

Amending the Patent Law to Realise the Legislative Aim

Comments on the Draft Amendment to the Patent Law from the Perspective of Patent Right Protection

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On 29 August 2008, the Draft Amendment to the Patent Law was reviewed for the first time at the Forth Session of the Standing Committee of the Eleventh National People's Congress. Under the decision made at the meeting of Chairmen of the Standing Committee of the Eleventh National People's Congress on publicising draft laws reviewed by the Standing Committee of the National People's Congress for public comments, the Standing Committee of the National People's Congress has made accessible the Draft Amendment to the Patent Law online for public comments.

In the course of working out the Draft Amendment to the Patent Law, experts made comments and proposals on the amendment to the Patent Law from a variety of perspectives, and many issues had triggered heated debates. This article is intended to present the author's personal view on some of the issues debated on the judicial protection of the patent right, that is, the issues of judicial protection of patent right to be addressed legislatively.

I. Character of "patent right invalidation litigation"

In the patent right invalidation litigation, a patentee or invalidation requester is plaintiff. In form, it is an action instituted out of dissatisfaction with an invalidation examination decision made by the Patent Reexamination Board (PRB), but, in essence, it is one arising from opposition to the validity of the patent in suit. To date, patent right invalidation litigation is a type of administrative litigation heard by the court under the relevant provisions of the Administrative Procedure Law, in which such case, while having the character of a civil case, has to be heard as an administrative case in the administrative procedure within the current legal framework.

The patent right, a private right, is closely related to an involved party's economic interests. When exercising a

patent right causes conflict of rights, most interested parties seek the administrative and judicial protection. The current laws empower the PRB to administratively handle the requests for patent invalidation. In the proceedings for the administrative examination of a request for invalidation of a patent, the PRB would handle a case, and makes its decision at a requester's request for patent invalidation. Under the Chinese Administrative Procedure Law, an interested party who is dissatisfied with a decision on the examination of a request for patent invalidation is entitled to bring an administrative litigation, taking the PRB as the defendant. Then, the PRB, which represents the nation to take the specific administrative action and serves as the defendant in the litigation, has an obvious weakened initiative to act in response to an accusation. In fact, the patent right invalidation litigation involves a dispute over the validity of the patent right in suit resulting from conflict of rights between interested parties. With regard to an invalidation examination decision, the interested parties have more ferocious or intense contradiction. By the conventional administrative and judicial division of the power and function, a civil dispute between two interested parties in patent right invalidation litigation should have been heard by the court under the Civil Procedure Law. Since the PRB makes an invalidation examination decision at the request of an interested party, which differs from a decision made by an administrative authority on administrative penalty within its competence, in essence, the patent invalidation litigation is not an administrative dispute. This issue had caused heated debate when the Patent Law was amended for the first time in 1992 and for the second time in 2000. During the amendment for the third time, the issue about the character of the patent right invalidation litigation again has become one of

the focal points in the debate. For many experts, scholars, judges and other patent-related practitioners, the civil character of the litigation of patent right invalidation litigation should be clarified, with explication made that the patent right invalidation litigation is heard under the Civil Procedure Law.

Under Articles 45 and 46 of the current Patent Law, once a patent right is granted, any entity or individual considers that the grant of the said patent right is not in conformity with the relevant provisions of this Law, it or he may request the Patent Reexamination Board to declare the patent right invalid. The PRB shall examine the request for invalidation of the patent right promptly and make a decision on it. Where the patentee or the person who made the request for invalidation is not satisfied with the decision made by the Patent Reexamination Board declaring the patent right invalid or upholding the validity of the patent right, such party may, within three months from receipt of the notification of the decision, institute legal proceedings in the people's court. A patent right is declared invalid on a variety of grounds: for lack of novelty or inventiveness, lack of support for the claims in the description, insufficient disclosure of the description, and amendment to the patent application documents going beyond the scope of the disclosure contained in the original description; hence, once the PRB makes its invalidation decision, any interested party who is dissatisfied with it would easily bring an administrative litigation. To date, drawbacks as follows are glaringly visible when the patent right invalidation litigation is heard as an administrative case:

1. As an administrative case, the court is not in a position to decide on the validity of the patent right in suit, which is inefficient and a waste of judicial and administrative resources.

There often arise the circumstances in practice where a patent right is held invalid in a PRB's decision on the invalidation examination, but is held valid by the court; or vice versa. In this case, the court cannot but cancel the invalidation examination decision, and require the PRB to make another decision.

