Beijing East IP Newsletter

BEIJING EAST IP LTD.
BEIJING EAST IP LAW FIRM

★ A China IP Newsletter Beyond News

April 2016 | Vol.4

Hot Topic

Interpretation by the Supreme People's Court on Some Issues Concerning the Application of Laws to the Trial of Patent Infringement Disputes (II)

Patent

Hot Debate over Patent Jurisdiction
by Xiaolin WANG, Harlem LU

New Practice and Tendency for the Application of the Burden of Proof in Patent Enforcement in China
by Bing WU

Trademark

Protection for Prior Copyright in Trademark Disputes
by Jason WANG, Fei Fei BIAN

Events

Dr. Lulin Gao Interviewed by China Central Television (CCTV) News Channel

Beijing East IP Ranked by MIP as Top Tier Firm for IP Practice in China

Beijing East IP Sponsored MIP International Patent Forum

For Reference Only

Interpretation by the Supreme People's Court on Some Issues Concerning the Application of Laws in the Trial of Patent Infringement Disputes (II) (Judicial Interpretation (2016) No. 1)

(Adopted at the 1676th Session of the Judicial Committee of the Supreme People's Court on January 25, 2016, Effective as of April 1, 2016)

In order to facilitate correct trial of patent infringement disputes, the present interpretation is made in accordance with the *Patent Law of the People's Republic of China*, the *Tort Law of the People's Republic of China*, the *Civil Procedure Law of the People's Republic of China* and so on, and in combination with judicial practice.

Article 1

Where there are two or more claims, the right owner shall specify in the complaint the claim(s) based on which he or it prosecutes the alleged infringer for infringing his or its patent right. Where this is not described, or described unclearly in the complaint, the People's Court shall require the right owner to make clarification; if after elucidation, the right owner makes no clarification, the People's Court may rule rejecting the lawsuit.

Article 2

Where the claim(s) asserted by the right owner in a patent infringement litigation are declared invalid by the Patent Reexamination Board, the People's Court trying patent infringement disputes may reject the lawsuit filed by the right owner based on the invalidated claim(s).

If there is evidence to prove that the decision declaring the above claim(s) invalid is revoked by effective administrative judgment, the right owner may bring a separate lawsuit.

If the patentee brings a separate lawsuit, the limitation of action shall be counted from the date of service of the administrative judgment in paragraph 2 of the present article.

Article 3

Where invalidation of patent right is requested, due to impossibility in interpreting the claims by using the specification caused by apparent violation of Paragraph 3 or 4, Article 26 of the *Patent Law*, other than circumstances provided in Article 4 of the present interpretation, the People's Court trying patent infringement disputes shall generally rule stay of action; if the invalidation of patent right is not requested within a reasonable time limit, the People's Court may determine the scope of protection of the patent right based on the content recorded in the claims.

Article 4

Where meaning of grammar, character, punctuation, figure, symbol and the like in the claims, specification and drawings is ambiguous, but those skilled in the art can determine the only understanding after reading the claims, specification and drawings, the People's Court shall determine it based on the only understanding.

Article 5

In the People's Court's determination of the scope of protection of a patent right, the technical features defined in the preamble and characterizing portions of the independent claims and those defined in the reference and characterizing portions of the dependent claims all function as limitations.

Article 6

The People's Court may cite other patents that have divisional application relationship with the patent in dispute, prosecution file wrappers and effective judgments concerning prosecution and invalidation thereof, to interpret the claims of the patent in dispute.

The prosecution file wrapper includes the following documents: written materials submitted by the applicant or the patentee in the process of patent examination, reexamination and invalidation procedures; office actions, meeting records, oral hearing records, effective decision on request for patent reexamination and decision on request for invalidation of the patent, issued by the patent administration department under the State Council or the Patent Reexamination Board.

Article 7

Where the alleged infringing technical solution has other technical features in addition to comprising all the technical features of a closed-ended composition claim, the People's Court shall determine that the alleged infringing technical solution doesn't fall within the scope of protection of the patent right, unless the additional technical feature(s) belong to inevitable impurities in a conventional amount.

The closed-ended composition claim in the preceding paragraph generally does not include claim of traditional Chinese medicine compositions.

Article 8

Functional feature is such a technical feature that is defined by the function or effect achieved in the invention-creation for structures, components, steps, conditions or the relationship among them, except where specific embodiments to achieve the above function or effect can be determined directly and expressly by those skilled in the art after reading solely the claims.

Where compared with the technical feature defined in the specification and drawings which is indispensable for achieving the asserted function or effect in the preceding paragraph, the corresponding technical feature in the alleged infringing technical solution uses substantially the same means to implement the same function and achieves the same effect, and can be conceived by those skilled in the art without inventive endeavor at the time of occurrence of the alleged infringing action, the People's Court shall determine that the corresponding technical feature is identical with or equivalent to the functional feature.

Article 9

Where the alleged infringing technical solution cannot be applied to the environment defined by environmental features in a claim, the People's Court shall determine that the alleged infringing technical solution does not fall within the scope of protection of the patent right.

