Reflection on Patent Evaluation Report System in China

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In the third amendment made to the Chinese Patent Law in 2008, the system of patent evaluation report has been incorporated to replace the system of search report provided for in the former Patent Law. Article 61, paragraph two, of the Patent Law as of 2008 provides that "where the infringement dispute involves a patent for utility model or design, the people's court or the administrative authority for patent affairs may ask the patentee to furnish a search report prepared by the patent administration department under the State Council after the search is made, analysis and evaluation of the relevant utility model or design as evidence for hearing and handling the patent dispute." In Rules 56 and 57 of the Implementing Regulations of the Patent Law as revised in 2010, have been set forth the provisions regarding eligibility of applicants requesting patent evaluation report (hereinafter referred as the evaluation report), the documents that should be filed, the time limit for the State Intellectual Property Office (SIPO) to make evaluation reports, the accessibility to and reproduction by the public of the evaluation reports. In an evaluation report, evaluation is made of a utility model or design patent, which makes up for the inadequacy of the search report merely directed to a utility model patent. In addition, an evaluation report will make an overall analysis as to whether an invention satisfies the substantial requirements for patenting, and eliminate the defect of the search report in which searches and analyses are made with regard to the novelty and inventiveness of a patent only. This represents a legislative progress. However, for this writer, the evaluation report system and its operation are worth probing into. Following are the views presented here for further comments from experts and scholars in the community.

I. Whether the filing date should be deemed to be the precondition for whether a patent involved satisfies the requirement for "being evaluated"

On 29 September 2009, the Patent Office of the SIPO issued the Notice on the Matters Relating to Implementing the Amended Patent Law (hereinafter referred to as the Patent Office's Notice). Article 5 of the Patent Office's Notice provides that "the State Intellectual Property Office shall make an evaluation report directed to a utility model or design patent with its date of filing (or priority, if there is a date of priority) on or after 1 October 2009; the SIPO shall make an search report directed to a utility model patent only with its date of filing (or priority, if there is a date of priority) before 1 October 2009". This shows that the filing date of a patent involved is the only factor to be considered in deciding whether a patent meets the requirement for "evaluation". To elaborate on the matter, the SIPO makes evaluation reports directed to both the utility model and design patents with their filing date on or after 1 October 2009; it makes search reports for utility model patents with their filing date prior to 1 October 2009; and it makes neither the patent evaluation report, nor search report with regard to designs with their filing date prior to 1 October 2009.

For this writer, this provision in the Patent Office's Notice is open to discussion for the following reasons:

(1) The provision is not in conformity with the basic principles underlying the application of law

It is a basic principle of law application that, in the transitional period of a new law that is to replace an old, an in-

fringing act should be handled according to the law and regulations that are in force at the time when the infringing act happens. The law and regulations here refer to both substantial and procedural ones. Regarding the matters relating to the application of the former Patent Law and the revised Patent Law, the Supreme People's Court issued, on 27 September 2009, the Notice on Studying and Implementing the Amended Patent Law. Article 2 of the Notice provides that "in hearing cases of patent infringement disputes, the people's courts shall apply the former Patent Law to an alleged patent infringement that happened before 1 October 2009; for an alleged patent infringement that happened after 1 October 2009, the revised Patent Law should apply; for those that happened before and went on after 1 October 2009, and where the infringer should be held liable for damages under the former Patent Law and the revised Patent Law, the revised Patent Law should apply in determining the amount of damages." The Notice shows that, in patent infringement lawsuits, the Supreme People's Court makes its judgment with account taken of the factor of the time when infringement arises, rather than the filing date of the patent involved as referred to in the former Patent Law and the revised Patent Law. For example, in respect of the statuary damages, the maximum amount of the damages was RMB 500,000 yuan under the former Patent Law (also specified in the relevant provisions of the judicial interpretations) and RMB one million yuan under the revised Patent Law. For that matter, the courts may decide on the statuary damages amounting to RMB one million yuan even for a patent applied and granted prior to 1 October 2009. Similarly, regarding the proceedings for remedy against infringement, a rightholder of a patent the filing date of which is before 1 October 2009 should be given the right to request the SIPO to make an evaluation report.

(2) The provision is not consistent with the SIPO's former relevant practice

To the Chinese Patent Law as of 2000 was added the provision on the system of search report directed to the utility model patents when the Law was amended for the second time. As far as this writer knows, following the implementation of the Patent Law as of 2000, the SIPO did not issue any relevant documents allowing search report to be made only with regard to the utility model patents with their filing date after the date when the revised Patent Law entered into force (i. e. 1 July 2001). That is to say, the SIPO may make a search report on a patent whose filing date was prior to the date when the revised Patent Law entered into force.

