



# Current Status and Challenges concerning IP Litigation in China

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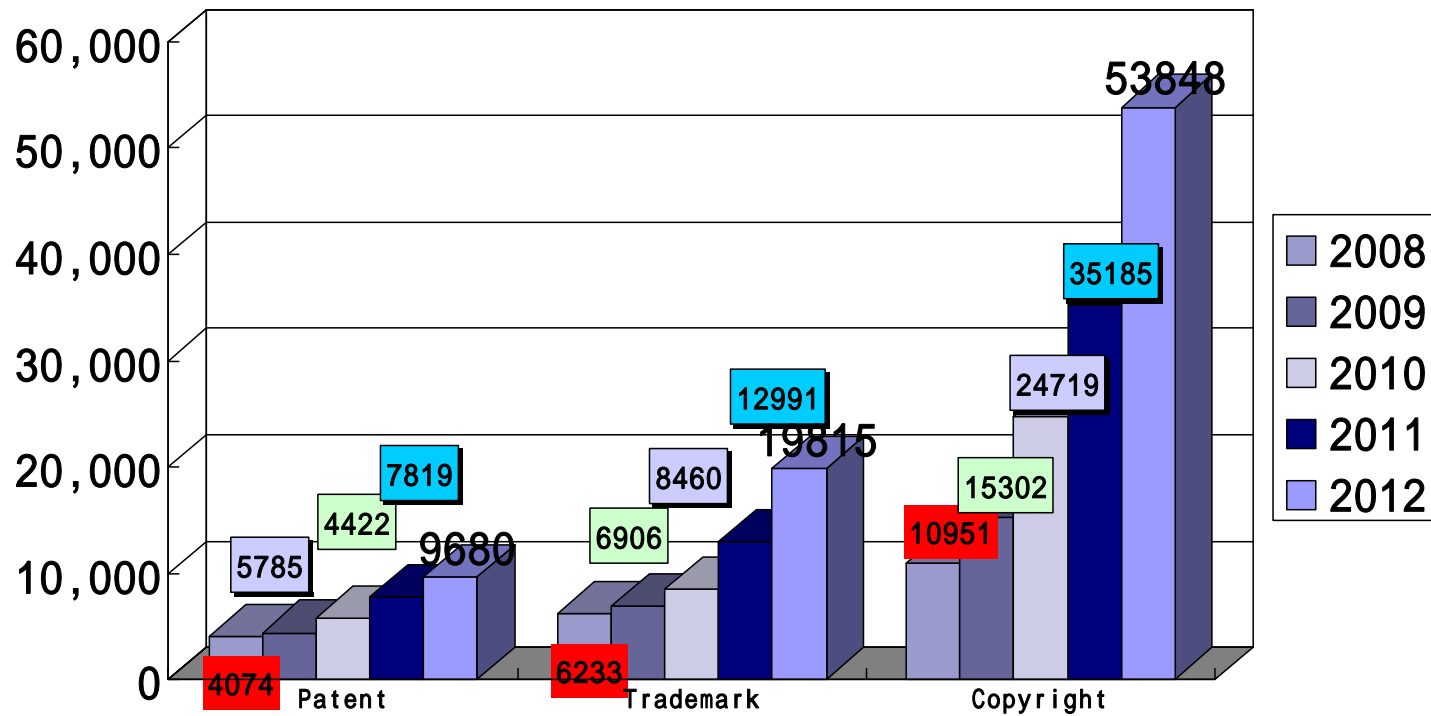
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# Current Status of IP Litigation in China

