Newsletter
中国专利代理（香港）有限公司
China Patent Agent (H.K.) Ltd.
www.cpahkltd.com
2009 Issue 6

Happy New Year!

WHAT'S NEW?

- Supreme People's Court Publishes Judicial Interpretation on Issues Concerning the Trial of Disputes over Infringement of Patent Rights
- Interpretation of the Supreme People's Court on Issues Concerning the Application of Law in the Trial of Disputes over Infringement of Patent Rights

Supreme People's Court Publishes Judicial Interpretation on Issues Concerning the Trial of Disputes over Infringement of Patent Rights

On 28 December 2009, the Supreme People's Court of the People's Republic of China published the *Interpretation on Issues Concerning the Application of Law in the Trial of Disputes over Infringement of Patent Rights*. This Interpretation comprises twenty articles. Compared with its draft for comment published on 18 June 2009, it shows a deletion of five articles, reflecting largely a removal of provisions related to controversial topics like contributory infringement, temporary protection and patent standardization. On the other hand, there is the addition of a transitional measure for the determination of damages. This Interpretation is enacted to safeguard according to law the legitimate rights of the parties concerned through proper handling of disputes over patent infringement as well as to promote innovation and technological development, with a close adherence to the legislative intent while taking into consideration China's domestic conditions. It will come into force on 1 January 2010.

The determination of patent infringement has been a difficult judicial issue confronted by many countries. In consideration of the specific characteristics and intricacy of patent infringement cases, the Supreme People's Court of the PRC has established a high threshold for the adjudication of patent infringement cases since the introduction of a patent system in China in 1985. Specifically, to ensure the quality of adjudication of patent disputes, patent infringement cases are required to fall under the jurisdiction of the intermediate courts where the governments of the provinces, autonomous regions and municipalities are located, certain designated intermediate courts, the high courts and the Supreme Court. To date, there are more than 70 intermediate courts and over 30 high courts in China which are entitled to jurisdiction of patent infringement cases.

Following the development of patent infringement adjudication, the Supreme People's Court issued in 1993 and 2001 respectively judicial interpretations to provide guiding opinions on issues including jurisdiction of cases, cessation of adjudication, rules of evidence, judgment of infringement, liabilities in infringement and determination of damages. Concurrently, local high courts have developed some guiding opinions for their locality out of their own judicial practices, for instance, the Beijing Higher People's Court issued in 2001 *Opinions on Several Issues Concerning Patent Infringement Judgments (For Trial Implementation)*, which was delivered in the same year to Beijing No.1 Intermediate People's Court and Beijing No.2 Intermediate People's

Court for enforcement within the jurisdiction of Beijing.

Despite the aforesaid efforts, the existing judicial interpretations of the Supreme People's Court have yet to be perfected, and certain tricky issues are either not answered or in need of more specific solutions. For the guiding opinions from local courts, they are applicable merely to their own jurisdictions and have limited legal effect. In particular, the lack of uniformity among them may lead to inconsistent trial results from courts under different jurisdictions in respect of the same or similar cases.

As the sole court authorized to guide and regularize local judicial practices and resolve judicial conflicts, the Supreme People's Court has also addressed the issue. In 2001, it issued *Several Provisions on Issues Concerning Applicable Laws to the Trial of Patent Disputes*, which has played an important role in such aspects as clarifying the standard for judging and preparing China for the entry into the World Trade Organization. On 9 July 2003, it published *Draft Proposal on Solutions to Several Issues Related to Handling of Patent Infringement Disputes (Draft for Comment)*, which comprises 132 articles and represents a relatively systematic and comprehensive coverage of various aspects of patent infringement adjudication. Unfortunately, due to considerable controversies over some issues and the third revision of the Patent Law, the draft proposal ceased to develop further for publication.

