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China

PATENT LITIGATION

Contributor

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This country-specific Q&A provides an overview of patent litigation laws and regulations applicable in China.

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CHINA
PATENT LITIGATION

1. What is the forum for the conduct of patent litigation?

According to our practice, jurisdiction of litigation of invention patents or utility model patents goes to the intermediate People's Court, and that of design patents is intermediate People's Court or some authorized district court. There are 4 IP specialized IP courts in Beijing, Shanghai, Guangzhou and Hainan Free Trade Zone. In these cities, the IP courts rule the IP cases instead of the intermediate court. In addition, 27 IP tribunals were founded for IP cases. They are in Nanjing, Suzhou, Wuhan, Chengdu, Hangzhou, Ningbo, Hefei, Fuzhou, Jinan, Qingdao, Shenzhen, Tianjin, Zhengzhou, Changsha, Xi'an, Nanchang, Lanzhou, Changchun, Wulumuqi, Haikou, Xiamen, Jingdezhen, Chongqing, Wenzhou, Wuxi, Xuzhou and Shenyang. These courts and tribunals are provided with technical judges or the judges having rich experiences in IP fields. Technical specialists assist the judges in the technical cases, for example, patent infringement cases. Generally, jurisdiction goes to the intermediate People's Court in or near the city where the infringement happens, including where the infringing product was made, sold, imported or offered to sell or where the patented method was used. Patentees may choose the courts/tribunals based on the place where the infringing acts occurred. It might be the same all over the world that the first choice would be a home game, for example, the patentee may choose a local court by establishing a link with the infringement, like buying the infringing product in the city where the patentee lives or locates.

2. What is the typical timeline and form of first instance patent litigation proceedings?

When receiving a complaint from the court, a defendant may challenge the validity of patent before the China National Intellectual Property Administration (CNIPA), which means the infringement and invalidity proceedings are bifurcated in China. It would take defendants about 6 months to receive a decision on validity while the infringement case may last years. Also, the courts typically would wait for the outcome of invalidity proceeding, especially for invention patents. Therefore, the patentee may have to face one or two invalidation petitions before the court hears the infringement case. The patentee is bounded by the Doctrine of Estoppel, which means the claim construction made in the infringement litigation is limited by his interpretation to the claims during the invalidity proceeding. In past, the issues of liability are heard and decided together with the issues of damages. Now some IP courts is exploring a new mechanism to hear them separately so that at least a part of dispute can be solved quickly and the patentee may obtain a permanent injunction earlier.

3. Can interim and final decisions in patent cases be appealed?

Yes. Both interim and final decisions are appealable. If a court makes a decision on liability only, this interim decision is appealable separately from the issues of damages. Generally, the interested party has the right to appeal if it is not satisfied with the decision, without any permission needed. In connection with patent cases, the appellate court now is the People's Supreme Court no matter where the jurisdiction of first instance is. The first instance decision will be stayed pending if any party appeals.

4. Which acts constitute direct patent infringement?

With regard to an invention or a utility model patent, direct patent infringement includes, for production or business purpose, manufacturing, offering to sell, selling, or importing the patented products, using the patented method, or using, offering to sell, selling or importing the products that are developed directly through the use of the patented method. With regard to a design patent, any unit or individual may not, for production or business purposes, manufacture, offer to sell, sell or import the design patent products.

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5. Do the concepts of indirect patent infringement or contributory infringement exist? If, so what are the elements of such forms of infringement?

Yes. If someone knows that the relevant product is a material, equipment, component, intermediate, etc., specially used for implementation of a patent, commercially exploiting that product will be deemed as indirect patent infringement. The key elements here are “specially used for”. The plaintiff must prove that the product has no other reasonable use but specially used for implementation of the patent. In other words, the accused infringer knows or should have known that the product made is an essential part of a patented solution and the product will be a part of infringement to the patent.

6. How is the scope of protection of patent claims construed?

Like many other countries, the protection scope of a patent claim is determined based on the claim language with reference to the description and drawings in a perspective of one skilled person in the art. The court will determine the meaning of a specific claim term based on the content of description, claims, drawings and prosecution history, i.e., the meaning of the term will be determined within the patent. The scope of the term is also bounded by the explanation made to the examiner during prosecution. If the meaning of the term cannot be determined within the patent, the term will be defined according to external evidence, such as a textbook, a dictionary and the understanding of a skilled person in the art. Doctrine of equivalents steps in when two features are not literally identical. Two features are deemed as equivalents if they are substantially similar measures with substantially similar functions and substantially similar effects and can be replaced by the skilled person in the art without creativity.

