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Zhao Shiyong v. Henan Zhongyuan Special Steel Group Co., Ltd. et al.

Citation: The Supreme People's Court's Civil Judgment No. Minsanzhongzi 7/2005

Date of judgment: January 17, 2006

Procedural history

Zhao Shiyong sued, in the Inner Mongolia Autonomous Region Higher People's Court, the Henan Zhongyuan Special Steel Group Co., Ltd. (Zhongyuan), Angang Iron and Steel Group New Iron and Steel Co., Ltd. (Angang), Baotou Iron and Steel (Group) Co., Ltd. (BISG) and Tianjin Steel Pipe Group Co., Ltd. (TSPG) for infringement of his patent right, Zhongyuan challenged the jurisdiction of the court, but its challenge was rejected in the first-instance ruling, and Zhongyuan appealed to the Supreme People's Court.

Issue

1. In the patent infringement suit in which the accused users of the patented process and the accused users of the products directly obtained by said process were co-defendant, did the local court of the place where the latter were domiciled have the jurisdiction over the case?
2. Did the court of the place where the accused users of the products directly obtained by said process were domiciled have the jurisdiction over the infringing act by other accused users from different places?

Facts

Zhao Shiyong was the patentee of the patent for the process for making core rod. Zhongyuan used

said patented process and made the core rod, and concluded a contract with the BISG, for buying and selling the core rod, and contracts, with Angang and the TSPG, for making the core rod. Zhao Shiyong sued all of them on the ground of infringement of his patent right in the Inner Mongolia Autonomous Region Higher People's Court. Zhongyuan raised opposition to the jurisdiction, arguing that the BISG was domiciled inside the Inner Mongolia Autonomous Region, but it was an accused user of the products directly obtained by said process, not a user of said patented process. Since the place where the accused process was used was in Henan Province, the case should be heard by a court having the jurisdiction there.

The first-instance court held that, as an accused user of the products directly obtained by said process, the BISG's infringing act took place in the city of Baotou, Inner Mongolia, so it had the jurisdiction over the case. Accordingly, it rejected the jurisdiction opposition.

Zhongyuan argued in its appeal that while the relevant law provided that one might sue a manufacturer and dealer in the place of marketing, the law did not provide that one might sue both a user of a patented process and an accused user of the products directly obtained by said process. Zhao Shiyong's institution of the suit in the court in Inner Mongolia lacked legal basis. Besides, the case was one of the disputes arising from infringement of a process patent, and the place where the accused process was used in Henan Province, so it should be heard by a court having the jurisdiction there. Accordingly, it requested to reverse the first-instance ruling, and transfer the lawsuit to the Zhangzhou City Intermediate People's Court.

Zhao Shiyong argued in defence that Baotou was the place where the products directly obtained by the patented process were used and it was one of the places where the infringing act took place; the Inner Mongolia Higher People's Court had the jurisdiction over the case. If the defendants involved in one case were domiciled in or had their habitual residence in two or more jurisdictions, the courts in all the jurisdictions had the power to hear the case.

Rule of law

Article 22 of the Civil Procedural Law *A civil lawsuit brought against a citizen shall be under the jurisdiction of the People's Court of the place where the defendant has his domicile; if the place of*

the defendant's domicile is different from that of his habitual residence, the lawsuit shall be under the jurisdiction of the People's Court of the place of his habitual residence. A civil lawsuit brought against a legal person or any other organization shall be under the jurisdiction of the People's Court of the place where the defendant has his domicile. Where the domiciles or habitual residences of several defendants in the same lawsuit are in the areas under the jurisdiction of two or more People's Courts, all the People's Courts shall have jurisdiction over the lawsuit.

Article 29 thereof *A lawsuit brought against an infringing act shall be under the jurisdiction of the People's Court of the place where the infringing act takes place or where the defendant has his domicile.*

Article 5 of the Supreme People's Court's Several Provisions on Issues Relating to Application of Law to Adjudication of Cases of Patent Disputes *Lawsuits instituted against acts of infringement of the patent right shall be under the jurisdiction of the People's Court of the place where the defendant has its or his domicile or of the place where the infringing act takes place. Places where acts of infringement take place include: places where take place acts of manufacturing, using, offering for sale, selling or importing products accused of infringing a patent for invention or utility model; places where the acts of using a patented process take place and where take place acts of using, offering for sale, selling or importing products directly obtained by the patented process; places where take place acts of using, offering for sale, selling or importing of products of patented designs; the place where acts of counterfeiting patents of other persons take place; and the place where consequences of the preceding infringing acts arise.*

Article 6 thereof *Where a plaintiff takes action against the manufacturer of an infringing product, but not against the seller, and the places where the infringing products are manufactured and sold are not the same place, the people's court of the place where the products are manufactured has the jurisdiction thereover; where the action is taken against both the manufacturer and seller as the co-defendants, the people's court of the place where the infringing products are sold has the jurisdiction.*

Where the seller is a subsidiary of the manufacturer and the plaintiff takes action against the act of

the infringing product manufacturer to manufacture and sell the product, the people's court of the place where the products are sold has the jurisdiction.

Reasoning

Zhongyuan was an accused user of the patented process in suit, and the other defendants were accused users of the products directly obtained by said patented process. Since the accused use by the BISG of the products directly obtained by the patented process in suit came from Zhongyuan, whether Zhongyuan's act constituted an infringement was an important condition for finding of the BISG's infringement. The two acts were closely related, so should be heard together in one suit. The BISG was domiciled within the jurisdiction of the Inner Mongolia Higher People's Court, so it had the jurisdiction over the suit Zhao Shiying instituted against the two defendants.

However, Angang and the TSPC were not legally related to the BISG, and Zhao Shiying did not adduce evidence to show that the three were subjectively at fault for joint infringement; hence, Angang and the TSPC should not be defendants in the infringement suit accepted by the Inner Mongolia Higher People's Court. Zhao Shiying might separately sue them in a court having the jurisdiction thereover under the law.

Holding

1. The infringing acts by the accused user of the patented process in suit and the users of the products directly obtained by said patented process should be heard together in one case as they were closely related. The plaintiff may choose to sue in any one court having the jurisdiction in these places.

2. The BISG, an accused user of the patented process, was not directly related, under the law, with the other users Angang and the TSPG, so the court of the place where the BISG was domiciled had no jurisdiction over the case involving the infringing act performed by the other users.