

Relative Grounds for Invalidation and Optimization of Design Patent Invalidation System

— centred on conflict of rights

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The requirement for patent grant that “any design... must not be in conflict with any prior right of any other person” was first introduced into Article 23 of the China’s Patent Law through its amendment of 2000.¹ For the sake of consistency, the Implementing Regulations of the China’s Patent Law (hereinafter referred to as the Implementing Regulations) clarified that a right conflict is one of the grounds for invalidation of a design patent, and meanwhile additionally stipulates the procedural requirements of the invalidation request on the grounds of rights conflict. The introduction of rights conflict as a ground for invalidation of a design patent puts forward new research topics concerning patent law theories and practice, and significantly inspires the optimization of patent invalidation system. Regrettably, existent studies rarely touch upon this issue and lack in-

depth analysis.² This article is aimed to make up for this shortcoming.

As discussed below, grounds for patent invalidation may be divided into different groups on the basis of various standards, among which public interest and private interest grounds, and relative and absolute grounds are of great significance. Relative grounds for invalidation include usurpation and conflict of rights, which are in essence disputes over infringement of other’s rights and interests. In virtue of the nature of the relative grounds for invalidation, the eligibility of a requestor who is allowed to file an invalidation request on those grounds shall be restricted. There are two options available to solve the conflict between a design patent and prior rights: one is to resolve the conflict of rights as a relative ground for invalidation in administrative invalida-

tion proceedings, and the other is to resolve the conflict of rights as an infringement dispute in civil infringement proceedings. The second option inspires us to set up administrative proceedings and civil proceedings as two parallel channels in the design patent invalidation system.

I. Classification of grounds for patent invalidation and presence of relative grounds for invalidation

Pursuant to general theories of the patent law, grounds for patent invalidation are of a great variety. The grounds for invalidation can be substantially divided into four types according to the contents thereof: (1) grounds for invalidation in relation to patentable subject matters, for instance, Article 2 of the China's Patent Law on different types of patents and Article 25 thereof on the scope of non-patentable subject matters; (2) grounds for invalidation in relation to public policies, for instance, Article 5 of the China's Patent Law providing that patent rights shall not be granted if invention-creations violate the law or social ethics or harm public interests, or invention-creations are accomplished by relying on genetic resources which are obtained or used in violation of the provisions of laws and administrative regulations; (3) grounds for invalidation in relation to substantive requirements for patent grant, for instance, Articles 22, 23, 26.3 and 26.4 of the China's Patent Law on novelty, inventive step, practicability, sufficiency of disclosure and support of claims by the description, Article 27.2 thereof requiring that relevant drawings or photographs shall clearly show the design of a product for which patent protection is sought, Article 33 thereof requiring that amendments to patent application documents shall not extend beyond the scope of original disclosure, and Article 9 thereof on prohibition of double patenting; and (4) grounds for invalidation in relation to infringement of other's legitimate rights and interests. The grounds for invalidation regarding conflict of rights fall into this type. In addition to conflict of rights, usurpation of other's invention-creations is also a ground for invalidation in some countries. For instance, according to the German Patent Act, if the essential content of the patent is related to how to obtain the descriptions, drawings, models, devices or equipment of others or usurp processes used by others without permission, the patent can be revoked or invalidated.³ This ground for invalidation actually covers both of the

disputes over the right to patent application and disputes over patent ownership. Inspired by the German Patent Act, the Implementing Regulations (1985) similarly provided usurpation as a ground for objection and invalidation, which was, however, deleted from the China's Patent Law and the Implementing Regulations thereof in their amendment of 1992.⁴

The grounds for invalidation can be divided into two groups according to the interests involved: (1) grounds for invalidation involving public interests. The aforementioned grounds for invalidation in relation to patentable subject matters and public policies usually relate to public security or public health, are legislative choices of a country in view of its national conditions, and have the attribute of public interests. The aforementioned grounds for invalidation involving substantive requirements on a patent are also in association with the public interests to some extent. When a patent is granted, the patentee is entitled to exclusively exploit its or his patent within a certain time period. For ensuring that the granted patent deserves such protection, it is required that the patent should indeed meet the substantive requirements such as novelty, inventive step and practicability, so that the protection provided therefor will be commensurate with the contributions it makes. Any application that is not in line with the substantive requirements for patentability will unfairly restrict the public's innovation and free utilization. To this end, the patent law establishes a patent invalidation system that is aimed to find out and invalidate wrongly granted patents with the help of the public, in such a way to safeguard a public space favourable to innovation.⁵ In this sense, the grounds for invalidation in relation to the substantive requirements on patentability are in close association with the public interests. (2) The grounds for invalidation involving particular private interests. The grounds for invalidation of this type are related to the private interests only, and have nothing to do with the public interests. For instance, the aforementioned grounds for invalidation in relation to infringement of other's legitimate rights and interests, including conflict of rights and usurpation of other's invention-creations, are grounds involving private interests. In addition to the difference in the interests involved, these two types of the grounds for invalidation also differ in the following aspect: a patent, which is invalidated for the sake of public interests, usually lacks patentable subjects worthy of protection; however, a patent, which is invalidated for the sake of private interests, usually has patentable subjects