Article 10

With regard to technical features in a claim defining a product with its preparation method, where the preparation method of the alleged infringing product is neither identical with nor equivalent to said preparation method, the People's Court shall determine that the alleged infringing technical solution does not fall within the scope of protection of the patent right.

Article 11

Where a method claim does not explicitly specify the order of technical steps, but those skilled in the art, after reading the claims, specification and drawings, are directly and expressly aware that the technical steps shall be performed in a particular order, the People's Court shall determine that the order of the steps functions as limitation for the scope of protection of the patent right.

Article 12

Where an expression such as "at least", "no more than", or the like is used in a claim to define a feature of numerical value, and those skilled in the art, after reading the claims, specification and drawings, are aware that the limitation of that expression on the technical feature is particularly emphasized in the patented technical solution, the People's Court shall not support the assertion of the right owner that a different numerical feature is equivalent to the above numerical technical feature.

Article 13

Where the right owner proves that a narrowing amendment to the claims, specification and drawings or narrowing argument made by the patent applicant or patentee in the procedure

of patent prosecution and invalidation is explicitly rejected, the People's Court shall determine that the amendment or argument does not cause the abandonment of technical solution.

Article 14

The People's Court, in determining the knowledge level and cognitive ability of the ordinary consumers for a design, generally shall consider the design space of the same or similar type of products to which the patented design belong at the time of the occurrence of the alleged infringement action. Where the design space is large, the People's Court may determine that it is typically less easy for the ordinary consumers to notice minor differences between different designs; where the design space is small, the People's Court may determine that it is typically easier for the ordinary consumers to notice the minor differences between different designs.

Article 15

With regard to a design patent for a set of products, where an accused infringing product is identical with or similar to one of the designs of the set of products, the People's Court shall determine that the accused infringing product falls within the scope of protection of the patent right.

Article 16

With regard to a design patent for a combination product with one sole assembled state of its components, where an accused infringing product is identical with or similar to the patented design of the combination product in its assembled state, the People's Court shall determine that the accused infringing product falls within the scope of protection of the patent right.

With regard to a design patent for a combination product of which the components are not necessarily assembled or can be assembled into more than one assembled states, where an accused infringing product include components that are identical with or similar to the patented design of each of the individual components, the People's Court shall determine that the accused infringing product falls within the scope of protection of the patent right;

where the accused infringing product lacks a component corresponding to one of the components in the patented design or include a component that is corresponding to but neither identical with nor similar to one of the components in the patented design, the People's Court shall determine that the accused infringing product does not fall within the scope of protection of the patent right.

Article 17

With regard to a design patent for a product with variable states, if an accused infringing product is identical with or similar to each of the designs under various using states shown by the figures for variable states, the People's Court shall determine that the accused infringing product falls within the scope of protection of the patent right; if the accused infringing product cannot achieve one of the using states, or present a design, under one of the using states, that is neither identical with nor similar to the patented design under the same using state , the People's Court shall determine that the accused infringing product does not fall within the scope of protection of the patent right.

Article 18

Where a right owner sues an entity or individual that exploited the invention during the period from the publication date of the invention patent application to the date of announcement of the grant for paying an appropriate fee according to Article 13 of the *Patent Law*, the People's Court may determine properly the fee by reference to the amount of the exploitation fee of that patent under a contractual license.

Where scope of protection claimed by the applicant when the invention patent application was published is different from that when the invention patent is announced for grant, if the alleged technical solution falls within both of the above scopes, the People's Court shall determine that the defendant exploits the invention within the period mentioned in the previous paragraph; if the alleged technical solution only falls within one of the scopes, the People's Court shall determine that the defendant does not exploit the invention within the period mentioned in the previous paragraph.

Where after an invention patent is announced for grant, an entity or individual, for production or business purposes and without authorization of the patentee, uses, offers to sell, or sells the product that was manufactured, sold, or imported by another party within

the period mentioned in the first paragraph of this Article, and said another party has paid, or promised in writing to pay, the appropriate fee prescribed in Article 13 of the *Patent Law*, the People's Court shall deny the assertion of the right owner that the above action of using, offering to sell, or selling causes infringement of the patent right.

Article 19

Where a sales contract for product is formed lawfully, the People's Court shall determine that "sell" provided in Article 11 of the *Patent Law* is established.

Article 20

Where process or treatment is made to a follow-up product, which was obtained by further processing or treating a product directly obtained by a patented process, the People's Court shall determine the action does not belong to "using the product directly obtained by the patented process" prescribed in Article 11 of the *Patent Law*.

Article 21

Where a provider provides, for production or business purposes and without authorization of the patentee, a product to another party to commit a patent infringement action, with the knowledge that the product is material, device, component, intermediate and so on specialized for exploiting the patent, the People's Court shall support the right owner if he or it assets that the action of the provider belongs to assisting another party to commit a tort provided in Article 9 of the *Tort Law*.

Where an inducer actively induces, for production or business purposes and without authorization of the patentee, another party to commit a patent infringement action, with the knowledge that the relevant product or method has been granted a patent right, the People's Court shall support the right owner if he or it assets that the action of the inducer belongs to abetting another party to commit a tort provided in Article 9 of the *Tort Law*.

Article 22

Where an alleged infringer raises prior art defense or prior design defense, the People's Court shall define prior art or prior design according to the Patent Law effective on the filing date of the patent.