In 2007, China initiated the implementation of intellectual property strategy. The State Council promulgated in June 2008 the *Outline of the National Intellectual Property Strategy*, explicating that China aims to become a country with comparatively high intellectual property standard in terms of creation, utilization, protection and administration by 2020, and to significantly improve the protection of intellectual property rights in five years' time. Furthermore, the Standing Committee of the National People's Congress approved on 27 December 2008 the *Decision Regarding the Revision of the Patent Law of the People's Republic of China*, introducing substantial adjustments to the Patent Law. The new Patent Law has taken effect on 1 October 2009.

It is against the foregoing backdrop that this Interpretation, by drawing references from relevant domestic and foreign theories as well as judicial practices, provides guidelines on the following patent infringement related issues:

- Discretion on claims assertion
- The role of extrinsic and intrinsic evidences in the interpretation of claims
- Determination of protection scopes for claims
- The influence of function features on the protection scopes of claims
- Determination of protection scopes for design patents
- Restriction on Doctrine of Equivalents, i.e. Prosecution History Estoppel and Dedication Principle
- Prior art defense, prior design defense, prior user defense
- Conditions for acceptance of non-infringement declaration
- Pre-conditions for inversion of burden of proof for process patents

It is evident from its provisions that this Interpretation pays particular attention to the following

guiding principles: (1) the principle of interpretation according to law: by which, interpretations are to be made in strict adherence to laws (such as the Patent Law and Civil Procedural Law) and the role of judicial interpretations per se, and the provisions of laws are to be refined in alignment with the spirit and intent of legislation; (2) the principle of balance of interest: on the one hand, to earnestly protect achievements and rights of innovation, to enhance the innovative capacity of companies and to impel technological innovation and economic development, under the guidance of the national strategy with an actual concern for China's current economic, social, science and technological situations; on the other hand, to regulate strictly the interpretation of the claims in a patent, to determine precisely the protection scope of a patent, and to pay due respect to the publicity and defining roles of a claim, thus preventing the improper expansion of the protection scope of a patent right, the diminishing in room for innovation, and the undermining of innovative capacity and public interest; (3) the principle of focusing and operability: experience in trial practices accumulated over the years are summed up and specified to focus on the basic and common issues concerning the application of law in trial practices, with restraint on the tendency to be over-aggressively inclusive by setting aside issues that have yet to develop consensus on, thus providing a consistent basis for judgment in trial practices.

Please find in the following an English translation of this Interpretation, and a detailed comment will be provided later on separately.

If you have any questions or comments regarding this newsletter, please feel free to contact us at:
China Patent Agent (H.K.) Ltd.
22/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
TEL: (852) 2828 4688 FAX: (852) 2827 1018 Email: mail@cpahkltd.com

Interpretation of the Supreme People's Court on Issues Concerning the Application of Law in the Trial of Disputes over Infringement of Patent Rights

(Adopted at the 1480th meeting of the Judicial Committee of the Supreme People's Court on 21 December 2009)
Fa-Shi No.21 (2009)
Announcement of the Supreme People' s Court of the People' s Republic of China

The provisions of the "Interpretation of the Supreme People's Court on Issues Concerning the Application of Law in the Trial of Disputes over Infringement of Patent Rights" were adopted at the 1480th meeting of the Judicial Committee of the Supreme People's Court on 21 December 2009, and it is hereby promulgated that they shall come into force on 1 January 2010.

For the purpose of adjudicating appropriately disputes over the infringement of patent rights, this Interpretation is formulated in accordance with the Patent Law of the People's Republic of China, Civil Procedure Law of the People's Republic of China and other relevant legal provisions, in combination with trial practices.

Article 1. The courts shall, pursuant to Article 59.1 of the Patent Law, determine the scope of protection of the patent right in accordance with the assertion made by the patent holder. Changes introduced by the patent holder to the claims asserted prior to the close of the oral hearing before a court of the first instance shall be allowed by the courts.

Where the patent holder asserts that the scope of protection of the patent right is to be determined on the basis of the dependant claims, the courts shall determine the scope of protection of the patent right on the basis of both the additional technical features of such dependent claims and the technical features of the claims being referred to.

