

Supreme People's Court to Publish Latest Judicial Interpretation to Guide and Regularize Patent Infringement Trials in Hundred Plus Courts Nationwide

The determination of patent infringement is a difficult judicial issue that commonly exists in 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 hearing of patent infringement cases since the introduction of a patent system in China in 1985. Specifically, patent infringement cases shall 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 ensure the quality of adjudication of patent disputes. 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.

In response to 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 put forward some guiding opinions within their jurisdiction on the basis of their own judicial practices, for instance, the Beijing Higher People's Court issued in 2001 *Opinions on Several Issues Concerning Patent Infringement Judgments (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 application 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 not answered or in need of more specific solutions. For the guiding opinions from local courts, they are applicable merely to respective jurisdictions, thus having 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 coordinate judicial conflicts, the Supreme People's Court has also addressed the issue. On July 9, 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 substantial disputes over some issues, 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 of 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 December 27, 2008 the *Decision Regarding the Revision of the Patent Law of the People's Republic of China*, introducing substantial adjustments to the current Patent Law. The new Patent Law will take effect on October 1, 2009.

It is against the foregoing backdrop that the Supreme People's Court published on June 18, 2009 the *Interpretation of the Supreme People's Court on Issues Concerning the Application of Law in the Trial of Disputes over the Infringement of Patent Rights (Draft for Comment)*. This draft for comment, drawing reference from legal theories and judicial practices in China and abroad, 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
- Indirect patent infringement/contributory patent infringement
- Doctrine of Equivalents, Prosecution History Estoppel, Dedication Principle
- Prior art defense, prior design defense, prior user defense
- The connection between patented technology standardization and patent protection
- Conditions for acceptance of non-infringement declaration

The Interpretation is currently in the stage of collecting comments and is to go into effect after revision, probably with the new Patent Law in October 2009. To facilitate our readers' understanding of the Interpretation (Draft for Comment), China Patent Agent (H.K.) Ltd has prepared an English translation of it and in conjunction with the translation, comments on the relevant articles for your reference.

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

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 patentee who asserts a patent right for an invention or a utility model shall make his assertions clear. 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 patentee. Change of asserted claims to other claims by the patentee before the close of the oral hearing before a court of the first instance shall be allowed by the courts.

Where claims asserted by the patentee are declared invalid before the judgment of first instance is pronounced and the patent right is affirmed valid on the basis of other claims, the request by the patentee to

CPA Comments on the Draft Interpretation

According to the provision of this article, right owners may choose to exercise one or more claims of the claim set. This provision will change some courts' previous practice of determining the protection scope of a patent merely based on an independent claim. It endows the right owners with more discretion.

In a patent infringement litigation, after the defendant files a request for invalidation with the Patent Reexamination Board, the patentee may change his asserted claims prior to the end of court debate of the first instance, if the patentee, after studying the request for invalidation, considers that the asserted claims might be invalidated while the unasserted claims might be maintained. The patentee's changing of his asserted claims involves the change of litigation claims. According to Article 52 of the Civil Procedure Law, the plaintiff may abandon or change his litigation claims. In *Comments on Several Issues relating to the Application of the Civil Procedure Law of the People's Republic of China* issued by the Supreme People's Court in 1992, Rule 156 thereof provides that "after the case is accepted and before the court debate is ended", if the plaintiff adds litigation claims, "the court shall incorporate the claims into the case for hearing where possible". It does not, however, clearly state the time limit for changing litigation claims. In *Some Provisions of the Supreme People's Court on Evidence in Civil Procedures* effective from April 2002, Rule 34.3 thereof provides that "any addition and change of litigation claims or filing of countercharge by the party concerned should be put forward before the expiry of the time limit for presentation of proof". As the determination of the time limit for presentation of proof can be a tricky issue in practice, this article helps to specify the time limit for the right owner to change his asserted claims, i.e., prior to the close of the court debate of the first instance.

This paragraph provides specific refinement of the stipulations of the Civil Procedure Law regarding patent infringement cases. Pursuant to Rule 184 of *Comments on Several Issues relating to the Application of the Civil*

determine the scope of protection of the patent right on the basis of the said other claims shall be allowed by the courts. Where the said invalidation is declared after the pronouncement of the judgment of first instance but before that of second instance, in the event the patentee requests to determine the scope of protection of the patent right in accordance with claims which were not asserted in the first instance, the court of the second instance may, on an autonomy basis by the parties concerned, conduct a mediation over such new claims, and if the mediation fails, notify the patentee to file a separate lawsuit. Regarding the claims already asserted by the patentee, where the court of the first instance fails to make a ruling, the court of the second instance may, on an autonomy basis by the parties concerned, conduct a mediation, and if the mediation fails, remand the case, with the exception that those claims which have not been ruled do not affect the finding of infringement substantially.

In the event that the patentee asserts that the scope of protection of the patent right 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.

Procedure Law of the People's Republic of China, if the plaintiff of the original trial adds independent litigation claims during the procedure of second instance, the court of the second instance may, on autonomy basis by the parties concerned, conduct mediation in respect of the newly added litigation claims, and if the mediation fails, notify the party concerned to file a separate lawsuit. Rule 182 thereof provides that "in respect of the litigation claims already filed by the party concerned during the procedure of first instance, where the court of the original trial has not adjudicated the case or made a ruling, the court of the second instance may conduct mediation on autonomy basis by the parties concerned, and if the mediation fails, remand the case". This article has addressed both of the aforesaid circumstances. When the right owner needs to change his asserted claims as a result of his asserted claims being invalidated, determination on whether such change belongs to the addition of new independent litigation claims should be made on the basis of whether the claims introduced by the change have been presented during the procedure of first instance. If the claims newly asserted by the right owner have not been presented in the procedure of first instance, they belong to newly added independent litigation claims, and where the mediation in the court of the second instance fails, the right owner has to file a separate lawsuit. Since filing a separate lawsuit may mean extra burden for the right owner and prolongation of the litigation period, the right owner, in order to avoid this from occurring, may consider the litigation strategy of asserting all the claims at the time of instituting the lawsuit, such that no changes of claims and accordingly, no separate filing are needed in the event that some asserted claims are invalidated.