Article 23

Where an alleged infringing technical solution or design falls within the scope of protection of an involved patent right previous to infringed patent right, the alleged infringer defends that no patent infringement is established with a reason that his or its technical solution or design was granted a patent right, the People's Court shall not support the defense .

Article 24

Where a recommendatory national, industrial or local standard discloses the information of involved essential patents, if an alleged infringer makes defensive argument that there is no infringement of patent right because authorization of the patentee is not necessary for exploiting the standard, the People's Court generally shall not support the defense.

Where a recommendatory national, industrial or local standard discloses the information of involved essential patents, if the patentee, in negotiation with an alleged infringer for licensing terms for exploitation of the patent, willfully violates the licensing obligation of fair, reasonable, and non-discriminatory principles promised in the formulation of the standard, resulting in failure to reach a licensing contract of patent exploitation, and the alleged infringer makes no obvious fault during the negotiation, the People's Court generally shall not support the patentee's assertion to stop the action of exploiting the standard.

Licensing terms for exploitation of the patent as mentioned in the second paragraph of this Article shall be determined through negotiation by the patentee and the alleged infringer. Where an agreement still cannot be reached after sufficient negotiation, the People's Court may be requested for determination. The People's Court shall make overall consideration about factors such as inventive level of the patent and its function in the standard, technical field the standard belongs to, nature of the standard, scope in which the standard is exploited,

relevant licensing terms and so on, according to the fair, reasonable, and non-discriminatory principles, to determine the above licensing terms for exploitation.

Where provisions on exploitation of patents in the standard are otherwise provided in laws and administrative regulations, the provisions shall prevail.

Article 25

Where products infringing a patent right are used, offered to sell, or sold for production or business purposes without knowing said products were manufactured and sold without the authorization of the patentee, and evidences are provided proving a legitimate source of the products, the People's court shall support the right owner's request to stop the above actions of using, offering to sell, or selling, with an exception that a user of the alleged infringing products provides evidences to prove that the user has paid a proper consideration for the product.

"Without knowing" mentioned in the first paragraph of this Article shall mean actually not knowing and should not have known.

"Legitimate source" mentioned in the first paragraph of this Article shall mean obtaining the products via a normal commercial manner like a legal sales source, a normal sales contract and so on. Regarding legitimate source, user, people offering to sell or seller shall provide relevant evidence that is in accordance with trading customs.

Article 26

Where defendant constitutes a patent right infringement, the People's Court shall support request of the right owner for stopping the action of infringement; however, based on a consideration for national interest, public interest, the People's Court may choose not to rule the defendant to stop the alleged action, but rule the defendant to pay corresponding appropriate fee.

Article 27

Where it is hard to determine a right owner's actual loss caused by infringement, the People's Court shall request the right owner to provide evidence regarding benefit that the infringer has obtained from the infringement according to Article 65, Paragraph 1 of the *Patent Law*; under a situation that the right owner has provided preliminary evidence of benefit obtained by the infringer, while the account book or material relevant to the patent infringing action are mainly owned by the infringer, the People's Court may order the infringer to provide the account book, material; where the infringer refuses to provide the account book, material without justified reasons, or provides fake account book, material, the Peoples' Court may determine the benefit obtained by the infringer due to the infringement with reference to the assertion and evidence provided by the right owner.

Article 28

Where a right owner lawfully agrees with an infringer on the amount of damages or a calculation method for the damages, the People's Court shall support the right owner if he or it asserts to determine the amount of damages according to the agreement in patent infringement lawsuit.

Article 29

After a decision declaring a patent right invalid is made, if a party applies for retrial based on the decision lawfully, requesting to revoke a judgment or mediation on patent infringement which the People's Court has made prior to the declaration of patent invalidation but has not been enforced, the People's Court may rule suspending the retrial and suspending the enforcement of the original judgment or mediation.

Where the patentee provides sufficient and valid guarantee to the People's Court and requests to continue the enforcement of the judgment or mediation mentioned in the previous paragraph, the Peoples' Court shall continue the enforcement; where the infringer provides sufficient and valid counter guarantee to the People's Court and requests to suspend the enforcement, the People's Court shall support the request. Where an effective judgment of the People's Court does not revoke the decision declaring the patent right invalid, the patentee shall compensate the other party for the loss caused by continuing the enforcement;

where the decision declaring the patent right invalid is revoked by an effective judgment of a People's Court and the patent right is still valid, the People's Court may execute the above counter guarantee asset directly according to the judgment or mediation mentioned in the previous paragraph.

Article 30

Where no lawsuit is instituted to the People's Court against a decision declaring a patent invalid within statutory period or the decision is not revoked by an effective judgment after the lawsuit, if a party applies for retrial based on the decision lawfully, requesting to revoke the judgment or mediation on patent infringement that a People's Court has made prior to the patent being declared invalid but has not enforced, the People's Court shall retry the case. Where a party, according to the above decision, applies to conclude the enforcement of the judgment or mediation on patent infringement which the People's Court has made prior to the patent being declared invalid but has not enforced, the People's Court shall rule concluding the enforcement.