and can not be rejected based on substantive requirements in patent law. Such a patent is invalidated because a patent should not be granted to the nominal owner thereof.⁶

The distinctions between the grounds for invalidation involving public interests and those involving private interests gradually came into being with the deepening of understanding during the development of patent law. On the basis of those distinctions, it is realized that the two types of grounds for invalidation shall be claimed by different requestors, which gives rise to the division of absolute grounds and relative grounds for invalidation. As for the grounds for invalidation involving public interests, any one can file an invalidation request against a patent insofar as the patent is found to be defective on those grounds. Hence, the grounds involving public interests are also referred to as absolute grounds for invalidation. The aforesaid grounds for invalidation in relation to the patentable subject matters, public policies and substantive requirements on patentability are absolute grounds that can be claimed by any one. In contrast, as for the grounds for invalidation involving private interests, they can only be claimed by a particular requestor, rather than anyone. Hence, the grounds involving private interests are also referred to as relative grounds for invalidation. The aforesaid grounds for invalidation in relation to conflict of rights and usurpation are relative grounds that in principle can only be claimed by an injured party. For instance, in the light of the provision of Section 81(3) of the German Patent Act, in the case of usurpation, only the injured party shall be entitled to bring an action. Similarly, the German Utility Model Act and the German Design Act also confine the subject entitled to file a request for invalidation on the grounds of usurpation or conflict of rights to be a particular person, rather than anyone else.⁷ In the Council Regulation on Community Designs, there are similar requirements on the eligibility of the requestor who may file an invalidation request on the grounds of usurpation or conflict of rights.⁸ The Japanese Patent Law stipulates similarly that only the interested party is an eligible requestor to file a request for invalidation on the grounds of usurpation.⁹

The relative grounds for invalidation change the previous patent invalidation system based on absolute grounds for invalidation. As a result, on account of the characteristics of relative grounds for invalidation, adaptive amendments to the existent patent law system have been made in different countries in three different methods.

II. Characteristics of relative grounds for invalidation and three methods in patent laws

Since grounds for patent invalidation are statutory and close-ended, a patent shall be invalidated for no reasons except those explicitly stipulated in the patent law.¹⁰ Judging from the patent law practice in various countries, relative grounds for invalidation are in fact confined to usurpation and conflict of rights. Usurpation mainly refers to filing a patent application for other's invention-creation in one's own name and obtaining a patent right, and thus usurping other's interests. Usurpation, which includes disputes over the right to apply and over patent ownership, is in essence an infringement on other's interests by means of filing an application or obtaining a patent right. Conflict of rights refers to the conflict between the patent right and other's previously obtained legitimate rights and interests. In this case, different right holders enjoys their respective rights to different objects in respect of the same subject matter, i.e., the patent owner enjoys the patent right, others are entitled to other types of rights and interests, and the exploitation of the patent will unavoidably infringe other's prior rights. In this sense, conflict of rights is in fact an infringement dispute. It can be seen that both usurpation and conflict of rights show the same attribute that they are an infringement on the other's legitimate rights and interests.

In order to eliminate the illegal state in which other's legitimate rights and interests are infringed by obtaining or exploiting a patent, the patent laws of various countries primarily adopt three methods. The first method is patent invalidation, which means usurpation or conflict of rights is a relative ground for invalidation, so the injured party can file a request to invalidate the usurped patent. The second is transfer of rights, which means when usurpation occurs, the injured party can request to get the patent right by means of transfer through litigation. As for conflict of rights, it is usually not resolved in the manner of right assignment because different right holders enjoy their respective rights to different objects in respect of the same subject matter, and they all contribute to the formation of their respective rights, and it is inappropriate to simply transfer the right of one party to another. The third method is restriction on patent rights. Where a patent right is in conflict with other's previously obtained legitimate rights and interests, the patent holder shall

not exploit the patent for business purposes. That is to say, although the prior right holder cannot invalidate the patent on the grounds of conflict of rights, it or he can lawfully prohibit the patentee from exploiting the patent. Of course, in order to exploit the patent, the patent holder can obtain permission from or come to an agreement with the prior right holder through negotiation. It can be seen that on account of the attributes of usurpation and conflict of rights, i.e. kinds of civil infringement disputes, the patent law can remedy the infringement either through administrative proceedings of patent invalidation, or through civil disputes resolution proceedings.

