

Explanation and Analysis of the Supreme People's Court's Judicial Interpretation of Several Issues Concerning Application of Law to Trial of Cases of Dispute Arising from Patent Infringement

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On 18 June 2009, the Supreme People's Court published the Draft of the Interpretation of Several Issues Concerning Application of Law to Trial of Cases of Dispute Arising from Patent Infringement (the Draft Interpretation) for comments. The Draft Interpretation, worked out with reference to the pertinent theories and judicial practices prevalent in China and abroad, provides express guidelines regarding the issues with respect to the adjudication of patent infringement lawsuits, such as choosing claims for enforcement, the role of external and internal evidence in claim construction, claim construction, impact of functional features on claim construction, design patent claim construction, handling of contributory/indirect infringement, doctrines of equivalents, prosecution history estoppel and contribution, prior art defence, prior design defence and prior user's right defence, relations between patented technology standardisation and patent protection, conditions for accepting suits for declaratory judgment, conditions for reversal of burden of proof in process

patent enforcement.

The Draft Interpretation, currently issued for comments, is expected to be promulgated in a year's time. To facilitate readers to understand the Draft Interpretation, we have made comments on the main Articles thereof (the full text of the Interpretation can be found at <http://www.cpahkltd.com/cn/Archives/elaw200909.htm>).

Article 1

Under the Article, rightholders may choose to enforce one or more claims of the claims. This provision will change some courts' previous practice of claim construction merely on the basis of independent claims. It endows the rightholders with more choices and rights of disposal.

In a patent infringement litigation, after the defendant files a request for invalidation with the Patent Reexamination Board, the rightholder may change the claim(s) on which he has made his claim prior to the end of debate before the court of first instance, if the rightholder considers that the asserted

claim(s) might be invalidated and the unasserted claims kept valid. The rightholder's such change involves change of his litigant claims.

Under Article 52 of the Civil Procedure Law, a plaintiff may abandon or change his litigant claims. Article 156 of the Opinions on Several Issues Relating to Application of the Civil Procedure Law of the People's Republic of China issued by the Supreme People's Court in 1992 provides that if the plaintiff makes more litigant claims "after the case is accepted and before the court debate ends, the court shall incorporate and hear the claims in one case where possible". It does not, however, specify the time limit for changing litigant claims. Article 34, paragraph three, of the Several Provisions of the Supreme People's Court on Evidence in Civil Procedure effective from April 2002 provides that "an interested party adds or changes his litigant claim, or file counterclaim before the expiry of the time limit for evidence adduction".

As the time limits for adducing evidence are not consistent, the Article specifies that if an interested party desires to change his asserted claims, he should do so prior to the end of the debate before the court of first instance.

Paragraph two of this Article specifies the relevant provisions of the Civil Procedure Law in handling patent infringement lawsuits. Pursuant to Article 184 of the Opinions on the Several Issues Relating to the Application of the Civil Procedure Law of the People's Republic of China, where the plaintiff in the original trial makes more independent litigant claims during the procedure of second instance, the court of second instance may, under the doctrine of the interested parties' voluntariness, conduct mediation in respect of the newly added litigant claims, and if the mediation fails, it should notify the interested party to file a separate lawsuit. Article 182 thereof provides that "in respect of the litigant claims already filed by the interested party during the procedure of first in-

stance, where the court of the original trial did not adjudicate the case or make its ruling, the court of second instance may conduct mediation under the doctrine of voluntariness, and if the mediation fails, remand the case".

This paragraph has addressed said two circumstances. When the rightholder needs to change his asserted claims as a result of invalidation of the claim on the basis of which he has made his assertion, determination should be made as to whether such change is an addition of new independent litigant claims on the basis of whether the changed claims is presented in the procedure of first instance. If the claim newly asserted by the rightholder has not presented in the procedure of first instance, it is a newly added independent litigant claim; where the mediation before the court of the second instance fails, the rightholder has to file a separate lawsuit. Since filing a separate lawsuit may impose more burden on the rightholder and prolong the lawsuit, the rightholder may consider taking the litigation strategy of making assertions on the basis of all the claims when instituting the lawsuit, so change of the claims is not needed if some claims are invalidated, not to speak of filing separate lawsuit.