Under the Patent Law, in respect of a case of patent invalidation, an interested party has at least three opportunities to request examination (one for administrative examination and two for judicial examination or review). In practice, some infringers take advantage of this system arrangement to intentionally bring repeated lawsuits in bad faith, making many cases run into circular or repeated litigation. This system ar-

rangement has not only rendered quite a number of cases involving patent right determination so incessant as to give infringers the chance to go on with their infringement, but in this way, also wasted a lot of administrative and judicial resources. As a result, there are more and more repeated litigations and litigation abuse, with serious prejudices caused to interested parties' legitimate rights and interests. This is not conducive to the patent right protection, nor to the protection of the public interests.

2. The legitimacy examination principle the court should stick to has been rendered inapplicable in practice.

In the administrative litigation, the legitimacy examination is one of the fundamental principles underlying the administrative litigation. The people's court, hearing an administrative case, should, in principle, stick to the legitimacy examination principle. In fact, it almost never hears any patent invalidation litigation under the legitimacy examination principle in the judicial practice, but under the doctrine of request for civil litigation. In the administrative examination proceedings of patent invalidation, the PRB also treats a case under the principle for dealing with a civil dispute, and usually conducts examination of the grounds and facts a requester presents for the invalidation and makes a corresponding invalidation examination decision. The PRB does not, in principle, examine the grounds and facts a requester does not present for the invalidation, nor is it empowered to investigate and collect evidence on its own initiative. In this regard, the court cannot make over-requirement on the administrative authority, either; hence the legitimacy examination principle has been replaced by the request doctrine.

3. As a defendant in the patent right invalidation litigation, the PRB is not pro-active, and it is the interested parties who are anxiose.

With the ever-increasing number of patent invalidation cases (the PRB responded to accusation in 615 lawsuits in 2006). In many cases, the PRB, as a defendant, does not present evidence in an adequate and timely manner, nor is it pro-active in making defence during the court hearing. Rather, it is usually passive. Since the PRB does not has its own interest at stake in a patent right invalidation litigation, and what is involved is a third party's interest, the third party often has to stand up to defend its or his own rights and interests, so the court hearing often changes into intense confrontation between the plaintiff and the third party, with the defendant the PRB put aside as if it were quite irrelevant.

4. Any judgement rendered in a way in which the request

for rejection of litigant claims is apt to cause conflicting judgements.

In practice, the patent invalidation litigation is often heard with focus on the key issues, without touching upon points the interested parties do not dispute over. If an invalidation examination decision is made with ascertained facts, sufficient evidence and correct application of the law and regulations, a plaintiff's litigant claim is not tenable, and the court would decide to uphold the invalidation examination decision in suit. An interested party's litigant claim is not tenable often because its or his evidence does not support its or his invalidation grounds. Any party with additional facts and grounds may file another request for invalidation. Therefore, like the patent grant, an invalidation examination decision upholding a patent right valid does not give the patent right an absolute validity. In this sense, when an invalidation requester's invalidation ground is not tenable, the decision made by the PRB to keep the patent right in suit valid is not due for sure. What should be done is just to reject the invalidation requester's invalidation request, or make the rejection and, at the same time, keep the patent right in suit valid. But in the administrative litigation, such result of judgement is implausible, so it will often give rise to contradictory results of judgements. As a case in point, when two parties respectively request invalidation of one patent right, the PRB would administratively decide to declare the patent right in suit invalid in relation to the requester who filed sufficient evidence, but declare it valid in relation to the one who did not. By contrast, in the patent invalidation administrative litigation, the court would handle the two contradictory administrative decisions made by the PRB as two administrative cases to hear, and would also come up with two contradictory judgments.

5. Administrative procedure to hearing patent right invalidation case would render the technical appraisal difficult.

An appraisal conclusion is part of the evidence in litigation to prove relevant facts. The court, when hearing a case of patent right invalidation, especially those involving specific technical matters, would entrust an appraisal organisation with appraisal to ascertain some facts, which is necessary for ascertaining the facts involved, and as well based on law. Under the Administrative Procedure Law, the litigation fees and the appraisal fees should be borne by the losing party. When the PRB loses a case, it should pay for the fees. This seems quite unjustifiable. For that matter the PRB is resentful toward the court's technical appraisal because, on the one hand, the examiners of the PRB have the knowledge of the

technology involved, and on the other, it makes its decision as a mediator, but has to bear the fees if losing the case. For this reason, the court, in hearing a patent right invalidation case, seldom arranges for a technical appraisal, thus bringing about two results: the judgement is based on the PRB's conclusion or the judge decides to change the administrative conclusion according to his own intuition. This has made it difficult for the court to render an objective, impartial judgement.

6. The PRB's handling invalidation requests filed by several requesters together would render it difficult for the court to hear the case.