# 1.1 Statistics





# 1.1 Statistics

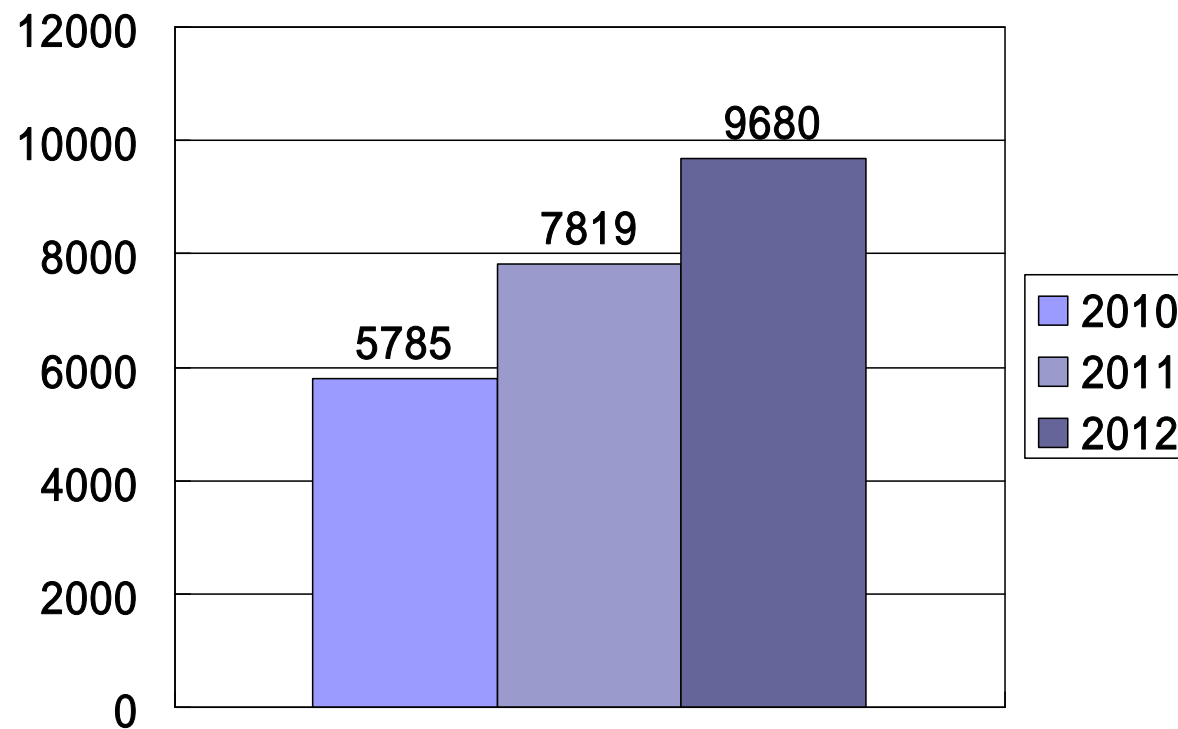
**The number of cases accepted and closed by the court is steadily increasing**

Year	Accepted	Closed
2010	42931	41718
2011	59612	58201
2012	87419	83850



# 1.1 Statistics

## Patent Related Civil Cases





## 1.1 Statistics

IP related first instance administrative cases accepted and closed by the court in 2012

Accepted	Closed
2928	2899



## 1.1 Statistics

IP related first instance criminal cases accepted and closed by the court in 2012

Accepted	Closed
13104	12794

Among them 15338 people were convicted.



## 1.1 Statistics

### Statistics of the Supreme People's Court

- In 2012, the court accepted 359 new IP related cases, 14.5% lower than 2011.
- Among them 98 are administrative cases, constitutes 27.3% of all the new cases. 44 are patent administrative cases and 54 are trademark administrative cases, which is 6.38% and 20.59% lower than 2011, respectively.





# 1.1 Statistics

- The Chinese court has accepted 27 pre-trial temporary injunction cases and the court support 83.33% of such.
- The Chinese court has accepted 320 pre-trial evidence preservation applications and the court support 96.73% of such. The Chinese court also accepted 74 pre-trial property preservation and the court support 94.67% of them.