Article 31

The interpretation shall come into effect as of April 01, 2016. Where contents in relevant judicial interpretations issued by the Supreme People's Court previously are not consistent with those in the present interpretation, the present interpretation shall prevail.

Hot Debate over Patent Jurisdiction

Co-author: Xiaolin WANG, Harlem LU

Forum shopping is an important issue in a patent infringement lawsuit. Under the Chinese Civil Procedure Law, a plaintiff in an infringement case shall file the litigation with a court at the place of infringement or at the place where the defendant is domiciled. However, it often happens that the alleged infringing manufacturer or seller is not in the jurisdiction where the plaintiff wishes to bring the litigation. Fortunately, the ever-growing online shopping business in China seems to provide an opportunity. That is, a patentee may, under the witness of a public notary, purchase the suspected infringing goods online and receive the goods at the place where the lawsuit is to be brought.

A typical scenario involves, (1) the alleged infringer (often the manufacturer or the seller) is not domiciled at the place of receipt; (2) the purchase is conducted online, usually at the alleged infringer's online store or through a B2C e-commerce platform; (3) the place of receipt (often the plaintiff's domicile) is served as the only connection to determine the jurisdiction. This brings us to the main topic discussed in this article: does the court at the place of receipt have jurisdiction?

To answer this question, one must ask whether the place of receipt can be deemed to be the place of infringement. The place of infringement, pursuant to Rule 24 of the *Supreme People's Court's (SPC) Judicial Interpretation on Application of the Civil Procedure Law* issued in 2015, includes the places where the infringement is conducted and where the consequence of the infringement occurs. Specifically, according to Rule 5 of the *SPC's Several Provisions on Issues Concerning the Application of Law to Trial of Cases of Patent Disputes* issued in 2001 and amended in 2015, the place of sale shall be deemed as place of infringement, which includes places where the infringing sale is conducted and places where consequence of the infringing sale occurs.

If, the seller is sued and the court at the place of sale shall have jurisdiction, then one may naturally be led to the central question of this article: Could the place of receipt be deemed as the place of sale? If the answer is yes, could one assume, based on the laws and interpretations, that the place of receipt shall be deemed as the place where the infringing sale is conducted or where the consequence of the infringing sale occurs? We will try to answer this question by looking into some of the leading cases where the courts tried to provide guidance on this hotly debated issue.

1. SPC Interpretations Analyzed

In 1994, the Beijing Higher People's Court wrote an official letter to the SPC, and requested for instructions regarding the Beijing 1st Intermediate Court's jurisdiction on *Beijing Greatwall Titanium v. Hebei Zunhua Titanium Equipment*. The alleged infringing product was manufactured in Hebei Province and finally shipped to a third party, Beijing Gear Factory (the purchaser). At that time, the purchase was conducted offline. The plaintiff filed the lawsuit against the manufacturer before the Beijing 1st Intermediate Court. In its letter to the SPC, the Beijing Higher People's Court suggested that the place where the purchaser was domiciled (which was also the domicile of the plaintiff) shall be deemed as the place of sale. The SPC suggested in its reply that Beijing was the place of sale and the Beijing 1st Intermediate Court shall have jurisdiction.

Similarly, in the mid-1990s, some courts held the view that the place where the plaintiff was domiciled or where the alleged infringing goods was received shall be deemed as the place where the consequence of the alleged infringing sale occurred. Nevertheless, these lower courts' opinions were disagreed by the SPC in 1998, according to a memorandum of the SPC's Trail Work Conference for IP Cases.

Fast-forward to 2015, when the *2015 SPC Interpretation of the Civil Procedure Law* was announced, Rule 20 was believed to have provided a favorable hint in line with the view that the place where the plaintiff is domiciled or where the alleged infringing goods is received shall be deemed as the place of sale. Rule 20 provides that, if a contract of purchase and sale is entered into via the internet, and the subject matter is delivered in ways other than the internet, the place of receipt shall be deemed as the place where the contract is performed.

Under Rule 20, the place of receipt shall be deemed as the place where the contract for purchasing the alleged infringing product is performed. Not surprisingly, many sales that are involved in patent infringement cases often have a purchase and sale contract. However, Rule 20 is primarily provided to interpret the jurisdiction of a "contract" dispute case instead of an "infringement" case, which means that a judge may refuse to apply this rule in the latter. And neither Rule 20 nor other applicable laws and the SPC interpretations are clear on whether, in a patent infringement case, the place where the sale contract is performed can be deemed as the place of sale.

2. Lack of Clear Guidance from Courts

One may conclude that no applicable laws have yet provided a clear guidance. This could be reasonably understood when looking at the current e-commerce boom in China. A single online sale can involve many actions at many different places, such as the purchaser's domicile, the seller's domicile, the place of payment, the place dispatching the goods, the place of receipt, etc. Any one of these places may be deemed as the place of the sale, but the laws have not yet provided a clear guidance on the place or places that may be served as the connection for determining the jurisdiction.

In view of this, the judge's perspective becomes an important indicator. However, our study of the relevant cases reveals that the Chinese courts' opinions sway in both directions.

