

On “Relative Grounds” for Patent Invalidation and Restrictions on Requestor’s Eligibility

A Study Based on the Showa Design Invalidation Case

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I. Brief of the Showa case

On 7 February 2010, Jiangsu Tianyi Showa Ceramics Co. Ltd. (“Jiangsu Showa Co.”) filed with the Patent Reexamination Board (“the PRB”) of the State Intellectual Property Office of China (SIPO) a request for invalidation of four patents for design owned by Lian Aimin, including the patent titled “Mug (4932)”¹, on the grounds that the patents in suit were in conflict with the US copyright for the “NOVA” series of products jointly owned by Showa Seito Co., Ltd. and Sango America Inc., and thus failed to comply with Article 23 of the Patent Law.

The Guidelines for Patent Examination stipulate in Part IV, Chapter 3, Section 3.2 that: “Where a request for invalidating a design patent is submitted on the grounds that the design patent is in conflict with a legitimate right of another individual which was acquired prior to the filing date of the patent, and the requester fails to prove himself to be the prior right holder or the interested party, the request for invalidation shall not be accepted, wherein the “interested party” refers to a person who is entitled to, in accordance with relevant legal provisions, file a lawsuit before the court or request the competent administrative authority to handle the matter regarding the dispute over infringement of the prior right.” In respect of the Showa case, the PRB’s opinions were that: “The requester is not a prior right holder, nor is there any evidence to prove that he is an interested party of the prior right. Hence, the requester is not eligible to file a request for invalidation on the grounds that the patent in suit is in conflict with the prior right.” Thus, the examination decision No.19017 was made and the patent in suit was sustained as valid.

The requester Jiangsu Showa Co. was dissatisfied with the decision and instituted an administrative proceeding in Beijing No.1 Intermediate People’s Court, claiming its eligibility for filing the invalidation request. The court after hearing held that: “Neither the Patent Law nor the Implementing Regulations of the Patent Law have placed any restrictions on the eligibility of a requester who files a request for invalidation based on a prior right, whereas the Guidelines for Patent Examination have done so. Since the Guidelines for Patent Examination are department rules, in case of their inconsistency with the laws and regulations, the provisions of laws and regulations shall apply, and thus no restrictions should be imposed on the eligibility of a requester.” The court accordingly revoked the PRB decision. The PRB, dissatisfied with this first-instance judgment, appealed to the Beijing Higher People’s Court, which, however, upheld said judgment².

II. Legal Analysis on Eligibility of Patent Invalidation Requester

Whether restrictions should be placed on the eligibility of a patent invalidation requester concerns the nature of the patent invalidation procedure as well as the legislative intent of such a procedure. This article is going to discuss the nature of the patent invalidation procedure, whether the distinction between absolute grounds and relative grounds applies to grounds for patent invalidation, and how to properly understand the relation between Article 45 and Article 23.3 of the Patent Law.

1. Nature of patent invalidation procedure

Patent examination around the world is predominantly

based on written documents. The China's Patent Law prescribes a substantive examination for patent applications for invention, but a preliminary examination only for patent applications for utility model and design. Regardless of substantive examination or preliminary examination, no patent offices in the world can guarantee that each of the granted patents is in total compliance with the patent law, and there is always a possibility that patent right is granted to an application not in compliance with the requirements for patentability under the patent law. However, as a patent right is protected by an exclusivity that subjects the general public to the obligation of "no implementation of a patent right without the permission from the rightholder", a patent invalidation procedure is without exception provided for in the patent law across various jurisdictions of the world as a remedy to the general public for patents unduly granted. Theoretically speaking, the patent invalidation procedure is an administrative procedure, and is initiated principally only after a dispute has arisen between a third party and a patent holder. By its very nature, the invalidation procedure originates from the inexhaustibility of patent searches as well as the diversity and complexity of the fields the technical solutions for patents pertain to, such that no patent offices in the world can absolutely guarantee the correctness of their examination results. And it is for the sake of safeguarding public interests that the invalidation procedure is instituted. In respect of this, the Guidelines for Patent Examination stipulate that "the invalidation procedure is initiated on the request of the party concerned after the announcement of a patent being granted, and is usually an *inter partes* procedure", wherein "*inter partes*" means "between the requester and the patent holder". And the PRB, which acts as the adjudicator in the procedure, is the administrative authority responsible for examining the requests for patent invalidation.

