When IP Systems Collide – True Adventures in Foreign-Chinese Judicial Interaction

Mark Cohen
October 2015
Chint (正泰) v. Schneider
(Patent/Global Cross License)

• Background:
  – Since 1999, Schneider filed nearly 20 patent-related lawsuits against a number of Chint products in Germany, Italy, France, and other countries in Europe.

• In 2006, Chint counter sued Schneider in Wenzhou Intermediate People’s Court for utility model patent infringement.
  – Schneider was ordered to pay Chint RMB 330 million (~$45 million USD) for infringement of a Chinese utility model patent. An unprecedented amount at the time.

• On appeal, in 2009, Schneider agreed to settle the 3-year patent lawsuit brought by Chint by paying RMB 157.5 million ($23.05 million USD).

• Chint uses domestic UMP litigation to settle global litigation.
Knowles v. GoerTek (歌尔声学)
(Patent)/Global Cross License After Chinese Countersuit

• Background:
  – Knowles produces Microelectromechanical Systems ("MEMS")
  – Knowles has a major MEMS manufacturing facility in Suzhou.
  – In 2008, GoerTek began producing products similar to MEMS microphones.
Knowles v. GoerTek (歌尔声学) - continued

- June 21, 2013, Knowles launches a section 337 investigation against GoerTek and its California subsidiary.
- July 26, 2013, GoerTek counter sued Knowles in Weifang, China based on alleged infringement of 4 utility model patents and 1 invention patent.
- July 31, 2013, GoerTek obtains court order to seize equipment from Knowles factory in evidence preservation raid. Knowles is fined RMB 1 million ($170,000 USD) for non-compliance.
- April, 2014, attorneys for Knowles refused entrance into the court room.; Weifang Court rules in favor of GoerTek, issuing an injunction against Knowles Electronics, with damages of RMB 74.4 million ($12.0 million USD) prior to the conclusion of the USITC investigation.
- Aug. 29, 2014, USITC finds GoerTek’s silicon microphone parts infringe three patents owned by Knowles.
- Feb 26, 2015, Knowles and GoerTek settle, ceasing all patent litigation activities regarding the MEMS related patents, resolving the 12.0 million USD judgement and injunctions issued against Knowles, and establishing cross-licensing of the companies’ MEMS microphone patent portfolios.
SI Group (圣莱科特)/SI Chemical
(Trade Secret/ Countersuit to 337)

• One of SPC’s 2014 top ten cases (SI Group, SI Chemical (Shanghai) Co., Ltd. and Hua Qi (Zhangjiagang) Chemical Co., Ltd., Xu Jie)

• SI brings ITC action against Hua Qi. Hua Qi brings several cases in China.

• Chinese press reported that the USITC had found no infringement, when in fact the USITC determined that it would issue a limited exclusion order (instead of general exclusion).

• USITC: “This is classic misappropriation of trade secrets, with copying down to the thousandth decimal place.” (page 46)

• Chinese civil appraisal report says that SI’s technical information is not the same as Hua Qi’s. Yet a prior technology verification effort conducted at the behest of the police said the opposite.

• See: http://chinaipr.com/2014/05/04/the-spces-top-two-dueling-ipr-cases/
Huawei (华为) v. InterDigital
(Patent/Countersuit to ITC 337)

- Another of SPC’s 2014 top ten cases
- In July 2011, IDC filed patent infringement litigation against Huawei in the USITC and in a U.S. District Court.
- After 337 initiation, Huawei sues IDC in a Shenzhen Intermediate People’s Court by filing two complaints, antitrust dispute and FRAND rate dispute; Oct 2013, the Guangdong High People’s Court affirmed on appeal Shenzhen Court’s finding before the conclusion of either USITC or U.S. District Court case.
- Huawei and IDC entered into a settlement agreement and moved stipulation to dismiss the pending U.S. cases.
- Unlike the SI Group case, the SPC did reference the initiation of the ITC action by InterDigital as part of its description of the background of this case.
- Filing of a USITC action where there was a corresponding FRAND commitment as an actionable violation of China’s antimonopoly law.
- The Chinese judges in the Huawei case advocated that Chinese companies more aggressively use Chinese domestic antitrust law to address “technology roadblocks” in China and overseas: “Huawei is good at using antitrust laws as a counter-weapon, which other Chinese companies should study.... domestic enterprises [should] break through technical barriers in the development of space for their own gain, through bold use of antitrust litigation.”
Huawei (华为) v. ZTE (中兴)
(Patent, FRAND/Litigation in EC)

• Chinese companies chose to litigate in foreign venues, taking opposing positions overseas compared to China.

• Huawei brings action against ZTE in Germany after negotiation between the two companies to find an agreement on LTE technology licensing based on FRAND terms were unsuccessful.

• When is the seeking of injunctions by an undertaking with a SEP that it has committed to license to third parties on FRAND terms an abuse of dominance?

• Holding – SEP status creates legitimate expectations on the part of third parties that the proprietor of the SEP will in fact grant licenses on FRAND terms, a refusal by the proprietor of the SEP to grant a license on those terms may, in principle, constitute an abuse within the meaning of Article 102 TEEU (§53). However, it should be balanced with the proprietor’s right to have recourse to legal proceedings to ensure effective enforcement of its exclusive rights.

