

Recommendations on Revised Draft of the Patent Law (Draft for Review)

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On 2 December 2015, the Legal Affairs Office of the State Council of the People's Republic of China is soliciting public opinion on the Revised Draft of the Patent Law (Draft for Review) (hereinafter referred to as the Draft for Review) submitted to the State Council for consideration by the State Intellectual Property Office (SIPO). The content revised in the Draft for Review mainly covers the following five aspects, namely, enhancing patent protection, promoting patent implementation and application, implementing statutory requirements of governmental functions, improving the patent review system, and improving the legal systems concerning patent agency, among which the provisions that cause great concern are related to enhancement of administrative enforcement, severer punishments for malicious infringement, increase of infringement damages, establishment of license of right system and implied license system for standard-essential patents (SEPs), and determination of the *ex officio* examination principle in the patent review and invalidation proceedings. It should be admitted that such amendments to the Patent Law will play an active role in promoting the level of patent protection and improving the patent examination system in China. However, some amendments and the provisions newly added to the Draft for Review are still deficient or to be further improved.

I. Suggestions on the issues regarding the basic system of the Patent Law

1. Strengthening the power and functions of patent administrative authorities

The most significant revision of the Draft for Review is the strengthening of functions of patent administrative authorities, which can be achieved by two approaches: one approach is to strength the power of administrative enforce-

ment, including: the provision added to Article 3 that the patent administrative authority of the State Council shall be responsible for investigating and handling conducts of patent infringement and passing-off having significant influence, and that the jurisdiction of patent administrative authorities of local people's governments is extended to cities with districts and counties authorized by laws and regulations; the provision added to Article 47 that the decision declaring the patent right invalid shall have no retroactive effect on penalty decisions concerning patent infringement disputes; the provision added to Article 60 that the patent administrative authorities are responsible for investigation and penalization of wilful infringement conducts such as group infringement or repeated infringement; the provision added to Article 63, paragraph three that the patent administrative authorities are responsible for investigating and penalizing patent infringement on the internet and patent passing-off; the provision added to Article 67 that the patent administrative authorities are entitled to the power of inquiry and investigation, check and copy, on-spot inspection, article inspection and seizure and detainment in regard to patent infringement, as well as liabilities borne by those who refuse or hinder such power aforesaid.

The other approach is to entitle the patent administrative authority of the State Council to exercise the administrative power of adjudication in some cases, such as the impartial judicial power of the patent administrative authority of the State Council over disputes concerning license of right added to Article 84 and over disputes concerning royalties in respect of SEPs added to Article 83.

According to the provisions as mentioned above, the enforcement powers over patent infringing conducts to which the local patent administrative authorities are entitled are the same as those of administrations of industry and

commerce over trademark infringing conducts. Moreover, the patent administrative authority of the State Council also has the power of investigating, penalizing and handling other special types of cases.

This writer holds that enhancement of administrative enforcement in the field of patent infringement disputes is not in line with the property of patent right as private right, and may affect the efficiency and quality in handling infringement cases, on the grounds that:

(1) Trial of patent infringement cases by courts is an international practice

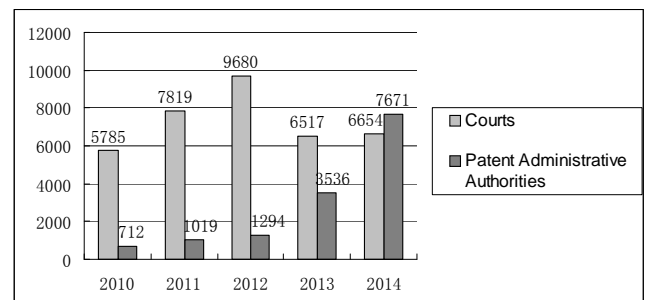
Intellectual property right, including patent right, is private right¹, which refers to the social relations subject to regulation by private laws. Private laws are also equal to civil laws. In that sense, civil rights adjusted by civil laws are the same as the private rights adjusted by private laws. Civil rights are private rights, and vice versa. The most fundamental nature of civil rights (private rights) lies in the equal legal status among subjects².

