

Chapter 4

China

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4.1 Outline of China's Patent Law and patent case trials

4.1.1 Formulation and evolution of China's Patent Law

4.1.1.1 Promulgation of the Patent Law

The Temporary Regulations for the Protection of Invention Right and Patent Right and its detailed implementation rules, which were enacted in 1950, were the first regulations on patent rights since the founding of the People's Republic of China.

On March 12, 1984, the Standing Committee of the Sixth National People's Congress (NPC) reviewed and adopted the 1984 Patent Law.¹ The 1984 Patent Law had 69 articles. The then Director General of the World Intellectual Property Organization (WIPO), Mr. Árpád Bogoch, commented that the Chinese language was wonderful, as the three types of patents (invention, utility model, and design) were clearly stated in only 60-odd articles.²

4.1.1.2 Four amendments to the Patent Law

The first amendment to the Patent Law,³ in 1992, included:

- deleting the provision in the 1984 Patent Law that no patent right shall be granted for drugs, foodstuffs, beverages and condiments;
- additionally granting a right of importation to the patentee;
- extending the protection of method patents to products directly obtained by those methods;
- increasing the term of protection of invention patents from 15 years to 20 years and increasing the term of protection of utility model patent and design patent rights from 5 years with a 3-year renewal to 10 years;
- abolishing the obligation of the patentee to implement patents in China and amending the conditions of compulsory licensing; and
- improving the patent application and approval procedures, adding domestic priority and replacing the pre-grant opposition procedure with a post-grant revocation procedure.

The second amendment to the Patent Law,⁴ in 2000, included:

- clarifying that the legislative purpose of the Patent Law included "promoting scientific and technological progress and innovation";
- improving the system of invention and creation ownership and allowing the employer of an inventor or designer to make an agreement on the ownership of a patent to inventions and creations made with the material and technical conditions of the employer;
- abolishing the requirement that state-owned units hold the patent rights to enable the state-owned units to enjoy the full right to dispose of the patent rights acquired by them as other economic entities;
- giving a patentee the right to offer to sell;
- consolidating the revocation and the invalidation procedures into a single invalidation procedure;
- abolishing the power of the Patent Reexamination Board to make final decisions on utility model patents and design patents and stipulating that parties have the right to appeal to a people's court with respect to the reexamination decision or invalidation decision made by the Patent Reexamination Board on utility model patents and design patents;
- defining the obligations to be performed by China as a contracting state of the Patent Cooperation Treaty;
- providing for a search report system for utility model patents; and
- strengthening the protection of patent rights by introducing pre-litigation temporary injunction and property preservation measures and stipulating that the amount of compensation for infringement may be determined by reference to a reasonable multiple of the patent license fee.

1 Patent Law (promulgated by the Standing Comm. Nat'l People's Cong., March 12, 1984, effective April 1, 1985) [hereinafter 1984 Patent Law]

2 Wang Meng and Peng Xunwen, *Narration by Four Experts - The Story of Reform and Legislation*, People's Daily (Overseas ed.), Dec. 24, 2018, at 5.

3 Patent Law (1992 Amendment) (promulgated by the Standing Comm. Nat'l People's Cong., Sep. 4, 1992, effective Jan. 1, 1993) [hereinafter 1992 Patent Law].

4 Patent Law (2000 Amendment) (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 25, 2000, effective July 1, 2001) [hereinafter 2000 Patent Law].

In June 2008, the Outline of the National Intellectual Property Strategy was officially promulgated.⁵ A third amendment to the Patent Law was consequently necessary for the implementation of the National Intellectual Property Strategy, for the development of an innovative country, for adapting to the international development trend of intellectual property rights and for China to adjust its economic structure, transform its development model and achieve sustainable scientific development. The third amendment to the Patent Law,⁶ in 2008, included:

- the explicit inclusion of “enhancing innovation capability” in the legislative purpose;
- setting higher requirements for granting design patents by replacing the standard of “relative novelty” with “absolute novelty”;
- making further stipulations regarding the conditions for granting design patents;
- extending the scope of “conflicting applications” that undermine novelty to include the applicant’s own prior applications;
- stipulating that only one patent right can be granted for the same invention and creation and defining the conditions for transfer between invention patents and utility model patents;
- stipulating that offering to sell constitutes an infringement of design patents;
- collectively referring to the acts of “counterfeiting another person’s patent” and “passes off any unpatented product or method as a patented one” as “counterfeiting a patent” and setting higher administrative penalty standards;
- clarifying that the amount of compensation also includes the reasonable expenses paid by the right holder to stop infringements;
- imposing pre-litigation evidence preservation measures and delegating the administrative power to the patent administration department of the State Council to investigate and handle patent counterfeiting;
- amending the provisions on compulsory licensing for patents in accordance with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement);⁷
- stipulating exceptions to the administrative approval of patents for pharmaceuticals and medical devices; and
- introducing provisions on genetic resources and traditional knowledge.

The fourth amendment to the Patent Law,⁸ in 2020, included:

- increasing the amount of statutory compensation and introducing a punitive damage system;
- improving the rules of evidence relating to compensation for infringement and reducing the burden of proof on the right holder;
- improving relevant provisions on patent administrative enforcement, imposing more severe penalties on patent counterfeiting and raising the amount of penalty;
- stipulating a new system for drug patent term extension and a mechanism for early settlement of drug patent disputes;
- extending the term of a design patent to 15 years, providing protection for partial designs and stipulating the domestic priority system for design patent applications;
- further improving the provisions related to service invention-creation, providing that the State encourages the entities to which the patent rights are granted to implement property right incentives and to share innovation returns reasonably with inventors or designers by means of equity, options, dividends and so on;
- stipulating an open licensing system for patents;
- improving the provisions on the grace period of novelty and supplementing a circumstance where the first disclosure is made for the purpose of public interest in case of national emergency or extraordinary circumstances;
- improving the system of patent evaluation reporting and expanding the scope of subjects entitled to apply for a patent evaluation report; and
- optimizing the provisions on the procedure for claiming priority and extending the time limit for submitting copies of priority documents.

5 Outline of the National Intellectual Property Strategy (promulgated by the State Council, June 5, 2008, effective June 5, 2008).

6 Patent Law (2008 Amendment) (promulgated by the Standing Comm. Nat’l People’s Cong., Dec. 27, 2008, effective Oct. 1, 2009) [hereinafter 2008 Patent Law].

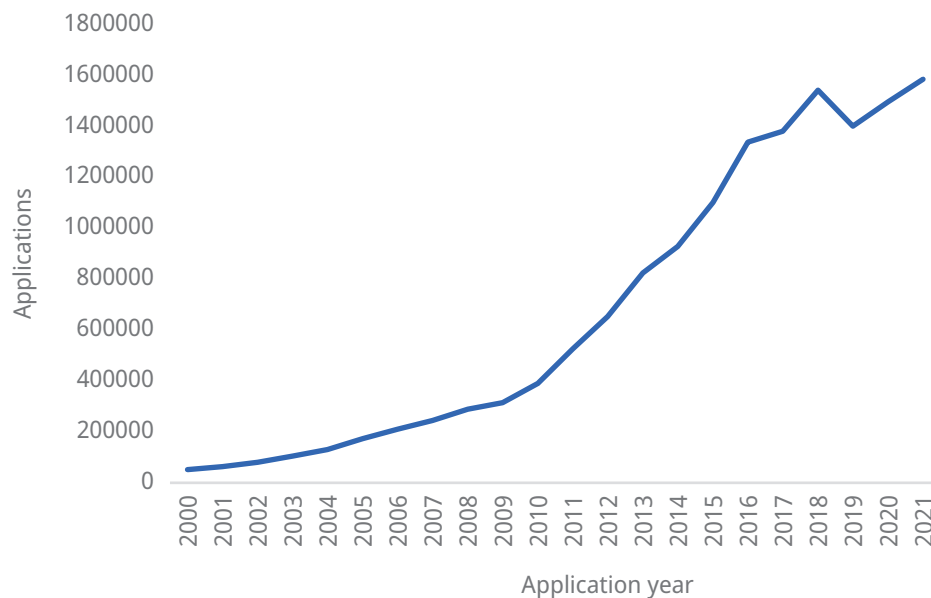
7 Agreement on Trade-Related Aspects of Intellectual Property Rights, April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, annex 1C, 1869 UNTS 299 [hereinafter TRIPS Agreement].

8 Patent Law (2020 Amendment) (promulgated by the Standing Comm. Nat’l People’s Cong., Oct. 17, 2020, effective June 1, 2021). “Patent Law” hereinafter refers to this amendment unless otherwise indicated.

4.1.2 Patent application trends

Figure 4.1 shows the total number of patent applications (direct and Patent Cooperation Treaty (PCT) national phase entry) filed in China from 2000 to 2021.

Figure 4.1 Patent applications filed in China 2000–2021



Source: WIPO IP Statistics Data Center, available at www3.wipo.int/ipstats/index.htm?tab=patent

4.1.3 Legal basis to hear patent cases

China's legal system is a civil-law system, as opposed to a common-law system, with only statutory law, not case law. Chinese courts adjudicate civil and administrative patent cases in accordance with laws such as the Patent Law, administrative regulations such as the Rules for the Implementation of the Patent Law, judicial interpretations and by reference to guiding cases.

According to Article 63 paragraph 3 of the Administrative Procedure Law,⁹ "the people's courts shall refer to the regulations when hearing administrative cases." Therefore, Chinese courts may refer to the Guidelines for Patent Examination formulated by the China National Intellectual Property Administration (CNIPA) when hearing administrative patent cases involving a reexamination or invalidation procedure.

4.1.3.1 Laws

Laws are enacted by the top legislative body of the State – namely the NPC and its Standing Committee – and promulgated by the Order of the President of the People's Republic of China, signed by the President. Laws have higher authority compared to administrative regulations, local regulations and rules. In addition to the Patent Law, Chinese courts that hear patent cases are also governed by applicable substantive laws, including the Civil Code.¹⁰

The Civil Code, reviewed and passed on May 28, 2020, at the Third Session of the 13th NPC, is the first law to be named a "code" since the founding of the People's Republic of China. The Civil Code has no separate section on intellectual property but has some special provisions on the same in Chapter V ("Civil-Law Rights"). Article 123 of the Civil Code stipulates the following:

The persons of the civil law enjoy intellectual property rights in accordance with the law.

⁹ Administrative Procedure Law (2017 Amendment) (promulgated by the Standing Comm. Nat'l People's Cong., June 27, 2017, effective July 1, 2017).

¹⁰ Civil Code (promulgated by the Standing Comm. Nat'l People's Cong., May 28, 2020, effective Jan. 1, 2021).

Intellectual property rights are the exclusive rights enjoyed by the right holders in accordance with the law over the following subject matters:

- (1) works;
- (2) inventions, utility models, or designs;
- (3) trademarks;
- (4) geographical indications;
- (5) trade secrets;
- (6) layout designs of integrated circuits;
- (7) new plant varieties; and
- (8) other subject matters as provided by law.

Article 1185 of the Civil Code stipulates the following: “In case of an intentional infringement of another person’s intellectual property rights, where the circumstances are serious, the infringed party has the right to request for corresponding punitive damages.” The provisions of the Civil Code apply to co-ownership, contracts, security, succession, joint infringement, aiding and abetting infringement, civil liability and so on when they are related to patent rights.

In terms of procedural law, Chinese courts hear patent cases, enforce decisions and make decisions related to the preservation of evidence, property or acts in accordance with the provisions of the Civil Procedure Law,¹¹ Administrative Procedure Law, Criminal Procedure Law¹² and applicable judicial interpretations. On October 26, 2018, the Decision on the Litigation of Intellectual Property Cases was revised and adopted at the Sixth Session of the Standing Committee of the 13th NPC.¹³ According to the decision, the Supreme People’s Court shall hear cases on appeal over patent and other intellectual property rights involving professional technologies throughout the country.

According to Article 42 of the Legislation Law:¹⁴

The power to interpret a law shall be vested in the Standing Committee of the National People’s Congress.

Under any of the following circumstances, a law shall be interpreted by the Standing Committee of the National People’s Congress if:

- (1) the specific meaning of any provisions of a law requires further clarification; or
- (2) any new circumstances appearing after the issuance of a law require clarification of the basis for the application of the law.

The interpretation of law adopted by the Standing Committee of the NPC has the same effect as the laws enacted by it. The Standing Committee of the NPC has not made any legislative interpretation of the Patent Law.

4.1.3.2 Administrative regulations

Administrative regulations are drafted by relevant departments under the State Council or by the State Council’s legal affairs organ and are promulgated by the Decree of the State Council of the People’s Republic of China, signed by the Premier of the State Council. Administrative regulations in the field of patent law include the Rules for the Implementation of the Patent Law and the Regulations on Patent Commissioning.¹⁵

Alongside the amendments to the Patent Law, the Rules for the Implementation of the Patent Law have been amended several times accordingly. After the promulgation of the 1984 Patent Law, the State Council approved the Rules for the Implementation of the Patent Law – which was formulated by the Patent Office of China – on January 19, 1985, and it came into force together with the Patent Law on April 1, 1985. In 1992, the Standing Committee of the NPC made the first

11 Civil Procedure Law (2017 Amendment) (promulgated by the Standing Comm. Nat’l People’s Cong., June 27, 2017, effective July 1, 2017).

12 Criminal Procedure Law (2018 Amendment) (promulgated by the Standing Comm. Nat’l People’s Cong., Oct. 26, 2018, effective Oct. 26, 2018).

13 Decision on Several Issues concerning Litigation Procedures of Patent and Other Intellectual Property Cases (promulgated by the Standing Comm. Nat’l People’s Cong., Oct. 26, 2018, effective Jan. 1, 2019).

14 Legislation Law (promulgated by the Standing Comm. Nat’l People’s Cong., March 15, 2000, effective July 1, 2000).

15 Detailed Rules for the Implementation of the Patent Law (2010 Revision) (promulgated by the State Council, Jan. 19, 2010, effective Feb. 1, 2010); Regulations on Patent Commissioning (promulgated by the State Council, March 4, 1991, rev’d Nov. 6, 2018, effective March 1, 2019).

amendment to the Patent Law, and, on December 12 of the same year, the State Council approved the amended Rules for the Implementation of the Patent Law, which came into force together with the amended Patent Law on January 1, 1993. In 2000, the Standing Committee of the NPC made the second amendment to the Patent Law, and, on June 15, 2001, the State Council promulgated the new Rules for the Implementation of the Patent Law, which came into effect together with the second amended Patent Law on July 1, 2001. At the same time, the rules that were approved by the State Council for amendment in 1992 were repealed. The existing rules were amended in 2002 and 2010.

To be consistent with the fourth amendment to the Patent Law, the CNIPA worked on amendments to the Rules for the Implementation of the Patent Law and developed a draft accompanying explanatory notes, which were published in November 2020 for comment from all sectors of society. As the Rules for the Implementation of the Patent Law are still in the process of amendment, the CNIPA formulated the Interim Measures for the Amended Patent Law to ensure the appropriate implementation of the amended Patent Law.¹⁶

4.1.3.3 Judicial interpretations

Article 18 paragraph 1 of the Law on the Organization of the People's Courts¹⁷ stipulates the following: "The Supreme People's Court may interpret the issues concerning the application of law in trial." According to Article 104 of the Legislation Law:¹⁸ "The interpretation of the application of specific law in the judicial or procuratorial work made by the Supreme People's Court or the Supreme People's Procuratorate shall be aimed at the specific legal provisions and in line with the legislative purpose, principle, and original intention in respect of the legislation."

According to the Provisions on Judicial Interpretation Work,¹⁹ the judicial interpretation issued by the Supreme People's Court shall have legal force. The judicial interpretation shall be given in accordance with law and legislative spirit and depend on the actual needs of trial. Judicial interpretations may be made in any of five forms: "interpretations," "provisions," "rules," "replies" and "decisions." Judicial interpretations on the specific application of a certain law in the trial work or the application of law in the trials of cases of a certain category or of certain kinds of problems are made as "interpretations." Judicial interpretations on the formulation of the norms or opinions that are necessary for the trial work based on the legislative spirit are made as "provisions." Judicial interpretations on the regulation of trial and enforcement of decisions are made as "rules." Judicial interpretations on the requests for instructions on the specific application of law in the trial work by the higher people's courts or the Military Court of the People's Liberation Army are made as "replies." The amendment or abolishment of judicial interpretations is made as a "decision."

Draft judicial interpretations made by the Supreme People's Court are adopted after discussion by the Adjudication Committee, issued by the president or executive vice-president of the Supreme People's Court, published in the form of a public announcement by the Supreme People's Court and submitted to the Standing Committee of the NPC for the record within 30 days from the date of publication.

In the field of patent law, there are primarily the following judicial interpretations:

- judicial interpretations related to jurisdiction over cases, including:
 - Provisions on the Jurisdiction of the Intellectual Property Courts;²⁰
 - Provisions on the Intellectual Property Court;²¹
 - Interpretation of the Civil Procedure Law;²²

16 Interim Measures for the Processing of Patent-Related Examination for the Implementation of the Amended Patent Law (promulgated by the CNIPA, May 25, 2021, effective June 1, 2021).

17 Law on the Organization of the People's Courts (2018 Revision) (promulgated by the Standing Comm. Nat'l People's Cong., Oct. 26, 2018, effective Jan. 2019).

18 Legislation Law (2015 Amendment) (promulgated by the Standing Comm. Nat'l People's Cong., March 15, 2015, effective March 15, 2015).

19 Provisions on Judicial Interpretation Work (2021 Amendment) (promulgated by the Sup. People's Ct, June 9, 2021, effective June 16, 2021).

20 Provisions on the Jurisdiction of the Intellectual Property Courts of Beijing, Shanghai and Guangzhou (2020 Amendment) (promulgated by the Sup. People's Ct, Dec. 29, 2020, effective Jan. 1, 2021).

21 Provisions on Several Issues concerning the Intellectual Property Court (promulgated by the Sup. People's Ct, Nov. 26, 2018, effective Jan. 1, 2019).

22 Interpretations of Several Issues concerning the Enforcement Procedures in the Application of the Civil Procedure Law (2020 Amendment) (promulgated by the Sup. People's Ct, Dec. 29, 2020, effective Jan. 1, 2021).

- judicial interpretations related to procedure and evidence, including:
 - Provisions on Act Preservation in Intellectual Property Disputes;²³
 - Provisions on Evidence in Civil Procedures;²⁴
 - Provisions on Evidence in Civil Procedures involving Intellectual Property Rights;²⁵
- judicial interpretations related to substantial issues of the Patent Law, including:
 - Provisions on the Trial of Patent Disputes;²⁶
 - Interpretation of Patent Infringement Dispute Cases;²⁷
 - Interpretation (II) of Patent Infringement Dispute Cases;²⁸
 - Provisions on Patent Grant and Confirmation;²⁹
 - Provisions on the Patent Rights of Drugs;³⁰
 - Interpretation of Punitive Damages in Intellectual Property Civil Cases;³¹ and
 - Reply on Compensation for a Plaintiff's Abuse of Rights.³²

4.1.3.4 Departmental rules

The Guidelines for Patent Examination are department rules formulated by the CNIPA. It details and supplements the provisions of the Patent Law and the Rules for the Implementation of the Patent Law. It also serves as the basis and standard for the legal administration of the CNIPA to refer to and follow in enforcing the relevant laws and regulations. The guidelines were amended in accordance with the 2008 Patent Law, the Rules for the Implementation of the Patent Law (2010 Revision) and based on actual requirements. The Guidelines for Patent Examination first came into effect on February 1, 2010, and have been amended six times since.

The first amendment came into effect on October 15, 2013, and primarily concerned the preliminary examination procedure for utility model and design patent applications. The second amendment came into effect on May 1, 2014, and primarily concerned the scope for the granting of design patents for graphical user interfaces. The third amendment came into effect on April 1, 2017, and primarily concerned the conditions for granting patents related to business models, the examination of patent applications for inventions involving computer programs, the supplemental submission of experimental data, and the examination of requests for the invalidation of a patent right. The fourth amendment came into effect on November 1, 2019, and primarily concerned the preliminary examination and substantive examination of patent applications for inventions, drafting requirements for graphical user interface design patents, and examination standards for patents related to human embryonic stem cells. The fifth amendment came into effect on February 1, 2020, and primarily concerned the examination of patent applications for inventions related to artificial intelligence, "internet+," big data and blockchain, and the examination of patent applications for inventions having algorithmic features or business rules and method features. The sixth amendment came into effect on January 15, 2021, and primarily concerned the examination of invention patent applications in the field of chemistry, including the supplemental submission of experimental data, rules for determining the novelty and creativity of compounds, and the examination of monoclonal antibodies.

4.1.3.5 International treaties

International treaties are written agreements on mutual rights and obligations concluded between subjects of international law. To have a legal basis in China, such international treaties

- 23 Provisions on Several Issues concerning the Application of Law in Cases involving the Review of Act Preservation in Intellectual Property Disputes (promulgated by the Sup. People's Ct, Dec. 12, 2018, effective Jan. 1, 2019).
- 24 Several Provisions on Evidence in Civil Procedures (promulgated by the Sup. People's Ct, April 1, 2001, rev'd Dec. 25, 2019, effective May 1, 2020).
- 25 Several Provisions on Evidence in Civil Procedures involving Intellectual Property Rights (promulgated by the Sup. People's Ct, Nov. 16, 2020, effective Nov. 18, 2020).
- 26 Several Provisions on Issues concerning the Application of Law in the Trial of Patent Disputes (2020 Amendment) (promulgated by the Sup. People's Ct, Dec. 29, 2020, effective Jan. 1, 2021).
- 27 Interpretation on Several Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases (promulgated by the Sup. People's Ct, Dec. 28, 2009, effective Jan. 1, 2010).
- 28 Interpretation (II) on Several Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases (2020 Amendment) (promulgated by the Sup. People's Ct, Dec. 29, 2020, effective Jan. 1, 2021).
- 29 Provisions (I) on Several Issues concerning the Application of Law in the Trial of Administrative Cases involving Patent Grant and Confirmation (promulgated by the Sup. People's Ct, Sep. 10, 2020, effective Sep. 12, 2020).
- 30 Provisions on Several Issues concerning the Application of Law in the Trial of Civil Cases involving Patent Disputes Related to Drugs of Which Applications for Registration are Filed (promulgated by the Sup. People's Ct, July 4, 2021, effective July 5, 2021).
- 31 Interpretation on the Application of Punitive Damages in the Trial of Civil Cases of Intellectual Property Infringement (promulgated by the Sup. People's Ct, March 2, 2021, effective March 3, 2021).
- 32 Reply on Issues concerning the Claim of the Defendant for Compensation for Reasonable Expenses on the Ground that the Plaintiff Abuses Rights in the Action of Infringement on Intellectual Property Rights (promulgated by the Sup. People's Ct, June 3, 2021, effective June 3, 2021).

must have entered into force in China. If an international treaty concluded by China – or to which China is a party and has come into force in China – has different provisions compared to Chinese laws on the same matter, the provisions of the international treaty take precedence, except for such provisions for which China has declared its reservations. China has adopted a model of transformative application with respect to the TRIPS Agreement.

In terms of patent law, multilateral international treaties to which China is a party and that have come into force in China include:

- the Convention establishing the World Intellectual Property Organization (effective in China from June 3, 1980),³³ administered by WIPO;
- the Paris Convention for the Protection of Industrial Property (effective in China from March 19, 1985);³⁴
- the Patent Cooperation Treaty (effective in China from January 1, 1994);³⁵
- the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (effective in China from July 1, 1995);³⁶
- the Locarno Agreement establishing an International Classification for Industrial Designs (effective in China from September 19, 1996);³⁷
- the Strasbourg Agreement concerning the International Patent Classification (effective in China from June 19, 1997);³⁸ and
- the TRIPS Agreement (effective in China from December 11, 2001), administered by the World Trade Organization.

The Regional Comprehensive Economic Partnership was officially signed on November 15, 2020, by 15 Asia-Pacific countries (including China, Japan, Republic of Korea, Australia and New Zealand) and has been ratified by six Association of South-East Asian Nations countries (including Brunei Darussalam) and four non-Association countries (China, Japan, New Zealand and Australia). The Regional Comprehensive Economic Partnership entered into force on January 1, 2022. The agreement has a special chapter on intellectual property, covering copyright, trademarks, geographical indications, patents, designs, genetic resources, traditional knowledge and folklore, anti-unfair competition, intellectual property enforcement, cooperation, transparency, technical assistance and other fields.

Bilateral international treaties regarding patent law concluded by China and that have come into force in China include:

- the Memorandum of Understanding between the Government of China and the Government of the United States of America on the Protection of Intellectual Property (effective January 1, 1993);³⁹
- the Economic and Trade Agreement between the Government of the United States of America and the Government of the People's Republic of China (effective February 14, 2020; a first-stage economic and trade agreement between the US and China);⁴⁰
- the New Zealand–China Free Trade Agreement (effective October 1, 2008);⁴¹
- the China–Peru Free Trade Agreement (effective March 1, 2010);⁴²
- the China–Costa Rica Free Trade Agreement (effective August 1, 2011);⁴³
- the China–Australia Free Trade Agreement (effective December 20, 2015);⁴⁴

33 Convention establishing the World Intellectual Property Organization, July 14, 1967, 828 UNTS 5.

34 Paris Convention for the Protection of Industrial Property, March 20, 1883, 828 UNTS 305.

35 Patent Cooperation Treaty, June 19, 1970, 1160 UNTS 231.

36 Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (with Regulations), April 28, 1977, 1861 UNTS 362.

37 Locarno Agreement establishing an International Classification for Industrial Designs, Oct. 8, 1968, 828 UNTS 435.

38 Strasbourg Agreement concerning the International Patent Classification, March 24, 1971, 1160 UNTS 483.

39 Memorandum of understanding between the Government of the United States of America and the Government of the People's Republic of China on the protection of intellectual property, Jan. 17, 1992, 2249 UNTS 303.

40 Economic and Trade Agreement between the Government of the People's Republic of China and the Government of the United States of America, Jan. 15, 2020.

41 Free Trade Agreement between the Government of the People's Republic of China and the Government of New Zealand, April 7, 2008, 2590 UNTS 101.

42 Free Trade Agreement between the Government of the People's Republic of China and the Government of the Republic of Peru, April 28, 2009.

43 Free Trade Agreement between the Government of the People's Republic of China and the Government of the Republic of Costa Rica, April 8, 2010.

44 Free Trade Agreement between the Government of Australia and the Government of the People's Republic of China, June 17, 2015.

- the China–Republic of Korea Free Trade Agreement (effective December 20, 2015);⁴⁵
- the China–Georgia Free Trade Agreement (effective from January 1, 2018);⁴⁶ and
- the China–Mauritius Free Trade Agreement (effective from January 1, 2021).⁴⁷

4.1.4 Guiding case system

Article 18 paragraph 2 of the Law on the Organization of the People’s Courts provides that “the Supreme People’s Court may publish guiding cases.” Cases that have a guiding effect on the judicial and enforcement work of Chinese courts are determined and released by the Supreme People’s Court, and the people’s courts at all levels refer to them when hearing similar cases. As of September 14, 2021, the Supreme People’s Court has issued 165 guiding cases in 29 batches, of which seven are related to patents.

Article 2 of the Provisions on Case Guidance Work⁴⁸ stipulates that the guiding cases are those that have legally effective judgments and:

- are of widespread concern to society;
- involve legal provisions that are relatively general;
- are typical;
- are difficult, complicated or of a new type; or
- have a guiding effect.

According to Articles 9–11 of the Rules for the Implementation of the Provisions on Case Guidance,⁴⁹ the application of guiding cases by reference involves the following aspects:

- At all levels, in trials of cases that are similar to the guiding cases issued by the Supreme People’s Court in terms of basic facts and the application of the law, the courts shall make decisions by reference to the rules of the decision in the applicable guiding cases.
- In dealing with cases, judges shall inquire about applicable guiding cases. Where any applicable guiding case is cited in the decision, the number of the guiding case and the main points of the decision shall be outlined in the reasoning for the decision section.
- If the public prosecution, the parties to the case and their defenders and litigants cite a guiding case as a reason, the judge shall respond in the reasons for the judgment whether the guiding case has been referred to and explain the reasons for the same.
- Guiding cases shall be cited as reasons for a decision but not as the basis for the decision.

4.1.5 Reform and development of China’s intellectual property case trials

Patent trials are an important part of the intellectual property trial system and are related to three trial areas: civil, administrative and criminal trials. Since 2012, firmly adhering to the concept that protecting intellectual property is to protect innovation, Chinese courts have put into practice the Opinions on Strengthening Reform and Innovation in Intellectual Property Adjudication and the Opinions on Strengthening the Protection of Intellectual Property Rights.⁵⁰ They have further deepened reform and innovation in the field of intellectual property case trials to ensure the strict protection of intellectual property, resulting in beneficial results, as required in the Guidelines for Building a Powerful Country with Intellectual Property Rights (2021–2035).⁵¹

45 Free Trade Agreement between the Government of the People’s Republic of China and the Government of the Republic of Korea, June 1, 2015.

46 Free Trade Agreement between the Government of the People’s Republic of China and the Government of Georgia, May 13, 2017.

47 Free Trade Agreement between the Government of the People’s Republic of China and the Government of the Republic of Mauritius, Oct. 17, 2019.

48 Provisions concerning Work on Case Guidance (promulgated by the Sup. People’s Ct, Nov. 26, 2010, effective Nov. 26, 2010).

49 Rules for the Implementation of the Provisions on Case Guidance (promulgated by the Sup. People’s Ct, May 13, 2015, effective May 13, 2015).

50 Opinions on Several Issues concerning Strengthening Reform and Innovation in the Field of Intellectual Property Adjudication (promulgated by the Gen. Off. CPC Cent. Comm. and the Gen. Off. State Council, Feb. 1, 2018, effective Feb. 1, 2018); Opinions on Strengthening the Protection of Intellectual Property Rights (promulgated by the Gen. Off. CPC Cent. Comm. and the Gen. Off. State Council, Nov. 24, 2019, effective Nov. 24, 2019).

51 Guidelines for Building a Powerful Country with Intellectual Property Rights (2021–2035) (promulgated by the State Council, Sep. 22, 2021, effective Sep. 22, 2021).

Continuously improve the capacity to try intellectual property cases. The Supreme People's Court has formulated a series of judicial interpretations on patent infringement, the grant and confirmation of patents, pharmaceutical patents, e-commerce platform and network infringement, monopoly disputes, rules of evidence, preservation of acts, punitive damages and so on. This has helped consistently improve litigation standards in line with the trial rules of intellectual property cases, especially technical patent cases and universal adjudication standards; effectively solved the problems of "difficulty in providing evidence, long duration, low compensation, and high cost" in intellectual property litigation; and significantly increased the cost and price of infringement.

The Supreme People's Court has formulated a series of judicial policies, including the China Program for Judicial Protection of Intellectual Property Rights, Opinions on Comprehensively Strengthening Judicial Protection of Intellectual Property, and the Plan for the Judicial Protection of Intellectual Property Rights by the People's Courts (2021–2025) to promote the high-quality development of intellectual property case trials.⁵² It has exerted the demonstrating and leading role of judicial rules and issued timely guiding cases and typical cases. The Supreme People's Court effectively performs the function of judicial review and supervision of administrative acts to promote the unification of standards for administrative enforcement and judicial adjudication of intellectual property rights. It has strengthened civil judicial protection, equally protected the legitimate rights and interests of Chinese and foreign right holders in accordance with the law, and properly heard major intellectual property cases involving standard-essential patents, information and communication, integrated circuits, artificial intelligence, big data, gene technology and other high technologies and emerging industries.

The Supreme People's Court has significantly improved judicial protection capability and influence, safeguarded the legitimate rights and interests of right holders and service inventors in accordance with the law, and promoted the transfer and transformation of scientific and technological achievements. It also properly handles patent disputes arising from the determination of ownership, transfer of rights and determination of value and handles the distribution of benefits of scientific and technological achievements. China has become the country with the greatest number of intellectual property cases – especially patent cases – and one of the countries with the shortest trial periods. Between 2013 and June 2021, there were 143,000 patent cases concluded by the courts nationwide.

Deepen judicial reform in intellectual property case trials. Since 2014, intellectual property courts have been established in Beijing, Shanghai, Guangzhou and the Hainan free trade port. On January 1, 2019, the Intellectual Property Court of the Supreme People's Court was set up and given the responsibility of further unifying the trial criteria of cases on patent and other intellectual property rights involving professional technologies, putting into operation the major reform task of "establishing a national-level appeal hearing mechanism for intellectual property cases." Special intellectual property trial agencies have been founded in 24 places, including Nanjing, Wuhan and Shenzhen, with cross-regional jurisdiction over intellectual property cases involving professional technologies. The comprehensive "three-in-one" reform of criminal, civil and administrative trials over intellectual property cases has been carried out in an orderly manner in 21 high courts, 164 intermediate courts and 134 primary courts nationwide. Judicial interpretations and judicial policies related to technical investigators have been formulated to continuously improve the mechanism of ascertaining technical facts by technical investigators, technical consulting experts, technical appraisers and expert assistants when participating in litigation activities. A "national court technical investigator pool" and a sharing mechanism have also been established, including more than 450 expert technical investigators covering more than 30 technical fields.

