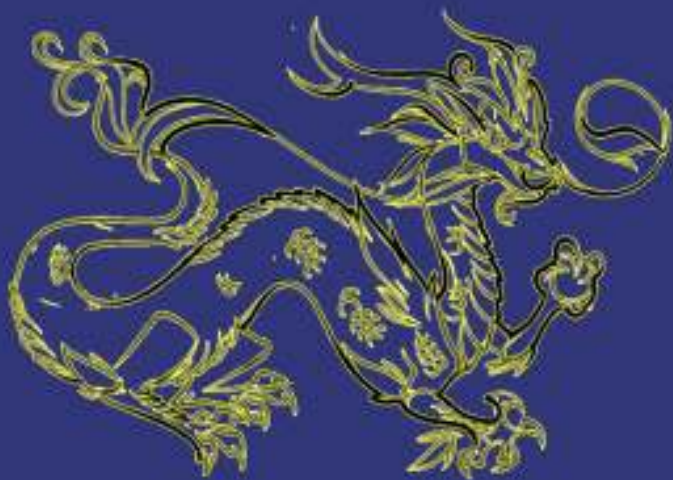


IP Protection & IP Dispute Resolution in China



& Bird & Bird

Dr. Matthias Meyer
Partner, Head of China Desk
Germany

Green Technologies in the Energy Sector & China

"Global Leader"

- "China led the world in renewable energy investment, raising 22% to \$67 billion in 2012"
- "World's biggest destination for renewable energy outlays"
- "Largest investor in solar - \$31.3 billion in 2012"
- "China expects to exceed Germany as the largest solar market for all project sizes in 2013"

- cited from various on-line sources

VS

"Chinese Sunburn"

- Domestic oversupply in China
- US-China/EU-China Solar War
- Financial trap – e.g. insolvency of Wuxi Suntech Power Co., Ltd
- Increasing IP disputes:
 - Superconductor Corp (U.S.A.) vs. Sinovel Wind Group Co Ltd (China) – IP litigation and arbitration in China; IP theft claims filed by US Department of Justice
 - Westinghouse Solar, Inc. (U.S.A.) vs. Canadian Solar Inc. (Chinese subsidiary) – US ITC patent litigation

Green Technologies in the Energy Sector & China

- Overcapacity
- Overly export-oriented PV industry
- Key issue: lack of core technology & low R&D capacity

"without key technology, solar makers in China struggle in the low-end of the industrial chain and have tried to win over foreign markets with a strong competitiveness in price, which they gain due to economy of scale and lower labor costs."

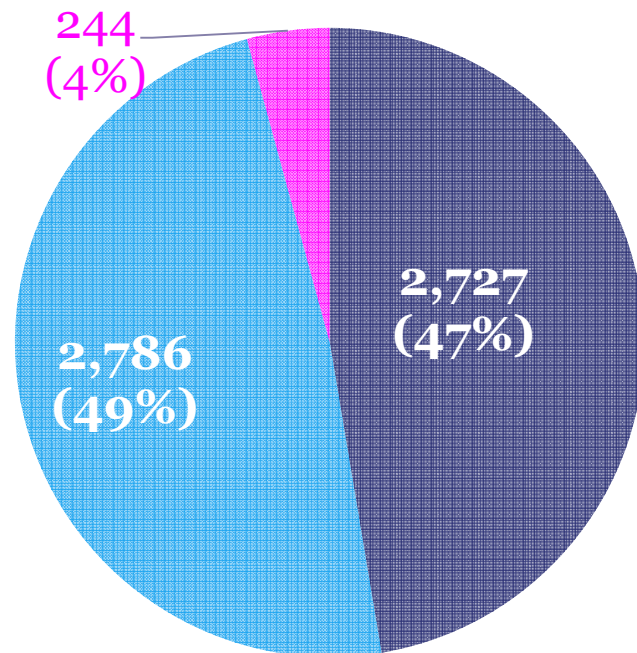
- cited from Chinadaily European (26 June 2013)

Green Technologies in the Energy Sector & China

Patenting Activity in China

- Solar PV Patent Application in China 2011

■ Invention Patent ■ Utility Model ■ Design



However,

- 43% were filed by Japanese, US, and South Korean companies located in China
- Chinese filing focus on design and utility model patents
- Very few Chinese companies as patentees