In patent laws of different countries, one of the above methods, or a combination thereof may be selected. The German Patent Act incorporates the first and second methods. In addition to provide usurpation and conflict of rights as relative grounds for patent invalidation, it also explicitly stipulates that: a person injured by usurpation may demand that the patent applicant should surrender to him the right to the grant of a patent. If the application has already resulted in a patent, the person may demand that the patentee should assign the patent to him.¹¹ Similar provisions can also be found in the German Design Act.¹² The Japanese Patent Law combines the first and third methods together. It defines usurpation, but not conflict of rights, as one of the grounds for patent invalidation;¹³ and meanwhile it also stipulates that where the patent right is in conflict with other's design right or trademark right prior to its filing date, the patentee shall not have the right to exploit the patent for business purposes.¹⁴

Ostensibly, the China's Patent Law adopts the first method. Although the China's Patent Law no longer took usurpation as the ground for patent invalidation since its amendment in 1992, when it was amended again in 2001, conflict of rights was added as a ground for invalidation of design patent. The main reason for not adding usurpation as a ground for invalidation is that, if so, the PRB will have to examine the eligibility of the patent applicant and investigate the actual invention process, which is out of the PRB's capability due to its nature and way of working.¹⁵ However, when conflict of rights is introduced as a ground for invalidation, the PRB was put in the same difficult position: it needs to examine the eligibility of the prior right owner, and judge whether conflict of rights exists. In consideration of those difficulties, the Implementing Regulations of 2001 stipulated that the dispute over conflict of rights shall be settled in a

preceding procedure, that is, a court or a patent administration department determines whether conflict of rights exists and then a party concerned files a request for invalidation the design patent with the effective judgment of court or decision of the patent administration department.¹⁶ However, the current Implementing Regulations abandons the afore-said requirement on preceding procedure. Specifically, it is provided that, where a request for invalidation of a design patent is based on the grounds that the design patent is in conflict with a prior right of another person, effective ruling or judgment dealing such conflict of rights is no longer required. Rather, evidence showing such conflict of rights would be sufficient.¹⁷

What needs to be additionally explained is that, although the China's Patent Law no longer takes usurpation as a ground for invalidation, it does not mean that the injured party is without redress. The injured party may file a civil lawsuit for the right to the grant of a patent or patent ownership. If the court determined that the patent applicant or patentee is not the actual inventor or right holder, the winning party can request for transfer of patent right with the State Intellectual Property Office (SIPO) based on the favourable judgment.¹⁸ It can be seen that under the framework of China's Patent Law, the first method and the second method are actually combined in practice.

III. Eligibility of requestor in invalidation on relative grounds

When conflict of rights and usurpation become grounds for patent invalidation, the next issue is who have the right to file an invalidation request on those grounds. When conflict of rights was introduced as a ground for invalidation in 2000, the China's Patent Law gave no attention to the eligibility of invalidation requestor due to inadequate research and poor legislative skills. Since then, none of the amendments to the China's Patent Law touched upon this issue, and the provisions in this regard remain unchanged so far—"where, starting from the date of announcement of the grant of the patent right by the Patent Administration Department under the State Council, any entity or individual considers that the grant of the said patent right is not in conformity with the relevant provisions of this Law, it or he may request the PRB to declare the patent right invalid."¹⁹ Nevertheless, ever since the amendments to the China's Patent Law in 2000, the Implementing Regulations and the

Guidelines for Patent Examination started to think about the requestor's eligibility in invalidation on the grounds of conflict of rights. For instance, the Guidelines for Patent Examination confine the requestor, who requests for invalidation of a design patent on the grounds of conflict of rights, to a prior right holder or an interested party. As stipulated in Part IV, Chapter 3, Section 3.2 of the Guidelines for Patent Examination, "a request for invalidation shall not be accepted where the request for invalidation of 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 requestor fails to prove himself the prior right holder or the interested party. The interested party refers to the person who is entitled to 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 accordance with the relevant legal provisions." The current Implementing Regulations actually define the eligibility of an invalidation requestor from the perspective of evidence requirements. Rule 66.3 of the current Implementing Regulations states that "where a request for invalidation of a design patent is based on the grounds of being not consistent with Article 23.3 of the China's Patent Law, but no evidence is submitted to prove such conflict of rights, the PRB shall not accept it." However, in practice, there are still controversies over who is eligible to file an invalidation request on relative grounds due to lack of clear provisions in the China's Patent Law, ambiguous expression in the Implementing Regulations and low rank of the Guidelines for Patent Examination.