Paragraph three of this Article specifies the basic principle underlying the dependent claim construction.

Article 2

The Article sets forth the basic principle underlying the interpretation of the terms of a claim, namely, the extent of protection of the patent right for an invention or a utility model should be determined according to the terms of the claims as understood by a person of ordinary skill in the art.

A person of ordinary skill in the art may refer to the internal evidence, such as the description and the appended drawings to construe the claims. In case of discrepancy between the literal meaning of a claim and the terms of the claim as understood by a person of ordinary skill in the art based on

的組份、結構或者其質量、性能、功能方面有明顯區別；根據該規定，《專利法》第六十一條第一款規定的“新”產品的要求與《專利法》第二十二條規定的“新”穎性要求不同。據此，某一產品雖然以出版物的形式公開，但它未在國內生產或銷售過，則它仍然是《專利法》第六十一條第一款規定的“新”產品而可以導致舉證責任倒置，例如參見美國伊萊利利公司訴江蘇豪森藥業股份有限公司專利侵權糾紛案（最高法院（2002）民三終字第8號民事裁定書）。而根據本條的規定，在專利申請日之前在國內或國外以

出版物或非出版物形式公開的產品均不屬於新產品，這樣，本條的實施會使舉證責任更難向被控侵權人轉移。■

internal evidence, the claim should be construed according to a person of ordinary skill in the art on the basis of internal evidence, which is compatible with the provision of Article 59, paragraph one, of the newly amended Patent Law.

The “technical solutions with the flaw or deficiency of the prior art” mentioned in paragraph two of this Article generally refer to those presented in the background art portion of the description. The Article means that a rightholder is not allowed to claim the technical solutions stated in the Background Art portion of description in infringement lawsuit. For the similar circumstances, refer to the US case, such as *In-Pro II Licensing, S.A.R.L. v. T-Mobile USA, Inc. et al.*, 450 F.3d 1350 (Fed. Cir. 2006). For that reason, applicants should pay attention to it when drafting applications, so as not to disclose in the background art portion the technical solution for which protection is likely to be sought in the application.

Article 3

The first half of this Article stresses the role of internal evidence in determining the terms of a claim, where a rightholder may define and explain, in the description, the terms he has used in the claims. When drafting the description of a patent application, the applicant should note that the description may limit the terms used in the claims.

The latter half of the Article provides that where the terms of claims cannot be construed according to internal evidence, the construction should be based on external evidence.

As compared with the Opinions on Several Issues Concerning Patent Infringement Adjudication issued by the Beijing Higher People’s Court in 2001, this judicial interpretation issued by the Supreme People’s Court represents a step forward in that it is expressly stipulated that internal evidence is preferable in claim construction, which is largely out of the consideration of the indefiniteness of external evidence. For example, a different dictionary may give a different explanation, and an expert conclusion is apt to be affected by various factors, subjective factors included. But the description is by nature for explaining the context of a patented invention, capable of indicating the intended meaning of the relevant terms used by the patent inventor/applicant and more definite in terms of evidence. The provision is similar to the practice in the U.S., as is the case with *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

In the Article, “the general meaning as understood by a person of ordinary skill in the art” means the extent of protection as understood on the basis of whole relevant prior art ex-

isting before the filing date (the persons of skill without inventivity), i.e., the extent as construed according to external evidence. In other words, such prior art as those in the form of research papers or special treatises may also be used to explain a term used in the claims.

Article 4

The Article concerns the application of the doctrine of equivalents. The equivalent feature is defined substantially in line with the current Judicial Interpretation as of 2001 and the judicial practice.

In paragraph one is set forth the principle governing claims against infringement by equivalents. Only at the request of a rightholder can the court apply the doctrine of equivalents in determination of infringement. That is to say, in the absence of such claim made by a rightholder, the people’s court should not make a decision along the line all on its own.