## 1.2 Latest Development

- **The jurisdiction for hearing patent cases can be designated to lower court**

*“The Supreme People's Court may, depending on actual circumstances, designate a basic people's court to have jurisdiction over first instance patent cases”*

- **Patent attorney can be the agent ad litem in litigation**

*After the execution of the newly amended Civil Procedure Law, if been recommended by the All-china Patent Attorneys Association (“APAA”), the patent attorneys can be the citizen agent ad litem in patent litigation.*

*The people's court should exam the patent attorney's qualification and recommendation procedure, if the APAA specifically recommend certain patent attorney to be the agent ad litem in a specific case .*

*The APAA should send the list of the recommended patent attorneys to Supreme People's Court. After the list is been confirmed by the Supreme People's Court, the patent attorneys on that list do not need to be recommended by APAA again, when they intend to be the agent ad litem in litigations.*



## 1.2 Latest Development

### ■ Preliminary Injunction

*After the execution of the newly amended Civil Procedure Law if the interested party apply to the court for the pretrial evidence preservation and pretrial action preservation for patent, trademark and copyright disputes, the newly amended Civil Procedure Law shall apply. If the relevant provisions in Judicial Interpretations do not comply with the newly amended Civil Procedure Law, those do not apply, otherwise those still apply.*

*After the execution of the newly amended Civil Procedure Law if the interested party apply to the court for the pretrial evidence preservation and pretrial action preservation for unfair competition, new varieties of plants and anti-trust disputes, the court should accept such application according to law.*



## 1.2 Latest Development

- ***Apply for retrial (zaishen)***

*Article 209 of Civil Procedure Law of the People's Republic of China*

*Under any of following circumstances, a party may apply to a people's procuratorate for procuratorial recommendations or appeal:*

- (1) A people's court dismisses a petition for retrial.*
- (2) A people's court fails to issue a ruling regarding a petition for retrial within the prescribed time limit.*
- (3) The judgment or ruling entered after retrial is clearly erroneous.*

*The people's procuratorate shall, within three months, examine the party's application and make a decision to offer or not to offer procuratorial recommendations or a decision to file or not to file an appeal. The party shall not apply again to the people's procuratorate for offering procuratorial recommendations or filing an appeal.*



## 1.2 Latest Development

- Refining the standard on the finding of the infringement and reinforce the standard on the publicity and the delimitation effect of the claims.

*“Limit the conditions for applying the equivalent infringement. Review the defenses such as dedication, estoppel, and prior art so as to avoid the excessive application of the doctrine of equivalent.”*



## 1.2 Latest Development

Enhance the judicial review to ensure the invention which has inventiveness will be granted

- Rectify the limitation on the amendments to claims which go beyond the initial scope
- More tolerance on the apparent errors of drafting

*“Refine the judicial review standard on the granting and confirmation of patent rights to improve the standardness and scientificness of the patent prosecution and granting so as to improve the quality of the patent. Considering the published information in the patent application, try to ensure the invention which has inventiveness will be granted, so as to match the rights grant to the patent applicant with its technology contribution.”*



## 1.2 Latest Development

- Facilitate the fundamental resolution of the administrative disputes

*“Refine the judicial review procedure and the evidence rule, improve the method of adjudication so as to avoid the circulation of trials and repeated procedures. Stabilize the status of the right as soon as possible.”*

- Facilitate the fundamental resolution of the disputes which combines administrative and civil nature

*“Reinforce the overriding position of the civil procedures in terms of resolving the disputes. For the intellectual property rights which shall apparently be invalidated or cancelled, if the right owner accused the other of infringing, based on the specific situation of the case, the court can try to directly overrule the said claims of the patentee without waiting for the results of the administrative procedure. “*



## 1.3 Main Legal Basis

- *Patent Law of the People's Republic of China (“Patent Law”)*
- *Detailed Rules for the Implementation of the Patent Law of the People's Republic of China (“Implementation Rules”)*
- Judicial Interpretations
  - *Several Provisions of the Supreme People's Court on Issues Concerning Applicable Laws to the Trial of Patent Controversies ( Fashi [2001] No. 21) (“**2001 Judicial Interpretation**”)*
  - *Several Provisions of the Supreme People's Court on Issues Concerning Applicable Laws to stopping patent infringement before the appeal ( Fashi [2001] No. 20)*
  - *Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases ( Fashi[2009] No. 21) (“**2009 Judicial Interpretation**”)*





## 1.4 Basic Steps for Patent Infringement Litigation

1. Identification of the technical features of the patent claims What is *technical features*? (The minimum technical unit in a technical proposal which can independently achieve certain technical function and have independent technical effect. )
2. Determination on the technical features of the accused infringing technical proposal (product/ method)
3. Comparison of the relevant technical features (identical, equivalent, missing, addition)
4. Reviewing the non-infringement defense
5. Ascertaining the civil liability