The controversy resulted from a series of cases concerning Showa's design patents.²⁰ In the case, Jiangsu Tianyi Showa Ceramics Co. Ltd. ("Tianyi Showa") filed with the PRB requests for invalidation of four design patents owned by Lian Aimin, including the patent titled "Mug (4932)" on the grounds that the challenged patents were in conflict with the copyright of the "NOVA" series of products jointly owned by Showa Seito Co., Ltd. and Sango America Inc. in the United States. The PRB held that Tianyi Showa was neither the prior copyright holder nor an interested party, and thus was not eligible to file an invalidation request on the grounds of conflict of interests. The first-instance court found that neither the China's Patent Law nor the Implementing Regulations restrict the eligibility of the requestor who files a request for invalidation based on a conflict

with a prior right. However, the Guidelines for Patent Examination do restrict the eligibility. Where the Guidelines for Patent Examination, as departmental rules, are not in conformity with the laws and regulations, the laws and regulations shall apply. For that reason, the eligibility of the invalidation requestor shall not be limited. As a result, the first-instance court revoked the PRB's decision. The Beijing High People's Court upheld the First-instance Judgment.²¹ The Second-instance Judgment triggered further controversy on the eligibility of requestor between the courts and the PRB. On the basis of the Second-instance Judgment, the first-instance court sent Judicial Suggestions to the SIPO and the PRB, suggesting that the provisions on the eligibility of invalidation requestors, i.e. Part IV, Chapter 3, Section 3.2 of the Guidelines for Patent Examination, shall be deleted.²² The PRB firmly replied that there was no need to amend those provisions.²³ Since then, the controversy over this issue remains pending.

Two years later, in the Staples design patent invalidation case, Beijing High People's Court made a judgment different from the Showa cases.²⁴ In Staples case, Luo Shikai is the patent holder of a design patent titled "Paper Shredder (HC0802)", and Staples, Inc. ("Staples") filed a request for invalidation on the grounds that the design patent was in conflict with its prior copyright. The PRB agreed with Staples and declared the challenged patent invalid accordingly. Beijing No.1 Intermediate People's Court held that the evidence submitted by Staples was not sufficient to prove its ownership on the prior copyright, or the conflict of rights between the challenged patent and any of its prior copyright. Therefore, the PRB's decision shall be revoked. Beijing High People's Court found at the second instance that Staples had assigned its copyright to another party in the invalidation proceedings. Where invalidation of a design patent is based on the grounds of conflict of rights, the requestor shall be the prior right holder or an interested party. In the case, neither Staples's arguments on the assignment of its copyright, nor the evidence at hand could prove that Staples was the holder of the claimed copyright or an interested party. As a result, the Beijing High People's Court upheld the First-instance Judgment.

Shall we impose limitations on the eligibility of a requestor who files a request for invalidation on relative grounds? In practice, the legislation of some other countries and region, like German, England, Japan and European Union, has inspired us from the perspective of compara-

tive law. The legislation of those countries, without exception, confines the requestor of this type to an injured party, or the right holder and an interested party, rather than anyone else.²⁵ Judging from the substantive aspect, the reason why the eligibility of the requestor shall be limited is mainly determined by the essential nature of relative ground for invalidation, legislative purpose, as well as legal order and effect.²⁶

Firstly, the essential nature of relative grounds for invalidation. As discussed above, in comparison with absolute grounds involving public interests, relative grounds for invalidation, which includes conflict of rights and usurpation, only involve private interests. They have the special attribute of infringing other's legitimate rights and interests. Accordingly, in practice, evidence showing the conflict of rights or usurpation can only be obtained by the injured party, namely the right holder or the interested party, and it is difficult for other persons to have access to the evidence. On account of this, only the injured right holder or interested party is able to file an invalidation request based on relative grounds. This special attribute is the "nature" of the relative grounds for invalidation, and decides that relative grounds shall be dealt with differently from absolute grounds.²⁷

Secondly, the legislative purpose of relative grounds for invalidation. Incorporation of relative grounds for invalidation is aimed to overcome the illegal circumstances caused by conflict of rights or usurpation by way of invalidation. In this concern, conflict of rights was incorporated into Article 23 through the second amendment to the China's Patent Law. The conflict of rights clause is designed to remove the obstacles caused by certain design patents to others in exercising their own legitimate rights, and avoid conflict of rights between different right holders in the field of intellectual property.²⁸ Hence, the legislative purpose of defining conflict of rights and usurpation as relative grounds for invalidation is to protect the legitimate rights and interests of specific parties. In view of the legislative purpose, a request for invalidation based on relative grounds shall be filed only by the right holder or interested party.

