

The background of the book cover is a deep red color with a repeating geometric pattern of interlocking stars and polygons, creating a complex, crystalline texture.

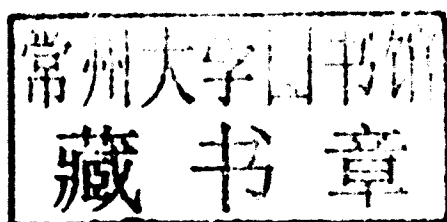
# PATENT LITIGATION IN CHINA

Douglas Clark

OXFORD

# PATENT LITIGATION IN CHINA

Douglas Clark



OXFORD  
UNIVERSITY PRESS

**OXFORD**  
UNIVERSITY PRESS

*Oxford University Press, Inc., publishes works that further Oxford University's objective of excellence  
in research, scholarship, and education.*

Oxford New York

Auckland Cape Town Dar es Salaam Hong Kong Karachi Kuala Lumpur Madrid Melbourne  
Mexico City Nairobi New Delhi Shanghai Taipei Toronto

With offices in

Argentina Austria Brazil Chile Czech Republic France Greece Guatemala Hungary Italy  
Japan Poland Portugal Singapore South Korea Switzerland Thailand Turkey Ukraine  
Vietnam

Copyright © 2011 by Oxford University Press, Inc.

Published by Oxford University Press, Inc.

198 Madison Avenue, New York, New York 10016

Oxford is a registered trademark of Oxford University Press

Oxford University Press is a registered trademark of Oxford University Press, Inc.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or  
transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise,  
without the prior permission of Oxford University Press, Inc.

---

Library of Congress Cataloging-in-Publication Data

Clark, Douglas.

Patent litigation in China / Douglas Clark.

p. cm.

Includes bibliographical references and index.

ISBN 978-0-19-973025-4 ((pbk.): alk. paper)

1. Patent suits—China. 2. Patent laws and legislation—China.

I. Title.

KNQ1215.C53 2011

346.5104'86—dc22

2011006686

---

1 2 3 4 5 6 7 8 9

Printed in the United States of America on acid-free paper

**Note to Readers**

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is based upon sources believed to be accurate and reliable and is intended to be current as of the time it was written. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional person should be sought. Also, to confirm that the information has not been affected or changed by recent developments, traditional legal research techniques should be used, including checking primary sources where appropriate.

*(Based on the Declaration of Principles jointly adopted by a Committee of the  
American Bar Association and a Committee of Publishers and Associations.)*

<p>You may order this or any other Oxford University Press publication by visiting the Oxford University Press website at <a href="http://www.oup.com">www.oup.com</a></p>
--

To Mum and Dad

## ACKNOWLEDGMENTS

I have had the opportunity over the past more than twenty years to have worked with and been taught by exceptional lawyers whose contribution to my knowledge of intellectual property law, Chinese law, and Chinese intellectual property law has been immense. Of these, there are four people, in particular, I would like to thank. Taking their contributions in chronological order, I would first like to thank my principal teacher and mentor at Fudan University, Zhang Guangjie, for his great patience and effort during my studies, in teaching me and helping me gain an understanding of the Chinese legal and political system. Second, I would like to thank Stephen Hayward and Henry Wheare, partners at Lovell White Durrant (as it then was) who first supervised me as a junior intellectual property (IP) lawyer. Stephen first took me on as a paralegal and supervised me on my first two patent cases. Henry took over this supervision when Stephen moved to Vietnam. Both Stephen and Henry strongly supported my desire to build an IP practice in China and helped to arrange a secondment for me to Shanghai in 2000. Henry continued to support the development of the firm's China IP practice after Stephen left, and I was proud to become a partner in the firm in 2001. Last, but not least, I must thank Lu Fang Ming, with whom I worked on literally hundreds of IP cases all over China between 1994 and 2004, when he retired. Mr. Lu generously taught me a huge amount about intellectual property law in China. Without his guidance and teaching, I would not have been able to write this book.

I have had the honor of working with many excellent IP practitioners in China in my time at Hogan Lovells. Each one of them has contributed to this book, in ways ranging from the work on cases to discussions over a few drinks late at night. These include, in addition to Steve and Henry, Gabriela Kennedy, Gabrielle Ma, Kim McLeod, Andrew Cobden, Horace Lam, Margaret Yang, Peter Shen, Monique Woo, Sandra Gibbons, Alan Adcock, Deanna Wong, Sebastian Hughes, Judy Chan, Jessica Chan, Katherine Wong, Joanne Harland, Adam Salter, Vivian Chung, Vivian Lui, Lewis Ho, Christine Yiu, Sarah Doyle, Amy Zhang, Michelle Yee, and Brenda Lui, who

I worked with in Hong Kong. I also thank Zhen (Katie) Feng, William “Skip” Fisher, Geoffrey Lin, Rieko Michishita, Georgia Chiu, Eugene Chen, Alex Xia, Julia Peng, Yu-an Chang, and Michael Ni, who I worked with in Shanghai; and Stacy Yuan, Enoch Liang, Rae Yan, Helen Xia, Albert Tsui, Betty Li, David Chen, and Cliff Borg-Mark, who were based in Beijing.