7. What are the key defences to patent infringement?

There are various defences to patent infringement accuses, mainly including non-infringement defence, prior art defence, legitimate source defence, prior use defence. We believe the non-infringement defence and prior art defence are most common in our practice.

8. What are the key grounds of patent invalidity?

Almost all the grounds for valid grant of a patent could also be available grounds of invalidity upon which the patent may be revoked, mainly including novelty, inventive steps, enablement, new matter issue, sufficient support of the description to the claims and definiteness. In practice, we believe the key grounds most of petitioners rely upon are novelty and inventiveness, i.e., those grounds based on one or more prior art references.

9. How is prior art considered in the context of an invalidity action?

The prior art means the technologies known to the public both domestically and abroad before the date of application. The words “known to the public” do not require the public actually know or get access to the technologies but refers to the availability to access the prior art. For example, even if no one actually knows or reads a book in a remote library, this book may constitute a valid prior art reference if this book is open for the public in that library. A prior art reference can be used for assessing novelty if it discloses each and every claim element of a single claim, belongs to a same technical field, proposes a same technical problem and achieves a same technical effect with the patent. Various embodiments of one reference or various references can be combined for assessing obviousness to see if these embodiments or references in combination have disclosed the patented solution. In the invalidity proceeding, typically the problem to be solved, the technical solution adopted and the technical effect achieved will be taken in to account in determining whether these prior art references can be combined or not.

10. Can a patentee seek to amend a patent that is in the midst of patent litigation?

No.

11. Is some form of patent term extension available?

Yes. With the fourth amendment to the Patent Law, now we have patent term extension available in China. Article 42 provides two kinds of patent term extension. One is that if there is unreasonable delay in the patenting process for the invention, that is, where a patent for an invention is granted four years from the date of filing of application and three years from the date of filing of request for substantial examination, which is not caused by the patentee, patent term extension is available at

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the request of the patentee. The other is limited to the patentee owning new drug patent that the patentee may request patent term extension to make up the time required for the assessment and approval of the marketing of the new drug, while the extension may not exceed five years and the total effective term of the patent after the new drug is approved for marketing shall not exceed fourteen years.

12. How are technical matters considered in patent litigation proceedings?

As mentioned, when reviewing technical cases, the court typically appoints technical experts to assist the court in understanding the technical factors in the case. A report will be made to the judge and explain the technologies internal to the court. Of course, each party may have their own technical experts to illustrate to the court the technical issues. The experts can be cross-examined and must answer the questions from the court, for example, from the technical expert of the court.

13. Is some form of discovery/disclosure and/or court-mandated evidence seizure/protection (e.g. saisie-contrefaçon) available, either before the commencement of or during patent litigation proceedings?

Yes. Although we don't have discovery/disclosure, but we do have something similar. When one party has proved that certain evidences are under the control of the other party, and it is very hard to access the evidences without the court's intervention, the party may request a court order with which the opposing party must disclose the evidences or bear any disadvantages if refuses to disclose. The court order may relate to both infringements and damages, like what exactly the technical solution is, the account book and so on. Also, the patentee may request evidence preservation either before the commencement of or during patent litigation proceedings so that the court may secure the evidence to ascertain the fact. Although the court order is becoming popular in patent litigations, each party must bear their own burden of proof first and must not rely on the court order to replace the duty of proof. The court order is available only for those evidences very hard or nearly impossible to access.

14. Are there procedures available which would assist a patentee to determine infringement of a process patent?

Yes. If a dispute involves an invention patent for the method of manufacturing a new product, the entity or individual manufacturing the same product should provide evidence to show the manufacturing method of their own product is different from the patented method. Of course, it happens after the patentee has proved that the involved product is a new product thanks to the patent. Similar to our answer to question 13, the court order could be another way to assist the patentee in determining infringement. For example, for a computer program, when the patentee has made every effort to show the court that the appearance of the working program is very similar to the process recited in the patent and so does the working result, but the program is not accessible because it is stored in the server of the defendant, the plaintiff may request a court order and try to force the defendant to disclose the program. The court will decide whether to issue the order. But the court typically considers current evidences, accessibility of the evidences and the burden of proof in the case.

15. Are there established mechanisms to protect confidential information required to be disclosed/exchanged in the course of patent litigation (e.g. confidentiality clubs)?

Yes. Typically, each party may require that only the attorneys of the opposing party can access the confidential information in the course of patent litigation, while the attorneys are bounded by the lawyer guidelines. Confidentiality agreement is also a common mechanism to make sure that the confidential information of one party is limited within an authorized scope.