This paragraph relates to a basic rule for determining the protection scope of a dependent claim. Since China is still in its preliminary stage toward a sophisticated patent protection, some judges of local courts are not experienced enough in dealing with patent infringement disputes and hence, in some earlier cases, need directive comments from the Supreme Court on determining protection scopes, especially scopes of dependent claims. Specific examples can be found in the Supreme People's Court's Comments in 2007 in respect of the patent infringement case of *Lian Yun Gang Ying You Textile Machine Limited v. Jiang Yin Zhou Zhuang Textile Apparatus Factory* before the High Court of Jiangsu Province, and the patent dispute review of *Xinjiang Yuelu Juxing Building Materials Limited v. the State Taxation Department of Asake District, Xinjiang Uigur Autonomous Region*. This Interpretation specifically includes this article to serve as a guidance

Article 2. The courts shall determine the scope of protection of the patent right for an invention or a utility model in accordance with the contents of the claims as understood by a person of ordinary skill in the art reading the description and the appended drawings. Where the contents of the claims as understood by a person of ordinary skill in the art differ from the claims in literal meaning, the scope of protection of the patent right shall be determined by the contents of the claims as understood by the person of ordinary skill in the art.

The scope of protection of a patent right shall conform to the purpose of invention of the relevant patent and shall not include any technical solution carrying the defects and deficiencies in the prior art to be overcome by the patent.

Article 3. The courts may interpret relevant contents of a claim using the description and the appended drawings, other claims, and prosecution history. Where an expression in the claims is specifically defined in the description, such specific definition shall be referred to as the meaning of the expression in the claims. In case the meaning of the expression in the claims cannot be defined according to the above-mentioned manner, it may be interpreted in combination with such publication as reference books, text books, and the common meaning as understood by a person of ordinary skill in the art.

for local courts in determining the protection scope of a dependent claim.

This article stipulates the basic principle for the interpretation of the contents of a claim, i.e., the protection scope of an invention or a utility model should be determined according to the contents of the claims as understood by a person of ordinary skill in the art, who may refer to the intrinsic evidence such as the description and the appended drawings for the determination of the meaning of a claim. In case of discrepancies between the literal meaning of a claim and the contents of the claim as understood by a person of ordinary skill in the art based on intrinsic evidence, the patent protection scope as determined by a person of ordinary skill in the art based on intrinsic evidence shall prevail. This corresponds with the provision of Article 59, para. 1 of the new Patent Law.

"Technical solutions carrying the defects and deficiencies in the prior art" basically refers to those technical solutions disclosed in the Background Art section of the description. The implication of this article is: to disallow the applicant in an infringement lawsuit to assert protection for the technical solutions disclosed in the Background Art section. For similar circumstance, reference can be found in the U.S. case of *InPro II Licensing, S.A.R.L. v. T-Mobile USA, Inc. et al.*, 450 F.3d 1350 (Fed. Cir. 2006), wherein serial interfaces are criticized in the Background Art section, and merely parallel interfaces are disclosed in the Embodiments section, the court therefore defined the bus interface in the claims being a parallel interface, and determined that serial interfaces are not infringing. Hence, applicants should be cautious in drafting an application, and should avoid disclosing in the Background Art section a technical solution that might be sought for protection in the application.

The first sentence of this article emphasizes the role of intrinsic evidence in determining the terms of a claim. Right owners may work out their own lexicography by defining/interpreting in the description the terminology used in the claims. As such, in drafting the description of a patent application, the applicant should note the possible restrictive impact that the description may have on the terminology used in the claims. The second sentence of this article provides that where the contents of the claims cannot be understood according to intrinsic evidence, extrinsic evidence is to be used to construe the claims.

Article 4. "The scope of protection of the patent right for an invention or a utility model" prescribed in Article 59 of the Patent Law includes the scope defined by the technical features recited in the claims. Where the patentee asserts that the scope defined by an equivalent technical feature should be included in the scope of protection of the patent right, the courts shall define the scope of protection of the patent right by such equivalent technical feature.

The expression "equivalent technical feature" in the preceding paragraph refers to a feature that, as compared with the feature recited in the claims, performs substantially the same function in substantially the same way, produces substantially the same effect, and can be associated by a person of ordinary skill in the art without any creative work when an infringement occurs.

As compared with the *Opinions of Beijing High People's Court on Several Questions Concerning Patent Infringement Judgments* promulgated by the Beijing High People's Court in 2001, this judicial interpretation issued by the Supreme People's Court represents a step forward in that intrinsic evidence is expressly stipulated as a preferred reference for determining the protection scope of a claim. This largely reflects the concern about the unreliability of extrinsic evidence, for example, different dictionaries may give rise to different interpretations, and advisory conclusions from an engaged authentication expert may be influenced by various factors including subjective biases. On the other hand, the description is by nature for explaining the context of a patent invention and is therefore capable of indicating the intention of the patent inventor/applicant toward relevant terms; in addition, it has the benefit of greater reliability in serving as evidence. Such provision parallels the practices in the U.S., as in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (*en banc*).

In this article, "the common meaning as understood by a person of ordinary skill in the art" pertains to the protection scope as understood on the basis of all relevant prior art existing before the filing date (the person of skill not presumed to have creativity), i.e., a scope construed according to extrinsic evidence. In other words, the courts may use such prior art as that in the form of science thesis and specialized work to construe a term in the claims.

