

## Venue is Crucial in Chinese IP Cases

*Laws Look Good on Paper*

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and a J.D. from Vanderbilt Law School, he is one of the few attorneys in the country who actively counsels companies on intellectual property issues and strategies in both the United States and China. *Executive Counsel* asked him about the benefits and risks for companies looking to do business in China.

**EXECUTIVE COUNSEL:** Can you tell our readers something about your background and how you came to counsel on IP matters in both countries?

**YUFENG MA:** From the late 1980s to early 1990s, there were a series of extensive discussions between the U.S. and Chinese governments regarding China's IP protection. One of the byproducts of these discussions was the establishment of the School of Intellectual Property at Peking University in 1993 — the first IP education and

research school in China. I was in the second class of students enrolled in this institute. After graduating from Peking University I came to the United States and earned a J.D. from Vanderbilt Law School. At McAndrews, Held & Malloy, I help clients from both China and the United States understand the differences between the two countries' IP legal systems, and explore ways to maximize IP protections under each system.

**EC:** Many companies are afraid to do business in China because of intellectual property issues. Is this a good time to do business in China?

**YUFENG MA:** I believe this is a unique time in history for foreign companies to do business in China. In addition to the abundance of cheap, skilled labor, there are a large number of talented and well educated scientists and

researchers. The investment and legal environments are also strong, and the large middle class consumer base continues to grow. As the overall environment in China steadily improves, the attractive and lucrative business opportunities currently available will likely be gone by the time businesses feel completely comfortable about their IP protection in China.

If you recall, not long ago, U.S. companies were suing Japanese companies at an unparalleled rate for all kinds of patent infringements. Today, Japan is a worldwide IP superpower second only to the United States. So, if you want your business to have a strong foothold in China in 10 years, you need to be there today. When deciding whether or not to do business in China, companies need to remember that intellectual property is only one factor that affects the success or failure of

your business in China. They also need to choose the right location, the right market and the right local relationships.

**EC:** Does China have a modern system of IP law and enforcement?

## THE ATTRACTIVE AND LUCRATIVE BUSINESS OPPORTUNITIES CURRENTLY AVAILABLE WILL LIKELY BE GONE BY THE TIME BUSINESSES FEEL COMPLETELY COMFORTABLE ABOUT THEIR IP PROTECTION IN CHINA.

Do China's IP laws and enforcement favor domestic interests?

**YUFENG MA:** In comparison to the intellectual property protections found today in the United States — which enacted the world's first modern patent law in 1790 — the IP legal system in China is brand new. During the past 20 years, however, China has enacted and amended trademark, patent and copyright laws to meet international standards, and a number of other IP-related laws and regulations have also been implemented. It is fair to say that at least on paper China has a modern system of IP law that is in harmony with the rest of the world and meets most international standards as set forth by the WTO and the TRIPS Agreement.

That being said, widespread infringement of intellectual property rights in China still continues to impact a broad variety of products and technologies. And while China has put in place a sound basic legal and regulatory framework designed to address this problem, it still lacks an effective enforcement system.

Overall, though, Chinese people and companies are very friendly to foreigners. In many

respects Chinese policies actually favor foreign companies, as China relies upon their investments and businesses. In addition, given the rapid growth of China's economy, more and more Chinese companies are beginning to understand

the importance of IP rights and the need for strong internal IP protection.

**EC:** How can U.S. companies enforce their IP rights in China?

## INITIAL CLAIMS IN PATENT INFRINGEMENT MATTERS SHOULD BE FILED WITH INTERMEDIATE PEOPLE'S COURTS, BUT ONLY WITH THOSE IN JURISDICTIONS THAT CAN HEAR PATENT CASES AS TRIAL COURTS.

**YUFENG MA:** In order for U.S. companies to enforce their rights in China, they must first understand their rights. If a company believes that its IP rights have been infringed in China, the first step is to determine what type of enforcement is possible. In China, companies can pursue either administrative or judicial enforcement. Judicial enforcement is used more often for patent-related cases than it is for

other types of IP cases. That's because patent cases tend to be complicated and the courts are more suited to handle this level of complexity.

Companies then need to identify the venue in which to file an action. Initial claims in patent infringement matters should be filed with Intermediate People's Courts, but only with those in jurisdictions that can hear patent cases as trial courts.

Further complicating matters, an IP infringement case can be filed in either a court where the infringing company is based or the place where the infringement takes place. This can be a critical decision for a plaintiff. For example, in order to avoid and/or reduce local favoritism shown by local courts, companies should try to avoid the

main defendant's hometown jurisdiction. This can be done by identifying an act of infringement outside the defendant's hometown and filing an action with a court in that jurisdiction.

All these are good things to keep in mind, but I cannot stress enough how important it is for companies to have legal counsel in the United States that is knowledgeable in Chinese law and can guide them through the process.



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