16. Is there a system of post-grant opposition proceedings? If so, how does this system interact with the patent litigation system?

Yes. Our laws provide that the court may or may not stay the infringement litigation because of the patent invalidity proceedings before the CNIPA. In practice, the court typically waits for the outcome of invalidity proceedings not only because the outcome will greatly influence the litigation, but also because now the invalidity proceedings go really fast, typically no more than 6 months. The court need one or more years to hear the litigation case, but well before that the patent may have already undergone several rounds of invalidity

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proceedings. On the other hand, the court may continue the infringement case when the patent was proved to be reliable and stable, for example, survived from two or three times of challenges.

17. To what extent are decisions from other fora/jurisdictions relevant or influential, and if so, are there any particularly influential fora/jurisdictions?

We think our courts typically make decisions based on our local practice. The judges might be interested in new theories, practices and interpretation of laws in foreign countries, but only for their references when they make the decisions.

18. How does a court determine whether it has jurisdiction to hear a patent action?

Our laws are clear that only several courts may hear patent actions, as explained in our answers to question 1. Those courts typically have good experiences in handling complicated patent litigations. If the court finds it has no jurisdiction, it will inform the parties of the courts having the jurisdiction.

19. What are the options for alternative dispute resolution (ADR) in patent cases? Are they commonly used? Are there any mandatory ADR provisions in patent cases?

The patent dispute can also be heard by local administrative offices of patent. But this administrative mechanism is relatively not common because it cannot award any damages to the patent rights holder. Of course, it is not mandatory. The patent owner may choose the court or the administrative branch.

20. What are the key procedural steps that must be satisfied before a patent action can be commenced? Are there any limitation periods for commencing an action?

The plaintiff must provide the court accurate name and address of the defendant as well as a valid patent. The time limit for commencing the action is within three years from the time when the patentee knew or should have known the infringement. Of course, our advice is to well prepare any evidence you need before filing the action.

21. Which parties have standing to bring a patent infringement action? Under which circumstances will a patent licensee have standing to bring an action?

The patentee, of course, the sole patent licensee and the exclusive patent licensee can launch the patent infringement action. A patent licensee under a general license can bring the action along with the patentee or acquire the right to sue based on the license agreement.

22. Who has standing to bring an invalidity action against a patent? Is any particular connection to the patentee or patent required?

In our country, anyone, including the patentee itself, can bring an invalidity action.

23. Are interim injunctions available in patent litigation proceedings?

Yes. Preliminary injunctions are available in our practice. The key factors considered by a court to grant the preliminary injunctions include whether the damages are irreparable if the injunction is not granted, and whether the patentee is likely to win. Another factor the court typically considers is whether the injunction will conflict the public interest. Upon the plaintiff's request, the court must make a decision within 48 hours whether to grant the preliminary injunction. The court may have another 48 hours if the case and facts are very complicated. The decision can be made on an ex parte basis. The court will require a guarantee from the petitioner in respect of potential damages if the injunction eventually is proved on an invalid or wrong basis. Without such guarantees, no injunction will be granted. On the other hand, the opposing party may request the court to re-consider the decision of issuing the interim injunction. However, the injunction continues to work when the court reviews the decision.

24. What final remedies, both monetary and non-monetary, are available for patent infringement? Of these, which are most commonly sought and which are typically ordered?

Of these, which are most commonly sought and which are typically ordered? The patentee may receive monetary and non-monetary remedies if the infringement is confirmed by the court. The non-

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monetary remedies include stopping infringement, like selling, importing or offering to sell.

25. On what basis are damages for patent infringement calculated? Is it possible to obtain additional or exemplary damages?

The damages are determined based on the actual losses caused by the infringement. The patentee may show the court that the reduction of sales due to infringement and calculate the profit he should have gained or the damages may be calculated based on the benefits acquired by the infringer through infringement. For example, when counting the benefits gained through infringement, evidences may include the sale numbers of the infringing product and the profit generated from the sales. If the loss of the patent owner or the benefits of the infringement are difficult to be determined, the court may decide the damages with reference to reasonable times of royalties in connection with the patent. If no royalty is available, then statutory damages can be determined within the range from RMB 30,000 to RMB 5,000,000 based on the factors such as the type of patent right, nature of the infringement, and seriousness of the case. Exemplary damages are introduced in the Patent Law. The patent rights holder may have a chance to receive up to 5 times damages if the infringement is wilful and the circumstance of the infringement is serious.