This article relates to the application of the "Doctrine of Equivalents".

The first paragraph sets forth the principle governing the assertion of an equivalent infringement. The courts shall apply the Doctrine of Equivalents for the determination of an infringement only if there is a corresponding assertion from the right owner. That is to say, if there is no assertion of an equivalent infringement from the right owner, the courts should not make a ruling of equivalent infringement.

Compared with the current provision, paragraph two of this article further specifies that the time point for determining "equivalents" refers to the date when an infringement occurs. Previous disputes in the patent community mainly focus on whether the time point for determining "equivalents" should be the filing date, the grant date or the date when an infringement occurs. Analyzing its principle behind, this Doctrine serves to remedy the situation when an applicant is unable to make an all-inclusive and precise generalization of the

Article 5. Where a claim presents its technical feature by function or effect, the courts shall, pursuant to the specific embodiment and its equivalent embodiment of the technical feature as depicted in the description and the appended drawings, determine the contents of such technical feature.

apparatus or method invention by means of words when filing the application for a patent, thus leaving room for a conductor to slightly modify upon the occurrence of the infringement the technical solution defined in a claim to avert the issue of infringement. In that case, whether the time point is set on the filing date or the grant date, the conductor can still avert infringement, for instance, by modifying slightly a granted claim using subsequently developed technology, thus impeding the purpose of the Doctrine of Equivalents from being fully achieved. By setting the time point to be the date when an infringement occurs, said issue can be resolved. Such provision is in line with the practice in the U.S. (see the U.S. case of *Warner-Jenkinson Company, Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17 (1997)). As for the patentees, the later the date for determining the equivalents under the Doctrine, the more equivalents are possibly included. In light of this, this provision is favorable to the patentees.

This article provides ways to construe a means-plus-function type claim. Previously, in the 2006 patent infringement case of *Zeng Zhanchi v. Hebei Zhenyu Industrial & Trading Limited and Beijing Shuang Long Shun Stock Shopping Centre* (No. 367 [2006] Final Instance of Civil Tribunal of High Court), Beijing Higher People's Court construed the means-plus-function technical feature "unidirectional permeable layer" as a cloth layer having funneled pores according to the specific embodiments disclosed in the description. Since the unidirectional permeable layer adopted in the accused product is a non-woven cloth, which is not a technical feature identical with or equivalent to a cloth layer having funneled pores, the accused product does not fall within the protection scope of the patent right at dispute. The U.S. patent law prescribed under U.S.C.35 Section 112, paragraph 6 and a series of related cases adopt similar construing rules.

In terms of the construing rules of a means-plus-function definition, however, this article is not consistent with the current Guidelines for Examination. According to the Guidelines for Examination, Part II, Chapter 2, Section 3.2.1, "technical feature defined by function in a claim shall be construed as embracing all the means which are capable of performing the function". Hence, in granting a patent right, the scope under examiners' search covers "all the embodiments which are capable of performing the function", which means a higher patentability standard related to novelty, inventiveness and support from the description, etc. In an infringement lawsuit, however, the protection scope only covers the specific

embodiments of the technical feature as described in the description and drawings as well as the equivalent embodiments. That is, the application has to undergo a more rigorous examination only to get a narrower scope of protection, which is unfair to the patentee. Therefore, it is suggested that the Patent Office and the courts should coordinate to agree on the rule for construing the means-plus-function claims.

Additionally, in China, it is not always necessary for the description to contain depiction of the specific structure of a claimed product. A typical example is a patent application for invention of a virtual functional module as noted in the Guidelines for Examination, Part II, Chapter 9. In said applications, the description only needs to describe the steps of a method, while the claims may protect the device by way of means-plus-function definitions. In construing said device claim in compliance with this article, the court would find no corresponding structure from the description. In that case, the protection scope of the device cannot be determined. Therefore, it is expected that the Guidelines for Examination to be released this year would echo this article and provide that, for a feature defined by function in a claim, the description shall disclose the corresponding structure, step or material.

Furthermore, this article does not take into consideration the function of an accused product. It therefore may possibly occur that an accused product, having the same structure as that described in the description of a patent but achieving a function different from that disclosed in the claims, may be found infringing, and in such case, the scope that a right owner may assert is inappropriately enlarged. We therefore would like to suggest that this article be supplemented with corresponding provisions stipulating that, in judging a patent infringement, the courts shall confirm that the function of the corresponding feature in the accused technical solution is the same as that disclosed in the claims of the patent at dispute, apart from the technical features of the accused technical solution being the same as or equivalent to the technical features disclosed in the specific embodiments of the description.

Lastly, when construing a claim according to this article, the "Reverse Doctrine of Equivalents" will occur in practice. That is, even when the technical feature of an accused solution has the same function as that of the corresponding technical feature of the claims, i.e. falling within the literal scope, the accused solution will not fall within the protection scope as construed by the

Article 6. Regarding the technical solution which is only depicted in the description or the appended drawings but not recited in the claims, the assertion by the patentee in a patent infringement lawsuit that such technical solution be included in the scope of protection of the patent right shall not be supported by the courts.

courts according to this article, since its structure is neither identical nor equivalent to that disclosed in the description. In brief, though the accused solution falls within the literal scope of the claim, the courts will not find an infringement. Similar situation can be found in the U.S. case *SRI International v. Matsushita Electric Corp. of America*, 775 F.2d 1107 (Fed. Cir.1989).

