



JUDICIAL INTERPRETATION II OF THE SUPREME PEOPLE'S COURT REGARDING PATENT INFRINGEMENT CASES

Summarized Key Points

By Dr. B. Gary Zhang

At the end of March 2016, China's Supreme People's Court issued Judicial Interpretation II on Several Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases (hereinafter referred to as "The New Interpretation" or "JI II"). The New Interpretation came into force as of April 1, 2016.

The first Judicial Interpretation regarding patent infringement cases was issued in December 2009. The recently issued JI II is the result of an effort to resolve issues arising from patent cases over the past few years, especially with regard to "long pending period, difficulties in producing evidence and low damages amounts," according to explanations by the Court. It is also an attempt to provide guidance for standardizing and improving patent infringement case judgment.

The JP II contains 31 rules, with important provisions concerning the interaction of infringement and validity cases, equivalents, design patents, indirect infringement, standard essential patents, injunction and determination of damages, etc. In this article, we summarized the key points of the JP II.

Infringement and Invalidation proceedings

Infringement case may be dismissed, without prejudice, by the court if the patent is declared invalid by the Patent Reexamination Board (PRB)'s administrative decision.

Patent right holder can re-file the infringement case after effective court judgment revoking the PRB's decision.

Unexecuted infringement judgment or mediation agreement made by the court before an invalidation decision by the PRB may be stayed after the invalidation decision upon a retrial petition.

If the invalidation decision has become effective, the court will terminate any unexecuted infringement judgment or mediation agreement upon a retrial petition.

Clarity of Claims

Infringement case will usually be stayed in case of obvious violation of sufficiency of disclosure and support requirements such that the specification cannot be used to interpret the claims, and relevant invalidation request has been filed.

Where there is ambiguity in the claims, specification or accompanying drawings, if a person having ordinary skill in the art can reach only one possible understanding by reading the claims, specification and accompanying drawings, the court shall make a finding in accordance with such understanding.

Close-ended Claims

If the accused technical solution has additional features compared to a close-ended claim on a composition, no infringement will be found, unless the additional features are inevitable impurities of a normal amount.

The above rule generally does not apply to claims on traditional Chinese medicine compositions.

Functional Claims and Equivalents

Functional features are defined by their function or effect in the invention, unless persons skilled in the art can directly and clearly ascertain the specific embodiments that realize such function or effect.

Equivalence is found if, compared with technical features essential to realize the function or effect, the accused technical solution uses substantially the same means to realize the same function and achieve the same effect, and if the feature of the accused technical solution can be envisaged by a person skilled in the art without inventive efforts at the time the alleged infringing act occurs.

Non-Infringement Situations

If an accused technical solution cannot be adapted for use in the environment as defined by environmental features in the claims, no infringement will be found.

Regarding a product-by-process claim, if the accused product is made by a process that is neither identical nor equivalent to the claimed process, no infringement will be found.

Design Patents – Design Space and Variable States

“Design space” (sometimes also referred to as “design freedom”) will be considered by the court when determining the level of knowledge and cognitive capability of an average consumer on a design.

A wider design space means it is usually difficult for an average consumer to notice minor distinctions between different designs.

A narrower design space means it is usually easier for an average consumer to notice minor distinctions.

In variable state design, infringement will be found if the allegedly infringing design is identical or similar to the design in all the various states of use as illustrated in the variable-state views.

Design Patents – Assembled or Set Products

In cases where there is only one option of assembly, infringement will be found if the allegedly infringing design is identical or similar to the design under the assembled condition.

In cases where there are more than one option of assembly or there is no assembling relation among the components, infringement will be found if the allegedly infringing design is identical or similar to the design of each individual component.

For design relates to a product set, infringement will be found if the allegedly infringing design is identical or similar to one of the designs.

Provisional Protection

Determination of use fee for period between publication and grant will be made by referencing to relevant patent license royalties.

In situations where the published and the granted protection scopes differ, the accused implemented the invention during the above period only if the alleged technical solution falls within both scopes.

After grant, there is no need for further authorization for products manufactured, sold or imported by another person during the above period, if that person has paid or undertaken in writing to pay the appropriate fee for the period.

Indirect Infringement

Infringement by Assistance: knowingly provide raw material, equipment, part, intermediate etc., exclusive for the implementation of a patent, to another who conducted an act of infringement.

Infringement by Inducement: knowingly induce another to conduct an act of infringement.

The above rules are based on Article 9 of the Tort Law.

Patent and Infringement

The fact that the accused technical solution or design has been granted a patent does not prevent it from infringing, if the accused technical solution or design falls within the protection scope of the patent in dispute that is in precedence.

Patents and Standards

Implementing a recommended national, industrial or local standard is not a defense against infringement when the standard explicitly states information regarding an involved essential patent.

No injunction if, during negotiations, the patentee willfully violates the fair, reasonable and non-discriminatory (FRAND) licensing obligations, which resulted in failure to reach an agreement for a license, and if the accused infringer has no obvious fault in the negotiation.

If the parties fail to reach an agreement after adequate negotiation, they can request the court to make a determination.

In determining the licensing terms, the court shall, in accordance with the FRAND principle, comprehensively consider such factors as the innovation level of the patent, its effect in the standard, the technical field of the standards, nature of the standard, the implementation scope of the standard, and relevant licensing terms

Unknowning User of Infringing Product

Injunction is exempted for user of the infringing product, if he did not know the product was made or sold without authorization, and can provide evidence of legitimate source of, and reasonable consideration for, the product.

“Did not know” means both “actually did not know” and “should not have known”.

"Legitimate source" means that the product was acquired by means of a normal commercial manner.

Injunction

Where patent infringement has been determined, the patentee request for an injunction shall be granted by the court, except:

The court, in consideration of national interests or public interests, may not grant the injunction request against the defendant, but order the defendant to pay a reasonable royalty accordingly.

Damages

If the actual loss suffered by the right holder due to infringement is difficult to ascertain, the court shall ask the right holder to provide evidence on profits gained by the infringer.

If the right holder has provided preliminary evidence on profits gained by the infringer, and the account books and documents relating to the patent infringement are mainly within possession by the infringer, the court may order the infringer to provide the books and documents.

If the infringer refuses to provide the books and documents without justification, or provides false books and documents, the court may ascertain the profits gained by the infringer from the infringement according to the right holder's claims and evidence provided by the right holder.

If a right holder and an infringer have legally agreed on the amount of damages or the method for calculating damages, and in a patent infringement suit elect to ascertain the amount of damages based on the agreement, the court shall support election.

Although we will have to wait and see how these rules will be applied in court cases, we believe that the New Interpretation will have a significant impact on future patent litigations in China. ■

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Dr. Zhang practices in all areas of IP law and focuses on patent prosecution, litigation and counselling. He has helped clients obtain, protect and enforce patents around the world, as well as in China and the US. He is one of few individuals who have argued before both the Board of Patent Appeals and Interferences in the US and the Patent Reexamination Board in China.

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