# Determination of Patent Infringement Related to Components

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***Strix Ltd. v. Jiatai Ltd. et al.* (Civil Judgment (2011) Yi Zhong Min Chu Zi No. 15 issued by the Beijing No. 1 Intermediate People's Court on July 30, 2012)**

**The type of the infringement of making and selling a component patent that contains a patented component has been expressly determined, in the judicial interpretation published by the Supreme People's Court in December 2009, as infringing actions of "using" and "selling" a patented component. However, determination of whether making and selling a special component of a patented product constitutes patent infringement has not been expressly stipulated in any laws or regulations in China. Currently, most courts adopted a stipulation of joint infringement under the China Civil Law in determine such infringing acts when rendering judgments.**

Strix Ltd. is the patentee of an invention patent (hereinafter referred as the "present invention") No. 95194418.5 in the title of "Integrated Cordless Electric Connector and Thermally Sensitive Control Unit for a Water Boiling Vessel". In the claims of the present invention, claims 2-4 and 6-17 related to the present case are directed to "an integrated cordless electric connector and thermal sensitive control unit", claims 19-21 and 23-26 are directed to "a liquid heating vessel", containing the unit of claims 2-4 and 6-9 respectively. In this case, Strix Ltd. believed "actions of producing, making, selling, and offering to sell a temperature controller KSD368-A by Jiatai, the alleged infringer, constituted direct infringement of claims 2-4 and 6-17 of the patent concerned; meanwhile, as the temperature controller KSD368-A serves as a special component of the liquid heating vessel of claims 19-21 and 23-26 of the present patent, Jiatai's making, selling, and offering to sell the above temperature controller also infringed claims 19-21 and 23-26 of the present patent. Actions of making and selling an electric kettle DK-1515 and using the temperature controller KSD368-A by Fushibao, the alleged infringer, constituted infringement of claims 2-4, 6-17, 19-21 and 23-26 of the present patent". Strix Ltd. requested the court to order Jiatai and Fushibao to cease the infringements and be held jointly and severally liable for compensation.

Upon hearing the case, the court held that the temperature controller KSD368-A made and sold by Jiatai fell into the protection scopes of claims 2-4 and 6-9 of the patent concerned; and the electric kettle DK-1515 made by Fushibao fell into the protection scopes of claims 2-4, 6-9, 19-21, and 23-26 of the patent concerned. Both of the above actions were direct infringement of the patent right concerned. Meanwhile, since the temperature controller concerned was a special component of the electric kettle concerned, Jiatai's making and selling the temperature controller also constituted joint infringement of claims 19-21 and 23-26 of the patent concerned. The court's final judgment ordered Jiatai and Fushibao to cease making and selling the infringing

products; and Jiatai shall compensate Strix Ltd. for economic loss of RMB 1 million, and Fushibao was jointly and severally liable to compensate RMB 500,000 thereof.

**Interpretation and Analysis**

This case concerns two questions of patent infringement determination related to components. One is whether making and selling a product containing a patented component constitutes patent infringement of that component, the other is whether making and selling a special component of a patented product constitutes patent infringement of that patent.

**1. Concerning whether making and selling a product containing a patented component constitutes patent infringement of that patent**

According to Article 11 of the *Chinese Patent Law*, no entity or individual may, without the authorization of the patentee, make, use, offer to sell, sell, or import the patented product for production or business purposes. In this case, Fushibao did not make or sell the patented product, temperature controller (claims 2-4 and 6-9), but made and sold another product, i.e., an electric kettle containing the temperature controller. Therefore, what type of patent infringement does Fushibao's production of an electric kettle containing the patented temperature controller falls into? Regarding this question, the court adopted Article 12 of the *Interpretation by the Supreme People's Court on Some Issues Concerning Applied Laws to the Trials of Patent Infringement Disputes* (hereinafter referred as *Interpretation on Some Issues*) implemented on October 1, 2009, which stipulates: where one produces a product that infringes an invention or utility model patent as a component to make another product, the People's Court shall determine the action as "use" under Article 11 of the *Chinese Patent Law*; where one sells that product, the People's Court shall determine the action as "sell" under Article 11 of the *Chinese Patent Law*. Based on the above stipulations, the court found that Fushibao's use of the temperature controller as a component when making an electric kettle constitutes as "use" of the temperature controller concerned, and infringed claims 2-4 and 6-9 of the temperature controller in the present patent.