Thirdly, the effect in terms of legal order. If Article 45 of the China's Patent Law is rigidly applied to allow anyone to file a request for invalidation of a patent on the relative grounds, it may cause an adverse effect in terms of the legal order. At first, if anyone is allowed to file an invalidation request on relative grounds, it may unavoidably lead to an

awkward situation where the invalidation is against the wills of prior right holders. Next, since the essence of relative grounds for invalidation lies in the illegal status of infringing other's legitimate rights and interests, this illegal status can be eliminated if the patentee obtains authorization or permission from the right holder. Thus, even though the general public other than the prior right holder and the interested party can initiate the invalidation proceedings, the subsequent administrative proceedings and administrative litigation may become meaningless at any time due to the elimination of the illegal status. In contrast, if only the prior right holder and the interested party is allowed to file a request for invalidation on relative grounds, the above adverse effect can be avoided.²⁹

As can be seen from the above, although Article 45 of the China's Patent Law reads that anyone may file a request for invalidation on any statutory grounds, the nature of "relative grounds for invalidation" determines that only the right holder or the interested party, rather than anyone else, can file a request on relative grounds. "If a legal provision severely goes against the nature of things, a judicial judgment can correct a law by means of renewal of the law transcending laws."³⁰ Thus, regarding relative grounds for invalidation, such as conflict of rights, the eligibility of the requestor provided in Article 45 of the China's Patent Law shall be narrowly interpreted according to the legislative purpose.

Another issue with the Staples design patent invalidation case is whether a requestor, who is eligible at the initiation of the administrative invalidation proceeding, may lose his eligibility due to the change in the legal relationship between the requestor and the subject in dispute. Such an issue involves the balance between two interests: one is the stability of the litigation proceedings, and the other is the protection of the transferee's rights and interests on the subject in dispute. For the sake of ensuring a stable litigation proceeding, preventing the uncertainty in the litigation and avoiding the waste of litigation resources, the procedural law theory recognizes the principle of the invariability of parties—once a plaintiff institutes a lawsuit to the courts, the transfer of the subject in dispute will have no influence on the litigation proceeding.³¹ The said principle is recognized in theory and practice in both administrative and civil procedures. For instance, Article 249.1 of Interpretation of the Supreme People's Court on the Application of the Civil Procedure Law of China reads "the transfer of the civil rights and

obligations in dispute during litigation proceedings shall not affect the eligibility and status of parties concerned as the parties to litigation. The legally binding judgment/ruling rendered by the competent people's court shall be binding on the transferees." Pursuant to this provision, after a court accepts a civil case, a party concerned will not lose its eligibility due to subsequent changes in the rights and obligations regarding the subject in dispute. To the contrary, if the eligibility of a party changes along with the change of legal relationship, it will render the administrative litigation proceedings in vain. This will cause severely adverse effects on the stability of the procedure and the certainty of its result, and waste judicial resources. Although the principle of the invariability of parties is beneficial to the stability of the litigation proceedings, it may be not in favour of the transferee of the subject in dispute. Absolute invariability of parties and stability of proceedings exclude the transferee from the litigation proceedings, such that the transferee has no chance to join the proceedings to exercise its right of action. Together with the principle of invariability of parties, it is also necessary to protect the interests of the transferee through procedural design. Therefore, the aforesaid judicial interpretation allows the transferee to join the litigation as a third party without independent right of claim or substitute the original party to participate in litigation.³² This is a preferred method as it can not only effectively ensure the stability of the litigation proceedings, but also take into account the transferee's interests on the subject in dispute. Although it is currently applicable in the civil procedures only, it provides a reference to the administrative procedures.

Is this method applicable to patent invalidation proceedings? Different from normal administrative proceedings in which only administrative authorities and administrative counterparts are involved, the patent invalidation proceedings involve an invalidation requestor and a patentee as two parties and the PRB as a "judge". The key issue here is the validity of a patent. Thus, the patent invalidation proceedings are also known as "quasi-judicial proceedings" as they are quite similar to judicial litigation proceedings in terms of procedural framework, disputed matters, as well as parties and functions, etc. The patent invalidation proceedings also involve such issues as the stability of proceedings and the protection of the transferee's rights and interests on the subject in dispute. The subject in dispute herein may refer to the challenged patent, or the prior right that is in conflict with a patent right. If the transfer of the sub-