Dozens of cases decided by the courts in Zhejiang, Jiangsu, and Guangdong provinces upheld that the place of receipt shall be deemed as the place where the consequence of the alleged infringing sale occurs, and that the court therein has the jurisdiction.

In *Shenzhen Worlddvr v. Shanghai Kaicong, et al*, the plaintiff, Shenzhen Worlddvr, purchased the alleged infringing product from the defendant's online store and received the goods in Shenzhen (which was also the plaintiff's domicile). The purchase process, goods, and receipt were notarized by a Shenzhen public notary. The case was filed before the Shenzhen Intermediate Court. The defendant challenged the jurisdiction and the court decided not docketing the case and removed it to a Shanghai court where both defendants were domiciled. The plaintiff appealed the Shenzhen Intermediate Court's removal decision. The Guangdong Higher People's Court overruled the lower court's decision, and reasoned that the Shenzhen Intermediate Court had the jurisdiction, since the place of receipt shall be deemed as the place where the consequence of the alleged infringing sale occurred.

When we shifted our study to courts in Beijing and Shanghai, search results for similar cases are very limited. A judge at the Beijing IP court has even published an article with an explicit disagreement on such jurisdiction determination method and rejected docketing a similar case. According to the article, the rejected case was filed by a Taiwan company against a company domiciled in a southern province of China, based on Beijing as the place of receipt for the alleged infringing goods purchased online. The judge held that the place of receipt was not a proper venue as the place where the consequence of the alleged infringing sale occurred, to determine the jurisdiction.

Moreover, we recently found two rulings rendered by the Guangdong Higher People's Court and the Guangzhou IP Court. The two rulings were made in the same month but with opposite holdings.

In *Zhang Bin v. Shenzhen Mingpin, et al*, the plaintiff, Zhang Bin, purchased the alleged infringing products online and received the goods in the Luogang District of Guangzhou. The Guangzhou IP Court held that the place of receipt shall "not" be deemed as the place where the consequence of the alleged infringing sale occurred, and refused to docket the case. This decision was rendered in January 2015. Almost contemporaneously, the Guangdong Higher People's Court held in another similar case, *Shenzhen Liyang v. Guangdong Tongfang*, that was in line with its previous opinions, for example, the *Shenzhen Worlddvr v. Shanghai Kaicong* case, that the court at the place of receipt has jurisdiction.

3. Risks for Patent Owners

In conclusion, there may be some risks for a patent owner wishing to establish jurisdiction solely based on the place of receipt, especially before some Chinese courts which take a stricter approach. We would like to point out that different courts may hold different opinions on this issue. We urge that a uniform and explicit guideline be provided.

Harlem LU

Manager

Senior Patent Attorney

Mr. Lu has been working in the IP field for over 10 years as a patent attorney at Beijing East IP. Mr. Lu is the senior manager at our Mechanical division.

He's rich experiences both as an in-house and private practice patent attorney give him an edge to better understand client's needs. Mr. Lu is also a veteran in representing our clients in the patent invalidation proceedings, administrative and judicial litigation proceedings. In addition to patent prosecution and enforcement related works, Mr. Lu has also been providing consulting services on China patent portfolio management to Fortune 500 and multinational companies.

Mr. Lu holds a Master of Engineering in Mechanics from Tsinghua University.

Xiaolin WANG

Senior Patent Attorney

Ms. Wang has been working in the IP field for 5 years as a patent attorney at Beijing East IP.

Ms. Wang focused her work in biological and chemical related patent prosecution and litigation matters. Prior to her patent career in our firm, Ms. Wang worked at our Legal and Trademark Department, assisting our start-up and Fortune 500 clients with their trademark, copyright, and domain name matters. With her extensive IP practices experiences, Ms. Wang can craft customized professional and comprehensive opinions based on the client's need and concerns on prosecuting and enforcing their IP rights.

Ms. Wang obtained her J.M. degree with concentration in intellectual property law from Law School of Peking University.

New Practice and Tendency for the Application of the Burden of Proof in Patent Enforcement in China

Author: Bing WU

The patentee who wants to enforce his patent in China should pay attention to the principle of allocating the burden of proof which is one of the most important factors affecting whether the intended goal could be achieved in patent infringement litigation.

Generally, the basic principle adopted for allocating the burden of proof in patent infringement litigation is "Burden of Proof Borne by Claimant".[1] Therefore, in patent infringement litigation, the patentee bears the burden of proof. The standard of the principle is high probability criterion, i.e., the fact can be determined by the Court if the evidence provided by one party can prove that the fact involved has happened with high probability. However, it doesn't request for a perfect evidence chain to be provided by the patentee, as long as there is a higher possibility to enable the judge to affirm the fact asserted by the patentee based on the existing evidence and in connection with the life experience and transaction practice etc. When there is no evidence or the evidence is not strong enough to support the patentee's allegation, the patentee shall undertake unfavorable consequences, even the risk of losing the lawsuit.[2]

An only statutory exception to the basic principle mentioned above is the provision for reversion of the burden of proof. But, the provision is only applied for the patent infringement case relating to a manufacturing method of a new product, i.e., the accused infringer should bear the burden of proof to prove the method he used is different from the patented method. Accordingly, applying the provision for reversion of the burden of proof requires two preconditions, i.e., the patent is a method patent and the product manufactured by the patented method is new. The provision for reversion of the burden of proof cannot apply for other types of method patents, such as application method, processing method, etc.