As the China's Patent Law has not endowed the patent office with the authority to revoke an unduly granted patent *ex officio*, it can only count on the general public to initiate the invalidation procedure to challenge the validity of a granted patent, with a view to counteracting the restrictions imposed by the exclusivity of an unduly granted patent on members of the public.

2. Does the distinction between absolute grounds and relative grounds apply to patent invalidation procedure?

In respect of "the grounds on which the request for invalidation is based", Rule 65.2 of the Implementing Regula-

tions of the Patent Law states that it means: "the patented invention - creation does not comply with Article 2, Article 20.1, Article 22, Article 23, or Article 26.3 & 4, Article 27.2, or Article 33 of the Patent Law, or Rule 20.2, Rule 43.1, of the Implementing Regulations; or the invention - creation falls under the provisions of Article 5 or 25 of the Patent Law; or the applicant is not entitled to be granted the patent right in accordance with Article 9 of the Patent Law." Of the above-mentioned provisions, Article 2 of the Patent Law defines the three types of patents; Articles 5 and 25 thereof stipulate the circumstances where no patent rights shall be granted; Articles 22, 23, 26.3, and 26.4 thereof specify the substantive conditions of patentability, while the rest of the provisions state the essential requirements for patentability. Non-compliance with any of the said provisions constitutes a ground for patent invalidation³. According to the conventional principles of the patent law, the above grounds for invalidation can be classified into two categories, namely, grounds that do not need the support of external evidence, such as grounds under Articles 5, 25, and 2 of the Patent Law; and grounds that require the support of external evidence, such as grounds relating to "absolute novelty" under Articles 22 and 23 of the Patent Law. Even for the latter type of grounds, no restrictions are placed on the external evidence in terms of the source of evidence, that is, any person may act to support the invalidation of a patent right, by means of evidence or by analysis and reasoning, as long as the invalidation request is based on this type of grounds. Accordingly, such grounds for invalidation are absolute grounds. It is noteworthy, however, that the Trademark Law, as a major branch of intellectual property, has strictly distinguished between absolute grounds and relative grounds for trademark invalidation (or trademark rejection). For instance, Articles 10, 11, 12 and 13 of the current Trademark Law are absolute grounds for trademark invalidation (or trademark rejection), whereas Article 30 thereof, with respect to the provision of where an application for registration of a trademark is identical with or similar to a trademark of another party that has been registered or accepted in respect of identical or similar goods, falls under relative grounds because "another party" therein can be construed to mean a party *per se* by means of certain legal procedure to thereby avert the grounds for rejection under that Article.

In brief, as relative grounds are non-existent in the conceptual framework of the China's Patent Law, the term "absolute grounds" is unnecessary in the context of grounds

for patent invalidation.

3. How to properly understand the relation between Article 45 and Article 23.3 of the Patent Law

In discussing the issue related to eligibility of a requester for patent invalidation, it is necessary in the first place to properly understand the provision in Article 45 of the Patent Law that “if any entity or individual believes that the grant of the said patent right does not conform to the relevant provisions of this Law, it or he may request that the PRB declare the said patent right invalid”. Literally, the requester is referred to in the Article as “any entity or individual”. Such provision seems to reflect a non-restrictive approach toward the eligibility of a requestor; however, on closer inspection, this non-restrictiveness should be understood in a relative sense. “For instance, in-service staff of the SIPO or the PRB, or even contract employees of these organs, should be explicitly denied at the legislative level their eligibility for filing an invalidation request because these individuals are engaging in job duties directly or indirectly related to patent examination, and may probably be in a position of determining the life and death of a patent. If they are allowed to act as invalidation requesters, the credibility of the patent system will be seriously undermined.”⁴ Similarly, patent agencies and patent agency industry practitioners (not limiting to patent attorneys) should also be disallowed from acting as invalidation requesters. Patent agencies, along with patent examination authorities, form the substantial basis for the implementation of a patent system. A patent agency is by nature a disinterested service agency whose fundamental task is to address the issues entrusted by their clients. When a patent agency is entrusted by a party concerned to deal with matters related to patent applications or patent invalidation, its objective is to provide services for the party, and the relation between the patent agency and the party is one of an agency relationship under the civil law, with the legal consequences of an act of the agency to be borne by the party *per se*. By reason of the foregoing, a patent agency or patent practitioner cannot be equated to a party concerned in the general sense. If patent agencies are allowed to get involved and act as the requester, it is prone to give rise to serious misconceptions among the public that they are using their “information advantage” positions to the detriment of the interests of patent holders, thereby indirectly undermining the authority and fairness of the patent law. It can thus be seen that the prohibition of patent agencies and patent practitioners from filing patent

applications or requests for invalidation in their own names is in fact conducive to the enhancement of credibility and healthy development of the patent agency industry, and should also be the basic discipline and good faith to be observed by the industry.