The stipulation of Article 12 in the above judicial interpretation aims at explicitly define whether the act of using a patented product as a component to produce another product belongs to "making" or "using" of the patented product. The explicit definition is provided for the following reason: according to Article 70 of the *Chinese Patent Law*, use, for business operation purposes, without knowing that it was without the patentee's authorization may defend on the ground of "legitimate source", and can be excused from compensation liability. However, if it is an action of "making", the compensation liability cannot be excused. In previous judicial practices, there were disputes on determination of the case of using a patent infringement product as a component of another product as action of "making" or "using". Therefore, Article 12 of the above judicial interpretation unifies them, and explicitly defined such an action as "use".

**2. Whether making and selling a special component of a patented product constitutes patent infringement of that product**

Actually, in this case, another important question related to the component is the determination of whether Jiatai's making and selling the temperature controller used in a liquid heating vessel infringed claims 19-21 and 23-26 directed to "liquid heating vessel" in the present patent.

Generally, a certain product infringes a certain patent right means that the product falls into the protection scope of the patent. Concerning invention and utility model patent, generally, it means the product reproduces all the essential technical features in the patent claims, i.e., following the all-element rule.

The all-element rule is the most fundamental principle in patent infringement judgment for inventions and utility models. However, in this case, claims 19-21 and 23-26 of the present patent are directed to an electric kettle, since Jiatai merely makes and sells the temperature controller concerned, it does not cover all the essential technical features of the above claims. Thus, according to the all-element rule in invention patent infringement judgment, Jiatai's temperature controller products do not fall into the protection scopes of claims 19-21 and 23-26 of the present patent. Consequently, the court found that Jiatai's making and selling the temperature controller concerned did not constitute direct infringement of the above claims 19-21 and 23-26.

However, if no penalty is imposed on any of the making and selling the special component of a patented product, it will undermine the protection of a patent right and leave infringers loopholes to individually make and sell components of a patented product, to specifically make and sell a certain key component of a patented product, or to provide a special device specifically used for implementing a patented method. Concerning these circumstances, the theory of "indirect infringement", correspondent of the "direct infringement", under Article 11 of the *Chinese Patent Law* is often adopted in practice. However, there is no explicit stipulation related to indirect infringement in current Chinese laws and regulations. Therefore, in this case, the court adopted the stipulations, as legal basis, related to contributory infringement under Article 130 of *the General Principles of the Civil Law of the People's Republic of China* (hereinafter referred as *the General Principles of the Civil Law*), where "if two or more persons jointly infringe upon another person's rights and cause him damage, they shall bear joint liability", and Article 148 of *Opinions of the Supreme People's Court on Several Issues concerning the Implementation of the General Principles of the Civil Law of the People's Republic of China*, where "one who abets or assists another person in committing a tort is a joint tortfeasor and shall bear joint and several civil liability" and reasoned that, "though relevant actions of abetting or assisting another person in committing a tort do not constitute direct infringement of a patent right, but if an individual aids or abets others to implement direct infringement of a patent right, that individual and the direct infringement constitutes joint infringement, and such individual shall be jointly and severally liable with the direct tortfeasor". The court

finally held that Jiatai's making and selling the temperature controller concerned constituted joint infringement of claims 19-21 and 23-26 of the patent concerned.