In practice, unfortunately, the patentee faces a lot of difficulties when collecting evidence in many special types of infringement lawsuits, and applying the principle of Burden of Proof Borne by Claimant will result in that the right of the patentee cannot be protected effectively.

---

[1] *Law of Civil Procedure*, Article64, Paragraph1 stipulates: the parties have the responsibility to provide evidence for their claims.

[2] *Several Provisions of the Supreme People's Court on Evidence in Civil Procedures*, Article2, Paragraph 2 stipulates: where any party cannot produce evidence or the evidence produced cannot support the facts on which the allegations are based, the party concerned that bears the burden of proof shall undertake unfavorable consequences.

In recent years, with the increasing of IP protection in China, the Court assigns the burden of proof reasonably to the parties based on the actual situations during the trial of the infringement lawsuits, which alleviates the burden of the patentee to some extent and can be referenced by the patentee.

Hereinafter, based on some latest cases from the Court, the practice and tendency of the principle on how the burden of proof is allocated in Chinese patent infringement litigation will be discussed.

1. Case Relating to Large Scale Equipment Type of Products

When enforcing a product patent, generally, the patentee can collect evidence by purchasing the infringing product in the market. But for the large scale equipment, there are several problems as below when collecting evidence. First, due to the high price of the equipment, purchasing the infringing product brings severe economic pressure to the patentee. Second, some of the equipments are customized made, so it is hard to purchase it in the market via regular channels. Third, the equipment is usually controlled directly by the accused infringer, so the patentee can hardly obtain it. Accordingly, the patentees of such products can hardly collect the infringement evidence with the regular measures and then it's hard for them to enforce their own rights.

In *Lupke v. Zhongyun Co., et.al*,[3]the alleged product is a part of a large scale equipment and cannot be obtained without disassembling the equipment, so it's hard for the patentee *Lupke*to obtain the alleged product in the market via regular channels. Because the infringers *Zhongyun Co., et.al* refused to provide the equipment drawings and refused the request for disassembling the equipment, the patentee failed to provide sufficient evidence to support his allegation after he had adopted many ways to prove the infringement facts. The first instance and the second instance courts both support the allegation of the patentee based on the existing evidence according to the provision of the *Regulations on Civil Action Evidence issued by Supreme People's Court,*Article.75,[4]During the retrial, the Supreme Court held that,

> *"The equipment in this case is of high price and large size, and is actually controlled by the infringers, so there're lots of actual difficulties for the patentee to collect evidence by himself. The patentee could be believed to fulfill his responsibility if the ways he had adopted almost covered all the legitimate*

[3]Civil Ruling (2012) Min Shen Zi No. 39 by the Supreme People's Court on December 18, 2012.
[4]The Article 75 stipulates: where a party makes statements for its allegations but fails to provide other relevant evidence, the allegations thereof shall not be affirmed, unless the other party so affirms.

ways of evidence collection. The infringers should undertake the unfavorable consequences in the case that the patentee already provided the evidence as possible as he could and the evidence could preliminarily prove that the infringement fact is established; the infringers refused to provide the drawings of the alleged equipment and refused to cooperate on the identification without any justified reasons which made the identification couldn't be done; and the infringers did not provide evidence to prove that the technical solution of the alleged equipment is different from the patent and doesn't fall into the protection scope of the patent. So according to Regulations on Civil Action Evidence issued by Supreme Court, Article 75, it can be inferred that Lupke's allegation is tenable."

Finally, the Supreme Court rejected the retrial request of the infringers.

2. Case Relating to Manufacturing Method for Non-new Product

In the infringement actions referring to a manufacturing method for product, it's hard for people to learn the details of the manufacturing method adopted by the infringer, because the manufacturing method is generally used within the enterprise of the infringer. For most of the manufacturing methods for existing product, it's hard for the patentee to collect infringement evidence.

In view of the practical difficulties, the *Opinions on Trial Functions into Full Play the Role of Intellectual Property to promote development and prosperity of socialist culture and promote the coordinated development of economic autonomy Issues*[5]drafted by the Supreme People's Court indicates that "In the situation that the product manufactured by the patented method is not new, the patentee can prove that the infringer manufactures the same product, but cannot prove with reasonable efforts that the infringer uses the patented method, according to the specific conditions and combining with the existing facts and daily experiences, if it can be determined that it is highly possible the alleged product is manufactured by the patented method, the patentee shall no longer be requested for further evidence, but the infringer shall submit the evidence to prove that its manufacturing method is different from the patented method in accordance with the relevant regulations of judicial interpretation on civil litigation evidence."

[5]*Opinions on Trial Functions into Full Play the Role of Intellectual Property to promote development and prosperity of socialist culture and promote the coordinated development of economic autonomy Issues*[9]drafted by the Supreme People's Court, No.18 (2011).