It is quite common for several parties to request invalidation of one patent right in the administrative examination proceedings involving patent right invalidation, so it is very often for the PRB to handle the requests together. But, when PRB examines the cases together, especially when it declares the patent right in suit invalid, it is not the case that it makes the invalidation examination decision upon examination of all the invalidation requests, facts and grounds presented thereof. If some of the requesters are dissatisfied with the invalidation examination decision, is the decision effective to a party that does not sue? If the parties bring action respectively, are they involved in one or several cases? How to calculate the time limit for the court hearing of each case? If several cases are involved, can the court hear them together? If the court makes its judgement in an earlier case, and the other interested parties sue within the time for litigation, is it possible to make a judgment different from the former one? If it should be so, how to harmonise the two? If several cases are heard together, and some appeal after the first-instance judgments are made, then do the judgments not appealed take effect? If the second-instance court makes a different judgment, then how does this judgment harmonise with the first-instance judgment that is not appealed? In the practice of judicial trial, these questions often arise, besetting both the interested parties and the law enforcement authorities.

7. The mandatory provisions for a third party to be involved in litigation is hard to be followed.

Article 46 of the current Patent Law provides that where the person who made the request for the invalidation procedure is not satisfied with the invalidation decision, the people's court shall notify the person that is the opponent party of that party in the invalidation procedure to appear as a third party in the legal proceedings. How to determine the scope of "interested party" and "the opponent party" in practice?

What if the former is unwilling to be involved in a litigation as a third party? Whether some change takes place with regard to the latter (e.g. death) would make the patent invalidation decision flawed. These are the questions often asked in the judicial practice. As a defendant, the PRB actually takes the place of the opponent party in the invalidation request proceedings responding to the accusation, making defence and paying for the litigation expenses. This has made it difficult for the PRB, as a defendant, to remain neutral in the judicial procedure, and is not conducive to truly protecting the legitimate rights and interests of the two parties. Where the invalidation decision is obviously favourable to the third party”, the latter often is not active to attend to the litigation, and the PRB then has to respond to the accusation on its or his behalf.

8. Main reasons for the unreasonable division of labour between the IP and administrative tribunals within the court system.

In nature, the patent invalidation litigation is obviously civil, but a patent invalidation decision is made by the PRB as a government agency, so a case involving such a decision is naturally an administrative case. Since the Patent Law went into force earlier than the Administrative Procedure Law, now cases of the type are heard by both the administrative and the IP tribunals within the court regime, with the division of labour between the two tribunals on the basis of the presence of civil dispute. As a result, there have arisen so inconsistent conceptions, standards and benchmarks of the trial that one finds it hard what to follow.

The above flaws or drawbacks exist clearly in the trial in the patent invalidation litigation before interested parties, their attorneys, the PRB and the courts. And almost all people from the patent community agree on the four characteristics of the patent invalidation decision made by the PRB: 1) the PRB's patent invalidation decision is obviously mediatory to resolve a dispute; 2) the PRB's act to make the patent invalidation decision is at an interested party's request and on the basis of the “request doctrine” by which the court hears a civil case; 3) the PRB makes its patent invalidation decision on the basis of the facts which are very much professional, technical (relating to multitude of technical fields), and complex (whether the patent has novelty, inventiveness and practical applicability, whether the disclosure is sufficient, or whether the amendments have gone beyond the disclosure of the initial description), with multiple reasons or grounds; and 4) behind the patent invalidation dispute is often a dis-

pute arising from a civil infringement. Once the PRB makes its invalidation examination decision, no matter how a patent right in suit is decared, invalid or valid, it often has a bearing on the major rights and interests of different interested parties.

Unfortunately, this matter has been put aside in the final Draft Amendment to the Patent Law without any amendment made thereto. Considering the necessity and urgency for addressing the issue in the judicial practice, this writer suggests legislatively changing the nature of patent invalidation litigation and treat it as a civil litigation. When the court believes it necessary, it may take the PRB as an expert witness to be present before court, and in this way to resolve the long-standing issue as soon as possible.