Continuously optimize the working mechanism of intellectual property protection. The working mechanisms of intellectual property protection have been optimized by strengthening guidance on intellectual property cases; establishing a case guidance system consisting of guiding cases, gazetted cases and typical cases; building a database of intellectual property cases and rules for adjudication; providing guidance on strengthening the search of similar cases. This has also been achieved through actively carrying out the pilot work of diversification of simple cases from

52 China Program for Judicial Protection of Intellectual Property Rights (promulgated by the Sup. People's Ct, April 20, 2017, effective April 20, 2017); Opinions on Comprehensively Strengthening Judicial Protection of Intellectual Property (promulgated by the Sup. People's Ct, April 15, 2020, effective April 15, 2020); Plan for the Judicial Protection of Intellectual Property Rights by the People's Courts (2021–2025) (promulgated by the Sup. People's Ct, April 22, 2021).

complicated ones and improving online and offline integration of trial methods to vigorously shorten the duration of intellectual property litigation. The Supreme People's Court, in conjunction with the CNIPA, has established an online cooperation mechanism for the litigation and mediation of intellectual property disputes, improved the judicial confirmation system for administrative mediation agreements and improved the mechanism for the diversified settlement of intellectual property disputes. It has jointly promoted the specialized sharing of data and has continued to cooperate with the CNIPA in sharing patent talents.

Actively participate in international exchanges and cooperation on intellectual property. To comprehensively implement relevant cooperation matters outlined in the Memorandum of Understanding on Strengthening Exchanges and Cooperation signed with WIPO,⁵³ the Supreme People's Court has continuously developed and enriched the scope of cooperation and participated in global intellectual property governance under the WIPO framework. In addition to signing the memorandum of understanding with WIPO, the Supreme People's Court has also co-organized WIPO's "Master Class on Intellectual Property Adjudication," jointly published the "WIPO Collection of Leading Judgments on Intellectual Property Rights – People's Republic of China (2011–2018)"⁵⁴ and participated in the development of the WIPO Lex-Judgments database. It has also coordinated the establishment of the WIPO Arbitration and Mediation Shanghai Service,⁵⁵ which has successfully administered mediation of more than 60 intellectual property disputes involving multinational enterprises and broadened the channels for participation in resolutions of international intellectual property disputes. Judges of the Supreme People's Court have been invited to serve as members of the WIPO Advisory Board of Judges to promote the international exchange of intellectual property judicial protection experiences.

Promote information and intelligence-based intellectual property trials and enforcement. Chinese courts have made full use of smart-court development, accelerated the development of technology-based courts adapted to intellectual property trials and actively used modern technologies such as 5G, augmented reality and artificial intelligence to improve the quality and efficiency of trials. The Rules of Online Litigation of People's Courts and the Provisions on the Trial of Cases by Internet Courts have also been formulated,⁵⁶ and a unified judicial blockchain platform for courts nationwide to support parties in online data storage and verification has been established. The Beijing, Hangzhou and Guangzhou internet courts have been actively exploring new internet judicial models. They have handled a large number of intellectual property cases online and have effectively overcome the impact of COVID-19.

4.2 Overview on patent-related civil cases

4.2.1 Causes of action

The cause of action in a civil case is determined by the nature of the civil legal relationship in dispute between parties of the case. It constitutes an important element in the name of each civil case and an important means for people's courts to manage civil cases. According to the Provisions on the Causes of Action in Civil Cases⁵⁷ and Article 1 of the Provisions on the Trial of Patent Disputes, the causes of action in patent-related civil cases include:

- disputes over the ownership of patent application rights;
- disputes over patent ownership;
- disputes over patent contracts;
- patent infringement disputes;
- disputes over patent counterfeiting;
- disputes over royalties of invention patents during the temporary protection period;
- disputes over rewards and remuneration for inventors or designers of service invention-creations;

53 Memorandum of Understanding on Judicial Exchanges and Cooperation between WIPO and Supreme People's Court of China, April 2017.

54 Supreme People's Court of China and WIPO, *WIPO Collection of Leading Judgments on Intellectual Property Rights – People's Republic of China (2011–2018)* (2019).

55 See www.wipo.int/amc/en/center/specific-sectors/ipoffices/national-courts/china/spc.html

56 Rules of Online Litigation of People's Courts (promulgated by the Sup. People's Ct, June 16, 2021, effective Aug. 1, 2021); Provisions on Several Issues concerning the Trial of Cases by Internet Courts (promulgated by the Sup. People's Ct, Sep. 6, 2018, effective Sep. 7, 2018).

57 Provisions on the Causes of Action in Civil Cases (promulgated by the Sup. People's Ct, Feb. 4, 2008, effective April 1, 2008. Amended up to Doc. No. 346 [2020] of the Sup. People's Ct, promulgated Dec. 29, 2020, effective Jan. 1, 2021).

- disputes over an application for pre-litigation act preservation;
- disputes over an application for pre-litigation property preservation;
- disputes over liabilities for damages due to an application for act preservation;
- disputes over liabilities for damages due to an application for property preservation;
- disputes over the right of authorship of inventors or designers of invention-creations;
- disputes over a declaration of patent non-infringement;
- disputes over the refund of royalties after a declaration of patent invalidation;
- disputes over liabilities for damages due to malicious patent litigation;
- disputes over royalties of standard-essential patents;
- disputes over whether a technical solution falls within the protection scope of a pharmaceutical product patent; and
- other patent disputes.

4.2.2 Jurisdiction

Jurisdiction of civil cases is determined by such provisions in Chapter II of the Civil Procedure Law and in Part 1 of the Interpretation of the Civil Procedure Law.

4.2.2.1 Jurisdiction by court level and territorial jurisdiction

Jurisdiction by court level refers to the practice of defining the acceptance of first-instance civil cases by courts of different hierarchical levels according to certain criteria. According to Articles 17-20 of the Civil Procedure Law, primary people's courts have jurisdiction as courts of first instance over all civil cases unless otherwise stipulated. Intermediate people's courts have jurisdiction as courts of first instance over major cases involving foreign elements, cases with significant impact in the areas over which they exercise jurisdiction and cases determined by the Supreme People's Court. High people's courts have jurisdiction as courts of first instance over civil cases with significant impact in the areas over which they exercise jurisdiction. The Supreme People's Court has jurisdiction as the court of first instance over cases with significant impact in the whole country and cases that should be tried by the Supreme People's Court according to its own opinion.

Regarding the jurisdiction of patent-related civil cases by court level, Article 2 paragraph 1 of the Interpretation of the Civil Procedure Law stipulates the following: "Patent dispute cases shall come under the jurisdiction of intellectual property courts or intermediate people's courts and primary people's courts determined by the Supreme People's Court."

Territorial jurisdiction refers to the division of the jurisdiction of people's courts at the same level to hear cases of first instance based on the scope of jurisdiction of those courts and the places of domicile of the parties. Territorial jurisdiction determines which people's court has jurisdiction after jurisdiction by court level has been determined. Jurisdiction by court level defines the respective jurisdiction of superior and inferior people's courts within the people's court system over civil cases of first instance, while territorial jurisdiction defines the scope of jurisdiction of people's courts at the same level to hear civil cases of first instance. In other words, jurisdiction by court level determines the vertical division of scope for case trials, whereas territorial jurisdiction determines the horizontal division of scope. Territorial jurisdiction needs to be determined based on the characteristics of different civil cases.

According to Article 35 of the Civil Procedure Law, when two or more people's courts each have jurisdiction over a lawsuit, the plaintiff may file a lawsuit in any one of those courts. If the plaintiff files the lawsuit in two or more people's courts with jurisdiction thereof, the people's court that first registers the case shall have jurisdiction.

4.2.2.2 Jurisdiction transfer and designation of jurisdiction

According to Article 36 of the Civil Procedure Law, if a people's court finds that a case it has accepted is not under its jurisdiction, it shall transfer the case to the people's court with jurisdiction, which shall accept the case. If the people's court to which the case is transferred considers that the case does not come under its jurisdiction in accordance with laws and regulations, it shall report to a superior people's court for designation of jurisdiction but shall not further transfer the case at its own discretion. The transfer of jurisdiction is, in essence, a procedure to correct mistakes in the registration of cases and includes transfer to another court at the same level and to a superior or inferior court arising from mistakes in territorial jurisdiction and jurisdiction by court level.

According to Article 37 of the Civil Procedure Law, if a people's court with jurisdiction over a case is unable to exercise jurisdiction due to special reasons, the superior people's court shall designate jurisdiction. A dispute over jurisdiction between people's courts shall be resolved by the disputing courts through consultation. If the consultation fails, the dispute shall be submitted to the people's court that is their common superior people's court for the designation of jurisdiction. In the transfer of jurisdiction, if the court to which a case is transferred considers that the case is not under its jurisdiction, it shall report to the superior people's court for the designation of jurisdiction.

4.2.2.3 Objection and submission to jurisdiction

If a party objects to the jurisdiction over a case after it is accepted by a people's court, the party may raise an objection during the time limit for filing the statement of defense. The people's court shall examine such an objection. If the objection is upheld, the people's court shall rule to transfer the case to another people's court with jurisdiction over the case; if the objection is not upheld, it shall be dismissed. If the party disagrees with the ruling on the objection to jurisdiction, it has the right to appeal to a superior people's court within the statutory time limit.

Where a party does not raise any objection to the jurisdiction over the case and responds to the action with a defense, the party shall be deemed to have agreed that the people's court accepting the case has jurisdiction over the case unless that court is in violation of the provisions regarding jurisdiction by court level and exclusive jurisdiction.

4.2.3 Special provisions on jurisdiction

4.2.3.1 Jurisdiction over patent-related civil cases by court level

According to Article 20 paragraph 1 of the Interpretation of the Civil Procedure Law, patent dispute cases come under the jurisdiction of intellectual property courts or intermediate people's courts and of primary people's courts determined by the Supreme People's Court.

In provinces, municipalities directly under the central government, and autonomous regions that have established intellectual property courts or intellectual property tribunals, patent-related civil cases of first instance come under the centralized jurisdiction of the relevant intellectual property courts or tribunals. In other provinces, municipalities and autonomous regions, patent-related civil cases of first instance come under the jurisdiction of the intermediate people's courts that originally held the jurisdiction.

On October 26, 2018, the Sixth Session of the 13th NPC Standing Committee deliberated and adopted the Decision on the Litigation of Intellectual Property Cases, which came into effect on January 1, 2019. This decision states that the Supreme People's Court shall uniformly hear civil and administrative appeal cases involving patents and other intellectual property rights involving professional technologies.

The Provisions on the Intellectual Property Court also came into effect on January 1, 2019. Article 1 of this judicial interpretation stipulates that the Supreme People's Court shall establish the Intellectual Property Court to hear cases on appeal over patent and other intellectual property rights involving professional technologies. Article 2 of the provisions stipulates the category of cases to be heard by the Intellectual Property Court of the Supreme People's Court:

1. appeal cases filed because the interested parties disagree with the judgments and rulings made by high people's courts, intellectual property courts or intermediate people's courts on first-instance civil cases involving any invention patents, utility models, new plant varieties, layout designs of integrated circuits, technical secrets, computer software or monopoly;
2. appeal cases filed because the interested parties disagree with the judgments and rulings made by the Beijing Intellectual Property Court on first-instance administrative cases involving the granting and confirmation of any invention patents, utility models, design patents, new plant varieties or layout designs of integrated circuits;
3. appeal cases filed because the interested parties disagree with the judgments and rulings made by high people's courts, intellectual property courts or intermediate people's courts on first-instance administrative cases involving any invention

- patents, utility models, design patents, new plant varieties, layout designs of integrated circuits, technical secrets, computer software or administrative penalty for monopoly;
4. nationwide significant and complex civil and administrative cases of first instance identified in Items 1, 2 or 3;
 5. petitions for retrial, protests, retrials and so on in accordance with the law where adjudication supervision procedures are applicable with respect to legally effective judgments, rulings or written mediation statements of first-instance cases identified in Items 1, 2 or 3;
 6. cases of objection to jurisdiction, petitions for reconsideration of penalty or detention decisions, or petitions for extension of a trial term with regard to first-instance cases identified in Items 1, 2 or 3; and
 7. other cases that, in the opinion of the Supreme People's Court, should be heard by the Intellectual Property Court.

If a party disagrees with the second-instance judgment or ruling made by the Intellectual Property Court of the Supreme People's Court on a patent-related civil case, it may file a petition for retrial with the Supreme People's Court in accordance with the laws.

With respect to civil cases involving design patents, according to Article 164 of the Civil Procedure Law, if a party disagrees with a first-instance judgment or ruling made by a local people's court, the party has the right to file an appeal with a superior people's court. A party that considers a second-instance judgment or ruling to be wrong may file a petition for retrial in accordance with Article 199 of the Civil Procedure Law.

4.2.3.2 Territorial jurisdiction over some types of patent-related civil cases

4.2.3.2.1 Disputes over patent contracts

The territorial jurisdiction over civil cases of patent contract disputes is determined according to Articles 23 and 34 of the Civil Procedure Law. Such cases may come under the jurisdiction of the people's court at the place where the defendant is domiciled or where the contract is performed; or the parties may agree in writing to be subject to the jurisdiction of the people's court at the place having a connection with the dispute, such as where the defendant is domiciled, where the contract is performed, where the contract is signed, where the plaintiff is domiciled, where the subject matter is located and so on, provided that such an agreement does not violate the provisions of the Civil Procedure Law regarding jurisdiction by court level and exclusive jurisdiction.

4.2.3.2.2 Disputes over patent ownership and over patent infringement

For disputes over ownership of patent application rights and patent rights, territorial jurisdiction is determined after identifying whether the cause of the ownership disputes is a contractual relationship or acts of infringement.

The territorial jurisdiction of lawsuits filed due to acts of patent infringement is determined according to Articles 2-3 of the Provisions on the Trial of Patent Disputes:

Article 2. These lawsuits shall come under the jurisdiction of the people's court at the place where the acts of infringement are committed or where the defendant is domiciled.

The place where the acts of infringement are committed include: the place where acts of manufacturing, using, offering for sale, selling or importing the products alleged to have infringed the invention patent and/or utility model are performed; the place where the act of using the patented process is performed, and the place where the acts of manufacturing, using, offering for sale, selling or importing of the products directly obtained by the patented process are performed; the place where the acts of manufacturing, using, offering for sale, selling or importing the products incorporating the design patents are performed; the place where the act of counterfeiting others' patents is performed; and the place where the result of the said acts of patent infringement occurred.

Article 3. If the plaintiff only sues the manufacturer of the alleged infringing product but does not sue the seller thereof, and the infringing product is manufactured and

sold in different places, then the people's court at the place where the infringing product is manufactured may have jurisdiction; if the plaintiff files a lawsuit with the manufacturer and the seller as co-defendants, the people's court at the place where the infringing product is sold may have jurisdiction.

If the seller is a branch or subsidiary of the manufacturer, and the plaintiff files a lawsuit against the manufacturer for its acts of manufacturing and selling the infringing product, the people's court at the place where the infringing product is sold may have jurisdiction.

4.2.3.2.3 Disputes over whether the technical solution falls within the protection scope of pharmaceutical product patent rights

In accordance with Article 1 of the Provisions on the Patent Rights of Drugs, the party concerned may file a lawsuit in accordance with Article 76 of the Patent Law requesting a judgment on whether the technical solution related to the pharmaceutical product for which registration is applied falls within the protection scope of any pharmaceutical product patent right owned by others. This type of lawsuit comes under the jurisdiction of the Beijing Intellectual Property Court.

4.3 Civil cases of patent infringement

4.3.1 Protection scope of invention patents and utility models

The protection scope of patent rights defines the boundaries of the patent rights. Article 64 paragraph 1 of the Patent Law stipulates the following: "For the patent right of an invention or utility model, the scope of protection shall be confined to the contents of its claims. The description and the drawings attached can be used to explain the content of the claims." According to this provision, the protection scope of an invention patent or utility model is determined based on the content of its claims. Where parties have a dispute over the content of the claims, claims are interpreted to determine the protection scope of patent rights. People's courts must adhere to the adjudication idea of "strengthening protection and balancing interests" and interpret claims in a reasonable manner in accordance with laws, thereby ensuring that the protection scope of patent rights is compatible with the degree of novelty and inventive contribution.

4.3.1.1 Basis for determination

Article 20 paragraph 1 of the Rules for the Implementation of the Patent Law stipulates that claims must contain independent claims and may also contain dependent claims. Claims usually contain several claims, each claim being a complete technical solution. The right holder may choose any claim as the basis of the protection scope of patent rights asserted thereby.

In accordance with Article 1 of the Interpretation of Patent Infringement Dispute Cases, the right holder may choose one or more specific claims before the end of oral arguments in the court of first instance. Where the claims contain several claims, the right holder must specify in its complaint the claims based on which the lawsuit has been filed against the alleged patent infringement. Where such claims are not specified or not clearly specified in the complaint, then the people's court will require the right holder to specify the claims in accordance with Article 1 of the Interpretation (II) of Patent Infringement Dispute Cases. Where the right holder refuses to do so as required by the people's court, the latter may rule to dismiss the lawsuit.

4.3.1.2 Fundamental doctrines and judgment subject for determination

In interpreting claims, people's courts must adhere to the doctrine of compromise to strengthen the role of public notice of claims and increase certainty in the determination of the protection scope of patent rights, thereby providing clear legal anticipation for the public and facilitating the improvement of patent document drafting skills. People's courts must also adhere to the principle of "balancing interests" to protect the legitimate rights and interests of the right holder and encourage inventions and creations while avoiding the improper expansion of patent rights, which may reduce the potential for further innovation and damage public interests and others' lawful rights and interests. Regarding the doctrine of compromise, Article 2 of the Interpretation of Patent Infringement Dispute Cases stipulates the following: "People's courts shall determine the contents of claims as defined in Article 59(1) of the Patent Law based on the words of the claims and the understanding of the claims by a person skilled in the art, after reading the description and drawings."

The doctrine of equivalents is a principle for determining patent infringement. Equivalent technical features are also incorporated in the protection scope of patent rights. Article 13 paragraph 1 of the Provisions on the Trial of Patent Disputes stipulates the following: “the protection scope of a patent right shall be confined to the scope determined by all technical features contained in the claims and shall also include the scope determined by features equivalent to those technical features.”

In a retrial of a dispute over invention patent infringement, *Ningbo Dongfang Movement Plant v. Jiangyin Jinling Hardware Products Co.*,⁵⁸ the Supreme People’s Court held the following:

In determining the protection scope of patent rights, people’s courts shall neither confine the protection scope of patent rights to the strict literal meaning of the claims nor use the claims as the technical guidance for arbitrary expression. The protection scope of patent rights shall be determined based on the substantial content of the claims. Where the claims do not provide a clear description, the description and drawings may be used for clarification. The protection scope of patent rights may be extended to also cover equivalent features that a person skilled in the art can think of after reading the description and drawings without creative work.

In determining the protection scope of patent rights, “a person skilled in the art” shall be the judgment subject. “A person skilled in the art” are persons of legal fiction, and refer to technical personnel with average knowledge in the technical field related to the concerned patent. They are neither technical experts nor personnel who have no technical knowledge in the field. The protection scope of patent rights shall be confined to the scope of the understanding of the claims by a person skilled in the art after reading the description and drawings.

4.3.1.3 Specific methods for determination

Article 3 of the Interpretation of Patent Infringement Dispute Cases points out the specific methods for the interpretation of claims. It stipulates the following:

People’s courts may interpret a claim using the description and drawings, relevant claim(s) in the claims, and the patent examination files. Specially defined expressions for the claims as contained in the description, if any, shall be adhered to.

In case of failure to clarify the meaning of the claims even after application of the abovementioned methods, an interpretation may be made in combination with published documents like reference books and textbooks, as well as the common understanding of the meaning by a person skilled in the art.

The application of this provision involves the following aspects:

- The description, drawings and related claims in the claim, as components of patent-granting documents that are the most closely related to the claims, are usually the best guideline for clarifying expressions in disputes.
- The patent examination files, although not a component of patent-granting documents, are available for public access. Since the expressions of claims have the same meaning in the patent examination procedure and in infringement lawsuits, patent examination files can play an important role in the interpretation of the claims.
- In contrast to the foregoing “internal evidence,” reference books and textbooks are “external evidence,” used only when the internal evidence is insufficient to provide a clear interpretation. The interpretation of claims does not necessarily require the application of these methods individually or jointly. Where the use of the description and drawings is sufficient to clarify the meaning of the claims, there is no need to resort to other means.

Generally, the expressions of the claims are understood as having the meaning that they usually have in the relevant technical field. If, under certain circumstances, the description defines a specific meaning for an expression due to which the protection scope of the claims is sufficiently defined, then that specific definition is taken as the meaning of that expression. At the same time, in interpreting the claims, “the limitations in the description shall not be read into the claims.” For example, illustrative explanations, like embodiments in the description, cannot be used to limit the protection scope of patent rights.

58 MSTZ No. 1 (Sup. People’s Ct, 2001).

In a retrial of a dispute over invention patent infringement, *Wuxi Shenglong Cable Materials Plant v. Xi'an Qinbang Telecommunication Materials Co.*,⁵⁹ the Supreme People's Court held that, when a person skilled in the art can clearly determine the meaning of relevant expressions in the claims, and the description does not give specific definitions for relevant expressions in the claims, then the understanding of a person skilled in the art on the contents of the claims prevails, while the contents of the description cannot be used to negate the contents of the claims.

In a retrial of a dispute over invention patent infringement, *Xu Yongwei v. Ningbo Huatuo Solar Energy Technology Co.*,⁶⁰ the Supreme People's Court held that, when using a description and drawings to interpret the claims, an illustrative description therein cannot be used to limit the protection scope of the patent right because embodiments are only illustrations of the invention.

In a retrial of a dispute over utility model patent infringement, *Shenzhen Lanying Hardware and Plastic Products Plant v. Luo Shizhong*,⁶¹ the Supreme People's Court held that, when a description does not give specific definitions for expressions in the claims, the interpretation can generally be made based on the usual meaning as understood by a person skilled in the art rather than by narrowing the meaning of the expressions to the content reflected by a specific mode of carrying out the utility model described in the description.

With respect to technical terms created by patent applicants, in a retrial of a dispute over utility model patent infringement, *Shanghai Modiluke Locks Manufacturing Plant v. Shanghai Gujian Locks Co.*,⁶² the Supreme People's Court held that patent applicants are allowed to use technical terms created in drafting patent application documents to meet the objective need for describing the new technical solutions of patents. However, as the meanings of such technical terms are not known to a person skilled in the art, applicants are obliged to give clear and correct definitions, explanations or descriptions for such technical terms in the claims or the description where they are used. When such explanations or definitions are absent, then the working method, function and effect of the technical terms should be identified by reference to the background art, the purpose of the invention, technical effects and so on as recited in the claims, description and drawings so that the meanings of such technical terms in the overall technical solution can be determined.

With respect to examination files, Article 6 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

People's courts may use another patent related to the involved patent due to a divisional application as well as the patent examination files of that other patent and effective judgments/rulings on patent granting and confirmation, to interpret the claims of the involved patent.

Patent examination files shall include written materials submitted by patent applicants or patentees during the patent examination, reexamination, and invalidation procedures, as well as the notices on examination opinions, meeting minutes, oral hearing records, effective decisions on patent reexamination requests or requests for declaration of patent invalidity, etc., issued by the patent administration department under the State Council.

4.3.1.4 Interpretation of functional features

Article 4 of the Interpretation of Patent Infringement Dispute Cases stipulates the following:

For technical features in the claims that are expressed in terms of functions or effects, people's courts shall determine the contents of such technical features in combination with the mode of carrying out the functions or effects and its equivalent mode(s), as depicted in the description and drawings.

As a type of technical feature with a relatively special nature, functional features define the protection scope of patent rights through the functions or effects to be achieved by relevant

59 MTZ No. 3 (Sup. People's Ct, 2012).

60 MTZ No. 64 (Sup. People's Ct, 2011).

61 MTZ No. 248 (Sup. People's Ct, 2011).

62 MTZ No. 113 (Sup. People's Ct, 2013).

technical features rather than through the specific technical means to achieve those functions or effects. As a result, the literal meaning of “functional features” is so extensive that it covers all modes of carrying out the invention that can achieve those functions or effects regardless of whether the modes already exist before the filing date of the patent or are discovered or invented after the filing date, whether the right holders are aware of them on the filing date or whether they are disclosed in the description.

In Part II(2) of the Guidelines for Patent Examination,⁶³ although it is permitted to use functional or effect-based features to define an invention in the claims, many restriction provisions are also made for this type of technical feature, requiring that “the use thereof shall be avoided as far as possible” (Part II(2) Article 26.4 of the Guidelines for Patent Examination). In a patent infringement lawsuit, if still following the general rules of interpreting claims to interpret the protection scope of “functional features” as covering all modes of carrying out the invention that can achieve those functions or effects, the protection scope of the patent right will not be compatible with the innovation degree and the information disclosed in the patent, inevitably unnecessarily limiting subsequent improvement and innovation and negatively affecting technological development and social and economic advances. Therefore, Article 4 of the Interpretation of Patent Infringement Dispute Cases offers a special provision regarding the interpretation of “functional features” such that the protection scope of patent rights can be compatible with the innovation degree of patents and the contents disclosed in the description and drawings, thereby balancing the interests of the public and the patent holders and leaving necessary space for subsequent improvement and innovation. According to current practices in patent examination, in rare instances, modes of carrying out the inventions are not described in the description and drawings; therefore, the expression “in combination with” is used in Article 4.

Determining whether a disputed technical feature is a “functional feature” has an important effect on the protection scope of a patent right. In this respect, Article 8 of the Interpretation (II) of Patent Infringement Dispute Cases further stipulates the following:

A functional feature refers to a technical feature in which the structures, components, steps, conditions, or the relations among them are defined by their functions or the effects achieved in the invention-creation, unless a mode of carrying out the invention for achieving the above functions or effects can be directly and specifically determined by a person skilled in the art by reading the claims alone.

According to this provision, in determining whether a disputed technical feature is a “functional feature,” it is necessary to not only consider the literal meaning of the expression of the technical feature but also incorporate the technical feature into the overall technical solution defined by the claims, for understanding. For a technical feature containing a specific function or effect, if a person skilled in the art can directly and specifically determine the mode for achieving that function or effect by reading the claims alone, then the technical feature is not a “functional feature” as stipulated in Article 4 of the Interpretation of Patent Infringement Dispute Cases. It should be noted the technical features stated in the above proviso are determined based on the knowledge and capability of a person skilled in the art, and relevant evidence should be produced by the concerned parties.

In an appeal of a dispute over invention patent infringement, *Valeo Cleaning System Co. v. Xiamen Lukasi Automotive Parts Co.*,⁶⁴ the Supreme People’s Court further specified that, if a technical feature in the claims of a patent has defined or implied specific structures, components, steps, conditions or the relations among them, then it is not a functional feature, even if it defines the functions or effects that can be achieved thereby simultaneously.

In a retrial case over utility model patent infringement, *Linhai Linong Machinery Plant v. Lu Jie*,⁶⁵ the Supreme People’s Court held that, if, apart from defining functions or effects, a technical feature also defines the structural feature corresponding to those functions or effects, and a person skilled in the art can directly and specifically determine the mode for achieving such a

63 Guidelines for Patent Examination (promulgated by China National Intellectual Property Administration (CNIPA), Jan. 21, 2010, effective Feb. 1, 2010. Amended up to Notice No. 391 of CNIPA, effective Jan. 15, 2021).

64 *Zuigao Renmin Fayuan Zhidao Anli* (Sup. People’s Ct Guiding Case) No. 115, Dec. 24, 2019.

65 MS No. 1804 (Sup. People’s Ct, 2017).

structural feature by reading the claims alone, and such a mode can achieve those functions or effects, then this technical feature, which simultaneously defines the structure and the functions or effects, is not a functional feature.

4.3.1.5 Use-environment features

Article 9 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following: “Where an alleged infringing technical solution cannot be applied for the use environment defined by the use environment features in the claims, the people’s courts shall determine that the alleged infringing technical solution does not fall within the protection scope of the patent right.”

In a retrial of a dispute over invention patent infringement, *Shimano Inc. v. Ningbo Richeng Industry and Trade Co.*,⁶⁶ the Supreme People’s Court held that the use-environment features recited in the claims are necessary technical features that can help define the protection scope of claims; however, to what degree use-environment features can define the protection scope of claims needs to be determined on a case-by-case basis. The general understanding is that the subject matter to be protected *can* be – rather than *must* be – used in such a use environment, unless a person skilled in the art can specifically and reasonably conclude that the subject matter protected must be used in such a use environment after reading the claims, description and the patent examination files.

4.3.1.6 Closed composition claims

Article 7 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

Where an alleged infringing technical solution has additional technical features based on all technical features contained in the closed composition claims, the people’s courts shall determine that the alleged infringing technical solution does not fall within the protection scope of the patent right, unless the additional technical features are unavoidable impurities that are present in normal amounts.

The closed composition claims stated in the preceding paragraph generally do not include claims of traditional Chinese medicine composition.

Although the Guidelines for Patent Examination have been amended several times, the provisions are consistent with respect to the typical limitations for open claims and closed claims and in the interpretation rules thereof. For example, the 2006 Guidelines for Patent Examination⁶⁷ stipulates, in the general rules for claims, the following:

Usually, open claims should use expressions like “comprising,” “including,” or “consisting essentially of,” which are interpreted as possibly containing additional structural elements or method steps not recited in the claims. Closed claims should use the expression “consisting of,” which is usually interpreted as excluding additional structural elements or method steps not recited in the claims.

Despite subsequent amendments, the Guidelines for Patent Examination have maintained the same provisions on closed composition claims (i.e., that they must not contain additional components other than the features recited in the claims, except for unavoidable impurities that are present in normal amounts).

Through long-term practice in patent examination and adjudication, the foregoing drafting manner and interpretation rule have become widely accepted by the industry. The interpretation rule stipulated in Article 7 paragraph 1 of the Interpretation (II) of Patent Infringement Dispute Cases is consistent with that in the Guidelines for Patent Examination. When applying for patents, patentees may make reasonable choices between open claims, closed claims and closed active component claims to obtain appropriate protection coverage.

The exclusion of other components is one of the inherent features of closed claims. If an alleged infringing technical solution contains additional components, it can be deemed as not “covering”

66 MTZ No. 1 (Sup. People’s Ct, 2012).

67 Guidelines for Patent Examination (2006) (promulgated by China National Intellectual Property Administration (CNIPA), May. 24, 2006, effective July 1, 2006).

all technical features and thus not falling within the protection scope of the patent right. If, for any reason, the patentee has chosen closed claims with a relatively small protection scope in a patent-granting procedure and due to which the protection scope of the claims of the granted patent is not as broad as expected, then the patentee, having failed to assert a broader protection scope despite having had the opportunity to do so, bears the corresponding legal consequences for the same. In other words, in a patent infringement lawsuit, the patentee's assertion that its closed claims do not exclude other undefined components shall not be supported.

In a retrial of a dispute over invention patent infringement, *Shanxi Zhendong Taisheng Pharmaceutical Co. v. Hu Xiaoquan*,⁶⁸ the Supreme People's Court held that closed claims should usually be interpreted as excluding structural elements or method steps not recited in the claims. Closed composition claims should usually be interpreted to mean that the composition contains the listed components, excluding all other components except for impurities present in normal amounts (excipients are not impurities). By choosing closed claims, patentees have indicated that they specifically intend to exclude other undefined structural elements or method steps from the protection scope of the patent rights and, therefore, cannot subsequently recapture them into the protection scope through applying the doctrine of equivalents.

In a retrial of a dispute over invention patent infringement, *Hebei Xinyu Welding Co. v. Yichang Houwang Welding Co.*,⁶⁹ the Supreme People's Court held that closed claims constitute a special type of claim that uses specific words or expressions to confine the protection scope to cover only the technical features specifically recited in the claims and the equivalents thereof, but excludes other components, structures or steps. Therefore, with respect to closed claims, if an alleged infringing product contains additional features apart from the technical features specifically recited in the claims, it shall be determined as not falling within the protection scope of the claims.

4.3.1.7 Handling of errors or defects in claims

According to Articles 45–46 of the Patent Law, from the date of the announcement of the grant of a patent right by the patent administration department of the State Council, any entity or individual may request the patent administration department to declare the patent right invalid. The patent administration department will then examine the request for declaring invalidation of a patent right and make a decision on it. If the parties concerned refuse to accept the decision, they may file an administrative lawsuit in the people's court. Therefore, in a civil case involving patent infringement, people's courts cannot directly examine the validity of the patent and declare it invalid. However, with respect to ambiguities and manifest errors in claims, people's courts can make corresponding determinations in accordance with the laws.

With respect to manifest errors in claims and description, Article 4 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

Where the grammar, characters, punctuations, figures, symbols, etc. in the claims, the description, and drawings are ambiguous, but a person skilled in the art may derive a sole understanding by reading the claims, the description and drawings, the people's courts shall make a determination according to such a sole understanding.

According to this provision, despite ambiguities in the claims and other patent documents, if a person skilled in the art can derive a sole understanding, the people's courts shall correct the errors based on such an understanding. While emphasizing the basic orientation of the public notice of claims, it is necessary to keep some flexibility in interpreting the claims to avoid mechanistic submission to literal meanings so that patents with true technological contributions can be adequately protected.