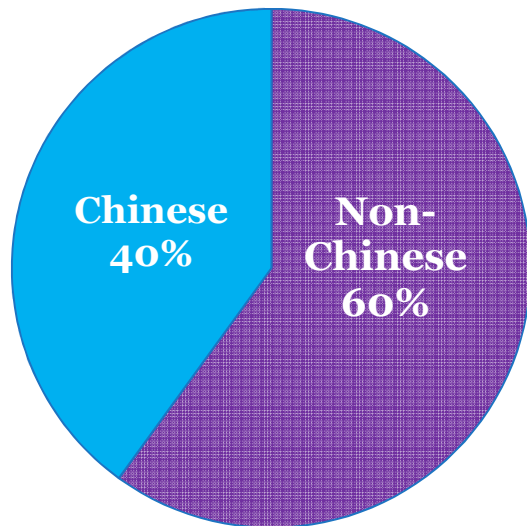
- cited from SIPO website

Green Technologies in the Energy Sector & China

Patenting Activity in China

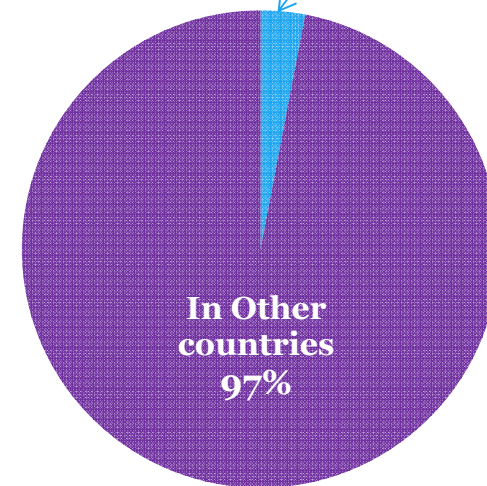
- Wind Technology Patenting

**Top 10 Turbine
Manufactures worldwide**



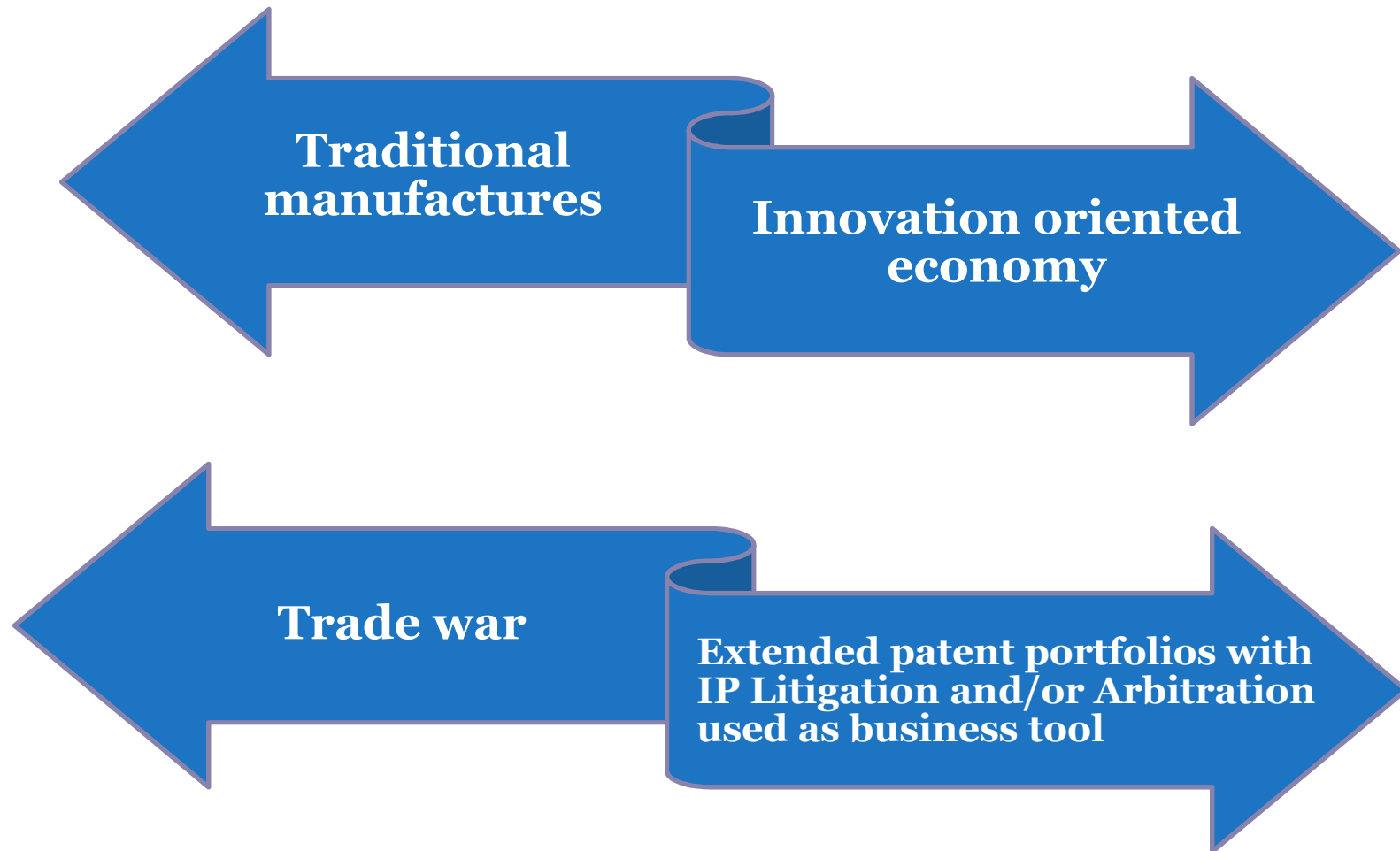
World's wind patenting

**International patent
applications in China: 3%**



- cited from Yang Yujing, *Characteristics and trends of US Clean Energy Litigations and its Implications for China*,
Journal of Beijing Institute of Technology Vol.15, No. Feb 2013

Green Technologies in the Energy Sector & China & Prospects



Chinese IP Legal System Overview

- Legal framework
 - Civil law system
 - Patent law; Trademark Act; Copyright Act; Act on Anti-Unfair Competition
 - Implementation rules promulgated by P.R.C. State Council
 - Supreme Court's judicial interpretations have the status of law
- Patent & trademark : "first-to-file"; Copyright: no registration required but possible
- Four-level Court system: Supreme Court; High Courts; Intermediate courts; District courts
- Specialized chambers for IP litigations
- Relevant authorities:
 - State and local Intellectual Property Office (SIPO)
 - Patent Re-examination Board (PRB) under SIPO
 - National Copyright Administration (NCA)
 - Trademark Office (CTMO)
 - Administration for Industry and Commerce (AIC)
 - Trademark Review and Adjudication Board (TRAB) under AIC

IP Protection in China

