



CHINA

**STUDY ON THE JUDICIAL PROCEDURES CURRENTLY IN PLACE IN
CHINA FOR THE TREATMENT OF INTELLECTUAL PROPERTY CASES**

IPKCH – AO – 004 – 20

DRAFT FINAL REPORT

21 JULY 2021

www.ipkey.eu



Funded by the European Union
受欧盟资助



Directed by the European Commission, IP Key is implemented by the European Union Intellectual Property Office (EUIPO).

IP Key由欧盟委员会指导，欧盟知识产权局（EUIPO）实施。

CONTENTS

CONTENTS	2
EXECUTIVE SUMMARY	5
1.1 Introduction.....	5
1.2 First comparative studies on procedure	5
1.3 General statistics	6
1.4 Consulting stakeholders.....	7
1.5 Brief analysis of the results	7
1.5.1 Procedural matters that specifically concern foreign stakeholders.....	7
1.5.2 Matters concerning all stakeholders.....	8
METHODOLOGY.....	9
ANALYSIS.....	12
1.POWER OF ATTORNEY.....	12
1.1 Legal background.....	12
1.1.1 Legalisation of the PoA to a Chinese lawyer	12
1.1.2. Internal PoA	14
1.1.3 New SPC Provisions on Providing Online Case Filing Services for Parties to Cross-border Litigations	16
1.2 Stakeholders' views	16
1.3 Assessment and recommendations.....	17
1.3.1 Assessment.....	17
1.3.2. Recommendations.....	18
2.EVIDENCE.....	19
2.1 Preservation of evidence	19
2.1.1 Legal background.....	19
2.1.2 Preservation by the court.....	20
2.1.3 Legalisation of evidence.....	23
2.2 Role of technical experts.....	25
2.2.1 Legal background.....	25
2.2.1.2 Technical investigator designated by court.....	26
2.2.2 Stakeholders' views	27
2.2.3 Assessment and recommendations.....	27
2.3 Protecting of trade secrets	28
2.3.1 Legal background.....	28

2.3.2 Stakeholders' views	3
2.3.3 Assessment and recommendations	29
2.4 False evidence	29
2.4.1 Legal Background	29
2.4.2 Stakeholders' views	30
2.4.3 Assessment and recommendations	30
3.SERVICE OF DOCUMENTS	31
3.1 Legal background.....	31
3.1.1 Method of service	31
3.2 Stakeholder's views	32
3.3 Assessment and recommendations	33
3.3.1 Assessment	33
3.3.2 Recommendations - legislative.....	33
4.PROVISIONAL MEASURES.....	33
4.1 Legal background.....	33
4.1.1 Civil Procedure Law.....	34
4.1.2 - SPC Interpretation	35
4.2 Stakeholder's views	36
4.2.1 Injunctions	36
4.2.2 The preservation of assets	36
4.3 Assessment and recommendations	37
4.3.1 Assessment	37
4.3.2 Recommendation	37
5.TRIAL	37
5.1 Case filing – splitting of cases.....	38
5.1.1 Legal background.....	38
5.1.2 Stakeholders' views	38
5.1.3 Assessment and recommendation	39
5.2 Short deadlines for filing documents	39
5.2.1 Legal background.....	39
5.2.2 Stakeholders 'views	39
5.2.3 Assessment and recommendations.....	39
5.3 Absence of time limit for the treatment of foreign related cases	39
5.3.1 Legal background.....	39
5.3.2 Stakeholders' views	40
5.3.3 Assessment and recommendation	40
5.4 Organising the trial and hearings	41
5.4.1 Legal background.....	41
5.4.2 Stakeholders' views	46
5.4.3 Assessment and recommendations.....	47
5.5 Categorisation of cases simple and complex	51
5.5.1 Legal background.....	51

	4
5.5.2 Stakeholders' views	52
5.5.3 Assessment and recommendation	52
5.6 Difficulty of obtaining stay of procedure.....	52
5.6.1 Legal background.....	53
5.6.2 Stakeholders' views	54
5.6.3 Assessment and recommendations.....	55
5.7 Transfer of case.....	57
5.7.1 Legal background.....	57
5.7.2 Stakeholders' views	57
5.7.3 Assessment and recommendation	57
5.8 Publication of judgments and role of guiding cases	58
5.8.1 Legal background.....	58
5.8.2 Stakeholders' views	59
5.8.3 Assessment and recommendations.....	60
5.9 Enforcement of judgments	61
5.9.1 Legal background.....	61
5.9.2 Stakeholders' views	62
5.9.3 Assessment and recommendations.....	62
 6.INTERACTION BETWEEN ADMINISTRATIVE, CRIMINAL AND CIVIL PROCEDURES	
.....	64
6.1 Restriction on suing a registered trademark.....	64
6.1.1 Legal background.....	64
6.1.2 Stakeholders' views	65
6.1.3 Assessment and recommendations.....	65
6.2 Civil claim in administrative procedure	66
6.2.1 Legal background.....	66
6.2.2 Stakeholders' views	67
6.2.3 Assessment and recommendations.....	68
6.3 Civil claim in a criminal procedure	68
6.3.1 Legal background.....	68
6.3.2 Stakeholders' views	69
6.3.3 Assessment and recommendations.....	70

EXECUTIVE SUMMARY

1.1. Introduction

1.1.1. - Substantive law and procedural law are the two faces of a global set of rules that govern judicial litigation. Rules of procedure are like the rules of a game (a sport, cards, chess, etc.). Judicial litigation can, in fact, be compared to a game in which a plaintiff and a defendant “compete” before a judge, and in the end, the judge decides who wins and who loses. The decision is, of course, made in accordance with substantive law. However, the manner in which the “game” is “played” is just as important as substantive law.

1.1.2. – Foreigners, both resident and non-resident, doing business in China, have little opportunity to engage in judicial litigation in China. Most disputes arising from commercial activities are dealt with by means of arbitration. However, disputes relating to intellectual property rights are for the most part dealt with by administrative or civil judicial litigation and afford to foreigners an experience of going through a trial before the Chinese People’s Courts.

1.1.3. - This study aims to analyse some aspects of judicial procedures prevailing in China. These rules are not specific to the treatment of intellectual property cases, but, as stated above, intellectual property cases show why it is important for foreigners to know the rules. Some of these rules apply specifically to foreign litigants, but most of them apply to all litigants, without distinction.

1.2. First comparative studies on procedure

Studies comparing the procedures of China and Europe were first made fifteen years ago.

- *"The Legislation Protecting Intellectual Property Rights and its Enforcement in the European Union and the People's Republic of China: A Comparative Study"*, (EU-China Trade Project 2005) ¹
- *"Comparative study between the civil procedures of France, Germany and China"*- (EUCTP 2008) ²
- *The use of jurisprudence in France, Germany and China* (IP Key 2016) ³

¹ <http://en.wanhuida.com/Public/Upload/file/20210618/60cc5a47dfbd1.pdf>

² <https://ipkey.eu/sites/default/files/legacy-ipkey-docs/7--doccentre-civil-cc3-aw4-002-comparative-study-on-civil-procedures-of-france--germany-and-china-en.pdf>

³ <http://en.wanhuida.com/Public/Upload/file/20210618/60cc45f02b59b.pdf>

1.3. General statistics

The figures shown in the table below⁴ represent the IP-related judicial activity of Chinese courts.

They form the global context of this study.

Judgments Intellectual Property

Judgments		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Civil	Domestic	23,518	30,509	41,718	58,201	83,850	88,286	94,501	99,997	130,146	223,437	312,171	451,239
	Foreign	1,139	1,361	1,369	1,321	1,429	1,697	1,716	1,327	1,667	n/a	n/a	n/a
		5%	4%	3%	2%	2%	2%	2%	1.3%	1.2%	n/a	n/a	n/a
Criminal		3,326	3,660	3,942	5,504	12,794	9,212	10,803	10,809	8,601	4,145	5,015	6,050
Administrative	Domestic	1,032	1,971	2,391	2,470	2,899	2,901	4,887	6,578	3856	10,093	17,765	24,504
	Foreign	n/a	n/a	815	986	1,127	1,143	1,927	4,348	2394	n/a	n/a	n/a
		n/a	n/a	34%	40%	39%	39%	39%	40%	38.3%	n/a	n/a	n/a

Since 2017, it seems that the SPC has stopped releasing the number of IPR cases involving foreign parties.

The figures⁵, published yearly by the Supreme People's Court (SPC) show a constant rise in the number of civil, criminal and administrative (cases that concern the registration of IP rights) IP related cases. Until 2016, the statistics used to provide details of the number of foreign-related cases. It was, therefore, easy to calculate the percentage represented by foreign-related cases as a ratio to the total number of cases. For civil cases, foreign-related litigation represented a mere 1.2 %. However, for administrative cases, foreign-related litigation accounted for almost 40 %.

Since 2017 onward, the Supreme People's Court has not published the number of IP cases involving foreign parties. Based on previous statistics, we can nonetheless deduce that the percentages have not altered drastically since 2017.

⁴ Source: SPC press conferences at the World IP Day from 2009 to 2020.

⁵ The data are available online on various platforms, such as jd.com ; <https://search.jd.com/Search?keyword=中国法院知识产权司法保护状况&enc=utf-8&wq=中国法院知识产权司法保护状况&pvid=54ea3eb687204a369491cfe29b544700>

In other words, it can be said that, in China, civil IP litigation (relating to the violation of IP rights) is basically a Chinese v. Chinese issue, whilst administrative litigation (relating to the registration of IP rights) is both a domestic and a foreign-related matter.

1.4. Consulting stakeholders

A lengthy questionnaire (forty-five questions) was sent out to several hundreds of companies in Europe as well as lawyers in Europe and in China. The questions were kept as short and neutral as possible and were arranged in the order observed in the Civil Procedural Law of China.

21 answers were received.

1.5. Brief analysis of the results

1.5.1 Procedural matters that specifically concern foreign stakeholders

1.5.1.1. *Legalisation of Power of Attorney (PoA)*

Under the Civil Procedural Law, a foreign stakeholder litigating in China must appoint a Chinese lawyer, with a PoA which has to go through a notarisation and legalisation procedure. Abolishing or modifying this requirement would be a major task requiring legislative reform. Moreover, from the few comments given the number of foreign lawyers who responded to the questionnaire, it appears that this PoA legalisation used to be more or less acceptable and had only become a problem with the Covid-19 pandemic.

However, there is still room for the harmonisation of the courts' requirements, in particular those relating to civil and administrative procedures, and to the internal PoAs that a foreign client must produce to justify that the persons who sign the PoA for the Chinese lawyer have the power to do so.

1.5.1.2. *Longer duration of foreign-related cases*

Civil Procedural Law expressly lays down that the time limits imposed on Chinese courts to close domestic cases (six months) does not apply to foreign-related cases.

This can be an advantage (more time to prepare the case, more time for the court to fully examine the case), but it may also be a disadvantage, as the court may take a long time after the hearing to release its judgment (this sometimes add up in years).

It would be sensible, therefore, to propose a time limit after the hearing for the court to issue its judgment.

1.5.2. Procedural matters concerning all stakeholders

The list below summarises some of the topics analysed in the study.

1.5.2.1. -The written/adversarial/closing date - style of procedure.

Under this style of procedure, parties must exchange all their claims, counterclaims, arguments and rebuttals in writing, as well as their evidence and comments on their evidence, before the hearing. The procedure in China follows a different system which allows the litigants to submit their arguments and produce their evidence at the hearing.

1.5.2.2. - Service of documents

The documents are served by the court. When defendants cannot be found at their address or refuse to accept the documents (a common occurrence with online sellers), it may cause long delays before the start of a procedure. The Supreme People's Court is apparently concerned about this and it should be possible to propose practical solutions (e.g., in all cases, the registered address of a person shall be the only address to be taken into account when serving official documents).

1.5.2.3. - Claiming the reimbursement of costs at the end of an administrative procedure

The reimbursement of legal costs relates, in particular, to the administrative cases against "trademark squatters". When the case has been won, and the litigious trademark has been cancelled or finally refused, the squatter will have only lost his initial investment (300 Rmb⁶ for filing the trademark), while the winner of the case will have spent significant sums in lawyers' fees. These should be paid by the squatter.

That should be possible, pursuant to an article of the Administrative Procedural Law, but a specific interpretation of the SPC is necessary.

1.5.2.4. - Claiming a compensation against a counterfeiter, in court, in a criminal procedure

The law provides that the victim of a crime may request a judgment ordering the criminal to pay damages. But until very recently, most courts ruled out such claim, in view of the fact that IP rights are deemed intangible, and therefore, cannot constitute a matter for compensation. This view seems to be changing, but it would be useful to have a Supreme People's Court interpretation confirming that all courts should accept such a claim.

1.5.2.5. - The owner of a registered trademark is not allowed to sue such an infringing registered trademark.

⁶ 300 Rmb is equivalent to 39 Euros.

The owner of a copyright or design is allowed to sue an infringing registered trademark. However, according to interpretations of the Supreme People's Court issued in 2008 and 2009, an owner of a registered trademark must, first, obtain the invalidation of such a trademark before initiating a lawsuit. The only exception is where the plaintiff's trademark is "well-known" (a status very difficult to obtain).

1.5.2.6. - Difficulties in suspending cases while waiting for the resolution of another pending case

A suspension is necessary, in particular in cases where a prior right, which constitutes an obstacle to the registration of a new application, is being challenged. The acceptance or rejection of the new application hinges on the outcome of this challenge.

1.5.2.7. - Rate of preliminary preservation measures

The few comments made by the stakeholders are clear: it is very difficult to obtain a preliminary injunction. The percentages published by the Supreme People's Court (more than 80%) of positive decisions are in relation to "accepted" applications. This percentage does not take into account those applications submitted to the courts that do not pass the first formal step of being "accepted", i.e., docketed by the court.

1.5.2.8. - Splitting cases

Due to the organisational structure of the courts, and to the specific authority and competence vested in different categories of courts, some cases have to be split into separate cases, even if only one product is involved. For example, a copyright infringement case shall be filed with a basic level court while a trademark infringement case shall, normally, be filed with an intermediate level court⁷. Therefore, in a case where copyright and trademark or design are involved, no court is allowed to take the entire dispute, for lack of overall jurisdiction.

METHODOLOGY

The scope of what, in China, constitutes "judicial procedures in place for the treatment of intellectual property cases" had to be defined. An initial distinction was drawn between (a) civil judicial procedures, (b) administrative judicial procedures and (c) criminal judicial procedures.

a) Infringement cases brought before the People's courts belong to the first category.

⁷ Depending on the size of the area concerned, there are basic courts and intermediate courts. The organization of the jurisdiction between these courts depends on the place where they are located. At provincial level there is one High Court. The Intellectual Property Courts in Beijing, Shanghai, Guangzhou (and now, Hainan) have their own rules of jurisdiction.

- b) Appeals against the decisions of the administrative authorities in charge of granting or invalidating intellectual property rights (the China National Intellectual Property Administration – CNIPA) belong to the second category and are brought before the Beijing IP Court and the Beijing High Court, or Supreme People's Court, if they are related to patents.
- c) And finally, there is a possible interaction between administrative procedure and civil procedure, and between criminal procedure and civil procedure.

The list of topics presented below follows the same chronological logic and structure as the Code of Civil Procedure of China, which is divided into three main sections: (1) General provisions; (2) Trial; (3) Enforcement of judgments. An additional section (4) was added, to cover other areas relating to administrative "non judicial" procedures and the interaction between civil, administrative and criminal procedure.

Based on this set of topics, a questionnaire, in the form of an Internet link, was circulated among stakeholders and professionals in the field of relation to intellectual property rights:

- The French association Union des Fabricants – UNIFAB⁸, who forwarded the questionnaire to the Italian association INDICAM⁹
- The China IPR SME Help Desk
- The China Committee of the Conseillers du Commerce Extérieur de la France¹⁰
- The Quality Brand Protection Committee QBPC
- The Chairs and Vice-Chairs of the IPR Working Group of the European Chamber of Commerce in China and
- Individual lawyers

Preceded by a brief introduction to the importance of procedure, the questionnaire specified that the respondents were free to remain anonymous. Before each question a short presentation introduced the issue.

The preliminary questions concerned the location of the business of the respondent, the type of business of the respondent (IP/Legal Service Provider, Industry, Other) and the position of the respondent in their organization (lawyer/ in-house lawyer /other).

- The questions (see Annex 1) followed the same order as the list of topics approved in the Methodology
- Only twenty-one answers were received (see Annexes 1 and 2). Disappointing but hardly surprising. The questionnaire was, in fact, long (45 questions) and quite technical. Only lawyers who practice litigation in China can submit an opinion. Other parties do not have precise knowledge of exactly what takes place before the courts in a procedure.

⁸ <https://www.unifab.com/en/les-membres/>

⁹ <https://www.indicam.it>

¹⁰ <https://www.cnccef.org>

Nine respondents were based in China; Ten were based in Europe, and one in the US. Thirteen were IP service providers; Seven were from the industry; Twelve were lawyers and eight were in-house lawyers, plus one responded in a different capacity.

Seven respondents agreed to give their name, whilst the other fourteen remained anonymous.

ANALYSIS

1. POWER OF ATTORNEY

1.1. Legal background

The “notarisation and legalisation” of powers of attorney (PoA) has been a controversial topic between China and other countries for many years. Foreigners see the issue as an unjustified and unnecessary burden imposed on them in their access to justice in China, whilst China sees the issue as a necessary precaution for avoiding possible mistakes, where foreigners are involved. Very little progress has emerged from these discussions.

The difficulties are not so much due to the obligation to produce a PoA in favour of a Chinese lawyer as to the additional obligation to notarise and legalise such a PoA (1.1). Furthermore, the same requirement applies to the internal chain of authorisations needed, within a legal entity, to ensure that the signatory of the PoA has the legal capacity to sign on behalf of the entity (1.2).

The pandemic has exacerbated these difficulties. In many countries, the services of Chinese Embassies or Consulates have slowed down considerably or even completely shut down, causing severe backlogs and procedural problems for foreign litigants. The Supreme People's Court recently issued new Provisions aimed at facilitating the filing of cases and the appointment of Chinese lawyers (1.3).

1.1.1. Legalisation of the PoA to a Chinese lawyer

1.1.1.1. Need for a PoA to any agent ad litem

In China, the general principle provided by the Civil Procedural Law¹¹ (CPL) is that the representation of litigants before the People's Courts can be performed by several types of persons (*agents ad litem*). This list includes lawyers, legal service workers, close relatives, employees, citizens recommended by the community, etc. (Article 58)¹².

¹¹ **Civil Procedure Law of China** - Passed by the 4th Session of the Standing Committee of the 7th National People's Congress on 9 April 1991 - First revision on 28 October 2007 - Second revision on 31 August 2012 – Third revision on 27 June 2017- Translation accessible on the Internet at <http://cicc.court.gov.cn/html/1/219/199/200/644.html>

¹² **CPL Article 58** - A litigant or a legal representative may entrust one to two persons as his/her agent ad litem. The following persons may be entrusted as an agent ad litem: (1) Lawyers, grassroots legal service workers; (2) Close relatives or employees of a litigant; and (3) Citizens recommended by the community, employer of a litigant and the relevant social bodies.

The person entrusted with representing a litigant before a People's Court must submit a PoA signed or sealed by the litigant (article 59.1 CPL) ¹³. Lawyers are no exception to this rule.

