

# 15 A Comparative Study on Court Systems and Mechanisms for Settling Disputes over Intellectual Property in China and Japan –Establishing Specialized Intellectual Property Courts in China<sup>(\*)</sup>

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*Nowadays, the establishment of specialized intellectual property (IP) courts seems a world-wide tendency. From the above perspective, China's "three-in-one adjudication" mode, i.e., a division set up within courts of general jurisdiction to handle cases involving IP which would have been handled by civil, administrative or criminal division respectively, is held no more than a transitional means, while a "specialized court" with fully integrated characteristics seems to be the best choice for reconstruction of China's IP court system. Under new institutional and strategic circumstances of IP law, China should fully consider features of IP trials and learn more from outside world's valuable and successful experiences. Thus a comparative study of different IP court modes in Japan and other main countries or regions is necessarily conducive to realizing unity and efficiency of justice. Through the comparison, China should obtain advanced theories and sophisticated laws, which are most beneficial to improvement of her system of adjudication of IP disputes. Of course, while integrating present IP judicial resources, China should pay heed to her own conditions and thus set up specialized courts with Chinese characteristics that have jurisdictions over civil, administrative and criminal cases involving IP so as to push ahead changes and reforms of the IP judicial system.*

## I "Three-in-one Adjudication" Mode: Practical and Theoretical analysis of China's Intellectual Property Judicial System and Mechanism

In the past, China's IP civil cases were respectively heard by civil divisions and economic divisions. Since 1993, IP divisions were set up in succession to hear them.

In 2002, administrative cases relating to authorization and confirmation of patent, trademark, etc. were respectively heard by administrative divisions and IP divisions. However, since 2009, these cases were heard by IP divisions.

These measures to some extent solved disunity of IP civil cases and one part of IP administrative cases. However, judicial disunity that IP civil, administrative and criminal cases are handled simultaneously by the civil division, the administrative division and the criminal division within China's court still existed. It reminded people of the urgency of a reform. Therefore, the "three-in-one adjudication" mode was born at the right moment.

### 1 Pudong (浦東) Mode

The Pudong Court in Shanghai was the first to set up the IP division in grass-roots courts in 1994 and to centralize IP civil, administrative and criminal cases to the IP division in 1996.

### 2 Xi'an (西安) Mode

The Xi'an Intermediate Court became the first intermediate court to adopt the IP "three-in-one adjudication" mode in 2006 and centralized IP criminal and administrative cases of first instance heard by original basic courts before 2007.

### 3 Zhuhai (珠海) Mode

The first IP tribunal that was authorized by the intermediate court and functioned nearly like an independent court was formed in Zhuhai of Guangdong in 2009, having jurisdiction over IP criminal, civil and administrative cases.

### 4 Kunming (昆明) Mode

The Kunming Intermediate Court took the lead to carry out the "three-in-one adjudication"

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mode in Yunnan in 2007.

## 5 Wuhan (武漢) Mode

IP civil, criminal and administrative cases of first instance under the jurisdiction of 14 grassroots courts in Wuhan were transferred to the IP division in Jiang'an Court in 2007. Furthermore, IP civil, criminal and administrative cases handled by 3 divisions in Wuhan Intermediate Court were concentrated to the IP division.

## 6 Jiangsu (江蘇) Mode

The IP division of Changzhou Intermediate Court was the first to gather IP criminal and administrative cases heard by original grassroots courts before 2008.

## 7 Chongqing (重慶) Mode

Chongqing took the lead to carry out the IP "three-in-one adjudication" mode among 3 levels of courts in 2008.

By the end of June 30, 2012, in China 5 high courts, 50 intermediate courts and 52 grassroots courts had experienced to adopt the IP "three-in-one adjudication" mode.

China should gradually concentrate IP civil, administrative and criminal cases to IP divisions and strive to end the "fragmented" state where different divisions within a court handled IP-related cases.

## II Practical and Theoretical Analysis on Judicial System and Mechanism of Intellectual Property in Japan and Rest Main Countries or Regions

The "three-in-one adjudication" mode only solves the IP judicial disunity inside the same court, whereas the disunity among different courts still exists as before. Indeed, it is the common problem not unique in China but can be found in Japan and other countries or regions.

### 1 Intellectual Property High Court in Japan

#### (1) Historical Evolution

Japan also met "growing pains" that China is now confronting. In 2005, Japan began the postwar largest judicial reform setting up the IP High Court.