In a retrial of a dispute over invention patent infringement, *Wuxi Shenglong Cable Materials Plant v. Xi'an Qinbang Telecommunication Materials Co.*,⁷⁰ the Supreme People's Court held that, when manifest errors exist in specific expressions in the claims, if a person skilled in the art can specifically and directly correct the meaning of the specific expressions therein without any doubt by reference to relevant contents in the description and drawings, then these expressions are to be interpreted as having the corrected meaning.

68 MTZ No. 10 (Sup. People's Ct, 2012).

69 MSZ No. 1201 (Sup. People's Ct, 2013).

70 MTZ No. 3 (Sup. People's Ct, 2012).

In a retrial of a dispute over utility model patent invalidation, *Hong Liang v. Patent Reexamination Board*,⁷¹ the Supreme People's Court held that "manifest errors" refers to errors in technical features that a person skilled in the art can identify immediately after reading the claims, based on their common technical knowledge, and the sole correct understanding of which such a person may be able to determine immediately after reading the relevant contents of the description and drawings, taking into account their common technical knowledge. The existence of manifest errors does not render the boundary of claims ambiguous. Where manifest errors exist in the claims, if a person skilled in the art can determine the sole correct understanding thereof based on the relevant contents of the description and drawings, then the technical solution protected by the claims is determined based on the corrected understanding.

4.3.2 Determination of infringement of invention patents and utility models

With respect to the protection scope of patent rights, Article 64 of the Patent Law stipulates the following: "The protection scope of an invention or utility model patent shall be determined by the contents of its claims, and the description and drawings can be used to interpret the content of the claims." This provision is clarified by Article 13 paragraph 1 of the Provisions on the Trial of Patent Disputes, which states that "the protection scope of a patent right shall be confined to the scope determined by all technical features recited in the claims, and shall also include the scope determined by features equivalent to those technical features."

According to these provisions, patent infringement includes two circumstances: first, that the alleged infringing technical solution falls within the protection scope of the patent right defined by "all technical features recited in the claims," which is a literal infringement; and second, that the alleged infringing technical solution falls within the "scope determined by equivalent features," which is an infringement under the doctrine of equivalents.

In a retrial of a dispute over utility model patent infringement, *Bai Wanqing v. Chengdu Nanxun Commodity Sales Service Center*,⁷² the Supreme People's Court held that the protection scope of patent rights must be clear. When manifest defects exist in the expressions of the claims of a utility model patent, if the protection scope of the patent right is obviously unclear because the specific meaning of technical terms in the claims cannot be determined by reference to the description and drawings of the involved patent, well-known general knowledge in the art, relevant prior art and so on, then it would be impossible to compare this with the alleged infringing technical solution. As a result, the alleged infringing technical solution cannot be identified as constituting an infringement.

4.3.2.1 Literal infringement

Article 13 paragraph 1 of the Provisions on the Trial of Patent Disputes stipulates the following: "The protection scope of a patent right shall be confined to the scope determined by all technical features recited in the claims." Article 7 of the Interpretation of Patent Infringement Dispute Cases further stipulates the following:

In determining whether an alleged infringing technical solution falls within the protection scope of the patent right, the people's courts shall examine all technical features recited in the claims asserted by the right holder.

If an alleged infringing technical solution contains technical features identical or equivalent to all technical features recited in the claims, the people's courts shall determine that such a technical solution falls within the protection scope of the patent right; if the alleged infringing technical solution lacks one or more technical features recited in the claims, or has one or more technical features that are neither identical nor equivalent, the people's courts shall determine that the alleged infringing technical solution does not fall within the protection scope of the patent right.

According to these provisions, the "all elements rule" applies in determining the infringement of invention patents and utility models. An alleged infringing technical solution will be determined as constituting a literal infringement only when it contains all of the technical features recited in the claims. Where the alleged infringing technical solution does not contain one or more

71 XTZ No. 13 (Sup. People's Ct, 2011).

72 Sup. People's Ct Guiding Case No. 55. Nov. 19, 2015.

technical features recited in the claims, it does not constitute infringement. Incorporation of additional technical features into the alleged infringing technical solution, if any, does not, in principle, affect the determination of infringement, provided that, in the case of closed claims, the additional technical features of the alleged infringing technical solution are considered.

In a retrial of a dispute over utility model patent infringement, *Zhang Jianhua v. Shenyang Zhilian Highrise Building Heating Technology Co.*,⁷³ the Supreme People's Court held that, if the alleged infringing technical solution lacks a technical feature recited in the claims, which leads to the deterioration of technical effects, it shall be determined as not falling within the protection scope of the patent right.

With respect to dependent claims, Article 1 paragraph 2 of the Interpretation of Patent Infringement Dispute Cases specifically stipulates the following:

Where a right holder asserts that the protection scope of the patent right shall be determined based on dependent claims, the people's courts shall determine the protection scope thereof based on both the additional technical features recited in such dependent claims and the technical features of the claims being referred.

Article 5 of the Interpretation (II) of Patent Infringement Dispute Cases further stipulates the following: "all technical features, whether recited in the preamble portion and characterizing portion of independent claims or recited in the reference portion and defining portion of dependent claims, have a defining role." Therefore, the protection scope of dependent claims is defined by technical features of two aspects: the additional technical features that are recited in the dependent claims, and all technical features in the claims being referred to in the dependent claims. If a claim being referred to is still a dependent claim, then it is necessary to further trace it until the independent claim that is referred to in the end is identified.

With respect to the defining role of the title of the subject matter in claims, in a retrial of a dispute over invention patent infringement, *Xinghe Industry Co. v. Jiangsu Runde Pipes Industry Co.*,⁷⁴ the Supreme People's Court held that the title of the subject matter recited in claims should be considered, and its actual defining role in the protection scope of the patent right depends on what impact it has on the subject matter to be protected by the claims.

4.3.2.2 Infringement under the doctrine of equivalents

With respect to infringement under the doctrine of equivalents, Article 13 paragraph 2 of the Provisions on the Trial of Patent Disputes stipulates the following:

Equivalent features are features that adopt basically the same means to perform basically the same functions and achieve basically the same effects as the technical features recited in a claim and a person skilled in the art can think of without creative work when the alleged act of infringement occurs.

The doctrine of equivalents is an important approach for overcoming the limitations of claims in expressions and for realizing the fair protection of patent rights. The doctrine of equivalents is used to compensate for the insufficiency of literal infringement. At the same time, the overly broad and excessive application of this doctrine is prevented through appropriately strict limitations, thereby avoiding the improper expansion of the protection scope of patent rights based on the doctrine, which may limit innovation and damage public interests. Limitations to the doctrine of equivalents are primarily reflected in two aspects. First, the doctrine is applied to the technical features in the claims but not to the technical solution as a whole, and the determination criteria are relatively strict and as objective as possible. Second, the estoppel rule and dedication rule are used to limit the application of the doctrine of equivalents. A determination of infringement under the doctrine of equivalents is made based on the circumstances at the time the alleged act of infringement occurred.

Applying the doctrine of equivalents expands the protection scope literally defined by the claims and adds uncertainty to the determination of the protection scope, which may affect the

⁷³ MTZ No. 83 (Sup. People's Ct, 2009).

⁷⁴ MSZ No. 790 (Sup. People's Ct, 2013).

reasonable expectation of the public on the protection scope of patent rights. Therefore, the determination of infringement under the doctrine of equivalents must adhere to the principle of prudent application in accordance with the laws. In terms of the determination criteria, two conditions must be met simultaneously to permit a finding of equivalent features. First, these features must adopt basically the same means to perform basically the same functions and achieve basically the same effects as the technical features recited in the claims. Second, a person skilled in the art is able to think of these features without creative work (i.e., they are obvious to a person skilled in the art). Article 12 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates that, when expressions like “at least,” “not more than,” and so on are recited in the claims to define numeric features, and a person skilled in the art concludes that the patented technical solution has specifically emphasized the limiting role of such expressions in technical features after reading the claims, the description and drawings, then a right holder’s argument that numeric features different therefrom constitute equivalent features shall be rejected by people’s courts.

In a retrial of a dispute over invention patent infringement, *Ningbo Dongfang Movement Plant v. Jiangyin Jinling Hardware Products Co.*,⁷⁵ the Supreme People’s Court held the following:

The patented technical solutions should be ascertained and the space for public to freely make use of technologies to achieve invention-creations should be available, therefore reasonable protection for patentees should be determined along with sufficient legal certainty for the public. In accordance with this principle, the protection scope of an invention patent or utility model includes the scope defined by necessary technical features specifically recited in the claims, and the features equivalent to those being recited.

In a retrial of a dispute over utility model patent infringement, *Beijing Jerrat Damping Elastomer Technical Research Center v. Beijing Jinzi Tianhe Buffer Technology Co.*,⁷⁶ the Supreme People’s Court held that, if an alleged infringing technical solution using technical means is opposite to technical features specifically recited in the claims, producing opposite technical effects, and the purpose of the invention is unachieved, then infringement under the doctrine of equivalents is not found.

In a retrial of a dispute over utility model patent infringement, *Sun Junyi v. Renqiu Bocheng Water Heating Apparatus Co.*,⁷⁷ the Supreme People’s Court held that, when applying the doctrine of equivalents, the level of technological development at the filing date and at the time of the alleged acts of infringement should be considered so as to prevent technical features in the patented technical solution from simply being replaced by new technologies occurring after the filing date for the purpose of avoiding infringement and so to determine the reasonable boundaries of the protection scope of patent rights.

4.3.2.3 Judgment on infringement of functional features

With respect to judgments on infringement related to functional features, Article 8 paragraph 2 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

Where comparing with the technical features that are indispensable to achieve the functions or the effects mentioned in the preceding paragraph as recited in the description and drawings, the corresponding technical features of the alleged infringing technical solution adopt basically the same means to perform the same functions and achieve the same effects, and can be thought of by a person skilled in the art without creative work upon the occurrence of the alleged act of infringement, the people’s courts shall then determine that the said corresponding technical features are identical or equivalent to the functional features.

In this provision, “the said corresponding technical features [determined to be] identical or equivalent to the functional features” are different from the “equivalent features” stipulated in Article 13 paragraph 2 of the Provisions on the Trial of Patent Disputes. First, the bases of comparison are different: the former involves the technical features recited in the description and

75 MSTZ No. 1 (Sup. People’s Ct, 2001).

76 MSZ No. 1146 (Sup. People’s Ct, 2013).

77 MSZ No. 740 (Sup. People’s Ct, 2015).

drawings that are indispensable for achieving the functions or the effects, while the latter involves the features recited in the claims. Second, the criteria are different: the former requires the functions and effects to be the same, while the latter requires the functions and effects to be *basically* the same.

In a retrial of a dispute over utility model patent infringement, *Linhai Linong Machinery Plant v. Lu Jie*,⁷⁸ the Supreme People's Court held that the identification of equivalent features (in a case of infringement under the doctrine of equivalents) is not the same as the identification of "the corresponding technical features [determined to be] equivalent to the functional features" according to Article 8 paragraph 2 of the Interpretation (II) of Patent Infringement Dispute Cases. Although both require "basically the same means" and "can be thought of without creative work," they have essential differences in two main aspects. First, they have different objects of application and different bases of comparison. "Equivalent features," as stipulated in Article 13 of the Provisions on the Trial of Patent Disputes, applies to a broader range of objects, involving technical features other than "functional features," and the bases of comparison are the technical features recited in the claims. By contrast, Article 8 paragraph 2 of the Interpretation (II) of Patent Infringement Dispute Cases applies to the "functional features" stipulated, and the bases of comparison are the "technical features" recited in the description and drawings "that are indispensable" for achieving the functions or effects of the functional features. Second, the identification criteria are different. The "equivalent features" stipulated in Article 13 of the Provisions on the Trial of Patent Disputes are identified against the criteria of "performing basically the same functions" and "achieving basically the same effects," while "the corresponding technical features [determined to be] equivalent to the functional features" according to Article 8 paragraph 2 of the Interpretation (II) of Patent Infringement Dispute Cases has stricter identification criteria because these features must "perform the same functions and achieve the same effects."

4.3.2.4 Estoppel

The estoppel rule, as a necessary limitation to the doctrine of equivalents, aims to oblige parties to act in good faith during litigation activities and avoid interpreting claims in infringement litigation in ways different from those in related administrative patent-granting and confirmation procedures. The estoppel rule thus ensures that the protection scope of patent rights is determined in a reasonable manner and that the interests among patentees, alleged infringers and the public are balanced. Article 6 of the Interpretation of Patent Infringement Dispute Cases stipulates the following: "Where the patent applicant or the patentee surrenders a technical solution by observation or amendments to the claims and description during the patent-granting or invalidation procedure, the right holder's argument to regain the surrendered technical solution in a patent infringement lawsuit shall not be upheld by people's courts." Therefore, patent examination files are not only the basis for claim interpretation but also involve the application of the estoppel rule in determining infringement.

With respect to the understanding of "surrendered technical solution," Article 13 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

Where the right holder has proved that the narrowing amendments to the claims, description, and drawings or observation made by the patent applicant or the patentee are specifically denied in patent granting and confirmation procedures, the people's courts shall determine that no technical solution is surrendered by such amendments or observation.

In this provision, the phrase "specifically denied" includes being denied by the CNIPA during the patent examination procedure and being denied by a people's court in administrative litigation. According to this provision, a right holder bears the burden of proving that the narrowing amendments have been "specifically denied"; otherwise, the surrender of a technical solution results in the application of the estoppel rule.

In a retrial of a dispute over utility model patent infringement, *Shen Qiheng v. Shanghai Shengmao Traffic Engineering Co.*,⁷⁹ the Supreme People's Court held the following:

⁷⁸ MS No. 1804 (Sup. People's Ct, 2017).

⁷⁹ MSZ No. 239 (Sup. People's Ct, 2009).

In determining whether there is an infringement under the doctrine of equivalents, even though the alleged infringer does not assert the application of the estoppel rule, the people's courts may apply the estoppel rule to impose necessary limitation to the scope of equivalents based on facts that have been found, to determine the protection scope of the patent right in a reasonable manner.

In a retrial of a dispute over utility model patent infringement, *Zhongyu Electronics (Shanghai) Co. v. Shanghai Jiuying Electronic Technology Co.*,⁸⁰ the Supreme People's Court held that, if an independent claim is declared invalid whereas the dependent claims remain valid, and the patentee does not surrender the claim, then the estoppel rule shall not be applied to those dependent claims and the application of the doctrine of equivalents shall not be limited.

In a retrial of a dispute over invention patent infringement, *Cao Guilian v. Chongqing Lifan Automobile Sales Co.*,⁸¹ the Supreme People's Court held that, in judging whether observations made by right holders are "specifically denied," the people's courts shall consider whether the narrowing statements with respect to the technical solution made by right holders are finally accepted by the decision-makers and whether, in that case, the patent was granted or was declared valid.

4.3.2.5 Issues related to process patent infringement

4.3.2.5.1 Determination of sequence of steps in process claims

Process patents are mainly defined by steps, a sequence of steps, process parameters and conditions and so on. With respect to the sequence of steps of a process patent, Article 11 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

Where specific sequence of technical steps is not explicitly recited in process claims but can be directly and specifically concluded by a person skilled in the art after reading the claims, description, and drawings, then the people's courts shall determine that such a sequence of steps has a defining role with respect to the protection scope of the patent right.

In a retrial of a dispute over invention patent infringement, *OBE – Werk Ohnmacht and Baumgartner GmbH v. Zhejiang Kanghua Glasses Co.*,⁸² the Supreme People's Court held that, for a process invention with sequences of steps, both the steps and their sequences have a defining role in the protection scope of the patent right. The sequences of steps in the claims should not be ignored on the ground that the sequences are not recited in the claims. Instead, whether the steps are performed in a particular sequence should be determined from the perspective of a person skilled in the art by reference to the description and drawings, examination files, the overall technical solution recited in the claims and the logical relations between the steps.

In a retrial of a dispute over invention patent infringement, *Zhejiang Lexueer Household Supplies Co. v. Chen Shundi*,⁸³ the Supreme People's Court held that, in determining whether the sequence of steps of a process patent has a defining role in the protection scope of the patent right, which can limit the application of the doctrine of equivalents in the case of interchangeable step exits, the key is to consider whether those steps must be performed in a particular sequence and whether the interchangeable steps can bring about substantial differences in technical functions or technical effects.

4.3.2.5.2 Product-by-process claims

All features recited in the claims have a defining role in determining the protection scope of patent rights. According to Article 10 of the Interpretation (II) of Patent Infringement Dispute Cases, with respect to a technical feature in the claims in which a product is defined by its manufacturing method and where the manufacturing method of the alleged infringing product is neither identical nor equivalent to that method recited in the claim, then the people's court shall determine that the alleged infringing technical solution does not fall within the protection scope of the patent right. Thus, for a product claim containing a technical feature in the form of a

80 MTZ No. 306 (Sup. People's Ct, 2011).

81 MS No. 1826 (Sup. People's Ct, 2017).

82 MSZ No. 980 (Sup. People's Ct, 2008).

83 MTZ No. 225 (Sup. People's Ct, 2013).

manufacturing method, it is necessary to consider whether the alleged infringing product has a technical feature identical or equivalent to that manufacturing method.

4.3.2.5.3 Protection scope of process patents and infringement judgment

According to Article 11 of the Patent Law, acts of infringement with respect to process patent include “using the patented process” and “using, offering to sell, selling, and importing products obtained directly from the patented process.”

The understanding of “products obtained directly from the patented process” has a direct impact on the protection scope of a process patent. In this respect, Article 13 of the Interpretation of Patent Infringement Dispute Cases further stipulates the following:

Where a product is originally obtained from a patented process, the people’s courts shall determine it as “the product directly obtained from the patented process,” as stipulated in Article 11 of the Patent Law. Where a subsequent product is obtained from further processing or treatment of the original product, the people’s courts shall also determine such processing or treatment as “using products obtained directly from the patented process,” as stipulated in Article 11 of the Patent Law.

Article 20 of the Interpretation (II) of Patent Infringement Dispute Cases further stipulates the following:

Where a subsequent product, obtained from processing or treatment of a product that is directly obtained from the patented process, is further processed or treated, the people’s courts shall determine that the act does not constitute “using products obtained directly from the patented process,” as stipulated in Article 11 of the Patent Law.

In an appeal of a dispute over invention patent infringement, *Shenzhen Dunjun Technology Co. v. Shenzhen Jixiang Tengda Technology Co.*,⁸⁴ the Supreme People’s Court held that, if an alleged infringer solidifies the substantial contents of a patented process in the alleged infringing product for production and operation purposes, and this act or the result thereof plays an irreplaceable and substantial role in covering all technical features of the patent claims so that end users can naturally reproduce the patented process during normal use of the alleged infringing product, then the alleged infringer shall be determined as having exploited the patented process and thus as having infringed the right of the patentee.

4.3.2.5.4 Burden of proof in product-manufacturing process invention patent infringement cases

With respect to a patent for the invention of a manufacturing process for a new product, Article 66 paragraph 1 of the Patent Law stipulates, regarding the burden of proof, the following:

Where a patent infringement dispute involves a patent for an invention for a manufacturing process of a new product, the entity or individual manufacturing the identical product shall provide evidence to prove that the manufacturing process used in the manufacture of its or his product is different from the patented process.

This provision corresponds to Article 34 of the TRIPS Agreement.

Determination of whether an alleged infringing product constitutes a “new product” directly affects on which party the burden of proof rests. Article 17 of the Interpretation of Patent Infringement Dispute Cases stipulates the following: “Where a product or the technical solution for manufacturing the product is known to the public in China or abroad before the filing date, the people’s courts shall determine that the product is not a new product as stipulated in Article 61 of the Patent Law.” This provision is co-opted from the novelty provisions of the Patent Law, according to which, if either a product or the technical solution for manufacturing the product is known to the public in China or abroad before the filing date, then the product does not constitute a new product.

84 Sup. People’s Ct Guiding Case No. 159, July 23, 2021.

In a retrial of a dispute over invention patent infringement, *Yiwu Beige Plastic Products Co. v. Air-Paq Composite Material (Shanghai) Co.*,⁸⁵ the Supreme People's Court held that, if the right holder provides preliminary evidence to prove that a product manufactured from the patented process is a new product, then the preliminary evidence should be able to show that the involved product is significantly different to the same type of products existing before the filing date in terms of components and structure, or quality, performance and function.

In a retrial of a dispute over invention patent infringement, *CSPC Ouyi Pharmaceutical Co. v. Zhang Xitian*,⁸⁶ and in an appeal of a dispute over invention patent infringement, *Eli Lilly Co. v. Hansoh Pharma*,⁸⁷ the Supreme People's Court held that, for a new product-manufacturing process invention patent, prerequisites should be met to place the burden of proof on the alleged infringer to prove that the process for manufacturing the alleged infringing product is different from the patented process, and the right holder should be able to prove that the product manufactured from the patented process is a new product and is identical to the product manufactured by the alleged infringer. It was further pointed out in *CSPC Ouyi Pharmaceutical* that, to determine whether a process patent is a patent for the invention of a manufacturing process for a new product, the "product obtained directly from the patented process" – which refers to a product originally obtained from the patented process rather than a product subsequently obtained by further treatment of the product originally obtained – shall be considered.

If a product manufactured from a patented process is not a "new product," Article 66 paragraph 1 of the Patent Law does not directly apply to place the burden of proof on the alleged infringer to prove that their process for manufacturing the alleged infringing product is different from the patented process. However, when the evidence produced by the patentee meets particular requirements, the corresponding burden of proof may be placed on the alleged infringer. In this respect, Article 3 of the Provisions on Evidence in Civil Procedures involving Intellectual Property Rights stipulates the following:

the plaintiff of a patent infringement dispute case shall produce evidence to prove the following facts:

- (1) the product manufactured by the defendant is identical to the product manufactured from the patented process;
- (2) the probability of manufacturing the alleged infringing product from the patented process is relatively high; and
- (3) the plaintiff has made reasonable efforts to prove that the defendant has used the patented process.

After the plaintiff has produced evidence to prove the above, the people's courts may require the defendant to produce evidence to prove that the process for manufacturing its product is different from the patented process.

In a retrial of a dispute over invention patent infringement, *Weifang Henglian Pulp and Papermaking Co. v. Yibin Changyi Pulp Co.*,⁸⁸ the Supreme People's Court held that, where a patentee can prove that the alleged infringer has manufactured an identical product but cannot prove that the alleged infringer has used the patented process after reasonable efforts, and if it is highly probable that the identical product is manufactured from the patented process based on the specific circumstances of the case, known facts and daily life experience, and the alleged infringer refuses to cooperate in the collection or preservation of evidence by the people's courts, then it can be presumed that the alleged infringer has used the patented process.

4.3.2.5.5 Filed process and actual manufacturing process of alleged infringing pharmaceutical products

In an appeal of a dispute over invention patent infringement, *Eli Lilly Co. v. Changzhou Watson Pharmaceuticals Co.*,⁸⁹ the Supreme People's Court held that, in a pharmaceutical product manufacturing process patent infringement dispute, in the absence of any evidence to the contrary, the manufacturing process of the alleged infringing pharmaceutical product filed to the

85 MS No. 4149 (Sup. People's Ct, 2018).

86 MTZ No. 84 (Sup. People's Ct, 2009).

87 MSZZ No. 6 (Sup. People's Ct, 2009).

88 MSZ No. 309 (Sup. People's Ct, 2013).

89 Sup. People's Ct Guiding Case No. 84, March 6, 2017.

medical product regulatory department will be presumed to be the actual manufacturing process thereof. If there is evidence to prove that the filed process of the alleged infringing pharmaceutical product is unauthentic, then the technological source, manufacturing procedures, batch manufacturing records, documents filed to the medical product regulatory department and so on of the alleged infringing pharmaceutical product shall be fully examined to determine the actual manufacturing process thereof according to law. With respect to complicated technical facts like the manufacturing process of the alleged infringing pharmaceutical product, technical investigators, expert assistants, judicial appraisal and technological expert consultancy may be comprehensively employed.

4.3.2.6 Dedication rule

Article 5 of the Interpretation of Patent Infringement Dispute Cases stipulates the following: "For a technical solution that is solely described in the description or drawings but is not recited in the claims, the right holder's assertion to capture it in the protection scope of the patent right in a patent infringement dispute case shall not be supported by the people's courts." A technical solution that is recited in the description but not in the claims will be deemed as having been donated to the public by the patentee and thus cannot be recaptured into the protection scope defined by equivalent features in a patent infringement lawsuit. The dedication rule is, in essence, a limitation to the application of the doctrine of equivalents.

4.3.2.7 Impact of declaration of patent invalidity

In a civil case involving patent infringement, if the involved patent is declared invalid by the CNIPA, the effect of the administrative invalidation decision should be decided according to the enforcement or performance status of related civil judgments or written mediation documents regarding the patent infringement. Article 47 of the Patent Law stipulates the following:

Any patent right that has been declared invalid is deemed to be non-existent from the beginning.

The decision on declaring the patent right invalid shall have no retroactive effect on any judgment or mediation statement on patent infringement which has been made and enforced by the people's court, on any decision concerning the handling of a dispute over patent infringement which has been performed or compulsorily executed, or on any patent exploitation licensing contract or patent right transfer contract which has been performed—prior to the declaration of the invalidation of the patent right; however, the damage caused to other persons in bad faith by the patentee shall be compensated.

Where the monetary damage for patent infringement, the royalties for patent exploitation or the fees for the transfer of the patent right is not refunded pursuant to the provisions of the preceding paragraph, but such non-refund is obviously contrary to the principle of fairness, refund shall be made fully or partly.

"The decision on declaring the patent right invalid" described in Article 47 includes two circumstances: first, the concerned party fails to file an administrative lawsuit against the decision within the statutory period; and second, although an administrative lawsuit was filed, the administrative decision is not revoked by an effective administrative judgment or ruling. Therefore, whether the administrative invalidation decision has retroactive effect on any relevant administrative punishment decision, judgment, ruling, written mediation or contract should be determined based on the administrative judgment or ruling if the concerned party has filed an administrative lawsuit against an administrative invalidation decision.

Article 2 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

Where a claim asserted by the right holder in a patent infringement lawsuit is declared invalid by the patent administration department under the State Council, the people's court trying the patent infringement dispute case may rule to dismiss the lawsuit based on the invalidated claim.

Where there is evidence to prove that the decision declaring the abovementioned claim invalid is revoked by an effective administrative judgment, the right holder may file another lawsuit.

Where the patentee files another lawsuit, the statute of limitations shall be counted from the date of service of the administrative judgment stated in paragraph 2 of this Article.

This provision is made to improve the trial efficiency of civil cases involving patent infringement and avoid unnecessary extension of the trial period. In judicial practice, only a relatively small ratio of administrative invalidation decisions is revoked in administrative cases. Therefore, after the CNIPA has made a decision declaring a patent right invalid, the people's court trying the civil case involving patent infringement may rule to dismiss the lawsuit without waiting for the final result of the administrative case. If the administrative invalidation decision is eventually revoked, the right holder may file another lawsuit.

If the CNIPA makes the administrative decision declaring a patent invalid during the second instance trial, the court of second instance may determine whether to rule to dismiss the lawsuit based on the circumstances of the case.

If, after the administrative invalidation decision is made and an effective civil judgment on infringement has not been fully enforced, a concerned party petitions for retrial in accordance with the administrative invalidation decision, the people's court may rule to suspend the examination of the retrial and the enforcement of the effective judgment in accordance with Article 29 of the Interpretation (II) of Patent Infringement Dispute Cases, taking into account whether the concerned party has filed an administrative lawsuit against the administrative invalidation decision. If the concerned party does not file an administrative lawsuit, or the administrative invalidation decision is not revoked by an effective administrative judgment, the people's court shall retrial the civil judgment or written mediation on infringement that has not been fully enforced.

In a retrial of a dispute over utility model patent infringement, *Shaanxi Dongming Agricultural Technology Co. v. Shaanxi Qinfeng Agricultural Machineries (Group) Co.*,⁹⁰ the Supreme People's Court held that the point in time at which a patent is declared invalid in accordance with Article 47 paragraph 2 of the Patent Law is the date of decision as indicated in the written decision on the examination of the request for a declaration of patent invalidity.

4.3.2.8 Temporary protection of invention patents

An invention patent application needs to go through procedures like early publication and substantive examination before the patent can be granted. Once the invention patent application is published, its technical contents will be known to the public. According to Article 11 of the Patent Law, acts of exploiting the technical solution of a patent before the patent is granted do not constitute acts of infringement. Therefore, the issue of temporary protection between the publication of the invention patent application and the announcement of the granting of the patent arises.

Article 13 of the Patent Law stipulates the following: "After the publication of an invention patent application, the applicant may require the entity or individual exploiting the said invention to pay an appropriate amount of royalties." These royalties can only be claimed after the invention patent is granted. Article 85 paragraph 2 of the Rules for the Implementation of the Patent Law also stipulates that a party's request to a patent administration department for mediation on the payment of the "appropriate amount of royalties" shall only be filed after the patent is granted. Article 18 paragraph 1 of the Interpretation (II) of Patent Infringement Dispute Cases specifies that the specific amount of the royalties can be reasonably determined by reference to royalties for the patent license.

As it is usually necessary to amend claims before granting, the protection scope claimed by the applicant on the publication date of the invention patent application may be different from the protection scope of the patent right once granted. In accordance with Article 18 paragraph 2 of the Interpretation (II) of Patent Infringement Dispute Cases, where the alleged infringing technical solution falls within both protection scopes, the people's court shall determine that the defendant has exploited the patent, in which case the right holder's request for an "appropriate

90 MTZ No. 110 (Sup. People's Ct, 2012).

amount of royalties” is supported. Where the alleged infringing technical solution falls within only one of the scopes, the assertion is rejected.

During the temporary protection period, the manufacturing, selling and importing of the product do not constitute acts of infringement, and the concerned party only bears the obligation to pay an “appropriate amount of royalties.” Article 18 paragraph 3 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

where the appropriate amount of royalties stipulated in Article 13 of the Patent Law has been paid or a promise to pay has been made in writing, the right holder’s assertion that the acts of using, offering for sale, and selling constitute infringement shall not be supported by the people’s courts.

4.3.3 Joint infringement and aiding and abetting infringement

4.3.3.1 Joint infringement

Joint patent infringement refers to two or more persons conspiring or cooperating to perform acts that infringe patent rights. Various provisions of the Civil Code apply to the determination of such infringement. Article 1168 of the Civil Code stipulates the following: “Where two or more persons jointly commit a tortious act causing damage to another person, they shall bear joint and several liability.” With respect to the bearing of liabilities for joint infringement, external liability and internal liability are distinguished. In the former case, the co-infringers are jointly and severally liable. According to Article 178 of the Civil Code, joint and several liability is an overall liability to an external party. Thus, the right holder has the right to request some or all of the persons jointly and severally liable to bear the liability. In other words, each person liable bears full liability for the infringement.

In a retrial of a dispute over invention patent infringement, *SMC Inc. v. Leqing Zhongqi Pneumatic Technology Co.*,⁹¹ the Supreme People’s Court held that joint infringement has the following prerequisites: the infringers are two or more persons; each infringer subjectively has the joint intent; there is mutual use, cooperation or support between the acts of the infringers seen from an objective perspective; and the consequences of the damage resulting from the acts of each infringer falls within the scope of their joint intent.

Joint infringers are jointly and severally liable for acts of joint infringement. In an appeal of a dispute over utility model patent infringement, *Dongguan Hongding Home Co. v. Dongguan Kangsheng Furniture Co.*,⁹² the Supreme People’s Court held that, if some co-infringers have settled with and made compensation to the right holder for part of their losses, the remaining co-infringers will only be jointly and severally liable for compensation to the right holder for its losses as a result of the infringement after deducting the paid compensation, to avoid double enrichment of the right holder.

4.3.3.2 Abetting and aiding infringement

Article 1169 of the Civil Code stipulates the following:

A person who aids or abets an actor in the commission of a tortious act shall assume joint and several liability with the actor.

A person who aids or abets an actor with no or limited capacity for performing civil juristic acts in the commission of a tortious act shall assume tort liability. The guardian of the actor with no or limited capacity for performing civil juristic acts shall assume corresponding liability where he/she fails to fulfill the duties of a guardian.

Article 21 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

Where a person knows that the relevant product is a raw material, equipment, component, or intermediate specially used for exploiting a patent, provides, without the authorization of the right holder and for production and business purposes, such a product to another person to commit patent infringement, the right holder’s assertion

91 MZ No. 199 (Sup. People’s Ct, 2018).

92 ZMZ No. 181 (Sup. People’s Ct, 2019).

that the provider's acts constitute aiding infringement shall be supported by the people's courts.

Where a person knows that a product or a process has been granted a patent right actively induces, without the authorization of the right holder and for production and business purposes, another person to commit patent infringement, the right holder's assertion that the inducer's acts constitute abetting others to commit infringement [...] shall be supported by the people's courts.

In a retrial of a dispute over utility model patent infringement, *Liu Hongbin v. Beijing Jinglianfa Digital Control Technology Co.*,⁹³ the Supreme People's Court held that aiding infringement, in the context of the Patent Law, does not refer to just any kind of aiding act but specifically refers to the act of providing to others a product specially used for infringement, to commit patent infringement without the authorization of the patentee and for production and operation purposes. If an actor knows that the relevant product is a raw material, equipment, component or intermediate specially used for exploiting the technical solution of the patent, and provides this to another party without the authorization of the right holder and for production and business purposes, and that other party subsequently commits patent infringement, then the actor's act of providing the product constitutes aiding others to commit patent infringement.