Recent Developments & 2012 Statistics

More than 526,412 patent applications in China –the most patent applications were registered globally!

1.6 million trademark applications, only 9% of which are from non-Chinese residents

More than 800,000 copyright registration, of which 140,000 are software

IP-backed bank loans reached RMB 14.1 billion (EUR 1.7 billion); however, only 0.17% of patents were used to secure financing

* Cited from IP newsletters, British Embassy China

IP Protection in China

Recent Developments & "China Go Global"

- Chinese government adopted "Go Global" policy as part of its 12th Five Year Plan (2010-2015). Chinese companies are seeking increased overseas IP protection
- In 2012, China recorded a trade deficit in royalties and licence fees of US\$ 17 billion – one underlying cause is the relatively low level of patents granted to Chinese residents outside PRC *
- Nevertheless, European Patent Office received 18,812 (out of 257,744) patent applications from Chinese residents in 2012 *
- ZTE and Huawei listed in Top 10 and Top 20 applicants, respectively
- However, EPO only granted 793 patents to Chinese residents *

* Cited from IP newsletters, British Embassy China

IP Dispute Resolution in China & Overview

IP Enforcement Options in China

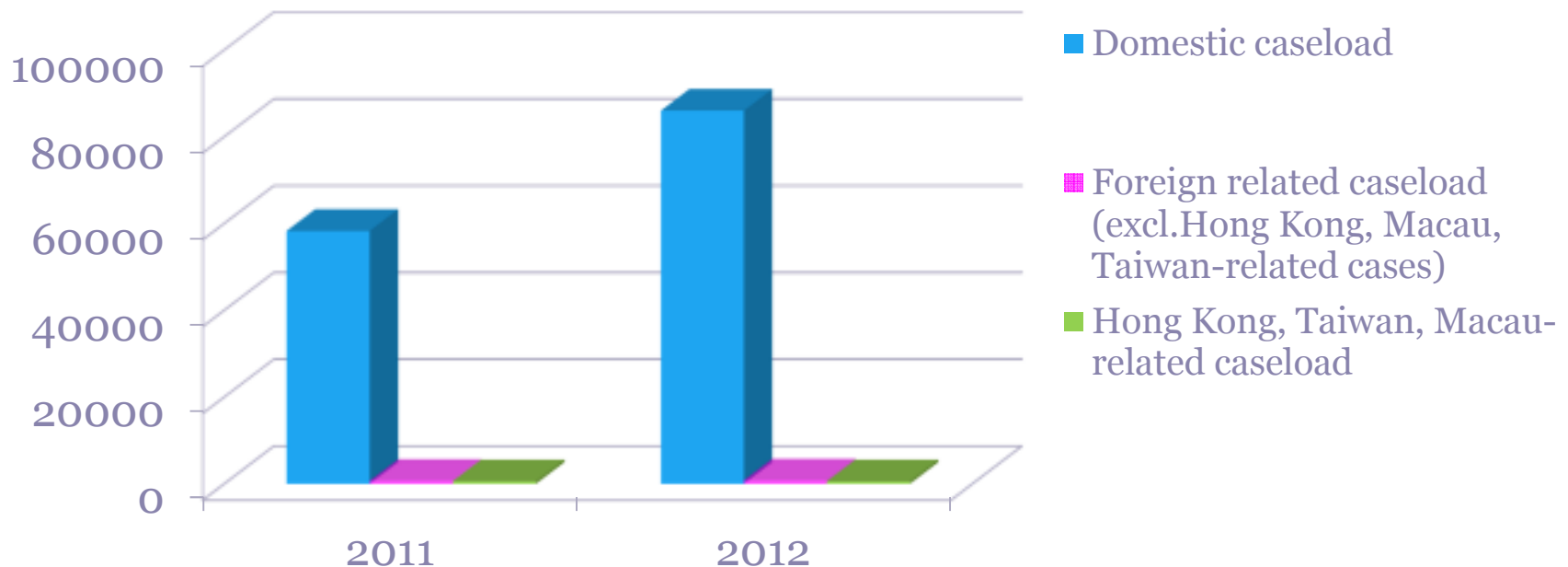
- Civil enforcement
- Criminal enforcement
- Administrative enforcement
- Customs enforcement
- Mediation
- Arbitration

