

Reflections on the Effective Date of the Invalidation Decision

Yi Jun and Shi Xin

With the continuous rise in the number of patent applications in China, the number of invalidation decisions is also increasingly greater. Views as to when an invalidation decision takes effect are divided among theoretical scholars and judicial practitioners, which have given rise to many judicial disputes, especially over the payment of annuities of patents which are declared invalid. In order to eliminate the divergences caused by legal gaps and prevent further disputes among patentees, the national patent administrative department, and even the public, this article is going to probe into two typical patent administrative dispute cases from the perspectives of the patent law, the administrative law and the administrative procedure law, and then clarify confusing time points in judicial practice, and conclude that an invalidation decision shall take effect if no administrative lawsuit is filed within the statutory period or the invalidation decision is maintained by the judicial authority.

Introduction

Invalidation Decision is a decision issued by the China National Intellectual Property Administration (CNIPA) to declare a patent invalid or maintain the validity thereof after examination conducted at the request of an invalidation petitioner. Invalidation decision, as the examination result in the administrative procedures of the patent invalidation system, directly affects the interests of patentees and invalidation petitioners, and has an impact on accused infringers in civil cases and even the public in relevant industries. Statistics showed that in 2020, the CNIPA closed more than 7,000 invalidation cases,¹ and the Beijing Intellectual Property Court accepted 903 administrative disputes over patent invalidation.² According to Article 46 of the Patent Law of the People's Republic of China (hereinafter referred to as the "Patent Law") implemented on 1 June 2021, the decision declaring the patent right invalid shall be recorded and published by the Patent Administration Department under the State Council. Where a party is not satisfied with the deci-

sion of the Patent Administration Department under the State Council, such party may, within three months from receipt of the notification of the decision, institute legal proceedings in the people's court. No provision is set forth to clearly specify the time when the invalidation decision shall be legally effective.

I. Typical cases

In an administrative dispute over patent invalidation between Cao Jianhui and the CNIPA³, on 20 September 2017, the former Patent Reexamination Board (PRB) issued the Invalidation Decision No. 33391 to wholly invalidate the utility model patent No. 201520271880.6 owned by Cao Jianhui. As being not satisfied with the decision, Cao Jianhui brought an administrative lawsuit before the Beijing Intellectual Property Court. In the administrative proceedings, the CNIPA once issued the notification of payment to Cao Jianhui, informing him to pay patent annuity and penalty fee for overdue payment, and the notification of termination of the

patent right on 6 December 2018 after his failure to pay the above fees on time. On 19 May 2019, the Beijing Intellectual Property Court issued the Administrative Judgment No. Jing73xingchu 452/2018 to revoke the Invalidation Decision No. 33391. No party filed an appeal within the statutory time limit. On 19 June 2019, Cao Jianhui filed a request for restoration of the patent right with the CNIPA, which was not accepted due to the expiration of the statutory time limit. As being not satisfied with the notification of termination of the patent right, Cao Jianhui brought an administrative lawsuit before the Beijing Intellectual Property Court, arguing that the Invalidation Decision No. 33391 took effect immediately after its issuance and the patent in suit was invalidated accordingly, so the patent holder was no longer liable for further payment of annuities; and since the patent right in dispute was restored after the Invalidation Decision was revoked, the patent holder shall be liable for the payment of patent annuities thereafter.

In an administrative dispute over patent invalidation between Cai Raohua and SIPO (renamed as CNIPA)⁴, on 17 March 2009, the former PRB issued the Invalidation Decision No. 13065 to wholly invalidate the invention patent No. 96107031.5 owned by Cai Yaohua and Chen Shaohua. As being not satisfied with the decision, they brought an administrative lawsuit before the Beijing No. 1 Intermediate People's Court. On 17 June 2011, the Beijing No.1 Intermediate People's Court issued the Administrative Judgment No. Yizhongzhixingchuzi 1718/2009 to uphold the Invalidation Decision No. 13065. Cai Yaohua and Chen Shaohua appealed to the Beijing High People's Court. On 25 September 2013, the latter issued the Administrative Judgment No. Gaoxingzhongzi 1541/2011 to dismiss the appeal and sustain the original judgment. After the issuance of the second-instance judgment, Cai Yaohua and Chen Shaohua applied for a refund with SIPO, requesting SIPO to refund patent annuities of RMB 40,000 paid after the issuance of the Invalidation Decision No. 13065. On 21 July 2014, SIPO issued the notification of refusing a refund on the grounds that no overpayment, repayment or wrong payment was involved. As being not satisfied with the notification, Cai Yaohua brought an administrative lawsuit before the Beijing No. 1 Intermediate People's Court, arguing that the date on which the invalidation decision was issued shall be considered as the time when the patent was invalidated, and SIPO should not charge patent annuities from the year when the Invalidation Decision No. 13065 was issued, and should refund the