1.1.1.2. Need for the legalisation of the PoA – Residency abroad.

Article 59.3 of the CPL lays down that a Chinese citizen residing outside China must legalise, at the Chinese Embassy or Chinese consulate of the country where they reside, the PoA that they sign in favour of a person who will represent them in a Chinese Court.¹⁴

1.1.1.3. Rules applying to foreigners in civil litigation

Chapter IV of the CPL provides for "*Special provisions on foreign-related civil procedures*". With regards to PoAs, Article 263¹⁵ provides that foreigners who file a lawsuit with a People's Court are required to exclusively entrust a lawyer of the People's Republic of China to represent them before the court.

Furthermore, pursuant to Article 264 ¹⁶, the PoA given to the Chinese Lawyer by a foreigner not residing in China, is only effective after it has been authenticated by a notary of the country of residence and legalised at the Chinese Embassy or Consulate in the country of residence of the foreigner.

1.1.1.4. Extension of the rules to administrative litigation

On 24 July 2002, the Supreme People's Court (SPC) promulgated *Rules on Evidence in Administrative Litigation* ¹⁷, which extended the obligation to notarise and legalise the PoA given to a Chinese Lawyer by a non-resident right holder, to administrative litigation.

¹³ **Article 59.1 CPL:** *Where a person is entrusted to participate in the proceedings, a power of attorney signed or sealed by the principal shall be submitted to the People's Court.*

¹⁴ **Article 59.3 CPL:** *A power of attorney mailed from overseas by or submitted on behalf of a citizen of the People's Republic of China living abroad shall be authenticated by the embassy or consulate of the People's Republic of China based in that country...;*

¹⁵ **Article 239 CPL:** *"When a foreign national, stateless person, or foreign enterprise or organisation needs to appoint a lawyer for filing or respond to a lawsuit in People's Court, he shall appoint exclusively a lawyer of the People's Republic of China".*

¹⁶ **Article 264 CPL :** *Where a foreigner, stateless person or foreign enterprise or organisation without residence in the People's Republic of China entrusts a lawyer or any other person in the People's Republic of China to participate in proceedings or mails or entrusts submission of the power of attorney from regions outside the People's Republic of China, the power of attorney shall be effective upon notarisation by a notary organisation in that country and authentication by the embassy or consulate of the People's Republic of China in that country, or performance of authentication formalities stipulated in the relevant treaty concluded between the People's Republic of China and the country.*

¹⁷ **Article 16 Rules of Evidence in Administrative litigation SPC :** *The evidence provided by the parties to the People's Court that is formed outside the territory of the People's Republic of China shall state the source, be notarized by the notary office and legalized by the embassy or consulate of the country where the party is located, or performed authentication formalities stipulated in the relevant treaty concluded between the People's Republic of China and the country.*

1.1.1.5. *Extension of the rule to administrative enforcement*

In 2018, the State Administration for Market Regulation (SAMR)¹⁸ promulgated the Interim Provisions on Administrative Punishment Procedures for Market Supervision and Administration¹⁹ which followed the provisions of Evidence Rules in Administrative Procedure on the mandatory requirement of notarisation and legalisation of foreign evidence.

In practice, the local AMR Bureaus request the presentation of a legalised PoA. This requirement of the Administration is debatable. In fact, China offers a specific “dual-track enforcement system”: judicial and administrative. The administrative enforcement track has the advantage of being fast and cheap, compared to a civil lawsuit. One of the down sides of this system, however, is that the right holder is not deemed to be a “party” to the enforcement procedure and has no legal right to access the file and to enjoy the same rights as the case develops as an “AMR vs. Infringer” case, in the “absence” of the most interested party, the right holder. Therefore, to request that the right holder provides a legalised PoA, as if they were a plaintiff in a lawsuit, is at variance with the administrative nature of the enforcement procedure where the right holder is denied the fundamental rights of a litigant.

However, in practice in our experience, the local AMRs are usually satisfied with being presented with a copy of a general Power of Attorney, notarised and legalised.

1.1.2. **Internal PoA**

1.1.2.1. *Legal representative*

The PoA in favour of the Chinese lawyer must be signed by a person (individual or collective body) who is the legal representative with the power to act on behalf of the legal entity. The determination of who is the legal representative depends on the legal form of the legal entity concerned, and on the laws of the country where it is registered. The problem, in practice, is that such person, or collective body, cannot be asked to be readily available to sign all PoAs. The power to sign a PoA has to be delegated to other officers of the entity. A complete chain of PoAs needs to be established. Each of the PoAs needs to be notarised and go through the legalisation process at a Chinese Consulate or Embassy.

1.1.2.2. *Official seal*

¹⁸ See chart in **Annex 3**.

¹⁹ **Article 24 Interim Provisions on Administrative Punishment Procedures for Market Supervision and Administration:** *The evidence provided by the parties to the People’s Court that is formed outside the territory of the People’s Republic of China shall state the source, be notarized by the notary office and legalized by the embassy or consulate of the country where the party is located, or performed authentication formalities stipulated in the relevant treaty concluded between the People’s Republic of China and the country.*

From the Chinese point of view, if the PoA is marked with the company's official seal or "chop", (an example of such seal being recorded with the Companies' Registrar), this may constitute satisfactory evidence that the officer signing the PoA is authorized to act on behalf of the entity. However, an official "chop" does not exist in every legal system. In the absence of such a seal, each internal PoA needs to go through the process of notarization, legalization at the Ministry of Foreign Affairs and legalization by the Chinese Embassy or Consulate.

1.1.2.3. Practices of Chinese courts

Some People's Court have adopted a somewhat flexible understanding of the rule: upon presentation of a photocopy (certified by a Chinese Notary Public) of a broad and general PoA given by a foreign enterprise to a Chinese lawyer, the Court accepts the validity of such PoA. Thus, the legalisation work needs to be performed once and for all.

Other courts consider that the general PoA is only valid for a given period of time (one year, for example), and the legalisation process needs to be carried out every year.

In Beijing, the Intellectual Property Court, which handles appeals deriving from decisions made by the CNIPA, requires a fresh and new legalised PoA, for each case. This imposes a very heavy burden on all foreign trademark holders, for they are faced with the risk of not being able to defend their rights, due to lack of available time (the procedural deadlines under by the law are quite short whereas it can take a long time to for legalise a PoA).

1.1.2.4. Impact of the Covid-19 crisis

The COVID 19 crisis has been causing serious delays since some Chinese Consulates have suspended all activities or are taking an extremely long time to perform the legalisation. The Beijing IP Court has adopted temporary measures and allowed requests for extensions. Although clear guidelines are yet to be released, some rules have been tried and tested multiple times such as the ones below:

- The request in writing shall be submitted only two weeks before the deadline, listing the reason(s) for possible delay;
- Evidence of Force Majeure shall be provided alongside the formal request, including e.g., proof that notarization/legalization is well under way coupled with corresponding copies, tracking info for courier delivery proving external circumstances are causing the delay although the parties have done their utmost to remedy the situation.
- The Beijing IP Court shall determine, on a case-by-case basis, whether an extension may be granted and how long that extension should be, e.g. half a month for a DHL courier.

As a result, some stakeholders have been placed in a very difficult situation, to the extent that they are not even able to defend their rights.

1.1.3. New SPC Provisions on Providing Online Case Filing Services for Parties to Cross-border Litigations

1.1.3.1. Practice of online filing

Filing a case online is not a novel measure and a number of People's Courts already have their own online platform²⁰. On 3 February 2021, the SPC issued *Provisions on Providing Online Case Filing Services for Parties to Cross-border Litigations*²¹. The term "unified", used in the new Provisions, coupled with the phrase "for the first time", seems to introduce a new element. These terms appear to indicate that once a foreign litigant is registered on this unified platform, his record will be valid for all People's Courts throughout the country. This will need to be verified in practice.

1.1.3.2. Appointment of a lawyer online

For the PoA, the Provisions make it possible for the litigant to appoint a lawyer via an online video meeting bringing together the signatory of the POA, the lawyer and the judge, together with an interpreter (article 6)²².

1.1.3.3. Only for civil Litigation

The Provisions state that they shall only apply to civil cases of the 1st instance. Concerning second instances, this restriction is not a problem since refile legalised documents before the court of appeal is not necessary. The Provisions also specify that they only apply to civil cases - and not to administrative litigation. This is unfortunate because the majority of problems related to PoA legalisation are related to administrative cases. It seems that the Beijing IP Court, which currently requires a separate PoA for each and every administrative case, has not agreed to the online video appointing system.

1.2. Stakeholders' views

²⁰ SPC Regulations on Several Issues Concerning Registration and Case Filing by the People's Courts - 15 April 2015: Article 14 : *In order to facilitate the parties to exercise their right of actions, the people's court shall provide online filing, appointment for filing, filing on tour and other services.*

²¹ SPC Provisions on Providing Online Case Filing Services for Parties to Cross-border Litigations -

Translation accessible on the Internet under <https://www.lawinfochina.com/display.aspx?id=34787&lib=law>

²² SPC Provisions Article 6 : *Where a cross-border litigant that has passed identity authentication entrusts a Chinese mainland lawyer to represent it/him in the proceedings, it/he may apply to the court that has accepted the case for online video witness. Online video witness shall be initiated by a judge online, and the judge, cross-border litigant and the entrusted lawyer shall be online at the same time. The cross-border litigant shall use the common language of the People's Republic of China or shall have an interpreter. The judge shall confirm whether the entrusted lawyer and the law firm he/she works for as well as whether the entrustment is the expression of the true intention of the cross-border litigant. As witnessed by the judge via video, the cross-border litigant and the entrusted lawyer shall sign the relevant documents on entrustment of agency, and are not required to go through the formalities of notarization, certification, forwarding, etc. After online video witness, the entrusted lawyer may carry out online case filing, online payment and other matters on behalf of the litigant. The process of online video witness shall be automatically saved by the system.*

The legalization of identification documents and of a PoA to Chinese lawyers is a relatively frequent problem. Six respondents thought it occurred frequently. Seven said it occurred occasionally. Four said they never had problems, and three had problems infrequently. For those who considered the problem frequent or occasional (thirteen), this was, of course, perceived as a serious issue.

All agreed that the problem had been caused by the Covid 19 pandemic. Legalisation procedures have been delayed and some local consulates have been closed. One anonymous respondent cites one legalisation procedure that took over one year to complete.

Regarding the new possibility of appointing a lawyer online, four respondents replied that they have tried infrequently, while the remaining seventeen never tried.

Eighteen respondents agreed that this new procedure should also apply to administrative procedure (one of them emphasises that the requirement of a PoA for each administrative case is the greatest stumbling block,) while two disagree. One respondent thinks that, since the new online procedure does not apply to the identification documents nor to the internal PoA in the legal entity who appoints the Chinese lawyer, it will have a limited impact.

1.3. Assessment and recommendations

1.3.1. Assessment

1.3.1.1. Comparison with European practice

The requirement, in China, of a legalised PoA, to be submitted by a Chinese lawyer representing a foreign client, is specifically provided in the law. Article 58 CPL does not distinguish between lawyers, on the one hand, and other persons mandated to represent a third party before the Chinese courts, on the other. They all must submit a PoA. This can be compared to the practice in European countries, whereby lawyers are presumed to have been mandated by their client, whereas other persons, who are not lawyers, need to submit a PoA.

1.3.1.2 The Law of the PRC governing Lawyers

On 15 May 1996, the Standing Committee of the National People's Congress passed a law governing lawyers, which was consecutively revised on 29 December 2001, 28 October 2007, 26 October 2012, 1 September 2017. The last revision of the law came into force on 1 January 2018²³. The law defines the qualifications required for obtaining a lawyer's license (Chapter II of the law) and lays down the conditions to be met by law firms (Chapter III). The rights and obligations of lawyers are defined in Chapter IV, including the right to *accept authorization by a party involved in a civil or*

²³ Law of the People's Republic of China on Lawyers translation available on Internet under http://english.www.gov.cn/archive/laws_regulations/2014/08/23/content_281474983042459.htm

administrative case to act as agent ad litem and participate in the proceedings (Article 28)²⁴.

Chapter VI sets out (articles 47 to 56) the legal liability of lawyers in relation to different types of prohibited behaviors, such as practicing in two or more law firms simultaneously, soliciting business by illegal means, acting as an agent for both parties involved in the same case, etc... (Article 47), or failing to appear in court without justifiable reason, divulging commercial secrets or private affairs (Article 48), or meeting, in violation of regulations, with a judge, prosecutor, arbitrator or, by any illegitimate means attempting to influence their handling of a case, providing false evidence, disrupting the order of a court etc... (Article 49). The complete list of illegal acts is long, the sanctions ranging from a simple fine of 5,000 Rmb up to the revocation of a firm's practice certificate.

1.3.1.3. PoA and the law governing lawyers

Representing a client before a People's Court without a specific PoA signed by the client does not appear to be one of the many illegal behaviours that lawyers indulge in.

1.3.2. Recommendations

1.3.2.1. Legislative recommendations

Modifying both the CPL and the Law on Lawyers is one possibility. For the CPL Article 264 could be deleted, i.e., the obligation to legalize the PoA to a Chinese lawyer. In the Law governing lawyers, an article could be added to the effect that a certified lawyer who holds a license shall be presumed to be authorized by their client when appearing before a court. The penalty in a situation where a lawyer appears before a court without being authorized by their client would be revocation of their license.

1.3.2.2. Practice recommendations

The difficulties in this matter arise essentially from the fact that the PoA must be submitted at the case-filing stage. In the absence of a legalised PoA, the case cannot be filed and accepted. It should be possible for a Chinese lawyer to file a claim and have a case accepted and docketed by a court, and to submit a PoA at a later stage of the procedure, if requested by the court.

In the meantime, it would be more practical to set clear guidelines on how the internal PoAs could satisfy the requirement of Chinese courts and especially the Beijing IP Court.

The Beijing IP Court is aware that in some foreign countries, there is no such thing as an official seal recorded with an administration, or that notaries are not systematically

²⁴ Article 28 lawyers law :A lawyer may engage in the following business:(1) accepting authorization by natural persons, legal persons or other organizations to act as legal counsel;(2) accepting authorization by a party involved in a civil or administrative case to act as agent ad litem and participate in the proceedings;

used to authenticate each and every Board of Directors meeting or PoA issued by a company. On April 23, 2021, the Beijing Lawyer Association, working closely with Beijing IP Court, released “Guidelines for lawyers attesting the right of signing for foreign-related intellectual property cases in Beijing”, which clarifies, for 16 foreign countries including France, England, Germany, Japan, Korea, 5 states of the United States, the person who has the right to sign a POA on behalf of their company.

This Guideline does not radically solve the PoA issues but is a good start toward easing the preparation of POA material, and needs to be further supplemented.

2.EVIDENCE

2.1. Preservation of evidence

2.1.1. Legal background

2.1.1.1. Legal Provision

In China, the burden of proof that the defendant has committed an infringement lies with the plaintiff. IP right holders are required to make their best endeavours to collect evidence (Article 64 CPL),²⁵. Facts that are notarized have a higher degree of proof and should be admitted by the court unless there is evidence to the contrary (Article 36 of Notary Law)²⁶. Therefore, notarization is often adopted for evidence collection.

2.1.1.2. Practice

The usual approach for evidence collection in IP infringement cases is to purchase samples of the accused products with a notary public acting as witness. The notary public will issue a notarisation certificate describing where the accused products come from and showing pictures taken during the transaction process. The certificate is attached to a package containing the accused product with the notary public’s seal proving that the accused product in the sealed package was provided by the defendant and has not been modified/contaminated.

Notarisation is also widely used to preserve information published on websites. In recent years, notarisation of some overseas websites has become a problem. Because of China’s firewall some overseas websites cannot be easily accessed in China and a VPN is often needed. The notaries public do not accept the notarisation of websites

²⁵ **Article 64 CPL** *Litigants shall be responsible for providing evidence for their assertions. Where a litigant and his/her/its agent ad litem are unable to gather evidence on their own due to objective reason, or in the case of evidence deemed by the People's Court to be necessary for trial of case, the People's Court shall investigate and gather the evidence.*

²⁶ **Article 36 of Notary Law** *The notarized civil legal act, fact and document of legal significance shall be considered as the basis for determining a fact except that there is contrary evidence which is enough to reverse the notarization.*

accessed via VPNs. In previous cases in the past, courts admitted evidence published on these websites, but this is no longer the case.

Because of the above problem, the IPR holder has to arrange the notarisation of the information published on those websites in a country where it is accessible, which significantly complicates the burden of proof.

2.1.2. Preservation by the court

2.1.2.1.1. Civil Procedural Law

It is sometimes difficult to purchase a sample if the producer refuses to sell. This happens often in patent-related cases. The court has the right to investigate and gather evidence (Article 67 CPL)²⁷. Where a litigant is unable to gather evidence for objective reasons, the court may investigate (Article 64 CPL)²⁸. Article 81 CPL²⁹ specifies that a litigant may apply to the court for evidence preservation measures, during the proceedings or even before filing the lawsuit. The last sentence of the article refers to Chapter 9 of the CPL which concerns the preservation of assets and preliminary injunctions (see below Section 4 Provision Measures). The time limit for the court to decide on such an application is forty-eight hours, from the acceptance of the application.

2.1.2.1.2. SPC Interpretations

(i) The SPC Interpretation of 2017 lays down, in Article 94³⁰, that a litigant may apply in writing to the court for the investigation and collection of evidence which it cannot obtain by itself. These concerns, *inter alia*, evidence involving trade secrets and

²⁷ **Article 67 CPL** *People's Courts shall have the right to investigate into and gather evidence from the relevant organizations and individuals, the relevant organizations and individuals shall not refuse.*

²⁸ **Article 64 CPL** *Litigants shall be responsible for providing evidence for their assertions. Where litigant and his/her/its agent ad litem are unable to gather evidence on their own due to objective reason, or in the case of evidence deemed by the People's Court to be necessary for trial of case, the People's Court shall investigate and gather the evidence.*

²⁹ **Article 81 CPL** *Where the evidence may be lost or it may be difficult to obtain the evidence in future, a litigant may apply to the People's Court for preservation of evidence during the proceedings, the People's Court may also voluntarily adopt preservation measures. Under urgent circumstances where the evidence may be lost or it may be difficult to obtain the evidence in future, a stakeholder may apply to the People's Court at the location of the evidence or the respondent's domicile or the People's Court which has jurisdiction for the case for preservation of evidence prior to filing of lawsuit or application for arbitration. The relevant provisions of Chapter 9 of this Law on preservation shall apply to other procedures for preservation of evidence as reference.*

³⁰ **Article 94 SPC** *Evidence unable to be collected by a party and the agent ad litem thereof themselves for reasons beyond their control as provided for in Paragraph 2 of Article 64 of the Civil Procedure Law includes: (1). evidence that is kept by the relevant national departments and the party and the agent ad litem thereof have no right to consult or take possession of; (2). evidence involving state secrets, trade secrets or individual privacy; and (3). other evidence that the party and the agent ad litem thereof are unable to collect themselves for reasons beyond their control. The party and the agent ad litem thereof may apply in writing to the people's court for investigation and collection of evidence that is unable to be collected by themselves for reasons beyond their control before expiration of the period for adducing evidence.*

evidence that the litigant or their lawyer is unable to collect by themselves for reasons beyond their control.

(ii) On 9 November 2020, the SPC issued new *Provisions on Evidence in Proceedings Involving Intellectual Property Rights*³¹, which came into force on 18 November 2020. Some of the provisions concerning objects of IP of a technical nature, are interesting. Article 12³² specifies that evidence preservation involving a technical solution includes: on-site surveys, transcript drawings, photographs, audio recordings, video recordings, copies of designs, etc. The court may notify personnel with specialized knowledge to be present or may designate technical investigators to participate (Article 15)³³. Article 11 specifies the factors that the court, when deciding whether or not to order evidence preservation, should consider, including instances where the right holder has provided preliminary evidence, or evidence can be collected by the right holders themselves, or evidence will prove hard to obtain at a later stage if evidence preservation is not undertaken in a timely manner, taking into account the impact on the evidence holder if action is taken.³⁴

2.1.2.1.3. Practice

In IP infringement cases of a technical nature such as patent infringements, software copyright infringements and trade secrets, there is a particular need for the courts to carry out evidence preservation at the place where the suspected infringer is located or where the customer using the accused product is located. For such cases of a technical nature, obtaining the accused product itself is especially important. A detailed analysis of the technical features is usually required, comparing those of the IP protected product and those of the accused product, in order to determine whether infringement can be established.