Article 2. The courts shall determine the content of a claim as prescribed in Article 59.1 of the Patent Law on the basis of the recitations of the claim in combination with the understanding by a person of ordinary skill in the art after reading the description and the appended drawings.

Article 3. The courts may interpret a claim using the description and the appended drawings, relevant claim(s) in the claims set, and patent prosecution history. Where the description has specifically defined an expression in the claim, such specific definition shall be adhered to.

In case the application of the above-mentioned method still fails to clarify the meaning of the claim, interpretation may be made in combination with such published documents as reference books, textbooks, and common understanding of the meaning by a person of ordinary skill in the art.

Article 4. For a technical feature in a claim represented by function or effect, the courts shall determine the content of such technical feature by reference to the specific embodiment and its equivalent embodiment(s) of the function or effect as depicted in the description and the appended

drawings.

Article 5. For a technical solution which is only depicted in the description or the appended drawings but not recited in the claims, the incorporation of such technical solution by the patent holder in a patent infringement lawsuit into the scope of protection of the patent right shall not be supported by the courts.

Article 6. In the procedure leading to a grant or an invalidation of a patent right, where the patent applicant or the patentee abandons a technical solution by amendments to the claims, the description or via the observations, the incorporation of the abandoned technical solution into the scope of protection of the patent right by the patent holder in a patent infringement lawsuit shall not be supported by the courts.

Article 7. The courts, in determining whether the technical solution alleged for infringement falls into the scope of protection of the patent right, shall examine all the technical features recited in the claim claimed by the patent holder.

Where a technical solution alleged for infringement comprises technical features identical or equivalent to all the technical features recited in the claim, the courts shall determine that such technical solution falls into the scope of protection of the patent right; where by comparison with all the technical features recited in the claim, the technical solution alleged for infringement lacks more than one technical features, or more than one technical features of the claim are neither identical nor equivalent, the courts shall determine that the technical solution alleged for infringement does not fall within the scope of protection of the patent right.

Article 8. Where a product of the same or similar classification with the product incorporating the design uses a design identical or similar to the patented design, the courts shall determine that the design alleged for infringement falls within the scope of protection of patent right for the design as prescribed in Article 59.2 of the Patent Law..

Article 9. The courts may determine whether products are of the same or similar classification based on the use of the products incorporating the design. In determining the use of the products, reference may be made to the brief description of the designs, International Classification for Design, functions, as well as sales and practical usages of the products.

Article 10. The courts, in judging whether designs are identical or similar, shall base on the knowledge level and understanding of the general consumers of the products incorporating the designs.

Article 11 . The courts, in judging whether designs are identical or similar, shall consider in a comprehensive manner according to the overall visual effect of the designs on the basis of the design features of the patented design and the design alleged for infringement, and shall not take into consideration the design features determined mainly by the technical functions and those features such as materials and internal structures of a product which have no influence on the

overall visual effect.

The overall visual effect of a design is generally more susceptible to influence in cases of the following:

(1) the portion of a product which is easily exposed to direct observation during normal use of the product, relative to other portions of the product;

(2) the design features of the patented design as distinguished from the prior design, relative to other design features of the patented design.

Where there is no difference in overall visual effect between the design alleged for infringement and the patented design, the courts shall determine that the two designs are identical; where there is no substantial difference in overall visual effect, the two designs shall be determined as similar.

Article 12. Where a product infringing upon the patent right for an invention or a utility model is used as a component for the production of another product, the courts shall determine this as an act of "use" prescribed in Article 11 of the Patent Law; where such another product is sold, the courts shall determine this as an act of "sell" prescribed in Article 11 of the Patent Law.

Where a product infringing upon the patent right for a design is used as a component for the production and sale of another product, the courts shall determine this as an act of "sell" prescribed in Article 11 of the Patent Law, with the exception of the product infringing upon the patent right for a design performing merely a technical function in such another product.