II. Indirect infringement of patent right

By indirect infringement of patent right is meant that an actor himself does directly infringe a patent right, but has intention to subjectively lead or abet another party to infringe a patent right, and objectively creates necessary condition for the infringement to take place. There have arisen many cases of indirect infringement in reality, but the Chinese Patent Law has never set forth any express provision on indirect infringement. Along with the economic development and the heightened public awareness of law, the circumstances are rare in which patented products are directly imitated, but the circumstances are on the rise where the basic doctrine, namely the “full-coverage” doctrine to circumvent decision on patent infringement inflicts damage to the rightholders, as in the circumstances where one only markets raw material or means necessary for exploiting a patented process, or parts necessary for making patented products. After buying the material, means or parts, a third party uses them together with other parts or components. This eventually results in indirect infringement by making the patented products or using the patented processes without authorisation from the patentees. Only by holding the indirect infringer liable for the infringement is it possible to effectively, comprehensively punish the acts of patent infringement. To prevent actors from achieving their illicit purpose of circumventing the legal liability for infringement by way of indirect infringement, it is necessary to amend the current Patent Law by adding provisions governing the indirect infringement to protect the patentees' interests and to achieve the aim and purposes of the Patent Law.

To date, provisions regarding indirect infringement of patent right have been set forth in the national patent laws of

countries like the U.S.A., the U.K., Japan, France and Germany, and in the EPC and the relevant WIPO conventions. Then, is it necessary for the Chinese Patent Law to follow suit?

For one view, the indirect infringement may be treated as contributory infringement under the Supreme People's Court's (SPC) judicial interpretation of the General Principles of the Civil Law. Article 148, paragraph one of the SPC's Opinions Regarding Several Issues Relating to Implementation of the General Principles of the Civil Law (tentative) provides: "one abets or helps another person to carry on infringement is a contributory infringer subject to several and joint civil liabilities". Besides, it is provided in the Notification on Issues Relating to Regional Jurisdiction over Cases of Patent Infringement (issued on 29 June 1987) that "licensing another party to employ or entrusting him or it with exploitation of a patent without authorisation from the patentee, if the other party exploits the patent, then both parties constitute joint infringement." For some, here is the provision on indirect infringement, so it is unnecessary to set forth such provision in the Patent Law.

As a matter of fact, indirect infringement is diametrically different from contributory infringement, or at least obviously different in these aspects:

First, subjectively, the contributory infringement generally entails joint fault (intentional or negligent) while in indirect infringement, an actor is intentional without being at fault, and a direct infringer is possibly at fault.

Second, objectively, the contributory infringement is one of a common purpose among several related parties to infringe one party while indirect infringement is to directly lead or assist an infringer, but the indirect act *per se* does not directly infringe a right, and the direct infringers are mutually independent.

Third, as for the result of damage or injury, the result of injury caused by the contributory infringement is an inseparable whole while indirect infringement is possible to lead or help several infringing acts and causes several results of damage or injury.

Fourth, as for liability imposition, contributory infringers are held severally and jointly liable while the indirect and the direct infringers are held for their own liabilities, and the former is not directly responsible for the act of the latter. And

Fifth, in terms of judicial procedure, those (who help or abet) should be joint defendants while the indirect and the direct infringers may be joint defendants, but may be separate

defendants under special circumstances.

It is believed by the other view that with a small number of cases of dispute from indirect infringement in the judicial practice in China, provisions concerning the matter may not be spelt out in the Patent Law. For this writer, formulation and revision of a law should not be legislatively justified on the basis of the number of cases that have happened, but the legislative aim and the practical situation in China. If provisions along the line should not be set forth due to small number of cases of indirect infringement, then should the Patent Law be amended by deletion of the provision on compulsory license since no such compulsory license has ever been granted for over 20 years since the Patent Law went into force. Besides, there are, obviously, more and more disputes from indirect infringement in China. It is highly necessary to set forth provisions on indirect infringement in the Patent Law, so that judges can resort to them in making their judgment in cases of the nature.

For still another view, in China, protection of the patent right is one of technical solution as a whole. If there is provision regarding indirect infringement, protection of part of a technical solution in practice would overstretch the patent right protection. In fact, this concern is not well based at all. Indirect infringement, a specific infringement, differs from protection of part of the patent right. Setting forth precise provisions along the line in the Patent Law is only good for clearly defining the scope of enforcement, and lack of it would allow enforcement officers to act according to their own understanding, which would result in inconsistent benchmark of enforcement. Such provisions would not be set forth if the purpose of the law-makers is not to treat indirect infringement as acts of infringement and let it go unchecked.

It is worth noting that all these views are for imposing liability on indirect infringement, but against directly setting forth provisions on indirect infringement in the Patent Law. To date, in the judicial practice in China, the increased number of acts of indirect infringement followed with that of cases involving indirect infringement has rendered inconsistent judgments made by the courts in varied regions. This writer believes that according to the specific situation of judicial practice in China, that is, many cases of indirect infringement have been heard, there is a tendency of the increase of such cases and there exists confusion in applying laws in practice, it is proposed that a paragraph is added after Article 11, paragraph one of the Patent Law that after an inven-

tion or utility model patent is granted, unless otherwise provided for in this Law, any entity or individual shall not, when clearly or should know that another party's act constitutes an infringement of the patent right in suit, provide it or him with parts or components specially used for exploiting said patented product, or materials or means specially used for exploiting said patented process without authorisation from the patentee. This author believes that it is necessary to set forth this provision in the Patent Law to rectify the circumstance where it is impossible for judges to base their judgment on in more and more cases of dispute arising from indirect infringement.