The "specially used product" is identified against the criterion of whether the raw material, product, component or intermediate is of substantial significance for realizing the technical solution protected by the patent and has "substantial non-infringing usages." If the raw material or product is indispensable for realizing the technical solution protected by the involved patent and has no other "substantial non-infringing usage" than for use in the protected technical solution, then the raw material or product is generally identified as being "specially used." The right holder bears the burden of proving that the relevant product is "specially used."

4.3.4 Defenses in patent infringement lawsuits

4.3.4.1 Prior art defense

According to Article 67 of the Patent Law, where an alleged infringer has evidence to prove that the technology or design they exploited forms part of the prior art or is a prior design, such exploitation does not constitute an infringement of the patent right. This provision was added to the 2008 Patent Law out of consideration that the protection scope of patent rights should not cover prior art and technologies that are obvious and equivalent to prior art (see Section 4.8.9 regarding the prior design defense).

With respect to the definition of prior art, Article 22 paragraph 5 of the Patent Law stipulates the following: "Prior art refers to any technology known to the public domestically and/or abroad before the filing date of patent application." This wording was inserted into the 2008 Patent Law. Previously, the provision had defined different geographical scopes of public disclosure through publications, public use or other means. To determine the prior art for a patent, the version of this provision in the Patent Law that applied at the patent filing date is considered. Article 22 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following: "Regarding the prior art defense or prior design defense asserted by an alleged infringer, the people's courts shall define the prior art or prior design in accordance with the Patent Law that was in effect upon the patent filing date."

In determining whether the prior art defense is sustained, the main factor to be considered is the relation between the alleged infringing technology solution and the prior art. Even though the alleged infringing technical solution constitutes literal infringement, so long as the alleged infringer can provide evidence to prove that the alleged infringing technology forms part of the prior art, the prior art defense may be sustained.

In a retrial of a dispute over invention patent infringement, *Strix Ltd v. Ningbo Shenglida Electric Manufacturing Co.*,⁹⁴ the Supreme People's Court held that whether a prior art defense applies depends only on whether all technical features in the alleged infringing product alleged to fall within the protection scope of the patent right are identical or equivalent to corresponding

93 MSZ No. 1070 (Sup. People's Ct, 2015).

94 MSJZ No. 51-1 (Sup. People's Ct, 2007).

technical features of technical solutions publicly disclosed in the prior art. A prior art defense cannot be excluded merely because the alleged infringing product is identical to the patent.

With respect to the judgment method for the prior art defense, Article 14 paragraph 1 of the Interpretation of Patent Infringement Dispute Cases stipulates the following:

Where all the technical features alleged to fall within the protection scope of a patent right are identical or have no substantial difference with the corresponding technical features of a prior art technical solution, the people's courts shall determine that the technical solution implemented by the alleged infringer forms part of the prior art as stipulated in Article 62 of the [2008] Patent Law.

This provision clarifies that the technical features alleged to fall within the protection scope of a patent right, rather than all technical features of the technology implemented by the alleged infringer, are compared with corresponding technical features of the prior art. If the two are identical or have no substantial difference, then the technology implemented by the alleged infringer forms part of the prior art.

In a retrial of a dispute over utility model patent infringement, *Yancheng Zetian Machinery Co. v. Yancheng Geruite Machinery Co.*,⁹⁵ the Supreme People's Court held that, in examining the prior art defense, the alleged infringing technical solution shall be compared with the prior art, rather than comparing the prior art with the patented technical solution. The examination method is to determine the technical features alleged to fall within the protection scope of the patent right with reference to the claims of the patent, and to judge whether identical or equivalent technical features are disclosed in prior art. Prior art defense does not require the alleged infringing technical solution to be completely identical to prior art. The technical features in the alleged infringing technical solution that are irrelevant to the protection scope of the patent right shall not be considered in determining the prior art defense.

In a retrial of a dispute over invention patent infringement, *Beijing Baidu Netcom Science and Technology Co. v. Beijing Sogou Technology Development Co.*,⁹⁶ the Supreme People's Court held that, in determining whether technical features alleged as falling within the protection scope of a patent right are identical to or have no substantial difference with the corresponding technical features in prior art, the focus should be on the technical problems to be solved by the patent and the functions and technical effects of the disputed technical features recited in the claims. The difference between the two in terms of means, functions, effects and the degree of impact thereof shall be considered.

To determine whether "substantial difference" exists in the prior art defense, the doctrine of equivalents may be used as a reference. In an appeal of a dispute over utility model patent infringement, *Foshan Shunde Fashion Electrical Appliances Mfg. Co. v. Zhejiang iSMAL Hi-Tech Electrics Co.*,⁹⁷ the Supreme People's Court held that, if a technical feature in the alleged infringing technical solution and the corresponding technical feature in a prior technical solution are directly interchangeable customary means in the technical field, then it can be determined that no substantial difference exists.

In an appeal of a dispute over invention patent infringement, *Wang Yeci v. Xuzhou Huasheng Industry Co.*,⁹⁸ the Supreme People's Court held that, where a patented technical solution has specifically indicated its invention points and emphasized that all technical features other than the invention points are general components, if the technical features corresponding to the invention points have been disclosed in prior art whereas other technical features have not, and if the combination of the prior technology and general components inevitably leads to an overall prior technical solution corresponding to the patented technical solution, then a prior art defense is sustained.

95 MSZ No. 18 (Sup. People's Ct, 2012).

96 MZ No. 82 (Sup. People's Ct, 2020).

97 ZMZ No. 804 (Sup. People's Ct, 2019).

98 ZMZ No. 89 (Sup. People's Ct, 2019).

4.3.4.2 Conflicting application defense

Article 22 paragraph 2 of the Patent Law stipulates the following:

Novelty means that, the invention or utility model does not form part of the prior art; no entity or individual has filed a patent application for the identical invention or utility model with the patent administration department under the State Council before the filing date and the content of the application is disclosed in patent application documents published or other patent documents announced after the filing date.

A “patent application for the identical invention or utility model [that is filed] before the filing date and the [content of which] is disclosed in patent application documents published or other patent documents announced after the filing date” is briefly referred to as a conflicting application. A conflicting application can be used for separate comparisons with a patent to assess the novelty of the patent but cannot be used in combination with other prior art, conflicting applications or well-known general knowledge to assess the inventiveness of the patent. If a technical solution has been disclosed in a conflicting application, then it has no novelty in comparison to the conflicting application and thus cannot be granted a patent. Therefore, an alleged infringing technical solution that has been disclosed in a conflicting application does not fall within the protection scope of the patent right, according to the same rationale as for a prior art defense.

In a retrial of a dispute over utility model patent infringement, *Cixi Bosheng Plastic Products Co. v. Chen Jian*,⁹⁹ the Supreme People’s Court held that, where an alleged infringer asserts that they did not infringe the patent on the ground that the alleged infringing technical solution was disclosed in a conflicting application, the people’s courts may examine whether the conflicting application defense is sustained with reference to provisions concerning the prior art defense. As conflicting application and prior art defenses differ in their definition and nature, the judgment criteria for examining a conflicting application defense are compatible with the nature of the conflicting application. Only when each technical feature in the alleged infringing technical solution has been separately and fully disclosed in a conflicting application and has no novelty compared with the conflicting application can it be determined that the conflicting application defense is sustained.

4.3.4.3 Legitimate source defense

Article 77 of the Patent Law stipulates the following: “Any person who, for production and business purposes, uses, offers to sell, or sells a patent-infringing product without knowing that it was manufactured and sold without the authorization of the patentee, may not be liable for compensation provided that he can prove the legitimate source of the product.” According to this provision, the legitimate source defense has two prerequisites. First, the person acted in good faith with no subjective fault in using, offering for sale or selling the infringing product, and the person did not know or should not have known that the relevant product was an infringing product. Second, a legitimate source of the infringing product used, offered for sale or sold by the defendant can be proved. If the legitimate source defense is sustained, the defendant is not liable for compensation.

With respect to the legitimate source defense, Article 25 paragraphs 2–3 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

“Without knowing” [...] means neither actually know nor should have known.

“Legitimate source” [...] means the product is obtained through a normal commercial manner such as a legitimate sales channel or an ordinary sales contract. For a legitimate source, the person who uses, offers to sell, or sells the product shall provide relevant evidence in compliance with the course of dealing.

The course of dealing in the disputed case is determined based on whether the trading subjects are natural persons, “individual-run industrial and commercial households” or companies, the price of the subject matter, the customary ways of trading in the industry or region, and so on to determine the requirements for the evidence for proving a legitimate source.

With respect to whether cessation of the infringement is ordered when the legitimate source defense is sustained, Article 25 paragraph 1 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

99 MSZ No. 188 (Sup. People’s Ct, 2015).

Where a person, for production and business purposes, uses, offers to sell, or sells a patent-infringing product without knowing that such product is made and sold without authorization of the patentee, and the legitimate source of the product can be proved by evidence, the people's courts shall support the right holder's assertion of ordering that person to stop aforesaid acts of using, offering for sale, or selling, unless the user of the alleged infringing product provides evidence to prove that reasonable consideration for such a product has been paid.

The "reasonable consideration" in this provision refers to a trading price or trading condition that is basically equivalent to or slightly lower than that of the patented product. If the consideration is significantly lower than the trading price or condition of the patented product, it is usually presumed that the purchaser should have known the purchased product was not authorized by the patentee.

In a retrial of a dispute over design patent infringement, *Guangdong Archie Hardware Co. v. Yang Jianzhong*,¹⁰⁰ the Supreme People's Court held that the legitimate source defense is a right granted by law to bona fide users and sellers of infringing products. According to the principle that "the burden of proof is on the party that raises claims," to claim the legitimate source defense, the user or seller of an infringing product must provide evidence (e.g., purchase invoices, receipts and payment vouchers) to prove that the infringing product was obtained legitimately. The legitimate source defense has two prerequisites: the user or seller has no subjective fault, and the alleged infringing product is obtained from a legitimate source. Regarding the subjective condition, the user or seller of the alleged infringing product needs to prove that they did not know they were using, offering for sale or selling an infringing product. As a negative fact, the burden of proof is usually on the right holder to prove the subjective status that the alleged infringer knew or should have known. As to whether there is a legitimate source for the alleged infringing product, the user or the seller bears the burden of proving that there is a legitimate purchasing channel, a reasonable price and a direct supplier for the alleged infringing product.

With respect to the determination of a legitimate source defense asserted by a seller, in an appeal of a dispute over utility model patent infringement *Baokou (Xiamen) Sanitary Ware Co. v. Guantao Peilong Water Heating Installation and Maintenance Store*,¹⁰¹ the Supreme People's Court held that, if a seller can prove that they have complied with legitimate and normal market trading rules, the product being sold was obtained from a clear source and a legitimate channel and at a reasonable price, and their act of selling it was in good faith and complied with the course of dealing, then it can be presumed that the seller has no subjective fault. Under this circumstance, the right holder should present evidence to the contrary.

With respect to the assumption of liability after a legitimate source defense is sustained, in an appeal of a dispute over utility model patent infringement, *Guangzhou Surui Mechanical Equipment Co. v. Shenzhen Helitai Technology Co.*,¹⁰² the Supreme People's Court held that a legitimate source defense is a defense for release from the liability of compensation but not a defense to infringement. A seller's legitimate source defense neither changes the tortious nature of the act of selling the infringing product nor releases the seller from the liability of stopping the sales of the infringing product. The seller still bears all reasonable costs of the right holder for obtaining the remedy of infringement cessation.

4.3.4.4 Prior-use rights defense

Article 9 paragraph 2 of the Patent Law states the following: "If two or more applicants file patent applications for the identical invention-creation, the patent right shall be granted to the applicant whose application was filed first." The prior-use rights defense aims to compensate for the deficiency of this first-to-file rule. According to Article 75(2) of the Patent Law, "before the filing date of the patent application, any person who has already manufactured the identical product, used the identical process, or made necessary preparations for its manufacturing or using and continues to manufacture or use it within the original scope," shall not be deemed as having infringed the patent right.

100 MTZ No. 187 (Sup. People's Ct, 2013).

101 ZMZ No. 118 (Sup. People's Ct, 2019).

102 ZMZ No. 25 (Sup. People's Ct, 2019).

With respect to the prior-use rights defense, Article 15 of the Interpretation of Patent Infringement Dispute Cases stipulates the following:

Where an alleged infringer asserts prior-use rights for an illegally acquired technology or design, the assertion shall not be supported by the people's courts.

Under either of the following circumstances, the people's courts shall determine the circumstance as "made necessary preparations for its manufacturing or using" as prescribed in Article 69(2) of the Patent Law:

- (1) the main technical drawings or process documents for implementing an invention-creation have been completed; or
- (2) the main equipment or raw materials for implementing an invention-creation have been made or purchased.

The "original scope" stipulated in Article 69(2) of the Patent Law includes the existing scale of production and the scale of production achievable by making use of existing production equipment or based on existing production preparations as of the filing date of a patent application.

Where the holder of the prior use right, after the filing date of the patent application, transfers, or licenses others to implement the technology or design that it has implemented or has made necessary preparations for implementing, the assertion by the alleged infringer that such act of implementation constitutes continuing implementation within the original scope shall not be supported by the people's courts, unless the technology or design is transferred or succeeded along with the original company.

In an appeal of a dispute over invention patent infringement, *Wang Yeci v. Xuzhou Huasheng Industry Co.*,¹⁰³ the Supreme People's Court held that design drawings are the fundamental basis for product processing and inspection in the machinery manufacturing field. Thus, where an alleged infringer has designed the drawings for key parts of the alleged infringing product, and all the other parts thereof are general parts, it can be determined that the alleged infringer has finished the main technical drawings essential to the implementation of the invention-creation and has made necessary preparations for manufacturing the alleged infringing product, and a prior-use rights defense can be sustained.

In a retrial of a dispute over invention patent infringement, *Jiangxi Yintao Pharmaceutical Co. v. Shaanxi Hanwang Pharmaceutical Co.*,¹⁰⁴ the Supreme People's Court held that whether a prior-use rights defense is sustained mainly depends on whether the alleged infringer had, before the filing date of the patent application, exploited the patent or made necessary preparations technically or in material form for exploiting the patent. If the registration application files of the alleged infringing product - in this case, a pharmaceutical product - show that the alleged infringer had finished the process documents and equipment for manufacturing the alleged infringing pharmaceutical product before the filing date of the patent application, then it shall be determined that they had made the necessary preparations for manufacturing or using the patent. As the manufacturing certification of a pharmaceutical product is reviewed and granted by a medical product regulatory department, the necessary preparations for manufacturing or using shall not be determined based on the approval of such a certification.

In a retrial of a dispute over invention patent infringement, *Beijing Yingtelai Technology Co. v. Beijing SinoShield Chuangzhan Doors Co.*,¹⁰⁵ the Supreme People's Court held that, where the manufacturer is not the defendant, but the seller can prove that the alleged infringing product was obtained from a legitimate source and that the manufacturer enjoyed prior-use rights, the seller can also raise a prior-use rights defense.

4.3.4.5 Other circumstances not deemed as patent infringement

In addition to the defenses described above, according to Article 75 of the Patent Law, none of the following shall be deemed patent infringement:

- intellectual property right exhaustion (i.e., after the sale of a patented product or a product acquired directly in accordance with a patented process by the patentee or any entity or

¹⁰³ ZMZ No. 89 (Sup. People's Ct, 2019).

¹⁰⁴ MSZ No. 1490 (Sup. People's Ct, 2011).

¹⁰⁵ MSZ No. 1255 (Sup. People's Ct, 2015).

- individual authorized by the patentee, any other person uses, offers to sell, sells or imports that product);
- any foreign means of transport – temporarily passing through the territory, territorial waters or territorial airspace of China – uses the relevant patent in its devices and installations for its own needs and in accordance with any agreement concluded between China and the country to which the foreign means of transport belongs, in accordance with any international treaties to which both countries are parties, or based on the principle of reciprocity;
 - any person uses the relevant patent specially for the purposes of scientific research and experimentation; and
 - *Bolar* exceptions (i.e., any person manufactures, uses, or imports a patented pharmaceutical product or patented medical apparatus for the purpose of providing the information needed for administrative examination and approval, and any other person manufactures or imports a patented pharmaceutical product or a patented medical apparatus for that person).

4.4 Civil liabilities for patent infringement

Patent rights are a subset of the intellectual property rights stipulated in Article 123 of the Civil Code, which are property rights. Any person who infringes patent rights assumes civil liabilities in accordance with the laws. Article 179 of the Civil Code stipulates the following:

The main forms of civil liabilities include:

- (1) cessation of infringement;
- (2) removal of nuisance;
- (3) elimination of the danger;
- (4) restitution;
- (5) restoration;
- (6) repair, redoing, or replacement;
- (7) continuation of performance;
- (8) compensation for losses;
- (9) payment of liquidated damages;
- (10) elimination of adverse effects and rehabilitation of reputation; and
- (11) extension of apologies.

[...]

The forms of civil liabilities provided in this Article may be applied separately or concurrently.

In civil cases involving patent infringement, the main forms of civil liabilities are cessation of infringement and compensation for losses.

According to Article 1185 of the Civil Code and Article 71 paragraph 1 of the Patent Law, in a case of intentional infringement of patent rights, and where the circumstances are serious, the right holder has the right to request corresponding punitive damages.

4.4.1 Cessation of infringement

Where an alleged infringer has implemented any of the acts of infringement stipulated in Article 11 of the Patent Law, the people's courts will generally, based on the allegations of the right holder and in accordance with the laws, rule that the alleged infringer assume the civil liability of cessation of infringement so as to stop the acts of infringement.

However, under the following three circumstances, people's courts may not order the cessation of infringement:

- According to Article 26 of the Interpretation (II) of Patent Infringement Dispute Cases, "[c]onsidering national or public interests, the people's court may not order cessation of infringement, and instead order the defendant to pay corresponding reasonable fees."
- According to Article 25 paragraph 1 of the Interpretation (II) of Patent Infringement Dispute Cases, where the user of an alleged infringing product does not know the product was made and sold without authorization of the patentee, can produce evidence to prove that the product was obtained from a legitimate source, and a reasonable consideration has been paid

for the product, the people's courts shall not support the right holder's assertion for cessation of said use.

- According to the provision on relevant issues concerning standard-essential patents in Article 24 paragraph 2 of the Interpretation (II) of Patent Infringement Dispute Cases (see Section 4.5.4.1 for further detail).

4.4.2 Compensation for losses

4.4.2.1 Calculation method of compensation

According to Article 71 of the Patent Law, in trials of civil cases involving patent infringement, the people's courts shall determine the amount of compensation in one of the following four ways.

The first is a determination based on the actual losses suffered by the right holder due to the infringement. According to Article 14 paragraph 1 of the Provisions on the Trial of Patent Disputes, actual losses can be calculated by multiplying the total reduction in the sales volume of the patented product of the patentee due to the infringement by the reasonable profit of each piece of the patented product. Where it is difficult to determine the total reduction in the sales volume of the right holder, the product of multiplying the total sales volume of the infringing product in the market by the reasonable profit of each piece of the patented product is deemed to be the actual loss suffered by the right holder due to the infringement.

The second is a determination based on the profits earned by the infringer from the infringement. According to Article 14 paragraph 2 of the Provisions on the Trial of Patent Disputes, such profits can be calculated by multiplying the total sales volume of the infringing product in the market by the reasonable profit of each piece of the infringing product. The "reasonable profit" is generally calculated based on the operating profit of the infringer. For an infringer completely using infringement as its business, the reasonable profit can be calculated based on the sales profit.

Third, where it is difficult to determine the losses suffered by the right holder or the profits earned by the infringer, the amount of compensation can reasonably be determined by reference to a multiple of the royalties for the patent license. According to Article 15 of the Provisions on the Trial of Patent Disputes, the people's courts may consider factors like the category of patent, the nature and circumstance of the acts of infringement, and the nature, scope and duration of patent licensing. Article 32 of the Provisions on Evidence in Civil Procedures involving Intellectual Property Rights states the following:

Where the concerned party asserts to determine the amount of compensation with reference to a reasonable multiple of the royalties for the patent license, the people's courts may consider the following factors to examine and determine evidence related to the royalties for the patent license:

- (1) whether the royalties have been paid and method of payment, and whether the licensing contract has been performed or recorded;
- (2) the rights that have been licensed, and the manner, scope, and duration of license;
- (3) whether the licensee has an interest with the licensor; and
- (4) customary licensing standard in the industry.

Thus, the key factors include whether the royalties referred to were actually paid, whether the customary standard was met and whether the rights being licensed – and the manner, scope and duration of license – are comparable.

The fourth method for determining compensation is statutory compensation. According to Article 71 paragraph 2 of the Patent Law, where it is difficult to determine the losses suffered by the right holder, the profits earned by the infringer and the royalties for the patent license, the people's courts may, based on the type of the patent right, and the nature and circumstances of the infringement act, determine a compensation amount between RMB 30,000 and RMB 5 million. The nature and circumstances of acts of infringement refer primarily to the subjective fault of the infringer, the means of infringement, the duration of acts of infringement, the damaging consequences to the right holder and so on.

4.4.2.2 Compensation should have a causal relationship with and be proportional to the act of infringement

Article 16 of the Interpretation of Patent Infringement Dispute Cases stipulates the following:

In determining the profits earned by the infringer as a result of the infringement, the profits shall be confined to those acquired by the infringer from the acts of infringement, while profits earned from other rights shall be reasonably deducted.

Where the product infringing upon an invention or a utility model patent right is a component of another product, the people's courts shall reasonably determine the amount of compensation based on factors such as the value of the component itself and its role in achieving the profit of the final product.

The main consideration for this provision is that, if an alleged infringing product involves several patent rights or simultaneously involves a patent right and trademark right, then, in a lawsuit over infringement of one or part of the patent rights thereof, the profits earned by the infringer should be determined based on the profits earned as a result of the infringement of the involved patent, rather than the full profit of the product. In Article 16, "other rights" refers primarily to intellectual property rights. The profits earned from other rights can be reasonably determined based on the specific facts and overall circumstances of the case.

In an appeal of a dispute over patent infringement, *Hua Jiping v. Shanghai Oxylane Trade Co.*,¹⁰⁶ the Supreme People's Court held that, when considering relevant factors for determining the compensation, the focus is the reasonability and the proportionality thereof. In determining the amount of compensation for intellectual property infringement, the degree of subjective fault of the concerned party may be considered in determining the compensation liability, especially when it is necessary to use discretion to determine the specific calculation criterion.

In a retrial of a dispute over utility model patent infringement, *Wuxi Guowei Ceramic Electrical Appliances Co. v. Chagnshu Linzhi Electrical Heating Components Co.*,¹⁰⁷ the Supreme People's Court held that, in calculating the amount of compensation for patent infringement based on the profits earned by the infringer as a result of the infringement, for an alleged infringing product involving several components or several patents, the profits should, in principle, not be calculated by simply multiplying the total sales amount of the infringing product by the profit margin thereof. Instead, the involved patent's ratio of contribution to the profit of the infringing product should be considered, and profits as a result of the infringement may be calculated based on the following formula: total sales amount of the infringing product × profit margin × contribution ratio of the patented technology to the product value. The contribution ratio of the patented technology to the product's value can be determined with discretion by considering the importance of the involved patent to the product.

Where the acts of infringement are severable, in calculating the amount of compensation for the infringement, if a part of the losses suffered by the right holder or profits earned by the infringer can be relatively accurately calculated and a part thereof is difficult to calculate, then compensation for the former may be calculated based on the losses or profits, statutory compensation applies for the latter, and the sum of the two is used to determine the final amount of compensation.

4.4.2.3 Agreement on the amount or calculation method of compensation for patent infringement in accordance with the law

Article 28 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following:

Where the right holder and the infringer agree, according to law, on the amount or the calculation method of compensation for patent infringement and assert during a patent infringement lawsuit that the compensation amount shall be determined in accordance with such an agreement, the people's courts shall support such an assertion.

For such an agreement, the people's courts will, in accordance with the provisions of the Civil Code and the assertion of the concerned parties, examine whether there is any circumstance that may render the agreement invalid or revocable.

¹⁰⁶ MSZZ No. 3 (Sup. People's Ct, 2007).

¹⁰⁷ MZ No. 111 (Sup. People's Ct, 2018).

In a retrial of a dispute over utility model patent infringement, *Zhongshan Longcheng Daily Products Co. v. Hubei Tongba Children's Appliances Co.*,¹⁰⁸ the Supreme People's Court held that the Tort Liability Law and Patent Law do not prohibit an infringed person and the corresponding infringer from making prior agreements on the form of tort liability and amount of compensation. The substance of such agreements is a previously agreed simple method for calculating and determining the losses of the right holder or the profits of the infringer with respect to an infringement that has not yet occurred. Such agreements include agreements made either after or before the acts of infringement.

4.4.2.4 Reasonable expenses of the right holder

Article 71 paragraph 3 of the Patent Law stipulates the following: "The amount of compensation shall also include the reasonable expenses of the right holder paid for putting an end to the infringement." According to Article 16 of the Provisions on the Trial of Patent Disputes, if a right holder asserts the reasonable expenses they paid for putting an end to the infringement, the people's courts may calculate such costs in addition to the compensation determined in accordance with Article 65 of the Patent Law.

In an appeal of a dispute over patent infringement, *Hua Jiping v. Shanghai Oxylane Trade Co.*,¹⁰⁹ the Supreme People's Court held that the costs of the right holder for investigating and putting an end to the infringement – so long as they are reasonable – can be incorporated into the amount of compensation. Such reasonable expenses do not necessarily need to be proved individually by vouchers. According to the specific circumstances of the case, the people's courts may consider the amount of reasonable expenses that can be proved by vouchers and other reasonable factors of expenditure to determine the amount of reasonable expenses but not exceeding the amount asserted by the right holder.

In judicial practice, circumstances also exist where right holders abuse their rights to bring infringement lawsuits, while alleged infringers require the right holders to compensate for reasonable expenses. In this respect, the Reply on Compensation for a Plaintiff's Abuse of Rights stipulates that, in an intellectual property infringement lawsuit, where the defendant submits evidence to prove the lawsuit filed by the plaintiff constitutes an abuse of rights according to law, which has damaged the defendant's legitimate rights and interests, and requests the plaintiff to compensate for the defendant's reasonable expenses (e.g., attorney's fees, travel expenses, and boarding and lodging expenses) arising from the lawsuit, the people's courts shall support such a request. The defendant may also file a separate lawsuit to request the plaintiff to compensate for the above reasonable expenses.

4.4.2.5 Rules of evidence related to compensation

Compensation is determined based on evidence. In judicial practice, evidence related to the nature and circumstances of acts of infringement and the profits earned by the infringer is usually held by the infringer and difficult for the right holder to obtain. To reduce right holders' difficulty in producing evidence, the Patent Law and related judicial interpretations have stipulated rules of evidence that are related to compensation and in compliance with the characteristics of civil cases involving intellectual property infringement generally.

Article 71 paragraph 4 of the Patent Law stipulates that, where a right holder has tried their best to provide evidence, but the account books or materials related to the patent infringement are mainly in the possession of the infringer, then, to determine the amount of compensation, the people's court may order the infringer to provide those account books or materials. Where the infringer refuses to provide the account books or materials or provides false account books or materials, the people's court may determine the amount of compensation by reference to the right holder's claims and the evidence provided.

According to Article 31 of the Provisions on Evidence in Civil Procedures involving Intellectual Property Rights, account books and documents, sales contracts, documents on the inflow and outflow of goods, annual reports of listed companies, prospectuses, websites or promotion catalogs, trading data stored in equipment and systems, commodity circulation data accounted by third-party platforms, assessment reports, intellectual property right licensing contracts, and

¹⁰⁸ MTZ No. 116 (Sup. People's Ct, 2013).

¹⁰⁹ MSZZ No. 3 (Sup. People's Ct, 2007).

records on market supervision, taxation and finance departments may be produced as evidence to prove the amount of compensation for intellectual property infringement asserted by the plaintiff.

4.4.3 Punitive damages

According to Article 1185 of the Civil Code and Article 71 of the Patent Law, in a case of intentional infringement of patent rights, and where the circumstances are serious, the people's courts may apply one to five times the punitive damages. In March 2021, the Interpretation of Punitive Damages in Intellectual Property Civil Cases was implemented. This judicial interpretation specifies the application scope of punitive damages, the contents and time of the request, the determination of intentional infringement and serious circumstances, the calculation basis and multiples, and so on. In civil cases involving patent infringement, the determination of punitive damages primarily involves the issues in the following sections.

4.4.3.1 Time limit for requesting punitive damages

Where a plaintiff requests punitive damages, they must clearly state the amount of the damages, the calculation method, and the facts and grounds serving as the basis thereof when filing the lawsuit. Where a plaintiff adds a request for punitive damages before the end of oral arguments in the court of first instance, the people's courts shall permit such an addition. Where a plaintiff adds a request for punitive damages during the trial of second instance, the people's courts may conduct mediation in the principle of voluntariness of the parties and, if the mediation fails, notify the concerned party to file a separate lawsuit.

4.4.3.2 Determination of intentional patent infringement

The people's courts need to consider the specific category of a patent right being infringed, the status of the right, the popularity of the relevant product, the relation between the defendant and the plaintiff or an interested party, and so on. According to Article 3 of the Interpretation of Punitive Damages in Intellectual Property Civil Cases, under the following circumstances, the people's courts may preliminarily determine that the defendant has intentionally infringed the intellectual property right:

- (1) the defendant continues the infringing act after being notified or warned by the plaintiff or an interested party;
- (2) the defendant or the legal representative or administrator thereof is the legal representative, administrator, or actual controller of the plaintiff or an interested party;
- (3) the defendant has a labor relation, service relation, cooperation relation, licensing relation, distribution relation, agency relation, representation relation, etc. with the plaintiff or an interested party, and had access to the infringed intellectual property;
- (4) the defendant and the plaintiff or an interested party have business dealings or have previously negotiated with each other to conclude a contract, and had access to the infringed intellectual property.

4.4.3.3 Identification of serious circumstances of patent infringement

The people's courts shall comprehensively consider the means and times of infringement; the duration, geographical coverage, scale and consequences of the acts of infringement; and the acts of the infringer during litigation. According to Article 4 of the Interpretation of Punitive Damages in Intellectual Property Civil Cases, the defendant can be identified as having serious circumstances in case of the following:

- (1) conducting the same or similar acts of infringement after being subject to administrative punishment or being ordered by a court to assume liability for infringement;
- (2) taking the infringement as occupation (business);
- (3) falsifying, destroying, or concealing evidence of infringement;
- (4) refusing to enforce preservation rulings;
- (5) acquiring huge profits or causing huge losses to the right holder due to the infringement;

(6) national security, public interest, or personal health are possibly damaged because of the acts of infringement.

4.4.3.4 Basis for the calculation of punitive damages

The people's courts shall take the amount of losses actually suffered by the plaintiff, or the amount of illegal gains or profits earned by the infringer as a result of the infringement, as the basis for calculating punitive damages. This calculation basis does not include the reasonable expenses of the right holder paid in putting an end to the infringement. Where it is difficult to calculate the amount of actual losses, amount of illegal gains or amount of profits, these amounts shall be reasonably determined with reference to a multiple of the royalties for the license, which will then be taken as the calculation basis for punitive damages.

4.4.3.5 Determination of the multiple of punitive damages

To determine the multiple of punitive damages, the people's courts comprehensively consider the degree of subjective fault of the defendant, the severity of circumstances of infringement and so on. Where the defendant has been subject to administrative punishment or criminal penalty due to the same act of infringement, and this has been fully enforced, the defendant's assertion of reducing or exempting the liability for punitive damages will not be supported by the people's courts but may be considered in determining the multiple.

4.5 Other patent-related civil cases

4.5.1 Dispute cases over declarations of patent non-infringement

A dispute over the declaration of patent non-infringement refers to a lawsuit filed by an actor – whose interest is affected by a specific patent right against the right holder – to request a declaration that its act does not infringe the patent right. “Affected by a specific patent right” generally means that the actor has received a patent infringement warning from a specific patentee, but the right holder has not requested a people's court to resolve the dispute within a reasonable period, in accordance with statutory procedure. Through the (2001) Civil 3rd Requestion for Instruction No. 4 Reply dated July 12, 2002, the Supreme People's Court specified the non-infringement declaration system in the intellectual property field.

Further regulating and improving the non-infringement declaration litigation system, Article 18 of the Interpretation of Patent Infringement Dispute Cases stipulates the specific conditions for filing such lawsuits: where a right holder sends a patent infringement warning to others and neither withdraws the warning nor files a lawsuit within one month upon receiving a written reminder in which the warned person or interested party urges the right holder to exercise the right of action, or within two months since the issuance of the written reminder, then the people's courts shall accept the case if the warned person or interested party files a lawsuit requesting a declaration of non-infringement. “Others,” in this provision, includes specific persons and nonspecific persons. “Interested party” is understood in a broad sense to include distributors and so on. To “file a lawsuit” means to file a lawsuit against patent infringement in a people's court. A right holder's request to a department in charge of patent administration work to handle the infringement dispute within a certain period after the issuance of the written reminder cannot prevent the warned person or the interested party from filing a lawsuit for a declaration of non-infringement. However, to file such a lawsuit for a declaration of non-infringement, the concerned party must also meet the conditions for filing a lawsuit stipulated in Article 108 of the Civil Procedure Law in addition to the conditions stipulated in Article 18 of the Interpretation of Patent Infringement Dispute Cases.