Disputes over civil rights (private rights) shall be resolved through judicial procedures, which is a customary practice in most countries including such developed ones as U.S., European countries, Japan and South Korea. In the United States, disputes over patents are tried by the district courts, and the United States International Trade Commission (ITC) is entitled to handle IP infringement cases involving imported goods. However, ITC, similar to administrative courts, is an independent, quasi-judicial, federal agency, in which the administrative judges are responsible for investigation and adjudication, whose process is basically the same as that of litigation in the district courts, but goes faster than the process of litigation handled by the latter³. The party concerned, if being dissatisfied with the ITC's decision, shall file an appeal with the United States Court of Appeals for the Federal Circuit (CAFC), a court having exclusive jurisdiction over patent-related cases. The court is also the court of appeal handling appeals of first-instance patent-related cases from the federal district courts and the Court of International Trade. As can be seen, the ITC serves as the court of first instance handling patent infringement cases involving imports. In Japan, civil patent cases are tried in the Tokyo District Court and the Osaka District Court for the first instance and in the Tokyo High Court for the second instance⁴. Things in European countries are relatively complicated, but one thing is in common, that is, cases concerning patent infringement and patent grant and validation are

both handled by the courts. It should be pointed out that to the writer's knowledge, the European Unified Patent Court is responsible for dealing with cases regarding declaration of invalidation, infringement, invalidation decisions and interim injunctions with respect to the European unitary patents (the system of which is expected to come into force in 2017). In the United States and European countries, only the police and customs officers have the administrative power, instead of the administrative adjudication power, to deter exhibited or imported goods that are accused of infringing others' IP rights, which is similar to interim injunction or pre-trial evidence preservation in China.

(2) Handling of patent infringement cases by the courts is in line with the attributes and characteristics of the judiciary and can prevent inconsistency in the criteria in law enforcement between administrative and judicial authorities.

According to the statistics provided by the Supreme People's Court and the SIPO, the numbers of first-instance civil patent disputes concluded by the courts and patent administrative authorities in China from 2010 to 2014 are shown in the following table⁵:



The above statistics demonstrate that in recent years, the number of patent infringement cases handled by the courts reached its peak of 9680 in 2012 and then dropped to somewhere between 6000 and 7000, while the number of patent infringement cases handled by the patent administrative authorities doubles roughly every year and surpassed the number of cases handled by courts for the first time in 2014. The cases mediated and handled by the patent administrative authorities grow rapidly mainly in Zhejiang province and Guangdong province and are concerned with safeguarding of rights at exhibitions, e-commerce industry and markets of small commodities, most of which are serial cases. In general, under the current circumstances where the number of patent infringement cases handled by the courts are substantially the same as that handled by the patent administrative authorities, the extension of patent admin-

istrative authorities to municipal districts and counties, and empowering hundreds of or even thousands of patent enforcement authorities above the county level to handle patent infringement cases, will likely lead to inconsistency in judgment criteria between judicial authorities and administrative enforcement authorities.

By the end of 2014, there are 87 first-instance courts in China that have jurisdiction over patent cases. Cases mostly occur in economically developed areas, such as Beijing, Shanghai and Guangdong. The rules for infringement determination and criteria for judgement among courts at various levels have roughly been unified with reference to judicial interpretations issued by the Supreme People's Court and years-long judicial practices of the courts at various levels. It will easily lead to inconsistency in criteria for enforcement if two law enforcement systems are allowed to handle the same case. For instance, the patent management department of SIPO released Guidelines on Criteria for Determination of Patent Infringement and Patent Passing-off (Draft for Comment) in 2013, in which the provisions related to means-plus-function features read as follows: "in the determination of patent infringement, technical features in a claim expressed in terms of a structural or effect limitation shall be, in principle, understood as encompassing all the embodiments capable of carrying out the function. If evidence suffices to prove that the function defined in a claim is performed in a particular way recited in the embodiments of the invention, and a skilled person has no way to know whether the function can be achieved by other alternative manners not mentioned in the description, or a skilled person has good reasons to doubt one or more manners covered by the means-plus-function technical features cannot solve the technical problem to be addressed by the invention or utility model, or achieve the same technical effect, then the content of the functional feature in the claim shall be determined in combination with the embodiments for realizing the function or effect as recited in the description and drawings, and other equivalent embodiments." The Supreme People's Court released Interpretations of Several Issues Concerning the Application of Law in the Adjudication of Disputes of Patent Infringement (Fa - Shi No.21/2009) in 2009, wherein Article 9 reads that "for a technical feature in a claim represented by function or effect, the people's courts shall determine the content of such technical feature by reference to the specific embodiment and its equivalent embodiment(s) of the function or effect as depicted in the

description and the appended drawings." There are some differences between the above two interpretations, which may cause confusion in judgment criteria in the process of specific law enforcement. The decision of an infringement case made by an administrative authority will be subject to judicial review if the party concerned is dissatisfied with it, which, on the one hand, will cost more time and lead to low efficiency and, on the other hand, will cause conflicts between civil trial and administrative trial at courts and lead to a waste of judicial and administrative resources.