Concerning similar infringing actions such as making, selling, offering to sell or importing a raw material, a special device, or a component specifically adapted for implementing relevant patented product of others, and making, selling, offering to sell or importing a specific device exclusively for implementing relevant patented process of others, the United States, Europe, Japan, and other major countries already have explicit laws to regulate. But, currently, there is no explicit laws or regulations in China yet. Thus, applicable laws and standard of judgments in China's current judicial judgment practices varies significantly. With respect to applicability of the laws, the author's found precedents from many business judgment/verdict databases that, part of the precedents adopted the same stipulation of joint infringement in the *Civil Law* as this case, i.e., Article 130 of *the General Principles of the Civil Law* and Article 148 of *Opinions of the Supreme People's Court on Several Issues concerning the Implementation of the General Principles of the Civil Law of the People's Republic of China.* Part of the precedents adopted similar stipulations related to joint infringement under Article 8 "where two or more persons jointly commit a tort, causing harm to another person, they shall be jointly and severally liable", and/or Article 9 "one who abets or assists another person in committing a tort shall be jointly and severally liable with the tortfeasor" under the *Tort Liability Law of the People's Republic of China*. Part of the precedents are not applicable to any of the above laws, some even failed to specify under which law was the action applicable. As can be seen, in current judicial judgments related to the above "indirect infringement" cases, the applicable laws applied by each courts are neither unified nor explicit.

In addition, it should be noted that in this case, the court proposed three factors to determine joint infringement liability: first, actions of implementing direct infringement of a patent right by others; second, abetting or assisting a tortfeasor to implement making, selling, offering to sell, or importing a raw material, a special device or a component specially adapted for implementing relevant other's patented product, or making, selling, offering to sell or importing a special device of specially adapted for implementing other's relevant patented process; third, abetting or assisting a tortfeasor so that he or she knew or should have known that direct infringement of a patent right will be implemented by others. With respect to the first factor, the court reasoned that: first, "the reason that abetting or assisting a tortfeasor shall bear joint infringement liability is because such action promotes or causes occurrence of direct infringement. If there is no direct infringement, then imposing joint infringement liability on abetting or assisting a tortfeasor lacks factual basis"; second, "since the abetting or assisting a tortfeasor does not directly infringe a patent right, i.e., the abetting and assisting a tortfeasor to make or sell a product does not fall into the protection scope of the patent concerned, if no direct infringement exists (already took place), it will render the protection scope of the patentee's right to be improperly broadened, such that implementation of relevant acts by the relevant public lacks reasonable legal expectation, thereby affect the public interest". As can be seen, the

court held that the fact of direct infringement and that it had already occurred were the essential factors for bearing joint infringement liability. With respect to the second factor, the court reasoned why the requirement of a "special" device: "if a 'special' product is not required, it will result in patentee's improper control and monopoly of relevant products within a protection scope not fall into its patent protection scope, thereby rendering the protection scope of the patent concerned improperly broadened". Meanwhile, the court further stated that the standard of judgment of a "special" product should be based on whether the product had "a substantive non-fringing purpose", i.e., the product had no other "substantive non-fringing purpose" than the purpose of being applied to the product or method of the patent concerned, so as to achieve balance between the interest of the patentee and the interest of the public by reasonably defining the protection scope of a patent right. With respect to the third factor, the court explained a specific judgment method concerning "know" or "should have known", where "know" suggested abetting or assisting the tortfeasor to know that others' action was a direct infringement of a patent right, and "should have known" suggested that though there was no evidence for the tortfeasor to know that its abetting or assisting others' is an action of directly infringing a patent right, but according to the tortfeasor's knowledge and notice obligations, the tortfeasor should be aware that others' action was an act of direct infringing of a patent right. In this case, the two parties had already had several patent infringement lawsuits, the court held that the third factor was satisfied when "it has been determined in the prior proceedings that other models of temperature controller products produced by Jiatai infringed the patent right concerned" and "according to Jiatai's knowledge and notice obligations, Jiatai should have noticed that others would implement the corresponding infringement after buying the above 'product'". In view of the above three factors, the court held that Jiatai's making and selling the temperature controller concerned shall be held liable for joint infringement of claims 19-21 and 23-26 directed to "a liquid heating vessel".