paid annuities.

Is the patentee obliged to pay patent annuity after the issuance of the invalidation decision and before the making of the judicial judgment against said decision? Does the patentee have the right to apply for a refund if the invalidation decision is affirmed by the judgment? The above cases seem to be completely opposite because one relates to the payment of patent annuity while the other relates to the refund thereof. But the dispute in both cases is when the invalidation decision shall take effect. It is easy to see that two views prevail at present. One view is that the invalidation decision takes effect immediately after its issuance, and if a party brings an administrative lawsuit according to law, the invalidation decision will lapse after being revoked by the effective administrative judgment. The other view is that if a party does not bring an administrative lawsuit before a people's court within a statutory time limit, the invalidation decision shall take effect, and if a party brings an administrative lawsuit according to law, the invalidation decision shall take effect after the effective administrative judgment upholds the decision. For the sake of analysis, the author is going to delve into such issues from the perspectives of the patent law, the administrative law and the administrative procedure law.

II. To analyze the effective date of invalidation decision from the perspective of the patent law

1. Historical evolution of relevant provisions on invalidation decision

The China's patent law was enacted in 1984 and revised respectively in 1992, 2000, 2008 and 2020. In 1984 when the patent law was just enacted, invalidation decisions differed according to the types of patent, that is to say, where any party is not satisfied with the decision of the PRB either invalidating or upholding the patent right for an invention, he or it may, within three months from the date of receipt of the notification of the decision, file a lawsuit before the people's court, while the decision of the PRB relating to a utility model or design shall be final.⁵ This provision remained intact after the first revision of the patent law in 1992. During the second revision of the patent law in 2000, in view of increasingly improved administrative litigation system, richer experiences of judicial authorities in patent tri-

als, and better preparation for China's entry into the World Trade Organization, the provision that the decision of the PRB relating to the patent right for a utility model or design shall be final was cancelled, and any party whoever is not satisfied with the decision invalidating the patent right for an invention, a utility model or a design may institute an action in the people's court.⁶ No amendment was made to this provision in the third revision in 2008 and the fourth revision in 2020. China's invalidation system has become more and more mature after years of implementation, but the effective date of an invalidation decision had not been touched upon during several revisions of the patent law.

As a matter of fact, during the fourth revision of the patent law, the then SIPO submitted the Revised Draft of the Patent Law of the People's Republic of China (Draft for Review) to the Legislative Affairs Office of the State Council in 2013, suggesting in Article 46.2 that after the invalidation decision invalidating or upholding the patent right is made, it shall be recorded and published by the Patent Administration Department under the State Council promptly. The decision will take effect from the date of publication. The Draft for Review provided further explanation as follows: "Statistically speaking, from 2009 to 2011, the rate of prosecutions against invalidation decisions was about 20%, among which only 8% was finally revoked after judicial examination. Hence, only 1.6% of the invalidation decisions were eventually revoked. It showed that in practice, invalidation decisions are highly reliable and may become effective immediately after issuance."⁷ After the publication of the Draft for Comments, the proposed provision underwent questioning by academic and practical circles. After the launch of the research for comprehensive revision of the patent law, the then SIPO deleted the content relating to the invalidation decision becoming effective from the date of publication from the Revised Draft of the Patent Law of the People's Republic of China (Draft for Comments) in 2015, which seemed to confirm that the view concerning immediate effect of the invalidation decision was still immature.