In addition, patent cases are characterized by the interweaving of technical issues with legal issues. The judges, during the trial cases, should clarify the claims of the parties concerned, basic facts and issues in the patent disputes based on relevant procedure laws and evidence rules. In each particular case, the ultimate authority and mandatory nature of the judicial adjudication guarantee *res judicata* and finality of the judgments, which is beneficial for settling the disputes for good. As for subsequent disputes of the same type that have not entered into the judicial procedure, *res judicata* performs an exemplary and guiding function to provide the parties of a dispute with a clear expectation, which can facilitate the settlement of the dispute beforehand, alleviate the post-litigation burden on the courts, and meanwhile do good to the stability and rehabilitation of the social order. As for the legal provisions, they will be further clarified and elaborated in terms of original intent, scope of application and key points during the trials of various cases by judges in judicial practice. Moreover, if there are no relevant provisions or the provisions for application are not explicit enough or having hidden defects, the judges can check, supplement and modify the legal provisions by means of judicial activism based on particular cases. Thus, to resolve the patent disputes by judicial means is an inevitable choice in view of the attributes and characteristics of the judiciary.

In summary, it is suggested that the legislature should establish the basic idea that the judiciary plays a leading role in IP protection during the amendments of the Patent Law.

2. Protection of partial designs

The Draft for Review lists partial design as an eligible subject matter of design patent for protection, which is in line with current patent protection practice in various countries and of great significance to protection of design patents in China. In addition, the SIPO released the Decision

on Amending the Guidelines for Patent Examination (No.68) in 2014, indicating that China started to grant graphical user interfaces (GUIs) for the sake of protection since 1 May 2014. However, pursuant to the provisions in the current Guidelines for Patent Examination, GUI can be regarded as a subject matter of partial design, but there is no definition of GUI recited therein. In the writer's view, GUI, in its nature, refers to continuous graphs, rather than two-dimensional static graphs. There are a large number of design applications in China, which in their substance, are related to products of two-dimensional planar graphs, for example, T-shirts or art works printed with various scenery photos or pictures. Consequently, protection of GUIs with two-dimensional graphs makes no sense in promoting the quality of Chinese design patents. Thus, the provisions related to eligible subject matters of design patents in the current Patent Law do not protect GUIs with continuous graphs. The subject matters of GUIs eligible for protection shall be clarified otherwise (the Japanese Patent Act may be taken as a reference).

A design must be carried by an industrial product. That explains why the product is a factor to be considered in determining patent infringement. However, a partial design is not in close association with a product, but can be carried by any product. Whether mechanical application of manners to protect an entire design is advantageous to the development of a partial design is an issue worthy of in-depth study. In that regard, during the amendment, while a partial design is included as a subject matter eligible for design protection, it will be better if provisions regarding the manners to protect partial designs can be set forth, which will play an active role in subsequent protection of partial designs.

3. The patent invalidation system and the position of the PRB

At present, there is a view that the time the people's courts take to handle a patent infringement case is too long. Such a "long case-handing time" issue is caused by various factors, for instance, fewer judges being assigned to examine more cases, complexity of technical facts and difficulty in evidence production for patent infringement disputes. It is also attributable to the constraint of the "binary" procedural framework under which civil litigation for patent infringement and administrative litigation for patent invalidation coexist. The "binary" procedural framework refers to the current situation that patent infringement cases and pat-

ent invalidation cases are handled by judicial and administrative authorities respectively and independently.

The "binary" procedural framework is reasonable and scientific to some extent, but there still exist some obvious issues. In the course of patent case trial, some defendants tend to file another request for invalidation of the same patent with the PRB so as to prolong the handling of a patent dispute; and the courts handling patent infringement cases, however, have no power to examine the validity of patent rights. Consequently, it is likely to result in litigation suspension, recurrent litigation and repetition of proceeding, which is not good for substantive resolution of the patent disputes. For instance, in *An Zengji (patent holder) v. the PRB and Chongqing Tongliang Fine Chemical Factory*, the PRB and the courts for administrative litigation at two levels conducted examination of the same patent three times through nine procedures before the patent was finally declared invalid after nine years. Accordingly, it took 11 years to finally conclude the relevant infringement case. The modification of the "binary" procedural framework is in great need so as to solve the "long case-handing time" issue. The "binary" procedural framework shall be modified on the legislative level, including, but not limited to, establishment of the status of the PRB as a quasi-judicial authority so as to reduce litigation levels; empowering the courts for examining patent invalidation cases to make judicial alterations, rather than ordering the PRB to make new decisions so as to avoid recurrent litigation; and empowering the people's courts to examine the validity of patents in civil case so as to prevent litigation suspension.