#### (2) Jurisdiction

First-instance cases involving patents, utility models, layout-designs of integrated circuits and software can only be heard before district courts in Tokyo (east of Nagoya) and Osaka (west of Nagoya), and second-instance cases can only be heard in the Tokyo High Court since 2004. It also retains overlapping jurisdictions. Thus, for non-technical IP cases involving designs, trademarks, other copyrights, breeding rights (new plant varieties), unfair competition, the parties could choose not only competent courts in accordance with previous provision, but also district courts in Tokyo or Osaka.<sup>1</sup> As a special branch of the Tokyo High Court, the IP High Court would not only accept technical appellant cases coming from local courts in Tokyo and Osaka and non-technical appellant cases coming from local courts throughout the country, but also serve as a trial court to hear administrative cases relating to patents, utility models, designs and trademarks.<sup>2</sup>

#### (3) Divisions

The court had four divisions and a special division since 2005.<sup>3</sup>

The judge conference is the highest policy-making body of judicial administration, which consists of all judges and convenes twice a year. The standing committee, subject to the judge meeting, convenes meetings weekly to decide daily affairs.

#### (4) Composition

The staff is composed of judges, judicial research officials, court clerks, court secretaries and technical advisors.

(i) Judicial research officials survey technical matters assisting judges. A scholar observes it is insufficient for protection of the parties' rights to defense because the report is not open.<sup>4</sup> A scholar points out the court is short of the avoidance system for judicial research officials. Firstly, the report is only one of important references, and the judge will also listen to opinions of the parties and even views of technical advisors. Therefore, it is not necessary to open. Secondly, examiners could become judicial research officials only after resignation from the JPO. Avoidance regulations should apply to them. Furthermore, both profession and ethics of examiners are deeply trusted by the public. The unfairness and injustice seems completely avoided.<sup>5</sup> Therefore, legal system, with the addition of moral conscience, will be more reliable.

(ii) Japan established a technical advisor system in accordance with the Code of Civil Procedure in 2003 aiming at IP trial and so on that need to have expertise.

Judicial research officials and technical advisors are both professional knowledge personnel, but one is general, the other is advanced. Both constitute two pillars of technical fact finding.<sup>6</sup>

#### **(5) Collegial Panel**

It normally consists of three members, but sometimes five panelists: the Grand Panel system employed in important cases having a great impact on enterprises' economic activities and the national industrial economy or needed to make uniform judicial judgments as soon as possible.

### **2 Intellectual Property Courts in Other Countries or Regions**

#### **(1) Federal Patent Court in Germany**

In 1961, it was set up and became the first professional court in the world. The unique technology judge system is of less time consuming, lower costs and higher efficiency. It only makes judgments whether related industrial property should be registered or whether registration should be voided, whereas it has no power to accept infringement cases involving industrial property rights.

#### **(2) U.S. Court of Appeals for the Federal Circuit**

It was set up in 1982. Different from the original 12 regional circuit courts, it is a nationwide circuit court that has exclusive jurisdiction over patent appellant cases from 94 district courts, and can accept cases of first instance directly from the U.S. Patent and Trademark Office or the Columbia Federal District Court and cases of second instance on controversies of patent application indirectly from the abovementioned office.<sup>7</sup>

#### **(3) Central Intellectual Property and International Trade Court in Thailand**

It established in 1997. It is a special court separated from the common courts and severs as a trial court to hear IP criminal and civil cases. Different from ordinary cases for which a "third-instance system" is applied, the above-mentioned cases apply a second-instance system, and thus appeals from this court are

directly accepted by the Supreme Court. As the first IP court in Asia, the most striking characteristic is time saving.

#### **(4) Patent Court in South Korea**

The court, established in 1998, is more like an industrial property administrative court independent from administrative divisions within the high courts.

#### **(5) Intellectual Property Court in China Taiwan**

China Taiwan established the specialized IP court in 2007 that began to hear IP civil, criminal and administrative cases in 2008. IP civil litigations of first and second instances are heard by IP court, whereas cases of third course are handled by the Supreme Court. IP criminal cases of first instance are ordinarily heard by local courts, whereas those of second course are tried by IP court, and those of third instance are handled by the Supreme Court. IP administrative cases apply the system whereby the second instance is last resort. So cases of first instance are tried by the IP court, while cases of last resort are dealt with by the Supreme Administrative Court.