The court has discretion to decide whether to take evidence preservation actions or not. The problem right holders often encounter is to persuade the court to take such action. Although the above-mentioned *Evidence Rule for IP Cases* lists the factors for the court to consider when decision-making, the evaluation of such factors does not follow a strict rule.

³¹ **SPC Provisions on Evidence in Proceedings Involving Intellectual Property Rights** – translation available on the Internet at <https://www.lawinfochina.com/display.aspx?lib=law&id=34266>

³² **Article 12 SPC Provisions.** *The evidence preservation by a people's court shall be limited to effectively fixing evidence and minimize the damage to the value of the subject matter of preservation and the impact on the normal production and business operation of the evidence holder. Where evidence preservation involves a technical solution, the preservation measures such as preparing on-site survey transcripts drawing, photographing, audio recording, video recording, and copying design and production drawings may be adopted.*

³³ **Article 15 SPC Provisions.** *When preserving evidence, a people's court may require a party or the litigation representative thereof to be present, or, if necessary, notify personnel with specialized knowledge to be present upon request by the party, or designate technical investigators to participate in evidence preservation. If the evidence is held by a person who is not a party to the case, the people's court may take preservation measures for the evidence such person holds.*

³⁴ **Article 11 SPC Provisions.** *A people's court shall examine an application for evidence preservation filed by a party or interested party in consideration of the following factors:*

- (1) *Whether the applicant has provided preliminary evidence for its or his claims.*
- (2) *Whether the evidence can be collected by the applicant itself or himself.*
- (3) *The possibility that evidence may be extinguished or may be hard to obtain at a later time and its impact on proving the facts to be proved.*
- (4) *The impact of the preservation measures possibly taken on the evidence holder.*

In practice, courts tend to be conservative. They require the right holder to provide preliminary evidence and even an infringement analysis in order to be convinced that, in all likelihood, the infringement is constituted. They also ask right holders to explain why the evidence could not be collected by themselves. Right holders are, therefore, advised to try all possible avenues for collecting evidence that could show the product's related technical features, e.g., pictures of the accused product, the infringer's materials, the infringer's demo of the accused product in trade show, and so forth.

2.1.2.2. Stakeholders' views

A) Difficulties in dealing with a notary public with a view to collecting evidence are considered to be only occasional by eight respondents or infrequent (six respondents). Only two respondents cited frequent problems.

The problems cited were rather different:

- “Infringing advertisements on Weibo, Douyin or Kuaishou, are only shown in certain conditions, which are almost impossible to repeat in the notary office”;
- “Some notaries public refuse to go to a factory for fear of being recognized as a notary official”;
- Some notaries public are “reluctant to perform in certain notorious markets, such as the Silk market or the Small Commodities Market of Yiwu”;
- Some have the feeling the notaries public are not interested in providing support at all;
- Some appear to complain that it is very difficult to collect evidence in China and regret the lack of support from the courts, maybe owing to a heavy workload or to their holding the view that it is entirely the plaintiff's duty;
- One respondent said that one notary public was being denied access to the premises of the shopping center where the infringement was taking place, or was prevented from taking pictures and/or from carrying out other acts necessary to perform their duty.

B) When asking a court to order the preservation of evidence *before trial*, the difficulties were considered as frequent (6), occasional (6), infrequent (5), never (1).

The reasons given are similar: the court is reluctant to act because it either wants to make sure that such preservation is necessary so as to minimise the risk of issuing an erroneous decision, or it simply refuses and gives a vague explanation that the requirements are not being met.

C) When asking a court to order the preservation *during the trial*, the answers are slightly different: frequently (3), occasional (8), infrequent (3) and never (2).

Some of the reasons are similar to those concerning applications before trial: risk of erroneous decision, too busy, or that judges are being quite conservative when it comes to ordering such a measure. One respondent was more specific and explained

that it took him fifteen days to obtain the preservation of evidence detained by Customs (no explanation was given).

2.1.2.3. *Assessment and recommendations*

2.1.2.3.1. *Assessment*

This initial phase of a lawsuit is crucial. The quality of the evidence gathered at the outset can determine the outcome of the process. This is particularly true in cases involving technical elements, such as patent infringement. Based on the above-mentioned articles of the CPL and judicial interpretations, basic procedural means are available. However, in practice, it remains difficult to obtain an order from a court for the preservation of evidence, in particular, when the application is made before the start of a lawsuit. This difficulty is not reflected in the statistics published by the SPC. According to their statistics, 85% of the applications are granted³⁵. The possible explanation may be found in the wording “*upon acceptance of an application...*” the court shall decide within 48 hours, which means that if the application is not “accepted”, the court does not have to decide. It is impossible to know how many applications are not accepted.

2.1.2.3.2. *Recommendations (Legislation and capacity building)*

This being said, the new measures issued by the SPC in its recent Provisions on Evidence of 2020 open up possibilities. It seems, therefore, worthwhile to suggest that the SPC exchange views and experiences with French judges on the French “*saisie-contrefaçon*” practice described below.

In France, the role of Bailiff is strictly regulated and controlled by the judge, through a procedure known as “*saisie contrefaçon*” a feature exclusive to the French system. Prior to taking legal action, the plaintiff must submit an application to the judge, containing proof of their IP right and preliminary evidence of the infringement. The plaintiff asks the judge to appoint a bailiff, with the task of drawing up an official statement of the infringing facts. The bailiff may seize samples, check accounts, etc. During the performance of seizure and verification, the IP owner may attend and may be accompanied by any expert of their choice, an accountant, even a locksmith (if a door has to be unlocked), or, if resistance is expected, the police. Legal action must be taken within twenty working days of the date of performance of the *saisie-contrefaçon*.

Provided that the plaintiff submits sufficient evidence of his IP right and some preliminary evidence of the occurrence of the infringement, requests for a *saisie-contrefaçon* are always granted.

2.1.3. *Legalisation of evidence*

2.1.3.1. *Legal background*

³⁵ https://www.chinadaily.com.cn/dfpd/2013-03/28/content_16354634.htm

2.1.3.1.1. Civil Procedural Law

Articles 69³⁶ of the CPL establishes that where a piece of evidence is notarised and authenticated through statutory procedures, it shall constitute the basis for establishing facts, unless proven otherwise. Article 70 CPL³⁷ requires the submission of originals which, in the event of its being difficult to produce the original, can be replaced by copies, photographs, etc.

2.1.3.1.2. SPC Interpretations

(i) In December 2001, the SPC, in an *Interpretation on Several Issues Regarding the Evidence in Civil Actions*³⁸ (Article 11), stipulated that all evidence created outside of the territory of the People's Republic of China had to be notarised and validated by the Chinese Embassy in the country of origin. The same principle was established in the *Interpretation of the SPC Regarding the Evidence in Administrative Actions* of 24 July 2002 (Article 16)³⁹.

(ii) In December 2019, the SPC revised its *Interpretation on Several Issues Regarding the Evidence in Civil Actions* and now requires no legalisation of evidence, except for evidence relating to the identity (Article 16).⁴⁰

³⁶ **Article 69 CPL:** People's Courts shall use legal facts and documents notarised and authenticated through statutory procedures as the basis for ascertainment of facts, unless there is evidence to the contrary to invalidate the notarisation certificate.

³⁷ **Article 70 CPL:** Original copies of documentary evidence shall be submitted. Original physical evidence shall be submitted. Where there is genuine difficulty in submission of original copies of documentary evidence or original physical evidence, a replication, photograph, duplicate copy or extract may be submitted.

³⁸ **Article 11 SPC Interpretation** (6 December 2001) - If the evidence provided by a party concerned is created out of the territory of the P. R. China, such evidence shall be testified by the notarial organ of the host country, be authenticated by the embassy of the P. R. China in this country, or the proving formalities shall be gone through as specified in the relevant treaty concluded by the P. R. China with this country. Where the evidence provided by the party concerned to the people's court is created in Hong Kong, Macao, or Taiwan, the relevant proving formalities shall be gone through.

³⁹ **Article 16 SPC Interpretation** (24 July 2002) - If the evidence provided by a party concerned is created out of the territory of the P. R. China, such evidence shall be testified by the notarial organ of the host country, be authenticated by the embassy of the P. R. China in this country, or the proving formalities shall be gone through as specified in the relevant treaty concluded by the P. R. China with this country. Where the evidence provided by the party concerned to the people's court is created in Hong Kong, Macao, or Taiwan, the relevant proving formalities shall be gone through.

⁴⁰ **Article 16 SPC Interpretation** (15 December 2019) - If the documentary evidence provided by a party concerned is created out of the territory of the P. R. China, such evidence shall be testified by the notarial organ of the host country, or the proving formalities shall be gone through as specified in the relevant treaty concluded by the P. R. China with this country. If the evidence relating to the identity provided by a party concerned is created out of the territory of the P. R. China, such evidence shall be testified by the notarial organ of the host country, be authenticated by the embassy of the P. R. China in this country, or the proving formalities shall be gone through as specified in the relevant treaty concluded by the P. R. China with this country. Where the evidence provided by the party concerned to the people's court is created in Hong Kong, Macao, or Taiwan, the relevant proving formalities shall be gone through.

(iii) On 9 November 2020, the new *Provisions on Evidence in Proceedings Involving Intellectual Property Rights*⁴¹ introduced further simplifications to the legalisation rule. The SPC affirmed that where a party raises objections concerning evidence created outside the People's Republic of China on the grounds that it has not been legalised, the court shall not support it, subject to certain conditions : (i) evidence must have been confirmed by a judgment or arbitration award; (ii) the evidence consists in publications and patent documentation that can be acquired by official or open channels; (iii) it is possible to prove the validity of the evidence that can be proved by any other evidence (Article 8); (iv) the party that raises the objection against a submitted evidence has explicitly admitted the authenticity of the evidence; (v) the party who produces the contested evidence provides witness testimony to confirm the authenticity and the witness indicates that they are willing to accept punishment in the event of false testimony (Article 9).

2.1.3.2. Stakeholders' views

With regard to the legalisation of evidence created outside China, and the recent Rules issued by the SPC, the respondents were asked if they had ever used these new rules, i.e., have they produced "foreign evidence" without going through the legalisation procedure, pursuant to these SPC Rules, and whether they considered that this would facilitate the burden of proof?.

Three respondents answered that they had frequently used the rules and six indicated that they were very useful. Five respondents have occasionally used the rules and eleven found them slightly useful. Six have used them infrequently. Five have never used them. No one thought that the new rules would have no positive effect. One respondent appreciated that legalisation is no longer necessary but observed that some courts still require notarisation and legalisation.

2.1.3.3. – Assessment and recommendations

It seems that the problems related to the legalisation of evidence have been solved by these new rules laid down by the SPC. However, this remains to be borne out in the judicial practice before the different Chinese People's courts.

2.2. Role of technical experts

2.2.1. Legal background

There are three types of technical experts in China: experts from appraisal institutes, technical investigators designated by the courts, and experts appointed separately by the parties.

2.2.1.1. Experts from appraisal institutes

⁴¹ SPC Provisions on Evidence in Proceedings involving IP.
<https://www.lawinfochina.com/display.aspx?lib=law&id=34266>

According to Article 76 of the Civil Procedure Law⁴², when specialised issues have to be examined by a qualified examiner, the parties may apply for the appointment of such a specialist. This appointment may also be decided by the court itself, even if no application is submitted by the parties. Where a party applies for such appraisal, both parties to the action shall discuss and appoint the qualified (Chinese) appraisal institute. Where the discussion is unsuccessful, the court takes the decision.

In its new *Provisions on Evidence in Proceedings Involving Intellectual Property Rights* of 9 November 2020⁴³, the SPC specified (Article 19) that appraisal is required where it is necessary to determine: (1) The similarities and differences between the alleged infringing technical solution and the patented technical solution and the corresponding technical features of existing technologies in terms of means, functions, and effects, among others; (2) The similarities and differences between the alleged infringing works and the works claiming protection; (3) The similarities and differences between the trade secrets claimed by the parties and the information already known to the public in the corresponding fields, and the similarities and differences between the alleged infringing information and the trade secrets; (4) The similarities and differences between the accused infringing articles and the authorized varieties in terms of characteristics and features, and whether the differences are caused by non-genetic variation; (5) The similarities and differences between the alleged infringing layout designs of integrated circuits and the layout designs of integrated circuits the protection of which is requested; (6) Whether the technologies involved in the contracts are defective; (7) The authenticity and integrity of electronic data.

The experts in an appraisal institute are selected according to a set procedure. There are lists of qualified appraisal institutes at provincial level and the experts' background are available for the public to verify. A fee is charged for the appraisal and is pre-paid by the party who applies for it. The opposing party is entitled to examine the opinion of the appraisal experts and re-apply for appraisal if there is a substantial flaw in the first appraisal report. The appraisal fee will be ultimately paid by the party who loses the case.

2.2.1.2. Technical investigator designated by court

The SPC's new *Provisions on Evidence in Proceedings Involving Intellectual Property Rights*⁴⁴ specify the role of technical investigators: (Article 29).

As opposed to an appraisal institute's technical specialist, who applies his expertise to the issues submitted to them, a technical investigator conducts an investigation on behalf of the court, to help in the decision-making.

⁴² **Article 76 CPL:** *A litigant may apply to the People's Court for examination in respect of specialised issues pertaining to ascertainment of facts. Where a litigant applies for examination, both parties to the action shall discuss and appoint a qualified examiner; where the discussion is unsuccessful, the People's Court shall appoint an examiner. Where a litigant does not apply for examination, but the People's Court deemed that examination of specialised issues is necessary, the People's Court shall entrust a qualified examiner to carry out examination.*

⁴³ <https://www.lawinfochina.com/display.aspx?lib=law&id=34266>

⁴⁴ **Article 29 SPC Provisions on evidence:** *If a people's court designates a technical investigator to participate in a pre-trial meeting or court session, the technical investigator may ask the parties, litigation representatives, persons with expertise, witnesses, appraisal experts, and surveyors, among others, about the technical issues involved in the case.*

2.2.1.3. Experts from the parties

Civil Procedural Law defines the role of experts from the parties. A party may apply to the court to allow a person(s) with specialized expertise to provide an opinion on the appraisal expert's opinions or on specialized issues (Article 79 CPL).

The new *Provisions on Evidence in Proceedings Involving Intellectual Property Rights* also provides that a party may apply for persons with expertise to provide opinions regarding specialized issues (Article 28)⁴⁵.

2.2.2. Stakeholders' views

On this topic, the questionnaire gave little information.

Only three respondents have encountered difficulties with the designation of appraisal institutions, five infrequently, seven never.

The selection of experts was raised by one frequently, two occasionally, three infrequently, and six never (seven did not answer).

Regarding difficulties related to the manner in which the courts evaluate the opinion of experts, the answers were: one frequent, six occasional, one infrequent, four never and nine did not answer.

2.2.3. Assessment and recommendations

2.2.3.1. Assessment

(i) Appraisal is time- and cost-consuming if complex testing is involved. The appraiser may not provide a legal opinion on whether the patent infringement is constituted or whether the patent involves an inventive step. Since the number of patent cases (both patent infringement and patent invalidity) have been significantly increasing, judges need more flexible assistance from experts.

Starting from the Beijing IP Court, which is the court conducting the first-instance judicial review of all the patent invalidity cases made by the CNIPA, the courts increasingly tend to involve technical investigators to help them make decisions in technical IP cases.

(ii) The involvement of a technical investigator is a major reform in IP practice. Technical investigators can efficiently assist judges in making a decision, especially over patent invalidity and patent infringement. However, this reform leaves many issues unresolved:

⁴⁵ **Article 28 SPC provisions on evidence:** *A party may file an application requiring persons with expertise to appear in court to offer opinions regarding specialized issues. The party may question the persons with expertise with the approval of the court.*"

- The way the technical investigator is selected is not clear. A lot of technical investigators have conflicts of interest issues. For instance, whereas the patent validity decision is made by the Patent Re-examination and Invalidation Department of the CNIPA, the technical investigator sometimes comes from a department that also comes under the aegis of the CNIPA. The opinion of the technical investigator as to the validity of a patent is likely to be influenced by the fact that they are part of the same administration which made the decision on such validity, hence the conflict of interest.
- Some courts give short notice to the parties as to the participation of technical investigators. The parties do not have enough time to check whether or not the technical investigator has a conflict of interest with the case, prior to the hearing.
- The parties are not permitted to choose a technical investigator. The technical investigator's opinion is not known to the parties, and the parties have no opportunity to examine whether the technical investigator's opinion is correct or not.
- The technical investigator's opinion is not recorded in the court decision, nor does the court put down the reasoning for how it evaluates the technical investigator's opinion. When the parties receive the decision, they are unable to tell what extent the technical investigator influenced the panel's decision.

(iii) In China, experts from the parties – e.g. witnesses, are often challenged on the grounds that their testimony is deemed unreliable. The logic underlying this conception is that, since an expert is chosen by one party, that expert might be biased.

2.2.3.2. – Recommendations

Lack of transparency in the technical investigator's work is a very serious problem which needs to be addressed via judicial interpretation. Conflicts of interest should be avoided, and the conclusions of the technical investigators should be submitted to the parties for comments, prior to the hearing.

Further rules need to be developed in respect of the admission of witness's testimony/expert's testimony.

2.3 Protecting of trade secrets

2.3.1. Legal background

In the *Provisions on Evidence in Proceedings Involving Intellectual Property Rights*⁴⁶, Article 26⁴⁷ provides the precautions that courts must take to protect trade secrets

⁴⁶ See Footnote 46

⁴⁷ **Article 26 SPC Provisions on evidence** : *Where any evidence involves a trade secret or other business information that shall be kept confidential, a people's court shall require the relevant litigation participant to sign a*

and other business information: signing of confidentiality agreements or of a confidentiality commitment, or orders not to disclose secret information. A litigant may apply to the court for an order imposing a limitation on the scope of personnel who may have access to the evidence submitted in the case.

2.3.2. Stakeholders' views

A distinction between administrative enforcement procedures (i.e., raid actions performed by the Administration of Market Regulation) and civil procedures (infringement actions before the People's Courts) was drawn in the questionnaire.

With regard to administrative enforcement, one respondent considered that such actions frequently led to losses of secrecy, another respondent found this only happened occasionally, eight responded that such losses are infrequent and four never experienced such losses. Seven did not answer. When asked if it was possible to identify whether this loss was due to the procedure, three respondents said yes and ten said no. However, no explanation was proposed for why the procedure was responsible for the loss of secrecy.

As to civil enforcement, one respondent experienced frequent losses of secrecy, six occasionally, five infrequently, four never, and five did no answer. The responsibility of the procedure in these losses was clearer than for the administrative enforcement procedure: seven respondents considered that the civil procedure was responsible for the loss while seven considered that it was not. However, they did not explain what aspect of the procedure, was responsible for such loss. Seven did not answer.

2.3.3. Assessment and recommendations

Given the imprecise nature of the answers regarding the link between procedure and loss of secrecy, it has been difficult to determine which features of the procedure might be accountable for the possible loss of secrecy and what recommendations could be made.