2. Analysis of pros and cons of the two views on the effective date of invalidation decision

(1) View No. 1: Immediate effect of invalidation decision

Immediate effect of the invalidation decision means that the invalidation decision takes effect immediately after its issuance. The most prominent advantage thereof is to solve the problem of longer time required for related patent infringement litigation. In patent infringement litigation, the

safest way of infringement defense is to invalidate the patent in suit as a whole. If the patentee intends to seek for legal remedies against the accused infringement, he or it has to undergo invalidation proceedings in most cases. However, China currently adopts a bifurcated mode consisting of patent infringement litigation proceedings and invalidation proceedings. Invalidation proceedings are often followed by the first-instance trial, second-instance trial and re-trial procedures of administrative litigation, which results in prolonged delay of infringement litigation and longer time required for patent protection. If the invalidation decision takes effect immediately after its issuance, the people's court shall timely hear the patent infringement dispute according to the decision, and undoubtedly, the above problems can be solved effectively.

In the meantime, immediate effect of the invalidation decision may also give rise to lots of problems, especially when the invalidation decision which becomes effective immediately is revoked by the people's court: first, how to calculate the patent term; second, how to deal with the case where a patent that was declared invalid by an administrative authority is then determined to be valid by the people's court after being widely exploited by others; third, how to deal with the case where the Patent Administration Department enforces penalties for patent infringement according to the decision upholding the patent right and then the people's court finds the patent invalid; and fourth, how to deal with the effective civil judgment made according to the invalidation decision after the invalidation decision is rectified by the people's court.

(2) View No.2: If a party does not bring an administrative lawsuit before a people's court within a statutory time limit, the invalidation decision shall take effect; and if a party brings an administrative lawsuit according to law, the invalidation decision shall take effect after the effective administrative ruling affirms the decision.

No country can ensure that all granted patents comply with the relevant provisions of its patent law. The invalidation review system is aimed to rectify erroneous patent grants and safeguard social welfare. If the invalidation decision does not take effect immediately after its issuance, on the one hand, the party concerned is given the opportunity to seek for further judicial remedies, and on the other hand, the invalidation decision can be further tested through judicial review. Although the rate of revoked invalidation decisions is significantly lower than that of affirmed ones, the

purpose of judicial review is not only to rectify a small number of erroneous invalidation decisions, but also to urge the Patent Administration Department to exercise its power to conduct review and make decisions more prudently, so as to achieve fairness and justice to the maximum extent. In addition, according to Article 62.4 & 62.5 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), procedures concerning the acquisition or maintenance of intellectual property rights and, where a Member's law provides for such procedures, administrative revocation and *inter partes* procedures such as opposition, revocation and cancellation shall be governed by the general principles. Final administrative decisions for such procedures shall be subject to review by a judicial or quasi-judicial authority. It can be seen that the second view is more compatible with the spirit of TRIPS.

The disadvantage of the invalidation decision not taking effect immediately after its issuance is the problem of longer time required for patent protection as mentioned above, which deprives the patentee of the optimum opportunity for patent protection, and furthermore reduces public confidence in the patent system.

3. Due understanding of the effective date of invalidation decision under the framework of the existing patent law

(1) From the perspective of the legislative purpose of the patent law

One of the legislative purposes of the patent law is to protect the legitimate rights and interests of patentees and encourage inventions and creations. However, the legal consequence of declaring a patent invalid is that the patent right shall be deemed to have been nonexistent from the outset. Therefore, from the perspective of the legislative intent of the patent law or the effectiveness of the invalidation decision, a granted patent should not be easily invalidated, or when a patent is declared invalid, the patentee shall be given adequate remedies to ensure fairness and justice. It may be too hasty to allow an invalidation decision to take effect immediately after its issuance.