# Major Issues concerning the Determination of a Patent Infringement Case



- 2.1 Principle of all-elements rule
- 2.2 Interpretation of claims
- 2.3 Doctrine of equivalent and its limitation
- 2.4 Prior art defense
- 2.5 Prior use defense
- 2.6 Temporary protection



## 2.1 All-elements Rule

### ■ Article 11 of *Patent Law*

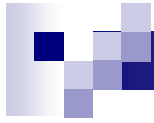
- After the granting of patent for an invention or utility model, unless it is otherwise prescribed by this Law, no entity or individual is entitled to, without permission of the patentee, exploit the patent, that is, to make, use, promise the sale of, sell or import the patented product, or use the patented process and use, promise the sale of, sell or import the product directly obtained from the patented process, for production or business purposes.



## 2.1 All-elements Rule

- Section 1 of Article 7 of the 2009 Judicial Interpretation

When determining whether the alleged infringing technical solution falls into the scope of protection of a patent, the people's court shall examine **all the technical features** described in the claim asserted by a right holder.



## 2.1 All-elements Rule

- Superfluity Establishing

The courts can ignore the evidently dispensable technical feature, if such technical feature is superfluous to the technical issue the invention is intended to solve. The infringement can still be established, even if the accused infringing product does not have the said technical feature.




## 2.1 All-elements Rule

### ■ The thin-wall cylinder case

- **Claim:** a concrete thin-wall cylinder component, which is composed of the tube and the bottoms of the tube at the two ends of the tube for sealing the tube. Its features lies in the said bottoms of the tube are made by the folding of **at least two layers** of the glass fibre cloth... the said cylinder is made by the folding of at least **two layers of** the glass fibre cloth...
- **Accused Infringing Product:** (1) the cylinder is made by one layer of the glass fibre cloth; (2) the bottoms have no glass fibre cloth. The rest of the technical features are identical with the patent.



## 2.1 All-elements Rule

- **Section 2 of Article 7 of the 2009 Judicial Interpretation**
- Where the alleged infringing **technical solution** contains **technical features** identical or equivalent to all the technical features described in a claim, the people's court shall determine that it falls into the scope of protection of the patent; or where, compared with all the technical features described in a claim, the technical features of the alleged infringing technical solution are lack of more than one technical feature as described in the claim or contain more than one technical feature which is neither identical nor equivalent to any technical feature as described in the claim, the people's court shall determine that it does not fall into the scope of protection of the patent.
- *Increase of technical features*
- *Decrease of technical features* 
  - *technical retrogress*
  - *technical improve*





## 2.1 All-elements Rule

- Technology Retrogress
- If the Defendant intentionally leave out or substitute a technical feature which result in the retrogress of the technical solution, will the accused infringing technical solution still constitute patent infringement?
- Since the accused infringing technical solution lacks the technical features of the patent or the function retrogress, it does not meet the requirements for the finding of equivalent.
- Whether the technical effect of the accused infringing product has retrogressed due to the lack of certain technical feature, shall be taken into consideration on the determination of infringement. (2008 MTZ No. 83)



## 2.1 All-elements Rule

### ■ **Article 1 of the 2009 Judicial Interpretation**

The people's court shall, based on **the claim asserted by the right holder**, determine the scope of protection of a patent in accordance with paragraph 1 of Article 59 of the Patent Law. Where the right holder alters the claim asserted by him **before the end of court debate of the first instance**, the people's court shall permit such alteration.

Where the right holder asserts that the scope of protection of a patent should be determined according to a dependent claim, the people's court shall determine the scope of protection of the patent according to the additional technical features described in the dependant claim and the technical features described in the claim **referred to** by it.