If a dispute between the parties over whether the relevant act constitutes patent infringement has entered a statutory dispute resolution procedure (e.g., the right holder has filed a lawsuit against infringement or has applied to a people's court for temporary measures like pre-litigation act preservation etc.), and if the relevant procedure is ongoing, then the concerned party cannot file a lawsuit for a declaration of intellectual property non-infringement.

In an appeal of a dispute over patent non-infringement declaration, *VMI Holland BV v. Safe-Run Machinery (Suzhou) Co.*,¹¹⁰ the Supreme People's Court held that, in respect of the lawsuit for a

110 ZMZ No. 5 (Sup. People's Ct, 2019).

declaration of patent non-infringement, the scope of the trial was to determine whether the technical solution implemented by the plaintiff fell within the protection scope of the defendant's patent right – thereby eliminating the plaintiff's uncertainty as to whether the technical solution implemented thereby fell within the protection scope of others' patent rights – to facilitate its operational decision-making. In a patent infringement dispute, the patentee can choose whether the dispute should be handled by a patent administration department or tried by a people's court. However, in either circumstance, the key lies in determining whether the alleged infringing product or process falls within the protection scope of the involved patent right.

In an appeal of a dispute over an objection to jurisdiction over design patent infringement, *Honda Motor Co. v. Shijiazhuang Shuanghuan Automobile Co.*,¹¹¹ the patent non-infringement declaration held that, with respect to a lawsuit for a declaration of patent non-infringement and a patent infringement lawsuit involving the same fact, the two cases shall be subject to transfer of jurisdiction and trialed concurrently to avoid the repeated trial of cases involving the same fact by different courts. The transfer of jurisdiction is determined as per the provisions on territorial jurisdiction and on jurisdiction by court level. If territorial jurisdiction is involved, then the cases will be transferred according to the temporal sequence of case acceptance: the court accepting the case later transfers the case to the court accepting the case first. If jurisdiction by court level is involved, then, generally, the inferior court will transfer the accepted case to the superior court.

4.5.2 Dispute cases over ownership of patent rights (patent application rights)

Dispute cases over the ownership of patent rights (patent application rights) primarily involve service invention-creations, invention-creations made through cooperative development or commissioned development, and the misappropriation of technical secrets.

4.5.2.1 Service invention-creations

Article 6 of the Patent Law stipulates the following:

An invention-creation that is accomplished in the course of performing the duties of the employee, or mainly by using the material and technological conditions of an employer, is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the employer. After the application is approved, the employer shall be the patentee. The employer may, in accordance with the law, dispose of the right to apply for a patent for its service invention-creation and the patent right, there facilitating the exploitation and utilization of relevant invention-creation.

For a non-service invention-creation, the right to apply for a patent belongs to the inventor or designer. After the application is approved, the inventor or designer shall be the patentee.

For service invention-creations, Article 847 paragraph 2 of the Civil Code also stipulates the following: "A work for hire is a technological achievement that is accomplished as a result of performing the tasks assigned by a legal person or unincorporated organization or that is accomplished mainly by using the material and technical conditions of a legal person or unincorporated organization." It should be noted that the "work for hire" stipulated in this article has a broader meaning than the "service invention-creations" stipulated in Article 6 of the Patent Law: the former includes not only patent rights or patent application rights but also other types of intellectual property rights, like new plant varieties, computer software copyright and so on.

4.5.2.1.1 Invention-creations accomplished in the course of performing the duties of an employee

Article 12 paragraph 1 of the Rules for the Implementation of the Patent Law stipulates the following:

Invention-creations accomplished while performing the tasks assigned by employer referred to in Article 6 of the Patent Law means any invention-creation made:

- (1) in the course of performing an employee's own duty;
- (2) in execution of any task, other than his own duty, which was entrusted to him by the employer; or

111 MSZZ No. 1 (Sup. People's Ct, 2012).

- (3) within one year from his retirement, resignation or from termination of his employment or personnel relationship with the entity to which he previously belongs, where the invention-creation relates to his own duty or any other task entrusted to him by the entity to which he was previously employed.

With respect to “a technological achievement that is accomplished as a result of performing the tasks assigned by a legal person or unincorporated organization,” as mentioned in Article 847 paragraph 2 of the Civil Code, Article 2 of the Interpretation of Technology Contracts¹¹² stipulates the following two circumstances:

- (1) performing the employee’s own duty or undertaking other technical development tasks assigned thereby;
- (2) continuing to perform technical development work that is related to the employee’s own duty or tasks assigned by the former employer within one year after separation, unless otherwise provided for by laws or administrative regulations.

Compared with Article 12(3) of the Rules for the Implementation of the Patent Law, the second item in the above provision contains the additional phrase “unless otherwise provided for by laws or administrative regulations.”

4.5.2.1.2 Invention-creations made mainly by using the material and technical conditions of an employer

Article 6 paragraph 3 of the Patent Law states the following:

For an invention-creation that is accomplished by using the material and technical conditions of an employer, if the employer has concluded a contract with the inventor or designer providing the ownership of the right to apply for the patent or the ownership of the patent right, such provision shall prevail.

In practice, an invention-creation made by a former employee may involve performing the tasks assigned by a former employer but using the material and technical conditions of the current employer. According to Article 5 of the Interpretation of Technology Contracts, under such a circumstance, the rights and interests will be determined in accordance with an agreement reached between the former employer and the current employer. Otherwise, the rights and interests are shared between them based on their respective contributions to the technological achievement.

With respect to the phrase “material and technical conditions” in Article 6 of the Patent Law, Article 12 paragraph 2 of the Rules for the Implementation of the Patent Law stipulates that this means “the employer’s money, equipment, spare parts, raw materials or technical materials which are not available to the public, etc.” Article 3 of the Interpretation of Technology Contracts stipulates the following: “‘material and technical conditions’ as depicted in Article 847 paragraph 2 of the Civil Code include money, equipment, apparatuses, raw materials, undisclosed technical information and documents, etc.”

In a retrial of a dispute over patent ownership, *Shenzhen Weibond Technology Co. v. Li Jianyi*,¹¹³ the determination of “invention-creations related to” an employee’s own duty or any other task assigned to them by the former employer (as per Article 12(3) of the Rules for the Implementation of the Patent Law) was further clarified:

The interests of the employee, the former employer and the current employer shall be balanced and the following factors shall be comprehensively considered: first, the specific contents of the employee’s duty or task assigned to him; second, specific circumstances of the involved patent and its relation with the employee’s duty or task; third, whether the former employer has conducted technological development and research activities related to the involved patent or whether there is another legitimate source for the patented technology; fourth, whether the right holder or inventor of the involved patent (application) can make reasonable explanations on the development and research process or source of the patented technology.

¹¹² Interpretation on Several Issues concerning the Application of Laws in the Trial of Cases Involving Technology Contract Disputes (promulgated by the Sup. People’s Ct, Dec. 16, 2004, rev’d Dec. 29, 2020, effective Jan. 1, 2021).

¹¹³ Sup. People’s Ct Guiding Case No. 158, July 23, 2021.

4.5.2.1.3 Ownership and disposal of service invention-creations

According to Article 6 paragraph 1 of the Patent Law, “[f]or a service invention-creation, the right to apply for a patent belongs to the employer. After the application is approved, the employer shall be the patentee.” Article 2 paragraph 2 of the Interpretation of Technology Contracts stipulates the following: “Where a legal person or unincorporated organization has entered into an agreement with an employee, with respect to the rights and interests in and to a technological achievement accomplished by the employee when he or she was employed or after separation therefrom, the people’s courts shall consider the agreement.”

When the Patent Law was last amended in 2020, it was stipulated in Article 6 paragraph 1 that “[t]he employer may, in accordance with the law, dispose of the right to apply for a patent for its service invention-creation and the patent right, thereby facilitating the exploitation and utilization of the relevant invention-creation.” Article 847 paragraph 1 of the Civil Code stipulates the following:

Where a right to use or transfer a work for hire belongs to a legal person or unincorporated organization, the legal person or unincorporated organization may conclude a technology contract on the work for hire. Where the legal person or unincorporated organization concludes a technology contract to transfer the work for hire, the creator of the work for hire has right in priority to acquire it on equivalent conditions.

4.5.2.1.4 Remuneration, reward and authorship of the inventor or designer

Article 15 of the Patent Law stipulates the following: “The entity that is granted a patent right shall reward the inventor or designer of service invention-creation. After such patent is exploited, the entity shall pay the inventor or designer a reasonable remuneration based on the extent of spreading and application as well as the economic benefits yielded.” Articles 76–78 of the Rules for the Implementation of the Patent Law further provide for the methods and amounts of “reward and remuneration.”

According to Article 16 of the Patent Law, an inventor or designer has the right to name themselves as such in the patent documents. Article 849 of the Civil Code also stipulates the following: “An individual person who has accomplished a technological work product has the right to indicate on the relevant documents that the said person is the creator thereof and to receive certificate of honor and rewards.”

With respect to the identification of an inventor or designer, further provisions are made in Article 13 of the Rules for the Implementation of the Patent Law and Article 6 of the Interpretation of Technology Contracts.

4.5.2.2 Invention-creations made through cooperative or commissioned development

According to Article 8 of the Patent Law, for an invention-creation accomplished by two or more entities or individuals, or accomplished by an entity or individual in the execution of a commission given to them by another entity or individual, the right to apply for a patent belongs, unless otherwise agreed upon, to the entity or individual that accomplished the invention-creation, or to the entities or individuals that accomplished the invention-creation in collaboration. After the patent application is approved, the entity (or entities) or individual (or individuals) that filed the application shall be the patentee. Articles 859 and 860 of the Civil Code also provide for invention-creations accomplished through commissioned development and cooperative development, respectively.

4.5.2.3 Patent applications based on unauthorized use of others’ technical secrets

If an infringer, without the authorization of the right holder, applies for a patent for a technical secret – whether obtained legitimately from the right holder thereof or illegally through theft or other undue means – the right holder may file a civil lawsuit against trade secret misappropriation in accordance with the laws to request a judgment ordering that the infringer assume civil liabilities (e.g., cessation of misappropriation and compensation for losses) or to request the competent people’s court to declare that the right holder has the patent right over the patent unilaterally applied for by the infringer.

In an appeal of a dispute over patent ownership, *Tianjin Greenpine Pharma Co. v. Huabei Pharmaceutical Hebei Huamin Pharmaceutical Co.*,¹¹⁴ the Supreme People's Court held that, where a party asserts ownership of a patent right on the ground of misappropriation of a technical secret, the people's court shall examine whether the technical secret is disclosed in the patent documents and whether it is incorporated into the patented technical solution. If the answer to either question is in the affirmative, then the technical secret has been misappropriated. If the technical secret constitutes the substantial content of the patented technical solution, the right holder of the technical secret has lawful rights to the patent.

4.5.3 Dispute cases over patent contracts

For cases over patent contract disputes, the main provisions that apply include the relevant provisions in Book I(VI) ("Civil Juristic Acts") and Book III ("Contracts") of the Civil Code, in addition to relevant provisions in the Patent Law and the Rules for the Implementation of the Patent Law. Book III(XX) ("Technology Contracts") of the Civil Code also specifically provides for technology development, transfer, licensing, consultation and service contracts.

With respect to technology contracts, the Interpretation of Technology Contracts includes 47 articles divided into six parts:

- General Provisions;
- Technology Development Contracts;
- Technology Transfer Contracts and Technology Licensing Contracts;
- Technology Consultation Contracts and Technology Service Contracts;
- Procedural Issues Related to the Trial of Technology Contract Disputes; and
- Miscellaneous.

Technological cooperation involving foreign elements is regulated by relevant provisions of the Regulations on Technology Import and Export Administration and the Regulations on the Implementation of the Law on Chinese-Foreign Equity Joint Ventures.¹¹⁵ On March 18, 2019, the State Council announced Decree No. 709, which deleted Article 43(3)-(4) of the Regulations on the Implementation of the Law on Chinese-Foreign Equity Joint Ventures and Article 24 paragraph 3, Article 27 and Article 29 of the Regulations on Technology Import and Export Administration and amended the original Article 41 thereof to Article 39, as follows: "The competent foreign trade department under the State Council shall, within three working days from the date of receipt of the documents provided for in Article 38 hereof, register the technology export contract and issue the registration certificate of technology export." Article 22 of the Foreign Investment Law stipulates the following:¹¹⁶

The State protects the intellectual property rights of foreign investors and foreign-invested enterprises, protects the legitimate rights and interests of intellectual property rights holders and related rights holders, and strictly pursues legal liability for infringements of intellectual property rights in accordance with law.

The State encourages technical cooperation based on the voluntary principle and commercial rules in the process of foreign investment. The terms and conditions for technical cooperation are determined by the investing parties through negotiation on an equal basis in accordance with the principle of fairness. Administrative departments and their staff members shall not force the transfer of technology through administrative means.

4.5.4 Civil cases involving standard-essential patents

Civil cases involving standard-essential patents mainly involve civil disputes over patent infringement, patent contracts, royalties and abuse of market dominance involving standard-essential patents.

¹¹⁴ ZMZ No. 871 (Sup. People's Ct, 2020).

¹¹⁵ Regulations on Technology Import and Export Administration (promulgated by the State Council, March 2, 2019, rev'd Nov. 29, 2020, effective Nov. 29, 2020); Regulations on the Implementation of the Law on Chinese-Foreign Equity Joint Ventures (promulgated by the State Council, Sep. 20, 1983, rev'd July 22, 2001, effective July 22, 2001).

¹¹⁶ Foreign Investment Law (promulgated by the Nat'l People's Cong., March 15, 2019, effective Jan. 1, 2020).

4.5.4.1 Patent-related cases

In July 2008, in their Letter on Chaoyang Xingnuo Company's Act of Exploiting a Patent,¹¹⁷ the Supreme People's Court expressed the following opinion on the request for instruction raised by the High People's Court of Liaoning:

Given the reality that China's standard-setting organization has not established systems with respect to the public disclosure of information and exploitation of patents incorporated in relevant standards, where a patentee has participated in the formulation of a standard or has consented to the incorporation of a patent in a national, industrial, or local standard, then the patentee shall be deemed as having licensed others to exploit the patent while implementing the standard, and the relevant acts of exploiting the patent by others do not constitute acts of patent infringement as stipulated in Article 11 of the Patent Law. The patentee may require the exploiter to pay an amount of royalties which, however, shall be significantly lower than ordinary royalties; where the patentee has undertaken to waive the patent royalties, such an undertaking shall apply.

Article 24 of the Interpretation (II) of Patent Infringement Dispute Cases specifically provides for issues concerning standard-essential patents, which primarily involve important issues such as the disclosure of patent information related to technical standards; defenses against infringement; applicable conditions for the cessation of infringement; negotiation and adjudication of exploitation licensing conditions; and fair, reasonable and nondiscriminatory licensing obligations, among other issues. Paragraphs 1–3 of this article stipulate the following:

Where a recommended national, industrial, or local standard has explicitly indicated the information of an essential patent, an alleged infringer's non-infringement defense on the ground that such a standard may be implemented without license shall generally be rejected.

Where a recommended national, industrial, or local standard has explicitly indicated the information of an essential patent, when the patentee and an alleged infringer negotiate licensing terms for exploitation of the patent, if the patentee willfully violates the fair, reasonable, and nondiscriminatory licensing obligation undertaken thereby during the formulation of the standard, which results in failure to reach a patent exploitation licensing contract, and if the alleged infringer has no obvious fault in the negotiation, the patentee's request for cessation of implementation of the standard shall generally be rejected.

The exploitation licensing terms referred to in the preceding paragraph 2 shall be negotiated between the patentee and the alleged infringer. If the parties fail to reach an agreement after sufficient negotiation, they can request a people's court to determine the licensing terms. In determining the licensing terms, the people's court shall, in accordance with the principle of fairness, reasonableness and nondiscrimination, comprehensively consider such factors as the innovation level of the patent, its contribution in the standard, the technical field which the standard falls under, the nature and the implementation scope of the standard, and relevant licensing terms.

Before this judicial interpretation was issued, the Standardization Administration of China and the CNIPA had issued the Regulatory Measures on National Standards Involving Patents (Interim) in December 2013, which improved the procedure for the disclosure of patent information related to national standards and specifically stipulated that patents involved in national standards are essential patents. To maintain consistency with these interim measures, the Interpretation (II) of Patent Infringement Dispute Cases only provided for recommended standards (i.e., nonmandatory standards) and explicitly indicated their related patents but did not provide for issues such as standards without disclosure of patent information, mandatory standards, international standards and so on, which were also not mentioned in the foregoing interim measures.

¹¹⁷ Letter on the Issue of Whether Chaoyang Xingnuo Company's Act of Exploiting the Patent, in the Industrial Standard Promulgated by the Ministry of Construction's Specification for Design of Ram-Compaction Piles with Composite Bearing Base, during its Design and Construction in Accordance Therewith, Constitutes Patent Infringement, MSTZ No. 4 (Sup. People's Ct, 2008).

With respect to technical standards related to pharmaceutical products, in a retrial of a dispute over invention patent infringement, *Qilu Pharmaceutical Co. v. Beijing Sihuan Pharmaceutical Co.*,¹¹⁸ the Supreme People's Court held that the prevailing laws and administrative regulations involving pharmaceutical product administration and registration do not require right holders of pharmaceutical product patents to make "fair, reasonable and nondiscriminatory" undertakings in the licensing of such pharmaceutical product patents when cooperating in the formulation of national pharmaceutical product standards. There was no evidence in this case to prove that Beijing Sihuan Pharmaceutical had made "fair, reasonable and nondiscriminatory" undertakings in the licensing of the patent during the formulation of the national pharmaceutical product standard related to the involved patent. Therefore, the principle of "fairness, reasonableness and nondiscrimination" did not apply.

4.5.4.2 Monopoly-related cases

The Supreme People's Court issued the Provisions on Cases of Monopoly Disputes in 2012, amending it in 2020.¹¹⁹ This judicial interpretation includes 16 articles that specify issues such as the types of cases, the filing of lawsuits, jurisdiction and trial, the burden of proof, evidence, civil liabilities and the statute of limitations with respect to monopoly-related cases. It further clarified relevant provisions of the Anti-monopoly Law.¹²⁰ Article 3 of the provisions stipulates the following:

Monopoly-related civil dispute cases of first instance shall come under the jurisdiction of intellectual property courts or intermediate people's courts of cities where the governments of provinces, autonomous regions, or municipalities are located or of cities under separate state planning, or intermediate people's courts designated by the Supreme People's Court.

In addition to the above law and judicial interpretation, the Anti-monopoly Commission, under the State Council, issued the Guidelines on Anti-monopoly in the Field of Intellectual Property Rights on January 4, 2019, and the Guidelines on the Definition of Relevant Market on July 6, 2009.¹²¹

In an appeal of a dispute over an objection to jurisdiction over market dominance abuse, *Ericsson v. TCL Group Corp.*,¹²² the Supreme People's Court held that Article 2 of the Anti-monopoly Law specifies that the law is applicable to monopolistic conduct outside the territory of China. At the same time, it held that Article 2 also indicates that, for jurisdiction over monopoly dispute cases, the place where the alleged monopolistic conduct led to the elimination or restriction of competition can be the connecting point of jurisdiction.

4.5.5 Patent-related civil cases involving pharmaceutical products

The protection of pharmaceutical product patents is essential to the innovative development of the pharmaceutical industry and to the health and happiness of the people. While motivation systems and judicial safeguards are provided for the independent innovation and high-quality development of the pharmaceutical industry, the accessibility of pharmaceutical products and the health of the people are also considered. In particular, given the huge costs for the development and research of new pharmaceutical products, strong intellectual property protections are critical for motivating continuous innovation in the pharmaceutical industry.

To strengthen protections for pharmaceutical product patents and realize the early resolution of pharmaceutical product patent disputes, both the Opinion on Deepening the Reform of Examination and Approval Policy, issued in October 2017, and the Opinions on Strengthening the Protection of Intellectual Property Rights issued on November 24, 2019, were proposed to "explore and establish a pharmaceutical product patent linkage system."¹²³

118 MS No. 4107 (Sup. People's Ct, 2017).

119 Provisions on Several Issues concerning the Application of Laws in the Trial of Civil Dispute Cases Arising from Monopolistic Conduct (promulgated by the Sup. People's Ct, May 3, 2012, rev'd Dec. 29, 2020, effective Jan. 1, 2021).

120 Anti-monopoly Law (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 30, 2007, effective Aug. 1, 2008).

121 Guidelines for Countering Monopolization in the Field of Intellectual Property Rights (promulgated by the Anti-monopoly Comm. State Council, Jan. 4, 2019, effective Jan. 4, 2019); Guidelines on the Definition of Relevant Market (promulgated by the Anti-monopoly Comm. State Council, July 6, 2009, effective July 6, 2009).

122 ZMXZ No. 32 (Sup. People's Ct, 2019).

123 Opinion on Deepening the Reform of Examination and Approval Policy and Encouraging Innovation in Pharmaceutical Products and Medical Appliances (promulgated by the Gen. Off. CPC Cent. Comm. and the Gen. Off. State Council, Oct. 1, 2017, effective Oct. 1, 2017); Opinions on Strengthening the Protection of Intellectual Property Rights (promulgated by the Gen. Off. CPC Cent. Comm. and the Gen. Off. State Council, Nov. 24, 2019, effective Nov. 24, 2019).

4.5.5.1 Amendments to the Patent Law related to pharmaceutical product patent disputes

During the fourth amendment to the Patent Law, the legislature stipulated an early resolution mechanism for pharmaceutical product patent disputes at the suggestion of relevant competent departments and by reference to the pharmaceutical product patent linkage systems of relevant countries. Consequently, Article 76 of the Patent Law now stipulates the following:

In the review and approval process before the marketing of a pharmaceutical product, where the applicant for marketing approval of the pharmaceutical product has any disputes over the relevant patent right associated with the pharmaceutical product applied for registration with the relevant patentee or interested party, the party concerned may file a lawsuit before the people's court and request a judgment on whether the technical solution related to the pharmaceutical product that is applied for registration falls within the protection scope of any pharmaceutical product patent right owned by others. The medical product regulatory department under the State Council may, within a prescribed time limit, make a decision on whether to suspend the marketing approval of the pharmaceutical product according to the effective judgment or written order of the people's court.

The applicant for marketing approval of the pharmaceutical product, the relevant patentee or the interested party may also petition the patent administration department under the State Council for an administrative adjudication on the disputes over the patent right associated with the drug applied for registration.

The medical products regulatory department under the State Council shall, in conjunction with the patent administration department under the State Council, formulate specific cohesive measures for patent right dispute resolutions at the stages of pharmaceutical product marketing license approval and pharmaceutical product marketing license application, which shall be implemented after the approval of the State Council.

In Article 42 paragraph 3 of the Patent Law, a provision on patent term compensation for pharmaceutical product patents was also added.

4.5.5.2 Formulation of relevant judicial interpretations and regulatory documents

To implement Article 76 of the Patent Law and improve the early resolution mechanism of pharmaceutical product patent disputes, the National Medical Products Administration and the CNIPA, in conjunction with relevant departments, issued the Implementation Measures for Pharmaceutical Product Patent Disputes on July 4, 2021.¹²⁴ Then, on July 5, 2021, the Supreme People's Court issued their Provisions on the Patent Rights of Drugs, and the CNIPA issued the Adjudication Measures for Pharmaceutical Product Patent Disputes.¹²⁵ Both documents came into effect on the same day.

The Provisions on the Patent Rights of Drugs focused on procedural issues to be resolved after the implementation of the pharmaceutical product patent linkage system and the connection and matching of litigation procedures with the review and approval process and administrative adjudication procedure. This thereby promoted the uniformity of administrative enforcement and judicial adjudication standards. The provisions included 14 articles to provide for jurisdiction, specific causes of action, materials required for filing a lawsuit, ways of filing such a lawsuit, the linkage between administrative and judicial procedures, defenses, the protection of trade secrets during litigation, act preservation, counterclaims for damages against the losing party, means of service and so on, thereby providing clear guidance for the fair and timely trial of such cases and promoting the implementation of the pharmaceutical product patent linkage system.

4.5.5.3 Main issues involved in the early resolution mechanism of pharmaceutical product patent disputes

4.5.5.3.1 Jurisdiction

Article 1 of the Provisions on the Patent Rights of Drugs stipulates the jurisdiction and causes of action over disputes related to pharmaceutical product patents. Civil cases of first instance

¹²⁴ Implementation Measures for the Early Resolution Mechanism of Pharmaceutical Product Patent Disputes (Trial) (promulgated by Nat'l Med. Prod. Admin. and the CNIPA, July 4, 2021, effective July 4, 2021).

¹²⁵ Administrative Adjudication Measures for the Early Resolution Mechanism of Pharmaceutical Product Patent Disputes (promulgated by the CNIPA, July 5, 2021, effective July 5, 2021).

involving lawsuits in relation to pharmaceutical product patents come under the concentrated jurisdiction of the Beijing Intellectual Property Court to facilitate the organization of superior judicial resources and unify the adjudication standard.

Furthermore, given that such civil cases often also involve administrative patent right confirmation cases related to the patent and administrative cases filed by the concerned parties because they disagree with administrative adjudications made by the CNIPA, centralized jurisdiction safeguards the organic linkage between different litigation procedures and facilitates work coordination with relevant administrative departments under the State Council.

With respect to jurisdiction over appeal cases, in accordance with the NPC Standing Committee's Decision on the Litigation of Intellectual Property Cases and Article 2 of the Provisions on the Intellectual Property Court, where a party disagrees with a first-instance judgment or ruling made by the Beijing Intellectual Property Court on a pharmaceutical product patent linkage lawsuit, that party may appeal to the Supreme People's Court.

4.5.5.3.2 Relation between pharmaceutical product patent linkage lawsuits and patent infringement lawsuits

Article 11 of the Patent Law specifically provides for acts of patent infringement. As the act of applying for review and approval before the marketing of a pharmaceutical product does not constitute an act of infringement according to Article 11 of the Patent Law, the provisions on remedies against patent infringement do not apply in such cases. For a civil lawsuit filed by a party in accordance with Article 76 of the Patent Law, the specific request is for a judgment on whether the technical solution related to the pharmaceutical product for which registration is applied "falls within the protection scope of any pharmaceutical product patent right owned by others pharmaceutical product." The nature of such a lawsuit is a lawsuit for confirmation. However, in a pharmaceutical product patent linkage lawsuit, the applicant for pharmaceutical product marketing approval may still raise a prior art defense or a prior-use rights defense in accordance with Articles 67 and 75(2) of the Patent Law, respectively. If a defense is sustained, the competent people's court may rule to confirm that the technical solution related to the pharmaceutical product for which registration is applied falls within the protection scope of related patent rights.

4.5.5.3.3 "Relevant patents" in Article 76 of the Patent Law

As a component of the pharmaceutical product patent linkage system, the Provisions on the Patent Rights of Drugs need to be coordinated with the specific measures for linking pharmaceutical product marketing approval with patent dispute resolution during the pharmaceutical product marketing approval application stage – as stipulated in Article 76 paragraph 3 of the Patent Law (i.e., the Implementation Measures for Pharmaceutical Product Patent Disputes) – to implement the provisions of that article.

The early resolution mechanism for pharmaceutical product patent disputes stipulated in Article 76 of the Patent Law only covers specific types of pharmaceutical product patents – "relevant patents." With respect to the scope of "relevant patents," Article 2 of the Implementation Measures for Pharmaceutical Product Patent Disputes stipulates the following:

The pharmaceutical product regulatory department under the State Council shall establish the Patent Information Registration Platform of Marketed Pharmaceutical Products in China, for pharmaceutical product marketing approval holders to register patent information related to pharmaceutical products registered and approved in China.

Where relevant patent information is not registered on the Patent Information Registration Platform of Marketed Pharmaceutical Products in China, the Measures shall not apply.

Article 5 of the measures stipulates the following: "Chemical pharmaceutical product marketing approval holders may register patents for compounds as active pharmaceutical ingredients, patents for pharmaceutical compositions containing active ingredient(s), and pharmaceutical use patents, on the Patent Information Registration Platform of Marketed Pharmaceutical Products in China." Article 12 stipulates the following: "For traditional Chinese medicines, patents concerning Chinese medicine compositions, Chinese medicine extracts, and pharmaceutical use can be

registered; for biological products, patents concerning sequence structure of active ingredients and pharmaceutical use can be registered.”

Without making additional provisions for “related patents” but keeping coordination with the above provisions of the implementation measures, Article 2 of the Provisions on the Patent Rights of Drugs stipulates the following: “Related patents’ stipulated in Article 76 of the Patent Law refer to those patents for which the measures of the relevant administration departments under the State Council for linking pharmaceutical product marketing approval and patent dispute resolution during the pharmaceutical product marketing approval application stage shall apply.”

4.5.5.3.4 Parties entitled to file lawsuits referred to in Article 76 of the Patent Law

Article 76 of the Patent Law stipulates that the applicant for pharmaceutical product marketing approval and the concerned patentee or an interested party may file a lawsuit before a people’s court. Article 2 paragraph 2 of the Provisions on the Patent Rights of Drugs stipulates the following: “The ‘interested party’ in Article 76 of the Patent Law refers to licensees of the patent referred to in the preceding paragraph and marketing approval holders of the related pharmaceutical product.”

According to Article 7 of the Implementation Measures for Pharmaceutical Product Patent Disputes,

[a]ny patentee or an interested party who objects to the fourth type of patent declarations may, within 45 days from the date when the application for pharmaceutical product marketing approval is published by the national pharmaceutical product evaluation institution, may file a lawsuit before people’s court regarding whether the technical solution of the pharmaceutical product for which marketing approval is applied falls within the protection scope of relevant patent rights, or apply to the patent administration department under the State Council for an administrative adjudication.

If a patentee or interested party fails to file a lawsuit within the said 45 days, the applicant for pharmaceutical product marketing approval may, in accordance with Article 4 of the judicial interpretation, “file a lawsuit before a people’s court to request for confirmation that the pharmaceutical product for which registration is applied does not fall within the protection scope of relevant patent rights.”

4.5.5.3.5 Act preservation

Article 10 of the Provisions on the Patent Rights of Drugs stipulates that, where a patentee or an interested party

requests for prohibiting an applicant for pharmaceutical product marketing approval from implementing the acts stipulated in Article 11 of the Patent Law within the term of the relevant patent right, the people’s courts shall handle such a request as per relevant provisions of the Patent Law and the Civil Procedure Law; requests thereof for prohibiting acts of applying for pharmaceutical product marketing approval or acts of pharmaceutical product marketing review and approval shall not be supported by the people’s courts.

Provisions on act preservation are made in Chapter IX (“Preservation and Preliminary Enforcement”) of the Civil Procedure Law, Chapter 7 (“Preservation and Preliminary Enforcement”) of the Interpretation of the Civil Procedure Law, and the Provisions on Act Preservation in Intellectual Property Disputes. Additionally, Article 105 of the Civil Procedure Law stipulates the following: “If an application is made wrongfully, the applicant shall compensate the person against whom the application is made for any loss incurred as a result of the act preservation.”

4.5.5.3.6 Counterclaim for compensation against vexatious litigation

To better balance the interests of patentees and interested parties and the applicants for pharmaceutical product marketing approval, Article 12 of the Provisions on the Patent Rights of Drugs provides for a counterclaim system for compensation against vexatious litigation, in accordance with Article 132 of the Civil Code, Article 13 of the Civil Procedure Law, and Articles 20 and 47 of the Patent Law.

There are two prerequisites for counterclaiming compensation against vexatious litigation. First, the subjective prerequisite is that the patentee or interested party knows or should have known that the patent right was declared invalid or that the technical solution related to the pharmaceutical product for which marketing approval is applied does not fall within the protection scope of the patent right. Here, “knows” or “should have known” are determined following the same criteria as for general infringement cases. Second, the objective prerequisite is that the applicant for pharmaceutical product marketing approval has suffered losses caused by the litigation.

With respect to jurisdiction over counterclaims for compensation against vexatious litigation, and given the close relation of such cases with pharmaceutical product patent lawsuits, it is stipulated that such cases also come under the jurisdiction of the Beijing Intellectual Property Court.

4.5.5.3.7 Administrative adjudication

With respect to the protection of patent rights, China adopts a dual-track system whereby judicial and administrative protections work in tandem. For “disputes arising from patents related to related to the pharmaceutical product for which marketing approval is applied” (Article 76 of the Patent Law), the concerned party may either file a lawsuit before a people’s court or “petition the patent administration department under the State Council for an administrative adjudication on the disputes” as per Article 76 paragraph 2 of the Patent Law.

Article 5 of the Provisions on the Patent Rights of Drugs stipulates the following:

Where a party asserts that a lawsuit referred to in Article 76 of the Patent Law should not be accepted or requests for suspension of the lawsuit on the ground that the patent administration department under the State Council has accepted the application for administrative adjudication referred to in Article 76 of the Patent Law, such an assertion or application shall not be supported by the people’s courts.