(2) From the perspective of the contextual structure of the patent law

There is a view that Articles 39 and 40 of the Patent Law explicitly stipulate that the patent right for invention, utility model or design shall take effect as of the date of the publication. However, since the patent law does not explicitly stipulate when the invalidation decision shall take effect, it shall be assumed that the invalidation decision takes ef-

fect immediately after its issuance. The author opines that the grant of a patent right only involves administrative procedures. The Patent Administration Department under the State Council shall decide to issue a patent certificate, and meanwhile register and publish the patent right. The patent right has a binding effect on all entities and individuals as of its effective date. Thus, based on the above-mentioned series of operations, the law still clarifies the effective date of the patent right so as to avoid disagreements, contradictions, and negative consequences. However, the current invalidation system in China is the "administrative review + judicial review" mode. The optimum time for bring judicial review into full play is to rectify the invalidation decision before it takes effect. If the invalidation decision is rectified after it takes effect, it may incur chain reactions caused by the immediate effect of the invalidation decision as mentioned above, and judicial review will also lose its fundamental significance.

(3) From the perspective of the link between invalidation proceedings and infringement disputes

Under a bifurcated mode consisting of patent infringement litigation proceedings and invalidation proceedings, there has existed a prominent problem of longer time required for infringement litigation caused by tedious patent validity procedure, repeated litigation and idle procedures. Article 2 of the Interpretation (II) of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Disputes over Patent Infringement provides a system of "dismissing the action which is initiated based on invalid claims and then initiating a separate action", that is to say, where the patent is declared invalid by the Patent Administration Department under the State Council, the people's court that tries the patent infringement dispute may "dismiss the action" with no need to wait for the final result of the administrative lawsuit; and if the invalidation decision is overruled by an administrative judgment, the patentee may seek for a judicial remedy by initiating another action. Ruling to dismiss the action procedurally, instead of rejecting the claim substantively, proves that the status of the patent right is not stable. The review of the invalidation decision in the judicial procedures cannot fundamentally solve the problem of longer time required for trial of patent cases, but can alleviate the shortcoming of invalidation decisions with no immediate effect to some extent.

To sum up, the author holds that from the perspective of the China's existing patent law, it is more reasonable

and justifiable that the invalidation decision shall take effect where no administrative lawsuit is initiated within the statutory period or where an administrative lawsuit is initiated but affirms the invalidation decision.

III. Inspecting the effective date of invalidation decision from the perspectives of the administrative law and the administrative procedure law

(1) Nature of the invalidation decision

The nature of the invalidation decision actually depends on the legal status of the institution that makes it. The patent law empowers the CNIPA to make invalidation decisions. The author holds that although TRIPS defines intellectual property rights, including patent rights, as private rights, the CNIPA's act of making invalidation decisions is a specific administrative act on the grounds that the CNIPA is undoubtedly a national administrative agency and in judicial practice, such patent disputes are dealt with as administrative lawsuits. Some scholars have proposed an idea of a quasi-judicial institution, for which no definite concept can be found in the Chinese legal system. Furthermore, there are a few administrative authorities engaged in invalidation review, such as the New Plant Variety Review Board under the Ministry of Agriculture and Rural Affairs. If the CNIPA is determined to be a quasi-judicial institution, administrative management and judicial trial boundaries may be confused, which is adverse to on-going administrative system reform and rule-of-law construction in China.⁸ In addition, the Beijing Intellectual Property Court, as a judicial institution specialized in handling intellectual property grant and validity actions, has accumulated mature experiences in examining whether invalidation decisions are legitimate. The Supreme People's Court, as a court of appeal for handling administrative disputes over patent grant and validity, has established a specialized intellectual property tribunal to deal with relevant disputes. Hence, the idea of the quasi-judicial institution is inconsistent with the legal provisions and judicial systems in China.

(2) Effect of "no stay of execution" on invalidation decisions

"No stay of execution" is a basic principle for administrative litigation and embodied in Article 56 of the Administrative Procedure Law, stipulating that during litigation, the

execution of the administrative act shall not be stopped unless under the four circumstances.⁹ There is a view that invalidation procedure is a specific administrative act and does not fall within the special circumstances under which a stay of execution may be ordered. Therefore, the execution of an administrative act shall not be stopped during patent invalidation litigation, that is to say, the invalidation decision takes effect immediately after its issuance. The author holds that said provision of the Administrative Procedure Law stipulates the relationship between administration litigation and the execution of an administrative act, for the sake of ensuring administrative efficiency, maintaining the administrative management order and safeguarding social public interests. The term "execution of an administrative act" in Article 56 is directed to an administrative act that has taken effect and has executive power. However, review of patent validity is different from general administrative acts such as administrative penalties. As stated above, from the perspective of the patent law, the judicial authority is still given the opportunity to review the legitimacy of an invalidation decision. Since the invalidation decision is not legally effective, it does not involve the execution of an administrative act. On the other hand, invalidation decisions without immediate effect neither have an impact on patent administrative management order and effectiveness, nor lead to irreparable negative consequences for patentees or third parties, or even the public.