2.4. False evidence

2.4.1. Legal Background

Civil Procedural Law provides sanctions against the party who produces false evidence. When a party forges or destroys important evidence; uses violence, threats, or bribery to stop a witness from testifying; instigates, bribes, or threatens others to commit

confidentiality agreement or make a confidentiality commitment before accessing the evidence, or order through a ruling or any other legal document the litigation participant not to disclose, use, or allow others to use the secret information it or he has accessed in litigation procedures for any purpose unrelated to the litigation in this case.

Where a party applies for imposing limitation on the scope of the personnel who have access to the evidence as mentioned in the preceding paragraph, a people's court shall approve the application if it considers it truly necessary upon examination.

perjury, the court may impose a fine or detention, or even prosecute a party for criminal liability (Article 111).⁴⁸

2.4.2. Stakeholders' views

Two respondents frequently experienced cases where false evidence was produced. For five respondents, this was occasional, for five it was infrequent, and six had never seen this.

Only four are aware of sanctions being imposed by a court, and twelve do not know whether sanctions were imposed.

The only additional comment: sanctions are seldom imposed, even though the law clearly empowers the courts to do so.

2.4.3. Assessment and recommendations

For IP cases, it is not uncommon to see a party producing falsified evidence, but sanctions are not necessarily always imposed. The actual problem is how to prove that the evidence is false. The bar for proof is set high in China. Usually if the court doubts the authenticity of the evidence, it will not rely on it, even if it does not expressly state that the evidence is false. For instance, in order to prove damages, the right holder usually will usually try to record how often the infringer has spoken of the number of infringing products they have sold but, at the hearing, the defendant often argues that they were only boasting about their sales figures. In that scenario, the court will usually decide on the number of damages without investigating whether the defendant was lying and, thus, no sanction is imposed.

There are cases, however, where the court does indeed impose a sanction when it finds that a party produced false evidence. For instance, in a trademark revocation case (based on alleged non-use) decided by the Beijing IP Court in 2020, one party produced falsified VAT invoices to prove trademark use. It was easy to prove, by online verification, that the VAT invoices were falsified. The court held that this falsified VAT invoice was key evidence and imposed a sanction up to RMB 30,000.

⁴⁸ **Article 111 CPL:** *For participants in proceedings or other persons who commit any of the following acts, the People's Court may impose a fine or detention based on the extent of the circumstances; where the case constitutes a criminal offence, criminal liability shall be pursued in accordance with the law:*
 (1) *Forge and destroy important evidence, obstructing trial of cases by the People's Court;*
 (2) *Use violence, threat or bribery to stop a witness from testifying or instigate, bribe or threaten others to commit perjury;*
 (3) *Conceal, transfer, sell and destroy seized or confiscated properties or properties which have been counted and placed under custody, transfer frozen properties;*
 (4) *Insult, defame, frame, assault or retaliate against judicial staff, participants in proceedings, witnesses, interpreters, examiners, inspectors and personnel assisting in enforcement;*
 (5) *Obstruct performance of duties by judicial staff by way of violence, threat or any other method; or*
 (6) *Refuse to perform a judgment or ruling of a People's Court which has come into legal effect.*
The People's Court may impose a fine or detention on the key person-in-charge or directly accountable personnel of the organisation which has committed any of the acts stipulated in the preceding paragraph; where the case constitutes a criminal offence, criminal liability shall be pursued in accordance with the law.

3. SERVICE OF DOCUMENTS

3.1. Legal background

3.1.1. Method of service

3.1.1.1. Civil Procedure Law

The service of documents is performed by the courts. This practice is not stipulated anywhere in the CPL or any other document. The reason is, probably, that there is no alternative. Notaries Public could – in the same way as Bailiffs in EU countries – be an alternative but, in China, they have no authority to serve litigation documents. Article 85 CPL provides that the litigation documents are served directly on the defendant, with a distinction being made between citizens and legal persons. There are, it transpires, difficulties in the service of documents. Article 88 CPL provides for the possibility of entrusting another court with the service of documents on behalf of the court that has accepted the case, or else the court may serve the document by post⁴⁹. If the person to be served is missing or if it is impossible to serve the documents directly or by post, the service is done by means of public notice (Article 92 CPL⁵⁰).

3.1.1.2. Reply of the SPC on how to solve the problem of failure to make a service upon the defendant in keeping with the address supplied by the plaintiff.

On 25 November 2004, the SPC answered a question asked by a People's Court on what is to be done when the court fails to serve documents to a defendant at the address provided by the plaintiff. The SPC explained that the plaintiff should supplement the information. If, for objective reasons, the plaintiff is unable to provide such information or if the court is still unable to verify the address, the legal documents shall be served by public notice. The SPC specifies that the court shall not dismiss or terminate a lawsuit merely on the grounds that the plaintiff failed to provide the authentic or exact address of the defendant.

3.1.1.3. SPC judicial interpretation 2017

In this interpretation, the SPC provides further details about the method of service. For example, Article 130.1 SPC specifies that if, at the place where a legal person is located, no one is present to acknowledge receipt of the documents, or if the person who is present refuses to acknowledge receipt or affix a seal, the service shall be made by "leaving the rejected legal document at the place of abode"⁵¹.

⁴⁹ **Article 88 CPL** Where there is difficulty in direct service of litigation documents, another People's Court may be entrusted to serve the documents on behalf, or the documents may be mailed. Where the service of process is made by way of mail, the date of service of process shall be the date of receipt stated on the acknowledgement of service.

⁵⁰ **Article 92 CPL** Where the party being served is missing, or it is impossible to serve the documents using any method stipulated in this Section, the documents shall be served by way of a public announcement. With effect from the date of public announcement, the documents shall be deemed served after 60 days. Where the documents are served by way of a public announcement, the reason and process shall be stated in the case files.

⁵¹ **Article 130 SPC** For the service of litigation documents on a legal person or other organization, the legal representative of the legal person or the main person in charge of the organization or the person in the office, mail room or janitor's room responsible for receipt of mails shall sign for litigation documents or affix seals; otherwise, service by leaving the rejected legal document at the place of abode shall be applied.

The SPC provides for an alternative way establishing that a document has been served: the court may notify the party concerned to come and collect the document at the court and in the event of this party's refusing to sign a receipt, the document will nevertheless be deemed to have been served if the service process is recorded by some another means (photo, video).

The court may also serve documents at a place other than the place of abode, and service can be recorded by any means (Article 131 SPC) ⁵².

Regarding service made by public notice, the SPC specifies that the notice shall be published on the bulletin board of the court or at place of abode of the recipient or in a newspaper, information network or other type of media (Article 138 SPC) ⁵³.

3.1.1.4. Notice of the SPC on the Promulgation of Several Opinions on Further Strengthening the Service of Civil Process

In the introduction to the Notice, the SPC acknowledges the importance of efficiently serving legal documents: *"Service of process is an important procedural matter in the trial process of civil cases, and the basis for ensuring fair trial of civil cases by People's Courts pursuant to the law and timely safeguarding the legitimate rights and interests of the parties concerned. In recent years, with the development of China's social economy and the improvement of people's judicial demands, service of process has become one of the bottlenecks restricting the fairness and efficiency of civil trial."*

The SPC enumerates in great detail all the technical methods for serving documents and ascertaining that the address of a party concerned is correct, including sanctions provided by the *Provisions of the SPC on Several Issues Concerning Cases Docketing by People's Courts*.

3.2. Stakeholder's views

Respondents replied that they have difficulties finding the defendants to serve the documents: frequently (4), occasionally (8), infrequently (5), never (2). Twelve of the respondents consider that this difficulty causes delays in the procedure (12) and five do not complain about delays. delay (5).

⁵² **Article 131 SPC** *Where the people's court directly serves a litigation document, it may notify the party to collect the document at the people's court. Where the party arrives at the people's court but refuses to sign a receipt of service, the document shall be deemed as having been served. A judge and clerk shall indicate service conditions on the receipt of service, with their signatures affixed thereto. The people's court may directly serve a litigation document on the party at a place other than the domicile of the party. If the party refuses to sign a receipt of service, the document shall be deemed as having been served if the service process is recorded by means of photographing, video recording or otherwise. The judge and clerk shall indicate service conditions on the receipt of service, with their signatures affixed thereto.*

⁵³ **Article 138 SPC** *For service by public notice, a public notice may be posted on the bulletin board of the relevant court or at the domicile of the recipient or in a newspaper, information network or other media. The date of issue of a public notice shall be the final date of posting or publication. Where there are special requirements for the service by public notice, a public notice shall be published in the required manner. The public notice will be deemed to have been served at the expiration of the period. Where the people's court posts a public notice at the domicile of the recipient, it shall record the process of posting by means of photographing, video recording or otherwise.*

The reason is attributed to the public notice system described above.

This problem occurs more often with online sellers, or small companies, which do not have business premises at their registered address. Therefore, one of the respondents suggests that, if the document is delivered at the registered address, this should be deemed a successful service.

3.3. Assessment and recommendations

3.3.1. Assessment

The difficulty arises, mainly, in the public notice method. In most cases, counterfeiters are well organized in keeping “below the radar”. It can be very difficult to find them and serve the litigation documents⁵⁴. The whole process of service can take several months, depending on the diligence of the court, and during this time the damaging activities continue.

3.3.2. Recommendations - legislative

It could be established that the last official address where a person, whether citizen or legal entity, is recorded as having their official abode shall be the only address to be taken into account when documents need to be served. The service is to be made by any method at this address. If no one is there to take the documents, or if the documents are refused, a simple notice indicating that a legal document is to be collected at the court could be left. But in any event, whether the person goes to collect the legal document or not, the documents should be considered as served and the case allowed to continue, even in the absence of the defendant. Corresponding modifications in the CPL would be needed for this recommendation.

4. PROVISIONAL MEASURES

4.1. Legal background

Provisional measures of a different nature, i.e., preservation of assets and preliminary injunctions are addressed in the same chapter of the CPL: “Preservation and Prior enforcement”.

For the sake of clarity, a distinction can be drawn between (a) measures that tend to “preserve” (or “freeze”) all or part of the assets of the defendant, in order to facilitate

⁵⁴ These difficulties can also be caused by a clerical mistake for the court... It happened, in a case, that the court made a mistake in the address of the defendant, the post returned the documents indicating that the defendant had not been reached, the court proceeded with a public notice, the case continued in the absence of the defendant, a judgment was made (in this real example, the judgment was made three years after the hearing), and only then, the defendant appeared, and the entire case had to be started again.

the (future) enforcement of the (future) judgment, and stop the defendant from organising its insolvency, and (b) measures that tend to order the defendant to perform, or not to perform, certain acts (for example, stop an infringing activity), before judgment is rendered (such orders are hereinafter called “injunctions”).

Applications to a court for measures of preservation or injunctions can be filed during a pending procedure or even before a procedure is started.

4.1.1. Civil Procedure Law

Article 100 of the CPL provides for measures taken during a pending procedure and Article 101 refers to measures taken before the procedure is started.

(i) Article 100 CPL ⁵⁵ provides that a litigant may apply to the court for the adoption of property preservation measures, or for an order on the defendant to “*undertake certain acts or prohibit certain acts*”. This can be done in urgent circumstances, where the interests of the stakeholder would be subject to irreparable damages if the measures are not applied. The court may request the applicant to lodge a guarantee. Upon acceptance of the application, the court makes a ruling within 48 hours. The court may also issue an order *ex officio*. If the applicant does not file a lawsuit within 30 days of the issuance of the order, the preservation measure is lifted.

(ii) Article 101 CPL ⁵⁶ provides that, *before* filing a lawsuit, a stakeholder, in the same conditions of urgency and irreparable damage, may apply for the “*adoption of preservation measures*”, which include both preservation of assets and the injunction to perform or not to perform, certain acts. In this case, the applicant must provide a guarantee. The time for ruling is also 48 hours after acceptance of the application.

(iii) Preservation measures can take the form of seizure, confiscation freezing or any other method (Article 103 CPL). If the defendant provides a guarantee the preservation measure is lifted (Article 104 CPL).

(iv) Article 106 (3) CPL provides that the court may order “prior enforcement” when “there is a need for prior enforcement in urgent circumstances”.

⁵⁵ **Article 100 CPL** For cases in which the action of a party to the lawsuit or any other reason causes difficulty in enforcement of a judgment or causes other harm to the litigants, a People's Court may, pursuant to an application by a counterparty litigant, rule on preservation of its property or order the counterparty to undertake certain acts or prohibit the counterparty to undertake certain acts; where the litigants do not make an application, a People's Court may rule that preservation measures be adopted where necessary. A People's Court adopting preservation measures may order the applicant to provide guarantee, where the applicant does not provide guarantee, the People's Court shall rule that the application be thrown out. Upon acceptance of an application, the People's Court shall make a ruling within 48 hours under urgent circumstances; where the People's Court rules that preservation measures shall be adopted, the ruling shall be forthwith enforced.

⁵⁶ **Article 101 CPL** In the event of urgent circumstances where the legitimate rights and interests of a stakeholder will be subject to irreparable damages if the stakeholder does not forthwith apply for preservation, the stakeholder may, prior to filing of lawsuit or application for arbitration, apply to the People's Court at the location of the properties to be preserved or the respondent's domicile or a People's Court which has jurisdiction for the case for adoption of preservation measures. The applicant shall provide guarantee, where the applicant does not provide guarantee, the People's Court shall rule that the application be thrown out. Upon acceptance by an application, the People's Court shall make a ruling within 48 hours; where the People's Court rules that preservation measures shall be adopted, the ruling shall be forthwith enforced. Where the applicant failed to file a lawsuit or apply for arbitration pursuant to the law within 30 days from adoption of preservation measures by the People's Court, the People's Court shall lift the preservation.

(v) The defendant may apply for reconsideration of the measure that has been ordered (whether asset preservation or injunction) (Article 108 CPL), but the measure remains effective during the review.

4.1.2. - SPC Interpretation

The SPC Interpretation of 2017 treats asset preservation and preliminary injunctions in chapter VII “Preservation and Advance Execution”.

4.1.2.1. – Preservation of assets

Article 152 SPC specifies that the guarantee that the applicant must provide should be of equal value as the value to the property to be preserved. Article 159 SPC provides for the possibility, when the assets of the defendant are not sufficient to cover the claim, of preserving a claim that the defendant may have against a third party. Article 163 SPC addresses the situation where the assets of the defendant might be transferred to a third party and it is urgent to act in order to prevent this.

4.1.2.2. – Preliminary injunction

(i) Article 170 SPC elaborates on the circumstances evoked in Article 106 (3) CPL, concerning the urgency that justifies an “advance execution”⁵⁷. In Article 6 of the *Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in Cases Involving the Review of Act Preservation in Intellectual Property Disputes*⁵⁸ issued in 2018, the SPC further clarified that urgency means:

- (1) The right owner’s business secrets are about to be illegally disclosed;
- (2) The right owner’s personal rights such as right of publication and right of privacy are about to be infringed;
- (3) The disputed intellectual property rights are about to be illegally disposed of; (4) The right owner’s intellectual property rights are being or about to be infringed in trade fairs;
- (5) Time-sensitive hot TV/Show programs are being or about to be infringed;
- (6) Other situations that require taking immediate preservative measures.

(ii) When the defendant requests a reconsideration of the order (preservation of assets or injunction), the court must make a decision within 10 days (Article 171 SPC).

⁵⁷ **Article 170 SPC** : Urgent circumstances prescribed in Item 3 of Article 106 of the Civil Procedure Law include: 1. it is necessary to immediately stop infringement and remove an obstacle; 2. it is necessary to immediately stop a certain act; 3. the insurance compensation in the urgent need for recovery of production or business operation is claimed; 4. it is necessary to immediately return social insurance payments and social assistance funds; and 5. failure to return monies immediately will severely affect the life, production and business operation of the obligee.

⁵⁸ SPC Provisions on preservation measures <http://www.lawinfochina.com/display.aspx?id=29654&lib=law>

4.2. Stakeholder's views

As in the case of evidence preservation measures, a distinction was made between applications for preliminary injunctions *before trial* and *during trial*.

4.2.1. Injunctions

Before trial: Six of the respondents experienced frequent difficulties, while six respondents had only occasional difficulties, three respondents found this type of difficulty infrequent and two never had a problem. The respondents made comments: *"risk of erroneous order"*, *"injunction quite rare especially for IP cases"*, *"courts being conservative"*, *"very negative attitude"*, and even *"basically impossible"*.

During trial: this question received almost the same answers. Frequent difficulties were mentioned six times, occasional difficulties were mentioned five times, while for four respondents, the difficulties were infrequent, or never occurred (one). The comments were similar: *"risk of erroneous injunction order"*, *"very negative attitude of the courts and very difficult to justify the conditions for an injunction"*, *"basically impossible"*.

One respondent added a comment which, in fact, concerns the enforcement of the judgment itself: *"More importantly, it's not easy to enforce the favorable judgment after the case is concluded, except plaintiffs have successfully obtained the assets preservations before trials and seized defendants' assets. Otherwise, the defendants would promptly transfer or conceal their assets and even judges cannot find the same. And the enforcement of judgment would be managed by different department of [the] court, rather than the hearing judge, which would make this enforcement process longer than expected."*

4.2.2. The preservation of assets

No distinction was made, in the question, between applications for the preservation of assets filed before or during trial. The difficulties encountered by the respondents were considered as frequent (4), occasional (10) infrequent (4). One never had a difficulty and two did not answer.

Comments made by some of the respondents provide various explanations:

"Before trial, the judge does not have the power to find by himself the bank accounts details, so we have to rely on our own ways to obtain this information, which cannot be guaranteed to be fully accurate and may result in the defendant evading its funds or assets".

"The charge for assets preservation is relatively high".

"Different courts, even different judges, may hold different attitude and requirement on the preservation of assets. We need to revise the application accordingly or provide property clues".

“Some courts refuse to conduct assets preservation, especially before the trial as we cannot provide evidence to prove there is a risk that the defendant will transfer its assets”.

“Situation has improved. No need to use a bond. A guaranty from the applicant is OK. The courts have more power go check the financial situation of the defendants, which can improve the enforcement of the judgments”.

4.3. Assessment and recommendations

4.3.1. Assessment

On the face of it, the Chinese system governing the preservation of assets and preliminary injunctions, prior or pending a lawsuit, contains all the necessary elements. Yet, there is a general view among practitioners that it is extremely difficult to obtain such preliminary measures. The reason lies in the interpretation of the law: that the matter is urgent has to be proved and that if it is not rapidly solved, the damage will be irreparable. Therefore, the decision to grant a preliminary injunction depends on an assessment of the level of urgency or irreparability of the damage. The courts generally consider that stopping infringements is not that urgent, and that it will always be possible to compensate the damage in a future judgment.

The SPC, in 2013,⁵⁹ claimed that, between 2009 and 2012, 85% of applications for pre-litigation preliminary injunctions, property preservation and evidence preservation were granted. This may be true, but this percentage is understood to refer to the applications “accepted” (ie., docketed) by the courts. However, if an application is not “accepted”, no decision has to be taken, and the application is not included in the statistics. Therefore, the statistics do not reflect the ratio between applications filed and applications granted. According to the respondents to the questionnaire, this is a genuine difficulty. But it is impossible to find out how many files applications are refused (not accepted) and how many stakeholders decide not to file an application.

4.3.2. Recommendation

The problem is not in the law or in the interpretation of the law. The problem is in the implementation of the law. Solving this problem would require face-to-face encounters between Chinese and EU judges and would require participants to share statistics and accept that actual figures be examined (percentage of applications filed / positive decisions and not “accepted” applications and decisions).