In patent invalidation proceedings, there is always a confrontation between petitioners and petitionees, which is an *inter partes* procedure, and the PRB shall make decisions as a neutral referee. When an administrative lawsuit is lodged against an invalidation decision, the PRB is turned into a defendant from a referee, which will be in an embarrassing position in the lawsuits. The original parties in a dispute become the plaintiff and the third party in the lawsuit, which lead to the imbalance between the parties actually having disputes against one another in subsequent litigation procedures, and meanwhile keep the PRB busy in responding to prosecution, which is disadvantageous for maintenance of the authority and impartiality of the PRB.

Thus, the amendments to the Patent Law should be aimed at setting up a more reasonable and efficient IP judging procedure through solving such issues as recurrent liti-

gation and low efficiency in civil and administrative trials, shortening the trial period, and stabilizing the status of rights as soon as possible. The urgent priority is to establish a new litigation mode for patent invalidation cases, simplify the procedure for validation of patent rights, resolve the disputes substantively and promote the efficiency of patent invalidation cases by means of modifying the “binary” mode for handling patent disputes as stipulated in the current Patent Law.

However, there are no amendments made in the Draft for Review to modify the litigation mode for handling patent validation cases. A patent invalidation case is intended to resolve the dispute over the validity of civil rights held by one of both parties concerned, which, in its essence, should be regarded as a civil dispute between equal subjects. However, such a case is still considered as an administrative case and tried under the Administrative Procedure Law, which causes lots of problems: (1) the current litigation mode fails to resolve the disputes between equal civil subjects timely, effectively and substantively. The people’s courts are not entitled to mediate under the restriction of the mode and rules of administrative litigation. Nor are there any suitable ways to handle and conclude such cases where the parties concerned reach a settlement. Furthermore, what affects the efficiency and effect of judgment lies in that as for the wrong decisions made by the PRB, the people’s courts have no power to alter the decisions directly even if they can draw clear conclusions, and the only thing they can do is revoke the original decisions or order the PRB to make new decisions at the same time; and the parties concerned are still entitled to lodge a lawsuit against the new decision made by the PRB, which will give rise to repeated circulation and unlimited delay. (2) The PRB as a defendant in the case causes the imbalance between the parties actually having disputes against one another in subsequent litigation procedures, and meanwhile makes the PRB a busy respondent to prosecution, which adds to the difficulty in concentrating limited administrative resources on handling rapidly increasing examination requests.

It is a common legislative and judicial practice in the world that both parties of the dispute in the administrative process are taken as the parties concerned in the lawsuit. For instance, in the United States, EU, German, France and Japan, as for bilateral disputes over, e.g., patent invalidation, both parties in the administrative process are directly taken as the parties concerned in the lawsuit, and the pat-

ent examination authority neither acts as a defendant nor participates in the lawsuit, or simply expresses its views occasionally; in terms of the nature of litigation, the disputes are mostly handled in the light of civil procedure rules. And even if the disputes are handled in the light of administrative procedure rules, they are different from typical administrative litigations. In terms of case handling, the courts in most countries are entitled to make judgments and then draw conclusions on the validity of patents, instead of simply maintaining or revoking the administrative decisions.

In most countries, provisions related to the litigation mode of such cases are set forth particularly in the Patent Law, with no need to amend the Administrative Procedure Law or the Civil Procedure Law. In consideration of the issues of the current litigation mode in China and with reference to legislation of other countries, it is suggested that the patent validation cases should be handled as civil cases by the courts in light of the civil procedure rules. As to the patent invalidation proceeding initiated by a third party, it is suggested that the administrative proceeding should be designed as a quasi-judicial proceeding, in which the PRB makes rulings as a neutral referee; and the subsequent judicial lawsuits should be handled as civil litigation cases, wherein the third party and the patent holder are the parties concerned in a lawsuit, and the PRB serves as a third party who is not entitled to an independent right to file a request.

In addition, according to the current provision of Article 44 of the Trademark Law, where a trademark registration should be invalidated on absolute grounds, the Trademark Office may invalidate the registration at issue *ex officio*. Any organization or individual may request that the Trademark Review and Adjudication Board should make a ruling to invalidate such a registered trademark. It is also stipulated in the current Patent Law and the Draft for Review that the patent invalidation proceeding can only be initiated by the third party, and such a single process is not good for invalidating some junk patents timely. With reference to the relevant provisions of the Trademark Law stated above, it is suggested that a new route to invalidate patents should be added, that is, the SIPO, with the knowledge of the invalidation grounds of a patent, may order the PRB to initiatively invalidate the patent *ex officio*. The patent holder may file a request with the Beijing IP Court for judicial review on the invalidation decision made by the PRB.

II. Suggestions on amendments to specific provisions

1. Article 2

It is suggested that another paragraph should be added to define GUIs with reference to Article 2 of the Japanese Design Act (2011), which reads as follows:

“Design” in this Act shall mean the shape, patterns or colours, or any combination thereof, of an article (including a part of an article, the same shall apply hereinafter except in Article 8), which creates an aesthetic impression through the eyes.