This article provides the "Dedication Principle", namely, any technical solutions disclosed in the description while not recited in the claims are all deemed as being dedicated to the public. The rationale behind this principle is: the description has no excluding function, and only technical solutions recited in claims are entitled to exclusive rights. Besides, the examiners will not examine technical solutions that are not disclosed in the claims. Hence, if the courts allow applicants' assertion of technical solutions which are only disclosed in the description, it will enable technical solutions to avoid substantive examination on the one hand and on the other hand being used to allege other parties' infringement. Similar precedents can be found in the U.S., as in the case *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098 (Fed. Cir. 1996).

The Dedication Principle in this article might place limitation on the Doctrine of Equivalents as provided in Article 4 herein. For example, in the event that the right owner asserts equivalent infringement, the defendant might rebut using Dedication Principle, asserting that the accused equivalent solution has been disclosed in the description of the patent, thus constituting no infringement. For the reason given in the passage above and considering the time point for judging equivalents being the date when infringing takes place, the courts should preferentially apply the Dedication Principle and judge that equivalent infringement is not established. As a reference, please see the U.S. case *Johnson & Johnson Associates, Inc. v. R.E. Service Co., Inc.*, 285 F. 3d 1046 (Fed Cir. 2002) (*en banc*).

Lastly, it is worth mentioning that, since Chinese Patent Office currently adheres to rather strict practice toward the applicant's secondary summarization of the claims during patent prosecution, when a claim carrying generic summarization is rejected, the applicant might only revise it as one of the embodiments, such that alternate embodiments disclosed in the description are not included in the granted claims. Consequently, the applicant needs to protect these technical solutions in other manners, e.g., by filing separate divisional applications.

Article 7. In the procedure of the grant or invalidation of a patent right, where the patent applicant or the patentee on his own initiative or at the request of the examiner makes narrowing amendments on or observations to the claims, the assertion by the patentee in a patent infringement lawsuit that the abandoned technical solution is included in the scope of protection of the patent right shall not be supported by the courts.

This article provides the Prosecution History Estoppel as a limitation on the Doctrine of Equivalents. This provision, however, imposes overly strict restrictions on the rights of a right owner for reasons as follows:

1. In this article, no consideration is given to the purpose of amendment. In other words, the Prosecution History Estoppel is applicable whether a narrowing amendment aims at getting patentability or not. Such assertion was denied by the U.S. Supreme Court in 1997 (see *Warner-Jenkinson* case as stated previously). To be specific, where the applicant deletes all non-patentable parts from the protection scope to evade the prior art during the prosecution of a patent application and retains only the patentable scope, every solution that is not retained after such amendment shall be deemed not patentable and being abandoned by the applicant. Nevertheless, for amendments that are not made for the purpose of getting a patent, because the applicant does not abandon any technical solution for the sake of unpatentability, it shall not be deemed that the applicant has abandoned the equivalents. In subsequent development, the court in the U.S. determined in the case of *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.* that: as long as the amendment is made to get patentability, no matter it is for evading the prior art or for overcoming the defect of unclarity, the Prosecution History Estoppel should apply. The Festo case has extended the circumstances for the application of Prosecution History Estoppel, but not yet to an extent of covering amendments that are not made for the purpose of getting patentability. It can thus be seen that this article provides a far broader range of application for Prosecution History Estoppel than the U.S. practice. Since it is very rare that the applicant does not make any amendment to the claims during prosecution of a patent application, this article, if coming into force, will have great impact on the rights and interest of right owners.

2. As compared to the Festo case which points out that the right owners should be given a chance to rebut Estoppel presumption, this article gives the right owners no room for rebutting. In practice, when an applicant amends claims for the purpose of getting a patent, if the accused infringing equivalents cannot be foreseen, it should be considered that he has not abandoned such equivalents and Prosecution History Estoppel shall not apply to these equivalents thereafter. Therefore, the courts should give the right owners a chance to rebut the application of Prosecution History Estoppel. For example, if the right owner is capable of proving that the accused infringing equivalents are unforeseeable at

Article 8. The courts, in determining whether the technical solution alleged for infringement falls into the scope of protection of the patent right, shall not omit any single technical feature recited in the claim claimed by the patentee.

Where a technical solution alleged for infringement comprises 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 claims, the technical solution alleged for infringement lacks one or more technical features, or one or more of technical features of the claim are neither identical nor equivalent to those comprised in the accused solution, the courts shall determine that the technical solution alleged for infringement does not fall within the scope of protection of the patent right.

the time of amending the claims, or the reason underlying the amendment is not closely related to the accused infringing equivalents, the courts should not apply Prosecution History Estoppel.

Finally, for some circumstances, such as in the event of incorporating a dependent claim 2 into claim 1, whether it is a narrowing amendment to claim 1 or merely a deletion of claim 1, and whether Prosecution History Estoppel to be applicable to such amendment, it is unable to draw a definite conclusion from the current article. For similar situation, reference can be found in the U.S. case *Honeywell Int'l Inc. v. Hamilton Sundstrand Corp.*, 370 F. 3d 1131 (Fed. Cir. 2004) (*en banc*), which holds that incorporating a dependent claim into an independent claim shall be deemed narrowing amendment to the independent claim and hence a presumption of Prosecution History Estoppel is applicable.

This article clearly abolishes the Principle of Redundant Designation arisen from the case of *Zhoulin frequency spectrum device (1991)*. According to said Principle of Redundant Designation, the courts may neglect some "non-essential" technical features in construing a claim. In 2005, however, in the ruling by the Supreme People's Court regarding the patent infringement dispute review of *Dalian Renda New Style Wall Body Building Materials Factory v. Dalian Xinyi Building Material Limited* (No. 1 [2005] Review of the No. 3 Civil Tribunal), the Supreme People's Court rejected the plaintiff's argumentation that the technical feature "canister bottom wall layer having at least two layers of glass fiber cloth" in the patented claim is a non-essential technical feature and can be neglected. The ruling clearly indicates that since the claims play an important role in informing the public of the protection scope, the Principle of Redundant Designation should not be applied imprudently. This article follows the spirit of this ruling and clearly stipulates the abolishment of the Principle of Redundant Designation.