Article 4 of the Adjudication Measures for Pharmaceutical Product Patent Disputes stipulates the following: “Where a party applies for administrative adjudication, the prerequisite to be met is that no people’s court has accepted a case over the pharmaceutical product patent dispute.” A party having first chosen to apply for administrative adjudication can still file a lawsuit before a people’s court later. However, if a party has filed a lawsuit before a people’s court, and the case has been accepted, then the party can no longer apply to the CNIPA for administrative adjudication on the same pharmaceutical product and patent.

Both Article 7 of the Implementation Measures for Pharmaceutical Product Patent Disputes and Article 19 of the Adjudication Measures for Pharmaceutical Product Patent Disputes stipulate that, where a party disagrees with an administrative adjudication made by the CNIPA on a pharmaceutical product patent dispute, the party may file an administrative lawsuit before the Beijing Intellectual Property Court. Where the party still disagrees with the judgment made thereby, it may appeal to the Supreme People’s Court.

4.6 Procedural issues concerning patent-related civil cases

4.6.1 Evidence rules and evidence preservation

With respect to issues concerning evidence in civil lawsuits, detailed provisions exist in the Civil Procedure Law, Interpretation of the Civil Procedure Law, Provisions on Evidence in Civil Procedures, and related judicial interpretations. These generally apply to patent-related civil cases. Based on the characteristics of patent cases, the Patent Law and related judicial interpretations also contain some special provisions related to evidence. The Supreme People’s Court has also formulated the Provisions on Evidence in Civil Procedures involving Intellectual Property Rights.

4.6.1.1 Provisions related to evidence in the Civil Procedure Law and related judicial interpretations

With respect to evidence, detailed provisions exist in Chapter VI (Articles 63–81) of the Civil Procedure Law and Part 4 (Articles 90–124) of the Provisions on Evidence in Civil Procedures.

The latter provisions were issued in 2001 by the Supreme People's Court and later amended in 2008 and 2019. This judicial interpretation currently includes 100 articles.

China has set up three internet courts: in Hangzhou, Beijing and Shenzhen. In the Provisions on the Trial of Cases by Internet Courts, Article 11 stipulates rules for internet courts in determining the authenticity of electronic evidence, Article 13 clarifies the general requirements and legal basis for the examination of evidence in online lawsuits, and Articles 14–19 stipulate rules regarding evidence in online lawsuits. In particular, Articles 16–19 make special provisions regarding blockchain evidence deposits.

The Rules of Online Litigation of People's Courts came into effect on August 1, 2021. This judicial interpretation defines the scope of validity and determination criteria for blockchain evidence deposits.

4.6.1.2 Provisions related to evidence in the Patent Law

Regarding evidence, the Patent Law primarily covers the following four aspects:

- Article 66 paragraph 1 provides for the burden of proof in new product manufacturing process invention patent infringement cases (see Section 4.3.2.5.4 of this chapter for further detail).
- Article 66 paragraph 2 stipulates that people's courts may ask the patentee or any interested party to furnish a patent right evaluation report made by the patent administration department of the State Council after having conducted a search, analysis and evaluation of relevant utility models or designs. This provision makes it clear that the nature of such patent right evaluation reports is evidence. Patentees, interested parties or alleged infringers may take the initiative to present such a patent right evaluation report.
- Article 71 stipulates that people's courts may order an infringer to provide account books and materials related to patent infringement (see Section 4.4.3.4 of this chapter for further detail).
- Article 73 provides for the pre-litigation preservation of evidence. With respect to evidence preservation applied before the filing of a lawsuit or during a lawsuit, Article 81 of the Civil Procedure Law and Article 98 of the Interpretation of the Civil Procedure Law also provide relevant provisions.

4.6.1.3 The Provisions on Evidence in Civil Procedures Involving Intellectual Property Rights

The Provisions on Evidence in Civil Procedures Involving Intellectual Property Rights, while being an important component of the evidence system for civil lawsuits, has characteristics different from those of the traditional civil evidence system. In February 2018, the General Office of the Communist Party of China's Central Committee and the General Office of the State Council issued the Opinions on Strengthening Reform and Innovation in Intellectual Property Adjudication, specifically raising the reform target of "establishing evidence rules in compliance with characteristics of intellectual property cases." In November 2019, the two offices issued the Opinions on Strengthening the Protection of Intellectual Property Rights, specifically requiring the "strict regulation of evidence standards" and the "formulation of judicial interpretations on rules for evidence in civil lawsuits involving intellectual property."

To strengthen the judicial protection of intellectual property rights and to practically address intellectual property right holders' difficulties in producing evidence and the high costs of safeguarding rights and interests, the Supreme People's Court formulated the Provisions on Evidence in Civil Procedures Involving Intellectual Property Rights, which included 33 articles. This further improved the system of evidence on important issues such as the submission of evidence, obstruction to proof, evidence preservation, judicial appraisal, identification of extraterritorial evidence, the protection of trade secrets during the litigation process and so on. These provisions came into effect on November 18, 2020.

4.6.2 Act preservation

4.6.2.1 Establishment of an act preservation system in intellectual property disputes

Article 61 of the Patent Law, as amended in 2000, stipulated the following:

Where a patentee or an interested party has evidence to prove that another person is infringing or is about to infringe its or his patent right, which, unless being stopped in

time, may cause irreparable damage to his lawful rights and interests, the patentee or interested party may, before filing a lawsuit, apply to the people's court for adopting measures for ordering to prohibit certain acts in accordance with the law.

The Supreme People's Court issued the Provisions on the Pre-litigation Cessation of Patent Infringement in June 2001.¹²⁶ Later, in December 2001, the Supreme People's Court issued the Interpretation of the Pre-litigation Cessation of Trademark Infringement and Preservation of Evidence.¹²⁷ Both judicial interpretations have played an important role in the people's courts' review of applications for the pre-litigation cessation of patent infringement.

Article 66 of the 2008 Patent Law further improved the act preservation system. The Civil Procedure Law, as amended in 2012, added relevant content on act preservation: Articles 100 and 101 provided for act preservation during and before litigation, respectively, thereby establishing an act preservation system for all civil cases, including those involving intellectual property rights. Articles 152–173 of the Interpretation of the Civil Procedure Law made further provisions regarding "preservation."

In December 2018, the Supreme People's Court issued the Provisions on Act Preservation in Intellectual Property Disputes, which included 21 articles covering the subject of applications, the courts of jurisdiction, examination procedures, factors in determining the necessity of preservation, the term of preservation measures, the identification of wrongful applications and the lifting of preservation measures, among other matters.

4.6.2.2 Main contents of the Provisions on Act Preservation in Intellectual Property Disputes

4.6.2.2.1 Jurisdiction

According to Article 3 of the Provisions on Act Preservation in Intellectual Property Disputes,

[a]n application for pre-litigation act preservation shall be filed before the people's court with jurisdiction over intellectual property disputes at the place where the respondent is domiciled or before the people's court with jurisdiction over the case.

Where an arbitration clause has been agreed upon between the parties, then the application shall be filed before the people's court stipulated in the preceding paragraph.

4.6.2.2.2 Identification of "emergencies"

According to Articles 100–101 of the Civil Procedure Law, having an emergency is the prerequisite for applying for pre-litigation act preservation; the application for act preservation during litigation may also involve emergency circumstances; and, for any application for act preservation in an emergency, a people's court must decide the same within 48 hours after receipt of the application. According to Article 6 of the Provisions on Act Preservation in Intellectual Property Disputes, an emergency is a circumstance that "would damage the interests of the applicant if a preservation measure is not implemented immediately." In patent-related civil cases, emergencies primarily include the following circumstances:

- the disputed patent will soon be illegally disposed of;
- the patent of the applicant is being or will soon be infringed during a time-sensitive occasion like a trade fair; and
- other circumstances that require the immediate implementation of act preservation measures.

4.6.2.2.3 Factors to be considered for determining the necessity of act preservation

Article 7 of the Provisions on Act Preservation in Intellectual Property Disputes stipulates the following:

People's courts shall comprehensively consider the following factors in examining an application for act preservation:

¹²⁶ Provisions on the Application of Laws concerning Preliminary Injunction for Patent Infringement (Judicial Interpretation No. 20 [2001], passed by the Sup. People's Ct, June 5, 2001, effective July 1, 2001).

¹²⁷ Interpretation on the Application of Laws concerning Preliminary Injunction for Trademark Infringement and Evidence Preservation (Judicial Interpretation No. 2 [2002], passed by the Sup. People's Ct, Dec. 25, 2002, effective Jan. 22, 2002).

- (1) whether the application has a factual and a legal basis, including whether the validity of the asserted intellectual property right is stable;
- (2) whether the applicant's legitimate rights and interests will be irreparably damaged or make it difficult to enforce the ruling of the case if act preservation measures are not implemented;
- (3) whether the damage caused to the applicant if act preservation measures are not implemented exceeds the damage caused to the respondent by implementing the act preservation measures;
- (4) whether implementing act preservation measures harms the public interest; [and]
- (5) other factors that should be considered.

According to Article 10 of these provisions, "irreparable damage," in patent-related civil cases, primarily includes the following:

- circumstances where the act of the respondent will make it difficult to control the infringement and significantly increase the losses suffered by the applicant; and
- circumstances where the act of infringement by the respondent will result in a significant reduction in the applicant's share in the relevant market.

Patent-related civil cases often involve judgment on whether the validity of a patent right is stable. Article 8 of the provisions stipulates the following:

People's courts shall comprehensively consider the following factors in examining and judging whether the validity of an intellectual property right asserted by the applicant is stable:

- (1) the type or nature of the involved intellectual property right;
- (2) whether the involved intellectual property right has been substantively examined;
- (3) whether the involved intellectual property right is in an invalidation or revocation procedure and has the possibility of being declared invalid or revoked;
- (4) whether there is a dispute over the ownership of the involved intellectual property right; [and]
- (5) other factors that may lead to instability of the validity of the involved intellectual property right.

With respect to applications for act preservation based on utility model patents or design patents, Article 9 of the provisions specifically stipulates the following:

Where an applicant applies for act preservation based on a utility model patent or design patent, the applicant shall submit a search report or an evaluation report issued by the patent administration department under the State Council or a decision maintaining the validity of the patent right made by the patent administration department under the State Council. Where the applicant refuses to submit such documents without justifiable reasons, the people's court shall rule to dismiss the application.

The main consideration here is that utility model patents and design patents are not substantively examined before granting according to the Patent Law and are therefore more likely to be declared invalid. The special requirements for applications for act preservation based on these two types of patent rights prevent the abuse of rights in applying for act preservation.

4.6.2.2.4 Identification of "wrongful application" and applicant's liability for compensation

Article 16 of the Provisions on Act Preservation in Intellectual Property Disputes interprets the phrase "wrongful application" from Article 105 of the Civil Procedure Law to mean:

- (1) where the applicant does not file a lawsuit or applies for arbitration within 30 days after implementing the act preservation measures;
- (2) where the act preservation measures are improper from the beginning because the intellectual property right asserted is declared invalid, or for other reasons;

- (3) where an application for ceasing the infringement of intellectual property right or unfair competition was filed, whereas an effective judgment was made holding that infringement or unfair competition is not constituted; [or]
- (4) other circumstances where the application is wrongfully made.

This provision is provided based on the objective principle of imputation, without considering the subjective fault of the applicant.

According to Article 105 of the Civil Procedure Law, where an application for act preservation is “wrongfully made,” the applicant shall compensate the respondent for losses suffered due to the act preservation. The Provisions on Act Preservation in Intellectual Property Disputes stipulate that, if the applicant does not file a lawsuit after applying for pre-litigation act preservation or if the parties agree to arbitration, then a lawsuit for losses filed by the respondent in accordance with Article 105 of the Civil Procedure Law will come under the jurisdiction of the people’s court that implemented the act preservation measures. However, if the applicant files a lawsuit, then it comes under the jurisdiction of the people’s court that accepts the lawsuit.

In the retrial case of *Anji Xueqiang Bamboo and Wood Products Co. v. Xu Zanyou*,¹²⁸ an infringement dispute, the Supreme People’s Court held that the property preservation ruling did not fall under the “rulings” stipulated in Article 47 paragraph 2 of the Patent Law (at that time, the 2008 Patent Law) and that the decision declaring the involved patent invalid had a retrospective effect on the property preservation ruling. If an alleged patent infringement has not yet been confirmed, and the patentee has failed to fulfill its duty of care when applying for measures like property preservation or act preservation, causing direct losses to the alleged infringer, then the patentee’s application is a “wrongful application” and constitutes a tort.

4.6.2.2.4.1 Application for act preservation and preliminary judgment for cessation of infringement at the same time

In an appeal of a dispute over invention patent infringement, *Valeo Cleaning System Co. v. Xiamen Lukasi Automotive Parts Co.*,¹²⁹ the Supreme People’s Court held that, in a patent infringement litigation procedure, the act preservation that orders the cessation of an alleged act of infringement has an independent value. Where a party applies simultaneously for act preservation and a preliminary judgment to cease the alleged infringement, and the people’s court holds that a preliminary judgment shall be made, then the application for act preservation shall be examined, and a ruling shall be made if the conditions for act preservation are met.

4.6.2.2.5 Reverse act preservation related to e-commerce platforms

In the case of *Yongkang Lianyue Industry and Trade Co. v. Cixi Bosheng Plastic Products Co.*,¹³⁰ a utility model patent infringement dispute, the Supreme People’s Court held that an operator of an e-commerce platform, upon the receipt of a notice from an intellectual property right holder showing preliminary evidence of infringement on their platform, has a statutory obligation to take necessary measures to stop the infringement, such as by deleting, blocking and disconnecting the link, and terminating the transactions and services. If, due to an emergency, the merchant’s legitimate rights and interests will suffer irreparable damage if the link is not restored, the merchant on the platform may apply for act preservation ordering the operator of the e-commerce platform to implement act preservation measures like restoring the link. In such a case, the people’s court shall accept such an application and examine it in accordance with Article 100 of the Civil Procedure Law and related judicial interpretations. When determining whether to implement the act preservation measures based on the application of the alleged infringer, the major factors to be considered include:

- whether the applicant’s request has a factual basis and a legal basis;
- whether the applicant will suffer irreparable damage if the link is not restored;
- whether the damage caused to the patentee by restoring the link exceeds the damage caused to the alleged infringer if the link is not restored;
- whether the public interest will be harmed if the link is restored; and
- other factors.

128 MSZ No. 762 (Sup. People’s Ct, 2008).

129 Sup. People’s Ct Guiding Case No. 115, Dec. 24, 2019.

130 ZMZ No. 993 (Sup. People’s Ct, 2020).

4.6.3 Finding of technical facts

Technical facts are facts involving specialized technical content that need to be found in the trial of civil cases involving intellectual property. As trials of technology-related cases involve the finding of complex technical facts, people's courts have established a diversified technical fact-finding mechanism based on the technical investigation officer system, with technical consultancy, expert assessors, expert assistants and technical appraisals as its important components.

4.6.3.1 Technical investigation officer system

To align with the establishment of the intellectual property courts in Beijing, Shanghai and Guangzhou, the Supreme People's Court issued the Interim Provisions on Technical Investigation Officers on December 31, 2014, formally establishing the technical investigation officer system.¹³¹ On August 8, 2017, the Supreme People's Court issued the Guiding Opinions on the Selection of Technical Investigation Officers to provide for the selection and qualification requirements of technical investigation officers and related procedures.¹³² Article 13 of the guiding opinions stipulates the following: "Other people's court with jurisdiction over technology-related intellectual property cases may select and appoint technical investigation officers with reference to these Guiding Opinions after reporting to the Supreme People's Court for approval."

Article 51 of the Law on the Organization of the People's Courts stipulates the following: "People's courts may set up positions for judicial technical personnel based on the needs of adjudication work, to take charge of relevant issues." Technical investigation officers are not adjudication personnel but are judicial technical personnel among adjudication assistance personnel. The technical investigation officer system has played an active role in increasing the neutrality, objectivity and scientificity of the identification of technical facts and in improving the quality and efficiency of technology-related case adjudication.

The Supreme People's Court also formulated the Provisions on Technical Investigation Officers, which came into effect on May 1, 2019.¹³³ These provisions contain 15 articles regarding technical investigation officers participating in different litigation procedures in the adjudication of intellectual property cases. The provisions relate to the procedure, duties, validity and legal responsibilities of such officers, as well as the types of cases, positioning of identity, appointment and dispatching of personnel, notification and recusal, work duties, the validity of technical investigation opinions, signatures on adjudication documents, and the assumption of responsibilities, among other matters. Article 1 of the provisions stipulates the following: "In the trial of intellectual property cases involving patents, new plant varieties, layout designs of integrated circuits, technical secrets, computer software, and monopoly, which have high professional and technical requirements, the people's courts may appoint technical investigation officers to participate in the litigation activities."

4.6.3.2 Entrusted technical appraisal

Appraisal conclusions form a type of statutory evidence in civil lawsuits. According to Article 76 of the Civil Procedure Law,

[a] party may apply to a people's court for the appraisal of a specialized issue for the verification of a fact. When a party so applies, both parties shall determine qualified appraisers through negotiation; where such negotiation fails, the people's court shall designate appraisers.

Where the parties do not apply for appraisal, but the people's court deems it necessary to examine a specialized issue, it shall appoint qualified appraisers to conduct the appraisal.

Appraisal opinions belong to evidence, as stipulated in Article 63 of the Civil Procedure Law.

¹³¹ Interim Provisions on Several Issues concerning the Participation of Technical Investigation Officer in Litigation Activities in Intellectual Property Courts (promulgated by the Sup. People's Ct, Dec. 31, 2014, effective Dec. 31, 2014).

¹³² Guiding Opinions on the Selection of Technical Investigation Officers for Intellectual Property Courts (for Trial Implementation) (promulgated by the Sup. People's Ct, Aug. 8, 2017, effective Aug. 14, 2017).

¹³³ Several Provisions on the Participation of Technical Investigation Officers in Litigation Activities of Intellectual Property Cases (promulgated by the Sup. People's Ct, March 18, 2019, effective May 1, 2019).

In addition to the Civil Procedure Law, the Interpretation of the Civil Procedure Law and the Provisions on Evidence in Civil Procedures involving Intellectual Property Rights make specific provisions on issues concerning such appraisals.

4.6.3.3 Persons with specialized expertise

According to Article 79 of the Civil Procedure Law, “[a] party may apply to a people’s court to notify person(s) with specialized expertise to appear in court and provide opinions on an appraisers’ opinions or specialized issues.” According to Articles 122–123 of the Interpretation of the Civil Procedure Law,

[a] party may, according to Article 79 of the Civil Procedure Law, file an application prior to the expiry of the time limit for producing evidence, to have one to two persons with specialized expertise to appear in court to cross-examine appraisal opinions on behalf of the party, or to provide opinions on the specialized issues involved in the fact-finding of the case.

The opinions provided in court on specialized issues by persons with specialized expertise shall be deemed as the statements of the concerned parties.

[...]

A people’s court may query the persons with specialized expertise who appear in court. With the permission of the people’s court, a concerned party may query the persons with specialized expertise who appear in court. Persons with specialized expertise who appear in court upon separate applications by different concerned parties may cross-examine each other on relevant issues involved in the case at hand.

Persons with specialized expertise shall not participate in court trial activities not involving specialized issues.

Both the Provisions on Evidence in Civil Procedures and the Provisions on Evidence in Civil Procedures involving Intellectual Property Rights provide for issues concerning persons with specialized expertise.

4.6.4 Relevant issues in patent cases involving foreign elements

For the trial of civil patent cases involving foreign elements, the Law on the Laws Applicable to Foreign-Related Civil Relations¹³⁴ and Part 4 (“Special Provisions on Foreign-Related Civil Procedures”) of the Civil Procedure Law apply. Chapter 22 (“Special Provisions on Foreign-Related Civil Procedures”) of the Interpretation of the Civil Procedure Law further interprets relevant provisions of the Civil Procedure Law.

Article 522 of the Interpretation of the Civil Procedure Law stipulates that a people’s court may determine a case as a foreign-related civil case if:

- (1) one or both concerned parties are foreigners, stateless persons, or foreign enterprises or organizations; or
- (2) the habitual residences of one or both concerned parties are outside the territory of the People’s Republic of China; or
- (3) the subject matter is located outside the territory of the People’s Republic of China; or
- (4) the legal facts resulted in generating, altering, or terminating of civil relations occur outside the territory of the People’s Republic of China; or
- (5) other circumstances based on which the case can be identified as a foreign-related civil case.

Chapter VII (“Intellectual Property Rights”) of the Law on the Laws Applicable to Foreign-Related Civil Relations includes three articles:

Article 48. The ownership and content of intellectual property rights are governed by the law of the place where protection is sought.

¹³⁴ Law on the Laws Applicable to Foreign-Related Civil Relations (promulgated by the Standing Comm. Nat’l People’s Cong., Oct. 28, 2010, effective April 1, 2011).

Article 49. The parties may by agreement choose the law applicable to the transfer and license of intellectual property rights. In the absence of any choice by the parties, the relevant provisions of this law on contracts shall apply.

Article 50. Liability for infringement of intellectual property rights is governed by the law of the place where protection is sought. The parties may also by agreement choose to apply the law of the place where the court is located after the infringement occurs.

On December 10, 2012, the Supreme People's Court issued the Interpretation of the Law on the Laws Applicable to Foreign-Related Civil Relations, which came into effect on January 7, 2013, and was later amended on December 29, 2020.¹³⁵

Articles 8–10 of the Provisions on Evidence in Civil Procedures involving Intellectual Property Rights provide for the exemption and streamlining of notarization and authentication procedures for extraterritorial evidence in civil cases involving intellectual property. In particular, Article 8 lists circumstances under which the notarization and authentication of extraterritorial evidence can be exempted, including, *inter alia*, where there is other evidence to prove the authenticity of the extraterritorial evidence. Where the conditions stipulated in Article 8 are not met, but the circumstances stipulated in Article 9 are met, then the authentication of relevant extraterritorial evidence can be exempted.

To facilitate the parties and improve litigation efficiency, Article 10 of the Provisions on Evidence in Civil Procedures involving Intellectual Property Rights also specifically stipulates the following:

Where the formalities for the notarization or authentication of a power of attorney or other certification formalities have been undergone in accordance with the provisions of Articles 59 and 264 of the Civil Procedure Law under the procedure at first instance, a people's court may no longer require the relevant party to undergo the aforesaid formalities concerning the power of attorney in subsequent civil procedures.

With respect to foreign-related patent administrative cases, relevant provisions in Chapter IX ("Foreign-Related Administrative Procedure") of the Administrative Procedure Law apply.

4.7 Administrative cases involving invention and utility model patent grant and confirmation

4.7.1 Administrative cases

Article 1 of the Provisions on Patent Grant and Confirmation defines administrative cases involving patent grant and confirmation as:

For the purposes of these Provisions, "administrative case involving the grant of a patent" means a case in which a patent applicant files a lawsuit with the people's court against a decision on a patent reexamination request made by the patent administrative department of the State Council.

For the purposes of these Provisions, "an administrative case involving the confirmation of a patent" means a case in which a patentee or a person requesting the declaration of invalidation of a patent, files a lawsuit with the people's court against a decision on the examination of a request for declaring the invalidation of a patent made by the patent administrative department of the State Council.

For the purposes of these Provisions, "the accused decision" means a decision made by the patent administrative department of the State Council with respect to a request for declaring the invalidation of a patent or a request for reexamination.

Article 44 paragraph 1, Article 53, and Article 65 paragraph 2 of the Rules for the Implementation of the Patent Law specify that the relevant provisions based on which a patent application is rejected or a patent declared invalid are those of the substantive laws involved in the administrative cases involving patent grant and confirmation.

¹³⁵ Interpretations on Several Issues concerning the Application of the Law on the Laws Applicable to Foreign-Related Civil Relations (I) (promulgated by the Sup. People's Ct, Dec. 28, 2012, rev'd Dec. 29, 2020, effective Jan. 1, 2021).

The people's courts hear cases involving patent grant and confirmation in accordance with the Patent Law, the Rules for the Implementation of the Patent Law, and the Provisions on Patent Grant and Confirmation. The Guidelines for Patent Examination are administrative regulations and may be referred to when people's courts hear administrative cases involving patent grant and confirmation according to Article 63 paragraph 3 of the Administrative Procedure Law. When people's courts hear administrative cases involving patent grant and confirmation, the procedural issues refer to the provisions of the Administrative Procedure Law and relevant judicial interpretations.

4.7.2 Examination of a patent's subject matter

4.7.2.1 The subject matter of invention and utility model patents

Article 2 paragraphs 2 and 3 of the Patent Law define inventions and utility models, respectively: "Invention" means any new technical solution proposed for a product, a process, or the improvement thereof. "Utility model" means any new technical solution proposed for the shape, the structure, or their combination, of a product, which is fit for practical use."

4.7.2.2 Circumstances where no patent shall be granted

4.7.2.2.1 Violation of the law or of social morality, or detrimental to public interests

Article 5 paragraph 1 of the Patent Law stipulates the following: "No patent shall be granted for invention-creation that violates laws or social morality or is detrimental to the public interests." In this paragraph, "violates laws" means that the purpose of the invention is against the law. Where the purpose of the invention does not violate the law, but its abuse may be contrary to the law, the invention will not be excluded from patent protection.

4.7.2.2.2 Violation of regulations related to genetic resources

Article 5 paragraph 2 of the Patent Law specifies the following: "No patent right shall be granted for invention-creation where the acquisition or utilization of the genetic resources, on which the development of the invention-creation relies, violates the provisions of laws and administrative regulations." This provision was added in the 2008 Patent Law.

4.7.2.2.3 Circumstances stipulated in Article 25 of the Patent Law

According to Article 25 of the Patent Law,

[N]o patent right shall be granted [for]:

- (1) scientific discoveries;
- (2) rules and methods for intellectual activities;
- (3) methods for the diagnosis or treatment of diseases;
- (4) animal and plant varieties species; [and]
- (5) nuclear transformation methods and substances obtained by means of nuclear transformation.

Regarding the invention of the medical use of chemical substances, in a retrial of an administrative dispute over the invalidation of an invention patent right, *Cubist Pharmaceuticals v. Patent Reexamination Board*,¹³⁶ the Supreme People's Court held that an application related to the medical use of a substance shall not be granted if its claims are drafted using the wording "for the treatment of diseases," "for diagnosis of diseases" or "use of substance X as a medicament" because such claims are ones for "method for the diagnosis or treatment of disease" as referred to in the Patent Law. However, since a medicament and its method of manufacture are patentable, an application related to the medical use of a substance adopting a pharmaceutical or use claim in the form of "use of a substance for the manufacturing of a medicament" or "use of a substance for the manufacturing of a medicament for the treatment of a disease" is not excluded by the Patent Law.

4.7.3 Interpretation of claims

Article 64 paragraph 1 of the Patent Law provides the following: "For the patent right of an invention or a utility model, the scope of protection shall be confined to the content of the claims.

¹³⁶ ZXZ No. 75 (Sup. People's Ct, 2012).

The description and the drawings attached may be used to interpret the content of the claims.” In cases involving patent grant and confirmation, it is necessary to interpret the claims to determine the meaning of the disputed content in the claims and, therefore, whether the claims meet the relevant provisions of the Patent Law and the Rules for the Implementation of the Patent Law.

4.7.3.1 Relevant provisions in the Provisions on Patent Grant and Confirmation

Article 2 of the Provisions on Patent Grant and Confirmation stipulates the following:

The people’s court shall interpret the terms used in the claims based on the ordinary meaning understood by a person skilled in the relevant field of technology after reading the claims, specifications and drawings attached. If the terms used in the claims are clearly defined or explained in the specification and drawings attached, such definitions shall be adopted.

The terms that cannot be defined according to the provisions of the preceding paragraph may be defined based on the technical dictionaries, technical manuals, reference books, textbooks, and national or industry technical standards, inter alia, generally used by a person skilled in the relevant field of technology.

According to these provisions, for administrative cases involving patent grant and confirmation, the people’s court should also follow the principle of “intrinsic evidence first” when defining the terms of the claims. This provision is consistent with those of Articles 2–3 of the Interpretation of Patent Infringement Dispute Cases.

Article 3 of the Provisions on Patent Grant and Confirmation clearly indicates that the people’s courts may, when interpreting terms in the claims, “refer to relevant statements of the patentee that have been adopted by an effective judgment of a civil case involving patent infringement.” The purpose of this provision is to guide and motivate patentees to make cautious and honest statements during patent confirmation procedures and infringement proceedings and to interpret the terms of the claims. This is so as to prevent them from making different statements and thus gain benefits in different proceedings.

Article 4 stipulates that, where there is any manifest error or ambiguity in the claims, descriptions or drawings attached, the people’s court shall “correct” that error based on the sole understanding gained by a person skilled in the relevant field of technology after reading the claims, descriptions and drawings attached. This provision is consistent with Article 4 of the Interpretation (II) of Patent Infringement Dispute Cases.

Regarding technical features defined by functions or effects, Article 9 paragraph 1 of the Provisions on Patent Grant and Confirmation is consistent with Article 8 paragraph 1 of the Interpretation (II) of Patent Infringement Dispute Cases (see Section 4.3.1.4 of this chapter for further detail). Article 9 paragraph 2 of the Provisions on Patent Grant and Confirmation further provides that, if the description and drawings attached disclose no embodiments corresponding to the functional features, the people’s court can determine that it fails to fulfill the requirements of Article 26 paragraph 3 of the Patent Law. Therefore, a patentee must disclose at least one embodiment corresponding to the functional feature in the description to comply with the provision that the invention be sufficiently disclosed in the description.

4.7.3.2 Related typical cases

In a retrial of an administrative dispute over the invalidation of an invention patent, *Seiko Epson Corp. v. Patent Reexamination Board*,¹³⁷ the Supreme People’s Court held as follows: when comparing patent grant and confirmation procedures and civil proceedings for patent infringement, the interpretations of the content of claims are highly consistent yet different to a certain extent. Consistency is reflected in at least two aspects. First, claim interpretation is a kind of text interpretation and should follow the general rules of text interpretation both in patent grant and confirmation procedures and in civil proceedings for patent infringement. Second, the same general rules of claim interpretation should be followed both in patent grant and confirmation procedures and in civil proceedings for patent infringement. However, due to the different purposes of claim interpretation in patent grant and confirmation procedures and in civil proceedings for patent infringement, there are certain differences between them in specific

137 ZXZ No. 53–1 (Sup. People’s Ct, 2010).

circumstances. One difference is in the role of the observations submitted by parties: in patent grant and confirmation procedures, the applicant's observations, as recorded in the examination files, are generally used as a reference for facilitating the understanding of claims and descriptions rather than as conclusive evidence.

4.7.4 Avoidance of double patenting

Article 9 of the Patent Law stipulates the following:

For any identical invention-creation, only one patent shall be granted. However, where the same applicant files applications for both a utility model patent and an invention patent with regard to the identical invention-creation on the same day, if the utility model patent granted earlier has not been terminated and the applicant declares to abandon the utility model patent, the invention patent may be granted.

If two or more applicants file patent applications for the identical invention-creation, the patent right shall be granted to the applicant whose application was filed first.

The main consideration of this provision is that, to avoid conflicts between patent rights, no more than one patent right can be granted for identical invention-creations. The provision that "the patent right shall be granted to the applicant whose application was filed first" reflects the first-to-file principle.

In a retrial of an administrative dispute over the invalidation of an invention patent, *Jining Pressureless Boiler Factory v. Patent Reexamination Board*,¹³⁸ the Supreme People's Court held that the "identical invention-creation" referred to in the Patent Law means patent applications or patents with the same protection scope. For such applications or patents, a judgment can be made by simply comparing the content of the claims. It was also held that, for the purpose of the Patent Law, the principle of avoidance of double patenting means that two or more valid patents for identical invention-creations cannot co-exist, not that the patent can be granted for the identical invention-creations only once.

4.7.5 Novelty

Article 22 paragraph 2 of the Patent Law stipulates the following:

Novelty means that, the invention or utility model does not form part of the prior art; no entity or individual has filed a patent application for the identical invention or utility model with the patent administration department under the State Council before the filing date and the content of the application is disclosed in patent application documents published or patent documents announced after the filing date.

Determining novelty involves two aspects: first, that the invention or utility model does not "form part of the prior art" and, second, that there is no "conflicting application" – that is, no patent application has been filed for an identical invention or utility model with the patent administration department before the filing date and subsequently recorded in the patent application documents or patent documentations that are published or announced after the filing date. The expression "no entity or individual" in Article 22 paragraph 2 of the Patent Law means that conflicting applications also include prior (i.e., filed before the filing date) patent applications filed by the patent applicant.

4.7.5.1 Prior art

Prior art is a fundamental concept in Patent Law. Its assessment has an important impact on the trial of cases involving patent grant and confirmation. When the Patent Law was amended for the third time in 2008, the concept of "prior art" was added to Article 22 paragraph 5: "Prior art means any technology known to the public domestically and/or abroad before the filing date of patent application." To improve the quality of patents, the criterion determining prior art was changed to "absolute novelty" – that is, "prior art" referred to technologies known to the public domestically or abroad before the filing date, irrespective of how it was disclosed.

138 XTZ No. 4 (Sup. People's Ct, 2007).

The technical content disclosed in prior art and in conflicting applications includes both the technical content clearly recorded therein and the technical content that can be directly and undoubtedly determined by a person skilled in the relevant field of technology.