26. How readily are final injunctions granted in patent litigation proceedings?

Almost in every patent litigation the judge will grant final injunctions in the decision so that the infringer must cease the infringement. However, in some cases the judge may not grant the injunction because of public interest. For example, if a dam infringes a patent, the judge probably will not issue a final injunction by bombing out the dam. In such a case, the owner of the dam must pay reasonable royalties as a price of continuous use of the patented technology. Of course, proportionality of injunctive relief is a factor that must be considered by the court when issuing injunctions. Typically, the injunctive relief confines to cease the infringement, like destroying the special mould used to manufacture the infringing products or the inventory of the infringing products. At least we have not observed any recall of infringing products sold to the common customers. The final injunction is a part of the sentence in China. Therefore, the injunction continuously exists unless the court's decision is reversed or the patent is invalidated.

27. Are there provisions for obtaining declaratory relief, and if so, what are the legal and procedural requirements for obtaining such relief?

Yes. An interested party may file a lawsuit to obtain declaratory relief. Three factors are required for obtaining such a relief – a warning letter received from the patentee, a written letter to the patentee to urge a further action and no action taken within one month from the written letter received by the patentee or within two months from sending the written letter.

28. What are the costs typically incurred by each party to patent litigation proceedings at first instance? What are the typical costs of an appeal at each appellate level?

Typically, the cost incurred by each party to patent litigation proceedings at first instance is about RMB 300,000 to RMB 1,000,000, including attorney fee and other costs for the litigation. For second instance, the typical cost is bit lower, about RMB 300,000 to RMB 800,000.

29. Can the successful party to a patent litigation action recover its costs?

Yes. If the infringement is established before the court, the plaintiff may recover reasonable costs for stopping the infringement, including the attorney fee spent for the litigation.

30. What are the biggest patent litigation growth areas in your jurisdiction in terms of industry sector?

We believe consumer electronics is the biggest patent litigation growth area in our jurisdiction. Semiconductor device and EV are attracting more and more attention and we believe they would be another hot spot of patent litigation in near future

31. How has or will the Unified Patent Court impact patent litigation in your jurisdiction?

The impact is not clear by far. In the past 12 months, we received numerous introductions and explanations about the Unified Patent Court. We believe many Chinese

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enterprises have well understood the changes and the new option in Europe. However, we haven't seen any clear signal about how Chinese companies would face the Unified Patent Court.

32. What do you predict will be the most contentious patent litigation issues in your jurisdiction over the next twelve months?

We think SEPs and the global rates in connection therewith will be the most contentious patent litigation issues over the next twelve months. Recently, the Supreme People's Court repeated in OPPO vs. Interdigital Inc. et al that Chinese court had the jurisdiction to rule global rates of SEPs. This is the third case in which the Court made clear its position. Also, we note that Avanci has made some good progress in embracing more members and recently raised its licensing fee from $15 to $20 per car for its 4G portfolio. On the other hand, China obviously well noted the approaching alliance of SEPs. Several policies were made or are on their way to guide the industry, especially the EV industry, to prepare for the upcoming license negotiation. We think we may see more collisions between the right holders of SEPs and the implementers in China.

33. Which aspects of patent litigation, either substantive or procedural, are most in need of reform in your jurisdiction?

We believe that evidence mechanism in patent litigation might be most in need of reform. As mentioned in our answer to question 13, an interested party may request a court order to collect evidence. However, the court order is limited to those evidences that are very hard or nearly impossible to access by the opposing party, which means each party must collect most of evidences by himself. Generally speaking, evidence collection and preservation are huge challenges in patent litigation, especially for those complicated technologies. Although our court and legislature have made a lot of efforts in this field, we still look forward to seeing more reforms in this area.

34. What are the biggest challenges and opportunities confronting the international patent system?

The biggest challenges we believe are languages. In recent years, the number of patent applications rose rapidly in China. Those Chinese patents bring enormous challenges to the examiners in other countries since Chinese is not very easy to learn and understand, which leads to difficulties in patent searching and examination in the world-wide patent system. Of course, China is facing the same problem in well understanding the patent technologies in other languages. So we believe languages are the biggest challenges confronting the international patent system. On the other hand, the artificial intelligence technology provides us more opportunities and convenience than before. We can see more and more AI translation tools appearing in our daily work and more foreign clients begin to use it in the IP field. Sometimes, an AI translation of a Chinese patent, although not perfect, does provide a basic meaning in other language, for example, English, so that our client may rapidly know what is happening without waiting for a formal translation. Of course, there is a lot of room for AI translation in accuracy, especially for a legal document.

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