

AIPLA

American Intellectual Property Law Association

July 30, 2020

北京市东城区
东交民巷 27 号
最高人民法院民事审判第三庭
邮编: 100745

The Third Division
Supreme People's Court
No. 27 Dongjiaominxiang
Dongcheng District
Beijing
People's Republic of China
Zip code: 100745

VIA EMAIL spcip611@163.com

Re: Comments regarding the Supreme People's Court's Draft of Certain Rules of Evidence in Intellectual Property Litigation
《关于知识产权民事诉讼证据的若干规定 (征求意见稿)》

Dear Sir or Madam,

The American Intellectual Property Law Association (AIPLA) appreciates the opportunity to comment on the Supreme People's Court's (SPC's) draft of *Certain Rules of Evidence in Intellectual Property Litigation*.

AIPLA is a national bar association of approximately 8,500 members engaged in private and corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

AIPLA applauds the SPC's effort to strengthen China's IP enforcement system. AIPLA is especially encouraged by a number of articles in the draft that aim to improve efficiency in IP litigation and enhance fairness for all parties involved.

Articles 1 and 2 apply principles of good faith in the proactive submission of evidence, yet, provide no objective standard for what evidence must be provided nor do they provide for compulsory production of evidence. AIPLA recommends that an objective standard be applied,

July 30, 2020

Page 2

consistent with international norms, specifically, whether voluntary or compulsory, information that is relevant to a material issue in the case should be preserved and made available.

Article 3 places the burden on the rights holder to establish certain evidence relating to new methods of manufacturing a known product. The provisions, however, are permissive, rather than mandatory in requiring the alleged infringer to provide evidence that the manufacturing method is different, despite the rights owner having established the requisite proof. AIPLA recommends that the court employ at least a rebuttable presumption of infringement in these circumstances.

Article 4 provides an exemption from liability for innocent infringement. AIPLA notes that this exception is inconsistent with international norms of intellectual property protection. Infringement is a strict liability tort; the subjective state of the infringer's knowledge is not relevant to infringement, although it may be relevant to issues relating to willfulness or enhanced damages liability. AIPLA recommends that the provision be revised to employ concepts of strict liability for patent, trademark, and copyright infringement, and to provide exceptions based on lack of knowledge or intent only to enhanced damages for willful infringement.

Article 5 identifies relevant information for determining damages, all of which appear to be consistent with international norms of damages analysis.

Article 6 provides an exception to Article 92 of the Civil Procedure Law, which provides that admissions unfavorable to the alleged infringer have evidentiary weight. AIPLA recommends that this Article 92 principle be retained, and no exception be made for intellectual property infringement cases. AIPLA submits that there is no good reason to deviate from this rule in intellectual property infringement cases.

Article 7 provides that parties do not need to prove the facts that have been determined by administrative actions. AIPLA recognizes the efficiency of such a rule of administrative regularity and recommends that this rebuttable presumption apply only when the administrative finding has become final and all appeals from it have been exhausted.

Article 8 provides that evidence generated by the rights owner can be used as evidence of infringement. AIPLA recognizes that this provision is consistent with international procedural norms.

Article 9 and 10 impose certain limitations on evidence formed outside the People's Republic of China. AIPLA submits that Articles 9 and 10 may be unduly restrictive in terms of the evidence they permit as well as the criminal penalties they impose. With respect to the admissibility of evidence formed outside the territory of the People's Republic of China, AIPLA recommends that the courts adopt evidentiary measures that recognize and admit reliable evidence that is probative of material facts in the case, regardless of its source. With respect to penalties, particularly in a civil action, AIPLA recommends that the courts consider other

July 30, 2020

Page 3

alternatives, in addition to or in lieu of criminal sanctions, including evidentiary sanctions or taking certain facts as proven against the party who engages in actions resulting in this penalty.

AIPLA notes that Articles 9, 15, 16, 29, 32, 33, and 37 provide potential penalties for perjury or obstruction of justice. AIPLA believes giving the courts this authority to impose penalties for these offenses is beneficial. AIPLA agrees that the imposition of such penalties should be discretionary in the court based on the facts and circumstances of the individual case.

Article 11 providing for submission of power of attorney documents, may simplify the process for these authorizations. Nonetheless, it is not clear whether notarization and legalization are still required for foreigners. AIPLA respectfully recommends removing the requirements for notarization and legalization of power of attorney documents if the agent of a foreign party is a qualified practicing Chinese attorney-at-law or patent attorney, who is under professional obligation to ensure that they have the power to represent the foreign party. Submission of the appropriate appearance of counsel for a party should suffice and would reduce or eliminate this unnecessary burden.