In this respect, this article reflects an affinity to a change from principle of overall technique equivalent to feature equivalent in the U.S. Historically, given the circumstance of an overall technique equivalent, the courts may neglect a certain technical feature in the claims and find infringement; after the conversion to feature equivalent, to find infringement, the courts must locate in the accused product all the technical features that are the same as or equivalent to those in the claims, without neglecting any of the technical features (see *Warner-Jenkinson* case in the aforesaid).

Article 9. The courts shall determine "the scope of protection of the patent right for a design" prescribed in Article 59.2 of the Patent Law in accordance with the design identical or similar to the patented design of the products within the same or close classification with the product incorporating the design.

Where the products are of the same or close classification but the design alleged for infringement is neither identical nor similar to the patented design, or the design alleged for infringement is identical or similar to the patented design but not of the same or close classification, the courts shall determine that the design alleged for infringement does not fall within the scope of protection of patent right for the design.

Article 10. The expression "products of the same class" in Article 9 of this Interpretation refers to products for the same use; the expression "products of close classification" refers to products for a similar use.

The courts may determine the use of a product by referring to the International Classification for Design, title and purposes of the product, recited in the brief description, taking into consideration such factors as the sales and practical usages of the product.

Article 11. The courts, in judging whether designs are identical or similar, shall base on the knowledge level and understanding of the relevant public of the products incorporating the designs.

The expression "relevant public" referred to in the preceding paragraph means people who have a common knowledge of the relevant conditions regarding the design of a patented design and possess certain capability of distinguishing the differences in shape, pattern and color between different designs in general,

This article further specifies the protection scope of a design as stipulated in Article 59 of the Patent Law from two aspects, namely, the design per se and the product to which the design is applied. It retains the definition for the protection scope of a design that has been followed over the years. During the amendment of the new Patent Law, there was a proposal that protection should be given to designs that are applied to part of a product, which however was not adopted in the end. Although the new Patent Law adds the role of a brief description (especially that related to design points) in defining the protection scope of a design, from this article it can be seen that basically the protection scope of a design still comprises identical and similar designs of an identical or similar product (rather than part of a product).

This article specifically defines the meaning of the same and close classification and the determination thereof. According to paragraph 1 of this article, the same or close classification equals to the same or a similar use. According to Articles 9 and 10 of this Interpretation as a whole, however, it seems redundant to first raise the concept of "class" and then construe "class" with a synonymous expression of "use". In nature, there exists no "classification" labeled onto a design product per se (especially the accused infringing product) and "class" is an artificial abstract concept. It is not necessary to introduce such a secondary abstract concept like "classification", when one may determine directly from the use whether a product accused for infringement is the same as or similar to the product incorporating the design patent. From the perspectives of both examination and trial practice, the concept of "use" has been widely applied in place of the concept of "classification", and has become an important part of the criterion for judging the identicalness and similarity of products incorporating the designs.

"The relevant public of the products incorporating the designs" in this article is a newly introduced concept describing the subjects who judge identicalness and similarity of designs. From the definition in paragraph 2, their knowledge level and judging ability have no substantive difference from ordinary consumers as defined in the current Guidelines for Examination. But said concept appears to be more reasonable in terms of wording and the range of the judging subjects covered as it comprises not only the end users of a product incorporating a design, but also other related persons

but will not notice minor variations in shape, pattern or color.

Article 12. The courts, in judging whether designs are identical or similar, shall consider in a comprehensive manner all the design features within the scope of protection of the patent right for the designs according to the overall visual effect of the designs, except that the de jury functional feature and those features such as materials and internal structures of a product having no influence on the overall visual effect shall not be taken into consideration.

Where a design alleged for infringement is sufficient to create confusion with a patented design in overall visual effect among the relevant public, the courts shall determine that the design alleged for infringement and the patented design are similar; where the design alleged for infringement does not include the design points of the patented design, it shall be determined that the design alleged for infringement and the patented design will not create confusion in overall visual effect among the relevant public.

The expression "design points" referred to in the preceding paragraph means the design features of the patented design which may create notable visual influences on the relevant public over the prior art. The courts may refer to the brief description of the design to determine on the design points.

Article 13. For assembling products, the courts shall determine this as "make" prescribed in Article 11 and Article 69 of the Patent Law, with the exception that the components of the products are generally sold by set and assembled by the seller or the user.

For recycling products incorporating a design of specific package for use in packaging products of the same or close classification, the courts shall regard this as "make" prescribed in Article 11 and Article 69 of the Patent Law.

Article 14. Where a product infringing upon the patent right for an invention or a utility model is used as a component of another product for the production of such another product, the courts shall determine this as

who might be interested in the design of the product, such as distributors of building materials, distributors of automobile parts or automobile maintainers.

Paragraph 1 of this article provides a general principle for judging similarity of designs, i.e., to compare as a whole and to consider comprehensively. Paragraph 2 that follows, however, provides two extreme conditions under which similarity of designs is judged, namely, where the design accused for infringement is sufficient to create confusion with a patented design and where the design points are different. Besides, "confusion" is mentioned twice, seeming to give a hint (but giving no explicit confirmation) that "confusion" is the test for judging similarity of designs. In practice, however, there usually occurs another situation: a design accused for infringement comprises the design points of a granted design but does not create confusion in overall visual effect with the granted design. The judging of this situation is not mentioned in this article.