In *Yibin Changyi Pulp Co., Ltd. v. Weifang Henglian Paper Pulp Co., Ltd.*[6], the dispute focused on how to allocate the burden of proof for parties due to the manufacturing method patent for non-new product. The plaintiff *Changyi* provided preliminary evidence to prove that the alleged method and the product manufactured by the alleged method are the same as the patented method and the product manufactured by the patented method. The first instance court assigned the burden of proof to the defendant *Henglian* in consideration of the above evidence. But the defendant refused to prove that the alleged method is different from the patented method, so the first instance court decided that the alleged method fell into the protection scope of the patent. The second instance court rejected the appeal of *Henglian* based on the same reason. During the retrial, the Supreme Court held that,

> *"Generally, the specific process steps or the data of manufacturing method can be learned only in the manufacturing site or by checking the production record. In the situation that the evidence on the manufacturing method of a product is fully controlled by the infringer, it's hard for the patentee to access the manufacturing site and production record to get the complete evidence on the manufacturing method. In this case, the Changyi has tried its best to prove the manufacturing method fell into the protection scope of the patent by using various ways. Meanwhile, the Henglian didn't cooperate with the court for the evidence preservation on the manufacturing method it controlled, which resulted in that the court could not obtain the evidence of the alleged method. Based on the above evidence and daily experiences, it can be inferred that the Henglian has a high possibility of infringement. In the case that the Henglian doesn't provide effective evidence to prove the manufacturing method it used is different from the patented method, the Henglian should undertake the unfavorable consequences."*

The Supreme Court rejected the retrial request eventually.

3. Case Relating to Features Determined in Operation State

Regarding product claim, it's generally defined by structure features, but in some special cases, it can be defined by function features, effect features, method features, physical and chemical features or usage state features, and the like. When comparing these non-structural features of the infringing product with those of the patent, these features can't be reflected

[6]The Civil Ruling Paper of Min Shen Zi No.309 (2013) by Supreme People's Court.

by the structure of the product, so generally it's hard for the patentee to determine if the alleged product falls into the protection scope of the patent before filing a lawsuit.

In *Staubli Faverges Co., Ltd. v. Changshu Textile Machinery Co., Ltd.*,[7]the patent related to rotating dobby. The claim of the patent includes a feature defining the working state of the actuator, which is "*when said levers are engaged with said wedging surfaces, one of said lever is out of range of an actuator belong to said reading device*". During the first instance, the court confirmed the alleged product had the same function with the function to be achieved by the patent and its structure was the same as the structure of the patent according to the demonstration and analysis. Therefore, it could be inferred that the alleged product had the above feature in actual operation. The first instance court held that the alleged product fell into the protection scope of the patent. After the defendant *Changshu Textile Machinery* appealed against the decision, the second instance count rejected the appeal based on the same reason.

It can be learned from the typical cases discussed above, the Court will assign the burden of proof reasonably between the patentee and the infringer based on the actual conditions. But above all, the patentee should try his best to take the responsibility of the burden of proof so as to make it possible for the court to shift the burden of proof to the infringer. Under the conditions that the patentees are not able to get the alleged product or access the alleged method, they should try their best to take various measures to enable the court to believe a high possibility of infringement.

Bing WU

Senior Patent Attorney

Mr. Wu is well experienced in the patent examination, reexamination, invalidation and litigation.

From 2004 to 2007, Mr. Wu served as an examiner in the Mechanical Department of the State Intellectual Property Office (SIPO). From 2008 to 2011, Mr. Wu worked as a re-examiner in the Patent Reexamination Board (PRB) of SIPO. In 2012, Mr. Wu was appointed to the Intellectual Property Division of the Supreme People's Court to handle IP related cases. In 2013, Mr. Wu joined Beijing East IP and responsible for invalidations and litigations in the field of mechanical and design.

Mr. Wu obtained Master of Civil and Commercial Law from China University of Political Science and Law.

[7]The Civil Ruling Paper of Su Zhi Min Zhong Zi No.0290 (2012) by Jiangsu Province Supreme People's Court.

Protection for Prior Copyright in Trademark Disputes

Co-author: Jason WANG, Fei Fei BIAN

I. Prior copyright: an important aspect with various advantages to claim against the trademark at dispute

1. An important aspect to claim prior rights

Copyrighted Work Claimed

Disputed Trademark

Disputed Trademark

In the recent practice, the famous carmaker Tesla Motors, Inc. filed two civil lawsuits in China in September 2013 before Beijing Third Intermediate Court, against ZHAN Bao Sheng. ZHAN is the registrant of the disputed trademark of the "TESLA TESLA MOTORS and T Design" in China, where Tesla Motors, Inc. has filed disputed cancellations before the Trademark Review and Adjudication Board (TRAB) as well. In one of the civil lawsuits, Tesla Motors, Inc. claimed its prior copyright of the "T Design." According to the news report, all the trademark disputes and copyright disputes between Tesla Motors, Inc. and ZHAN have already been settled before Beijing Third Intermediate Court in August 2014.[1] In addition, in the successful disputed cancellations against the disputed trademarks before the TRAB, Tesla Motors, Inc. should have also claimed its prior copyright. Undoubtedly, the claim of prior copyright has

become one of the key factors and weapons for Tesla Motors, Inc. to successfully clear its major trademark obstacles to the entry of huge China market.