The shape, patterns, or colours, or any combination thereof, of a part of an article as used in the preceding paragraph shall include those in a graphic image on a screen that is provided for use in the operation of the article (limited to the operation carried out in order to enable the article to perform its functions) and is displayed on the article itself or another article that is used with the article in an integrated manner.

Article 2, paragraph two of the Japanese Design Act (2011) specifies the GUIs. The SIPO released the Decision on Amending the Guidelines for Patent Examination (No.68) in 2014, indicating that China started to grant graphical user interfaces (GUIs) since 1 May 2014, but it is still difficult to incorporate GUIs into the definition of subject matters of design eligible for protection as stipulated in Article 2, paragraph four of the Chinese Patent Law. In other words, although China grants patents to GUIs, the definition of GUIs cannot be included into the subject matters of design eligible for protection under Article 2, paragraph four of the Chinese Patent Law. Hence, this Article needs to be revised accordingly.

2. Article 3

It is suggested the expression “investigating and penalizing patent infringements that have significant influence” should be deleted from paragraph one thereof. The principle of “no trial without complaint” shall be followed where patent infringements are related to disputes over private rights between equal subjects, and patent infringements shall be determined under the jurisdiction of the people’s courts since determination of infringement involves very complicated and specialized factual and legal issues. Investigating and penalizing disputes over patent infringements initiatively by patent administrative authorities do not fall within the extent of functions and powers held by admin-

istrative authorities, which will easily lead to inconsistency in criteria for judgement adopted by judicial authorities and administrative authorities, thereby undermining the authority of both judiciary and the administration.

It is suggested that “local people’s governments can be set up at a county authorized by laws and regulations” should be deleted from paragraph three of this Article. The establishment of patent administrative authorities at the county level may result in the interference of patent infringement conducts by a large number of patent administrative authorities. As stated above, disputes over patent infringement are civil in nature. Excessive enforcement by law enforcement authorities will cause chaos in the criteria for law enforcement.

3. Article 11

It is suggested that a paragraph to limit the protection of partial designs and GUIs should be added. The original provision shall no longer be abided by as the protection of partial designs and GUIs is somewhat different from that of overall appearance of a product. To be specific, infringement upon the design of a product shall be determined in consideration of both the product and its design. Protection of partial designs and GUIs, however, is not closely related to the product, so it is not beneficial for the protection of partial designs or GUIs if the product is taken into account when determining whether there is an infringement upon partial designs or GUIs.

4. Article 41

It is agreed, in principle, that the PRB’s authority of *ex officio* examinations should be added in this Article. However, the term “if necessary” is too broad to be delimited accurately, so it is suggested that the term “if necessary” should be amended to the expression “if a patent application has obvious substantive defects” as used in the Guidelines for Patent Examination. Meanwhile, the scope of “obvious substantive defects” shall be clearly defined in the Implementing Regulations of the Patent Law. The term “obvious substantive defects” with a clearly defined scope can be understood easier.

5. Article 45

It is suggested that a paragraph should be added to include Rule 69 of the Implementing Regulations of the Patent Law into the Patent Law, that is to say,

“in the course of the examination of the request for invalidation, the patentee for the patent for invention or utility model concerned may amend his or its claims, but may not

broaden the scope of patent protection.

The patentee for the patent for invention or utility model concerned may not amend his or its description or drawings. The patentee for the patent for design concerned may not amend his or its drawings, photographs or the brief explanation of the design.”

Article 33 of the current Patent Law is only related to amendments to patent application documents in the patent application process, rather than amendments to patent documents in the invalidation proceeding. It is suggested that a paragraph, which is concerned with amendments to patent documents in the invalidation proceeding, should be added into the Patent Law to include Rule 69 of the Implementing Regulations of the Patent Law, so as to link the amendment in the granting procedure with that in the invalidation proceeding to realize self-consistency logically. In addition, it is also suggested that Rule 43, paragraph one of the Implementing Regulations of the Patent Law, which is concerned with the amendments to documents of a divisional application, should be added into the Patent Law so that all matters related to amendments are included in the provision of the Patent Law.

6. Article 46

It is suggested that paragraph one, which reads “examination may be conducted if necessary on whether there are other circumstances where a patent does not meet the requirements of relevant provisions of the Patent Law”, shall be deleted from Article 46. A patent invalidation proceeding is a quasi-judicial procedure in which the PRB makes judgment. The PRB serves as a quasi-judicial authority in that proceeding and shall not conduct *ex officio* examination on whether a granted patent is likely to be invalidated on other grounds not mentioned by the invalidation petitioner. Otherwise, the quasi-judicial position held by the PRB may be impaired, which will affect the stability of patents and expectation of patent holders. Moreover, empowering the PRB to conduct *ex officio* examination both in the re-examination procedure and the invalidation proceeding is extremely unfair to patent holders as it confuses the two procedures, one of which is an *ex parte* granting procedure in which the PRB conducts re-examination on patents on behalf of the State, while the other of which is an *inter partes* invalidation proceeding in which the PRB makes a decision as a neutral referee.