5. TRIAL

⁵⁹ <http://www.court.gov.cn/zixun-xiangqing-5759.html> (no translation available)

5.1. Case filing – splitting of cases

5.1.1. Legal background

5.1.1.1. Civil Procedural Law

The rules concerning the filing and acceptance of lawsuits are contained in Section 1 of Chapter 12 which itself comes under “Book” 2 of the Code. Article 119 defines the criteria that a lawsuit must satisfy in order to be accepted by the case filing department of the Court. There must be a plaintiff that has a direct stake in the case, a specific defendant, a specific claim with facts and reasons, and the lawsuit must fall within the jurisdiction of the court.

5.1.1.2. – Classification of claims

The concept of “specific claim”, in article 119, is reiterated in Article 121: “A writ of Summons shall state the following matters: (3) Claim and facts and reasons on which the claim is based...” This general principle is further defined in great details in the *Provisions on the Cause of Action of Civil Cases*⁶⁰. According to the *Notice of the Supreme People's Court on Issuing the Decision on Amending the Provisions on the Cause of Action of Civil Cases*, different claims cannot be combined into a single case. For example, trademark and copyright, or trademark and patent design, may not be rolled into one case, even if the plaintiff has reasons to complain that the defendant is infringing both a trademark and a copyright or design patent. In such situations, two separate cases need to be filed with the court. On the other hand, it is possible to combine a trademark case with an unfair competition case.

5.1.2. Stakeholders' views

The need to file separate claims even where they apply a single case (for example trademark + copyright), is a frequent problem (2), occasional (9), infrequent (6), never (2).

It seems that the above percentages as provided by the respondents correspond to their own practice, i.e., whether they frequently, or occasionally, etc. need to file lawsuits based on different legal grounds. The answer is clear and is the same for everyone: some legal grounds can never be submitted together within one and the same case.

However, from some of the comments, it does appear that some courts require that, when several trademarks are involved, there should be an equal number of cases. This also occurs in patent infringement cases, when the court separates cases according to the models involved.

⁶⁰ SPC Provisions on the cause of action of civil cases
<http://www.lawinfochina.com/display.aspx?lib=law&id=8607&CGid=>

5.1.3. Assessment and recommendation

5.1.3.1. *Judicial organization*

These issues are directly related to the organization of the People's Courts. Depending on the nature of the IP right concerned, the level and the jurisdiction of the court may vary.

5.1.3.2. *Capacity building*

However, other difficulties, are caused by decisions taken by some courts, such as the rather artificial splitting of cases according to each copyright involved.

5.2. Short deadlines for filing documents

5.2.1. Legal background

Sometimes the Patent Reexamination Board requests the production of technical and very complex justifications within a strict time frame, which can place the party concerned in a difficult situation. These are purely administrative procedures and are not covered by this study.

In civil litigation, however, the court does set time limits, but it is easier to obtain delays.

5.2.2. Stakeholders 'views

The questions on the deadline for filing documents were answered as follows : three respondents claimed this is a frequent difficulty , seven admitted it is only occasional, eight thought it is infrequent, and one never encountered any difficulty.

The comments basically confirm what is developed further on in this study: it is agreed that most courts are open to submission of evidence before or during the hearing. Basically, there is no strict time for submitting evidence. Yet, this rule it is strict for the plaintiff, but very flexible for the defendant.

5.2.3. Assessment and recommendations

As shown in paragraph 5.2.1 above, this "short deadlines" issue does not concern judicial procedures but procedures before the Patent Reexamination Board. They are not being treated here.

5.3. Absence of time limit for the treatment of foreign related cases

5.3.1. Legal background

Article 149 of the CPL⁶¹ provides that People's Courts must deliver the first instance judgment within six months from the acceptance of the case (with possible extension, subject to approval from the president of the court). In its Judicial Interpretation of the CPL, the SPC provided details on the calculation of the six months laid down in article 149 CPL (Article 243 SPC)⁶² For cases adjudicated in the second instance, Article 176⁶³ provides that the time limit for completing the trial is three months.

The six month's provision, therefore, is not a strict limit and does not include the time spent on the examination of procedural issues, such as the jurisdiction of the court.

Pursuant to Article 270⁶⁴ the above time limit does not apply to foreign related cases.

5.3.2. Stakeholders' views

Stakeholders (foreign) observe that it takes a long time to obtain a judgment : for six of the respondents, this occurs frequently. It is only occasional for eight of them, infrequent for four, and has never occurred for one. Two did not respond.

The comments concur: *"no time limit"*, *"unpredictable time"*, *"waited for more than 18 months for a first instance decision"* ... and one respondent cited a case where the decision was rendered after 6 years.

5.3.3. Assessment and recommendation

5.3.3.1. Assessment

The principle of a time limit for the closing of a case, which puts pressure on the judges, is an interesting topic for discussion, as there are a number of pros and cons to it. However, it will not be discussed in this study.

Nonetheless, it is a principle that may have an impact on the treatment of foreign-related cases. Needless to say, judges do have to prioritise domestic cases in order to comply with the six-month limit, and foreign-related cases may have to wait sometimes for years. More specifically, the problem is not so much the time needed to handle a case from the date of acceptance to the date of hearing (this may depend

⁶¹ **Article 149 - CPL** Trial of a case for which a People's Court applies general procedures for trial shall be completed within six months from the date of docketing of case file. Where there is a need for extension of time under special circumstances, the approval of the president of the court is required, an extension of time of six months may be granted; where there is a need for further extension of time, the approval of the higher-level People's Court is required.

⁶² **Article 243 SPC** The time limit specified in Article 149 of the Civil Procedure Law shall be the period from the day of placing the case on the docket to the day when a judgment is pronounced or a mediation statement is served, excluding the period for announcement, examination by experts, reconciliation period of both parties, and hearing of any objection to jurisdiction raised by a party or dealing with a jurisdictional dispute raised between the people's courts dealing with the case.

⁶³ **Article 176 - CPL** A People's Court trying an appeal case against a judgment shall complete the trial within three months from the date of docketing of case file for the trial of second instance. Where there is a need for extension of time under special circumstances, the approval of the president of the court is required.

⁶⁴ **Article 270 CPL** The period for trial of foreign-related civil cases by People's Courts shall not be subject to the restrictions stipulated in Article 149 and Article 176 of this Law.

on the degree of complexity of the case), but the time between the hearing and the issuance of the judgment. There may be years between a hearing and a judgment.

5.3.3.2. Recommendations

It is almost impossible to put forward a recommendation, be it legislative, regulatory, interpretative or other, for solving such a problem. After all, foreign systems do not necessarily impose a deadline on courts. The following section on the organization of the trial, might have an impact on the time needed by the courts to issue their judgment. Therefore, the recommendation should focus on the following themes.

5.4. Organising the trial and hearings

5.4.1. Legal background

5.4.1.1. First instance

5.4.1.1.1. Service of the Summons and defense pleadings

Section 2 of Chapter 12 of the CPL describes the procedural steps to be taken prior to the hearing. The court shall send a copy of the summons to the defendant within five days of the date of acceptance of the case (docketing) and the defendant *“shall submit defense pleadings within fifteen days from the date of receipt of the Summons”*.

For defendants who are non-resident in China, the time of filing a defense pleading is thirty days (Article 268 CPL). After this, the court sends a copy of the defendant’s pleadings to the plaintiff within five days from the date of receipt (Article 125 CPL).

The end of Article 125 adds *“failure of a defendant to submit a pleading shall not affect the trial of the lawsuit by the People’s Court”*⁶⁵, which means that there is no obligation for the defendant to file any written defense prior to the hearing.

5.4.1.1.2. Objections to jurisdiction

According to Article 127 CPL, the defendant may object to the jurisdiction of the court *“within the time frame for submission of the pleadings”*. If the defendant does not object to the jurisdiction in his pleadings, he is deemed to acknowledge that the court has jurisdiction (except where the provisions on grade jurisdiction and exclusive jurisdiction are violated)⁶⁶.

⁶⁵ **Article 125 CPL** - A People's Court shall send a duplicate copy of the indictment to the Defendant within five days from the date of docketing of case file, the Defendant shall submit the pleadings within 15 days from the date of receipt of the indictment. The pleadings shall state the name, gender, age, race, occupation, employer, address and contact details of the Defendant; the name and address of the legal person or other organization and the name, designation and contact details of the legal representative or the key person-in-charge. The People's Court shall send a duplicate copy of the pleadings to the Plaintiff within five days from the date of receipt of the pleadings. Failure of a Defendant to submit a pleading shall not affect trial of the lawsuit by the People's Court.

⁶⁶ **Article 127 CPL** - Upon acceptance of a case by the People's Court, where a litigant objects to the jurisdiction, the objection shall be raised during the timeframe for submission of pleadings. The People's Court shall examine the objection raised by the litigant. Where the objection is justified, the People's Court shall rule that the case be forwarded to a People's Court which has jurisdiction; where the objection is groundless, the People's Court shall rule that the objection be thrown out. Where the litigants do not raise any objection to jurisdiction and respond

The above means, therefore, that since there is no obligation for the defendant to file written defense pleadings, the objection to the jurisdiction may be made orally, at the hearing.

5.4.1.1.3. Submission of evidence

5.4.1.1.3.1. The CPL

Chapter 6 of the CPL “Evidence” addresses the admissibility of evidence in court as well as how evidence is to be submitted by litigants. In principle, litigants “*shall promptly provide evidence for their assertions*”. The court fixes a deadline for submission, but extensions are possible and, in addition, evidence submitted after the deadline may be accepted if the litigant gives reasons for his delay (Article 65 CPL)⁶⁷. The court issues a detailed receipt of each piece of evidence (Article 66), verifies the authenticity of each piece of evidence, and determines the validity of each (Article 67). The evidence is presented in the courtroom and is subject to cross-examination (Article 68). Article 133 CPL, *in fine*, opens the possibility for the court to organize an exchange of evidence during a hearing⁶⁸.

5.4.1.1.3.2. The Supreme People’s Court Interpretation of the CPL, revised in 2020.

The SPC lays down, in great detail, how evidence is to be submitted, e.g. time limits (Article 99 SPC), the extension of the time limits (Article 100 SPC), and the submission of evidence beyond the time limit (Article 101 and 102 SPC⁶⁹).

with pleadings, the litigants shall be deemed to acknowledge that the People's Court which accepts the lawsuit has jurisdiction, except where the provisions on grade jurisdiction and exclusive jurisdiction are violated.

⁶⁷ **Article 65 CPL** *Litigants shall promptly provide evidence for their assertions. A People's Court shall determine the evidence to be provided by a litigant and the deadline thereof pursuant to the litigant's assertion and the status of trial of case. Where it is genuinely difficult for the litigant to provide evidence by the deadline, the litigant may apply to the People's Court for an extension of time, the People's Court shall grant an appropriate extension based on the litigant's application. Where the litigant provides evidence after the deadline, the People's Court shall order the litigant to state the reason; where the litigant refuses to state the reason or the reason is groundless, the People's Court may decide on non-admission of the evidence based on different circumstances, or decide on admission of the evidence but impose a warning or fine.*

⁶⁸ **Article 133 CPL** *People's Courts shall deal with accepted cases based on the respective circumstances: ...(4) Where a hearing is required, the litigants shall be required to define the focus of the dispute through exchange of evidence, etc.*

⁶⁹ **Article 101 SPC** *Where a party provides evidence beyond the time limit, the people's court shall order it to explain the reasons therefor and require it to provide corresponding evidence when necessary. Where a party provides evidence beyond the time limit for any objective reason, or the other party does not object to the provision of evidence beyond the time limit, such evidence shall not be deemed overdue.*

Article 102 SPC *Where a party provides evidence beyond the time limit intentionally or due to gross negligence, the people's court shall not adopt such evidence. However, if the evidence is related to the basic facts of the case, the people's court shall adopt it, and admonish and fine the party in accordance with Article 65 and Paragraph 1 of Article 115 of the Civil Procedure Law. Where a party provides evidence beyond the time limit for reasons other than intentional or gross negligence, the people's court shall adopt such evidence and admonish the party. Where one party requests the other party to compensate for the necessary expenses such as transportation,*

Article 103.1 CPL⁷⁰ specifies that evidence shall be presented in court and shall be examined by the parties, and that evidence that is not cross-examined by the parties may not be retained as the basis for ascertaining the facts of the case. The cross-examination by the parties applies to the validity, the authenticity, the relevance of each piece of evidence to the fact to be proven, and the probative force of each piece of evidence (Article 104 CPL)⁷¹.

As stated *in fine* in Article 133 CPL referred above, the court may organize the examination of evidence during a hearing, not considered as a formal hearing (as described below). These hearings are viewed as “pre-trial meetings”, as described by the SPC in its judicial interpretation of 2017 (Article 224 SPC)⁷².

The SPC describes in detail what is done during such pre-trial meetings (Article 225 SPC)⁷³, which goes much further than simply organizing an exchange of evidence: the court uses these meetings to spell out the claims and defense, examine whether additional parties need to intervene, appoint experts as necessary, require parties to provide evidence, decide on evidence preservation, sum up the focus of the dispute and, even seek the possibility of mediation.

Yet, in spite of the practice of pre-trial meetings where evidence is exchanged and examined in court, it is still possible for a party to bring new evidence during the formal hearing, in which case, according to Article 231 SPC, the court may refuse or accept it subject to a warning or a fine (see Article 65 CPL under footnote 19).

5.4.1.1.4. Hearing

5.4.1.1.4.1. Notification

The court notifies the litigants and other participants in the proceedings three days before the hearing (Article 136 CPL)⁷⁴. In practice, the time given to the parties and their lawyers is a little longer, and tends to be at least one week.

accommodation, meals, loss of working hours and witness testimony due to the late provision of evidence, the people's court may support such request.

⁷⁰ **Article 103 SPC** Evidence shall be presented in court and cross-examined by the parties. Evidence not cross-examined by the parties shall not be taken as the basis for ascertaining the facts of the case.

⁷¹ **Article 104 SPC** The people's court shall organize the parties to cross-examine the authenticity and legitimacy of the evidence as well as its relevance to the facts to be proved and explain and debate the probative force of the evidence and the extent of the probative force thereof.

⁷² **Article 224 SPC** According to Item 4 of Article 133 of the Civil Procedure Law, the people's court may make preparations before trial by means of organizing evidence exchange, convening pretrial meetings or otherwise after the expiration of the defense period.

⁷³ **Article 225 SPC** In light of the concrete conditions of a case, pretrial meetings may include the following content: 1. defining claims of the plaintiff and defenses of the defendant; 2. examining and handling the addition to the parties, application for change in claims and counterclaim proposed, as well as claims regarding the case brought forward by a third party; 3. deciding the investigation and collection of evidence according to the application of a party, entrusting an expert to conduct examination, requiring the party to provide evidence, conducting inspection, and conducting evidence preservation; 4. organizing evidence exchange; 5. summing up focuses of dispute; and 6. conducting mediation.

⁷⁴ **Article 136 CPL** People's Courts trying a civil case shall notify the litigants and other participants in proceedings three days before the hearing. For an open hearing, the name of the litigants, the cause of action and the time and venue of the hearing shall be announced.

Hearings are composed of two parts: the “court investigation” and the “court debate”. They can be consecutive, on the same day, or organised on different dates (Article 230 SPC)⁷⁵.

5.4.1.1.4.2. – Court investigation

The court investigation is conducted in the following sequence: (1) opening statement of the litigants, (2), presentation of evidence, (3) reading of expert opinions, (5) reading of inquest records (Article 138)⁷⁶.

Litigants may submit new evidence in the courtroom (Article 139 CPL)⁷⁷.

The Plaintiff may increase the claims, the defendant may file a counterclaim, and a third party may make a claim relating to the case.

The court may try all of these claims together (Article 140)⁷⁸.

5.4.1.1.4.3. Court debate

The court debate is conducted in the following sequence: (1) statement by the Plaintiff, (2) response by the defendant, (3) statement or response of the third party (if any), (4) debate.

The parties may submit new claims and new counterclaims during the debate (Article 232 SPC)⁷⁹.

After the debate is concluded, the presiding judge asks the parties to give their final opinion (Article 141 CPL)⁸⁰. In practice, the court often asks the parties to send this final opinion, in writing, within a time limit fixed by the court.

These written opinions are not sent to the other party.

⁷⁵ **Article 230 SPC** *In light of the concrete conditions of a case and upon consent of the parties, the people's court may consolidate court investigations and court deliberation.*

⁷⁶ **Article 138 CPL** *Court investigation shall be conducted in accordance with the following sequence: (1) Statements of litigants;(2) Notification of witnesses of rights and obligations, testifying by witnesses, reading of testimony(ies) of witness(es) not present in the court;(3) Presentation of documentary evidence, physical evidence, audio-visual materials and electronic data;(4) Reading of expert opinion; and (5) Reading of inquest records.*

⁷⁷ **Article 139 CPL** *Litigants may put forward new evidence in the courtroom. Upon consent by the court, a litigant may question a witness, examiner, or inspector. Where a litigant requests a re-investigation, re-examination or re-inspection, the People's Court shall decide whether to grant approval.*

⁷⁸ **Article 140 CPL** *Where the Plaintiff increases claims, the Defendant files a counterclaim, and a third party makes claims relating to this case, the People's Court may try them together.*

⁷⁹ **Article 232 SPC** *Where, after a case has been accepted but before the court deliberations are finalized, the plaintiff adds any claim, or the defendant files a counterclaim, or a third-party file a claim regarding the case in question, and the said claims or counterclaim can be heard on a consolidated basis, the people's court shall consolidate the trials.*

⁸⁰ **Article 141 CPL** *Court debate shall be conducted in accordance with the following sequence:(1) Statement by the Plaintiff and its agent ad litem; (2) Response by the Defendant and its agent ad litem; (3) Statement or response by the third party and its agent ad litem; and (4) Debate. Upon conclusion of court debate, the presiding judge shall consult the final opinion of each party in the sequence of the Plaintiff, the Defendant and the third party.*

5.4.1.1.4.4. *Deferment of hearing*

A hearing may be deferred and postponed to a later date if (1) a party is absent for proper reasons⁸¹, (2) a party files an application for abstention ('recusation'), (3) new evidence needs to be collected or a supplementary investigation has to be carried out, or (4) other circumstances (Article 146)⁸².

5.4.1.1.4.5. *Recording of the hearing*

All the activities, readings, statements, and debates are noted by the court clerk and put on record and signed by the judge(s) and the clerk. The parties are notified that they may inspect the court record, on the spot or within five days. The parties may request to supplement omissions or rectify errors. The record, signed by the parties (who may refuse to sign) is entered in the case file (Article 147)⁸³.

5.4.1.1.4.6. *Judgments and rulings*

Judgments and rulings are decisions made by the court, albeit on different subjects. The judgment adjudicates the case, and states (1) the cause of action, the claims, the disputed facts and arguments, (2) the opinion of the court regarding the facts and arguments, and the applicable laws, (3) the decision, and (4) the period for filing an appeal (Article 152). The ruling applies to decisions concerning the non-acceptance of a lawsuit, the issue of jurisdiction, the preservation of evidence or assets, preliminary measures, etc. (Article 154).

5.4.1.2. *Second instance*

5.4.1.2.1. *Time for appeal*

The appeal time for a judgment is fifteen days from the date of service of the judgment. For a ruling, the appeal time is ten days. Defendants who do not have a residence in China may appeal a judgment within thirty days from the date of service (Article 269).

5.4.1.2.2. – *Hearing*

⁸¹ There is no legal, regulatory or interpretative list for such proper reasons.