Compared with the current provision, paragraph two of the Article further specifies that the time point for determining “equivalents” falls on the date when an infringement takes place. Previous disputes in the patent community mainly focused on whether the time point for determining “equivalents” should be the filing date, the grant date or the date when an infringement takes place. Theoretical analysis shows that the doctrine of equivalents serves to address the situation where an applicant is unable to make a full and precise literal generalisation of the apparatus or process invention when filing the patent application, thus making it possible for an actor to avert the infringement allegation just by slightly modifying the technical solution as defined in the claims when infringement takes place. In case like this, if the time point is set on the filing date or the grant date, the actor can still use a subsequently developed technology to avert infringement allegation by slightly modifying a patented claim, thus making it impossible for the doctrine of equivalents to be fully applicable. The issue may be addressed by setting the time point on the date when an infringement takes place, which is in line with the practice in the U.S. (see *Warner-Jenkinson Company, Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17 (1997)).

As for the rightholders, the later the date for determining the equivalents under the doctrine of equivalents, the more equivalents are likely to be included. In light of this, this provision is good for them.

Article 5

The Article provides for the ways to construe claims defining function. Previously, in the patent infringement case,

Zeng Zhanchi v. Hebei Zhenyu Industry & Trade Co., Ltd *et al.* (Beijing Higher People's Court's Civil Judgment No. Gaominzhongzi 367/2006) in the 2006, the judge construed the functional technical feature “unidirectional permeable layer” as a cloth layer having funneled pores according to the specific embodiments disclosed in the description. Since the unidirectional permeable layer used in the allegedly infringing product is a non-woven cloth, which is not a technical feature identical with, or equivalent to, a cloth layer having funneled pores, it is, hence, decided that the allegedly infringing product did not fall within the extent of protection of the patent right in suit. Similar claim construction rules applied to the USC35 Section 112, paragraph 6, and applied to a series of relevant cases.

In terms of the rules for construing definition defining function, however, the Article is not consistent with the Guidelines for Examination. The Guidelines for Examination provides, in Section 3.2.1, Chapter 2 of Part II, that “a technical feature defined by function in a claim shall be construed as embracing all the means which are capable of performing the function”. Hence, in patent examination, the extent of examiners' search covers “all the embodiments which are capable of performing the function”. This means a higher patentability standard in terms of novelty, inventiveness and support of the description. In an infringement lawsuit, however, the rightholder can only claim the specific embodiments of the technical feature as described in the description and drawings, and the equivalent embodiments as well. This means that an application for the patent has to undergo a rigorous examination as to substance only to get a narrower extent of protection, which is unfair to the rightholder. Therefore, the State Intellectual Property Office and the Supreme People's court need to work closely together on the matter of construction of such claims.

Besides, in China, it is not always necessary for the description to contain the specific structure of a claimed product. A typical example is an application for the patent for an invention of a virtual functional module as noted in Chapter 9, Part II of the Guidelines for Examination. In applications of the kind, the description only needs to describe the steps of a process, while the claims may seek to protect the device by way of function definition. In construing said device claim in compliance with the Article, no corresponding structure can be found in the description; hence, no way to determine the extent of protection of the device. Therefore, it is expected that the newly amended Guidelines for Examination to be is-

sued will echo the Article by adding the provision on a feature defined by function in a claim, and the requirement that the description should state the corresponding structure, step or material.

On the other hand, No consideration is taken of the function of an allegedly infringing product in the Article. The circumstance may occur where the structure of an allegedly infringing product is identical with that described in the description of a patent but, achieving a function different from that stated in the claim, which may be determined as an infringement. In case like this, the scope within which a rightholder makes his claim is unduly broadened. It is, therefore, recommended that the Article be revised by adding a corresponding provision that, in determining a patent infringement, the people's court must determine that the function of the corresponding feature is identical with that disclosed in the claims in addition to the determination that the technical features of the allegedly infringing technical solution are identical with, or equivalent to, those in the specific embodiments of the description.

Lastly, when a claim is construed under the Article, there would occur the circumstance of “doctrine of reversed equivalents”. That is, the technical feature of an allegedly infringing technical solution performs a function identical with that of the corresponding technical feature (literally falling within the scope), but the allegedly infringing technical solution does not fall within the extent of protection as construed by the people's court under the Article since the structure used is neither identical with, nor equivalent to, that disclosed in the description. That is, while the allegedly infringing technical solution literally falls within the extent of the claim, the court will find no infringement, as is the case in *SRI International v. Matsushita Electric Corp. of America*, 775 F.2d 1107 (Fed. Cir.1989).