• Aug 31, 2011 – Interdigital Files Huawei (USITC)
• April 28, 2011 – Huawei vs ZTE (Mannheim/Germany)
Vringo v. ZTE (中兴)
(NDA Violation/Counter strategy to AML effort)

• Vringo is a licensor of telecom patents, including patents formerly held by Nokia Corporation and Alcatel-Lucent
• Vringo sued ZTE on patents Vringo on alleged SEP claims in several countries
• ZTE discusses settlement with Vringo under a Non-Disclosure Agreement (NDA) protecting the discussed settlement terms
• Judge Kaplan of SDNY issues a preliminary injunction to enjoin ZTE from further disclosing information subject to the NDA in antitrust matters in the EC and China brought by ZTE.
• The NDA specifically required that confidential information disclosed could not be used in “any existing or future judicial or arbitration proceedings” or “for [their] commercial advantage, dispute advantage, or any other purpose.”
• Sanctions motion pending against General Counsel of ZTE.
Global Material Techs., Inc. v. Dazheng Metal Fibre Co. (大正金属纤维)
(Plantiff seeks two bites of apple; Breach of Contract/Trade Secret)

- GMT first sues DMF in China for breach of contract (2/11).
- GMT sues DMF in Tennessee state court adding a trade secret claim.
- Chinese trial court renders judgement on GMT’s claims (and DNZ’s counterclaims) in China before conclusion of the U.S. case (similar to Huawei/IDC). In a split decision DMF is entitled to more damages than GMT.
- DNZ countered sued GMT in Northern District of Illinois to enforce the Chinese judgment.
- Northern District of Illinois held that the Chinese judgment on the breach of contract claim is enforceable under the Foreign Money Judgments Recognition Act.
Reverse “Media Box” case
(Copyright/Sports Broadcasting/Protection of Rights in US That May Be Uncertain in China)

Chinese IP owner pursues rights against defendant located in the U.S.

A number of Chinese television broadcasters and DISH Network filed suit involving illegally streaming of broadcasters’ content. Several of the accused entities are US-based companies.

Plaintiffs allege the defendants were promoting a brand of pirate TV player called the TVPad.

Court grants Motion for Preliminary Injunction.

*CCTV et al vs. Create New Technology (HK) Ltd. et al. (June 11) (Case No. CV 15-01869 MMM (MRWx) (C. D. Cal) (Morrow, J)*

Gucci Am. v. Bank of China
(Trademark/Hague Convention/Jurisdiction to Compel Discovery)

• Defendants sold counterfeits over Internet. Plaintiffs bring action under the Lanham Act in 2010.

• District court orders the Bank of China (BOC) to comply with a subpoena for documents concerning the Defendants.

• Split decisions on how courts should handle requests for judicial cooperation from China at district court (see: http://ir.lawnet.fordham.edu/cgi/viewcontent.cgi?article=4900&context=flr)

• 2nd Circuit on appeal holds: In light of the Supreme Court’s decision in Daimler AG v. Bauman, the district court erred in finding that BOC is subject to general jurisdiction to produce documentation and is subject to asset freeze order against counterfeiters.

• Remanded for district court to consider whether it may exercise specific jurisdiction, and whether such jurisdiction would be consistent with principles of international comity.
Gucci Am. v. Bank of China

- Defendant/counterfeiters sued BOC arguing that it unlawfully froze their bank accounts as a result of the litigation before the U.S. Court
  - In December, 2013, the Beijing court concluded that BOC “failed to produce evidence to prove that the plaintiffs actually made any operation with malicious intent, or defamed or damaged the reputation of the bank, or maliciously attacked the electronic banking system of the bank,” which the Beijing Intermediate court found was the necessary prerequisite for BOC to freeze the plaintiffs’ bank account. Beijing High Court affirmed the lower court decision on appeal.

- Result at SDNY on Remand:
  - District Court concluded that it has specific personal jurisdiction over BOC with respect to the 2010 and 2011 Subpoenas.
  - Court’s comity analysis takes into account of the Beijing court’s decision, noting the Beijing Court decision demonstrates BOC had broad contractual rights over its customers’ account information. In addition, the Beijing Court’s decision merely concluded that BOC had not sufficiently proven grounds upon which it could lawfully freeze the Plaintiffs’ bank accounts, but does not forbid disclosure of the banking information requested by the 2010 and 2011 subpoenas.
  - “Forcing Gucci to initiate this process in China would be significantly less efficient, extremely time consuming, and potentially fruitless,” (Sullivan, J, Sept. 29, 2015)

• Leviton Loses in U.S. court:
  – In 2011, Leviton sues GPG and its distributors at the USITC and the Northern District of California,, alleging infringement of two continuation patents that were the subject of the settlement.
  – The District Court and Federal Circuit confirmed that the new patent was also covered by an implied license.

• GPG loses in Chinese court:
  – Beijing High Court invalidated GPG’s design patent on Sept 2, 2009.
  – Guangzhou Intermediate Court dismissed GPG’s patent infringement lawsuit.

• US company wins in China, loses in the US
Some Other Cases

- Corning v. Dongxu
- Tianrui v Amsted (won 337, and secured early relief in China)
- Sinovel (impact of criminal case)
- Cybersitter v PRC (sovereign immunity)
- Xiaomi/Ericsson (Indian patent case)
- Tipper Tie v Hunan Kenon Science & Technology
Preliminary Observations

• Concerns about political influence in Chinese judicial proceedings appear to be driving litigants overseas.
• More cases in third markets against Chinese companies.
• Chinese litigants also strategically using overseas proceedings.
• Chinese courts focus disproportionately on foreign actions, specifically ITC 337 actions.
• Faster Chinese proceedings offer strategic advantages.
• More robust Chinese cooperation on evidence gathering would reduce conflicts
• Outcomes in IP Litigation isn’t always anti-foreign litigant.
• Further judicial exchanges/cooperation between U.S. and China needed.
Thank You!
谢谢！
Mark.cohen@uspto.gov
The opinions expressed herein are the author’s own and should not be attributed to the US government or any other party.