⁸² **Article 146 CPL** *Under any of the following circumstances, a hearing may be deferred: (1) Where the litigants and other participants in proceedings who are required to be present at a hearing are absent at the hearing with a proper reason; (2) Where the litigants submit an application for abstention impromptu; (3) Where there is a need to notify a new witness to be present in court, investigate and collect new evidence, carry out re-examination or re-inspection, or there is a need to carry out supplementary investigation; or (4) Any other circumstances under which a hearing should be deferred.*

⁸³ **Article 147 CPL** *The court clerk shall record all activities in a hearing into the courtroom record, and the judge(s) and the court clerk shall sign thereon. The courtroom record shall be read out in court, or the litigants and other participants in proceedings may be notified of inspecting the courtroom record on the spot or within five days. Where the litigants and other participants in proceedings deemed that there is any omission or error in the record of their statement, they shall have the right to apply for supplementation or correction. Where correction or supplementation is not granted, this shall be recorded in the case file. The litigants and other participants in proceedings shall sign or affix seal on the courtroom record. Where a litigant or participant in proceedings refuses to sign or affix seal, this shall be stated on file.*

The rules are basically the same as for the first instance, but for the court of second instance, it may be decided that the decision shall be made without a hearing (Article 169 CPL)⁸⁴

5.4.1.3. *Civil and Administrative procedures*

The principles applied by the Administrative Procedure Code (APC) of 1989, amended in 2014⁸⁵, are basically the same as those applied by the CPL. Article 101 of the APC provides that wherever this code is silent, the rules of the CPL shall apply⁸⁶.

5.4.2. Stakeholders' views

5.4.2.1. *The questions*

The question was: to what extent do you agree that a procedural system where the litigants shall mutually exchange evidence and written arguments before the hearing, and where the court shall base the decision exclusively on such mutually exchanged arguments and evidence may (a) improve the quality of the debate, (b) help the work of the lawyers, (c) shorten the time necessary for the hearings, (d) shorten the time for drafting the judgments.

5.4.2.2. *The answers*

(a) re the quality of the debate, seven strongly agreed, ten agreed; two remained neutral, one disagreed, and one did not answer.

(b) re facilitating the work of the lawyers, eleven strongly agreed, six agreed, three remained neutral, none disagreed, one did not answer.

(c) re shortening the time necessary for the hearing, eight strongly agreed, nine agreed, one remained neutral, two disagreed, one did not answer.

(d) re shortening the time for drafting the judgment, five strongly agreed, seven agreed, six remained neutral, two disagreed, one did not answer.

Conclusion: Seventeen, out of twenty-one respondents, strongly agreed or agreed that the Chinese procedural system can be improved.

5.4.2.3. *Statement from a French judge*

⁸⁴ **Article 169 CPL** *The People's Court of second instance shall form a collegiate for the appeal case and conduct hearing to try the appeal case. Upon examination of case file, investigation and questioning of litigants, where there is no new fact, evidence or reason, and the collegiate deemed that a hearing for trial is not necessary, the case may be tried without a hearing.*

⁸⁵ *Administrative Procedure Code* – Translation accessible on the Internet on <http://www.china.org.cn/english/government/207336.htm>

⁸⁶ **Article 101 APC** - *Where this Law is silent regarding any period, service of process, property preservation, court session, mediation, suspension of proceedings, termination of proceedings, summary procedure, or enforcement, among others, for administrative cases tried by the people's courts or regarding the supervision by the people's procuratorates over the acceptance, trial, adjudication, and enforcement of administrative cases, the relevant provisions of the Civil Procedure Law of the People's Republic of China shall apply.*

Judge Nathalie Sabotier chairs the 1st Section of the 3rd Division of the *Tribunal Judiciaire* of Paris, which has exclusive jurisdiction on all patent matters and community intellectual property rights (trademarks and designs).and shares this jurisdiction with nine other courts in France in respect of intellectual property rights and copyright.

In an email dated 16 June 2021 addressed to the French judge based at the Embassy of France in China ⁸⁷, she gave a description of the French system of “Mise en Etat”, which includes the essential characteristics covered in the question put to the stakeholders (litigants mutually exchange evidence and written arguments before the hearing). It shows, depending on the complexity of the case, a hearing may last between a few minutes for the simplest case, to several days, for the most complex. The time between the hearing and the issuance of the judgment (which is announced at the hearing), is between one and three months.

This being said, the situations in France and in China can hardly be compared. There is an average of 1,200 cases per year for the Paris court (8 specialised judges) vs. around 24,000 cases⁸⁸ for the Beijing IP Court (59 judges).⁸⁹

5.4.3. Assessment and recommendations

5.4.3.2. Main characteristics of Chinese judicial procedure

5.4.3.2.1. No direct communication between the litigants

Every piece of information, be it oral or written, of one litigant – whether it concerns a legal argument or a piece of evidence – is communicated to the other litigant via, or in the presence of the court. This does not mean that direct communication between litigants is prohibited. It only means that direct communication is not covered by the law.

5.4.3.2.2. No obligation to state a defense in writing

Apart from the initial Writ of Summons, which is submitted to the court for the acceptance of the case and transferred to the defendant by the court, there is no obligation to support any of the arguments in writing. It is even specified, in Article 125 CPL , that *failure, on the part of the defendant, to file a pleading shall not affect the trial of the lawsuit by the People’s Court.*

5.4.3.2.3. No strict time limit to produce evidence

⁸⁷ The text of the email attached as an annex to this report, in French language. It may be translated upon request.

⁸⁸ 23,682 cases in 2019 – Information available at <http://bjgy.chinacourt.gov.cn/article/detail/2020/04/id/5134396.shtml>

⁸⁹ Information available at <http://bjzcfy.chinacourt.gov.cn/article/detail/2019/06/id/4095091.shtml>

The time limit to produce evidence is flexible, so much so that new evidence can, sometimes, be produced up to the very end of the procedure, during the court debate.

5.4.3.2.4. Exchange of evidence only in court

The evidence is always submitted to the court and examined/cross-examined in court. This means that when a litigant has fulfilled its obligation to produce evidence within the time fixed by the court, until the court convenes the parties at a pre-trial conference or a hearing for examination of the evidence, the other party still does not know what evidence has been produced. As a result, the other party has no time to study the evidence and, if need be, confer internally with a client, before making comments.

In practice, however, the court commonly takes the initiative to transfer the evidence submitted one party to the other party.

5.4.3.2.5. Evidence and “references”

The evidence is submitted and examined in court. However, other documents merely considered as a “reference”, may be sent to the court (this is generally done together with the final written opinion sent to the court after the hearing), and are not sent to the other party.

The court shall not base its decision on such a “reference”, but these may have an influence on the decision.

5.4.3.2.6. Possibility of changing claims and arguments up to the end of the court debate

When new claims and arguments are submitted at the last moment, the other party has no time to confer and prepare for a reply. They have to react on the spot.

5.4.3.3. Comparison with European countries

A comparative study was made in 2009, and updated in 2010 ⁹⁰, showing major differences between the civil procedures of France and Germany, on the one hand, and China on the other.

5.4.3.3.1. Control of the lawsuit by the parties

In France and Germany, the plaintiff and the defendant organize and develop their case according to their needs and goals, without interference from the court. Of course, some decisions have to be made by the court in the course of the procedure, in particular when the parties do not agree. But the court would not impose its decision if both parties agreed. The most common cause of disagreement would be

⁹⁰ <https://ipkey.eu/sites/default/files/legacy-ipkey-docs/7--doccentre-civil-cc3-aw4-002-comparative-study-on-civil-procedures-of-france--germany-and-china-en.pdf>

the pace of the procedure (fast or slow) and how the parties perform their obligation to produce evidence and file arguments within a reasonable time. In both countries, the Court is in charge of pushing the parties to act in due time (this is a specific legal requirement in Germany).

5.4.3.3.2. Adversarial principle

According to this principle, evidence is communicated by each party directly to the other party, and this is a very strict rule in France and Germany.

5.4.3.3.3. Written procedure

Whether a procedure is oral or written, it is considered an essential characteristic.

If the procedure is written, the judge can only base his decision on arguments that have been submitted in writing, in advance, and communicated to the other litigant. Of course, a written procedure may contain an oral hearing, where the litigants, or their attorneys, develop orally the arguments that have been put forward in the written pleadings. The most important element is the set of documents (pleadings and evidence).

If a procedure is oral, a defendant may appear before the Court and present their defence orally, without the plaintiff having any knowledge of what they are going to say. Therefore, the most important element is what is said and argued during the hearing. In France, the oral system (for cases at a certain level) is expressly provided by the law. In Germany, it is not, but in practice, it is applied.

5.4.3.3.4. Pre-trial closure

The principle of pre-trial closure means that all communication, whether written arguments or evidence, must be finalized before the hearing. The time between the closure and the date of the hearing may vary according to circumstances, but the principle is that, at the hearing, no new legal ground, and no new evidence can be submitted or produced.

5.4.3.4. Assessment

The differences between the Chinese procedural system and the European procedural system have direct consequences on the practice of lawyers and on the practice of judges.

5.4.3.4.1. Consequences on lawyers' practice

5.4.3.4.1.1. Planning

The court may convene the litigants three days in advance. The time is sometimes longer, e.g. one week. Yet, preparing for a hearing requires intensive work, and one

week may be too short. A system such as the one in Europe, where the judge and the lawyers meet periodically in order to monitor the progress of the procedure, allows more flexibility. They can fix dates in advance for the submission of evidence, for the submission of written pleadings, and for the hearing.

5.4.3.4.1.2. Delaying and unfair tactics

(i) The flexibility of the Chinese system allows “delaying/unfair” tactics. Until the hearing, a litigant may raise new arguments, submit fresh evidence, modify his claim, thus depriving the other litigant of the possibility of conferring with his client and preparing a reply. When this happens, the other party may have to choose between asking a postponement of the case or an agreement to participate in the hearing in a disadvantageous position (sometimes, the other party has no choice).

(ii) The adversarial system aims to prevent, as far as possible, the use of unfair procedural tactics. The evidence is submitted not to the court, but to the other lawyer. The court is informed of such a submission. The written arguments, from both sides, are sent to the other lawyer, and to the court. The court’s role is to make sure that these exchanges are transparent and that each party has enough time to examine the evidence and arguments of the other party.

(III) The written procedure system, combined with the closure of the procedure before the hearing, guarantees that nothing unexpected, neither new evidence nor a new argument or claim, can be used at the hearing. The hearing only serves to facilitate the understanding of the case for the judge, clarify points and debate certain questions.

5.4.3.4.2. Consequences on the judges’ practice

5.4.3.4.2.1. Less time needed during trial preparation

The entire examination and cross-examination phase of the evidence is performed by the lawyers, in their office. The court does not need to participate. They are at leisure to examine each piece of evidence and/or challenge their authenticity, make comments on the relevance of the evidence, etc. All these comments are submitted in writing for the court to examine in due course.

5.4.3.4.2.2. Shorter hearings

(i) In the adversarial and written procedure system, a case hearing takes, in average, depending on the number of litigants and on the complexity of the case, between thirty minutes and two hours. Therefore, several cases can easily be heard in a single day.

(ii) The Chinese system, where each piece of evidence is examined and cross-examined orally in court, where arguments and counterarguments are submitted, often for the first time, and where the record made by the clerk of all that has been said in court is the main document which the court will review and examine for the establishment of the judgment, obviously takes more time (between one day to several days).

5.4.3.4.2.3. Better knowledge of the case

The fact that the factual and legal points of the case have been duly examined and analyzed by the lawyers, using all the time necessary to draft comprehensive pleadings, guarantees that no argument is put forward “off the cuff” and “on the spot”.

5.4.3.4.2.4. Less time needed for court deliberation and drafting of the judgment

This would be a logical deduction. If the court can examine each side’s entire set of claims and arguments, written by professionals, rather than the transcript of hours of debate in court, this should considerably facilitate decision-making and drafting.

5.4.3.4. Recommendation – Legislative- Interpretative and capacity building

The SPC could consider introducing progressively some of the characteristics of the adversarial system. This can be done for IP cases, as a test, without any need to amend the CPL. In-depth exchanges between judges from China and Europe, would have to be arranged and explaining the advantages to the Chinese courts of changing the existing system. One of the great qualities of the Chinese authorities is their pragmatism and way of testing new methods.

5.5. Categorisation of cases simple and complex

5.5.1. Legal background

The concept of simplified procedures is provided in the Civil Procedural Law (Article 157)⁹¹

Simple civil cases are tried by one judge only and the rules governing the hearings are simplified (Article 160 CPL) ⁹².

Efforts have been made to categorize cases as simple or complex. The literature is abundant:

- Decision of the Standing Committee of the National People's Congress on Authorizing the Supreme People's Court to Carry out the Pilot Program of the Reform

⁹¹ **Article 157 CPL** *The provisions of this Chapter shall apply to trial of simple civil cases with clear facts, specific rights and obligations and non-major dispute by grassroots People's Courts and their branches. For civil cases other than those stipulated in the preceding paragraph tried by Grassroots People's Courts and their branches, both parties to a lawsuit may agree on application of simplified procedures.*

⁹² **Article 160 CPL** *Simple civil cases shall be tried by one judge, and shall not be subject to the restrictions stipulated in Article 136, Article 138 and Article 141 of this Law.*

of Separation of Cases into Simple Cases and Complicated Ones under Civil Procedure (29 December 2019) ⁹³

- Several Opinions of the Supreme People's Court on Further Promoting the Efficient Distribution of Complex and Simple Cases and Optimizing the Allocation of Judicial Resources (12 September 2016). ⁹⁴

- Notice of the Supreme People's Court on Issuing the Operating Rules of the Supreme People's Court on Distribution of Complicated Civil and Commercial Cases from Simple Ones and Mediation and Fast-track Sentencing (for Trial Implementation) ⁹⁵– (8 May 2017)

- Notice by the Supreme People's Court of Issuing the Principles of Q&A on the Pilot Program of the Reform of Separation between Complicated Cases and Simple Ones in Civil Procedure (I) ⁹⁶– (15 April 2020)

5.5.2. Stakeholders' views

Twelve of the respondents have experienced the simple category of litigation. None of them found this very effective, but ten found that it was effective, and five remained neutral.

One comment was made about cases concerning GIs which regularly enter the category of complex cases.

5.5.3. Assessment and recommendation

The apparent problem of such a categorisation based on the type of case is that it is difficult to adapt to the reality of cases.

For example, the rejection of a trademark application is usually classified as a simple case and treated under the simplified procedure by the Beijing IP Court. However, when it comes to the registration of non-conventional trademarks, the cases are extremely complex and should be treated as such, which would allow the applicant more time to present its evidence of use and legal arguments.

Therefore, it would be advisable to treat all procedures in relation to unconventional trademarks as complex cases.

5.6. Difficulty of obtaining stay of procedure

⁹³ Translation available on the Internet at <https://www.bjcourt.gov.cn/ssfw/yshjch/zgzxgk161.htm;jsessionid=CA1FE5A5FCC4BD760A40C4BEA229028D>

⁹⁴ Translation available on the Internet at <https://www.bjcourt.gov.cn/ssfw/yshjen/zgzxgk26.htm;jsessionid=CA1FE5A5FCC4BD760A40C4BEA229028D>

⁹⁵ No English translation available

⁹⁶ No English translation available

5.6.1. Legal background

5.6.1.1. Civil Procedural Law

Article 150 CPL provides that a case shall be suspended when ... (5) *The case is required to use the outcome of the trial of another case as the basis and the trial of the other case has yet to be concluded.* ⁹⁷.

5.6.1.2. Trademarks (administrative procedure)

The Trademark law⁹⁸, the Implementing Rules of the Trademark Law⁹⁹ and the Trademark Review and Adjudication Regulations¹⁰⁰ of the TRAB (which is now called the TRAD- Trademark Review and Adjudication Department of the China National Intellectual Property Administration – CNIPA)¹⁰¹ contain provisions concerning the suspension of procedures related to the registration or the invalidation of a trademark.

(i) Article 35 of the Trademark Law applies to a situation in which an opposition is filed against a trademark application which has been preliminarily approved and published by the Trademark Office (now called the Trademark Examination Department). If the opposition is rejected, the trademark is immediately registered, and the opponent may file an invalidation action with the TRAD. However, if the opposition is ruled in favour of the opponent, thus refusing the registration of the trademark, the trademark applicant may file a request for review before the TRAD.

What happens frequently is that the trademark applicant, whose application is being opposed by the holder of a prior right (a prior registered trademark, for example), initiates an action against the validity of such prior right, in order to eliminate the obstacle to its own registration. In this case, the outcome of the review procedure before the TRAD concerning his trademark application is directly contingent on the result of his challenge against the prior right cited in the opposition.

⁹⁷ **Article 150 CPL** *Under any of the following circumstances, litigation shall be suspended: (1) A party to the lawsuit has passed away, there is a need to wait for the heir to express if he/she will participate in the lawsuit; (2) A party to the lawsuit has lost the capacity to participate in proceedings and a statutory agent has not been determined; (3) A legal person or an organization who is a party to the lawsuit has its operation terminated, and the bearer of its rights and obligations has not been determined; (4) A party to the lawsuit is unable to participate in proceedings due to a force majeure event; (5) The case is required to use the outcome of the trial of another case as the basis and the trial of the other case has yet to be concluded; or (6) Any other circumstances under which litigation should be suspended. Upon elimination of the reason for suspension of litigation, litigation shall be resumed.*

⁹⁸ Translation available on the Internet at https://ipkey.eu/sites/default/files/ipkey-docs/2020/IPKey-China_may2020_China-Trademark-Law_%E4%B8%AD%E5%8D%8E%E4%BA%BA%E6%B0%91%E5%85%B1%E5%92%8C%E5%9B%BD%E5%95%86%E6%A0%87%E6%B3%95_Bilingual.pdf

⁹⁹ Translation available on the Internet at https://ipkey.eu/sites/default/files/legacy-ipkey-docs/regulation-on-the-implementation-of-the-trademark-law-of-the-peoples-republic-of-china-2014-revision_.pdf

¹⁰⁰ Translation available on the Internet at http://www.cta.org.cn/english/LawsRegulations/201608/t20160811_41891.html

¹⁰¹ As a result of the administrative reform decided in 2018 the administrations concerned by intellectual property rights have been merged into one administration: the State Administration for Market Regulation (SAMR). The SAMR supervises, on the one hand, the Administration of Quality Supervision Inspection and Quarantine, and, on the other hand, the China National Intellectual Property (CNIPA). The CNIPA itself, regroups the Trademark Examination Department (ex- Trademark Office) and Trademark Review and Adjudication Department (ex- TRAB) for the trademarks, and the State Intellectual Property Office and Patent Reexamination Board for the patents.

The last paragraph of Article 35¹⁰² provides that the TRAD *may* suspend the review procedure if the validity of the prior right involved is subject to another on-going procedure.

The problem is that, in most cases, the TRAD does not suspend its decision. Instead, even though the TRADS is informed that a procedure is pending that aims to eliminate the “obstacle”, the TRAD refuses to wait and makes a decision confirming the refusal of the applied trademark.

The trademark applicant then, has to appeal against the TRAD’s decision before the Beijing Intellectual Property Court. The same reluctance to suspend the procedure is often observed with the Beijing IP Court, and if the “obstacle” is still not removed, the Beijing IP Court will confirm again the refusal of the trademark, and so forth, before the Beijing High Court, or even later before the SPC.

(ii) Article 45 (3) TML¹⁰³ addresses the same suspension requirement in cases where a person files an application for invalidation before the TRAD against a registered trademark.

(iii) The Trademark law imposes time limits on the Trademark Examination Department and the TRAD for making their decisions. However, the time that has elapsed during a suspension of procedure is not counted (Article 11 (5) of the Trademark Implementing Rules (2014))¹⁰⁴.