The new Patent Law introduces a concept similar to inventiveness, providing that a granted design should have significant difference as compared to the prior design or a combination of features in the prior design, which elevates the criteria on patentability for a design. Correspondingly, the level of protection for a patented design after being granted should also be higher. In particular, the new Patent Law provides that brief description is an essential application document for the application of a design patent, while the description on design points is an important part of brief description. This article does not give directive guidance in this respect.

Articles 13-15 extend the concepts of such patent infringing acts as "make", "use" and "sell" stipulated in Article 11 of the Patent Law. This facilitates the courts in determining the constitution of a patent infringing act in trials of specific cases.

"use" prescribed in Article 11 and Article 69 of the Patent Law; where such another product is sold, the courts shall determine this as "sell" prescribed in Article 11 and Article 69 of the Patent Law.

Where a product infringing upon the patent right for a design is used as a component of another product for the production and sale of such another product, the courts shall determine this as "sell" prescribed in Article 11 and Article 69 of the Patent Law.

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 "make" prescribed in Article 11 and Article 69 of the Patent Law; where the infringers fail to provide the legitimate source of the product alleged for infringement or where the legitimate source of the product alleged for infringement provided is untrue, the courts shall determine this as "make" prescribed in Article 11 and Article 69 of the Patent Law.

Article 15. Where an original product is obtained by a patented process, the courts shall determine this as "the product directly obtained by the patented process" prescribed in Article 11 and Article 69 of the Patent Law.

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

Article 16. Where a conductor, with the knowledge that the relevant product is the raw material, intermediate product, component, or equipment, etc. which can only be used for implementing a specific invention or utility model, provides a third party with such product to infringe the patent right, the courts shall support the asserted by the patentee that such conductor and the third party bear joint civil liability; where the third party's action is not related to production or business purposes, if the patentee asserts that the conductor bears civil liability, the courts shall support this assertion.

This article relates to the judgment on indirect infringement. As far as indirect infringement of patents is concerned, there are many established cases in judicial practice, and indirect infringement of patents was once proposed in the draft amendment of the Patent Law, though it is not finally included in the Patent Law.

In general, this judicial interpretation is a stipulation concluded from patent infringement cases, such as *LV Xuezhong et. Al. v. Shanghai Aviation Measuring and Control Technology Research Institute et. al.* (No. 212 [2003] of the First Instance (Intellectual Property) of the No. 5 Civil Tribunal of No. 1 Intermediate People's Court of Shanghai Municipality) (Dispute over provision of components) and *Kumiai Chemical Industry Co., Ltd. et.al. v. Jiangsu Hormone Research Institute Co., Ltd.* (No. 014 [2005] of the Final Instance

Article 17. Where the accused infringer of a lawsuit of infringement upon the patent right for an invention or a utility model asserts prior art defense and where all the technical features alleged to fall within the scope of protection of the patent right are identical or equivalent to the corresponding technical features of a single existing technical solution, the courts shall determine this as "the accused infringer has evidence to prove that the technology or design it or he has implemented belongs to prior art or design" prescribed in Article 62 of the Patent Law.

Where the accused infringer makes a plea of non-infringement by reason of the patent application conflicting with a published patent, the courts may refer to applicable provisions in the preceding paragraph.

of the No. 3 Civil Tribunal of the Jiangsu High People's Court) (Dispute over provision of raw material) .

This article corresponds to "contributory infringement" of the U.S. patent law prescribed under U.S.C.35 Section 271 (c). However, it is worth noting that this judicial interpretation contains no stipulation for another kind of indirect infringement, namely, "inducement infringement" as prescribed in U.S.C.35 Section 271 (b). According to "inducement infringement", provided that the components provided by the conductor to a third party is applicable for implementing not merely a specific invention or utility model alone, where the conductor intentionally induces a third party to directly infringe a patent right, e.g., providing a third party with the description and introducing in detail the method for assembling the components into the infringing product, indirect infringement is constituted.

Besides, it can be seen that this article lays severer civil liability on the conductor than on the third party. Pursuant to Article 11 of the new Patent Law, the third party under the circumstance provided in this article shall not be liable as an infringer and hence need not bear civil liability if his/her action is not related to production or business purposes. However, it is stipulated in this article that the conductor shall bear civil liability. This article also stipulates that where the third party's action leads to direct infringement, the conductor shall bear joint civil liability with the third party, but where the third party's action does not lead to infringement, the conductor may have to bear civil liability alone. It can thus be seen that this article stipulates that the indirect conductor shall bear severer civil liability than the third party (direct conductor).

This article specifically relates to prior art defense.

In earlier practice, prior art defense is in general applied merely to the defense of equivalent infringements. For instance, Rule 102 of *Opinions on Several Issues Concerning the Judgment on Patent Infringement* promulgated by the Beijing High People's Court in 2001 clearly prescribes: prior art defense is only applicable to patent infringements under the Doctrine of Equivalents, but not applicable to literal infringements. As a reference, a U.S. case *Wilson Sporting Goods Co. v. David Geoffrey & Assoc., 904 F.2d 677(Fed. Cir. 1990)* also embodies the same spirit. However, as time goes by, an increasing number of courts are in favor of applying prior art defense to literal infringements. This view is also approved by the Supreme People's Court. For instance, the interpretation of Rule 9 of *Some*

Article 18. Where the accused design patent infringer asserts a prior design defense and where the design alleged infringement is identical or similar to the design of a single existing product, the courts shall determine this as "the accused infringer has evidence to prove that the design it or he has implemented belongs to prior design" prescribed in Article 62 of the Patent Law.

Where the accused infringer makes a plea of non-infringement by reason of the patent application conflicting with a published patent, the courts may refer to applicable provisions in the preceding paragraph.