Regarding whether the materials filed and recorded as an enterprise's standards constitute prior art under the Patent Law, in a retrial of an administrative dispute over the invalidation of a utility model patent, *Textile Machinery Co. v. Patent Reexamination Board*,¹³⁹ the Supreme People's Court held that the filing and recording of such materials do not mean that the specific content of the standards has been publicized or made freely accessible and available to the public; therefore, such materials do not constitute prior art under the Patent Law.

In an appeal of an administrative dispute over the invalidation of a design patent, *Liu Xiaosheng v. Chaozhou Chaoan Xiangxingfa Electronic Technology Co.*,¹⁴⁰ the Supreme People's Court held that, when determining whether information in cyberspace that requires authorization to access (such as found in Qzone and WeChat Moments) constitutes prior design or prior art, a people's court should make a comprehensive analysis on the main purpose of the cyberspace, the upload time, accessibility of the information and so on and make the judgment based on whether the information was publicly available before the filing date of the patent. If a cyberspace requiring access authorization is primarily for commercial use, then it may be presumed that that cyberspace is accessible to the public unless there is evidence to the contrary.

Regarding the determination of prior art, in an appeal of an administrative dispute over the invalidation of an invention patent, *Beijing Baidu Netcom Science and Technology Co. v. China National Intellectual Property Administration*,¹⁴¹ the Supreme People's Court held that "known to the public" means that the public could know the prior art if they want to, rather than that the public actually knows. It also held that, where a party claims prior art by virtue of a physical object, they must clarify the claimed prior technical solution and the corresponding relationship between the object and the solution and produce sufficient evidence to prove or fully explain how the public can intuitively obtain the technical solution from the physical object.

4.7.5.2 Criteria for examining novelty

When determining whether an invention or utility model patent forms part of the prior art or whether there is any conflicting application, the people's courts consider whether the patented technical solution is substantially the same as any technical solution disclosed in the prior art or in a potentially conflicting application and whether it could be used in the same technical field, solve the same technical problem or have the same expected effect.

The assessment of novelty adopts the principle of separate comparison – that is, separately comparing each of the claims with the relevant technical content disclosed in each item of the prior art or conflicting application rather than comparing a combination of the contents disclosed in multiple items of the prior art or conflicting application or a combination of several technical solutions disclosed in one reference document.

In an appeal of an administrative dispute over the invalidation of an invention patent, *Tong Kening v. Zhejiang Shuangyu Industrial Co.*,¹⁴² the Supreme People's Court held that, when determining the novelty of an invention patent, the people's court should adhere to the principle of separate comparison and compare each of the claims with each prior art separately, rather than with the combination of two or more technical solutions disclosed in one or more reference documents.

In an appeal of an administrative dispute over the reexamination of the rejection of an invention patent application, *Albemarle Corp. v. China National Intellectual Property Administration*,¹⁴³ the Supreme People's Court held that, if the prior art has disclosed the compound for which the patent application or the patent seeks protection, then it can be presumed that the application or patent does not have novelty unless the applicant or patentee can provide evidence proving that the compound could not be manufactured before the filing date.

139 XTZ No.3 (Sup. People's Ct, 2007).

140 ZXZ No. 422 (Sup. People's Ct, 2020).

141 ZXZ No. 1 (Sup. People's Ct, 2019).

142 ZXZ No. 53 (Sup. People's Ct, 2019).

143 ZXZ No. 97 (Sup. People's Ct, 2020).

4.7.5.3 Grace period concerning novelty

With respect to the “grace period” concerning novelty, Article 24 of the Patent Law provides the following:

Within six months before the filing date, an invention-creation for which a patent application is filed does not lose its novelty under any of the following circumstances:

- (1) where it was made public for the first time for the public interests when a state of emergency or an extraordinary situation occurred in the country;
- (2) where it was exhibited for the first time at an international exhibition sponsored or recognized by the Chinese Government;
- (3) where it was published for the first time at a prescribed academic or technological conference; [or]
- (4) where its contents are divulged by another person without the consent of the applicant.

In an appeal of an administrative dispute over the invalidation of a design patent, *Beijing Qihoo Technology Co. v. China National Intellectual Property Administration*,¹⁴⁴ the Supreme People’s Court held that, if another person, within six months before the filing date, violates the expressed or implied obligation of confidentiality under social values or business practices, and the patentee or patent applicant claims that the novelty of the invention-creation should not be taken away because of such a violation, then such a claim should be supported by the people’s court.

4.7.6 Inventiveness

Article 22 paragraph 3 of the Patent Law provides the following: “Inventiveness means that, as compared with the prior art, the invention has prominent substantive features and represents an obvious progress, and that the utility model has substantive features and represents a progress.” For the examination of inventiveness, the Guidelines for Patent Examination have detailed provisions, including those on “prominent substantive features” and “obvious progress.”

That an invention has “prominent substantive features” means that the invention is distinctly and substantially different from the prior art; the “three-step approach” is usually followed in examining this. That an invention “represents obvious progress” means that the invention can produce advantageous technical effects as compared with the prior art.

When evaluating whether or not an invention possesses inventiveness, not only is the technical solution itself considered, but also the technical field to which the invention pertains, the technical problem solved and the technical effects produced by the invention. The invention should be considered as a whole. In assessing inventiveness, it is permissible to combine together different technical solutions disclosed in one or more prior arts to assess the claimed invention. This differs from the principle of “separate comparison” in the assessment of novelty.

4.7.6.1 Assessment of prominent substantive features

To determine whether an invention has prominent substantive features is to determine whether, to a person skilled in the relevant field of technology, the claimed invention is nonobvious as compared with the prior art. If the claimed invention is obvious as compared with the prior art, then it does not have prominent substantive features; if it is nonobvious, then it has prominent substantive features.

Usually, three steps are followed in determining whether a claimed invention is obvious as compared with the prior art. The first step is determining the closest prior art. The closest prior art refers to a technical solution in the prior art that is the most closely related to the claimed invention. This becomes the basis for determining whether or not the claimed invention has prominent substantive features. It should be noted that, when determining the closest prior art, prior art in the same or similar technical fields is considered first. The second step is determining the distinguishing features of the invention and the technical problem actually solved by the invention. The third and final step is determining whether or not the claimed invention is obvious to a person skilled in the relevant field of technology.

144 ZXZ No. 588 (Sup. People’s Ct, 2019).

4.7.6.1.1 Determination of distinguishing technical features

In an appeal of an administrative dispute over the invalidation of an invention patent, *Oerlikon Textile GmbH v. Zhejiang Yuejian Intelligent Equipment Co.*,¹⁴⁵ the Supreme People's Court held that the inventive concept of an invention is considered when determining the technical differences between the invention and the closest prior art. If the inventive concept of the invention is the combination of corresponding technical elements, and the prior art has neither explicitly nor implicitly disclosed the teachings of such a combination nor disclosed the technical effects that can be produced by such a combination, then such a combination of technical elements claimed by the invention should be treated as a whole in determining the distinguishing technical features. It is inappropriate to determine the distinguishing technical features based on a single technical element.

4.7.6.1.2 The technical problem actually solved

To determine the "technical problem actually solved" – as mentioned in the second step of the three-step approach – the distinguishing technical features of the claimed invention, when compared with the closest prior art, are first analyzed. The technical problem actually solved by the invention is then determined based on the technical effects that the distinguishing technical features achieve in the claimed invention.

Article 13 of the Provisions on Patent Grant and Confirmation stipulates the following:

Where the technical effects that the distinguishing features achieve in the technical solution defined in the claims are not specified in the description and the drawings attached, the people's court may determine the technical problem actually solved that can be identified by a person skilled in the relevant field of technology based on the general common knowledge in the art, the relationship between the distinguishing technical features and other technical features in the claims, and the role of distinguishing technical features in the technical solution defined in the claims.

If the determination made by the accused decision fails to identify or incorrectly identifies the technical problem actually solved by the claims, the people's court's assessment of the inventiveness of the claims in accordance with the law shall not be affected.

In a retrial of an administrative dispute over the invalidation of an invention patent, *Edan v. Patent Reexamination Board*,¹⁴⁶ the Supreme People's Court held that "the technical problem actually solved by the invention" refers to the technical task that improves the closest prior art to achieve better technical effects. The technical problem is identified by comparing the invention with the closest prior art rather than on the basis of the background art described in the description.

In a retrial of an administrative dispute over the reexamination of the rejection of an invention patent application, *Strix Ltd v. Patent Reexamination Board*,¹⁴⁷ the Supreme People's Court held that the functions and technical effects of distinguishing technical features are the fundamental basis for identifying the technical problem actually solved by the claims. When identifying the functions and technical effects, the people's court shall pay attention to whether the technical solution defined in the claims corresponds to the technical solution with specific functions and technical effects described in the description. If there is a substantial difference between them, the functions and technical effects that can be achieved by the distinguishing technical features shall then be determined according to the specific circumstances of the technical solution defined in the claims.

In an appeal of an administrative dispute over the invalidation of a utility model patent, *China National Intellectual Property Administration v. Shandong Haowo Electric Co.*,¹⁴⁸ the Supreme People's Court held that, when determining the technical problem actually solved by the invention, the people's court shall neither underestimate the inventiveness of the patent by demanding generalization nor overestimate the inventiveness by simply regarding the roles, functions or technical effects of the distinguishing technical features in the patented technical solution as the technical problem actually solved by the invention.

¹⁴⁵ ZXZ No. 279 (Sup. People's Ct, 2020).

¹⁴⁶ ZXZ No. 6 (Sup. People's Ct, 2014).

¹⁴⁷ XZ No. 131 (Sup. People's Ct, 2018).

¹⁴⁸ ZMZ No. 32 (Sup. People's Ct, 2019).

4.7.6.1.3 Technical motivation

Technical motivation should be determined in light of the prior art as a whole – that is, whether there is the technical motivation of applying the distinguishing technical features to the closest prior art to solve the existing technical problem (i.e., the technical problem actually solved by the invention). The technical motivation prompts a person skilled in the relevant field of technology to improve the closest prior art and reach the claimed invention when confronted with a technical problem. Under the following circumstances, it is usually held there exists such a technical motivation in the prior art:

- The distinguishing technical features are common knowledge (e.g., customary means in the art, or technical means disclosed in textbooks or reference books, to solve the redetermined technical problem).
- The distinguishing technical features are technical means related to the closest prior art (e.g., technical means disclosed in other parts of the same reference document, and such means are the same as the function of the distinguishing features in the claimed invention in solving the redetermined technical problem).
- The distinguishing technical features are relevant technical means disclosed in another reference document, and such means are the same as the function of the distinguishing technical features in the claimed invention in solving the redetermined technical problem.

In a retrial of an administrative dispute over the invalidation of an invention patent, *Ningbo Zhantong Telecom Equipment Co. v. Patent Reexamination Board*,¹⁴⁹ the Supreme People's Court held that the technical solution of the patent in this case was a whole and that the technical features contained in it were not isolated. Therefore, the technical features could not be separated, and their function in the entire technical solution could not be ignored. When determining whether a certain technical feature in the prior art is the same as or equivalent to an essential technical feature of the patent, the people's court shall consider whether it plays the same role in the respective technical solutions.

In an appeal of an administrative dispute over the reexamination of the rejection of an invention patent application, *China National Intellectual Property Administration v. Erasmus University Medical Center*,¹⁵⁰ the Supreme People's Court held that, when confronted with the technical problem to be solved, the technical motivation that a person skilled in the relevant field of technology can learn from the prior art must, in principle, be specific and definite technical means rather than abstract ideas or general research directions. Determining the technical motivation of the prior art based only on the consistency of a research direction or abstract and general demands in the technical field may result in the mistake of *ex post facto* analysis, and the inventiveness of the invention may be underestimated.

In an appeal of an administrative dispute over the invalidation of a utility model patent, *Shenzhen DJ Lingmou Technology Co. v. China National Intellectual Property Administration*,¹⁵¹ the Supreme People's Court held as follows: whether the raising of a new technical problem or the discovery of a technical defect in the prior art is considered in the assessment of inventiveness depends on the specific circumstances of the case. In certain circumstances, "raising a new technical problem" and "discovering a technical defect" may be more important than "solving a technical problem." In the assessment of inventiveness, a lack of consideration as to whether the problem raised is obvious to a person skilled in the relevant field of technology may lead to the mistake of *ex post facto* analysis.

4.7.6.2 Assessment of obvious progress

When evaluating whether or not an invention represents obvious progress, the main consideration should be whether or not the invention produces advantageous technical effects. Usually, an invention is regarded as producing advantageous technical effects and representing obvious progress when:

- the invention produces better technical effects compared with the prior art;
- the invention provides a technical solution with a different technical concept that can produce technical effects that are substantially the same level as those of the prior art;

¹⁴⁹ ZXZ No. 43 (Sup. People's Ct, 2014).

¹⁵⁰ ZXZ No. 127 (Sup. People's Ct, 2019).

¹⁵¹ ZXZ No. 183 (Sup. People's Ct, 2020).

- the invention represents a new trend of technical development; or
- despite negative effects in some aspects, the invention produces outstanding positive technical effects in other aspects.

4.7.6.2.1 Other factors to be considered in the assessment of inventiveness

4.7.6.2.2 Producing unexpected technical effects

The technical effect of an invention is an important factor in the assessment of inventiveness. If, compared with the prior art, the technical effects produced by the invention obviously represent a qualitative change, or a quantitative change that cannot be reasonably expected by a person skilled in the relevant field of technology, then unexpected technical effects are produced. When determining whether there are unexpected technical effects, it is necessary to comprehensively consider the characteristics of the technical field to which the invention pertains, especially the predictability of the technical effects and the technical motivation in the prior art.

In a retrial of an administrative dispute over the invalidation of an invention patent, *Boehringer Ingelheim GmbH v. Patent Reexamination Board*,¹⁵² the Supreme People's Court assessed the inventiveness of a novel crystalline compound and held that, although crystalline compounds may differ in physical and chemical parameters due to differing molecular arrangements, they are still compounds. Thus, the provisions related to the inventiveness of chemical inventions in the Guidelines for Patent Examination are applicable to the assessment of their inventiveness. For the assessment of the inventiveness of crystals, the microscopic crystal structure is to be considered in conjunction with whether or not it brings unexpected technical effects.

4.7.6.2.3 Achieving commercial success

When it is difficult to assess the inventiveness of a technical solution with the three-step approach, or it is preliminarily concluded that a technical solution lacks inventiveness, from the perspective of the motivational effect on society and the economy, commercial success can be considered. If the technical solution's commercial success is attributed to other reasons, such as an advance in selling skills or advertising, it is not used as a basis for assessing inventiveness.

In a retrial of an administrative dispute over the invalidity of a utility model patent, *Patent Reexamination Board v. Hu Ying*,¹⁵³ the Supreme People's Court held that commercial success is a secondary consideration in the assessment of inventiveness. What is to be assessed is whether the invention or utility model has truly achieved commercial success and whether the commercial success is directly brought about by the technical features of the technical solution of the invention or utility model (which are improved compared with the prior art), rather than by other factors. The immediate cause for the commercial success of an invention or utility model shall be emphasized in assessing inventiveness. Therefore, in such cases, it is necessary to conduct a detailed analysis of the causes of commercial success to exclude the influence of factors other than the technical features on that success.

4.7.6.2.4 Determination of opposite teachings

In a retrial of an administrative dispute over the invalidation of an invention patent, *Chongqing Lifan Automobile Sales Co. v. China National Intellectual Property Administration*,¹⁵⁴ the Supreme People's Court held that an "opposite teaching" determined in the accused's decision is usually relative to technical motivations. When considering whether or not there is an opposite teaching in the prior art, the people's court shall make the analysis and determination based on the knowledge and cognitive abilities of a person skilled in the relevant field of technology and take the prior art as a whole. For a patent document constituting a prior art, the technical defect recorded in the background art is considered the subjective perception of the patent applicant rather than the objective knowledge of a person skilled in the relevant field of technology. A person skilled in the relevant field of technology shall not necessarily be limited by the content related to the technical defect and therefore be unable to find corresponding technical motivation from the prior art. Moreover, even if a technical defect is indicated, it is still necessary to consider whether the technical defect is related to the technical problem actually solved by the distinguishing technical features and to the determination of the technical motivation.

152 ZXZ No. 86 (Sup. People's Ct, 2011).

153 XTZ No. 8 (Sup. People's Ct, 2012).

154 XZ No. 268 (Sup. People's Ct, 2019).

4.7.7 Practical use

Article 22 paragraph 4 of the Patent Law stipulates the following: “Practical use means that the invention or utility model can be manufactured or used and can produce positive effects.” In a retrial of an administrative dispute over the reexamination of the rejection of an invention patent application, *Gu Qingliang v. Patent Reexamination Board*,¹⁵⁵ the Supreme People’s Court held that “can be manufactured or used” means that the technical solution of the invention or utility model can be made or used in an industry. The practical use of an invention patent application means that the technical solution itself conforms with the laws of nature, can be applied in practice and can be reproduced industrially. In this case, the application in dispute violated the law of conservation of energy and thus could not be manufactured or used in industry.

4.7.8 Claims shall be clearly defined

Article 26 paragraph 4 of the Patent Law provides the following: “The claims shall be based on the description, and clearly and concisely define the scope of protection conferred by the patent.”

Article 7 of the Provisions on Patent Grant and Confirmation stipulates the following:

Where, based on the description and drawings attached, a person skilled in the relevant field of technology is of the opinion that the claims fall under any of the following circumstances, the people’s court shall determine that the claims fail to comply with the provisions of paragraph 4, Article 26 of the Patent Law on clearly defining the scope of patent protection:

- (1) The type of subject matter of the invention is not specified;
- (2) The meaning of technical features in the claims cannot be reasonably determined;
and
- (3) There are evident contradictions between technical features, and such contradictions cannot be reasonably explained.

That the claims should be clear means, first, that each claim should be clear and, second, that all the claims should be clear as a whole.

4.7.9 Sufficient disclosure of the description

Article 26 paragraph 3 of the Patent Law stipulates the following: “The description shall contain a clear and comprehensive description of the invention or utility model so that a person skilled in the relevant field can carry it out.” In judicial practice, this requirement for the description is generally referred to as “sufficient disclosure.”

4.7.9.1 Relevant provisions in the Provisions on Patent Grant and Confirmation

Article 6 paragraph 1 of the Provisions on Patent Grant and Confirmation stipulates the following:

Where the failure to sufficiently disclose specific technical content in the description results in any of the following circumstances on the filing date, the people’s court shall determine that the description and claims relating to the specific technical content fail to comply with paragraph 3, Article 26 of the Patent Law:

- (1) The technical solution specified in the claims cannot be implemented;
- (2) The technical problem of the invention or utility model can’t be solved by implementing the technical solution defined in the claims; and
- (3) To determine whether the technical solution defined in a claim can solve the technical problem of the invention or utility model, excessive work is indispensable.

Where specific technical content is not sufficiently disclosed in the description, the people’s court will determine that the specific claims related to the specific technical content violate the provisions of Article 26 paragraph 3 of the Patent Law rather than generally determining that the entire patent or all claims do not comply with those provisions.

¹⁵⁵ XS No. 789 (Sup. People’s Ct, 2016).

Regarding supplementary experimental data, Article 10 of the Provisions on Patent Grant and Confirmation stipulates the following: "Where a pharmaceutical product patent applicant submits supplementary experimental data after the filing date to prove that the patent application is in conformity with paragraph 3, Article 22 and paragraph 3, Article 26 of the Patent Law, among other provisions, the people's court shall examine the data."

4.7.9.2 Relevant typical cases

Regarding the relationship between the inventiveness and the sufficient disclosure of the description, in an appeal of an administrative dispute over the reexamination of the rejection of an invention patent, *China National Intellectual Property Administration v. Erasmus University Medical Center*,¹⁵⁶ the Supreme People's Court held that the two have different functions in patent law and follow different logics. In principle, what should be examined under the legal requirements of sufficient disclosure should not be taken into consideration in the assessment of inventiveness.

With regard to the sufficient disclosure of the description of a compound product invention, in a retrial of an administrative dispute over the invalidation of an invention patent, *Patent Reexamination Board v. Warner-Lambert Co.*,¹⁵⁷ the Supreme People's Court held the following:

- To comply with the provisions of Article 26 paragraph 3 of the Patent Law, all three requirements – that the specified technical solution can be implemented, that the technical problems can be solved and that the expected results can be produced – must be met at the same time. The people's court shall first determine whether a person skilled in the relevant field of technology can implement the technical solution according to the content disclosed in the description. It will then determine whether the technical problem can be solved and whether the desired technical effects are produced. It is pointless to confirm, before determining whether the technical solution can actually be implemented, whether the technical solution can solve the corresponding technical problems and achieve the technical effects in comparison with the prior art.
- The identification, manufacture and use of the chemical product shall be recorded in the description of the chemical product invention.

If the invention is a compound, the description must state the chemical structure of the compound and the chemical and physical performance parameters related to the technical problem to be solved by the invention so that a person skilled in the relevant field of technology can clearly identify the chemical product based on that description.

Regarding the determination of sufficient disclosure regarding a product invention in the field of chemistry, in a retrial of an administrative dispute over the reexamination of the rejection of an invention patent application, *Mitsubishi Tanabe Pharma Corp. v. Patent Reexamination Board*,¹⁵⁸ the Supreme People's Court held that the requirements for the disclosure of the uses and effects of such inventions are determined by the characteristics of inventions in that field. In most cases, it is difficult to predict, without experimental evidence, whether a chemical invention can be implemented and what uses or effects it has. Therefore, where a person skilled in the relevant field of technology would not be able to predict, based on the prior art, whether a novel compound has the uses or effects described in the description, the patent description must specify the qualitative or quantitative experimental data showing that the compound can achieve the stated uses or the expected effects.

4.7.10 Claims shall be supported by the description

Article 26 paragraph 4 of the Patent Law stipulates the following: "The claims shall be based on the description, and clearly and concisely define the scope of protection conferred by the patent."

4.7.10.1 Relevant provisions in the Provisions on Patent Grant and Confirmation

Regarding the stipulation in the Patent Law that claims be supported by the description, Article 8 of the Provisions on Patent Grant and Confirmation further stipulates the following:

¹⁵⁶ ZXZ No. 127 (Sup. People's Ct, 2019).

¹⁵⁷ XTZ No. 8 (Sup. People's Ct, 2014).

¹⁵⁸ ZXZ No. 352 (Sup. People's Ct, 2015).

If after reading the description and drawings attached, a person skilled in the relevant field of technology can not directly reach or reasonably generalize the technical solution as defined in a claim on the filing date, the people's court shall determine that the claim fails to comply with the provisions of paragraph 4, Article 26 of the Patent Law that "the claims shall be based on the description."

The main consideration of this provision is that patentees and patent applicants may reasonably generalize a claim on the basis of the technical content disclosed in the description and attached drawings rather than being limited to the embodiments. Accordingly, the protection scope of a patent is adaptive to the technical contribution, the degree of innovation and the technical content disclosed in the description.

As provided in Article 6 paragraph 2 of the Provisions on Patent Grant and Confirmation, where a concerned party's argument that a claim complies with the provision of Article 26 paragraph 4 of the Patent Law is based only on specific technical content that is insufficiently disclosed in the description, the people's court shall reject such an argument.

4.7.10.2 Relevant typical cases

In a retrial of an administrative dispute over the invalidation of an invention patent, *Sensing Electronics Co. v. Patent Reexamination Board*,¹⁵⁹ the Supreme People's Court held that "[b]ased on the description" in Article 26 paragraph 4 of the Patent Law primarily involves the relationship between the claims and the description. Accordingly, relevant content in the description shall be used as the basis for determining the technical problem solved and the technical effect achieved by the patent. Even if the claims have inventiveness, it is still necessary to determine whether the technical features recited in the claims (including the distinguishing technical features) and the technical solutions defined by the claims as a whole are appropriately generalized in accordance with Article 26 paragraph 4 of the Patent Law.

In an appeal of an administrative dispute over the invalidation of an invention patent, *Ren Xiaoping v. Apple Electronic Products Commerce (Beijing) Co.*,¹⁶⁰ the Supreme People's Court held that a claim that defines the protection scope using two or more different numerical-range technical features is considered to be supported by the description if a person skilled in the relevant field of technology can find a correspondence between those technical features and figure out the specific exploitation method in line with the purpose of the invention through a limited number of experiments and can exclude technical solutions that cannot achieve the invention's purpose of the invention without excessive labor.

4.7.11 An independent claim shall state the essential technical features necessary for the solution of the technical problem

Article 20 paragraph 2 of the Rules for the Implementation of the Patent Law stipulates the following: "The independent claim shall outline the technical solution of an invention or utility model and state the essential technical features necessary for the solution of the technical problem." According to this provision, it is only necessary to consider whether the independent claim lacks the essential technical features. If an independent claim is declared invalid or abandoned, or other claims dependent on the independent claim become new independent claims, then these provisions shall also be complied with.

Regarding the determination of the lack of essential technical features and its relationship with the requirement that the claims be supported by the description, in a retrial of an administrative dispute over the invalidation of an invention patent, *Elecon Asia SA v. Patent Reexamination Board*,¹⁶¹ the Supreme People's Court held that, in determining whether an independent claim lacks essential technical features, the key is whether the independent claim has recited the essential technical features for solving the technical problem – that is, whether or not there are essential technical features. As to whether the essential technical features are adequately generalized and whether they can be supported by the description, such an examination shall be made separately, in accordance with Article 26 paragraph 4 of the Patent Law.

¹⁵⁹ XZ No. 19 (Sup. People's Ct, 2016).

¹⁶⁰ ZXZ No. 406 and No. 407 (Sup. People's Ct, 2020).

¹⁶¹ XTZ No. 13 (Sup. People's Ct, 2014).

4.7.12 Amendments may not go beyond the scope of the disclosure contained in the original description and claims

Article 33 of the Patent Law stipulates the following:

An applicant may amend his or her patent application documents, but the amendment to the patent application documents for an invention or utility model may not go beyond the scope of the disclosure contained in the original description and the claims, and the amendment to the patent application documents for a design may not go beyond the scope of the disclosure as shown in the original drawings or photographs.

In judicial practice, such an amendment is also referred to as an “amendment going beyond the scope.”

4.7.12.1.1 Assessment

In a retrial of an administrative dispute over the invalidation of an invention patent, *Zheng Yali v. Seiko Epson Corp.*,¹⁶² the Supreme People’s Court held that the contents of the original description and claims include, first, the contents expressly recited in texts or graphics in the original description (and attached drawings) and claims; and second, the contents that can be directly and explicitly derived by a person skilled in the relevant field of technology after comprehensively considering the original description (and the attached drawings) and claims, as long as the derived content is obvious to a person skilled in the relevant field of technology.

In a retrial of an administrative dispute over the invalidation of an invention patent, *Shimano v. Patent Reexamination Board*,¹⁶³ the Supreme People’s Court held that “the contents contained in the original description and the claims” can be embodied by the content disclosed in text and graphics in the original description (and attached drawings) and claims and by the content that can be determined by a person skilled in the relevant field of technology based on the original description (and attached drawings) and claims. In determining whether the amendment of a patent application goes beyond the scope of disclosure contained in the original description and claims, the observations submitted by parties can only be used as a reference for understanding the description and claims rather than as conclusive evidence.

4.7.12.1.2 Amendment of claims in invalidation procedures

Article 69 of the Rules on the Implementation of the Patent Law provides as follows:

In the course of the examination of a request for invalidation, the patentee of the concerned invention patent or utility model may amend the claims but may not broaden the scope of protection of the original patent.

The patentee of the concerned invention patent or utility model shall not amend the description or drawings attached, and the patentee of the concerned design patent shall not amend the drawings, photographs, or the brief explanation of the design.

In the Guidelines for Patent Examination, the principles and manners of amendment in invalidation procedures are provided.

In an appeal of an administrative dispute over the invalidation of an invention patent, *Alfa Laval Corporate AB v. China National Intellectual Property Administration*,¹⁶⁴ the Supreme People’s Court held that, in invalidation procedures, amendments of claims must not go beyond the contents contained in the original description and claims and must not broaden the protection scope of the original patent. Accordingly, both the efficiency of administrative examination and the fair protection of the patentee’s contribution should be considered. It is inappropriate to impose an excessively strict restriction on the manners of amendment; otherwise, such restrictions will be a punishment for the claims inappropriately drafted. By adding to an independent claim the additional technical features recited in a dependent claim, the independent claim is further defined, and the protection scope of the original independent claim is narrowed rather than broadened. It does not impair the publicity effect of the original patent or harm the public’s

162 ZXZ No. 53 (Sup. People’s Ct, 2010).

163 XTZ No. 21 (Sup. People’s Ct, 2013).

164 ZXZ No. 19 (Sup. People’s Ct, 2019).

reliance interest based on the original patent documents. Thus, such amendments shall be accepted.

In a retrial of an administrative dispute over the invalidation of an invention patent, *Patent Reexamination Board v. Beijing Winsunny Pharmaceuticals Co.*,¹⁶⁵ the Supreme People's Court held that the principle of amendment of a Markush claim is that the amendment will not generate a single compound or class of compounds with new properties and functions; however, the specific circumstances in each case should be considered.

4.8 Design patents

Article 2 of the Patent Law stipulates that

“Invention-creations,” as used in this Law, refers to inventions, utility models, and designs.

[...]

“Design” means, with respect to an overall or partial product, any new design of the shape, the pattern, or the combination, or their combination of the color with shape or pattern, which is rich in aesthetic appeal and is fit for industrial application.

Thus, the overall or partial design of a product may be protected by a patent right, according to law.

4.8.1 Main features of design patents

Although design, invention and utility model patents are stipulated in the Patent Law as possessing common characteristics, the design patent has several unique characteristics. First, a design patent protects “a new design, which creates an aesthetic appeal and is fit for industrial application.” This differs from the “technical solution” protected by invention and utility model patents. Consequently, there are differences between design patents and invention and utility model patents in terms of the subject of evaluation, grant and confirmation criteria, protection scope, infringement judgment, acts of infringement, terms of protection and so on. Second, a design cannot exist alone without the corresponding product. The category of this product also has an important impact on the determination of protection scope, the grant and confirmation of design patents and determinations of infringement. Third, a design protected in accordance with the Patent Law includes both the overall and partial design of the product.

Provisions regarding partial designs were added to the fourth amendment of the Patent Law in 2020. All cases described in the following sections were decided before this amendment – thus, they concern only the overall designs of products. Fourth, the elements of a design include shapes, patterns or the combination thereof, as well as the combination of colors, shapes and patterns. Colors cannot be protected by design alone. Fifth, design patents are not subject to a substantive examination but only to a preliminary examination before they are granted. Finally, in addition to the Patent Law, product designs can also be protected like other types of intellectual property rights in accordance with the Copyright Law,¹⁶⁶ the Law on Anti-unfair Competition,¹⁶⁷ and other relevant laws and regulations.

4.8.2 Grant and confirmation procedures for design patents

4.8.2.1 Grant procedures and administrative cases

The application for a design patent is not subject to a substantive examination but only to a preliminary examination before the patent is granted. A preliminary examination includes:

- a formal examination of application documents;
- an examination of obvious substantive defects in the application documents (Article 44 of the Rules for the Implementation of the Patent Law);

¹⁶⁵ XZ No. 41 (Sup. People's Ct, 2016).

¹⁶⁶ Copyright Law (2020 Amendment) (promulgated by the Sup. People's Ct, Nov.11, 2020, effective June 1, 2021).

¹⁶⁷ Anti-unfair Competition Law (2019 Amendment) (promulgated by the Sup. People's Ct, April 23, 2019, effective April 23, 2019).

- a formal examination of other related documents; and
- an examination of related costs.

Where it is found, after the preliminary examination, that there is no reason to reject the application, the patent administration department of the State Council will decide whether to grant a design patent right. After the applicant has made, supplemented or rectified the statements of opinion, the patent administration department will consider whether the application for the design patent conforms with the Patent Law and the Rules for the Implementation of the Patent Law. If not, the application will be rejected.

If the applicant is not satisfied with the rejection decision, they may file a reexamination request with the CNIPA. If the applicant is still not satisfied with the reexamination decision, the applicant may bring an administrative lawsuit (i.e., an administrative case involving the grant of the design patent) to the Beijing Intellectual Property Court, according to law.

4.8.2.2 Invalidation declaration and confirmation procedures and administrative cases

According to Articles 45–46 of the Patent Law, any entity or individual can request the patent administration department of the State Council to declare a design patent right invalid. If the entity or individual is not satisfied with the decision of the patent administration department, they may bring a lawsuit to the people's court within three months from the date of receiving the notice. The people's court will notify the person who is the opponent party in the invalidation procedure to participate in the litigation as a third party.

Reasons for requesting invalidation of a design patent right include that the patent:

- does not conform with Article 2 of the Patent Law regarding the object of protection of the design patent;
- does not conform with Article 23 of the Patent Law, which provides that the design patent must not be part of a prior design or have a conflicting design, that it is significantly different from prior designs or the combination of prior design features, and that there is no conflict of rights;
- does not conform with Article 27 paragraph 2 of the Patent Law, which specifies that the relevant drawings or photographs submitted by the applicant must clearly indicate the design of the product for which patent protection is sought;
- does not conform with Article 33 of the Patent Law, which specifies that amendments to design patent application documents must not go beyond the scope of the disclosure as shown in the original drawings or photographs;
- does not conform with Article 43 paragraph 1 of the Rules for the Implementation of the Patent Law, which specifies that divisional applications must not go beyond the scope of the disclosure in the original application;
- falls within the scope of Article 5 of the Patent Law, which specifies that no patent right will be granted for any invention-creation that violates laws or social morality or that is detrimental to the public interests;
- falls within the scope of Article 25(6) of the Patent Law, which specifies that no patent right will be granted for "designs of two-dimensional printing goods, made of the pattern, the color or the combination of the two, which serve mainly as indicators"; and
- does not conform with Article 9 of the Patent Law, which prohibits double patenting.