## 2.2 Interpretation of the claims

- 2.2.1 the principles of interpretation
- 2.2.2 the methods of interpretation
- 2.2.3 the interpretation of special claims



## 2.2.1 Principles of Interpretation

- **Article 2 of the 2009 Judicial Interpretation**
- The people's court shall determine the content of a claim as provided for in paragraph 1 of [Article 59](#) of [the Patent Law](#) according to the description of the claim and in consideration of the understanding of the claim by **ordinary technicians in the art** after reading the **specification** and **drawings**.
- peripheral claiming - - medium - - central claiming
- An ordinary technician in the art does not refer to a specific person or a kind, thus it shall not set out standards such as the degree of education, qualification, and ranking, on how to identify it. If the parties are disagreed on the skills of those skilled in the art, it should provide evidence to prove it.



## 2.2.1 Principles of Interpretation

### ■ Article 59 of Patent Law

The terms of the protection of a patent right for an invention or utility model shall be subject to the **contents of its claim** as well as the description and drawings submitted to reinforce the claims of the application for a patent right.

The terms of the protection of the patent right for a design shall be subject to the design of a product displayed in pictures or photographs and the brief description used to explain said design



# Question

**Determination on the protected scope of  
the patent**

VS

**Interpretation of the claims**

The protected scope of the patent  
=  
the literal scope + the equivalent scope



## 2.2.2 Methods of Interpretation

- The people's court may interpret a claim based on the specification and drawings, relevant claim in the claims, and patent review files. **If the specification defines any particular wording of a claim, such particular definition shall apply.**

If the meaning of a claim cannot be clarified even by the approaches above, the claim may be interpreted according to reference books, textbooks and other public literatures and the common understanding on the part of ordinary technicians in the art.



## 2.2.3 Interpretation of Special Claims

- Functional Feature

For technical features described by function or effect in a claim, the people's court shall determine the content of these technical features according to the specific way of implementation of the functions or effects described in the specification and drawings or an equivalent way of implementation.





## 2.2.3 Interpretation of Special Claims

### ■ Close-end claims


**Open-end**, means the contents of the composition do not exclude those components which are not included in the claims, such as “mainly composed of ...; include....”

**Close-end** means the contents of the composition only include those components in the claims, such as “composed of ...; the remains are...”



## 2.2.3 Interpretation of Special Claims

- Interpretation for the Close-end Claims
- In the trinosin magnesium chloride for injection patent infringement case[(2012)MTZ No.10], the Supreme Court held that for the close-end claims, it should be interpreted by excluding the elements or methods that are not described by the said claim. As for the close-end claim of a composition, generally it should be interpreted that the composition only include the elements described in the said claim, but it can include some impurity content. However, the auxiliary material is not impurities.



## 2.3 Doctrine of Equivalent and Its Limitation

- **Article 17 of 2001 Judicial Interpretation**

The passage "The extent to which any patent right relating to an invention or utility model is protected shall be determined in accordance with the nature of the claim; patent descriptions and appended drawings may be used to interpret such a claim" referred to in the first paragraph of [Article 56](#) of the [Patent Law](#) shall be taken to mean that the extent to which a patent right is protected shall be determined according to the degree to which the necessary technological characteristics of the claim are clearly recorded in the patent description, and shall also include the degree to which the equivalent characteristics match such necessary technological characteristics.

The term "equivalent characteristics" shall mean the characteristics that represent similar methods, realize similar functions and achieve similar effects to the technological characteristics recorded in the claim, and of which an ordinary technician in the same field would be capable of conceiving without any creative effort.



## 2.3 Doctrine of Equivalent and Its Limitation

- *On the one hand, we should value the publicity and delimitation effects that a definitive claim can bring. Therefore it is important to make sure of the **definitiveness** of the protected scope of the claims so as to provide the public with clear **legal anticipations** and to prevent the expansion of the protected scope which may narrow the rooms for innovation and the public interest.*
- *On the other hand, considering the limitation of language, it is impossible for the claim to cover the all the existing or potential modes of execution of the patented technical proposal. By applying the doctrine of equivalent, the patentee can have a more thorough protection so that it will help boost its initiative to innovate.*




## 2.3 Limitation on the Doctrine of Equivalent: The Rule of Dedication

- Where a right holder includes a technical solution, which is described **only in the specification or drawings, not in the claims**, in the **scope of protection of a patent** in a patent infringement dispute case, the people's court shall not support it.