Article 6

The Article provides for the “doctrine of contribution”, namely, any technical solution disclosed in the description but not presented in the claims is deemed to be a contribution for the sake of the public. The rationale behind it is: the description is not exclusive, and only a technical solution as stated in the claims generates the exclusive right. Besides, an examiner will not examine any technical solution that is not disclosed in the claims. Hence, the court's allowing an applicant to claim a technical solution disclosed only in the description will make it possible for the technical solution to avert the substantive examination, and for the rightholder to

claim against another person's infringement on this ground, as it was the case in the similar cases, such as *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098 (Fed. Cir. 1996).

The doctrine of contribution mentioned in the Article might place limitation on the doctrine of equivalents as provided for in Article 4. For example, under the circumstance where a rightholder claims against an infringement by equivalents, the defendant may make counterclaim under the doctrine of contribution, asserting that its allegedly infringing equivalent solution has been disclosed in the description of the patent, so no infringement is constituted. For the above reason and considering that the time point at which equivalents are determined should be the date when an infringement takes place, the court should first apply the doctrine of contribution and decide that an infringement by equivalent is not constituted. For cases of the nature, see *Johnson & Johnson Associates, Inc. v. R.E. Service Co., Inc.*, 285 F. 3d 1046 (Fed Cir. 2002) (en banc).

Lastly, it is worth mentioning that, since the examiners of the Chinese Patent Office are currently rather strict with an applicant's second summarisation of the claims in the patent prosecution, when a generically summarised claim is rejected, the applicant can only change it into one of the embodiments, rendering other embodiments disclosed in the description not being included in the granted claims. Therefore, the applicant needs to protect these solutions in other manners, say filing a divisional application.

Article 7

The Article provides for the doctrine of prosecution history estoppel as a limitation on the doctrine of equivalents. This provision, however, imposes over-strict restrictions on the rights given to a rightholder for reasons as follows:

i) In the Article, no consideration is given to the aim of the legislation, namely the doctrine of prosecution history estoppel is applicable no matter whether a narrowing amendment is meant to achieve patentability or not. Such claim was once rejected by the US Supreme Court in 1997 (see the abovementioned *Warner-Jenkinson* case). To be specific, in the course of patent application, an applicant deletes all non-patentable parts from the claim to evade the prior art and retains only the patentable part; in the amendment of the kind, the applicant should surrender all the solutions that are not retained as they are deemed not to be patentable. Nevertheless, in the case of the amendments not aiming at seeking patentability, the applicant should not be deemed to have surrendered the equivalents because the applicant surren-

ders the technical solution not because of the unpatentability. In the subsequent practice in the U. S., the court made it certain in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, that as long as the amendment is made for obtaining patentability, the estoppel doctrine should apply no matter it is for evading the prior art or for addressing lack of clarity. In the *Festo* case, the scope of application of the estoppel is extended, but not to such an extent as to be applicable to amendments that is not meant to obtain patentability. It can thus be seen that, comparatively, the Article provides for a far broader scope of application of the doctrine of prosecution history estoppel than that in the U.S. practice. Since it is very rare for an applicant not to make any amendment to the claims during prosecution of a patent application, the Article should be rationally applied upon distinguishing the rightholders' motivation of amendment, otherwise, it will have great impact on the rights and interests of the rightholders.

ii) Besides, compared with the *Festo* case in which it was pointed out that the rightholders should have a chance to rebut "estoppel presumption", the Article is not very clear as to whether the rightholders are entitled to such chance. In practice, when an applicant amends claims for obtaining patentability, if subsequent allegedly infringing equivalents are not foreseeable, he or it should be deemed not to have surrendered such equivalents, and should not apply the estoppel doctrine to these equivalents afterwards. Therefore, the people's court should give the rightholders a chance to argue against the application of the estoppel doctrine. For example, where the rightholder is capable of proving that the allegedly infringing equivalents are unforeseeable at the time of amending the claims, or the reason underlying the amendment is not closely related to the allegedly infringing equivalents, the people's court should not apply the doctrine of prosecution history estoppel.

