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## Wang Xinghua et al. v. Heilongjiang No.1 Radio Plant et al.

*Citation: The Supreme People's Court's Civil Judgment No. Minsantizi 2/2006*

*Date of judgment: November 12, 2006*

### **Procedural history**

Wang Xinghua sued the Heilongjiang No.1 Radio Plant (Radio Plant) in the Harbin Intermediate People's Court due to a dispute over patent exploitation licensing contract. In the first-instance judgment, all the claims made by Wang Xinghua and the third parties, Wang Zhenzhong, Lu Wenfu and Mei Mingyu were rejected. Wang Xinghua et al. appealed to the Heilongjiang Province Higher People's Court, which reversed the former judgment. The Radio Plant requested the Supreme People's Court for retrial of the case, which ordered the second-instance court to try the suit again, and the latter did so and upheld the first-instance judgment. Wang Xinghua, Wang Zhenzhong, Lu Wenfu and Mei Mingyu requested the Supreme People's Court to retry the case for the second time.

### **Issue**

1. Whether a patent licensing contract was valid or not which was desolved by the patentee alone, without the consent of the other joint licensors that are non-patentees?
2. Whether it was necessary to pay patent licensing fees for making improved patented products?

### **Facts**

On November 1, 1990, Wang Xinghua, the sole patentee then, concluded a patent exploitation licensing contract with the Radio Plant on behalf of Wang Zhenzhong, Lu Wenfu and Mei Mingyu

(the licensors) to license the patent for the utility model “portable bath tank”, and the Radio Plant should pay the royalties as prescribed in the contract. On March 20, 1991, Wang Xinghua alone concluded an agreement with the Radio Plant on terminating the contract.

In 1994, the Harbin City Intermediate People’s Court ruled in another suit that the utility model patent was jointly own by Wang Xinghua (45% of it), Wang Zhenzhong, Lu Wenfu and Mei Mingyu.

After the agreement on termination of the contract was concluded, the Radio Plant continued making and marketing the products of an improved version of the “portable bath tank”. Wang Xinghua et al. sued the Radio Plant for patent infringement and claimed that the termination agreement was invalid, and the Radio Plant should continue to pay the royalties. The first-instance court rejected their claims.

The second-instance court found that the “termination agreement” invalid, vacated the first-instance judgment, and ordered the Radio Plant to pay royalties accumulated from the date when the “termination agreement” was concluded. The Radio Plant petitioned a retrial. In the first retrial of the case, the first-instance judgment was upheld on the grounds that the “termination agreement” Wang Xinghua concluded, as the sole patentee, with the Radio Plant was valid, and the Radio Plant did not infringe the patent right in suit.

Wang Xinghua et al., dissatisfied with the judgment, requested the Supreme People’s Court for a second retrial on the ground that it was wrong to have found the termination agreement valid.

### **Rule of law**

Article 21, paragraph one (3), of the Technical Contract Law as of 1987 (now ineffective) *The following technical contracts shall be invalid:…(3) those infringing another party’s legitimate rights or interests;…*.

Article 12 of the Patent Law *Any entity or individual exploiting the patent of another party shall conclude with the patentee a written license agreement and pay the patentee a fee for the exploita*

*tion of the patent. The licensee has no right to authorize any entity or individual, other than that referred to in the agreement for exploitation, to exploit the patent.*

### **Reasoning**

#### 1. About the validity of the termination agreement

Where there are non-patentee parties joining the patentee as the licensors of a patent licensing contract, especially where the licensing contract stipulates the rights and obligations of the non-patentee parties, the patentee's enforcement of the patent right under the contract should be governed by the contract. The patentee had no right to terminate the contract without consent of the non-patentee parties, otherwise, the legitimate rights and interests of these interested parties would be infringed.

On November 1, 1990, Wang Xinghua concluded the licensing contract on behalf of Party A (Wang Xinghua, Wang Zhenzhong, and Mei Mingyu). The fact that the contract did not specify that the rights to dispose of the patent was jointly owned by the three non-patentee licensors does not affect their rights to benefit from it. The agreement concluded by Wang Xinghua with the Radio Plant on March 20, 1991 to terminate the licensing contract without the consent and authorization of these licensors caused injury to their right to benefit from the contract. In addition, Wang Xinghua concluded the termination agreement to get rid of the non-patentee licensors, and the Radio Plant was fully aware of Wang Xinghua's purpose when it concluded the termination agreement with him. For the reason, the "termination agreement" was invalid.

#### 2. About whether the Radio Plant should pay royalties to Wang Xinghua, et al.

This was a case of dispute over a patent licensing contract. As was stipulated in Article 5 of said contract, during the term of the contract, both parties might make improvements based on the patented technology as required for the technological process, production, or the like. However, insofar as the improvements did not change the real attribute of said patent, they did not affect the execution of this agreement. Therefore, the Radio Plant should pay royalties to Wang Xinghua et al.

***Holding***

1. The termination agreement Wang Xinghua concluded without the consent and authorization of the non-patentee licensors was invalid.
2. The Radio Plant continued using the patent of Wang Xinghua et al., and it should pay royalties to Wang Xinghua et al. under the licensing contract during the term of the contract.

***Additional remarks***

Holding it irrelevant, the Supreme People's Court was not concerned about whether it was correct for the second-instance court to have decided, during the second retrial of the case according to the experts appraisal contract, that the Radio Plant did not infringe the patent right.