ject in dispute rendered the originally on-going invalidation proceedings null and void, the proceedings would be uncertain and the administrative resources would be wasted. The absolute stability of proceedings will also have the risk of undermining the transferee's rights on the subject in dispute. Under such circumstances, on the basis of the principle of invariability of parties, allowing the transferee of the subject in dispute to join the invalidation proceedings as a third party or substitute the original party and succeed its procedural rights and obligations can completely and effectively solve the above problems. Thus, the aforesaid procedural design concept should apply to the patent invalidation proceedings. In this concern, in the Staples case, the Supreme People's Court clearly ruled that "the principle of invariability of parties provides a reference to the administrative invalidation proceedings", and "the person, who is eligible as a requestor when the administrative invalidation proceedings are initiated, will not lose its eligibility even though the legal relationship of the subject in dispute changes later".³³

IV. Resolution of conflict of rights: Relationship between administrative invalidation proceedings and civil infringement proceedings

As stated above, conflict of rights can be overcome via two routes: administrative invalidation proceedings or civil infringement proceedings. In the China's Patent Law, administrative invalidation proceedings are chosen in which conflict of rights is used as a relative ground for invalidation of design patent. In addition, the PRB directly makes a judgment on whether conflict of rights exists, instead of solving the conflict of rights in a previous procedure. Notwithstanding, since conflict of rights is in nature a civil infringement, once the patentee exploits his design patent that conflicts with other's rights, the prior right holder can surely file a civil infringement lawsuit on infringement in court directly. Thus, in China, there are still two ways to deal with the conflict of rights. In practice, since the PRB keeps emphasizing its independence in judging conflict of rights and no longer waits for a court judgment, it happens from time to time that the results of the administrative proceedings and the civil proceedings are in conflict. For instance, in an invalidation case involving the design patent No. ZL201030183667.2

with the title “Liquor Bottle Package (Xinyoushi)”, Shixian Taibai Liquor Industry (Group) Co., Ltd. (“Shixian Taibai”) filed a request for invalidation of this design patent on the grounds that the design patent was in conflict with the trade dress of its well-known product. Meanwhile, Shixian Taibai also filed a civil action against Sichuan Tang Dynasty Laojiao (Group) Co., Ltd. (“Tang Dynasty”), which exploited said design patent for unfair competition.³⁴ Shixian Taibai won the unfair competition case. The court held that Tang Dynasty’s unauthorized use of the trade dress of other’s well-known product constitutes unfair competition, thereby ordering Tang Dynasty to cease its infringing act. However, Shixian Taibai was the losing party in the patent invalidation proceedings. The PRB found that the design used by Tang Dynasty was not similar to the trade dress of the prior well-known product owned by Shixian Taibai, and maintained the challenged design patent valid.³⁵ That decision was upheld in subsequent administrative litigation proceedings.³⁶

Subject matter protected by a design patent is the overall design image in the eye of ordinary consumers. What usually comes into conflict with a design patent is the prior right primarily protecting an external image, such as copyright, trademark or trade dress.³⁷ No matter in the civil infringement proceedings or in administrative invalidation proceedings, when judging whether conflict of rights exists, the key issue is whether the exploitation of the disputed design patent will infringe upon other’s prior right.³⁸ Whether the design patent is novel and distinguishable to any prior design and whether the design patent is patentable are not considered in judging the conflict of rights. Meanwhile, even if the patented design is developed on the basis of the prior right, conflict of rights will still occur as long as its exploitation infringes upon other’s prior right. It can thus be seen that judgment on whether a design patent is in conflict with a prior right is essentially a civil infringement judgment, and usually involves no technical issues. In this sense, the PRB has no advantage in experience and knowledge. To the contrary, the courts hearing civil infringement cases are more experienced in judging conflict of rights. Moreover, once a design patent is found to infringe the prior right in an effective judgment of a civil infringement case, even if the design patent is maintained valid in the administrative invalidation proceedings, it, in fact, cannot be exploited. Therefore, in judging whether conflict of rights exists, civil infringement proceedings shall prevail and be decisive. When two proceedings overlap with each other, the final results of the

civil infringement proceedings shall decide the results of the administrative invalidation proceedings. If a requestor files an invalidation request against a design patent based on an effective civil judgment which finds conflict of rights, the PRB shall accordingly declare the disputed design patent invalid, rather than make an independent reverse judgment as to whether conflict of rights occurs. If a prior right holder files a request for retrial of an administrative decision that maintains the disputed patent valid based on a final judgment of civil infringement proceedings, the court shall accept the case and revoke the administrative decision.

