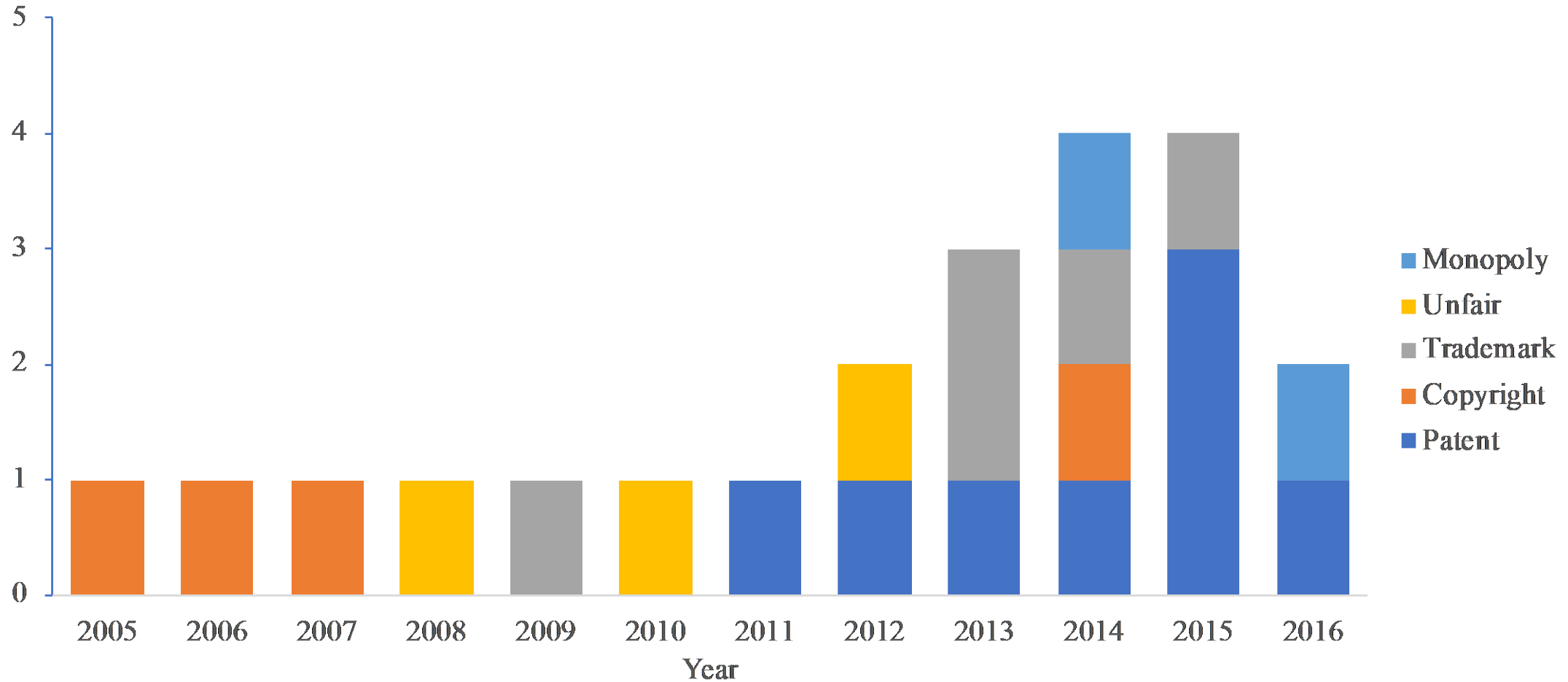
1. GCs are “common-law precedents,” *de facto* binding.
2. GCs are selected, compiled, and published by the Supreme People’s Court.

# Figure 1. Number of IP Guiding Cases Published Over Years



What are the guiding cases?

## Figure 2. Number of IP Cases Decided over Years



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What are the guiding cases?

# Why have guiding cases?

*De facto* binding, to solve adjudicative inconsistency.

1. Be binding as judicial interpretations.
2. Enforce the IP GCs through the reformed appellate systems.
3. Enforce the IP GCs through government agencies.