It is suggested that the provision in Article 46, paragraph three that “the people’s courts shall notify the oppo-

site party concerned in the invalidation proceeding to participate in the litigation as a third party” should be deleted or amended as “the people’s courts shall notify the PRB to participate in litigation as a third party”. There is no need for the PRB to be present as a defendant in judicial review of invalidation decision, which not only saves administrative resources, but also promotes working efficiency, and meanwhile facilitates reformation of civil litigation process involving invalidity of patents.

7. Article 60

It is suggested that paragraph two, i.e., the content related to patent administrative authorities’ initiative investigation and punishment of disputes over patent infringement, should be deleted from Article 60. In addition to the reasons stated above, the writer finds that determination of group infringement and repeated infringement is quite controversial. It is hard to determine the size of the group, and infringement shall be determined according to different circumstances of each infringement case *per se*. Moreover, similar issues also exist in repeated infringement. Whether each conduct of each infringer constitutes infringement shall be determined separately. Patent infringement differs from trademark infringement. The determination of the latter can often be made through simple identification, whereas the determination of the former requires comparison of technical features every time. In that regard, it is not appropriate to apply administrative investigation and punishment in patent infringement cases. Moreover, statistics demonstrate that group infringement and repeated infringement seldom occur in practice. Therefore, it seems unnecessary to set up specialized regulations for that.

8. Article 62

It is suggested that the newly added Article should be deleted. That Article originates from the provision related to joint infringement stipulated in Article 21 of Interpretation of Several Issues Concerning the Application of Law in the Trial of Disputes of Patent Infringement (II) (Draft for Comment) that are being drafted by the Supreme People’s Court. First, since the Patent Law does not set forth such a provision as “indirect patent infringement”, the Supreme People’s Court, in order to solve the issues of “indirect patent infringement” in practice, has to incorporate “indirect patent infringement” into joint infringement when drafting the judicial interpretation, which sounds like a last-ditch move but cannot solve that issue at all. On such a premise, incorporation of such new Article into the Draft for Review

seems to be putting the cart before the horse. Second, Article 9 of the Tort Liability Law specifies that one who abets or assists another person in committing a tort shall be liable jointly and severally. Thus, it is of no significance to specify relevant provisions in the Patent Law.

“Indirect patent infringement” has been expressly specified in the laws of the countries, such as the United States and Japan. However, it is still quite controversial whether “indirect patent infringement” shall be introduced into the Chinese Patent Law during several revision processes. In the writer’s point of view, although there is nothing wrong to add the provisions related to “indirect patent infringement” into the Patent Law from the sake of protecting the interests of patent holders, indirect infringement cases are scarcely seen in the judicial practice in the countries, such as the United States and Japan.

9. Article 63

It is suggested that such newly added Article should be deleted. The liability system for network service providers (NSPs) is newly added in this revision process. The introduction of the system in the Patent Law plays an active role in regulating the conduct of NSPs and clarifying the liabilities between NSPs and cyber sellers. However, different from determination of copyright and trademark infringement, determination of patent infringement is rather technical and special in terms of determination rules, and the way to interpret the protection scope of patent claims is relatively principled and abstract so that NSPs are unable to make a judgment on whether there occurs patent infringement or not. If NSPs take such measures as disconnecting network links upon receipt of the complaints from patent holders, it will impair the legitimate rights and interests of cyber sellers and makes them “helpers” of patent holders in fighting against competitors. In one word, according to the Draft for Review, NSPs are in a rather awkward position, which may severely affect the development of the internet industry. In view that Articles 14 to 17 of the Regulations on the Protection of the Right of Communication through Information Networks explicitly stipulate “notification” and “counter-notification” related to “the principle of safe harbour”, which has achieved a good effect in practice and realized a balance between the liability of NSPs, right holders and cyber sellers well, such principle may be taken as a reference in that regard.

10. Article 64

It is suggested that “both parties shall initiatively pro-

vide a patent assessment report” should be deleted, and instead “under the circumstances in which the people’s court or the patent administrative authorities require the patent holder or the interested parties to present a patent assessment report, but the patent holder or the interested parties refuse to do so without justifiable reasons, the people’s court or the patent administrative authorities can suspend the litigation or order the patent holder or the interested parties to bear possible adverse consequences”.

