Interview No.27

Conversation between Chinese and Japanese Experts in Intellectual Property

How to Effectively Cope with China's Infringement of Rights (II)

When speed is a priority, produce evidence with the help of administrative authorities!

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In many cases, it is rather hard to know how Japanese enterprises should actually behave when an infringement of a patent or a trademark right occurs, such as cases of counterfeit goods sold in China. Specific countermeasures against infringements of rights were discussed between Chinese and Japanese experts familiar with such infringement suits.

Persons present:

Mr. Chixue WEI, Partner Attorney-at-law, Patent Attorney and Mediator, Linda Liu Group

Mr. Nobuyuki Matsunaga, Patent Attorney, Advisor to Miyoshi & Miyoshi

Matsunaga: Can any of an attorney-at-law, a patent attorney who deals with patents, utility models and designs, and a trademark attorney who is authorized to deal only with trademarks act as a specialist to be consulted?

Wei: It is said that in China, of the 220 thousand people qualified as lawyers, around 150 thousand are actually working. However, there are not so many lawyers familiar with intellectual property matters. When entrusting with an attorneys' office, it is sensible to confirm how much experience they have in intellectual property matters, how many lawsuits they have handled and so on. And areas of specialty of patent agents can vary from person to person. In large firms work is allotted to specialist staff according to business area, i.e. patents, utility models and designs. As for trademark attorneys, the qualification examination was abolished in 2001 so it is necessary to take special care. Receiving compensation and falsely declaring qualifications are not permitted, but it should be noted that anyone can be an agent.

Matsunaga: How are agents' fees determined?

Wei: There is a provision for a patent agent's professional fees. As for an attorney-at-law's fees, the Ministry of Justice once announced a

provision, but basically there is no provision for compensation. Besides charge by time or charge per case, a fixed price is sometimes preliminarily promised. Additionally, there are also agreements involving payment of a deposit and the remainder paid after completion in the form of a contingency fee.

Matsunaga: Approximately how much is the difference in compensation between the amount charged to an overseas enterprise and that charged to a domestic enterprise by a Chinese agent?

Wei: It's almost impossible to say. For instance, in the case of a famous firm run by an attorney-at-law who returned from the U. S., I hear they charged overseas enterprises US$600 or over per hour and domestic enterprises US$10s -100 per hour.

Matsunaga: If we receive an Office Action from the Patent Office and are required to submit an argument and an amendment, should we negotiate over the agent's fee on a case-by-case basis?

Wei: In general agent fees are agreed beforehand. For example the amount per hour or the fixed price for each Office Action received is agreed upfront.

Matsunaga: From the viewpoint of "litigation costs" versus "money received" I presume the present fees for specialists such as an attorney-at-law are not too heavy a burden for Chinese enterprises. How do you feel about this?

Wei: It seems to be rather low compared with overseas enterprises, but if overseas enterprises intend to develop their business in the Chinese market, it is worthwhile to take legal action even if it costs a lot of money upfront.

Matsunaga: If a trial is necessary, what things are important to consider when appointing an expert witness who will prepare a report which may influence technical judgment?

Wei: It should be an expert agency which is authoritative in the technical field and recognized by the court. However, the interested parties should jointly select the expert agency and the expert witness such that the submitted report can be advantageous to each party. When needed, the court also appoints an expert witness for itself and has him/her submit a report; in the end the judge's determination prevails.

Matsunaga: Is there any difference between submitting evidence to the court and submitting to the administrative agency?

Wei: In the case of apparent infringement where you will not demand damage compensation but would like to request early suspension of sales, it would be better to submit evidence to the administrative agency. In that case, notarization is not always needed. On the other hand, in the case where it is hard to determine whether there is an infringement or not, or when you simultaneously demand damages, you should submit evidence to the court. In that case, the evidence will not be recognized without notarization.

Matsunaga: Finally, how many people in the administrative agency have expertise in the legal field?

Wei: As an example, in the whole China, there are about 8000 officers in the Administrative Management Bureau for Industry and Commerce who are in charge of countermeasures against counterfeit goods. In the case of making an accusation of infringement on trademark right and unfair competition, it suffices to make a request with the local administrative authority for industry and commerce; in the case of infringement on patent (patent, utility mode and design in Japan), with each local IP organization; and in the case of infringement on copyright (also called literary property), with each local copyright control agency. Statistics on the number of people are not made public.