Articles 12-22 provide for preservation of evidence and AIPLA applauds the availability of these procedures. The Interpretation, however, does not require posting a bond in pre-trial evidence preservation requests. AIPLA believes that requiring a bond when granting such requests would appropriately discourage excessive and unnecessary evidence preservation requests, prevent misuse of these procedures, and appropriately protect the interests of all parties.

Article 15 provides that the evidence holder may be punished for refusal to cooperate but lacks specificity. AIPLA notes that the general procedures of Articles 111 and 114 of the Civil Procedure Law may not be effective to ensure orderly management case management and recommends that the courts consider imposing evidentiary sanctions, namely, assuming relevant facts relating to the refusal to cooperate against the party who refuses to cooperate.

Article 19 provides that restrictions may be placed on confidential trade secret information, yet, does not expressly impose a confidentiality obligation on the courts or other recipients of this information. AIPLA recommends that the Interpretation be revised to expressly require that the trade secret information be held in confidence and be used only for the proceeding in which it is taken.

Articles 22 to 29 include provisions relating to appraisal and use of expert testimony. AIPLA believes that these procedures will be beneficial to the orderly administration of cases and, in general, to be consistent with international procedural norms. Article 29, in particular, provides an excellent approach for management of evidence controlled by one party. AIPLA notes,

July 30, 2020

Page 4

however, that there is no substantive standard for appraisers or persons with specialized knowledge.

Article 30 provides that a court can refuse to accept prior art evidence or existing design evidence that is relevant to a prior art/existing design defense if such a defense was not raised in a first or second trial proceeding. AIPLA agrees that a litigant must not be allowed to waste judicial resources by raising new defenses or testing new theories in a latter trial, if those defenses should have been raised in an earlier trial. However, if new prior art evidence came into existence after the earlier trial has concluded due to no fault of the accused infringer or due to the plaintiff's obfuscation, the court should accept such evidence based on the principles of equity.

Article 31 again addresses evidence exchange and cross-examination involving trade secrets. It too does not contain a requirement that all persons receiving the information maintain it in confidence and use it only for the proceeding in which it is produced. AIPLA recommends that the courts consider adding these limitations.

Article 32 provides that the court may make secrecy preservation rulings. AIPLA applauds the addition of these procedures but recommends that such an order should be standard in any case involving trade secret or confidential information in order to protect the integrity of the judicial process.

Article 37 provides that if a witness refuses to testify their evidence may not be used in determining the facts of the case. AIPLA recognizes and applauds the practicality of this approach but encourages the courts to ensure that this process does not deprive a party who is not at fault from using necessary and available evidence, even if from the same source.

Articles 39 to 42 provide for admission of expert testimony. AIPLA acknowledges and applauds the courts' efforts to systematize and make more predictable situations in which expert testimony may be used. Article 39 provides certain, general criteria, but does not provide specific guidance. AIPLA recommends that the courts provide more concrete guidance in this regard, namely, that the expert testimony would be permitted where the specialized knowledge of the witness may assist the trier of fact in determining a disputed fact issue. AIPLA agrees that issues involving only legal interpretations or in which the expert may harbor bias or have prior involvement as an appraiser are appropriate restrictions. AIPLA further recognizes that the Chinese system incorporates fee shifting and that Article 42 expressly provides the ability to shift the cost of the expert to the losing party.

Articles 44 to 46 provide for the verification of electronic information. AIPLA applauds the courts' efforts to ensure the reliability of information but recommends that rule specific to patent infringement cases may not be necessary or appropriate in that the general provisions of Articles 93 and 94 on taking evidence and civil actions provides sufficient guidance.

Comments regarding SPC's Draft of Certain Rules of Evidence in Intellectual Property Litigation
《关于知识产权民事诉讼证据的若干规定（征求意见稿）》

July 30, 2020
Page 5

Articles 46 to 49 provide for the notarization and authentication of exhibits and exclude certain forms of evidence. AIPLA recommends that this exclusion may not be consistent with international procedural norms in patent infringement matters and that the court should be given the discretion to decide the admissibility of evidence that has shown to be reliable based on all of the relevant facts.

Article 49 details qualifications for independent experts. AIPLA applauds the courts for providing specific and concrete guidance on this issue. AIPLA acknowledges that the guidance provided is generally consistent with international norms of receiving expert testimony. AIPLA recommends, further, that the list could beneficially be shortened by requiring: (1) that the expert be qualified; (2) that rather than automatically bar the testimony, bias be reserved for the finder of fact to determine in their assessment of the weight of the evidence; and (3) that the expert opinion must be based on reliable facts, employ reliable methods, and at the reliable methods must be reliably applied to these facts.

AIPLA appreciates the opportunity to provide these comments on the draft of *Certain Rules of Evidence in Intellectual Property Litigation*. As always, we would be happy to answer any questions that our comments may raise.

Sincerely,



Barbara A. Fiacco
President
American Intellectual Property Law Association