## 2.3 Limitation on the Doctrine of Equivalent: The Rule of Dedication

- The centrifugal ditcher case
  - **Claim 1:** a centrifugal ditcher, its feature lies in: ....there is a knife rest on the rod, **the head face of knife rest is in the shape of a cross, i.e. the circle is divided into quarters.**
  - **Specification:** the head face of knife rest is in the shape of a cross, i.e. quartering the circle. That is to say, the circle can be **divided the circle into sixths and eighths**
  - **The accused infringing product:** the head face of the knife rest is divided into **sixths.**



## 2.3 Limitation on the Doctrine of Equivalent: Rule of Estoppel

- Where a right holder includes a technical solution, which the patent applicant or patentee has **abandoned** through an amendment of claims or specification or through a statement in the patent granting or invalidation procedure, in **the scope of protection of a patent** in a patent right infringement dispute case, the people's court shall not support it.




## 2.3 Limitation on the Doctrine of Equivalent: Rule of Estoppel

### □ **the common ways of amending a claim:**

- 1 ) Amend the scope of the existing restriction features of the claims (for instance; narrow the numerical range, limit the types of the material)
- 2 ) Add new restriction features in to the claims (or further narrow down its scope)
- 3 ) Delete the claims which are too board, amend the dependant claim into independent claim.






## 2.3 Limitation on the Doctrine of Equivalent: Rule of Estoppel

### ■ Zinc gluconate oral solution Case

- The claims in the published patent application: 4 to 8 units of soluble calcium, said soluble calcium consisting of **calcium gluconate**, calcium chloride, calcium lactate, calcium carbonate or activated calcium
- The applicant has amended calcium gluconate to activated calcium based on the request of the examiner.
- The claim in the granted patent document: The medicine to prevent calcium deficiency, its feature lies in: it's an agentia mixing from the raw material at the following weight ratio: 4 to 8 units of activated calcium; 0.1 to 0.4 units of zinc gluconate; and 0.8 to 1.2 units of glutamine or glutamic acid.
- The infringing product is calcium gluconate



## 2.3 Limitation on the Doctrine of Equivalent: Rule of Estoppel

- ✓ Zinc gluconate oral solution Case
- ✓ The Supreme Court holds that the technical feature of the alleged infringing product is calcium gluconate which was waived by the patent owner during the patent prosecution process; therefore it shall not be considered as equivalent technical feature to activated calcium as stipulated in patent claim and fell into the protection scope of the patent. The Supreme Court overruled the patent holder's claim.



## 2.4 Prior Art Defense

- Where all the technical features of an accused infringing product is identical to or is not substantively different from an existing design, the people's court shall determine that the technique implemented by the alleged infringer is an prior art as provided for in Article 62 of the Patent Law.



## 2.4 Prior Art Defense

- **Process of determination:** first determine whether it falls into the protected scope, then determine whether the defense stands? Or directly determine whether the defense stands?
- **Methods of defense:** a prior art solution? A simple combination of a technical solution in the reference and common knowledge?
- **Standard of the judgment:** novelty vs. equivalent
- Can prior art defense applies to literally infringement?



## 2.5 Prior Use Defense

- **Article 15 of the 2009 Judicial Interpretation**

- Where an alleged infringer invokes a defense of rights of prior use of a technology or design **acquired illegally**, the people's court shall not support it.

In either of the following circumstances, the people's court shall determine that the necessary preparations have been made for manufacturing or use as provided for in item (2) of [Article 69](#) of [the Patent Law](#):

(1) **Main technical drawings** or process documents necessary for implementing an invention creation have been completed; or

(2) Main equipment or raw materials necessary for implementing an invention creation have been manufactured or purchased.

- The original scope as mentioned in item (2) of [Article 69](#) of [the Patent Law](#) shall include **the scale of production which has existed** and the scale of production which can be attained by using or according to the existing production equipment before the patent application date.