(3) The provision covertly denies the comprehensive application of the evaluation report system

It is provided in the Patent Law as of 2008 that, in handling disputes arising from infringement of a utility model or design patent, the people's court or patent administrative authority may require a patentee or an interested party to present an evaluation report as evidence in its hearing or adjudicating the case of patent infringement dispute. After 1 October 2009, where the people's court or patent administrative authority requires a patentee to present an evaluation report, even a patentee files a request for an evaluation report, the SIPO would not issue one for it believes that the request is contrary to the provisions of the Notice, which, consequently, is to the disadvantage of the patentee. For example, where it is impossible for a patentee to produce an evaluation report and an alleged infringer requests to invalidate the patent in suit and asks the trial court to suspend the infringement litigation in the time for making a defence, it is quite possible for the trial court to suspend the infringement litigation. This means that, with the Patent Law being in force, it is still impossible for some patentees to benefit from the evaluation report system, which covertly denies the application of the evaluation report system and causes inequality of the procedural rights among patentees (because of the different filing date of their patents).

This writer takes the view that the SIPO should revise the rules governing the application of the evaluation report system, and would like to make the following specific recommendations. If an infringement of a utility model patent arose before 1 October 2009, the Patent Office should make a search report; if an infringement of a utility model or design patent arose before 1 October 2009 and continued after said date, or it arose after 1 October 2009, the Patent Office should make an evaluation report.

II. Subject matter and force of evaluation report as evidence

In the Patent Law as of 2008 has been specified the function of the evaluation report, i.e. "it serves as evidence in hearing and handling patent infringement disputes." For this writer, the subject matter and force of an evaluation report as evidence are worth our attention.

From the perspective of patent litigation, what an evaluation report is to prove is the stability of the right of the patent

in suit, as shown in the Supreme People's Court's interpretation of the application of utility model patent search report. Article 8, paragraph one, of the Several Provisions of the Supreme People's Court on Issues Relating to Application of Law to Trial of Cases of Patent Disputes promulgated in June 2001 provides that "any plaintiff takes action against an infringement of the patent right for a utility model shall present a search report made by the Patent Administrative Department under the State Council when instituting the lawsuit." In November of the same year, the Supreme People's Court clearly pointed out, in the Reply to Request for Instructions on Whether Presentation of Search Report Is Required for Taking Action against Infringement of Patent Right for Utility Model, that "this judicial Interpretation, made under Article 57, paragraph two, of the Patent Law, is mainly to address the measures adopted for dealing with the issue of litigation suspension caused by a defendant's request for invalidation of the patent in suit in a patent infringement litigation. Hence, a search report serves only as a preliminary proof of the validity of the patent right for utility model; presentation thereof is not required for a plaintiff to bring action against an infringement of a patent right for utility model. The term "shall" used in the judicial Interpretation is meant to stress strict implementation of the system to prevent it from being used in a too loose manner resulting in a lost of its meaning… . However, where a plaintiff insists on not presenting a search report and a defendant requests to invalidate the patent right for utility model in his defence, the people's court should suspend the litigation in the absence of any other circumstance where the litigation may not be suspended."

The Supreme People's Court's preceding views show that a search report serves as a preliminary proof of the validity of a patent in suit or of the stable validity of said patent. It is an important factor to be considered by the court when deciding whether the infringement litigation should be suspended. The evaluation report and search report share the same purpose of the designed system. The people's courts accepting a case of infringement or the patent administrative authority are required to accurately identify the evidentiary effect of the evaluation report. While the Patent Law revised in 2008 has specified the use of the evaluation report as evidence, its effect as such is clearly not equivalent to an invalidation decision as it is an evaluation report made by the SIPO at the request of an interested party without going through the opposition procedure. Even where it is concluded in an evaluation report that the patent in suit is valid, the people's court should not invariably decide not to suspend infringement litigation. Ensuring an alleged infringer's right to counterclaim on the ground of invalidity of a patent in suit is an important step to keep the balance between the interest of a patentee involved and that of the public; suspension of infringement litigation is an important means to ensure full execution of the right to make counterclaim. In deciding whether to suspend infringement litigation, the people's courts can decide at their own discretion; an important criterion for exercise the discretion is the likelihood of invalidation of a patent in suit. If a patent in suit is more likely to be invalidated, litigation should be suspended, otherwise, it should not. However, an evaluation report should not be deemed to be the only factor to be considered in deciding on whether to suspend infringement litigation. The people's courts should make a comprehensive judgment on the prospect of invalidity of the patent in suit on the basis of an evaluation report and with consideration taken of the ground for invalidation an alleged infringer raises and the relevant evidence presented in his defence. If the ground for invalidation and the evidence are referred to in the evaluation report and the conclusion of the validity of the patent in suit is drawn, the infringement litigation should not be suspended. Where an alleged infringer raises new ground for invalidation, however, especially where he produces new reference possible to ruin the patentability of the patent involved and the people's court, upon hearing the case, finds it quite possible for the patent in suit to be invalidated according to the ground for invalidation and reference produced, the case of the patent infringement should be suspended. This is exactly what the Beijing No. 1 Intermediate People's Court did several years ago in its decision on whether an infringement litigation should be suspended by taking consideration of a search report on a utility model patent. This factually proved justifiable practice should apply to the application of the evaluation report.

Design of a sound legal system is the prerequisite of impartial judicature and enforcement, and proper application and understanding of the system, in turn, the foundation of impartial judicature and enforcement. This writer believes that, with the implementation of the Patent Law as of 2008, practitioners in the community will have a deeper understanding and more proper application of the evaluation report system.