The patent assessment report is made at the request of the patent holder or the interested parties, and anyone is entitled to inquire and copy the report once it is made. No one, but the patent holder or the interested parties, can file a request for a patent assessment report. Thus, provisions shall be set forth to specify the adverse consequences borne by the patent holder or the interested parties who fail to provide a patent assessment report, so as to encourage them to provide the report on their own initiatives.

11. Article 67

It is suggested that the revised part in paragraph one of this Article should be deleted on the grounds identical to those for Articles 3 and 60. In addition, “products that wilfully infringed patent rights and disturbed market order” are vaguely defined and seldom found in practice. It seems unnecessary to set forth specific provisions for that.

12. Article 68

It is suggested that the upper and lower limits of the statutory damages specified in Article 68, paragraph two should be amended. To specify the upper limit thereof alone as RMB 3,000,000 will be more suitable so as to be compatible with the amount stipulated in Article 63, paragraph three of the Trademark Law (revised in 2013).

Low damages for patent infringement cases result from insufficient evidence in support of the amount of damages, instead of the lower and upper limits of the statutory damages being too low. The current situation can be better improved by such measures as enhancing the plaintiff’s capability in presenting evidence and entitling the court to investigate and collect evidence on request or *ex officio* to a larger extent, rather than simply raising the lower and upper limits of the statutory damages. The issue of low damages award can hardly be solved even if the lower and upper limits of the statutory damages are raised.

Article 21 of the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Disputes of Patent Infringement (2001) speci-

fied the lower and upper limits of the statutory damages for the first time, namely, RMB 5,000 to RMB 300,000, not more than RMB 500,000. The statutory damages were specified in Article 65 of the Patent Law (revised in 2008), ranging from RMB 10,000 to RMB 1,000,000. In judicial practice, the people's court, however, does not raise the amount of damages awarded merely because of the increase in the lower and upper limits of the statutory damages. That is because, in absence of evidence, the people's court should not award a large amount of damages by simply taking such factors into account as "the type of patent, the nature of infringing conduct, infringing facts and the faults of the defendant"; otherwise, the seriousness and authority of the judgment will be impaired. In practice, the defendants in the cases involving utility model or design patents with less inventive step are usually retail vendors. It will be rather unreasonable even if the damage awarded is RMB 100,000, the lower limit of the statutory damages. In addition, things turn into their opposites when they reach the extreme. An increase in the lower and upper limits of the statutory damages will induce the plaintiff to be reluctant to present evidence in support of his injury or profits earned by the defendant or passively wait for the court to make a judgment with reference to the statutory damages. What is worse, it may lead to the appearance of "lawsuit specialists", which will affect the normal operation of enterprises.

It is suggested that Article 68, paragraph three should be amended as "once the people's court concluded that an infringing conduct has been established, in order to determine the amount of damages, under the circumstances that the right holder has used its best efforts to present evidence, and the related account books or materials that can prove the infringing conduct and profits made by the defendant are mainly in control by the defendant, the court may order the defendant to provide the aforesaid account books and materials; if the defendant refuses to provide or provides false account books or materials, it may bear possible adverse consequences, and the people's court may decide the defendant has infringed the plaintiff's patent and rule on the amount of damages based on the amounts the right holder claims."

Difficulty in evidence production does not simply exist in the award of damages. In fact, it exists throughout the whole process of the trial of infringement cases, including the determination of infringing conduct. To limit the system of spoliation of evidence to the damages determination

phase does not comply with the trial practice. For instance, in a case related to infringement of a process patent, it is usually impossible for the plaintiff to obtain the evidence to prove that the defendant has implemented its process patent. Under the circumstances, the court will preserve the relevant evidence on request.

13. Article 73

It is suggested that a proviso clause should be added to exempt the user assumed in good faith from the liability for cessation of infringement, that is, "however, where the user does not pay reasonable fees, the patent holder has the right to require the user to stop using the alleged infringing product". The user assumed in good faith is the one who pays a reasonable *quid pro quo* in exchange for the right to use the alleged infringing product. Under Article 70 of the current Patent Law, although the user is not liable for damages, he shall be still held civilly liable for cessation of infringement on the premise of the permanent injunction lodged by the plaintiff. That is unfair to the user assumed in good faith, and will also lead to waste of resources and pose a threat to the security of transactions. Thus in order to guarantee security of transactions and protect the interests of the public, it is suggested that the user assumed in good faith should be allowed to continue using the infringing products after proving the reasonable source of the infringing product and paying reasonable fees to the plaintiff.

14. Article 81

It is suggested that such a newly added Article should be deleted. It is simply an advocacy provision with no mandatory measures as a guarantee, which is hard to operate. This article is neither practical nor significant as relevant subjects may still negotiate with each other in absence of the provision under this article.