Many people in the Hogan Lovells Shanghai, Hong Kong, and Beijing offices assisted greatly in the preparation of this book or the preparation of research notes or advice that found their way into this book. In particular, thanks must go to Duncan Thomson, who spent a huge amount of time researching the law and preparing a first draft of the book. Special thanks to Geoffrey Lin, Georgia Chiu, and Michael Ni. Chapters on invalidity draw strongly on the work that they have prepared. Alex Xia took on the mammoth job of proofreading the entire book and cross checking citations (any errors that remain are mine) and also contributed greatly in the analysis of the 2010 judicial interpretation. Andrew Cobden also provided useful comments on a draft of the book. A number of summer interns also assisted in proofreading and adding comments to the book. Particular thanks to Daniel Jones, Yi Chen, and Bisola Daramola.

Thank you to Andreas von Falck and Crispin Rapinet for allowing me to work on this book and for their support over the years. I would also like to give special thanks to the IP group of Hogan Lovells, and many others I have worked with over the years at Lovells and Hogan Lovells. Their names are too numerous to mention, but thanks to all.

Outside Hogan Lovells, I have appreciated the many discussions regarding IPRI have had with my fellow members of the European Chamber of Commerce IPR Working Group, in particular, Thomas Pattloch, Paul Ranjard, Joe Rogers, Chris Bailey, and Lewis Ho. Thank you also to Ioana Kraft for her hard work in organizing the Working Group.

A number of my competitors have also been very generous over the years in serving as sounding boards for ideas or pointing me in the right direction to find relevant laws, regulations, or rules. In particular, I would like to thank Luke Minford of Rouse and Co., and Joe Simone, Robert Arnold, and Cliff Borg-Marks, all of whom while at Baker & McKenzie generously provided ideas on the handling of cases, many of which have found their way into this book. (Cliff was also a colleague at Hogan Lovells.) John Slater, now at Simmons and Simmons; Yvonne Chua, Anne Choi, and Andrea Fong at Wilkinson & Grist; Kenny Wong and Rosita Li at Mayer Brown JSM; Matthew Laight and Alison Wong of Bird & Bird also have provided interesting insights into Chinese law.

Frank Holliday at Marks & Clerk was also of superb assistance on many of my early patent cases.

A number of local counsel I have worked with in China have also provided very useful guidance and understanding of the Chinese legal system. In particular, I would like to acknowledge Andy An and his team at An Tian Zhang, Dixon Zhang and his team at Fangda, Ai Hong and his team at ZY Partners, Chen Jianming of Tsinghua University, and Xu Weiqi who has his own firm. A special thanks also to Ding Zhongying who worked with Lu Fangming and me for many years.

Special thanks also to Stephen Weiss and Gregory Fleesler of Mosers and Singer in New York for instructing me as an expert witness on Chinese patent law. The report that I (with much help from Skip Fisher) prepared provided a strong foundation for this book.

Many Chinese judges, officials, and academics have also been very generous with their time and very patient to answer my questions over the years regarding how the system works in practice. To all of you, I give my thanks.

At the end of the day, I have only been able to write this book due to the direct support of many clients who have instructed my firm over many years and shown great patience as we have navigated the treacherous shoals of litigating IP in China. If I were to name one, I would need to name many (and then need to navigate the treacherous shoals of client confidentiality), so I will leave this as a general thank you.

I greatly appreciate the enthusiasm and patience of Matt Gallaway, my editor at Oxford University Press, for commissioning me to write this book and for tolerating with good grace my constantly slipping deadlines.

My family has been supportive and encouraging. I have dedicated this book to my parents and also thank them for their encouragement and support for me to study at high school in Japan and university in China thus starting my Asian odyssey. Thank you also to my siblings, Tanya, Russell (and his wife Michelle), and Nicola for their support and “constructive criticism” that only siblings can give over the years. And, finally my great appreciation and thanks to my wife Tomoko and children Leila, Kai, Ray, and India for your support always.

## A NOTE ON TRANSLATIONS

It is difficult to achieve legal translations from Chinese to English that are consistent and 100 percent accurate. Chinese does not have tenses, definite or indefinite articles, or plural forms for nouns. Nor, because Chinese is written using characters, are defined terms indicated by capital letters. As a result, a provision of Chinese law can be accurately translated into English in a number of ways, none of which can be deemed to be inaccurate.

The author has attempted to ensure consistency of translation throughout the book, but certain translations will appear to be inconsistent either with other passages in the book or other translations to which a reader may refer. Ultimately, if the meaning of a word or phrase is important, it is necessary to consult the original Chinese. For this reason, the translations of patent law and other documents in the appendices are provided for reference only.