Practical Issues

- Before taking any action, right holders should conduct investigations (e.g. identity of infringer, place of production of infringer, any IPRs of infringer). Evidence acquired during investigation is advised to be notarized to be used in any of the above actions.
- Evidence obtained outside China has to be legalized and notarized and if necessary, translated by official translator appointed by the competent court.

IP Disputes Resolution in China & Litigation

- IP Civil Caseload – 1st instance before intermediate court or High Court

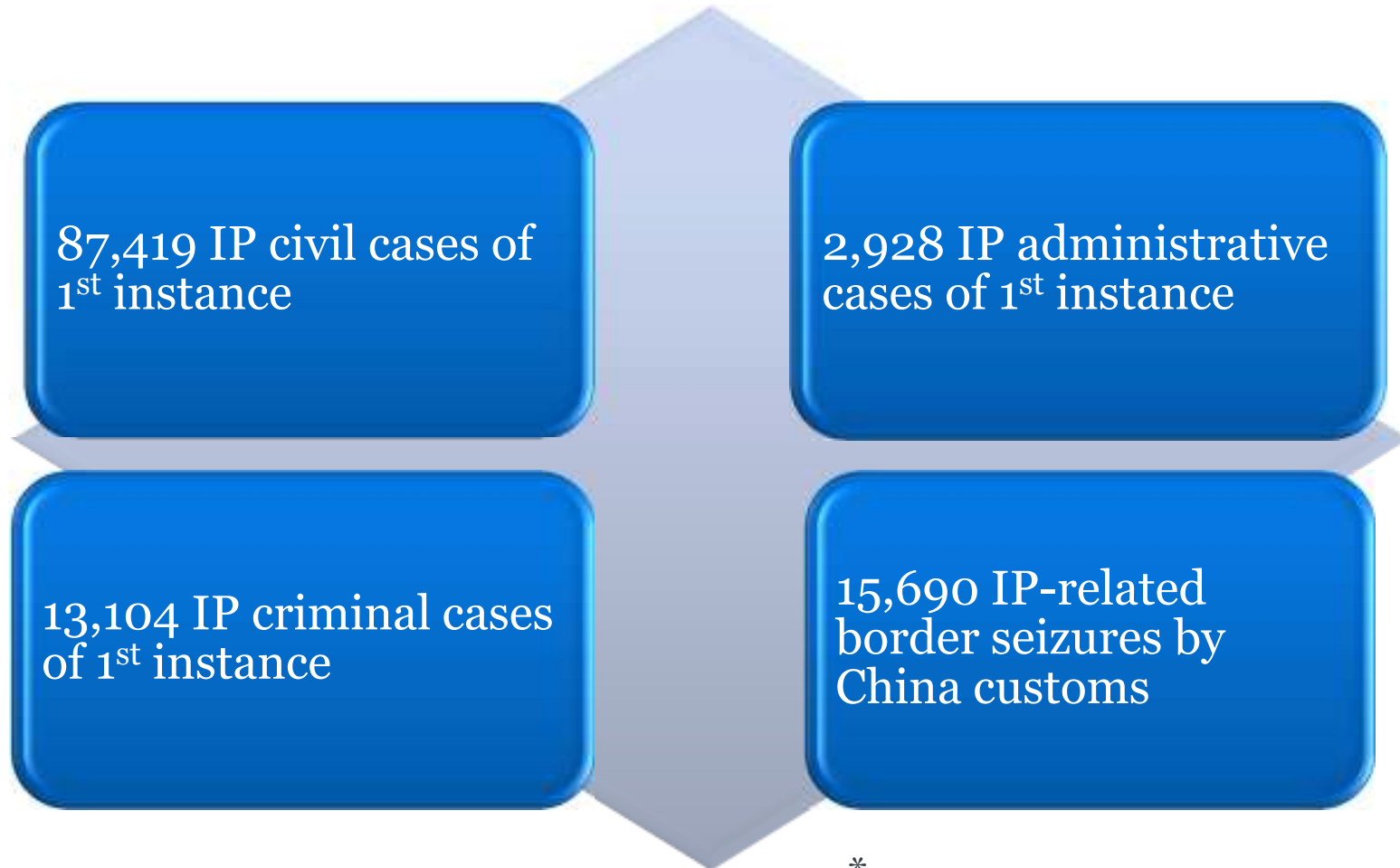


Definition of foreign-related civil cases under Chinese law

- One of the parties is non-Chinese and/or
- Occurrence, modification or termination of civil rights and obligations takes place outside mainland China and/or
- Subject matter in dispute is located outside mainland China

IP Dispute Resolution in China

Recent Developments & 2012 Statistics




* Cited from news.China.com.cn

IP Dispute Resolution in China & Civil, Administrative and Customs Enforcement

Department	Jurisdiction	Authorities
Local SIPO offices	Mainly patent infringement	Mediation, investigation, administrative adjudication , seizure and administrative penalty
Patent Re-examination Board (PRB)	Patent validity disputes	(partial) invalidation possible.
CTMO & TRAB	Trademark opposition proceedings	(partial) invalidation possible.