Just because civil infringement proceedings play a decisive role in the judgment of conflict of rights, the patent laws of some countries, such as Japan, stipulate that the conflict of rights can only be solved in civil infringement proceedings. For China’s Patent Law, such an approach is worth learning, since it gives full play to the experience of the courts handling civil cases, and avoids the conflict between the results of the civil infringement proceedings and the administrative invalidation proceedings. Such an approach serves as a reference for the China’s Patent Law.

V. Conclusion: Innovation of design patent invalidation system

Based on the above discussion, as far as design patent is concerned, not only relative grounds for invalidation, such as conflict of rights, but also absolute grounds regarding novelty and distinctiveness, can be examined by courts in civil infringement proceedings. It is because the subject matter of a design patent is the overall visual design of a product. To judge whether a design is novel and significantly differs from prior designs, only those prior designs and conventional designs for the same or similar products are needed to know. Such a judging process does not involve complicated technical issues. Moreover, the requestor filing a request for invalidation of a design patent shall bear the burden of proving that the design patent in suit is neither novel nor distinguishable, and make explanation or interpretation about prior designs and conventional designs for the same or similar products based on evidence. Courts hearing civil infringement cases are fully capable of making correct judgments regarding the absolute grounds for invalidation of a design patent. Following the same rationale, in civil infringement proceedings involving a design patent, if the defendant raises a defence or counterclaim against the va-

validity of the design patent in suit, the trial court can conduct examination on the defence or counterclaim and make a judgment as well. That is to say, in the same civil proceeding, the validity of the design patent is also examined. The Council Regulation on Community Designs adopts such a system, and definitely stipulates that: the courts shall have jurisdiction for counterclaims for a declaration of invalidity of a Community design raised in connection with actions in respect of infringement of Community designs.³⁹ Once the court makes a verdict on the validity of a design patent, the verdict is *erga omnes*, rather than effective only for a particular case.⁴⁰ Such a system has at least the following advantages: one is to prevent the trial of civil infringement cases from suspension due to the invalidation request filed by the defendant, thereby enhancing the efficiency in civil infringement case trial; and the other is to decrease the number of administrative cases involving invalidation of design patents, thereby easing the burden on the PRB.

China is a great power in terms of the number of design patents. Considering the tremendous number of design patents, the design patent system in China seems still to be a bit rough. On the opportune occasion of the fourth amendment to the China's Patent Law, it is urgent to review and improve the design patent system. It would be a great virtue if leaders of the amendment can transcend departmental interests and comply with the internal laws of design patents to make reforms in line with the march of time. ■

The author: Judge of IP Tribunal of Supreme People's Court

¹ In the light of the provision of Article 23 of the current China's Patent Law, the other two requirements for patentability of designs are novelty and distinctiveness.

² There is only one exception. Wei Zheng (2017). On "relative grounds" for patent invalidation and restrictions on requestor's eligibility—A study based on the Showa design invalidation case. *China Patents & Trademarks*, 2, 57-65. In the domestic IP field, the writer of this article first noticed the relative grounds issues and made in-depth analysis.

³ See Article 21.1(3) and Article 22.2 of the German Patent Act (as amended up to 31 July, 2009).

⁴ Rule 54 of the 1985 Implementing Regulations reads: in accordance with the provisions of Article 41 of the China's Patent Law, the circumstances where an application for a patent for invention or utility model published by the SIPO shall be objected are as follows:.....(3) where the applicant has no right to file an application for a patent un-

der the provisions of Article 6, Article 8 and Article 18 of the China's Patent Law, or the main contents of the application are borrowed from other's description, drawings, models, apparatuses and the like, or from other's methods, without permission. In the light of the provisions of Rule 66.2 of the Implementing Regulations, the grounds for invalidation are subject to Rule 54.

⁵ See the Administrative Ruling No. Zuigaofaxingshen 8622/2017.

⁶ According to the German Patent Act, invalidation grounds in relation to usurpation are essentially different from other invalidation grounds. See Rudolf Krasser (DE). *Patent Act: German Patent Act and Utility Model Act, and European and International Patent Law* (1st edition, May 2016, p. 737) translated by Shan Xiaoguang, et al. Intellectual Property Publishing House.

⁷ See Article 15.3 of the German Utility Model Act and Article 34 of the German Design Act.

⁸ See Article 25.1(c), (d), (e), (f) and (g) of the Council Regulation on Community Designs.

⁹ See the proviso in Article 123.2 of the Japanese Patent Law (as amended up to 8 May, 2012). For brief interpretation, please refer to *Overview of Japanese Patent Law* (1st edition in August 2014, p. 239) written by Hirokazu Aoyama (JP) and translated by Nie Ningling. Intellectual Property Publishing House.