III. Evaluation report (patent search report) in connection with utility model or design patent

Under the current Patent Law, an application for a design patent is preliminarily, but not substantively, examined, which has resulted in the rapid increase in the number of applications for utility model and design patent, and rapid increase of the patent and poor certainty of such patent right along with it. In recent years, the matter has become more conspicuous and would impair the public interest. Now, under the situation where it is impossible to substantively examine all utility model and design patent applications, Article 62 of the Draft Amendment to the Patent Law provides: "Where the patent infringement dispute involves a patent for utility model or design, the patentee or the interested party shall furnish to the people's court or the administrative authority for patent affairs a search report prepared by the Patent Administration Department under the State Council." "The patent evaluation report is the preliminary evidence for the people's court or the administrative authority for patent affairs to determine the validity of the patent in suit." Here, the patent search report is changed into patent evaluation report, but it seems that the two do not differ in any substantial way. What is added is one on the design patent evaluation report. Also, it is further specified that "the patent evaluation report is preliminary evidence for determining the validity of the patent right."

When the Patent Law as of 2000 was being amended, to Article 57 of the current Patent Law was added the provision on utility model patent search report. Admittedly, this provision is for a good purpose, but it fails to play its role in practice; hence Article 62 of the Draft Amendment to the Patent Law should be looked into again for these reasons.

First, the quality of search result and search report is poor

A search report is prepared by the Chinese Patent Office within the scope of the Chinese patent documentation. It does not examine the patentability within the scope of all publications and public use as prescribed in the Patent Law. For that reason, the quality of the search reports is poor, and their effect of proving the certainty of the utility model patent not ideal. In practice, there are countless cases in which a patent is determined as patentable in a search report, but declared invalid in the invalidation proceedings due to the rather narrow scope within which the search was made and the rather broad scope of documentation available for the patent right invalidation examination. A search report is one prepared with search passively made by the search authority at an applicant's request therefor while the patent right is invalidated with invalidation evidence actively searched by an invalidation requester, with the decision made by the PRB upon across examination of it in oral hearing in the invalidation proceedings.

Second, wrong determination misleads patentees

In the past, the legislative authorities and interpretations defined the search report as been essentially "preliminary evidence to the validity of the utility model patent right". Under this definition, it seemed that a utility model patent right did not prove valid without a search report. This understanding is contrary to the Patent Law. Article 40 of the current Patent Law provides: "the utility model and design patent right is valid from date of publication." Is the validity not proved by the patent publication? This definition of the nature of the search report gives rise to the fact that a patentee would naturally believe that there is no problem about the certainty of his patent right once he gets hold of a search report. In fact, however, it is still possible for said patent right to be invalidated. Once this happens, the patentee is greatly confused and dissatisfied.

Third, the charged search fees are high, and with money any conclusion is possible.

A patentee has to pay more than a thousand RMB yuan for a search report, even more than those for applying for a utility model patent. With the money as the driving force behind it, it is hard to ensure the quality of a search report. Once a patentee was not satisfied with the conclusion made in a search report, a second search would be made; some accused infringers, who had no right, under the law, to apply for search report in respect of another party's patent, went to defending his case before court with a search report; and some parties even presented several search reports that are

mutually contradictory and were not accepted by the court.

Forth, nobody is held responsible for mistakes or flaws in search report.

For an obvious flawed search report, what responsibility should the agency having prepared the search report bear? There have set forth no provisions in the law in this regards, and there has been incessant debate on the matter in practice. Once a patentee brought an action in the court on the ground that a search report was an administrative decision. While the action was not put on the docket for lack of law basis, the matter remains unresolved today, and requires fresh studies. The patent administrative department under the State Council was paid the fees from an applicant, and makes a formal search report, affixates seal on it to prove the validity of a patent right. The patentee receives the report as if he has found a treasure. Often, the judge regards it as an important document, and decides a case according to it. But, the search report is found problematic, who should be held accountable. It is indicated in the search report that the search report is not an administrative decision, so not actionable, which is obviously unfair.