Hence, Article 45 of the Patent Law as a general provision for the patent invalidation procedure is not unrestrictive in a strict sense, wherein “any entity or individual” is not to be understood in its absolute sense, and should at least exclude the patent-related industry practitioners.

As for the provision of “not in conflict with the lawful right acquired by any other party prior to the date of application” in Article 23.3 of the Patent Law, it is a special provision from the perspective of jurisprudential analysis. In contrast, Article 45 of the Patent Law is an essential clause in the patent law system corresponding to the absolute grounds for patent invalidation, and that is why “any entity or individual” may act as an invalidation requester. In this sense the invalidation grounds system as a whole is in harmony. However, with the incorporation of Article 23.3 into the Patent Law during its second revision in 2001, carrying with it a relative ground as embodied in the provision of “any other party” to indicate that if “any other party” does not take action to claim the prior right, there is no need to consider whether conflict of rights has arisen, and “relative grounds” are introduced to the Chinese invalidation grounds system, which was originally a domicile of “absolute grounds” only. Under the principle of “special provisions overriding general provisions”, where Article 23.3 of the Patent Law is used as a ground for invalidation, it will better align with the original legislative intent of that provision as well as help maintain harmony among various clauses in the patent law system if an eligible requester is restricted to “the prior right holder or the interested party”.

III. Legal Dilemma Caused by Showa Case and Solutions thereto

In respect of the Showa case, the PRB has made renewed examination decision in its enforcement of the court judgment, but undoubtedly, the court’s interpretation of Article 45 of the Patent Law in this case is controversial, mainly because the court has interpreted the meaning of “any entity or individual” literally, without ever considering that Article 23.3 of the Patent Law represents a relative ground for invalidation. If, as according to the court’s judgment,

there are no restrictions on the eligibility of the requester, the PRB in adjudication would not be able to find out who owned the “prior right” and whether “the prior right holder” was asserting his “prior right”, in other words, whether there existed a “conflict of rights”. In light of this, the impact of the Showa case on the patent law system cannot be overlooked.

By in-depth analysis, the controversy surrounding the Showa case stems from immature legislative techniques in law making. “Conflict of rights” is a matter of factual judgment relating to infringement, which should be settled through civil proceedings, but now the legislative authority has mistakenly regulated it as requirements for patentability under the patent law⁵. By the time of the second revision of the Patent Law, Article 23 of the Patent Law had only one paragraph, which reads: “Any design for which a patent right may be granted must not be identical with or similar to any design which, before the date of filing, has been publicly disclosed in domestic or foreign publications or has been publicly used within the country, nor shall it be in conflict with the prior lawful right of anyone else.” In the said provisions, “any design for which a patent right may be granted must not be identical with or similar to any design which, before the date of filing, has been publicly disclosed in domestic or foreign publications or has been publicly used within the country” is an absolute requirement of patentability, i.e. an absolute ground, while “nor shall it be in conflict with the prior lawful right of anyone else” is a relative ground. The coexistence of an absolute ground and a relative ground within the same clause such that they are indivisible as a statutory ground for invalidation reflects haste and lack of rigour in law making. It is thus a good thing that in the third revision of the Patent Law in 2008, the original Article 23 was amended to comprise three paragraphs, wherein the provision of “nor shall it be in conflict with the prior lawful right of anyone else” has become on its own a third paragraph under that Article. This helps partially resolve the issue of differentiation between absolute grounds and relative grounds. Nevertheless, Rule 65 of the Implementing Regulations of the Patent Law still makes no distinction between absolute grounds and relative grounds, rendering it impossible to specify the restrictions on the eligibility of a requester who cites Article 23.3 of the Patent Law as the ground for invalidation. Meanwhile, in Rule 44 of the Implementing Regulations of the Patent Law on the grounds for rejection of a patent application, only the first paragraph of

Article 23 of the Patent Law is included, though such inclusion reflects more an accommodative practice to the mere requirement of preliminary examination for a patent application for design than the awareness of the need to distinguish absolute grounds from relative grounds.