Many other countries have also established or decided to build the specialized IP court or appeal court.

In addition, some countries or regions have put forward or are discussing to establish the IP court.

People also plan to construct a regional and international IP court. In 2014, the patent lawsuits of first instance of 25 member states within the EU (except Italy and Spain) will be handed under the united jurisdiction of the Court of First Instance of the Unified Patent Court. In 2009, the world's largest economies Group of 20 Leaders Summit ever intended to form an international court for IP litigation. The so-called World Intellectual Property Litigation Court would be established. The idea for a global court arose at the UN World Intellectual Property Organization.<sup>8</sup>

### **III Specialized Intellectual Property Court: Optimal Choice of Intellectual Property Judicial System and Mechanism in China**

What kind of IP judicial system and mechanism are expected in China for the time being and in the future? Where will the reform go?

## **1 Mode of Intellectual Property Judicial System and Mechanism in China**

The novel mode of “three-in-one adjudication” is a selective real path that can partly solve the dilemma of old patterns of a “situation of tripartite confrontation,” but it is not enough to unify the judicial scale. Therefore, it is not the best, but a transitional and temporary choice while we are waiting for the better one.<sup>9</sup>

The optimal choice in China should be to set up specialized IP courts by reference of experiences in Japan and other countries or regions.<sup>10</sup>

## **2 Structure of Chinese Specialized Intellectual Property Court: A Theoretical Perspective**

### **(1) Court Mode of China's Specialized Intellectual Property Court**

Jiang Zhipei, former Chief Justice of IP Tribunal of China's Supreme Court, thought China's appellant court was never a copy of any country's IP court, but a new establishment with Chinese characteristics based on China's national conditions.

#### **(i) Quantity: One or More?**

Scholars such as Li Mingde and Li Shunde suggested five IP appellant courts should be set up based on consideration of regional divisions, but others maintained to set up one in Beijing.<sup>11</sup>

This author thinks, as a long-term goal, it is best for China to set up only one unified national IP appellant court in Beijing by reference of Japan and the U.S.

However, China's territory is vast and caseload grows fast. As such, it is hard to compare China with Japan. In addition, in terms of geographical areas, there is not too much difference between China and the USA, but development in China seems unbalanced. Therefore, as the recent goal, China should take example by the “(Paris) + 2 (London and Munich)” mode of the European Patent Court and choose the “1 + 5” transition mode. Firstly, the national IP appellant court should be set up in Beijing. Secondly, China may set up five branches of IP appellant court according to nationwide regions.

In fact, it was also argued repeatedly that finally Japan only set up one IP high court. Its territory is not larger than that of China, but a dissenting voice can be still heard without end. It also incurred some criticism of the inconvenience of travel that Portugal only set up one IP court in the capital. It is conceivable that if China only

sets up one IP appellant court at present, opponent voice will be more sharp than that in Japan or Portugal.

#### **(ii) Status: Absolute or Relative Independence?**

With respect to independence of China's IP specialized court, scholars also have different opinions. At the beginning, Japan had two ideas. One is absolutely or fully independent. The other is relatively or not fully independent. Finally, the second was passed.

This author thinks, as the goal in the near future, China can refer to Japan. However, as for the long-term goal, China can refer to the U.S. and China Taiwan to set up the absolutely independent specialized IP court.

### **(2) Jurisdiction of China's Specialized Intellectual Property Court**

#### **(i) Only technical, or technical and non-technical cases are available?**

Scholars pointed out the specialized IP court should mainly concentrate technical cases. Japan also thought copyright infringement cases were unfavorable to be concentrated.

This author persists China can refer to Japan in the short term. The new varieties of plants, technical secrets and other technical cases should be also concentrated in addition to four kinds of main technical cases such as patents, utility models, layout designs of integrated circuits and software. It can draw lessons from Thailand and China Taiwan, and concentrate all technical and non-technical IP cases in the long run.

#### **(ii) “Two-in-one adjudication” or “three-in-one adjudication?”**

Scholars think China should choose the “two-in-one adjudication” mode.<sup>12</sup>

This author argues China should refer to Japan in the near future and adopt the “two-in-one adjudication” mode of civil and administrative cases. However, as for the long-term goal, China may refer to China Taiwan to concentrate IP civil, administrative and criminal cases.