As for the design patent search report system, after the Patent Law was amended for the second time in 2000, questions were raised about the issue of search report being not directed to design. At the time the legislative body explained that "this requirement should have been applicable to designs, but due to the difficulty in design search, corresponding provisions were not made with regard to the design patent right."¹ "This requirement should have been applicable to designs, but due to the operational difficulty, such provisions were not set forth."² The issue was mentioned once again in the Draft Third Amendment to the Patent Law, with an explanation made as to the following: "to date, China now received the largest number of applications for the design patent worldwide, and even more than that for the utility model patents. Setting forth such provision with regard to the design patent would be good for the improvement of the patent regime in China, and would address the heatedly discussed issue. For that reason, it is recommended that the search report system be extended to the design patents."

Then, when the Patent Law was amended for the second time, were the conditions made ready for the introduction of the design search report? Were the actual operational difficulty (or could be) overcome? Could such issue heatedly discussed by the public be addressed with the introduction as those of improving the certainty of the design patent and

reducing the lawsuits involving infringement of design patents? All these issues are not mentioned in the explanation.

For this writer, as the years of practice in connection with the utility model patent search report shows, the system has failed to achieve the desired legislative goal. Accordingly, it is suggested that this provision be deleted from the Patent Law.

Where it is now impossible to substantively examine applications for the utility model and design patents, the tasks of preparing search report may be assigned or switched to agencies (such as patent agencies). The search reports *per se* do not serve as the preliminary evidence to show the validity of patent, but as a piece of evidence for a judge to decide whether to suspend infringement litigation in a patent right infringement litigation when the defendant claims against the validity of the patent right in suit.

IV. Issue of defendant's prior art defence against patent infringement

By the prior art defence again patent infringement is meant that the court is empowered to directly decide, in an infringement litigation, on whether the accused infringer's prior art or prior art defence is tenable or not without the need for the PRB to examine as to the validity of the patent right in suit and for the court to handle it in the follow-up judicial procedure. That is, in the infringement litigation, if the defendant can prove that the technology he exploited is a technology known before the date of filing of the patentee's patent application, and the court can directly decide that the defendant's act does not infringe the patent right in suit no matter whether the patent is valid or not. In the past decade, there was the practice in which some courts and patent authorities allowed defendants to make prior art defence in patent infringement cases they handled. To incorporate the provision in the Patent Law would make it possible for such practice better based on law. To this end, Article 63 of the Draft Amendment to the Patent Law provides: "Where in a patent infringement dispute, the accused infringer has evidence to prove that the technology or design it or he has exploited is an existing technology or design, its or his exploitation is not established as an infringement of the patent right." The aim of the provision is clear, namely "to prevent filing application for a patent using a known prior art in bad faith, impeding exploitation of existing technology, and to help one exploiting an existing technology to stay out of patent infringement dispute" However, sufficient importance should

be attached to the following flaws likely to be caused in the judicial practice after the Patent Law is to be amended in this aspect.

First, it will create inconsistent enforcement standards. To date, there are altogether 100 courts having jurisdiction over cases of patent disputes, of which 69 courts have the jurisdiction over the cases for the first instance and 31 for the second instance; and there are dozens of administrative departments now empowered to handle patent-related disputes. Besides, all these courts and administrative authorities have the power to determine the prior art according to defendants' defence in the patent infringement disputes, and inevitable result is creation of inconsistent standards. If the matters of prior art are uniformly dealt with for the first instance by the PRB in the invalidation proceedings, the standards for handling it would become relatively consistent.

Second, it has relatively great impact on the patent system, and tarnishes the authoritativeness of the patent right. A number of patent rights are valid, but acts infringing them are established as non-infringement, which shows that some obvious existing technologies have been patented, and the public would question the patent grant system. Conversely, if the technologies are duly patented, it shows that the court has acted by different or inconsistent standards for the prior art and the grant of the patent, and people would lose their confidence in the patent right. Situation like this would inevitably have adverse impact on the fledgling patent system in China.

Third, it is likely to become another weapon of local protectionism, which is more visible in the course of the patent right protection and frowned upon by patentees who have experienced patent litigation. The prior art defence, when incorporated in the Patent Law, would become another weapon of local protectionism, as can be seen in many cases in practice.

Forth, it will cause new procedural problems. Suppose in a case of utility model patent infringement, a patentee is granted a patent right through the application proceedings, and issued a search report showing that the patent right possessed novelty and inventiveness prior to the litigation. In the infringement litigation, the defendant makes prior art defence, without the need to go through the patent invalidation proceedings. Then, the judge may arrive at several conclusions upon hearing the case under the provision.

Conclusion 1: He holds that the defendant has used a prior art, and decides to reject the patentee's claims; then

the patentee will question the search report.