15. Articles 82 to 84

It is suggested that those newly added Articles should be deleted. The License of Right system is originally intended to strengthen implementation and application of patents. However, the normal operation of that system is based on a large number of high-quality patents. Although China is a big country in terms of the number of patent applications and granted patents, there exists a problem that fewer patents are exploited and implemented for the rudimentary reason that the granted patents as a whole are relatively of low quality. Statistics provided by the PRB show that there are not more than 3,000 patent invalidation cases filed annually. Patent invalidation cases always arise from patent infringe-

ment lawsuits. Moreover, data of some patent trading platforms indicate that there are a few patents that finally enters into trade agreements. All those facts show that the number of patents finally exploited and utilized is rather limited. Seeing that the studies on the effect and value of the license of right system are not sufficient, a prudent attitude should be taken when introducing such a system so as to avoid waste of administrative resources.

16. Article 85

It is suggested that such Article should be deleted. On the one hand, there is no such a provision explicitly stipulated in the patent laws of developed countries. It seems too rash to introduce the SEPs into the law under the circumstances that no sufficient in-depth studies have been made on the SEPs. On the other hand, it is not proper to intervene with the patent holders in the exercise of their rights. A dispute over patent royalties is a typical civil dispute with no needs of establishing pre-procedures for administrative decision. "Where disputes arise between the parties with regard to the license of rights, the patent administration authority under the State Council can seek for adjudication. The party dissatisfied with the ruling may file a lawsuit with the people's court within fifteen days on receipt of the notice of decision." Such provision is not only in violation of the private nature of the patent right, but also adds meaningless litigation burden to the parties concerned. The administrative adjudication and two instances of judicial trials affect the litigation efficiency and disable the resolution of disputes between the parties as soon as possible.

17. Article 86

It is suggested that such Article should be deleted. Pledge of patent rights is explicitly stipulated in Article 227 of the Property Law and Article 75 of the Guaranty Law. The time that the pledge of patent rights takes effect can be determined according to the general principle and jurisprudence of the Property Law with no need of setting forth specific provisions.

18. It is suggested that one more article should be added to specify the principle that the public interests shall not be disserved by a permanent injunction.

It is suggested that the principle that the public interests should not be disserved by a permanent injunction should be added, i.e., "if an infringer's cessation of infringement is detrimental to the public interests, then the infringer can continue exploiting the related patent after paying reasonable fees". In judicial practice, if a defendant is ordered

to cease the use of an alleged infringing product or process that is installed or utilized on some public facilities, the public interests may be impaired. For instance, the cases of *Kubota Kasui Corporation v. Wuhan Jingyuan Co., Ltd.*, and *Zhuhai Jingyi Co., Ltd. v. Shenzhen Airport* tried by the Supreme People's Court both fall within the above scope. It is suggested that such article should be added from the perspective of maintenance of the public interests so as to balance the interests between right holders, the public interests and accused infringers. ■

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¹ In the preamble of the WTO's TRIPS agreement (Agreement on Trade-related Aspects of Intellectual Property Rights) are there the aims and consensus reached by the member states thereof, one of which goes like "recognizing that intellectual property rights are private rights".

² Jin Haijun (2004). On private nature of intellectual property rights (2004 ed., p. 6). China Remin University Press.

³ Chen Weiguo. The U.S. patent litigation rules, precedents and practice (2014 ed., p. 2). Intellectual Property Press.

⁴ Japan amended its Civil Procedure Law in 2003, specifying that as of 1 April 2004, all patent and utility model infringement cases in the first instance are handled by either Tokyo District Court or Osaka District Court. Osaka District Court has exclusive jurisdiction over all patent and utility model infringement cases which have area jurisdiction in western half part of Japan (roughly west of Nagoya not including Nagoya) and Tokyo District Court has exclusive jurisdiction over all patent and utility model infringement cases which have area jurisdiction in eastern half part of Japan (roughly east of Nagoya including Nagoya). Intellectual Property High Court of Japan takes all of appeals (second instance) submitted due to dissatisfaction with the first instance decisions. It should be noted that the Intellectual Property High Court of Japan has exclusive jurisdiction over appeals related to patents, utility models, integrated layout designs and software copyrights, and has jurisdiction over other first-instance intellectual property cases related to designs, trademarks, copyrights other than software copyrights, publication rights, neighbouring rights, plant breeder's rights (new plant variety rights) and commercial interest infringement cases due to unfair competition handled by district courts under the jurisdiction of Tokyo High Court, such as Tokyo District Court. First-instance cases handled by other district courts are still tried in corresponding High Courts as the court of appeal.

⁵ Data related to patent administrative authorities are retrieved from the official website of SIPO at <http://www.sipo.gov.cn/tjxx/>.