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Lanzhou Kairui Chinese Medicine Science and Technology Development Co., Ltd. v. Gansu Province Intellectual Property Office, et al.

Citation: The Lanzhou City Intermediate People's Court's Administrative Judgment No. Lanxingchuzi 15/2006

Date of judgment: September 4, 2006

Procedural history

The Lanzhou Kairui Chinese Medicine Science and Technology Developing Co., Ltd. (Kairui) requested the Gansu Province Intellectual Property Office (the Intellectual Property Office) to handle and punish the infringing act by He Zhonglin, et al. legal representative of the Gansu Dongjiayuan Medical and Drug Institute (Dongjiayuan), and others. The Intellectual Property Office found no infringement. Kairui sued the Intellectual Property Office in the Lanzhou Intermediate People's Court, requesting the court to reverse said decision. The first-instance judgment vacated the decision, and the Intellectual Property Office appealed to the Gansu Province Higher People's Court. It was decided in the second-instance judgment to have reversed the first-instance judgment and remanded the case to the first-instance court.

Issue

1. Whether one party to a joint development project could be exempted from infringement liability for its use of another party's patented technology achieved in their joint R&D?
2. Whether Dongjiayuan's prior-use defense was tenable?

Facts

From February 1996, Kairui cooperated with Dongjiayuan in R&D on the CCL cancer chemical

therapy injection solution (later re-named C. C. S injection solution). Both parties agreed that He Zhonglin, legal representative of Dongjiayuan, was the investor. The right to apply for patent for the C. C. S injection solution went to Wang Yupu, legal representative of Kairui, and the products were to be marketed by both parties.

Late 1997, Kairui and Dongjiayuan ran into a conflict over the execution of the contract, and they ceased their cooperation. Therefore, Wang Yupu, legal representative of Kairui, brought a civil action in the Lanzhou City Intermediate People's Court. In 2000, the court held that both parties owned the right to use the achievements made so far of the C. C. S, injection solution mainly on the ground that the C. C. S injection solution had not been patented, and both parties did not reach an agreement, and disagreed upon consultation, on the exploitation of the achievements made at the stage, and both had control over the technical secret of the C. C. S injection solution.

On October 9, 1999, Wang Yupu filed an application with the State Intellectual Property Office for a patent for the invention relating to "use of ammonium nitrate in pharmaceuticals, foodstuff and health products", and was granted the patent (ZL 99121715.2) on September 3, 2003.

On May 24, 2003, Dongjiayuan concluded a contract with the PLA Hospital No. 473 for joint reporting drug cancer the "Tianlike" injection solution. After that, advertisement of said "Tianlike" injection solution was seen in the market, and the solution was put in clinical use.

Kairui believed that Dongjiayuan infringed its patent on the ground that the "Tianlike" injection solution contained the component of ammonium nitrate (NH_4NO_3), and requested the Intellectual Property Office to handle the matter. The Intellectual Property Office made its decision on March 8, 2005, holding that the solution was a drug made with improvement, and development made on the basis of the C. C. S injection solution Kairui and Dongjiayuan owned in the late 1997 before Kairui applied for its patent (ZL 99121715.2), and the C. C. S injection solution contained the component ammonium nitrate during the cooperation between Dongjiayuan and Kairui; hence the Intellectual Property Office decided that Dongjiayuan had the right to use in the drug it developed the ammonium nitrate or the substance containing ammonium ion or nitrate radical ion, and its developed "Tianlike" injection solution did not constitute an infringement of Kairui's patent right.

The decision was revoked by the first-instance ruling.

During the second-instance trial, the third party furnished new evidence, and the second-instance judgment reversed the first-instance judgment and remanded the case to the first-instance court.

Rule of law

Article 11, paragraph one, of the Patent Law *After the grant of the patent right for an invention or utility model, except where otherwise provided for in this Law, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, make, use, offer for sale, sell or import the patented product, or use the patented process, and use, offer for sale, sell or import the product directly obtained by the patented process, for production or business purposes.*

Article 63, paragraph one (2), of the Patent Law *None of the following shall be deemed to be an 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.*

Reasoning

The evidence furnished by the Intellectual Property Office showed that when Kairui and Dongjiayuan cooperated for the development of the C. C. S injection solution (namely before the late 1997), both held the technical secret of C. C. S injection solution, so both had the right to use the achievement made at the time. But Wang Yupu (legal representative of Kairui) filed an application for a patent for the “use of ammonium nitrate in pharmaceuticals, foodstuff and health products” on October 9, 1999, and was granted the patent on September 3, 2003. The Intellectual Property Office’s conclusion that Dongjiayuan’s act after that did not infringe the patent right was not sufficiently based on law and evidence.

Meanwhile, the evidence from the Intellectual Property Office did not prove that “Tianlike” injection solution used or marketed by Dongjiayuan was identical with that made before Wang Yupu applied for the invention patent on October 9, 1999, used the same process, or made the necessary

preparation for making or using the same within the former scope for making or using it. It could not prove that Dongjiayuan's act was one that was not deemed to be a patent infringement under Article 63, paragraph one (2), of the Patent Law. Accordingly, its prior-use defense was not tenable.

Holding

1. Dongjiayuan should not use the patent without authorization from the patentee Wang Yupu.
2. Dongjiayuan's prior-use defense was not tenable.