Where a holder of prior use rights assigns his technology or design which he has already implemented or for the implementation of which he has made necessary preparations to another person or licenses another person to implement the same after the patent application date, if the alleged infringer argues that such an act of implementation is an act of continued implementation within the original scope, the people's court shall reject such an argument, unless **the technology or design is assigned or succeeded to along with the original enterprise.**



## 2.5 Prior Use Defense

- Jiangxi Yintao Pharmaceutical Co., Ltd sued Shanxi Hanwang Pharmaceutical Co., Ltd and Xi'an Baosai Medicine Co., Ltd for patent infringement. The Supreme People's Court ruled that the key for prior use defense is whether the alleged infringer has already exploited the patent or has made technical or material preparation for the exploitation before the patent application date. The medicine production approval is only an administrative approval procedure, which has no effect on the defense of the prior use.



## 2.6 Temporary Protection

- Invention: application date----- publication date-----granting date

- Temporary Protection Period

Publication date to granting date

The patentee can only claim for reasonable fees for the exploiting of the patent during the temporary protection period, after the patent is granted.

# Procedure Issues





## 3.1 Declaratory Judgment of Non-infringement

Where a right holder gives a warning of patent infringement to another person, the person **warned or an interested person reminds in writing** the right holder of exercising his right to sue, the right holder neither withdraws the warning **nor files a lawsuit** within one month after receipt of the written reminder or within two months after the written reminder is sent, and the person warned or the interested person files a lawsuit with the people's court to request a confirmation of his act as not infringing the patent, the people's court shall accept such a case.



## 3.2 Invalidation Decision

- Article 47 of Patent Law

Any patent right that is declared invalid shall henceforth be deemed to have never existed.

**A decision which declares a patent right invalid** shall have no retroactive effect on any judgment or mediation agreement with respect to patent infringements **which has been delivered and enforced by a people's court**, on any decision concerning the settlement of a dispute over patent infringement which has been implemented or compulsorily enforced, or on any patent license contract or contract for the assignment of patent rights which has been performed prior to that declaration. However, losses incurred by one party through malicious behavior by or on behalf of the patent owner shall be compensated.

In the event that a failure to pay patent infringement damages, patent royalties, or costs pertaining to the assignment of patent rights, as provided for in the preceding paragraph, is manifestly contrary to the principle of fairness, the whole sum or part of such damages, royalties or prices shall be returned.



## 3.3 Suspension of Infringement Litigation Due to Patent Invalidation

- the Defendant is not infringing--- the litigation should not be suspended

- the Defendant is infringing

the Patent Review Board find the patent valid--- the litigation does not need to be suspended

the Patent Review Board find the patent invalid--- the litigation **does not need to be suspended**



## 3.3 Suspension of Infringement Litigation Due to Patent Invalidation

- If the Patent Review Board (“PRB”) issued the decision which invalidate the patent at issue, before the issuance of the civil judgment, the court can, based on the specific circumstances of the case, dismiss the case initiated by the patentee. If the decision of PRB was later revoked during the subsequent administrative litigation, the patentee can initiate a new case after the administrative judgment come into effect.
- The Chinese court is also started to focus on the judicial review over the administrative actions such as the granting of the patent. The court is going to give more specific instruction in the judgment for the cases regarding the granting or invalidation of the patent which is intended to give the administrative organizations more clear instruction so as to facilitate the substantial resolution of the disputes and to avoid the circulation of lawsuits.

# Challenges



# Challenges

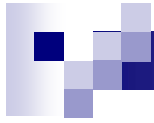
- The establishing of the special IP Court is still under discussion.
- Difficulty in obtaining the evidence on damages

It is extremely difficult for the Plaintiff to obtain evidence on the damages. Regarding the calculation of the damages, the court need to give the plaintiffs more alternatives and adopts the methods such as economic analysis, professional evaluation and accounting. Where the infringer refuses to provide relevant evidence in terms of its illegal gain, based on the circumstances the cout should support the right owners' claim for damages. assist.



# Challenges

- The expert witness, the technical appraisal, expert consultation mechanism in the patent related litigations should be improved and adopt more frequently so as to assist the finding of the facts and clarifying of the technical issues.



# Challenges

- The motivations for the right owner to initiate the litigations are complicated  
IP litigation is not just about protecting the right but also about expand the market and undercut competition.  
The misuse of the legal proceeding
- The need to enhance the IP protection so as to boost the technology innovation  
Cracking down the IP infringement by adopting more severe measures



Thank You for Your Patience.

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