Finally, for some circumstances, such as those where incorporating dependent claim 2 in claim 1, whether it is a narrowing amendment to claim 1 or merely a deletion of claim 1, and whether the doctrine of prosecution history estoppel should apply to such an amendment are not clearly provided for in the Article. For the relevant circumstances, see *Honeywell Int'l Inc. v. Hamilton Sundstrand Corp.*, 370 F. 3d 1131 (Fed. Cir. 2004) (en banc), in which incorporating a dependent claim in an independent claim was deemed to be a narrowing amendment to the independent claim; hence the doctrine of prosecution history estoppel was presumed to be applicable.

Article 8

The Article has clearly made obsolete the doctrine of redundant designation relating to the case involving the Zhoulin Frequency Spectrum Device (1991). In the claim construction, the people's court may disregard some "non-essential" technical features. In 2005, in the judgment made by the Supreme People's Court regarding the review of the patent infringement dispute in Dalian Renda New Type Walling Building Materials Plant v. Dalian Xinyi Building Material Co., Ltd. (No. Minsantizi 1/2005), the Supreme People's Court did not accept the plaintiff's argument that the technical feature "canister bottom wall layer having at least two layers of glass fiber cloth" in the patented claim was a non-essential technical feature and might be disregarded, and clearly pointed out that since the claims played an important role in informing the public of the extent of protection, the doctrine of redundant designation should not be applied imprudently. The Supreme People's Court did not directly, clearly make the doctrine of redundant designation obsolete; instead, it maintained that it should not be recklessly applied, which aroused much speculation in the community, there was still room for the application of said doctrine, but the Article clearly points out that said doctrine is obsolete.

In this respect, this is similar to the change from the doctrine of all equivalent feature to the feature equivalence in the U.S. history. Historically, In case of the equivalent technology as a whole, the people's court may disregard a certain technical feature in the claims and find infringement; after the conversion to the corresponding feature, to find infringement, the people's court must identify in the allegedly infringing product all the technical features that are identical with or equivalent to those in the claims, without disregarding any technical feature (see the above-mentioned Warner-Jenkinson case).

Article 9

The Article further limits the extent of protection of a design patent as stipulated in Article 59 of the Patent Law in respect of the design *per se* and the product incorporating the design, and retains the long-used definition of the extent of protection of a design. Like invention and utility model patents, the design patent, as part of the whole patent system, is aimed at protecting the decorative design of the appearance of products rather than distinguishing the sources of them, and should not be determined according to the standards for assessing similarity adopted in the Trademark Law. In Article 23 of the newly amended Patent Law it is merely

provided that the patent right should not be granted to any design that is part of the prior art, without keeping the wording of "identical or similar", which shows a return to the true nature of the design, but seems not to have well connected to the change made in the Patent Law. But a designer's original design often involves a part, not the whole, of a product to which the newly amended Patent Law has not accorded its protection. As a result, when comparison is made of the design of the whole product, with so many things being compared, it seems that one can do nothing but follow the "similarity" standards.

During the amendment to the newly amended Patent Law, it was once recommended that protection be accorded to the design on a part of a product, but the recommendation was not accepted in the end. Although to the newly amended Patent Law has been added the role of a brief explanation (especially that relating to design points) in defining what is claimed of a design, the Article shows that the extent of protection of a design, in principle, still covers only the identical or similar designs of the identical or similar products (rather than a part of a product).

Article 10

The Article specifically defines the identical or similar classes and the determination thereof. According to paragraph one of the Article, being identical or similar in class means being identical or similar in use. According to Articles 9 and 10 of this Interpretation as a whole, however, it seems redundant to first raise the concept of "class" and then construe "class" as a synonymous to "use". In fact, there exists no label of "class" for a product, *per se* (especially the allegedly infringing product) incorporating a design, and "class" is an arbitrary abstract concept. It is not necessary to introduce such a secondary abstract concept like "class" when one may directly identify, from the use, whether an allegedly infringing product is identical with or similar to the product incorporating a patented design. From the perspective of the practice of examination and judicial review, the "doctrine of use" has been widely applied in substitution of the "doctrine of class", and determination of identicalness or similarity of products incorporating designs is made mainly on the basis of use of the products.