Article 19. Where an accused infringer asserts prior user rights for illegally acquired technology 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" 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 moulds for implementing an invention-creation have been made or purchased.

The "original scope" prescribed in Article 69(2) of the

Provisions of the Supreme People's Court on the Issues Concerning the Application of Laws in the Hearing of Patent Dispute Cases mentions: no matter it is equivalent infringement or literal infringement, as long as the defendant proves that the technology he adopts is prior art, the courts can directly adjudges the defendant not liable for infringement. This point is reaffirmed in this article by the Supreme People's Court.

It is noteworthy that, according to this article, only "one technical solution" can be cited in prior art defense. In comparison, the defendant in the US can use more than one reference documents to support prior art defense, i.e., he can use a combination of several reference documents to query the inventiveness of the patent to derive a conclusion of non-infringement. This is however not practicable in China. If the defendant wants to use more than one reference documents to defend the accused solution, what he can do is to file a request to the Patent Reexamination Board for declaring the patent invalid.

Article 69 of the new Patent Law prescribes: "None of the following shall be deemed as infringement of the patent right: ... (2) Where, before the date of filing of the application for patent, any person who has already made the identical product, used the identical process, or made necessary preparations for its making or using, continues to make or use it within the original scope only..."

As for the Chinese practice of the Right of Prior Use, please refer to the patent infringement case of *Lanzhou Kairui Chinese Medicine Technology Development Ltd. v. Intellectual Property Office of Gansu Province and the third party Gansu Dongjiayuan Medical Research Institute* (No. 15 [2006] First Instance of Administrative Litigation), which is reported in *100 Typical IP Cases* published by the Supreme People's Court in 2008.

Patent Law includes the existing scale of production before the date of filing an application for a 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 transfers or licenses others to implement the technology or design which has been implemented or for which necessary preparation has been made for implementing after the date of filing an application for a patent, the assertion by such owner of the prior user right that the act of implementation is a continuous implementation within the original scope shall not be supported by the courts, except that such technology or design is transferred or inherited along with the original company.

Article 20. Where a patent is incorporated into the standard published by a national, industrial or local standard setting organization upon the consent of the patentee and where the patent has not been disclosed by the standard, the courts may determine that the patentee licenses others to implement the patent concurrently when such standard is being implemented, with the exception that the patent must be implemented in the form of the standard according to law. Where the patentee requests the person who implements the standard to pay royalties, the courts shall reasonably determine an amount of royalties after deliberating in a comprehensive manner, the factors including the level of innovation of the patent and its role in the standard, the technical field which the standard belongs to, the nature of the standard, the scope of implementation for the standard, unless the patentee has promised to waive the royalties.

Where the standard discloses the patent and its conditions of the license of implementation and in the event the patent fails to be implemented according to the disclosed conditions, the assertion by the party concerned that the patent should be implemented according to the disclosed conditions for license of implementation shall be supported by the courts. Where the disclosed conditions for the license of implementation is obviously unreasonable, the courts may make proper adjustment at the request of the party concerned. Where there is no disclosure of the conditions for the license of implementation or the disclosed conditions for the license of implementation are unclear, the parties concerned may seek for a settlement through consultation. If the consultation fails, a request may be filed to the courts for determination.

In the event that the implementation of a patent in the

This article relates to patentee's rights after a patent is incorporated into the standard.

Previously, it is pointed out in the *Letter of the Supreme People's Court on the Issue of Whether the Exploitation of a Patent in the Specification for the Design of Ram-compaction Piles with a Composite Bearing Base, an Industry Standard Issued by the Ministry of Construction, by Chaoyang Xingnuo Company Which Has Conducted Design and Construction according to the Standard Constitutes a Patent Infringement* (No. 4 [2008] of the No. 3 Civil Tribunal): if a patentee has participated in setting a standard or has agreed to bring his patent into a state, industry or local standard, it shall be deemed that the patentee has permitted others to exploit such a patent while implementing the standard, and therefore that the relevant exploitation by others shall not constitute the patent infringement prescribed in Article 11 of the Patent Law. The patentee may require the person exploiting the patent to pay a certain royalty, which, however, shall be evidently less than the normal royalty; if the patentee agrees to give up royalties, his agreement shall be followed.

In respect of this article, concerns about its clarity have been voiced from various sectors of the society. To cite a few examples, the clarity and enforceability of the following expressions are questioned: "with the exception that the patent must be implemented in the form of the standard according to law", "where the disclosed conditions for the license of implementation is obviously unreasonable", "where the patent has not been disclosed by the standard", "the level of innovation" as well as "the parties concerned", which is used in a confusing manner quite a number of times. It is therefore expected that this article is very likely to

standard is otherwise provided in laws and administrative regulations, such provisions shall prevail.

Article 21. In determining "the gains which the infringer has acquired from the infringement" according to Article 65.1 of the Patent Law, the courts shall restrict the gains to those acquired by the infringer from the infringement upon the patent right itself. Where the gains of the infringer are generated from other factors collectively, the gains generated from such other factors shall be excluded from the gains acquired from the infringement.

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 an amount of compensation according to factors including the value of the component itself and its role in achieving the profits of the finished product. Where the component is a key part in achieving the technical function or effect of the finished product and the value of the finished product is mainly embodied by such component, the courts may calculate the amount of compensation in accordance with 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 an amount of compensation according to factors including the value of the package itself and its role in achieving the profits of the product which is packaged. Where the design of the package is the main factor that attracts average consumers to buy such product and is inseparable from the product which is packaged when being sold, the courts may calculate the amount of compensation according to the profits of the product which is packaged.

Article 22. In adjudicating a dispute case concerning royalties during the temporary protection period of an

undergo a certain extent of amendment before coming into effect.