¹⁰ It is common practice followed in different countries that grounds for patent invalidation are statutory and close-ended. The German Patent Act sets forth clearly-worded provisions in this regard, which can be found in the third sentence in Article 59.1 of the German Patent Act. This practice is also recognized in the Japanese Patent Law, see *supra* note 9, p. 239.

¹¹ See Article 8 of the German Patent Act (as amended up to 31 July, 2009).

¹² See Article 9.1 of the German Design Act.

¹³ See Article 123.1(6) of the Japanese Patent Law (as amended up to 8 May, 2012).

¹⁴ See Article 72 of the Japanese Patent Law (as amended up to 8 May, 2012).

¹⁵ Legal Affairs Department of the SIPO. *Interpretations of New Patent Law* (1st edition in August 2001, pp. 161-163). Intellectual Property Publishing House.

¹⁶ Rule 65.3 of the 2002 Implementing Regulations: where a request for invalidation of a design patent is based on the grounds that the patent for design is in conflict with a prior right of another person, but no effective ruling or judgment is submitted to prove such conflict of rights, the PRB shall not accept it.

¹⁷ See Rule 66.3 of the current Implementing Regulations.

¹⁸ See Rule 14 of the current Implementing Regulations. For the interpretation of this Rule, please refer to *Guidance to Third Amendments to the Implementing Regulations of the Patent Law of the PRC* (1st edition in August 2010, pp. 57-58) written by Legal Affairs Department

of the SIPO and published by Intellectual Property Publishing House.

¹⁹ See Article 45 of the current China's Patent Law.

²⁰ See the Administrative Judgments Nos. Yizhongzhixingchuzi 40/2013, 41/2013, 42/2013, 44/2013, and the Administrative Judgments Nos. Gaoxingzhongzi 30/2014, 31/2014, 36/2014 and 37/2014.

²¹ Mu Ying (2016). Eligibility as a requestor filing a request for invalidation due to the prior right. *People's Judicature Cases*, 17, 87-90.

²² See Judicial Suggestions (No. Sijianzi 31/2013) of Beijing No.1 Intermediate People's Court issued on 14 November, 2013.

²³ See PRB's Opinions on Judicial Suggestions (No. Sijianzi 31/2013) issued on 15 January, 2014.

²⁴ See the Administrative Judgment No. Jingxingzhong 2901/2016.

²⁵ See Part I of this article.

²⁶ The Administrative Ruling No. Zuigaofaxingshen 8622/2017 first expounded the reasons that restrictions shall be imposed on the eligibility of the requestor filing a request for invalidation on relative grounds. The author was the chief judge of that case. This article is mainly derived from the Ruling of above-mentioned case.

²⁷ See Karl Larenz (DE). *Methodenlehre der Rechtswissenschaft* (1st edition in October 2003, pp. 290-293) translated by Chen Aie. The Commercial Press.

²⁸ See supra note 23.

²⁹ See the Administrative Ruling No. Zuigaofaxingshen 8622/2017.

³⁰ See supra note 27, p. 292.

³¹ Chen Qingxiu. *Administrative Procedure Law* (4th edition in Octo-

ber 2011, p. 331). Angle Publishing Co., Ltd.

Wu Geng. *On Administrative Procedure Law* (7th edition revised in September 2014, p. 206). Angle Publishing Co., Ltd.

³² Article 249.2 of Interpretation of the Supreme People's Court on the Application of the Civil Procedure Law of the People's Republic of China reads "where a transferee applies to participate in litigation proceedings in the capacity of a third party who is not entitled to lodge independent claims, the competent people's court may allow the application. Where a transferee applies to replace the party concerned in litigation proceedings, the competent people's court may decide whether to allow the application depending on the specific circumstances of the case at hand, and may add the transferee as a third party who is not entitled to lodge independent claims if the application is not allowed."

³³ See supra note 29.

³⁴ See the Civil Ruling No. Minshenzi 627/2012.

³⁵ See the Invalidation Decision No. 17185 issued by the PRB.

³⁶ See the Administrative Judgment No. Yizhongzhixingchuzi 3232/2011.

³⁷ In some jurisdictions, prior rights that are in conflict with the design patent rights may also include the conflicting application of the design patent. Please refer to Article 34 of the German Design Act.

³⁸ David Stone (2012). *European Union Design Law: A Practitioner's Guide* (pp.190-207). Oxford University Press.

³⁹ Article 81(d) of the Council Regulation on Community Designs.

⁴⁰ See supra note 38, p. 354.