In summary, although review of patent validity is different from general administrative acts, an invalidation decision taking effect after being reviewed by the judicial authority does not violate the basic legal principles of the administrative law, or the specific legal provisions of the administrative procedure law.

IV. Clarifying relevant time points from the perspective of judicial practice

In judicial practice, it is required to distinguish two commonly confusing time points: the time when the invalidation decision shall take effect and the time when the patent is declared invalid. Some scholars often lump them together, but they are actually quite different from each other. The invalidation decision is the formal carrier of patent validity, and patent validity is the substantive content of the invalidation decision.

As for the time when the invalidation decision shall take

effect, the Supreme People's Court has made its viewpoint clear in a dispute over utility model patent infringement between the retrial petitioner (Shenzhen Wanhong Technology Development Co., Ltd.) and the retrial respondents (Shenzhen PZDF Technology Development Co., Ltd., New Noah Technology (Shenzhen) Co., Ltd., as well as Innovation Noah Electronic (Shenzhen) Co., Ltd.), ruling that "Article 47.1 of the China's Patent Law stipulates that any patent right which has been declared invalid shall be deemed to be non-existent from the beginning. The phrase 'any patent right which has been declared invalid' refers to the patent right declared invalid by the PRB's invalidation decision which has taken effect. As for the PRB's decision declaring the patent right invalid, where a party does not file a lawsuit before the people's court within three months from receipt of the notification of the decision, the invalidation decision shall take effect immediately; and where a party institutes an administrative lawsuit according to law, the invalidation decision shall take effect after it is affirmed by the effective administrative judgment."¹⁰

As for the time when the patent right is declared invalid, the Supreme People's Court determined in a civil dispute over utility model patent infringement between the retrial petitioner (Shaanxi Dongming Agricultural Technology Co., Ltd.) and the retrial respondent (Shaanxi Qinfeng Agricultural Machinery (Group) Co., Ltd.): "when determining the time when the patent right is declared invalid, the following factors should be taken into account. First, the said time shall be *erga omnes* and available and clearly known to the public. Second, the said time shall be definite, and shall be a fixed time and, in principle, not vary with the specific situations of the party or other human factors. Third, the said time shall be an earlier time point with legal significance, so as to increase the opportunities for invalidation decisions to exert retrospective effect.....to take the date on which the invalidation decision is made (issued) as the time when the patent right is declared invalid so as to make sure it is *erga omnes* and definite and to increase the opportunities for invalidation decisions to exert retrospective effect to some extent, in hope of achieving fair results. For those reasons, the time when the patent right is declared invalid shall be based on the date on which the invalidation decision is made (issued)."¹¹

The above two cases provided clear and reasonable explanations on the time when the invalidation decision shall take effect and the time when the patent right is de-

clared invalid. Although they are views presented in civil judgments, they are also valuable for administrative litigation. Where no administrative lawsuit is initiated against the invalidation decision within the statutory time limit or where the invalidation decision is affirmed by an effective administrative lawsuit, the invalidation decision has a retrospective effect on the contents under invalidation review, i.e., if the patent right is declared invalid, the time when the patent right is declared invalid shall be based on the date when the invalidation decision is made.