This article is a newly-added article, which is not in the conference discussion version of the judicial interpretation issued by the Supreme People's Court in 2003. According to our understanding, this article is added as a result of the Schneider case and reflects a borrowing of the Entire Market Value Rule from the U.S. practice.

Chint Group (hereinafter referred to as Chint) sued Schneider Electric Low Voltage (Tianjin) Co. Ltd. (hereinafter referred to as Schneider) et. al. for patent infringement in Wenzhou Intermediate People's Court in 2007, and claimed for damages of 330 million RMB, which was supported in full amount by Wenzhou Intermediate People's Court. At that time, the damages were calculated based on the profits from the product without considering other factors which might influence the prices and profits of the product. The large amount of damages attracted great attention from the society.

In comparison, the U.S. case, *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538 (Fed. Cir. 1995) cites the Entire Market Value Rule, pointing out that: when the patented product only constitutes a part of the entire product yet it represents the basis of consumer demand, the damages can be calculated based upon the market value of the entire product; alternatively, in case of a single patented product combining with a non-patented product to form a system, only when the said non-patented product and patented product work in a combined way or to the extent of being regarded together as a functional unit can the damages be calculated based upon the market value of the entire system.

In addition, the U.S. Patent Reform Act of 2007 also put forward the idea of adding the Entire Market Value Rule to the Patent Law. Considering the above cases and relating to the development of patent reform in the U.S., there is an increasing tendency for the Chinese courts to adopt similar rules. As an update, the two parties of the Schneider case reached an out-of-court settlement on April 15, 2009, the date for the court hearing of the second instance. According to the settlement, Schneider paid Chint 160 million RMB in damages, which is only about half of the initially claimed amount.

In practice, if the applicant requires during the temporary protection period of the patent application

invention prescribed in Article 13 of the Patent Law, the courts may refer to legal provisions applicable to patent infringement.

In judging whether the invention is implemented by the accused infringer during the temporary protection period, the courts shall adhere to the narrower scope of protection of the patent right in the event that the scope of protection of the patent right at the date of publishing the application for the patent is not consistent with that at the date of announcing the grant of the patent right.

Article 23. Where the patentee sends a cease and desist letter to others for infringing a patent right and where the patentee neither withdraws the cease and desist letter nor files a lawsuit within one month upon receiving a written reminder notice in which the person warned or the interested party urges the patentee to exercise the right of action, the courts shall accept the case if the person warned or the interested party files a declaratory judgment action to declare non-infringement.

the other party to pay royalties for said period, but is denied by the other party, the applicant can only institute a suit after the patent is granted. This might result in a discrepancy between the scope of protection claimed by the patented claims and the scope of protection at the date of publishing the patent application after the expiration of 18 months from the date of filing. Under such circumstance, the courts shall adhere to the narrower scope of protection of the patent right.

Prior to coming into effect of this article, where the patentee sends a cease and desist letter or makes a statement in the newspaper, the conductor can institute a suit to preempt the right to select a jurisdiction, thus commanding an advantageous position in the lawsuit. For instance, in *Kunming Pharmaceutical Corporation v. Heilongjiang Zhenbaodao Acid Making Co., Ltd.* (No. 8 [2004] Final Instance (Intellectual Property) of the Heilongjiang High People's Court), an appellate case relating to dispute over declaration of non-infringement, which is selected as one of the *100 Typical IP Cases* by the Supreme Court of China in 2008, the court points out that the act of sending a cease and desist letter and making a statement in the newspaper by the patentee is sufficient for the other party to initiate judicial procedures for declaration of non-infringement. This is extremely disadvantageous for the patentee, and may even intimidate the patentee to the extent of deterring him from sending a cease and desist letter. Similarly, after the case of *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), the U.S. has also relaxed the requirement for filing a lawsuit for declaration of non-infringement (even if an agreement has been reached between the conductor and the patentee, the conductor can still file a lawsuit for declaration of non-infringement).

According to this article, after receiving cease and desist letter from the patentee, the conductor does not have the right to institute a lawsuit for declaration of non-infringement and hence select a jurisdiction preemptively. Instead, the conductor may choose the jurisdiction only after he has sent the patentee a written reminder and the patentee neither withdraws the cease and desist letter nor files a lawsuit. Therefore, comparing with the past practices of the U.S. and China, this article, upon coming into effect, free the patentee of excessive discretion about the risk of a declaratory judgment lawsuit while writing the cease and desist letter. As long as the patentee files a lawsuit within the prescribed one month, he will have the right to choose

Article 24. Where a product or the technical solution of a product is unknown to the public in the country or abroad before the date of filing an application for a patent, the courts shall determine that such product is a "new product" prescribed in Article 61.1 of the Patent Law.

Article 25. Where the act alleged for infringement upon a patent right occurs before October 1, 2009, the Patent Law before revision shall apply; where such act occurs after October 1, 2009, the revised Patent Law shall apply.

jurisdiction.

This article, after taking effect, will provide a narrower scope for the shift of the burden of proof. Specifically, Rule 122 of *Opinions on Several Issues Concerning the Judgment on Patent Infringement* promulgated by the Beijing Higher People's Court in 2001 clearly prescribes: a "new product" refers to a product marketed for the first time in China, and is obviously distinguished from an existing product of the same category prior to the filing date in the aspects of component, structure, or quality, performance and function. However, according to this article, products disclosed in the form of either publication or non-publication in China or abroad before the filing date will not be considered as "new products". Considering that it is usually difficult for the patentee to produce evidence to prove "a product or the technical solution of a product is unknown to the public in the country or abroad", with the implementation of this article, the burden of proof borne by the patentee will be more difficult to be shifted to the alleged infringer.