(iv) Finally, in the Trademark Review and Adjudication Department rules, updated in 2014, Article 31 reiterates the same principle concerning the suspension of the procedure¹⁰⁵.

5.6.2. Stakeholders’ views

The question was whether the respondents had experienced a refusal by a court to suspend a case until the final decision of another pending case.

¹⁰² **Article 35 (4) TML** - *During the review procedure conducted by the Trademark Review and Adjudication Board in compliance with the preceding paragraph, where the affirmation of the prior right involved is subject to the outcome of another on-going trial of the people’s court or another on-going case handled by the administrative agencies, the Trademark Review and Adjudication Board may suspend the review procedure. However, the Trademark Review and Adjudication Board shall restore the review procedure once the cause for suspension no longer exists.*

¹⁰³ **Article 45 (3) TML** - *During the examination procedure of the declaration of invalidity conducted by the Trademark Review and Adjudication Board in compliance with the preceding paragraph, where the affirmation of the prior right involved is subject to the result of another on-going trial of the people’s court or another on-going case handled by the administrative agencies, the Trademark Review and Adjudication Board may suspend the examination procedure. However, the Trademark Review and Adjudication Board shall restore the examination procedure once the cause for suspension no longer exists.*

¹⁰⁴ **Trademark Implementing Rules 2014** Article 11: *The following periods shall not be included in the time limits for trademark reviews or hearings: (5) The period of awaiting the result of a case involving the prior right upon application during a trademark review or hearing.*

¹⁰⁵ **TRAD Rules (2014)** Article 31: *Where the hearing results of cases of priority rights are needed in accordance with Paragraph 4 of Article 35 and Paragraph 3 of Article 45 of the Trademark Law and Item 5 of Article 11 of the Implementing Regulations, the Trademark Review and Adjudication Board may decide to suspend such case of trademark review and adjudication.*

The respondents did experience such refusal frequently (4), occasionally (3), infrequently (5) but six of them had no experience of this. Three did not answer.

It is probable that the answers - occasionally/infrequently /never –referred to situation where the respondent had been requesting a suspension of procedure, rather than decisions of the court “occasionally, infrequently, or never” refusing to suspend the procedure.

There were two comments: one about patent litigation, explaining that defendants to an infringement action based on a patent very often file an invalidation action against the patent and apply for a suspension of the civil procedure. In such case, the respondent indicates that the court has the discretion to suspend or not. The other comment referred to cases where a court decides to reject a lawsuit for the reason that there is another ongoing case.

5.6.3. Assessment and recommendations

5.6.3.1. Assessment

The suspension of procedure while awaiting the outcome of another pending case, is a standard practice in any procedural system. This is well recognized in China’s procedural system - both administrative and civil. Yet, it is difficult to obtain a suspension of procedure. In 2020, the Position Paper of the European Chamber of Commerce submitted a “Key recommendation” on this issue.¹⁰⁶

In 2019, the CNIPA published interesting statistics showing the percentage of decisions rendered by the Beijing IP Court which reversed the decision of the Trademark Review and Adjudication Department. One of the causes of reversal is called “*change of circumstances*”, which corresponds to the situation where the “obstacle” raised against the registration of a trademark has been lifted.

¹⁰⁶ IPR Working Group - European Chamber – 2021 Position Paper:

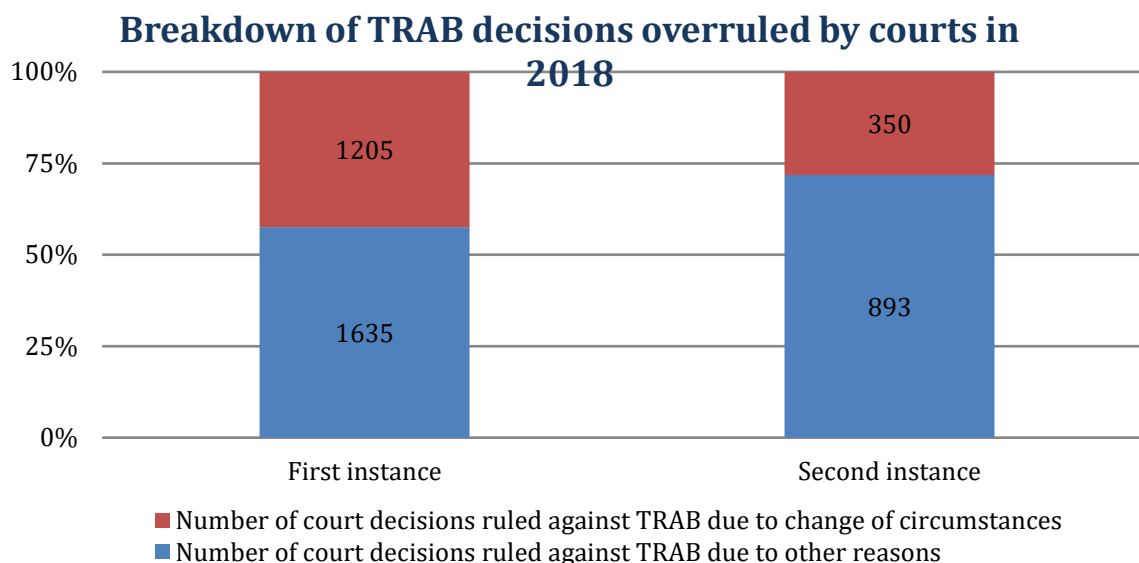
- **Create a Mechanism to Stay Registration Proceedings Until Invalidations, Oppositions and Non-use Cancellations are Dealt With**

Concern: The registration time for trademark applications has been accelerated, whilst the time for invalidations/ cancellations has not, so when trademark applicants need to re-apply for trademarks, there is a possibility of someone else filing rejection appeals and lawsuits causing additional time and work for trademark applicants.

Assessment: In October 2019, the CNIPA announced that the average length of examination for trademark registration has been shortened to five months, compared to the original nine months provided for by Article 28 of the Trademark Law. Speeding up this process has caused complications for companies that want to register trademarks. For example, when a company applies for a trademark, it will at the same time file for oppositions, non-use cancellations and/or invalidations against trademarks that could potentially block the registration. When the examination time for registration was nine months, there was no problem, as these actions would be dealt with around the same time as the trademark examination. However, the shorter trademark examination is forcing companies to file a rejection appeal and possibly a lawsuit in order to keep their application alive until any blocking trademark has been successfully opposed, cancelled or invalidated. This increases costs for registrants and places a heavy burden on their resources. In order to change this process, the working group advocates for a procedure to be introduced into the Trademark Law that can stay the application examination procedure until all oppositions, cancellations and invalidations have been dealt with. This will reduce the workload for both the CNIPA and trademark registrants, thus benefiting the Chinese trademark landscape significantly.

Recommendation: Create a procedure to stay trademark application examination procedures until all oppositions, cancellations and invalidations are dealt with.

The diagram below¹⁰⁷ illustrates the large majority of cases where the decision of the TRAB was overruled by the courts, in first (Beijing IP Court) or second instance (Beijing High Court), due to a “change of circumstance”, i.e. the prior right that constituted an obstacle to the registration of a trademark, has been cancelled.



Each of these court decisions (highlighted in red) could have been avoided if the TRAB had waited for the “change of circumstances”. The cancellation of the prior right would have been followed by a final approval of the applied trademark whose holder would not have had to appeal to the Beijing IP Court, or even to the High Court.

The problem is not in the law, but in the implementation of the law. Dialogue seems the only solution. Several years ago, this issue was raised in a meeting between the State Administration for Industry and Commerce and the European Chamber of Commerce. The response was positive, the TRAB indicating that suspension could be envisaged, subject to its being requested in writing at the same time as the request for review. This was effective for a few years, but old habits die hard and the TRAB (now TRAD) has gone back to refusing the suspension of cases.

5.6.3.2. – Recommendation – capacity building

If the reason for the reluctance to suspend cases is due to the need to satisfy performance requirements, it might be possible to address this point during dialogues with Chinese stakeholders. It could be suggested that a decision to suspend a case may be assigned the same value – from the viewpoint of performance – as a “full” judgment.

¹⁰⁷ http://www.lindapatent.com/cn/info_news/978.html

5.7. Transfer of case

5.7.1. Legal background

The petition for appeal is sent to the first instance court. If the petition is sent to the second instance directly, the second instance court must forward the petition, within five days, to the first instance court (Article 166 CPL). The petition is served by the court on to the other party, which should file a defense within fifteen days, and the court then forwards the defense to the Appellant within five days. This being said, as it is the case for the first instance, the absence of written defense has no consequence on the trial (Article 167.1 CPL).¹⁰⁸ The first instance court then sends the petitions and the case file (i.e., the entire record of the hearing) to the second instance court (Article 167.2 CPL).

This transfer can take several months.

5.7.2. Stakeholders' views

Based on the stakeholders' experience, the transfer of a case to the second instance court, after the issuance of the first instance judgment takes several weeks (7) to several months (10). Four respondents did not provide an answer.

One of the respondents believes that such delay may be intentional in order to slow down the flow of cases reaching the second instance court.

5.7.3. Assessment and recommendation

5.7.3.1. Assessment

The fact that the act of appeal is filed, with the first instance court rather than directly with the second instance court might be a reason for the delay. The transfer operation should be a simple logistical issue. However, it can take several months. This could be explained by the time limit imposed on the second instance courts for the issuance of their judgments (three months for domestic cases). This time period is calculated from the date of receipt of the appeal documentation. Therefore, the time between the appeal itself and the transfer, is not counted, and this, *de facto*, prolongs the period.

5.7.3.2. – Recommendation – Legislative and capacity building

In the current state of the procedure, the “case file”, i.e. the transcript of the debates before the first instance court, is the essential material on which the second instance

¹⁰⁸ **Article 167 CPL - 1.** Upon receipt of the petition for appeal, the People's Court which originally heard the case shall serve the duplicate copy of the petition for appeal on the counterparty litigant within five days, the counterparty litigant shall submit a pleading within 15 days from the date of receipt of the petition. The People's Court shall serve the duplicate copy of the pleading on the appellant within five days from the date of receipt of the pleading. Non-submission of pleading by the counterparty litigant will not affect trial of the petition by the People's Court. **2.** Upon receipt of the petition for appeal, the People's Court which originally heard the case shall submit the petition for appeal together with all case files and evidence to the People's Court of second instance within five days.

court shall work. If China adopts the written procedure described above, then, there would be no need for transfer of a case file.

5.8. Publication of judgments and role of guiding cases

5.8.1. Legal background

5.8.1.1. - *The IP Key Study on the use of jurisprudence in civil litigation in Germany, France, and China*

In 2015, the IP Key Project commissioned by to three experts to carry out a study on the role of jurisprudence in China, Germany, and France. The experts were: Dr. S. Sam Li, partner at Wanhuida Law firm, Dr. Tobias Malte Müller, *PhD*, a German and Italian qualified attorney, partner at Munich Wirsing Hass Zoller Law Firm, and Professor Michel Vivant, Agrégé des Facultés de Droit, Professor at the Law School of the Paris Political Sciences School, Professor at the European Centre of Intellectual Property and Consultant at Dentons Paris Law Firm. The Terms of Reference proposed by IP Key to the experts were to focus on the following topics: (1) the case law publication mechanism; (2) how litigating parties may invoke precedents in court; (3) the binding or non-binding force of precedents; (4) the influence of foreign cases and the role of international tribunals; (5) the specific situation of intellectual property¹⁰⁹.

5.8.1.2. – *Case law publication mechanism*

China recognized the importance of cases at a very early stage. The Supreme People's Court started to pay attention to this matter as early as 1956, and progressively developed a system for selecting cases in order to guide the adjudicating work of the judges. Besides issuing documents called Interpretations, Provisions, Opinions, which contain direct instructions to the courts on how to apply the law in specific situations, the Supreme Court selects and publishes cases for instructive purposes. In 1985, the Court created the *Gazette of the Supreme People's Court of the People's Republic of China*, which was first published quarterly, then bimonthly, and now monthly. This system of publishing cases was formally defined in a Provision on Case Guidance (November 26, 2010)¹¹⁰, which distinguishes "general cases" from "guiding cases". For general cases the Court has ways other than its Gazette to publish selected cases e.g., as its annual reports which contains dozens of cases, or the Ten Intellectual Property Cases, or the Fifty Exemplary Cases of Intellectual Property. Since January 1st, 2014, all judgments made by all people's courts must be available online on the court's websites. "Guiding cases" follow a different process of selecting, examining and issuing.

¹⁰⁹ The use of Jurisprudence in civil procedures in Germany, France and China – IP Key 2015 - Available on the Internet at <https://ipkey.eu/sites/default/files/legacy-ipkey-docs/7--doccentre-civil-cc3-aw4-002-comparative-study-on-civil-procedures-of-france--germany-and-china-en.pdf>

¹¹⁰ Provision on Case Guidance - 26 November, 2010 – Available on the Internet at <https://cgc.law.stanford.edu/sgg-on-prc-provisions-case-guidance/>

5.8.1.3. Citing cases in court

Judges do pay attention to similarly decided cases. A study was conducted by Sichuan Higher People's Court and Sichuan University showing that 43.23% of surveyed judges believe that they need to respond to the parties when they cite cases in support of their arguments, 22.38% believe they may respond, 33.94% believe they will not respond but will review the cited cases, and only 0.44% judges believe they will neither respond to the party nor review the cited cases.

5.8.1.4. Influence of precedents

In China, apart from the “guiding cases” (see below), precedents are not binding. A court does not have the obligation to follow decisions made by higher courts even if the circumstances of their cases are identical or similar. However, in China “case law” does have an influence, but such influence comes from the Supreme People's Court. The Supreme Court, besides issuing formal “Interpretations” of the law, which are binding, also makes direct recommendations to the lower courts through its “Opinions” and indirect recommendations by publishing a list of cases selected each year. In practice, even if selected cases are theoretically only for recommendation purposes and are formally non-binding, the lower courts tend to comply. In addition, “guiding cases” recommended by the SPC divisions, by members of the National People's Congress, members of the Chinese People's Political Consultative Conference, and by lawyers, are reviewed and adopted by the SPC Adjudication Committee, and are binding. In adjudicating similar cases, courts are required to consult the guiding cases, and if such cases are cited by the parties, the court must respond.

5.8.2. Stakeholders' views

Asked whether they had encountered difficulties in finding a precedent or in persuading a judge to apply a precedent, or give reasons not to apply a precedent, the respondents answered: frequently (2); occasionally (10), infrequently (2), never (3) and four did not answer.

One respondent observed that the rule of precedent does not apply in China (which is true within the meaning of the Common Law, but not quite true within the meaning of the Continental law).

Another respondent said that there may be several precedents of different opinions.

Another respondent gave a fuller comment: *The Chinese courts have done a good job in the publication of the judgments and there are also various private legal database companies that can supply a better search service on the judicial precedents. So, it is not a big problem to find precedents unless the legal issue is a completely new one that has not been dealt with by courts before. Judging from my experience, the precedents may have certain reference meaning, but the judges seldom cite precedents in their judgment, not to mention giving any reasons on whether to apply*

them or not. This is probably because the judges in China, who are trained in a civil law system, generally have no sense of using precedents to guide their trials.

5.8.3. Assessment and recommendations

5.8.3.1. Assessment

The publication of judgments and the role of case law are not identified as being a serious problem for practitioners in China. The overall domination of the Supreme People's Court corresponds to the organizational structure of the country and the system functions well. This does not mean that the SPC could not develop, in the future, into a system where, more like the French Cour de Cassation, retrial by the Supreme Court would be restricted to points of law.

5.8.3.2. Recommendation – capacity building

During a study tour in Europe which took place between June 21st and June 28th, 2016 under the IP Key Project, a selection of Chinese judges from the SPC and several courts in the provinces met with some of their European counterparts. They expressed a strong interest in learning more about the operating mode of the French *Cour de Cassation*. Pursuing these discussions, it might be useful, offering the SPC opportunities to learn more about the role of Supreme Courts in other countries. At the end of the tour, the Wanhuida partner who accompanied the Chinese judges on the trip, drafted a brief report and drew some conclusions (see below):

"Generally speaking, the study visit was successful and achieved its initial purposes. Chinese judges were happy to hold discussions with their European peers and were interested in such insightful observations.

"Due to the very tight schedule, a lot of Chinese judges' questions, most of them relating to on-going judicial reforms in Europe, were not fully discussed. It might be advisable to sum up these questions and prepare full written reports to let them know more about the European judicial system. They are interested in issues concerning civil procedure, and in this regard, the German and the French presentations were very well received. But the most important issue was the role of jurisprudence: they are concerned about how to guarantee the harmonisation and stability of jurisprudence in a country as vast as China. In that regard, it seems that more work can be done to help the Chinese judges in their work. The case law study, already translated and distributed among the Chinese judges was a start, but probably insufficient to allow the Chinese judges to fully understand. It is difficult for the Chinese judges, to reconcile the basic European concept of "non-binding" cases with the practical "almost binding" effect of cases, when they constitute a stable and established jurisprudence. We could, for example, explain in more depth, how a jurisdiction like the "French "Court of Cassation" makes a distinction between principles/points of law and circumstances/facts. The presentations in Paris, on specific cases, were interesting, but the Chinese judges might have missed the main point, which was to illustrate the boundaries within which the French Supreme Court controls the application of the law by the courts of appeal. Future IP Key projects should allow further in-depth

examination and research. One way could be to provide the translations of actual/real cases, which could serve as a good study material. It will be more efficient than the mere presentation of general principles. We need to explain in detail, not only how the European judicial systems work, but also why such or such system has been put in place. This can inspire the Chinese judges to adapt similar mechanism in China, while taking into account their Chinese specificities.

"For future organization of study visits, the recommendation is to: 1) arrange preliminary working meetings with both Chinese and European judges, specify the topics of the study visit, and try to avoid repeated topics; 2) address technical issues which correspond to the Chinese judges concerns, instead of talking about general principles (such as the separation of powers, etc.; 3) if possible, send some background documents or presentation materials to the interpreters in advance, to improve the efficiency and accuracy of the translation".

The recommendations of this report are still valid today.

5.9. Enforcement of judgments

5.9.1. Legal background

If one party fails to perform the decision, the other party may apply to the people's court for enforcement.¹¹¹

The enforcement of judgments, rulings and mediation documents issued by the people's courts is performed by the courts, not by private initiative. The enforcement is made by the court of first instance, even if the decision has been rendered by a court of second instance.

If the enforcement is made against a property of the defendant that is situated in another territorial jurisdiction, the local people's court of first instance performs the action.

IP courts do not have jurisdiction to enforce their own decisions. The high people's court of the place where the IP court is located may designate an intermediate people's courts in the same jurisdiction to enforce the IP court judgements¹¹².

During the enforcement process, the party applying for enforcement is responsible for providing the court with information concerning the assets of the defendant.

¹¹¹ **Article 236 CPL** *The parties concerned shall perform the civil judgment or ruling which has come into legal effect. Where one party refuses to perform, the counterparty may apply to the People's Court for enforcement, or the judge may assign an enforcement officer to carry out enforcement. In the case of a mediation letter and any other legal document which should be enforced by the People's Court, the parties concerned shall perform the mediation letter and legal document. Where one party refuses to perform, the counterparty may apply to the People's Court for enforcement.*

¹¹² **Article 224 CPL** *A civil judgment or ruling which has come into legal effect and the property portion of a criminal judgment or ruling shall be enforced by the People's Court of first instance or a People's Court at the location of the enforced property at the counterpart level of the People's Court of first instance. Any other legal documents to be enforced by a People's Court pursuant to the provisions of the laws shall be enforced by a People's Court at the location of the enforcee's residence or the location of the enforced property.*

However, the applicant may ask the people's court to order the person being enforced to disclose their property and may also ask the court to investigate, online, the existence of funds, movable property, or real property.