Given the improbability of changing existing legislative reality⁶, if Article 45 of the Patent Law is properly understood and the relation between Article 45 and Article 23.3 of the Patent Law rightly sorted out, the mentioned disharmony in the patent law system can become manageable to a certain extent. Specifically, a way out of the dilemma is to leverage the fourth revision of the Patent Law and, by reference to the Trademark Law⁷, expressly restrict an eligible requester who cites Article 23.3 of the Patent Law as a ground for invalidation to “the prior right holder or the interested party”. By such doing, “absolute grounds” and “relative grounds” may also be differentiated to address the issue related to eligibility of an invalidation requester. And as the concrete steps to achieve the solution, the provision of “unless specified in Article 23.3 of this Law” may be added to Article 45 of the Patent Law, while at the same time the following be stated in the Implementing Regulations of the Patent Law: “Where a requester filing a request for invalidation of a patent for design by reason of non-compliance with Article 23.3 of the Patent Law, but fails to submit evidence to prove that he himself is a prior right holder or an interested party, the PRB shall not accept such request for invalidation.”

IV. Conclusion

This article has discussed, on the basis of the Showa case, that under the legislative reality that the grounds for patent invalidation have been changed from absolute grounds to a combination of absolute grounds and relative grounds, the eligibility of an invalidation requester must, by reference to relevant provisions of the Trademark Law, be distinguished accordingly. In other words, where a request for invalidation of a design patent is filed by reason of non-compliance with Article 23.3 of the Patent Law, the eligible requester should be restricted to “the prior right holder or the interested party”. This writer is of the view that conflict of intellectual property rights is a matter of factual determination of infringement that should not be mingled with the criteria for grant of intellectual property rights. The Showa case has dealt an unnecessary blow to the harmony of the

patent law system. Given the improbability of changing existing legislative reality, it is advisable that we leverage the fourth revision of the Patent Law by setting forth in law and regulations the restrictions on the eligibility of a requester who uses a relative ground as the ground for patent invalidation. ■

¹ The invalidation request relates to a patent for design of No. 200630080703.6 titled “Mug (4932)” filed in the name of Lian Aimin on 15 February 2006, and the grant of which was announced by the SIPO on 17 January 2007.

² See Administrative Judgments No. Yizhongzhixingchuzi 40/2013, 41/2013, 42/2013, 44/2013, and Administrative Judgments No. Gaoxingzhongzi 30/2014, 31/2014, 36/2014, 37/2014.

³ According to the China’s Patent Law, grounds for patent invalidation are also grounds for rejection of a patent application, but not all grounds for rejection can be used as the grounds for invalidation. For instance, “lack of unity” is a ground for rejection under Rule 53 of the Implementing Regulations of the Patent Law, but it is not listed as a ground for invalidation under Rule 65.2 thereof.

⁴ Liu Guowei (September 2008). Reflections on several issues regarding eligibility of invalidation requesters. Study on the Patent Law 2007, Intellectual Property Press, 268.

⁵ Under the IP law system, evaluation of the elements of infringement determination and that of the elements of patentability should not be regarded as the same thing as they adopt different approaches. Take “basic patents” and “improved patents” in the patent law as an example, although the implementation of improved patents will unavoidably in-

fringe basic patents, improved patents are still patentable due to the substantive improvement they bring to the basic patents. The conflict between them can be resolved by means of cross-licensing and need not be taken into account in evaluating the conditions of patentability.

⁶ In 2001, the second revision of the China’s Patent Law was made in line with China’s entry into the World Trade Organization (WTO), and the China’s Trademark Law also underwent its second revision. The amended Trademark Law sets forth in Article 9.1 that: “A trademark submitted for registration shall bear noticeable characteristics and be readily distinguishable, and it may not conflict with the legitimate rights obtained by others earlier”. Such provision is also beset with the issue of mingling the conditions for trademark registration with those for infringement determination. This writer foresees that it is unlikely for the said provision to be removed from the Patent Law or the Trademark Law, at least for a long period of time.

⁷ For instance, in respect of the eligibility of an opponent in the opposition procedure, Article 33 of the current Trademark Law provides that: “If a holder of prior rights or an interested party holds that the trademark announced upon preliminarily review is in violation of Article 13.2 & 3, Article 15, Article 16.1, Article 30, Article 31, or Article 32 of this Law, he may, within 3 months from the date of the preliminary review announcement, raise objections to the trademark office. Any party that is of the opinion that the aforesaid trademark is in violation of Article 10, Article 11 or Article 12 of this Law may raise objections to the trademark office within the same three-month period. If no objection is raised upon expiry of the announcement period, the trademark office shall approve the registration application, issue the certificate of trademark registration, and make an announcement thereon.”