# How to explain the GCs? New Private Law theories from the U.S.

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1. Base: IP law is developed around private law.
2. **Utilitarianism** maximizes interests.
  - The public interest and interest of the particular groups can be connected.
  - The boundary between public law and private law is obscure.
  - Common law is economically efficient.
3. When common law is not efficient, courts are **pragmatic** on IP issues.

# China needs IP Law as New Private Law

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1. The USPTO intervenes in private rights both procedurally and substantively, and finally affects the judicial system.
2. The IP regime in China needs precedential law.
  - Courts apply uniform legal principles. *E.g.* trademarks registered in bad faith.
  - The SIPO does not apply legal principles, which may mislead the public.
  - Adjudicative inconsistency may heavily exist without GCs.



# Trademark & Unfair Competition

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1. Protect trademarks or trade names for identifying goods.
  - GCs: protecting both TM owners and consumers, *Youth Travel Serv.*, *Ferrero*.
  - Practice: a balance between protecting consumers and protecting TM owners. *Beijing Muji v. Japan Muji*.
2. Free riders are allowed. *Shandong Lujin Indus.*
3. No protection for generic names.
  - *Shandong Lujin Indus.*
  - *Elliott v. Google*, 865 F.3d 1151 (2017).

# Copyright

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1. Copyrightable subject matters are as similar as the subjected matters in the U.S., but the requirements are more conservative compared to the U.S.
  - Elements in the public domain. *E.g., Zhang.*
  - Software circumvention. *E.g., Jingdiao.*
2. Courts prevent overprotection of copyrights.
  - Control copyright quality.
  - Award follow-on creators. *E.g., Hong Fuyuan.*

# Patent and Patent Variety

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1. Courts are a gatekeeper to prevent over-rewards for patents.
2. Courts are pragmatic and utilitarian to promote innovation. *E.g., Siruiman.*

“If the accused party produced, sold, or imported the accused products before the utility patent application is granted, the subsequent use, the promised sale, or the sale of the products by the accused party without the permission of the utility patent owner is not deemed as patent infringement.”

  - Formalistic: deduce rules from the statutory language.
  - Realistic: deny the value of patent applications and take care of follow-on innovators.

“A patent cannot be enforced is that the prior users, whose use is earlier than the filing date of the patent application, can produce the same products or use the same methods as not infringing the patent after the patent is issued due to the gap in the language of the Patent Law. ”

  - Realistic: tolerate prior users; encourage early patent filings.

# Balance of the Burden of Proof

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1. Ps in patent GCs carry stronger burden of proof compared to Ps in copyright GCs.
2. Courts are realistic/pragmatic to concern transaction costs and litigation costs.
  - *E.g., Grohe, Eli Lilly, Shi.*
  - *E.g., tests for the differences between patent varieties.*

# Remedies for IPRs

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## 1. Courts assign low damages.

- 0.2 million asked by P in *Hong*, a copyright infringement case, 0.1 million RMB was awarded by the court.
- A lead-time compensation of 0.5 million for (plant) patent infringement lasting three years.
- Courts prefer “actual damages” to “reasonable royalties” when they cannot prove both the loss of P and the profits received by D for the infringement.
- Courts use high sanctions. *E.g.*, felony.
- Courts repair reputation rather than monetary loss.

# Remedies for IPRs

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2. Courts commonly award permanent injunctions.
  - Market determines the value of IPRs.
  - The property rule give strong negotiation power to IPR holders.
3. Courts consider the public interest beyond property rights by using compulsory license.

# Government's Role in Adjudication

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1. Courts defer to administrative agencies on IP eligibility.
  - The SIPO, TTAB.
2. Courts rely on the government to provide testimony and testimony standards. *E.g., Shi, Eli Lilly*.
  - Compared with FDA, the USPTO.

# Conclusion

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1. The judicial system of China increasingly treats IPRs as property rights, but IP laws are not instructed to be applied as conventional private law by the SPC and the IP GCs.
2. The reward function of IPRs should be realized through the market and the government. The courts function as a gatekeeper and consider IPRs' quality to prevent overrewarding.
3. The IP GCs can reduce litigation costs and administrative costs.
4. The IP GCs are not frequently cited by the inferior courts.
5. Statutes have been amended as consistent with two IP GCs.