Conclusion 2: He holds that the defendant has not used a prior art, and decides that he has infringed the right in suit and should cease the infringement; after that the defendant went on to request invalidation of said patent right. Once the patent right was invalidated, the patentee would not only question the search report, but also criticise the court's former judgement; or

Conclusion 3: the judge cannot determine, in the light of the evidence, whether the defendant has used a prior art or not, but the defendant does not argue against the validity of the patent right in suit; the judge has to choose between the presence and absence of the prior art, and the choice would be a fatal blow on either party.

For this writer, consideration of the practical situation of the courts in China should be taken when determining whether the prior art defence provision should be incorporated in the Patent Law, that is, there are a lot of courts having the jurisdiction over patent infringement litigation; there are a lot of judges who are young and have no technical background; the patent system has been around for a relatively short time, and the local protectionism is serious in some regions, to name only a few. If a defendant believes that he uses a known art and a patentee's patent right intrudes into the public domain, he should resort to the patent invalidation request proceedings. If matters of the nature are to be resolved this way, all these disadvantages will not arise. There maybe some delay in time. With the advantages and disadvantages self-evident here, this writer would suggest deleting the provision on prior art defence.

V. Improving provisions on the scope of protection of patent right for designs

In China, inventions, utility models and designs are protected under one Patent Law for the historical reasons. In recent years, however, the call for a separate legislation on design is being loudly heard. A part of the reason is that this is the case in some countries. More importantly, this is more suitable as far as the characteristics of the protection of designs are concerned, and will resolve the potential conflicts between the copyright protection and design patent protections for the industrial designs, and clarify the present confusion about the design protection in China. However, most experts still believe that a separate design law should be formulated with account taken of the practical situation in China on the basis of comprehensive scrutiny and investigation; and to date the time is not right yet for it. Against this

backdrop, amendments to the Patent Law have touched upon the design system in several provisions.

To facilitate the determination of the scope of protection for the design patent right, Article 28 of the Draft Amendment to the Patent Law provides: “where an application for a patent for design is filed, the patent application documents, such as a request, drawings or photographs of the design and a brief explanation of the design, shall be submitted.” Article 60, paragraph two thereof provides: “the extent of protection of the patent right for design shall be determined by the product incorporating the patented design as shown in the drawings or photographs. The brief explanation may be used to explain the patent product incorporating the design as shown in the drawings or photographs.” This represents a step forward toward specifying the scope of protection of patent right for designs. But this does not resolve the problem once and for all.

Though a class of increation-creations, designs are different from inventions and utility models in that the protection of a design is not one of its technical solution, but of a new design incorporated in a product. For that matter, the design patent is known as “new pattern” in some countries. Then, what is protected by design under the Patent Law after all in China, a product incorporating a design or a design incorporated in a product? This question remains unanswered for years, which has resulted in confusion about the subject matter of the protection of the nature. While the design incorporated in a product is inseparable from this particular product, the protection should be focused on the new design of it, not the product *per se*. once the protected subject matter is made clear, is it possible to arrive at the true understanding of the definition of the design, i.e. a new design that is aesthetic and industrially applicable by virtue of the shape, pattern or their combination of a product, and the combination of its colour and shape, and pattern, and to understand why “main indicative designs by virtue of two-dimensional printed pattern/device, colour or the combination thereof should be precluded from the design protection; and is it possible to delineate why factors such as the dimension, material, function, technical performance and structural composition should be excluded in the protection of design, with sole account taken of the part of design that adds aesthetic appeal to a product. For that reason, this write suggests that Article 60, paragraph two be changed into: “the extent of protection of the patent right for design shall be determined by the design that is incorporated in a product and shown in the

drawings or photographs. The brief explanation may be used to explain the design that is incorporated in the product and shown in the drawings or photographs”, for the clarity of the source law provisions along the line.

VI. Regulation of patent right abuse

With the establishment and improvement of the patent legal system in China, more and more patentees begin to exercise their patent right upon the grant thereof. They have gradually realised that they apply for their patent not merely for the sake of application. The ultimate goal is to protect their rights and interests with the patent, and to seek greater economic benefits. But, some rightholders now abuse their rights at their disposal by bringing action in bad faith, making claims not based on facts with a view to causing prejudice to the interests of other parties. Are these abuses of the IPRs? What are acts of patent abuse? With some cases of the nature occurring in the judicial practice, people have begun to draw their attention to the matter. In recent years, in China more studies on the matter are underway, and more reports are found in the press. For that matter, patent abuse has become an issue drawing great attention during the amendment to the Patent Law for the third time.