Article 11

The "relevant sector of the public" of a product incorporating a design in the Article is a newly introduced concept relating to from whose perspective the identical or similar designs are determined. From the definition made in paragraph

two, they are not substantially different from the ordinary consumers as defined in the current Guidelines for Examination in terms of level of knowledge and capability of judgement. But the wording of “relevant sector of the public” seems to be more justifiable in terms of the extent of those from whose perspective the identical or similar designs are determined as they include not only the end users of a product incorporating a design, but also those interested in the design incorporated in the product, such as retailers of building materials or auto parts, or automobile maintenance people.

Article 12

Paragraph one of the Article concerns a general principle for identifying similarity of designs, i.e., overall comparison and comprehensive consideration. Paragraph two, however, lists two relatively extreme conditions under which similarity of designs is determined, namely, where an allegedly infringing design is sufficient to create confusion with a patented design and where the essential design points are different. Besides, the word “confusion” is mentioned twice, which seems to imply, but not explicate, that the “doctrine of confusion” is a criterion for determining similarity of designs. In practice, however, there usually occurs another situation: an allegedly infringing design comprises the essential design points of a patented design, but does not create confusion with a granted design in overall visual effect. This is not mentioned in the Article.

The Patent Law as of 2008 has introduced the concept of similar inventiveness, providing that, by comparison, a patented design should be significantly different from a prior design or the combination of features of the prior designs, raising the standard for patentability of design. Correspondingly, a higher level should be set for the protection of a patented design. In particular, the Patent Law as of 2008 provides that the brief explanation is a necessary document of an application for the design patent, while the description of the design points is an important part of the brief explanation. The Article does not give any direction in this respect.

Article 16

The Article relates to the establishment of indirect infringement. There are many cases in judicial practice, in which judgments of indirect infringement are made. This was once mentioned in the draft amendment to the Patent Law, but not incorporated in the end.

In general, the provision is a summary of some patent infringement cases, such as *Lu Xuezhong et. al. v. Shanghai Aviation Measuring and Control Technology Research Insti-*

tute et. al. (see the Shanghai No. 1 Intermediate People's Court's Civil Judgment No. Huyizhongminwu (zhi) chuzi 212/2003) (dispute over provision of parts and components) and *Kumiai Chemical Industry Co., Ltd. et.al. v. Jiangsu Hormone Research Institute Co., Ltd.* (see the Jiangsu Higher People's Court's Civil Judgment No. Suminsanzhongzi 014/2005) (dispute over provision of raw materials). The Article corresponds to the “contributory infringement” as set forth in the U.S. C.35 Section 271 (c). However, it is worth noting that the Article does not define another sort of indirect infringement, namely, “inducement infringement” as mentioned in 35 U.S.C. Section 271 (b). That is to say, even if components provided by an actor to a third party can be used not merely for exploitation of a specific invention or utility model, but if the actor intentionally induces a third party to directly infringe a patent right, e.g., providing the third party with the description and the method in detail for assembling the components into the infringing product, indirect infringement is constituted.

Besides, it can be seen that, under the Article, severer civil liability is to be imposed on an actor than on a third party. Under the circumstance prescribed in paragraph two, a third party's act not for production and business purposes does not constitute an infringement, nor should he or it be civilly liable under Article 11 of the new Patent Law. However, it is stipulated in the paragraph that the actor should be civilly liable. Under the previous paragraph, where a third party's act constitutes direct infringement, the actor should bear the joint and several liability together with the third party.

Under this provision of the paragraph, even if a third party's act does not constitute an infringement, it is also possible for the actor to be held civilly liable alone. It can thus be seen that it is provided in the Article that an indirect actor bears more severe civil liability than a third party (direct actor). It is said that the section will be deleted.

Article 17

The Article specifically provides for prior art defence.