If the person being enforced does not cooperate, the people's court shall include it in the “black” list of persons without credit and may impose a fine or even detain the person or their legal representative or the person in charge of the relevant entity.¹¹³

The courts have the power, whenever enforcement cannot be performed, to impose restrictions on the consumption of items that are not necessary for living or business, such as travelling.¹¹⁴

5.9.2. Stakeholders' views

Eight respondents found that difficulties in enforcing a judgment occur frequently. Six encountered occasional difficulties, three encountered them only infrequently, and four did not answer.

The reason given is the difficulty of gaining access to the assets of defendants when no preservation has been made in advance. Another comment emphasizes the need to preserve property at the outset, in particular when dealing with professional infringers. It is acknowledged however, that the measures restricting the activities of a defendant who does not pay the sums ordered by the court have been efficient.

Another comment praises the Chinese courts for being willing to take enforcement measures.

5.9.3. Assessment and recommendations

5.9.3.1. The above comments speak for themselves: the efficiency of enforcement is directly linked to the preservation measures that are taken at the very beginning of a case. In that regard, the comments and recommendations made under the chapter concerning preservation measures may apply to enforcement.

5.9.3.2. Introduce the French concept of « astreinte ».

Jurisdictions use different methods for handling a party who refuses to obey a court injunction. The Common Law countries use the concept of “contempt of court”, pursuant to which courts may impose sanctions, even prison. In China, the CPL also

¹¹³ **Article 241 CPL** *Where an enforcee has not performed the obligations determined in the legal document pursuant to the notice of enforcement, the enforcee shall report the current status of property and the status of property in the year preceding the date of receipt of the notice of enforcement. Where the enforcee refuses to report or makes a false report, the People's Court may impose a fine or detention on the enforcee or its legal representative or the key person-in-charge or directly responsible personnel of the relevant organisation based on the extent of the circumstances.*

¹¹⁴ **Article 255 CPL** *Where an enforcee does not perform the obligations determined in the legal document, the People's Court may adopt or notify the relevant authorities to assist in adoption of measures such as restricting the enforcee from leaving China, announcement of information on non-performance of obligations through the creditworthiness system records or the media and other measures stipulated by the laws.*

provides for financial, even criminal, penalties (Article 114¹¹⁵ and 115¹¹⁶ CPL) if the defendant does not perform the order given by the court. The French “astreinte” is a different concept. The court stipulates, *in its judgment*, that in the event the defendant would fail to perform the order contained in such judgment, a penalty (the “astreinte”) will be due to the plaintiff. The calculation mode of the said penalty is set in advance in the judgment (a certain amount per piece, a certain amount per day etc.). Such procedural tool constitutes a powerful incentive to execute court orders in due time.

¹¹⁵ **Article 114 CPL:** Where an organisation obligated to assist in investigation or enforcement has committed any of the following acts, the People's Court may, in addition to ordering the organisation to perform the obligation to assist, impose a fine

- (1) The relevant organisation refuses or obstructs the People's Court's investigation or evidence collection;
- (2) The relevant organisation refuses to assist in enquiry, seizure, freezing, allocation or realisation of properties upon receipt of the People's Court's Notice on Assistance in Enforcement;
- 3) The relevant organisation refuses to assist in seizure of the enforcee's income, handling of transfer of the relevant property rights certificate, forwarding of the relevant bills, certificates or other properties upon receipt of the People's Court's Notice on Assistance in Enforcement;
- (4) Refusal to assist in enforcement.

The People's Court may impose a fine on the key person-in-charge or directly accountable personnel of the organisation which has committed any of the acts stipulated in the preceding paragraph; person(s) who still refuse(s) to perform the obligations to assist may be detained; the People's Court may propose judicial recommendations of disciplinary actions to the surveillance authorities or the relevant authorities.

¹¹⁶ **Article 115 CPL** A fine imposed on an individual shall not exceed RMB100,000. A fine imposed on an organisation shall range from RMB50,000 to RMB1 million.

The detention period shall not exceed 15 days.

Detained persons shall be referred to the custody of public security authorities by the People's Court. Where a detained person admits and makes correction during the detention period, the People's Court may decide to terminate the detention prematurely.

6. INTERACTION BETWEEN ADMINISTRATIVE, CRIMINAL AND CIVIL PROCEDURES

6.1. Restriction on suing a registered trademark

6.1.1. Legal background

6.1.1.1. The SPC Interpretations of 2008 and 2009

Two judicial interpretations of the Supreme People's Court (SPC) in 2008¹¹⁷ and 2009¹¹⁸ provide that where the trademark registrant complains that a later registered trademark is infringing and needs to sue such trademark before a civil court, the case should not be accepted by the court and the plaintiff should, first, seek the invalidation of the defendant's registered trademark. There are two exceptions to this rule: (1) if the distinctive feature of the defendant's registered trademark has been modified in actual use or if such trademark is used on different goods than those designated by the registration; or (2) the plaintiff's own trade mark was already well-known on the date of filing of the defendant's trademark.

Article 1 of the 2008 Interpretation specifies that copyright, design, enterprise name or other prior rights are not concerned by this restriction to sue. Only prior trademark owners are concerned.

6.1.1.2. Consequences of the Interpretations

The consequence of these interpretations is that during the invalidation procedure (which can take a long time) the prior trademark owner is prevented from requesting the cessation of the infringement. So, even if, at the end of the administrative procedure, the later registered trademark is finally invalidated, the compensation of the prejudice caused by the infringement before the invalidation cannot easily be claimed.

¹¹⁷ **Provisions of the Supreme People's Court on Issues Concerning the Trial of Cases of Civil Disputes over Conflicts between Registered Trademark or Enterprise Name and Prior Right** - 18 February 2008 - Article 1 : *Where a plaintiff files a lawsuit on the ground that the character or graphic used in the registered trademark of other party infringes upon its/his copyright, patent right for a design, right to enterprise name or other prior rights, which conforms to the provision of Article 108 of the Civil Procedure Law, the people's court shall accept the lawsuit. If the lawsuit is filed on the ground that a registered trademark used by other party on approved commodities is identical with or similar to the prior registered trademark of the plaintiff, the people's court shall, according to the provision of Article 111 (3) of the Civil Procedure Law, notify the plaintiff to apply with the competent organ for settling the issue. However, in case the lawsuit is filed on the ground that a registered trademark used by other party beyond the approved scope of commodities or by changing the dominant features of the trademark, splitting it or combining it with others insofar as it becomes identical with or similar to the registered trademark of the plaintiff, the people's court shall accept* - Full translation available on the Internet at <http://lawinfochina.com/display.aspx?id=81c469fd4af4fc4fbd4fb&lib=law&EncodingName=gb2312>

¹¹⁸ **SPC Interpretation on Several Issues Concerning the Application of the Law to the Trial of Cases of Civil Disputes over the Protection of Well-known Trademarks** 22, April 2009 - Article 11 : *If the registered trademark used by the defendant constitutes trademark infringement for being a reproduction, imitation or translation of the plaintiff's well-known trademark, thus violating Article 13 of the Trademark Law, the People's Court, upon the request of the plaintiff, shall prohibit the defendant from using this trademark according to law.* Full translation available on the Internet at <https://www.cpahklt.com/UploadFiles/20100316160403610.pdf>

This consequence raises an issue with regards to Article 16.1 of the TRIPS Agreement which provides: *“The rights described above (the rights conferred to a registered trademark) shall not prejudice any existing prior rights...”*.

6.1.1.3. Background of the SPC Interpretations

These SPC Interpretations appear to be a logical corollary of the basic trademark protection system laid down by the Trademark Law.

(1) The Trademark Office makes a full examination of the trademark applied for registration, both on the absolute grounds (whether the applied trademark is in conformity with the law) and on the relative grounds (i.e., priority search to look for identical or similar trademarks that have may have been registered or applied); (2) if the examination is satisfactory (conform with the law and no prior trademark cited), the Office grants the: *“exclusive right to use the trademark”*. This examination system is significantly different from the European system where the Office (apart from the examination on legal conformity) merely provides stakeholders with the result of a priority search, but does not make a decision in that regard.

The reason for the restriction to sue, which exclusively concerns registered trademarks, can be found in the above system. If, after the search for prior trademarks, the Office has made the decision to approve the registration of the new trademark, the SPC considers that the newly registered trademark has been cleared of any conflict with any prior trademark, and that this clearance may not be challenged in a civil court.

6.1.2. Stakeholders' views

The restriction to sue a registered trademark is considered a frequent issue (10), occasional (6) infrequent (1) and four people did not answer.

One of the comments added by a respondent concerns the decline of trademark squatting since the revision of the Trademark Law, which is not relevant to the question. Another observes that, pursuant to the 2009 SPC interpretation, a well-known trademark is not restricted to act against another registered trademark.

For another respondent, the problem occurs frequently and even one of the major problems. It should not be necessary to justify that a trademark is well-known in order to start a lawsuit against another registered trademark.

6.1.3. Assessment and recommendations

6.1.3.1. Assessment

This restriction on suing a registered trademark is a major issue which deserves to be discussed fully.

The following facts and issues could be taken into consideration:

(1) The *ex officio* examination performed by the Trademark Office cannot be exhaustive: with the acceleration of the examination procedure, the Office is now able to decide within four months from the application date, which means that any foreign trademark application claiming a priority date of six months will be overlooked;

(2) Some trademarks, which are not so similar but should nevertheless be cited due to their reputation, may be overlooked by the examiner who is not aware of their reputation;

(3) The search engine used by the examiner cannot make any difference between those prior trademarks that are used and those that are not, which indirectly, encourages the practice of filing many trademarks for speculative purposes.

(4) Finally, the revision of the Trademark Law in 2013, which aimed to accelerate the registration process, emphasised the impact of the SPC 2008 interpretation. Before 2013, when an opposition was rejected, the opponent could file an application for review before the Trademark Review and Adjudication Board and, after, an appeal before the courts. Therefore, until a final decision was made on the validity, the opposed trademark was still not registered and it was possible to stop the infringement before a civil court. However, after 2013, when the opposition is rejected, the opposed trademark is immediately registered and the prior trademark owner must wait until the end of the invalidation procedure before asking the civil court to stop the infringement.

6.1.3.2. Recommendation – Interpretative - capacity building

The research and consultations leading to a further revision of the Trademark Law will take time, and the above issue is part of the entire framework that could be changed.

In the meantime, a simple solution could be proposed : that infringement cases against later registered trademarks be “accepted” by the courts and immediately suspended until the administrative decision on the validity of the trademark concerned is made. At least, this would allow the plaintiff, if successful, to claim compensation over the entire period of the procedure.

6.2. Civil claim in administrative procedure

6.2.1. Legal background

Article 61 of the Administrative Procedure Law¹¹⁹ provides: *"In an administrative litigation involving administrative licensing, registration, expropriation, and administrative agency's rulings on civil disputes, where the parties apply to resolve the relevant civil disputes together, the people's court may hear them together".*

¹¹⁹ *Administrative Procedure Law of China* - Translation available on the Internet at http://english.court.gov.cn/2015-09/11/content_21845451.htm

Therefore, in principle, it is possible to submit a civil claim in an administrative litigation. A claim requesting that the losing party pay the legal expenses of the winning party is a civil claim. It should be possible, before the Beijing IP Court, which deals with all appeals against decisions of the CNIPA on the validity of IP rights, to ask for the payment of the legal expenses incurred during the entire procedure, if it is decided that the other party's trademark has been filed in bad faith and should be refused or cancelled.

However, in practice, such claims have never been submitted, or if they have, they have never been accepted.

Nevertheless, a very recent Interpretation of the SPC kindles some hope, even if it does not directly address the problem of combining civil claims in an administrative procedure. On June 3rd, 2021, the Supreme People's Court issued a *“Reply on the Issue of the Defendant's Request for Compensation for Reasonable Expenses on the Grounds of the Plaintiff's Abuse of Rights”*, which provides that: *“In an Intellectual Property infringement case, if the defendant submits evidence proving that the plaintiff's lawsuit constitutes an abuse of rights and damages its legitimate rights and interests, and claims for compensation not just for the court costs, but also the fees of lawyer, accommodations and traveling expenses, etc., the people's court shall support this claim in accordance with the law. The defendant may also sue separately and request the plaintiff to compensate the above-mentioned reasonable expenses.”*

The new SPC Response tends to suggest that, when the “real” right owner is facing a bad faith infringement claim, it is possible, even before the trademark acquired in bad faith is invalidated in the relevant administrative procedure, to file a counter claim on the basis of the abuse of rights and to ask the court to order the plaintiff to pay reasonable costs in association with this infringement lawsuit.

6.2.2. Stakeholders' views

The answers of the respondents are somewhat puzzling: two claims that they have frequently requested the payment of their costs in an opposition or invalidation procedure, one answers that it did it occasionally, three refers to infrequent requests. Eleven never filed such request and four did not answer. The “rate of satisfaction” is likewise, confusing: three were occasionally satisfied, four were infrequently satisfied. Seven were never satisfied and seven did not answer.

Logically, there should have been no “satisfied” answers for any of respondents, because it is a fact that the claim for obtaining the reimbursement of legal costs is not an open one, which is precisely the problem.

And, in fact, two of the respondents specified: this is not allowed by Chinese law, and *“if we could obtain the reimbursement of our costs, when we successfully oppose or invalidate a trademark, this would certainly contribute to deterring bad faith trademark applicants.”*

6.2.3. Assessment and recommendations

6.2.3..1 Assessment

Trademark squatting can take several forms. Targeting a trademark and applying for the same or similar signs in classes of products or services where the targeted trademark is not yet registered or filing large numbers of different trademarks and waiting until a person, who would have a legitimate reason to apply for the registration of any such trademark, finds out that the "space is already taken". In this case, the trademark squatter does not "target" a specific victim but, rather, operates like a fisherman casting his net in the ocean.

Whether the act of trademark squatting is directed against one identified "target" or used as a means to "fish" for potential targets, the motivation is the same, i.e. to use the trademark system for purposes other than selling products or services. The only purpose, in trademark squatting, is to make a profit from the trademark which is viewed as a pure commodity.

China has taken measures against Trademark squatting, such as the amending the Trademark Law and the introduction, in Article 4, of the provision that *trademarks filed in bad faith without intention to use*, shall be refused.

However, this change in the law is not enough to deter trademark squatters. Trademark squatting will continue as long as it is a profitable business. In fact the investment in registering a trademark is very low, yet it might yield huge profits. Trademark Squatting will decline, however, when trademark squatters realize that, in the end, profit is unlikely and they even risk losing money.

However, the above-mentioned Interpretation recently published by the SPC definitely shows that the court is moving in the right direction.

6.2.3.1. Recommendation - Capacity building

The legal provision exists. What will be necessary is to convince the courts to apply it. This can only be achieved through dialogue.

6.3. Civil claim in a criminal procedure

6.3.1. Legal background

Article 101 of the Criminal Procedural Code of China (revised in 2018)¹²⁰ provides "A victim who suffers from property losses due to the defendant's criminal offenses shall be entitled to bring an incidental civil action during criminal proceedings".

¹²⁰ Criminal Procedure Code of China – Available on the Internet at <https://www.chinalawtranslate.com/en/criminal-procedure-law-2018/>

However, until now, the courts have made a very restrictive interpretation of the terms "*suffers from property losses*". The losses affecting intangible assets such as intellectual property rights are not considered as "property".

On December 13, 2000, the Supreme People's Court issued a judicial interpretation (2000 No. 47) defining the scope of civil proceedings incidental to criminal matters as including "*material damage*" suffered as a result of a "*criminal violation of personal rights*" or the "*destruction of his property*". The interpretation excluded the "*moral damage*" from the scope of possible incidental action. As for the material damage, it was further defined as the "*actual damage*" or the "*damage necessarily suffered*" by the victim. This judicial interpretation was annulled in 2015.

On 20 December 2012, the Supreme People's Court issued a new *Interpretation on the Application of the Criminal Procedure Law* (adopted at the 1559th session of the Judicial Committee of the SPC - Fa Shi [2012] No.21). Chapter 6 concerns incidental civil actions and Article 138 provides: "*A victim who suffers material damage as a result of the violation of his personal rights or the destruction of his property by criminals shall have the right to institute incidental civil proceedings in the course of criminal proceeding ... the People's Court shall not accept any civil action for moral damage...*".

The restrictive interpretation of the words "property losses", therefore, has remained unchanged.

As a result, the practice of most courts has been to refuse incidental civil claims in cases concerning intellectual property. The victim has had to file a separate civil lawsuit during or after the criminal prosecution.

In past years, some IP owners, especially trademark registrants, tried to file civil lawsuits incidental to criminal prosecution, but the practice varied from province to province. In Zhejiang Province, for example, the courts would not accept such civil lawsuits.

However, the debate goes on. Recently judges and public prosecutors in Zhejiang Province returned to the topic and, on a preliminary basis, agreed to test it out on a civil lawsuit incidental to a criminal prosecution in an intellectual property infringement case.

6.3.2. Stakeholders' views

The situation here (requesting damages against a counterfeiter, in the criminal court) is less categorically unfeasible than the above-mentioned case (requesting the payment of the legal cost in an administrative procedure).

Thus, the variety of answers is less surprising: one frequently requested a criminal court to accept the claim for compensation, four did it occasionally, six infrequently, five never (and five did not answer).

The satisfaction rate is a little more surprising: every time (1), occasionally (2), infrequently (5) and never (7).

It is hard to believe, under current conditions, that one stakeholder frequently asked for compensation in a criminal court and obtained satisfaction each and every time. It would make sense, however, if one stakeholder asked just once and was satisfied that one time.

One respondent referred to a case in Zhejiang province¹²¹ where the court accepted the civil claim for damages at the end of a criminal procedure (see paragraph 6.3.3.1 below). The respondent adds, however, *“Most civil claims filed after a criminal procedure are ineffective, as the criminals don't want to pay more, or have already paid a penalty to the authorities. For example, in Jiangsu province, in one criminal proceeding, from Public Security Bureau to the Procuratorate to the court, if the suspect pays a high enough amount of fine they can easily be released on bail”*. Right owners find it difficult to get compensation from the counterfeiters.

6.3.3. Assessment and recommendations

6.3.3.1. – Assessment

On 9 April 2021, the Court of Yuyao (Zhejiang Province) adjudicated a civil claim incidental to a criminal trademark infringement case: the German company Andreas Stihl AG & Co v. a Chinese Lu Jun. This decision was rendered in the presence of a large number of officials, invited to attend the hearing, since the court intended to widely publicize its judgment. This decision, which accepted a civil claim filed by the victim of acts of infringement, was ground-breaking.

The conflict between Andreas Stihl, the manufacturer of the famous orange and black chain saws and the Lu family, operating under several legal entities, including Hua Sen, Jia Ji, and Sen Bao, was long-standing. The Lu family had been raided several times from 2014 but had never stopped infringing the Stihl trademark. The quantities seized were more than sufficient to justify a criminal prosecution. It was therefore decided, after full consultation with the Public Prosecutor, to file a civil claim for the full amount of the statutory damages, then provided in the Trademark law (1 million RMB).

The Court of Yuyao has adopted all the recommendations made by the Public Prosecutor and has handed down prison sentences ranging from two to three years, accompanied by probation periods, taking into account the attitude of the defendants. Stihl has obtained damages of 500,000 RMB.

6.3.3.2. – Recommendation - interpretative - Capacity building

This decision points in the right direction. However, it is only a local decision. The new interpretation of the law needs to be confirmed. It will therefore be necessary to monitor and keep the dialogue going.