State and local Admin. for Industry and Commerce	IP illegal acts which cause damages to legal business, including patent and trademark infringement and unfair competition in the market	Mediation, investigation, order infringer to immediately stop infringing act, confiscation and destruction of infringing goods and manufacturing tools; imposing a fine
Customs	IP infringement in imports and exports	Seize, investigate, confiscate and destroy infringing goods
Intermediate Court	<ul style="list-style-type: none"> • 1st instance (IP infringement cases) • 1st appeal (against RRB/TRAB/AIC decisions) 	Damages, injunctive relief, order of destruction of infringing goods and manufacturing tools
High Court	<ul style="list-style-type: none"> • 1st appeal (IP infringement cases) • 2nd appeal (against RRB/TRAB/AIC decisions) 	"
Supreme Court	Final appeal	"

Chinese IP Dispute Resolution & Criminal Enforcement

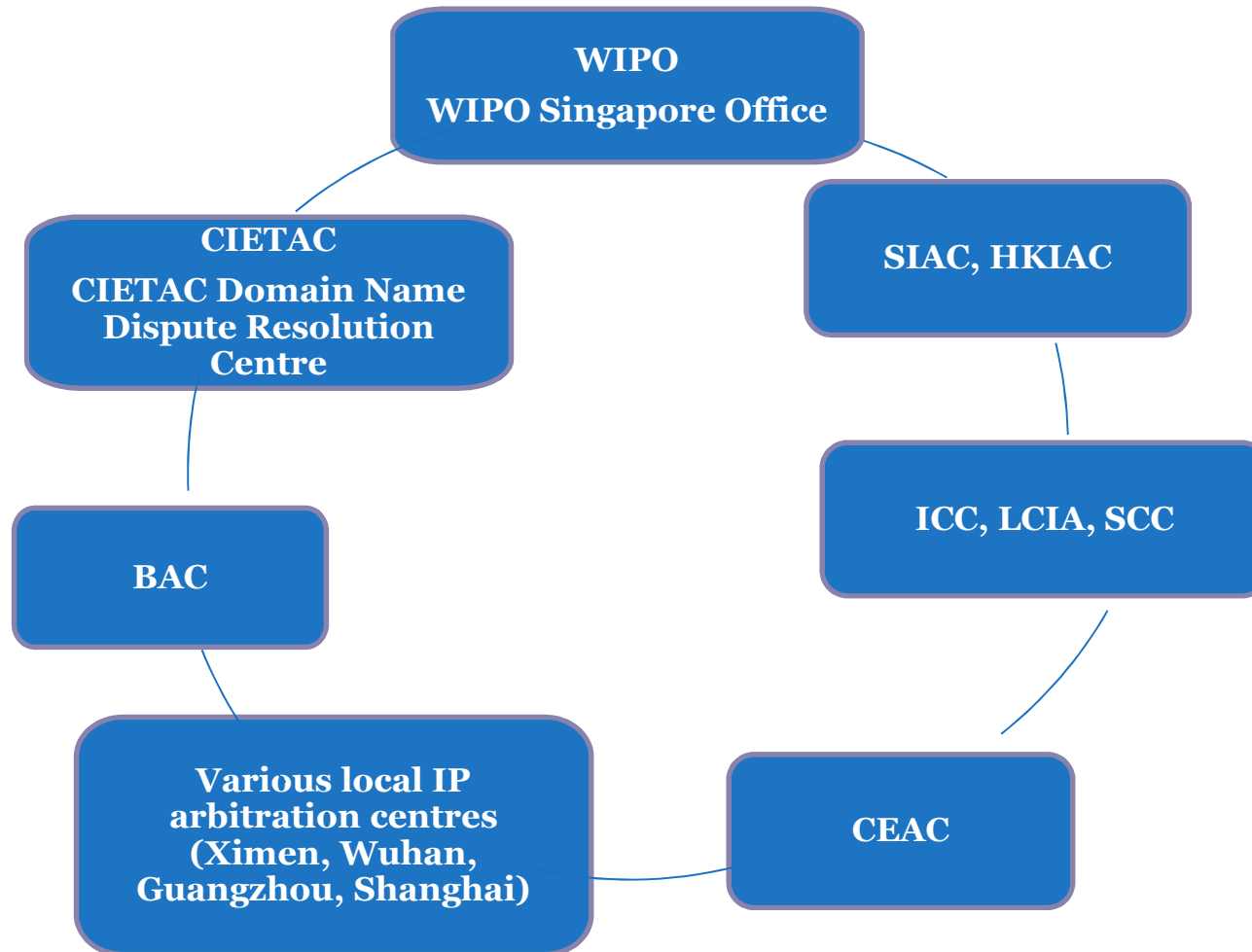
- Serious infringement cases may be subject to criminal prosecution
- Legislations
 - Criminal Code
 - Criminal Procedural code
 - Interpretation of Supreme Court and the Supreme Procuratorate on Issues of Law Application in Handling Criminal Cases involving Intellectual Property
- Public Security Bureau (PSB)  People's Prosecutor
- Criminal liability for IP crimes: imprisonment, fines and damages