In fact, the above three factors are not explicitly stipulated in China's current laws and regulations. Since this case is heard by the Beijing No. 1 Intermediate People's Court, it is speculated that these three factors mentioned in the judgment may have been adopted from the relevant stipulations of Article 73-80 of *Interpretation by Beijing Higher People's Court on Some Issues Concerning Determination of Patent Infringement (Trial) 2001*. Besides, the court held that determination of joint infringement liability "shall" satisfy all three factors, i.e., all three factors shall be met simultaneously: actual direct infringement, the infringing object must be a special device, and there is a subjective intent of abetting or assisting. However, when studying relevant precedents, not all precedents required that the three factors be met simultaneously. Consider "the premise is whether there is a direct infringement", different perspectives and determination can be found where most precedents held that the premise must be based on that a direct infringement actually took place. But few other precedents disagreed, for example, in Schneider Electric USA, Inc.'s "Integrated Breaker" case (Beijing No. 1 Intermediate People's Court (2000) Yi ZhongZhi ChuZi No. 26), no direct infringement actually occurred, and the court determined that the defendant's actions

constituted indirect infringement, where the defendant induced a user buying its product to implement the patent that directly infringed, which was a subjective intent of inducing and abetting others to infringe the patent right, and objectively provided an essential element for other's direct infringement. Regarding determining the "special device" factor, if it is not a special device, it is further required to distinguish whether there is a subjectively intent to induce or abet. Concerning the subjective and intentional factor, each precedent's determination is relatively unified, all decisions held that there must have a subjectively intent to induce or abet. Determination of the subjective factor is different from Article 11 of the *Chinese Patent Law*, which stipulates that the implementation of a corresponding action without authorization of the patentee is an infringement, and the subjective intent of the alleged infringer does not need to be taken into consideration. It is believed that it is necessary to take the subjective intent into consideration when determining patent joint/indirect infringement in the above circumstances. This helps to reduce the public's notice obligations and avoids pursuing infringement liability to all negligent actions.

For quite some time, both practitioners in practice and a good number of scholars has urged to incorporate indirect infringement into the *Chinese Patent Law* in relevant legislations; we have also seen relevant national government's approaches and efforts to gradually solve problems in this aspect in recent years. For example, a statement of "indirect infringement" was mentioned explicitly in *Interpretation by Beijing Higher People's Court on Some Issues Concerning Determination of Patent Infringement (Trial) 2001*, but it was amended as an expression for "joint infringement" that has solid legal basis in the amended *Guidelines for Patent Infringement Determination* in 2013. The Supreme People's Court also, for the first time, described such infringement circumstances in Article 25 of *Interpretation on Some Issues Concerning Applied Laws to the Trials of Patent Infringement Disputes (II) (Draft for Public Comment)* published in 2014. Furthermore, another great concern is the new Article 62 related to this matter was added to the *Amendments to the Chinese Patent Law*（*Draft for Public Comment*） published in December 2015, stipulates that "any person, who knows that a relevant product is a raw material, an intermediate, a component or a device specially adapted for implementing a patent, implements acts of infringing a patent right by providing the product to others for production and business purpose without the authorization of the patentee, shall be contributory liable with the tortfeasor; and any person, who knows that a relevant product or method belongs to patented products or patented processes, induces others to implement action to infringe the patent right for production and business purpose without the authorization of the patentee, shall be contributory liable with the tortfeasor", which means joint or contributory infringement related to a special component will possibly be formally and expressly incorporated into the *Chinese Patent Law*. Thus, we believe that the respective courts could try these cases under a more unified applicable laws and criteria in future.

On the other hand, in order not to give loopholes for infringers who, individually or specifically, make or sell a special component of a patented product, we suggest that, apart from patent protection of an entire product, each patentable component produced

or sold separately should also be filed for a patent protection. This is because under most circumstances, determination of joint infringement is based on direct infringement, so applying a patent for each component individually can cover all the component suppliers on the production chain.

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