Regarding the circumstances prescribed in the preceding two paragraphs, where the accused infringers cooperate and share work among themselves, the courts shall determine this as a contributory patent infringement

Article 13 . Where an original product is obtained by a patented process, the courts shall determine this as "the product directly obtained by the patented process" as prescribed in Article 11 of the Patent Law.

Where a follow-up product is obtained by further processing or disposing of the original product, the courts shall determine the act as "use the product directly obtained by the patented process" as prescribed in Article 11 of the Patent Law.

Article 14. Where all the technical features alleged to fall within the scope of protection of the patent right are identical to or of no substantial difference from the corresponding technical features of a single existing technical solution, the courts shall determine the technical solution implemented by the accused infringer as a prior art as prescribed in Article 62 of the Patent Law.

Where a design alleged for infringement is identical to or of no substantial difference from a prior design, the courts shall determine the design implemented by the accused infringer as a prior design prescribed in Article 62 of the Patent Law.

Article 15. Where an accused infringer asserts prior user rights with an illegally acquired technical solution or design, the assertion shall not be granted by the courts.

Under either of the following circumstances, the courts shall determine the circumstance as "already made necessary preparations for its making or using" as prescribed in Article 69(2) of the Patent Law:

(1) the main technical drawings or technique documents for implementing an invention-creation have been finished;

(2) the main facilities or raw materials for implementing an invention-creation have been made or purchased.

The "original scope" prescribed in Article 69(2) of the Patent Law includes the existing scale of production as of the date of filing an application for the patent, and the scale of production achievable from making use of existing production facilities or based on existing production preparation.

Where the owner of the prior user right, after the date of filing an application for the patent, transfers or licenses others to implement the technology or design which has been implemented or for which necessary preparation for implementation has been made, the assertion by the accused infringer that the act of implementation belongs to a continuous implementation within the original scope shall not be supported by the courts, except that such technical solution or design is transferred or inherited along with the original company.

Article 16. The courts, in determining pursuant to Article 65.1 of the Patent Law the gains acquired by the infringer from the infringement, shall restrict the gains to those acquired by the infringer from the infringement upon the patent right itself, and those gains generated from other rights shall be reasonably deducted.

Where the product infringing upon the patent right for an invention or a utility model is a component of another product, the courts shall reasonably determine the amount of damages according to such factors as the value of the component itself and its role in achieving the profits of the finished product.

Where the product infringing upon the patent right for a design is a package, the courts shall reasonably determine the amount of damages according to such factors as the value of the package itself and its role in achieving the profits of the packaged product.

Article 17. Where a product or the technical solution for producing a product is unknown to the public in the country or abroad as of the date of filing an application for the patent, the courts shall determine that such product is a "new product" prescribed in Article 61.1 of the Patent Law.

Article 18. Where a patent holder sends a warning to others for infringing a patent right and where

the patent holder neither withdraws the warning nor files a lawsuit within one month upon receiving a written reminder in which the person warned or the interested party urges the patent holder to exercise the right of action, or within two months upon issuing the written reminder, the courts shall accept the case if the person warned or the interested party files a request for a declaratory judgment action for non-infringement.

Article 19. Where the act alleged for infringement upon a patent right occurs before 1 October 2009, the courts shall apply the Patent Law before revision; where such act occurs after October 1, 2009, the courts shall apply the revised Patent Law.

Where the act alleged for infringement upon a patent right occurs before 1 October 2009 and continues after 1 October 2009, the infringer shall assume responsibility for damages in accordance with the Patent Law both before and after revision, and the courts in determining the amount of damages shall apply the revised Patent Law.

Article 20. Where there is discrepancy between relevant Interpretations promulgated by the Supreme People's Court and this Interpretation, this Interpretation shall prevail.

If you have any questions or comments regarding this newsletter, please feel free to contact us at :
China Patent Agent (H.K.) Ltd.
22/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
TEL: (852) 2828 4688 FAX: (852) 2827 1018 Email: mail@cpahkltd.com