Chinese IP Dispute Resolution & Mediation & Arbitration

- Mediation (administrative mediation, industry mediation, med-arb and court mediation)
- Diversity of court mediation:
 - 1) pre-suit mediation: Court mediation before case registration
 - 2) Mediation conducted by Case Filing Chamber after case registration but before case is submitted to Trial Chamber
 - 3) Mediation during trial
 - 4) Written mediation statement and signed trial record constitute a binding and enforceable settlement agreement
- Chinese special "med-arb system"
- Industry mediation

Chinese IP Disputes Resolution & Arbitration

Options of Arbitration Institutions for Chinese IP disputes



Chinese IP Disputes Resolution & Arbitration

Highlights/Pitfalls of Chinese Arbitration

- Chinese arbitration law substantially differs from UNCITRAL Model Law and generally provides for lower level of party autonomy:
 1. China does not recognize *ad hoc* arbitration seated in China and may not recognize arbitration seated in China but not administered by mainland arbitration institutions (“ICC rules, Shanghai” clause was held invalid by Supreme Court for not meeting the “arbitration commission” requirement)
 2. Only “foreign-related arbitration” can have seat outside mainland China
 3. Parties generally cannot choose arbitrators outside the list provided by arbitration institution
- Most IP disputes are arbitrable except for validity issues regarding patents, trademarks and integrated circuit layout designs.

Chinese IP Disputes Resolution & Arbitration

Highlights/Pitfalls of Chinese Arbitration

- Arbitral tribunal has no power to order interim measures; enforceability of a partial award containing injunctive relief is uncertain
- Med-Arb system: Chinese arbitrators incline towards mixing arbitration with conciliation
- China is a New York Convention member state. In China, a reporting system has been applied to strengthen enforcement of foreign arbitral awards, i.e. lower courts cannot refuse to enforce a foreign award without referring to higher courts and ultimately the Supreme Court

Chinese IP Disputes Resolution & Arbitration

- Historically, only CIETAC was allowed to administer foreign-related arbitration; since 1996, all Chinese arbitration institutions have such competence
- New CIETAC Rules 2012 showcase recent trends of Chinese arbitration practice:
 - arbitral tribunal is allowed to grant interim measures that it deems necessary and proper in accordance with applicable law; nevertheless, enforceability of such order or interlocutory award remains to be tested.
 - In the absence of parties' agreement on seat of arbitration, CIETAC may designate a seat outside mainland China
 - Chinese is no longer the default language
- "CIETAC Civil War"
 - CIETAC Shanghai and South China branches disagreed with new CIETAC Rules on interim measures, which led to their breaking away from CIETAC Beijing
 - CIETAC BJ has withdrawn authorization to the two branches to administer CIETAC Cases. Recently, a Chinese court refused to enforce a "CIETAC Shanghai" award.
 - Therefore, CIETAC arbitration with a Shanghai or Shenzhen seat is advised to be referred to CIETAC Beijing office

