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Shanxi University v. Shanxi Province Kelin Environmental Protection Technology Center et al.

Citation: The Supreme People's Court's Civil Judgment No. Zhizhongzi 5/1998

Date of judgment: September 3, 1999

Procedural history

The Shanxi Province Kelin Environmental Protection Technology Center (Kelin) sued, in the Shanxi Province Higher People's Court, Shanxi University for infringement of the right in its achieved technologies. In the first-instance judgment, the technology and patent in suit were held to be jointly owned by the two parties. Shanxi University and Kelin, dissatisfied with the judgment, both appealed to the Supreme People's Court.

Issue

1. Whether a party that did not sign the contract in suit was entitled to sue?
2. Determination of jointly owned technologies

Facts

In April 1994, Shanxi University concluded, with the Shanxi Province Environmental Protection Bureau, an agreement for cooperation on the development of bio-engineering technologies for environmental protection, in which they agreed that both parties decided to cooperate to develop bio-engineering technologies for environmental protection. The Province Environmental Protection Bureau asked Kelin and Shanxi University asked its Scientific Research Division to prepare for the establishment of the Shanxi Environmental Protection Bio-Engineering Co., Ltd, in which

Kelin would make the financial investment and the Photosynthetic Bacteria Research Unit of Shanxi University provide its technology for the environmental protection. After the conclusion of the agreement, the cooperation did not get along well for a variety of financial and technical reasons.

In 1995, Shanxi University and Kelin developed two sets of equipment in their photosynthetic bacteria fertilizer experiment. One was the equipment for cultivating photosynthetic bacteria liquid, for which Shanxi University applied for, and was granted on July 26, 1996, a utility model patent (ZL 95224674.0), with five (three from Shanxi University and two from Kelin) indicated as the inventors of the patent; and the other equipment for producing anaerobic acid, for which Shanxi University applied for, and was granted on January 11, 1997, a utility model patent (ZL 96204014.2), with the indicated inventors all coming from Shanxi University. Besides, during the cooperation, both parties also researched on use of photosynthetic bacteria to produce anti-cancer medicine.

On March 26, 1996, the Scientific Research Division of Shanxi University wrote to Kelin to terminate the Agreement. Kelin repeatedly asked to clarify their disagreements. On April 24, 1996, Shanxi University concluded a technology transfer contract with Huabo Company, not a party to the present case, that Shanxi University would assign to Huabo the photosynthetic bacteria fertilizer technology and photosynthetic bacteria anti-cancer medicine technology, and Huabo would have the exclusive right to make and market the products made with said technologies and pay for the royalties in return. After the conclusion of the contract, the part thereof on the photosynthetic bacteria fertilizer technology was executed while the part on the other technology was not.

Upon knowing about the technology assignment, Kelin sued Shanxi University in the Shanxi Province Higher People's Court on the ground of infringement of its technological achievements, petitioning the court to rule to nullify the technology transfer contract, affirm their co-ownership of the two utility model patents, and accordingly change the inventors' names indicated in the patents. Shanxi University instituted counter-suit against Kelin on the ground of infringement of its rights in the technological achievement made during their cooperation.

Upon hearing the case, the first-instance court held that their cooperation agreement was valid, and decided that the two parties jointly owned the two utility model patents. Dissatisfied, Shanxi University and Kelin both appealed to the Supreme People's Court. In the appeal, Shanxi University argued that Kelin was not entitled to sue, while Kelin argued that the two should jointly own the two utility model patents and the two technologies, and changes should be made in the payment made by Shanxi University and the names of the two inventors in the two utility model patents.

Rule of law

Article 32(2) of Technology Contract Law as of 1987 (not effective now) *The principles of ownership and sharing of technological results made by execution of a technology contract are as follows: ...*

(2) The right to apply for patent of an invention-creation made from co-operative development shall, unless otherwise stipulated in the contract, be jointly owned by the parties to the joint development. If one party transfers the jointly owned right to apply for patent, the other party or parties may have the priority of being assigned the right to apply for patent. If one party declares to relinquish its jointly owned right to apply for patent, the other party may alone apply, or the other parties may jointly apply. Once a patent right is granted to the invention-creation, the party that relinquished its right to apply for patent may exploit the patent free. If one party to a co-operation development does not agree to applying for the patent, the other party or other parties shall not be allowed to apply for the patent. ...

Article 50 of the Implementing Regulations of Technology Contract Law as of 1987 (not effective now) *For any technological achievement of a commissioned development or co-operation development, if the right to use and transfer the patent or the non-patented technological achievement are to be shared by the parties concerned under Article 32 of the Technology Contract Law or as agreed in a contract, the co-owners shall conclude an agreement on the way the profits to be shared. In the absence of such an agreement, each party has the right to exercise the patent right or utilize the non-patented technical results, and the profits so obtained belong to the party which exercises the right and utilizes the technological achievement, provided that one party transferring*

the technology has to obtain prior consent of the other party or parties, and the profits so obtained shall be shared by all the parties concerned on an equal basis.

Reasoning

1. Whether Kelin was entitled to sue

While not a party to the agreement in suit concluded between Shanxi University and the Shanxi Province Environmental Protection Bureau, Kelin had worked cooperatively with Shanxi University on the R&D project of photosynthetic bacteria fertilizer using photosynthetic bacteria. The two parties were virtually partners in the cooperation and R&D; hence, Kelin had its interests at stake in the case, and was entitled to sue.

2. Whether the achieved technologies were jointly owned

Since the technological processes and the drawings of the two apparatus of the photosynthetic bacteria reactor and anaerobic tank used by Kelin and Shanxi University for making the photosynthetic bacteria fertilizer are obviously different from those used by Shanxi University in process, equipment structure and some key parts thereof, but the two sets of equipment and drawings were substantially identical compared with the technical solutions of the apparatus of the photosynthetic bacteria reactor and anaerobic tank, for which Shanxi University unilaterally filed application for the patents. Besides, the photosynthetic bacteria production process was also substantially identical with the technological processes for making the photosynthetic bacteria fertilizer Shanxi University assigned to Huabo. Further, the equipment for making the photosynthetic bacteria fertilizer Shanxi University assigned to Huabo were the preceding two patents in suit. Accordingly, the two patents for the technological processes for making the photosynthetic bacteria fertilizer and the apparatus of the photosynthetic bacteria reactor and anaerobic tank Shanxi University assigned to Huabo were technologies that had been jointly achieved and owned by the two parties.

Holding

1. Kelin had its interests at stake in the case, and was entitled to sue.

2. Since the technologies were achieved jointly by Kelin and Shanxi University during their cooperation, they were jointly owned by them.