V. Conclusion

Since the date when the invalidation decision shall take effect is clarified, i.e., the invalidation decision shall take effect where no administrative lawsuit is initiated within the statutory time limit or the invalidation decision is affirmed by the judicial authority, the two problems mentioned at the beginning of this article are resolved readily. In the administrative dispute over patent invalidation between Cao Jianhui and the CNIPA, the invalidation decision has not had legal effect as an administrative lawsuit was initiated against it. Cao Jianhui was still liable for paying patent annuities after the issuance of the invalidation decision. If the invalidation decision is affirmed by the effective judicial judgment, Cao Jianhui may request the Patent Administration Department to refund overpaid fees, in such a way that he would not lose opportunities to seek remedies due to nonpayment of patent annuities. In the administrative dispute over patent invalidation between Cai Raohua and SIPO, since the invalidation decision was affirmed by the effective judicial judgment, the time when the patent right was declared invalid shall be traced back to the date when the invalidation decision was made. Hence, the Patent Administration Department shall refund the fees overpaid by Cai Raohua after the issuance of the invalidation decision. ■

The authors: Yi Jun, Chief Judge of Case-Filing Division of the Beijing Intellectual Property Court; and Shi Xin, Law Clerk of Case-Filing Division of the Beijing Intellectual Property Court

¹ Data source: CNIPA's regular press conference for the first quarter of 2021.

² Data source: Judicial statistical report of the Beijing Intellectual Property Court.

³ Case No. Jing73xingchu 9951/2019 filed with the Beijing Intellectual Property Court; and Case No. Zuigaofazhixingzhong 294/2020 filed with the Supreme People's Court.

⁴ Case No. Yizhongxingchuzi 1604/2015 filed with the Beijing No.1 Intermediate People's Court. No party filed an appeal against the judgment of the case.

⁵ See Article 49 of the China's Patent Law (1984).

⁶ See Article 46 of the China's Patent Law (2000).

⁷ See the Revised Draft of the Patent Law of the People's Republic of

China (Draft for Review) submitted by SIPO in January 2013.

⁸ Yin Xintian. *Introduction to the Patent Law of China* (Abridged) (2nd edition, September 2012). Intellectual Property Publishing House.

⁹ See Article 56 of the Administrative Procedure Law.

¹⁰ The Civil Ruling No. Minshenzi 1573/2009 issued by the Supreme People's Court. The case was selected into the Annual Report on Intellectual Property Cases of the Supreme People's Court (2009).

¹¹ The Civil Ruling No. Mintizi 110/2012 issued by the Supreme People's Court.

China to Deepen Reform of Government Functions in the Field of IPR

On 8 May 2021, the State Council Information Office (SCIO) held a regular briefing on the State Council's policy of furthering reforms to "streamline the administration, delegate power, and improve regulation and upgrade services" in the field of intellectual property rights. It is reported that such reform continues to deepen so that innovation achievements can better benefit society.

At the briefing, He Zhimin, Deputy Commissioner of the China National Intellectual Property Administration (CNIPA), introduced the latest developments and next steps in China's reform of government functions in the field of IPR, and together with relevant responsible persons of the Intellectual Property Protection Department, Intellectual Property Utilization Promotion Department, and Public Service Department under the CNIPA, answered questions from reporters.

He Zhimin said that the reform in the field of IPR is an important part of China's overall deployment of reform of government functions. It is strong support for implementing the innovation-driven development strategy, continuously optimizing the business environment, promoting the construction of a new development pattern, and achieving high-quality development. During the 13th Five-Year Plan period, the reform of government functions in relation to intellectual property has achieved remarkable results. First, remove unreasonable obstacles, and reduce institutional transaction costs. The examination and approval time for the estab-

lishment of patent agencies has been cut down from 20 working days to 5 working days, trimming off more than 15 million patent and trademark application materials. Second, strengthen fair supervision and create a fair and orderly environment. In the past three years, more than 150,000 malicious squatting and hoarding trademark registration applications have been rejected, and 220,000 irregular patent applications have been confirmed. Third, improve service quality and accelerate innovation development. Processing cycles for trademarks, high-value patent examination and other businesses have all been reduced by more than one-third compared with those at the initial period of the 13th Five-Year Plan. More than 52 million pieces of basic trademark information and 34 types of basic patent data are accessible by the public free of charge.

He introduced that with the support of the Office of Function Transformation under the General Office of the State Council, the CNIPA has studied and drafted the Notice on Deepening the Reform of Government Functions in the Field of Intellectual Property Rights for Better Innovation and Business Environment. It is reviewed and approved by the State Council executive meeting and will be issued in the near future. According to Notice, before the end of June 2021, all localities will completely cancel the subsidies and awards for patent and trademark applications.

Source: CNIPA