#### **(iii) Jurisdiction Level**

The status of China's IP trial court should be equal to that of the intermediate court, having jurisdiction over all IP first-instance cases. IP appellant court should be equal to the high court while having jurisdiction over IP appellant cases.

(iv) **Invalidation of Patents: Between Competent Executive Agencies and Courts**

Scholars believe overlap of patent invalidation declaration and tort litigation is a long-term issue that puzzles China's patent protection.<sup>13</sup> Judicial procedures seem too complex in patent infringement proceedings where the defendant pleads on the basis of patent invalidation. Such kinds of cases are generally deemed time consuming. At present, these kinds of time-consuming litigation keep increasing, which has produced profound negative effects. Therefore, it has been put on the schedule to simplify judicial procedure and streamline trials.

Before 1992, the defendant might apply for declaration of invalidation of a patent to the Patent Reexamination Board (PRB) of the China Patent Office at any stage, and where the application was filed the lawsuit was to be suspended. The Judicial Interpretation in 1992 limited the application only in the time of pleading and in 2001 further narrowed the suspension scope. These provisions eased the above contradictions to a certain extent, but normally courts had to suspend the process of action in order to reduce risks.

China's current paradigm to solve said cases is: the local intermediate court serves as the first instance court before civil actions → the PRB of the China State Intellectual Property Office (CSIPO) is in charge of review of appeals → the First Intermediate Court of Beijing serves as the trial court to hear action brought against the administrative agency → the High Court of Beijing serves as the appellate court to hear appeals from the trial court of administrative litigation → the PRB of the CSIPO is in charge of redetermination of the case → the local intermediate court serves as the trial court to reassume the civil litigation → the local high court serves as the court of second instance to hear the civil action. At most seven links can be involved so the complexity of procedures reveals obviously and time is bound to be consumed.

This author thinks, as the short-term goal, China should learn from Japan's system that the court may directly judge where the patent is obviously invalid.

For the short-term reform goal, China can also learn from Japan's experience of "formal party" regime in administrative litigation, which does not take the administrative agency for the accused, but takes a party related to proceedings for the defendant.<sup>14</sup>

As for the long-term reform goal, China can

be reference for the U.S., Britain, France, Germany and Australia, etc., where the patent is only of presumptive effect, so any person can initiate an action before the court against its effect. China may authorize the specialized IP court to confirm the patent validity. Two steps just are needed: one is to bring the action to the local IP court serving as the trial court, the other is to appeal to the IP appeal court serving as the court of last resort. The process is greatly simplified and it is no longer time consuming.

**(3) Divisions within China's Specialized Intellectual Property Court**

The divisions with specialized judicial functions should be set up. Division 1 may specialize in hearing technical cases concerning patents, utility models, software, layout designs of integrated circuits, technical secrets and new plant varieties. Division 2 may specialize in trademarks, names, packages and decorations of famous commodity, geographic indications and designs. Division 3 may specialize in other copyrights. Division 4 may specialize in unfair competition and monopoly, etc.

**(4) Composition of China's Specialized Intellectual Property Court**

The most prominent problem faced by the IP court is how to find out the technological fact. As an ultimate decider of the fact, the judge must surely determine the veracity of technical evidences. Therefore, it is necessary for China to pay much of the personnel mechanism and draw lessons from Japan and other countries or areas.

(i) **From Expert Consulting System to Technical Advisor System**

China's specialized IP court may establish the technical advisor system similar to that of Japan by strengthening the function of technical consulting experts in trial.

(ii) **From Judicial Technology Auxiliary Working System to Judicial Research Official System in the Court**

The judicial technology auxiliary work in the court has three modes. One is of administration. The second is of technology. The third is of adjudication. The current is mixed.<sup>15</sup> This author maintains it should center at first on the administrative mode, then the technical mode and at last the judicial mode. China's specialized IP court may establish the judicial mode similar to the judicial research official system of Japan by

above three steps.

(iii) **From Expert Assessor System to Technology Judge System**

China's expert assessors lack stability just like German technology judges. Therefore, China should empanel IP technology judges besides law judges.

If judicial research officials and technical advisors cannot satisfy the demand of technical fact finding in IP litigations, Japan may introduce expert assessors and technology judges.