IP Disputes Resolution in the Energy Sector in China

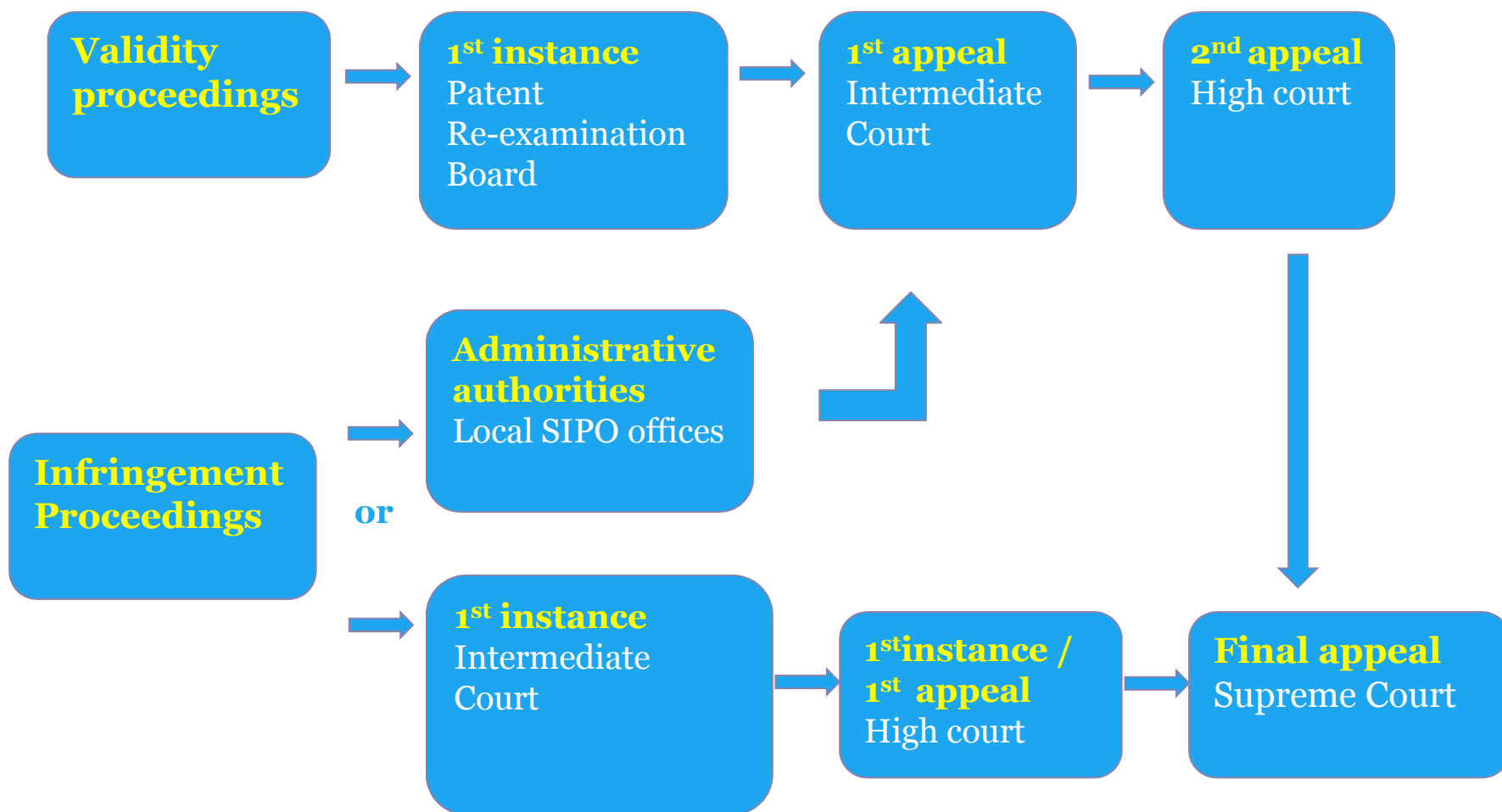
- Energy disputes fall into the regular regime of dispute resolution in CN
- No statistics re. IP arbitration published by CIETAC since 2008
- Landmark cases (currently pending):

American Superconductor ("AMSC", US supplier) vs. Sinovel Wind Group Co Ltd ("Sinovel", Chinese wind turbine company)