Link to the article: http://www.beijingeastip.com/type-publications/protection-for-prior-copyright-in-trademark-disputes-2/

Jason WANG

Partner

Trademark Attorney

Mr. Wang is the partner heading the Trademark, Copyright and Legal group at Beijing East IP Ltd. / Beijing East IP Law Firm. As a trademark attorney and PRC Attorney-At-Law, Mr. Wang serves as a committee member at the Beijing Bar Association, and the Enforcement Committee of the International Trademark Association (INTA).

In the past decade, Jason has successfully obtained well-known mark recognitions before the Chinese courts for various worldwide famous brands in the field of Internet, motorcycle, musical instrument and hotel which is rare and difficult for foreign trademark registrants.

In 2013, Jason successfully represented the client to win both the two retrials of the Duck King case, and the second retrial case before the China Supreme Court that was later listed as China Courts 2013 Top 10 Innovative IP Cases.

Feifei BIAN

Trademark Attorney

Ms. Bian joined the firm in 2013. Ms. Bian focuses on trademark management, prosecution, enforcement, and client counseling. She has handle dozens of trademark cases, including legal research, trademark search and watch, trademark application and rejection appeal, trademark cancellation and legal opinions on related trademarks matters. Mr. Bian speaks Mandarin and English.

Mr. Bian obtained her Juris Master degree from University of Southern California and Bachelor in Law from East China University of Political Science and Law.

EVENTS

Dr. Lulin GAO Interviewed by China Central Television (CCTV) News Channel

On January 14, 2016, the "Dialogue" program was broadcasted at 19:30 on CCTV News channel. The Chairman of Beijing East IP Ltd., Founding Commissioner of the State Intellectual Property Office (SIPO) of China, Dr. Lulin GAO discussed with Mr. David Kappos, partner of Cravath, Swaine & Moore LLP, former Commissioner of the United States Patent and Trademark Office (USPTO) on "IP protection in China." Dr. GAO and Mr. Kappos exchanged their opinions on the progress China has made, current situation of IP protection in China, IP protection at the digital age, etc.

Link to the video: http://english.cntv.cn/2016/01/15/VIDEpPDXMFGmgw0GJ7y5YZ0D160115.shtml

Beijing East IP Ranked by Managing Intellectual Property (MIP) as Top Tier Firm for IP Practice in China

Recently, the well-renowned international intellectual property magazine Managing Intellectual Property (MIP) published the 2016 China IP Stars Trademark and Patent Ranking. Beijing East IP (Beijing East IP Law Firm/Beijing East IP Ltd.) is ranked as a Tier 2 trademark contentious and prosecution firm and a Tier 4 patent contentious and prosecution firm.

This is the first time for Beijing East IP's trademark team to participate in the MIP's IP Stars Trademark Ranking. From 2011 to 2016, MIP continuously ranks Beijing East IP as a leading Chinese IP Firm for 6 years.

Link to the ranking: http:/www.ipstars.com/firms/beijing-east-ip/f-3995

Beijing East IP Sponsored MIP International Patent Forum

The MIP International Patent Forum successfully took place in London on March 9 to 10, 2016. Beijing East IP attended the conference as a sponsor and conducted in-depth conversations with IP managers and IP elites.

In the panel entitled “how to create a strong patent portfolio in the current pro-patentee environment of China”, Beijing East IP Chairman Dr. Lulin Gao, vice president Dragon Wang, and Mr. David Galaun from Cisco System discussed the topics of “considerations for filing applications in China and creating a strong patent portfolio”, “how to produce the most suitable invention disclosures around a specific technical area”, “strategies to ensure an enforceable patent right in Europe and China”, and “understanding the reasons behind rejections raised behind by examiners of both SIPO and EPO”.

The MIP International Patent Forum is hosted by the well-known Magazine *Managing Intellectual Property* (MIP), and the sponsors are leading law firms from all over the world. Guests from international corporations, law firms, and IP operating agencies discussed prosecution of patents, patents developments in various states and how to formulate comprehensive development strategy for patent etc.

Panel Discussion

contact us

Beijing East IP Ltd. and Beijing East IP Law Firm were founded by Dr. GAO Lulin, the founding Commissioner of the State Intellectual Property Office (SIPO), and a group of experienced Chinese and international attorneys. Beijing East IP have been dedicating in providing top quality IP services to Fortune Global 500s, leading MNCs, and rising SMEs.

This is a quarterly newsletter to inform you the latest update as well as in-depth articles about IP practice in China. All materials and information in this newsletter are produced by Beijing East IP Ltd./Beijing East IP Law Firm for general informational purposes only and are not intended as legal advice. Nothing in this newsletter is intended to create an attorney-client relationship.

Please feel free to forward this newsletter.
Please contact newsletter@beijingeastip.com to be removed from or added to our China IP Newsletter.

BEIJING EAST IP LTD.
BEIJING EAST IP LAW FIRM

Address: Suite 1601, Tower E2, The Towers, Oriental Plaza, No. 1 East Chang An Ave., Dongcheng District, Beijing 100738, P. R. China
Website: www.beijingeastip.com
Email: info@beijingeastip.com
Tel: +86-10-8518 9318
Fax: +86-10-8518 9338