In earlier practice, prior art defence was generally used to make defence against infringement by equivalents only. For instance, Article 102 of the Opinions on Several Issues Concerning the Patent Infringement Adjudication issued by the Beijing Higher People's Court in 2001 expressly prescribes: prior art defence is only applicable to patent infringements by equivalents, not to literal infringement. For the similar case see *Wilson Sporting Goods Co. v. David Geoffrey & Assoc.*, 904 F.2d 677 (Fed. Cir. 1990). However, as time goes by, more courts are in favour of applying prior art de-

fense against literal infringement. This view is also accepted by the Supreme People's Court. For instance, in its explanation of Article 9 of the Several Provisions of the Supreme People's Court on the Issues Concerning Application of Laws to Trial of Cases of Patent Dispute, it is mentioned that be it an infringement by equivalents or a literal infringement, so long as the defendant proves that the technology he or it used is a prior art, the people's court may directly decide that the defendant does not constitute infringement. This point is reaffirmed in the Article by the Supreme People's Court.

It needs to be noted that, under the Article, only "one technical solution" can be cited in a prior art defence. On the contrary, a defendant in the US can use more references to support his prior art defence, *i.e.* he can use a combination of several references to attack the inventiveness of a patent in suit before court for a disclamatory judgment. This is however not permissible in China. A defendant desirous of using more than one reference to make a defence has to file a request only with the Patent Reexamination Board for declaring the patent invalid.

Article 19

Article 69 of the newly amended Patent Law prescribes: "None of the following shall be deemed to be an infringement of the patent right: ... (2) where, before the date of filing of the application for patent, any person who has already made the identical product, used the identical process, or made necessary preparations for its making or using, continues to make or use it within the original scope only;..."

For the practice in connection with the right of prior use in China, see Lanzhou Kairui Traditional Chinese Medicine Science and Technology Development Co., Ltd. v. Gansu Province Intellectual Property Office and the Third Party Gansu Dongjiayuan Medical Scientific Research Institute (Lanzhou City Intermediate People's Court's Administrative Judgment No. Lanxingchuzi 15/2006), a case of dispute arising from the decision on resolution of patent infringement dispute.

Article 20

The Article relates to a rightholder's corresponding rights and obligations after a patent is incorporated in standards.

The drafting of the Article has been greatly questioned by various sectors of the society. For example, the ambiguous expressions and enforceability of the provision are questioned: "but except where the patent can only be exploited in the form of the standards under the law", "where the dis-

closed terms of a license are obviously unfair" and "where the patent has not been disclosed in the standards", "the level of innovativeness" and "the interested parties" confusingly used in quite a number of places in the Article. Therefore, it is expected that the Article would be revised before becoming effective.

Article 21

The Article, not included in the draft of the Judicial Interpretation issued for comments by the Supreme People's Court in 2003, is a newly-added one. According to our understanding, the Article is added as a result of the Schneider case and with reference to the Entire Market Value Rule from the U.S. practice.

Chint Group Co., Ltd. (hereinafter referred to as Chint) sued Schneider Electric Low Voltage (Tianjin) Co., Ltd. (hereinafter referred to as Schneider) *et al.* for patent infringement in the Wenzhou Intermediate People's Court in 2007, and claimed for damages as much as RMB 330 million yuan, which was fully supported by the Court. At the time, the amount of the damages was calculated on the basis of the profits made from the product in suit with no account taken of whether the "profits from the product" were all made because of the infringement, or the actual presence of other factors which might have impact on the price of and profits from the product in suit. The huge amount of damages attracted relatively great attention from the public. In the Rite-Hite Corp. v. Kelley Co., Inc., 56 F.3d 1538 (Fed. Cir. 1995) the US court applied the Entire Market Value Rule, namely when the patented product constituted only part of the entire product, but it was the basis of consumers' demand, the injury could be calculated on the basis of the whole market value of the product. Alternatively, where a single patented product and a non-patented one constituted a system, only when they worked together or they even might be deemed to be a functional unit could the damages be calculated on the basis of the market value of the entire system. In addition, the U.S. Patent Reform Act as of 2007 also called for incorporating the whole market value rule in the Patent Act. Considering the above cases and comparing with the developments of the patent reform in the U.S., there is a gradual tendency for the courts in China to adopt the similar rules. According to the recent developments, the two parties in the Schneider case reached, on 15 April 2009, a settlement agreement, under which Schneider pay Chint RMB 157 million in compensation of its damage, an amount only about half of the initially claimed damages.