**(5) Collegial Panel within China's Specialized Intellectual Property Court**

(i) **Grand Panel System**

China's three types of IP litigations have legislative and judicial basis to implement the grand panel system of Japan, but the key is to change its arbitrariness and ensure its institutionalization.

(ii) **System of Collegial Panel Composed of Technology Judge and Law Judge**

If introducing the technology judge system in Germany, China's specialized IP court may respectively make up a collegial panel of law judges or technical judges according to different types of cases.

Before China introduces it, the mode of "a technology group of three members, a collegial panel of five members" created by Beijing 2nd Intermediate Court in 2008, is worth of promoting.

From the decentralized mode where IP civil cases are heard by economic divisions and civil divisions to other mode where cases are centralized by IP divisions, from the mode where IP divisions, administrative divisions and criminal divisions are respectively responsible for IP civil, administrative and criminal cases to the mode where IP divisions are responsible for all IP cases, and then to the mode where specialized IP court controls in unity, integration and coordination has ushered and proclaimed the initiation and coming of the reform of China's IP judicial system. It will gradually penetrate into the level of IP litigation and justice system and mechanism from IP trial system and mechanism. The systematic design of specialized IP court may not be perfect, but the author believes that it is worth trying. As the "capital of legal empire," China's courts shall shoulder the historical responsibility to reform the IP judicial system and pave a way with Chinese characteristic.

Since the road is long, it is time for us to set

out right now!<sup>16</sup>

<sup>1</sup> Zhang Xiaoxia, "Intellectual Property Trial in Japan," People's Court Daily, June 4, 2004.

<sup>2</sup> Zhu Xingguo, "The Advancing National Intellectual Property Strategy of Japan," Intellectual Property, Issue 5, 2005, P. 62.

<sup>3</sup> Huang Bin, Fang Jingang translated and edited, "Japan's Intellectual Property High Court," China's Supreme Court Website, December 11, 2011.

<sup>4</sup> Wang Mingyong, "Research Official System of Japan Intellectual Property High Court," Symposium of Taiwan Science and Technology Law and Policy, Vol. 6, Issue1, June 2009.

<sup>5</sup> Wen Xue, "Shufti of Tokyo Intellectual Property High Court," Trademark of China, 2005, P. 12.

<sup>6</sup> Tao Jianguo, Lv Wenqiao, "Japan Intellectual Property Civil Lawsuit System and its Enlightenment," Hebei North University (Social Science Edition), Issue 3, 2012.

<sup>7</sup> Zhang Naigen, "Selective Analysis of American Patent Law Cases," China University of Political Science and Law Press, 1995, PP. 25-26.

<sup>8</sup> Martin Frobisher, "G20 Envisions World IP Court; WIPO Hopeful Host," <http://www.ip-watch.org/2009/04/01/g20-envisions-world-ip-court-wipo-hopeful-host/>, last visited on October 25, 2012.

<sup>9</sup> Yao Li, "The Times Calls for Setting up the Intellectual Property Rights Court," People's Court Daily, April 9, 2009.

<sup>10</sup> Mei Shuwen, Cao Xinming, "Establishment and Enlightenment of Japan Intellectual Property Court," Electronic Intellectual Property, Issue 12, 2005, PP. 40-43.

<sup>11</sup> Li Li, "Our Country Explores to Establish the Intellectual Property Appeal Court," Jurisprudence Daily, June 20, 2008.

<sup>12</sup> Yi Ling, "Combination" and "Division" of Intellectual Property Three-in-one Adjudication -- Concurrently Talking about Japan's Intellectual Property Specialization Trial Mode and China's Path Selection, Politics and Law, Volume 11, 2011, P. 116.

<sup>13</sup> Feng Xiaoqing, Huang Hailing, "Researches on the Situation of the Intellectual Property Trial Institution and Personnel in our Country," Academic Forum of Nandu, No. 4, 2012.

<sup>14</sup> Wu Hua, "Research on the Administrative Lawsuit Type," Chinese People's Public Security University Press, 2006, PP. 165.

<sup>15</sup> "Judicial Auxiliary Work Office of Judicial Equipment Administration of China's Supreme People's Court, Set up the Judicial Technology Security System-- Summary of the People's Court Judicial Technology Auxiliary Work Symposium," People's Court Daily, August 10, 2011.

<sup>16</sup> Su Li, "China's Academic in the Social Transformation," How does the System Form, Peking University Press, 2007, P. 199.