4.8.3 Ordinary consumers

A design patent does not protect the technical solution but the innovation of the visual effect in product design. Therefore, the grant, confirmation or infringement of a design patent is determined based on ordinary consumers' understanding of the design product. In this respect, Article 10 of the Interpretation of Patent Infringement Dispute Cases stipulates the following: "The people's court shall determine whether designs are identical or similar based on ordinary consumers' knowledge level and cognitive ability as to a product having a design patent." Articles 14–15 and 20 of the Provisions on Patent Grant and Confirmation are all related to ordinary consumers. Each category of products has a specific consumer group, and not all products share the same consumer group; which group constitutes the "ordinary consumers" is determined according to the actual purchase and use of the product.

In an administrative dispute case over the invalidation of design patent rights, *Honda Technology Research Industry Co. v. China National Intellectual Property Administration*,¹⁶⁸ the Supreme People's Court held that the term "ordinary consumers" refers to consumers that have a commonsense understanding of the design status of the same or similar categories of design products and have a certain ability to distinguish the shape, pattern and color of the design products. However, such consumers would not notice minor changes in the shape, pattern and color of the products. Consumers having a "commonsense understanding" means that they have the ability to know the design status of relevant products but are not skilled in the design; the term does not mean that they have only an elementary or simple understanding.

Article 14 paragraph 1 of the Provisions on Patent Grant and Confirmation stipulates that, in determining the knowledge level and cognitive ability of ordinary consumers regarding a product with a design patent, the court must consider the design space or the designer's freedom of creation of the product on the date of application. If the design space is relatively large, the court may determine that it is generally not easy for ordinary consumers to notice minor differences among different designs; if the design space is relatively small, the court may determine that it is generally easy for ordinary consumers to notice minor differences among different designs. This provision is consistent with Article 14 of the Interpretation (II) of Patent Infringement Dispute Cases.

According to Article 14 paragraph 2 of the Provisions on Patent Grant and Confirmation,

[i]n determining the design space provided for in [Article 14 paragraph 1], the people's court may comprehensively consider the following factors:

- (1) The function and use of the product;
- (2) The overall conditions of the prior design;
- (3) Usual design;
- (4) Compulsory provisions of laws and administrative regulations;
- (5) National and industrial technical standards; and
- (6) Other factors that need to be considered.

In an administrative dispute case over the invalidation of the design patent of *Zhejiang Jin Fei Machinery Co. v. Zhejiang Wanfeng Motorcycle Co.*,¹⁶⁹ the Supreme People's Court held that the design freedom of designers in the field of specific products is usually restricted and affected by many factors, such as prior designs, technology, laws and concepts. With the accumulation of prior designs, technological progress, legal changes and conceptual changes, the design space may change. In a patent invalidation declaration procedure, when considering the design space of a design product, the design space at the date of the patent application is applicable.

4.8.4 Protection scope of a design patent

4.8.4.1 Design of the product

According to the provisions in Article 64 paragraph 2 of the Patent Law, "[f]or the patent right for design, the scope of protection shall be confined to the design of the product as shown in the drawings or photographs. The brief description may be used to explain the design of the product as shown in the drawings or photographs."

The 2008 Patent Law added the requirements that the "brief description to the design shall be submitted when applying for a patent for design" (Article 27 paragraph 1) and that "[t]he relevant drawings or photographs submitted by the applicant shall clearly indicate the design of the product for which patent protection is sought" (Article 27 paragraph 2). Thus, a design patent application requires a request, pictures or photos of the design, a brief description of the design, and other documents. According to Article 15 of the Provisions on Patent Grant and Confirmation, where the pictures or photos of a design are contradictory, missing or vague, making it impossible for ordinary consumers to determine the design to be protected based on such pictures or photos and brief descriptions, the court shall determine that those items fail to comply with the requirement of Article 27 paragraph 2 of the Patent Law that they "clearly indicate the design of the product for which patent protection is sought."

¹⁶⁸ XTZ No. 3 (Sup. People's Ct, 2010).

¹⁶⁹ XTZ No. 5 (Sup. People's Ct, 2010).

4.8.4.2 Brief description

With respect to the brief description, Article 28 of the Rules for the Implementation of the Patent Law stipulates the following:

The brief description of a design shall indicate the title and use of the product incorporating the design and the essential feature of the design, and designate a drawing or photograph which best shows the essential feature of the design. Where the view of the product incorporating the design is omitted or where concurrent protection of colors is sought, this shall be indicated in the brief description.

Where an application for a design patent is filed for two or more similar designs incorporated in the same product, one of these designs shall be indicated as the main design in the brief description.

The brief description shall not contain any commercial advertising and shall not be used to indicate the functions of the product.

The reference in paragraph 2 to applications filed for two or more similar designs refers to the provision for the same in Article 31 paragraph 2 of the Patent Law.

In a design patent right infringement dispute case, *Beijing Huajiesheng Electromechanical Equipment Co. v. Dingsheng Door Control Technology Co.*,¹⁷⁰ the Supreme People's Court held that the brief description is a document that must be submitted when applying for a design patent and that it plays an explanatory role in determining the scope of protection of the design patent right. If the reference drawing of the use state is not considered, then an obvious conflict with the brief description of the design may occur. Therefore, a people's court must consider the reference drawing of the use state when determining the protection scope of the design patent right.

4.8.4.3 Product category

A design cannot be independently protected without the presence of the designed product. Therefore, when determining the protection scope of a design patent right, both the design and the category of the product are considered. If only the alleged infringing design is similar or identical to the patented design (i.e., their products are not similar or identical), or only the alleged infringing design's product is similar or identical to the patented design's product (i.e., the designs are not similar or identical), then the alleged infringing design does not fall within the scope of protection of the design patent right. Article 8 of the Interpretation of Patent Infringement Dispute Cases stipulates the following:

Where a design identical or similar to a design patent is applied to a category of products identical or similar to the products carrying the design patent, the court shall determine that the alleged infringing design falls into the scope of protection of a design patent right as provided for in paragraph 2 of Article 59 of the Patent Law.¹⁷¹

In an administrative case involving patent grant and confirmation, the court must also consider the product categories of the design and the prior design, in accordance with Article 23 of the Patent Law, when determining whether the design is a prior design, whether there is a conflicting application and whether it is obviously different from the prior design or a combination of prior design features. Articles 17–21 of the Provisions on Patent Grant and Confirmation have corresponding provisions.

According to Article 9 of the Interpretation of Patent Infringement Dispute Cases and Article 17 paragraph 3 of the Provisions on Patent Grant and Confirmation, the court must determine the category of a design product according to the use of the product. To determine the use of a product, the court may refer to the brief description of the design, the international classification for industrial designs, the functions of the product, the sale and real use of the product, and other such factors. With respect to the product category, the applicant must, in accordance with Article 47 of the Rules for the Implementation of the Patent Law, indicate "a product incorporating the design and the class to which that product belongs, [referring] to the classification of products for designs published by the patent administration department of the State Council."

¹⁷⁰ MZ No. 8 (Sup. People's Ct, 2018).

¹⁷¹ This reference here, to Article 59 paragraph 2 of the 2008 Patent Law, would be to Article 64 paragraph 2 of the current Patent Law.

4.8.5 Identifying “prior design” and “priority date”

Article 23 paragraph 4 of the Patent Law specifies the following: “For the purpose of this Law, ‘a prior design’ refers to any design known to the public domestically and/or abroad before the filing date.” The definition of prior design is consistent with that of “prior art” in Article 22 paragraph 4 of the Patent Law.

With respect to priority rights, according to Article 11 of the Rules for the Implementation of the Patent Law, except for the circumstances provided for in Article 28 (determination of the date of filing) and Article 42 (the term of patent rights) of the 2008 Patent Law, “[t]he date of filing referred to in the Patent Law” means “the priority date where priority is claimed.” A priority right can be a foreign priority right or a domestic priority right, according to whether the first patent application is filed abroad or in China, respectively. China’s 1984 Patent Law only referred to foreign priority (Article 29 of the 1984 Patent Law). In 1992, the Patent Law was amended by adding the domestic priority of inventions and utility models (Article 29 of the 1992 Patent Law). In the fourth amendment to the Patent Law, the domestic priority of design patents was added. It is stipulated in Article 29 paragraph 2 of the Patent Law that priority may be enjoyed if a patent application for the same subject is filed with the patent administration department of the State Council within six months from the date of the first design patent application in China.

The determination of the filing date and priority date has an important impact on a court’s finding of whether a design patent meets the grant and confirmation conditions stipulated in the Patent Law and whether a prior design and prior design defense are established in civil patent infringement cases.

4.8.6 Application of Article 23 of the Patent Law

Article 23 of the Patent Law is the most important legal basis for the grant and confirmation of a design patent. To further increase the requirements for being granted a design patent right and to improve patent quality, the provision in Article 25(1) of the TRIPS Agreement – referring to designs that “do not significantly differ from prior designs or combinations of prior design features” – was incorporated into Article 23 of the Patent Law in 2008. Article 23 paragraphs 1–3 of the Patent Law stipulates that a design for which a patent may be granted

shall not be a prior design, and no entity or individual has filed a patent application for the identical design with the patent administration department of the State Council before the filing date, and the content of the application is disclosed in patent documents announced after the filing date[;]
 [...] shall significantly differ from a prior design or the combination of prior design features[; and]
 [...] must not conflict with the lawful rights acquired by any other person before the filing date.

Article 23 paragraph 4 of the Patent Law stipulates that the term “prior design” means “any design known to the public domestically and/or abroad before the filing date.”

According to Article 16 of the Provisions on Patent Grant and Confirmation, the people’s court shall, when determining whether a design complies with Article 23 of the Patent Law, “comprehensively judge the overall visual effect of the design.”

4.8.6.1 Identifying a “prior design”

The stipulations that a design “not be a prior design” (Article 23 paragraph 1 of the Patent Law) and that an invention or utility model “not form part of the prior art” (in Article 22 paragraph 2 of the Patent Law) correspond with each other.

Article 17 paragraph 1 of the Provisions on Patent Grant and Confirmation defines a design as being a prior design if “compared with a prior design of any product of a same or similar category, the overall visual effect of a design is identical or substantially identical only with partial and subtle differences.”

4.8.6.2 Identifying a “conflicting application” (conflicting design)

To prevent the same application or different applications for the same design from being successively granted, the notion of conflicting applications (conflicting designs) was added in Article 23 paragraph 1 of the Patent Law: “no entity or individual has filed a patent application for the identical design with the patent administration department of the State Council before the filing date, and the content of the application is disclosed in patent documents announced after the filing date.” “Any entity or individual” also includes the patentee or patent applicant. The provisions on conflicting applications are important for prohibiting double patenting.

Article 19 of the Provisions on Patent Grant and Confirmation further stipulates that an “identical design,” as set out in Article 23 paragraph 1 of the Patent Law, includes

[w]here, in comparison with another design of a product of a same or similar category [and] for which a patent application is filed before the filing date and the content of the application is disclosed in patent documents announced after the filing date, [...] the overall visual effect of a design is identical or substantially identical only with partial and subtle differences, among others.

4.8.6.3 Identifying significant differences

To “significantly differ from,” as specified in Article 23 paragraph 2 of the Patent Law, includes two cases. First, the design for which the patent right is granted is significantly different from the prior design (i.e., a separate comparison). Second, the design is significantly different from the combination of prior design features (i.e., comparing the combined design features of the prior design with the patented design). This is similar to the determination of inventiveness for invention and utility model patents.

4.8.6.3.1 Identifying “significant impact”

With respect to separate comparisons between the patented design and a prior design, Article 17 paragraph 2 of the Provisions on Patent Grant and Confirmation stipulates the following:

If the difference between a design and a prior design of a product of a same or similar category has no significant impact on the overall visual effect, the court shall determine that the design has no ‘significant difference’ as provided for in paragraph 2, Article 23 of the Patent Law.

The provision is consistent with the requirement in Article 23 of the 2000 Patent Law that a design “not be similar with or similar to” a prior design. It is also consistent with the criteria with respect to the determination of design patent infringement as stipulated in Article 11 of the Interpretation of Patent Infringement Dispute Cases, which states, “if there is no substantive difference in the overall visual effect between the alleged infringing design and a patented design, the court shall determine that they are similar.”

With respect to the determination of similarity as stipulated in the 2000 Patent Law, in an administrative dispute case over the invalidation of design patent rights, *Honda Technology Research Industry Co. v. Patent Reexamination Board*,¹⁷² the Supreme People’s Court held that the basic method to determine whether a patented design is identical or similar to a prior design is to observe each design as a whole, based on the knowledge level and cognitive ability of ordinary consumers, and comprehensively determine whether the differences between the two have a significant impact on the visual effect of the product design. The term “as a whole” means that all design features of the visual part of the product should be considered, not just specific parts thereof. “Comprehensive” refers to the combination of all factors affecting the overall visual effect of the product design.

In a case involving an administrative dispute over the invalidation of design patent rights, *Gree Electric Appliances, Inc. v. GD Midea Holding Co.*,¹⁷³ the Supreme People’s Court further highlighted that an overall observation and comprehensive judgment refers to whether ordinary consumers can determine significant differences in the visual effect between the patented patent and a prior design as a whole, rather than in partial design changes. In such determinations, ordinary

172 XTZ No. 3 (Sup. People’s Ct, 2010).

173 XTZ No. 1 (Sup. People’s Ct, 2011).

consumers will observe the similarities and differences between the visual parts of the patented design and the prior design and comprehensively consider their respective impacts on the overall visual effect.

4.8.6.3.2 Comparing combined prior design features with the design patent

With respect to comparing the combined design features of a prior design with a design patent, Article 20 paragraph 1 of the Provisions on Patent Grant and Confirmation stipulates the following:

Where, based on design motivation from prior designs on the whole, a design with an overall visual effect identical or substantially identical only with partial and subtle differences, among others, with a design patent, and without unique visual effect is obtained through the conversion, combination, or replacement of design features, which ordinary consumers can easily think of, the people's court shall determine that the design patent has "no significant difference" as provided for in paragraph 2, Article 23 of the Patent Law in comparison with the combination of prior design features.

This provision refers to the relevant provisions and experiences in the determination of inventiveness for invention and utility model patents. First, it draws lessons from the concept of "technical motivation" in determining inventiveness, giving the provision on "design motivation." The overall conditions of a prior design can be comprehensively considered, and the determination can be made according to the design motivation provided by the prior design as a whole. This makes the determination criteria more objective. Second, ordinary consumers are in the position to make the determination – not the designers of the product – to avoid determining the legitimacy of a design patent based on a different subject. Third, the key to determining whether a design patent has any "significant difference" is to find out whether its overall visual effect is easy to think of. That is, according to the prior design, whether it is easy to think of obtaining an identical or substantially identical overall visual effect (only with partial and subtle differences) through conventional design methods, including through the conversion, combination or replacement of design features. Fourth, the factor of "unexpected technical effects," considered in determining inventiveness, is used as a reference, and it is necessary to consider whether a design patent has a "unique visual effect." Article 20 paragraph 2 of the Provisions on Patent Grant and Confirmation lists seven circumstances wherein "design motivation" may be found, and Article 21 stipulates the factors to be fully considered in determining the "unique visual effect."

4.8.6.3.3 "Aesthetic appeal" and functional design features

Article 2 paragraph 4 of the Patent Law stipulates that "[d]esign' means, with respect to an overall or partial product, any new design of the shape, the pattern, or their combination, or the combination of the color with shape or pattern, which is rich in an aesthetic appeal and is fit for industrial application." With respect to the "aesthetic appeal" required for a design, it is not about whether the product aesthetically looks good, but about whether the visual effect of the product is "decorative," which is a concept relative to functionality. Article 16 paragraph 2 of the Provisions on Patent Grant and Confirmation stipulates the following: "Design features required for realizing particular technical function or only with limited choices shall have no significant impact on the overall observation and comprehensive judgment of the visual effect of a patent for a design."

In a dispute over the infringement of design patent rights, *Friedrich Grohe AG v. Zhejiang Jianlong Sanitary Ware Co.*,¹⁷⁴ it was pointed out that the identification of functional design features depends on whether the feature, in the opinion of ordinary consumers of the design product, is solely determined by the specific function, without considering whether the feature has aesthetic appeal. Functional design features have no significant impact on the overall visual effect of the design. When it comes to the impact of design features with both functionality and decorativeness on the overall visual effect, its degree of decorativeness shall be considered; the stronger the decorativeness, the greater the impact on the overall visual effect, and vice versa.

In a case involving an administrative dispute over the invalidation of design patent rights, *Gree Electric Appliances, Inc. v. GD Midea Holding Co.*,¹⁷⁵ the Supreme People's Court pointed out that, to

¹⁷⁴ Sup. People's Ct Guiding Case No. 85, March 6, 2017.

¹⁷⁵ XTZ No. 1 (Sup. People's Ct, 2011).

obtain the protection of a design patent right, the design must have aesthetic appeal as set out in the Patent Law: that is, on the basis of realizing the specific function of the product, innovative improvements have been made to the visual effect of the product so that the product presents the combination of functionality and aesthetic appeal. A product design with functionality but no aesthetic appeal can be protected by applying for an invention or utility model patent rather than a design patent.

With respect to the identification of functional design features, the Supreme People's Court pointed out, in a case involving an administrative dispute over the invalidation of design patent rights, *China National Intellectual Property Administration v. Zhang Dijun*,¹⁷⁶ that functional design features refer to those design features that, in the view of ordinary consumers, are determined solely by the specific function to be realized without considering aesthetic factors. Functional design features are related, to some degree, to the selectivity of the design features. If a design feature is the only design for a specific function, then aesthetic factors are excluded from such a design feature, and the design feature is obviously a functional design feature. If a design feature is one of a limited number of design choices for realizing a specific function, then this firmly shows that the design feature is a kind of functional feature. However, even if a design feature is only one of multiple design methods for realizing a specific function, it can still be considered a functional design feature so long as the design feature is determined only by the specific function to be realized and irrelevant to aesthetic considerations.

4.8.6.3.4 No conflict with lawful rights

The constituent elements of a design include its shape, pattern and color, which may involve a work, business logo, name, portrait and elements protected by lawful rights acquired by another person before the filing date. So long as a design patent is exploited, the prior lawful rights or interests of others might be infringed or damaged. Article 23 paragraph 3 of the Patent Law stipulates the following: "Any design for which a patent right is granted must not conflict with the lawful rights acquired by any other person before the filing date."

For the determination of the conflict of rights, Article 11 of the Interpretation of Patent Infringement Dispute Cases stipulates that "where a patent infringement case involves any conflict of rights, the people's court shall protect the lawful rights and interests of the party with a prior right in accordance with the law." Article 12 stipulates the following: "The lawful rights mentioned in paragraph 3, Article 23 of the Patent Law include the lawful rights or interests in works, trademarks, geographical indications, names, enterprise names, portraits, as well as influential commodity names, packaging, decoration, etc." These provisions also apply as references in the trial of cases involving patent grant and confirmation.

In a case involving an administrative dispute over the invalidation of design patent rights, *China National Intellectual Property Administration v. Baixiang Foods Co.*,¹⁷⁷ the Supreme People's Court held that the right to apply for the registration of a trademark is of great significance in determining whether a design patent right and an exclusive right to use a registered trademark constitute a conflict of rights. As a kind of expected right, the right holder related to a trademark application ultimately seeks the right to exclusively make use of the registered trademark. Only when the trademark is registered can the ultimate interest from the application be realized. In this case, the right to apply for a trademark should be protected retroactively, and the legal significance of the filing date of the trademark application should be recognized. If the trademark application filing date is earlier than the design patent filing date, then the exclusive right to the registered trademark can prevail against the design patent right. Once the trademark has been registered, the exploitation of the design patent will objectively conflict with the trademark rights; therefore, in this case, the court decided in accordance with the principle of protecting prior rights.

4.8.7 Infringement of design patent rights

With respect to the infringement of a design patent right, Article 11 paragraph 2 of the Patent Law stipulates the following: "After the grant of a design patent, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, for production or business

¹⁷⁶ XTZ No. 14 (Sup. People's Ct, 2012).

¹⁷⁷ ZXZ No. 4 (Sup. People's Ct, 2014).

purposes, manufacture, offer to sell, sell, or import the product incorporating the patentee's patented design." Among the types of acts infringing a design patent, "use" is not included.

According to Article 12 of the Interpretation of Patent Infringement Dispute Cases:

Where a product infringing a design patent right is used as a part or component for manufacturing and selling another product, the people's court shall determine it as an act of selling as provided for in Article 11 of the Patent Law, unless the product which infringes the design patent only has a technical function in such other product.

The main consideration of this provision is that, when a product that infringes a design patent right is used as a part or component for manufacturing and selling another product, such activity is deemed to be selling, since use alone would not constitute an infringement of the design patent according to the Patent Law. However, because a design patent right protects the appearance of the product, if the part and component only play a technical function without producing any visual effect during the normal use of the final product, then selling infringement shall not be established.

In a case involving a dispute over the infringement of design patent rights, *Ou Jieren v. Taizhou Jinshen Household Products Co.*,¹⁷⁸ it was recorded in the brief description of the patent, titled "aluminum profile," that the picture to best indicate the key design elements was the main view, which showed the end face shape of the aluminum profile. The alleged infringing product was a glass sliding door. As a component of the glass sliding door, the aluminum profile was embedded with the glass on the sliding door as a whole, and the end face of the aluminum profile could not be observed under normal use, so the aluminum profile played only a technical function. Therefore, the act of using the aluminum profile as a part in the manufacture and selling of glass sliding doors was judged not to constitute infringement.

4.8.8 Judgment of infringement of design patents

The scope of protection of a design patent is subject to the design shown in the picture or photograph. Article 8 of the Interpretation of Patent Infringement Dispute Cases stipulates the following:

Where a design identical or similar to a design patent is applied to a category of products identical or similar to the products carrying the design patent, the people's court shall determine that the alleged infringing design falls within the scope of protection of the design patent as provided for in Article 59 paragraph 2 of the [2008] Patent Law.

In the judgment of patent infringement, the people's court does not only determine whether the design is identical or similar but also determines whether the categories of products are identical or similar. The criteria for determining the product category in a patent infringement case are consistent with those in the procedures involving patent grant and confirmation: both are based on the use of the product.

When determining whether designs are identical or similar, ordinary consumers are the subject to make such a determination, and it is necessary to accurately clarify the knowledge and cognitive ability of these ordinary consumers and carry out the "overall observation" and "comprehensive judgment" of the visual effect of the whole. Article 11 of the Interpretation of Patent Infringement Dispute Cases stipulates the following:

When determining whether designs are identical or similar, the people's court shall consider the design features of the patented design and the alleged infringing design, and make a comprehensive judgment depending on the overall visual effect of the designs; and the people's court shall not consider design features mainly determined by technical functions, and material, internal structure, and other features of a product which have no effect on the overall visual effect.

178 MS No. 2649 (Sup. People's Ct, 2017).

In the following circumstances, the overall visual effect of a design is usually more significantly affected:

- (1) The part of a product that is easy to be directly observed during normal use as opposed to other parts;
- (2) design features that are distinct from those of the prior designs as opposed to other design features of the patented design.

Where there is no difference in the overall visual effect between the alleged infringing design and a patented design, the people's court shall determine that the two designs are identical; or if there is no substantive difference in the overall visual effect between them, the people's court shall determine that they are similar.

There are two main considerations for these provisions. First, a design patent protects the improvement and innovation of the visual effect of the product's appearance rather than the innovation of its function and technical effects. Hence, any material, internal structure or other features of the product that have no impact on the overall visual effect – and any design features determined primarily by a technical function – are not considered in the determination of infringement. Accordingly, the parts of a product that can easily be directly observed during normal use will be more likely to have a significant impact on the visual effect; and, conversely, parts that cannot be observed or are almost impossible to be observed during normal use will not have a significant impact on the overall visual effect. Second, the fundamental criterion for determining whether a design is identical or similar is the overall visual effect, and the design features of the innovative part are an important part affecting the overall visual effect. The features distinct from the prior design are identified based on evidence cross-examined by the parties. Since design patents in China are not substantially examined before granting, the essential features described in the brief description of the design can be used as a reference for finding the innovative part.

In *Friedrich Grohe AG v. Zhejiang Jianlong Sanitary Ware Co.*,¹⁷⁹ a dispute over the infringement of design patent rights, it was indicated that the design features of a patented design not only reflect the innovative features, which are different from those in prior designs, but also reflect the designer's inventive contribution to the prior designs. Thus, if an alleged infringing design does not include all of the design features distinguishing the patented design from prior designs, it can be presumed that the alleged infringing design is not similar to the patented design. For the determination of design features, the patentee must present evidence for the design features claimed. Based on hearing the cross-examination opinions of the parties, the court shall fully examine the evidence and determine the design features of the patented design according to the law.

In a case involving a dispute over the infringement of design patent rights, *Lanxi Changcheng Food Co. v. Chen Chunbin*,¹⁸⁰ the Supreme People's Court held that the protection scope of the design patent was the shape of the product without claiming the pattern of the design. Although the alleged infringing product used a pattern on the product, this additional pattern did not have a substantive or significant impact on the overall visual effect. Therefore, the alleged infringing product fell within the protection scope of the involved patent.

In a case involving a dispute over the infringement of design patent rights, *Arc International v. Yiwu Lanzhiyun Glass Crafts Factory*,¹⁸¹ the Supreme People's Court pointed out that a design protected under Patent Law should be incorporated into products and cannot exist independently. The product category of a design patent should be determined based on the use of the product, which has a form independent of the design and can be sold separately. In a case involving a dispute over the infringement of design patent rights, *Fujian Jinjiang Qingyang Weiduoli Food Co. v. Zhangzhou Yueyuan Food Co.*,¹⁸² the Supreme People's Court pointed out that the object to be protected by a design patent is neither the product alone nor the design independent of the product category defined by the design patent. The determination of whether the product category is identical or similar should be based on whether the use of the product is identical or similar. The sale and actual use of a product can be a reference for determining the use of the product.

179 Sup. People's Ct Guiding Case No. 85, March 6, 2017.

180 MSZ No. 438 (Sup. People's Ct, 2014).

181 MSZ No. 41 and No. 54 (Sup. People's Ct, 2012).

182 MSZ No. 1658 (Sup. People's Ct, 2013).

Articles 15–17 of the Interpretation (II) of Patent Infringement Dispute Cases contain the provisions on the determination of infringement of design patents for combination products, products in a set and products having variable states.

4.8.9 Prior design defense

Article 67 of the Patent Law stipulates the following: “In a dispute over patent infringement, if the alleged infringer has evidence to prove that the technology or design that the alleged infringer has exploited is a prior art or prior design, such exploitation shall not constitute an infringement of the patent right.” With respect to the prior design defense, this provision means that a patentee can apply for a patent and obtain protection only for their innovative contribution relative to the prior design; they are not allowed to include, in the protection scope, designs that have entered the public domain or that belong to the innovative contribution of others. According to Article 14 paragraph 2 of the Interpretation of Patent Infringement Dispute Cases, “[w]here an alleged design is identical to or is not substantively different from a prior design,” a prior design defense shall be sustained.

After the 2008 Patent Law, the geographical scope of public use or publication disclosure was no longer distinguished, and the recognition criteria for prior designs were changed. Article 22 of the Interpretation (II) of Patent Infringement Dispute Cases stipulates the following: “Regarding the prior art defense or prior design defense asserted by an alleged infringer, the people’s courts shall define the prior art or prior design in accordance with the Patent Law that was in effect upon the patent filing date.” Therefore, regarding design patents applied for before the 2008 Patent Law, prior designs must still be determined according to the specific methods of disclosure: a design used abroad cannot constitute a disclosure and cannot be used for prior design defense.

With respect to the judgment criteria for prior design defense, in a case involving a dispute over design patent rights, *Bridgestone Corp. v. Zhejiang Huntington Bull Rubber Co.*,¹⁸³ the Supreme People’s Court held that, to determine whether an alleged infringer’s prior design defense is sustained, the design of the alleged infringing product must first be compared with a prior design to determine whether they are identical or have no substantive differences. If the design of the alleged infringing product is identical to a prior design, it can be directly determined that the design exploited by the alleged infringer is part of the prior design and does not fall within the protection scope of the design patent. If the design of the alleged infringing product is not identical to the prior design, then it must further be judged whether they are substantively different or similar. The judgment of any substantive difference or similarity is relative. If the design of the alleged infringing product is simply compared with the prior design, the differences between the two and the impacts of these differences on their respective overall visual effects may be ignored, resulting in wrong judgment (i.e., similarities between the alleged infringing product design, prior design and design patent are established). Therefore, where an alleged infringing product design is not identical to the prior design, to ensure an accurate conclusion regarding infringement of the design patent, the prior design is used as the basis for comparison with the alleged infringing product design and design patent before a comprehensive judgment is made. In this process, attention is paid not only to the similarities and differences between the alleged infringing product design and the prior design, as well as their impacts on their respective overall visual effects, but also to the differences between the design patent and the prior design (and their impacts on their respective overall visual effect). Attention is paid to clarifying whether the design of the alleged infringing product takes advantage of the differences between the design patent and the prior design. If so, a determination can be made as to whether there is a substantial difference between the design of the alleged infringing product and the prior design.

4.9 Patent-related criminal cases

Part 2(III)(7) of China’s Criminal Law¹⁸⁴ stipulates the “crimes of infringing upon intellectual property rights” and includes a total of eight articles (Articles 213–220). Article 216 stipulates the crime of counterfeiting a patent: “Whoever counterfeits other people’s patents, and when the circumstances are serious, is to be sentenced to not more than three years of fixed-term imprisonment, criminal detention, and may in addition or exclusively be sentenced to a fine.”

¹⁸³ MTZ No. 189 (Sup. People’s Ct, 2010).

¹⁸⁴ Criminal Law (2020 Amendment) (promulgated by the Sup. People’s Ct, Dec. 26, 2020, effective March 1, 2021).

Article 10 of the Interpretation of Criminal Infringement of Intellectual Property Rights stipulates the following:¹⁸⁵

Any of the following acts shall be deemed as “counterfeiting of the patent of others” as prescribed in Article 216 of the Criminal Law:

- (1) Marking, without permission, other’s patent number on the manufactured or sold product or its packaging;
- (2) Using, without permission, other’s patent number in advertisements or other advertising materials, thus misleading people to believe that the technology involved is patented;
- (3) Using, without permission, other’s patent number in a contract, thus misleading people to believe that the technology as described in the contract is patented; and
- (4) Forging or altering other’s patent certificate, patent document or patent application document.

Article 4 defines the specific conviction and sentencing criteria for the crime of counterfeiting a patent:

Any person who counterfeits the patent of another and presents it as his/her own shall, in any of the following circumstances, be deemed to have caused “the serious consequences” as prescribed in Article 216 of the Criminal Law, and shall be sentenced to a fixed-term imprisonment for not more than three years or criminal detention for the crime of counterfeiting patent, and/or be imposed a fine:

- (1) The amount of proceeds arising from illegal business operations is no less than RMB 200,000 or the amount of illegal proceeds is no less than RMB 100,000;
- (2) The direct economic losses caused to the patentee are no less than RMB 500,000;
- (3) The person counterfeits two or more patents, with the proceeds arising from illegal business operations being not less than RMB 100,000 or the amount of illegal proceeds being not less than RMB 50,000; and
- (4) Other circumstances in which the consequences are serious.

According to Article 1 of the Provisions on the Trial of Patent Disputes, the people’s court shall accept cases involving counterfeiting of patents. Article 68 of the Patent Law stipulates the legal liabilities to be assumed for counterfeiting patents:

Where any person counterfeits a patent of another person, then such a person shall, in addition to bearing civil liabilities in accordance with the law, be ordered by the department in charge of patent enforcement to make rectifications, and the department shall make the matter known to the public. Such a person’s illegal earnings shall be confiscated and, in addition, a fine of not more than five times the illegal earnings may be imposed. If there are no illegal earnings or the illegal earnings are less than RMB 50,000, a fine of not more than RMB 250,000 may be imposed.

Where the infringement constitutes a crime, then such a person shall be investigated for criminal responsibility in accordance with the law.

Article 84 of the Rules for the Implementation of the Patent Law further stipulates five specific circumstances under which an act constitutes an act of counterfeiting a patent. It is worth noting that the scope of “counterfeiting the patent of another person,” as defined in the Rules for the Implementation of the Patent Law, is broader than that in Article 216 of the Criminal Law. For instance, the former also includes “any other acts of misleading the general public into considering a technology or design which has not been granted a patent, as being patented.”

185 Interpretation concerning Several Issues on the Specific Application of Law for Handling Criminal Cases of Infringement upon Intellectual Property Rights (promulgated by the Sup. People’s Ct and Sup. People’s Procuratorate, Dec. 8, 2004, effective Dec. 22, 2004).