Article 22

The Article, specifying that “the pertinent law provisions concerning patent infringement may be referred to and apply” in disputes over license royalties during the period of provisional protection of an invention patent, has filled the blank left before in this regard. In practice, if an applicant requires, during the period of provisional protection of a patent application, the other party to pay royalties for said period, and the other party refuses to do so, the applicant can sue the other party only after the patent is granted, which would consequently result in a discrepancy between the extent of protection of the patented claims and that at the date when the patent application is published after the expiry of the 18 months from the date of filing. Under this circumstance, the people’s court may accordingly apply the relatively narrower extent of protection of the patent right.

Article 23

The practice of judicial procedure for disclamatory judgment has its origin in the pertinent judicial replies made by the Supreme People’s Court since 2001. For these replies see the Supreme People’s Court’s Reply No. Minsantazi 4/2001 in respect of the suit for disclamatory judgment brought by the Suzhou Longbao Bioengineering Industry Corporation and Suzhou Langlifu Health Products Co., Ltd., its Notice No. Minsantazi 9/2003 in *Eli Lilly And Company v. Changzhou Huasheng Drug Co., Ltd.*, and its Notice No. Minsantazi 4/2004 in *Honda v. Shijiazhuang Shuanghuan Auto Co., Ltd. And Beijing Xuyang Hengxing Trading Co., Ltd.*

Under the above-mentioned replies, once a rightholder sends a cease and desist letter or makes a statement in the press, but fails to resort to the court for resolution of patent infringement dispute within the “reasonable time limit”, the actor may sue for declamatory judgment to obtain the right to choose the jurisdiction, so as to command an advantageous position in the lawsuit before entry into force of the Article. For instance, in *Kunming Drug Group Corporation v. Heilongjiang Province Zhenbaodao Drug Co., Ltd.* (the Heilongjiang Province Higher People’s Court’s Civil Judgment No. Heizhizhongzi 8/2004), the court pointed out that a rightholder’s act of sending a cease and desist letter and making a statement in the press is sufficient for the other party to initiate judicial procedure for declamatory judgment. This is very disadvantageous for the rightholder, and even makes him or it afraid of sending a cease and desist letter as was shown in the similar case, *MedImmune, Inc. v. Genentech, Inc.*, 549 U. S. 118 (2007), after which the US courts also relaxed the re-

quirement for filing a lawsuit for declamatory judgment (even if a license is reached between an actor and a rightholder, the actor can still file a lawsuit for declamatory judgment).

Under the Article, upon receiving a cease and desist letter from a patentee, an actor does not obtain the right to sue for declamatory judgment and the right to first choose jurisdiction. Rather, the actor may choose the jurisdiction only after he or it sends the patentee a reminder letter and the patentee does not sue, nor withdraw the cease the desist letter. Hence given the US practice and the practice in China before, upon coming into effect of the Article, it is unnecessary for a patentee to be excessively concerned about the risk of the other party’s bringing a suit for declaratory judgment when writing a cease and desist letter since as long as the patentee files a lawsuit within the prescribed one-month time limit, he or it will have the right to choose jurisdiction.

Article 24

The Article provides, by way of defining the “new product”, for the conditions for the reversal of the burden of proof when enforcing the patent right for a process.

The Article, after taking effect, provides for a narrower scope of application of the doctrine of reversal of the burden of proof. Specifically, Article 122 of the Opinions on Several Issues Concerning Patent Infringement Adjudication issued by the Beijing Higher People’s Court in 2001 prescribes: a “new product” refers to a product made for the first time in China, and is obviously distinct from an existing product of the same class prior to the filing date in components, structure, or quality, performance and function. Under the provision, the requirement of the “new” product mentioned in Article 61, paragraph one, of the Patent Law is not the same as that of “novelty” mentioned in Article 22 of the Patent Law. Accordingly, a product, disclosed in publications but having not made or marketed in China is still a “new product” under Article 61, paragraph one, of the Patent Law, leading to the reversal of burden of proof as is seen in *Eli Lilly And Company v. Jiangsu Haosen Drug Industry Co., Ltd.* (the Supreme People’s Court’s Civil Judgment No. Minsanzhongzi 8/2002). Under the present Article, a product disclosed in publications or non-publications in China and abroad before the date of filing of a patent application is not a new product. Thus the application of the Article makes it more difficult for the burden of proof to be switched to an accused infringer. ■