 - AMSC commenced arbitration at Beijing Arbitration Commission against Sinovel, seeking payment of USD 70 mio. for past shipments and enforcement of USD 700 mio worth of contracts
 - AMSC filed a trade secret infringement case before Beijing High Court, seeking damages of USD 450 mio.
 - AMSC filed two copyright infringement cases in Beijing and Hainan, respectively
 - Sinovel was charged by US Department of Justice with stealing trade secrets from AMSC
- No information about further high-profile IP and energy cases (arbitration and litigation) in China pending at the moment

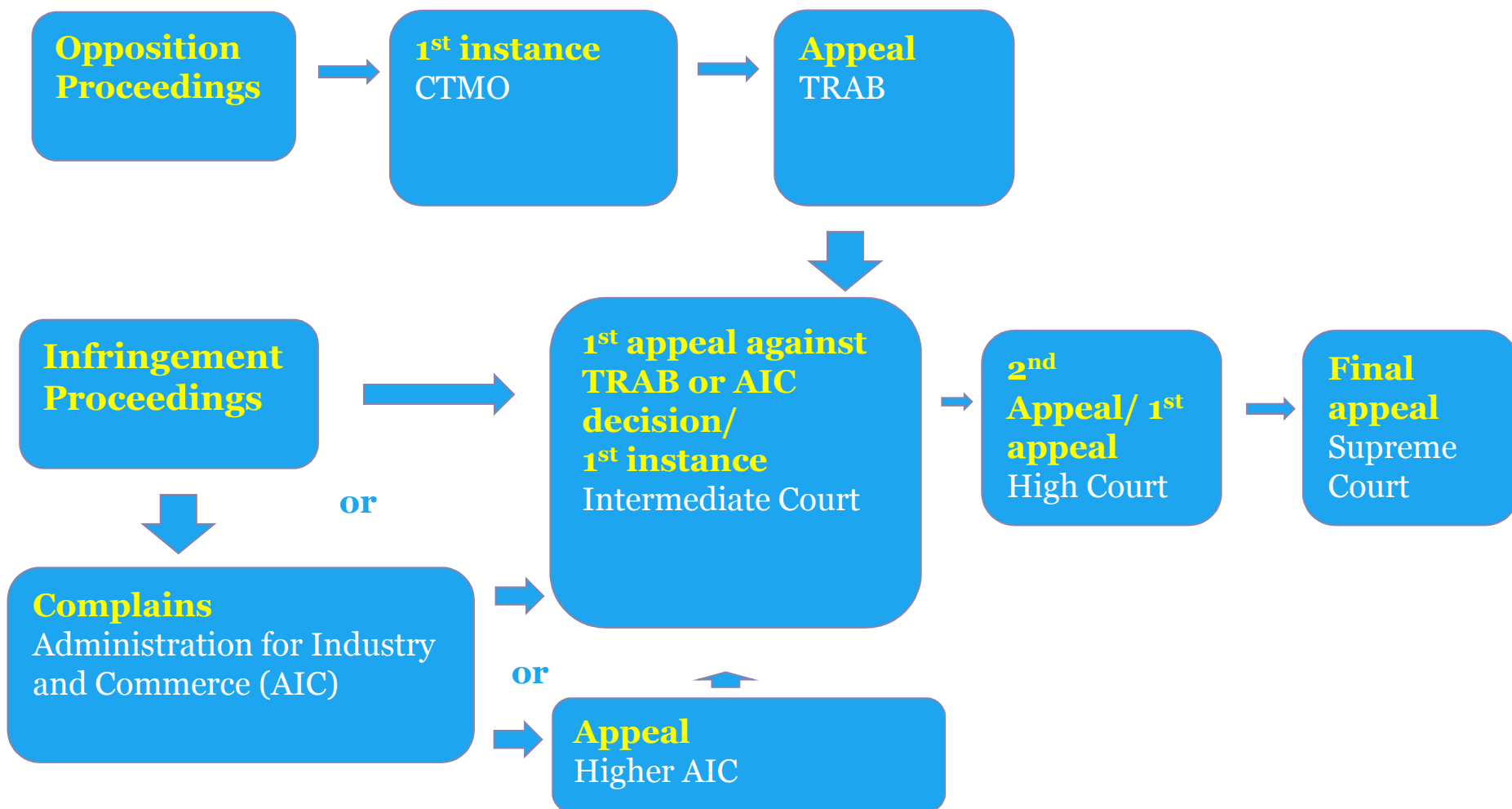
Annex 1

- Patent – bifurcated system



Annex 2

- Trademark



Thank you & Bird & Bird

Dr. Matthias F. Meyer
Partner

Tel: +49 (0)211 2005 6000
Fax: +49 (0)211 2005 6011
Direct: +49 (0)211 2005 6327
matthias.meyer@twobirds.com



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