By patent abuse is meant an act in which a patentee, when exercising his patent right, goes beyond the allowable or proper scope under the law, causes undue use of the right and prejudice to others' interests and the public interests as well. The patent abuse is relative to due exercise of the patent right. An act of patent abuse involves the issue of relations between the private and public laws, with its own particular character. Therefore, some patent abuses are regulated under the antitrust law, while others are not as is the case with patent abuse in the realm of patent exploitation, license, assignment and infringement, which are regulated by the Patent Law and the basic principles established in the civil law.

In recent years, in the judicial practice cases of patent abuse are on the rise, and regulation of patent abuse under the Patent Law is necessary. In the course of the amendment to the Patent Law for the third time, the matter became one of the focal issues of debate. There is a relative consensus on the “counterdamage” system against litigation instituted in bad faith under the Patent Law, that is, a patentee who sues in bad faith without sufficient evidence and abuses the legal procedure and causes damage to an accused infringer should be held liable for the damages.

Therefore, this writer would like to suggest providing, in

the Patent Law, that a patentee or interested party who acts to impair another party's interests and abuses his patent right on the ground that the latter infringes his patent right without factual support and justification and causes injury to the other party, should be held liable for the damages. The advantage of formulating the provision, on the one hand, is to specify the legislative value against patent abuse, and, on the other, to avoid inconsistent enforcement in the judicial practice for lack of express law provisions in this regard.

VII. Provisions on limitation of action against infringement

The limitation of action against infringement is two year. That is, a patentee should bring an action against an infringement from the time when he knew or should know about it. But, in case of continued infringement, some patentees do so only after the expiry of the time limit. Under the Supreme People's Court's current interpretations, if an action is brought at the expiry of the time limit, the court may order an infringer to cease the infringement, but the rightholder is not entitled to the damages after the expiry of the two years.

Scholars debate on whether to directly incorporate the view in the Patent Law. Some are concerned that this provision would encourage some rightholders to "create conditions for infringement to take place for their own benefits", and is not conducive to the development of the Chinese enterprises. In reality, some patentees clearly knew that someone was infringing their right, but managed to convince, with his own action, explicit or implicit expression of will, the latter that he or it would not make any claim against him, or that he or it would not believe his act was an infringement. As a result, the latter kept on doing it, increasing its investment and scale of production. Several years later, the patentee would file claims against it with the court or the patent administrative department. For that reason, some believe that what the patentee did violated the doctrine of good faith under the civil law, and his claim should be restricted. In situation like this, the party who has exploited the patent may go on exploiting the patent in suit, and should not be held liable for damages. This will avoid waste of the social resources, and help stabilise the economic order.

Acts of patent infringement have their own special character. Sometimes, one does not intend to infringe, but has done so just because he or it did not make a patent search in the course of his or its R&D activities, and his or its R&D achievements ended up being equivalent to another party's prior patented technology. As a result, his or its exploitation or assignment of the achievements causes infringement of

the latter's patent right; Still others intend to make new R&D on the basis of another party's patented technical solution, and thought it had fallen outside the scope of the other party's patent, but it was probably held to be an infringement by equivalents in the infringement litigation. Since the patent right is an exclusive right or monopoly, intentional or not, one's act that falls into the scope of another party's patent right is possible to be held to be an infringement, the patentee may claim against an infringer any time during the term of his patent to cease the infringement. This is obviously not good, nor fair to one accused of patent infringement.

It is particularly worth noting that for the past 20 years when the Patent Law has been in force in China, foreign businesses have applied for and been granted a lot of patents, and the term of the patent right is relative long. While increasing annually, the applications filed by the Chinese businesses and nationals are not too many, most with a shorter term of protection. Under the current judicial interpretations, on the surface, the patent infringement judicial procedure is good for protecting the patent right, but, in essence leans towards the protection of the interests of foreign invention patentees.

Accordingly, this write holds that whether it is proper for the debate to have been going on for years on the provision of the current judicial interpretations among scholars should be reflected in. At least, it should not request one that did not intend to infringe or was implicitly allowed by the patentee to do so to cease "infringing act" after a certain period of time, or it would result in over-protection of the patent right and cause prejudice to the public interest.

As a judge who worked for many years for the IP Tribunal of the Beijing Higher People's Court, this writer has heard a lot of patent cases. The views have been presented above on the bases of his own experience in his work and according to his understanding of the Patent Law for the reference of law makers and people from the patent community. ■

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¹ The Legal Affairs Department of the SIPO, A Detailed Explanation of the Amended Patent Law, Pp.325-326.

² Xu Yulin, Explanation of the Patent Law of the People's Republic of Law, P259.