Other than for quotations from the *Examination Guidelines*, the translations used in the book have been done or checked by the author. For quotations from the *Examination Guidelines*, the author has relied upon the official translation issued by the Patent Office, save the correction of obvious grammatical or spelling mistakes in the official translation.



# CONTENTS

*Acknowledgments*      xiii

*A Note on Translations*      xvii

1. Introduction	1
1.1 Intellectual Property Rights in China	1
1.2 Scope of This Book	2
1.3 History of Patent Law in China	2
1.4 Modern Patent Law	3
1.5 Patents in China	3
1.6 Weaknesses in the Chinese Patent System	4
2. Sources of Patent Law	7
2.1 Principal Legal Provisions Covering Patent Law	7
2.2 Other Relevant Legislation	8
2.3 Amendments to the Patent Law	9
2.4 Renumbering of Articles After Amendment	9
2.5 Transitional Provisions Applying to the Most Recent Amendments	9
2.6 Case Law	10
2.7 Supreme Court Judicial Interpretations and Opinions	11
2.8 Interpretations and Opinions of the Lower Courts	12
3. Introduction to China's Administrative and Judicial Patent Systems	13
3.1 Introduction	13
3.2 Administrative System	13
3.3 Judicial System	13
3.4 State Intellectual Property Office	14
3.5 Patent Review and Adjudication Board	15
3.6 Structure of the Chinese Judicial System	16
3.7 Intellectual Property Chambers	17
3.8 Courts That Handle Patent Cases	17
3.9 Appeals	18

3.10 The Judiciary	18
3.11 Adjudication Committees	19
4. Administrative Enforcement	21
4.1 Administrative Enforcement	21
4.2 The Procedure for SIPO Administrative Actions	22
4.3 Mediation by the SIPO	25
4.4 General Administration for Customs	27
5. Patents	31
5.1 Introduction	31
5.2 Types of Patents	31
5.3 Filing Requirements	32
5.4 Term of Protection	33
5.5 Grace Periods	34
5.6 Patent Examination Guidelines	34
5.7 Preliminary Examination	35
5.8 Substantive Examination	36
5.9 Rejection	37
5.10 Re-Examination	38
5.11 Appeal of the Re-Examination Decisions to the Court	39
6. Grounds for Invalidating a Patent	41
6.1 Introduction	41
6.2 Statutory Grounds	41
6.3 Definitions of Invention and Utility Model	42
6.4 Confidentiality Examination	43
6.5 Novelty	44
6.6 Inventiveness	48
6.7 Practical Applicability	51
6.8 Sufficiency of Disclosure	52
6.9 Claims Must Be Supported by the Description	54
6.10 Amendments	56
6.11 Claims Must Contain the Essential Technical Features	58
6.12 Divisional Applications Must Not Go Beyond Scope of Original Application	59
6.13 Law, Morality, or Public Interest	59
6.14 Breach of Law or Regulations Relating to Genetic Resources	61
6.15 Prohibited Inventions	61
6.16 Earlier Application	62
7. Patent Revocation Proceedings	63
7.1 Introduction	63
7.2 Application for Revocation	63
7.3 Invalidation Procedures	64

7.4	Grounds for Invalidation	68
7.5	Evidence	69
7.6	Oral Hearing	74
7.7	Appeal of PRAB's Invalidation Decision	75
7.8	Effect of a Final Invalidation Decision	77
8.	Civil Litigation in China	79
8.1	Introduction	79
8.2	Summary of Civil Proceedings	79
8.3	Judging Panel	79
8.4	Filing Fees	79
8.5	The Complaint	80
8.6	Acceptance of the Complaint	81
8.7	Service of the Complaint	81
8.8	Defense	82
8.9	Proceedings in the Absence of a Party	82
8.10	Mediation	82
8.11	Evidence Collection and Admissibility	83
8.12	Evidence Exchange	83
8.13	Trial	84
8.14	Judgment	85
8.15	Appeals	85
8.16	Effect of an Appeal	87
8.17	New Evidence on Appeal	87
8.18	Review of the Decision by the Supreme Court or Procuratorate	87
9.	Preliminary and Interlocutory Issues	89
9.1	Introduction	89
9.2	Powers of Attorney	89
9.3	Limitation Periods	91
9.4	Jurisdiction	93
9.5	Search Reports for Utility Model and Design Cases	96
9.6	Pretrial or Interim Injunctions	97
9.7	Asset-Freezing Orders	100
9.8	Declaration of Non-Infringement	100
9.9	Stay of Infringement Proceedings	101
10.	Evidence	105
10.1	The Importance of Evidence	105
10.2	Permitted Evidence	106
10.3	Best Evidence Rule	107
10.4	Notarized Evidence	107
10.5	Foreign Evidence: Notarization and Legalization	108

10.6 Foreign Language Evidence	108
10.7 Expert Evidence	108
10.8 Evidence Preservation Orders	109
10.9 Evidence Collection by the Court	111
10.10 The Burden of Proof Does Not Shift If the Other Party Does Not Comply with an Evidence Request	111
10.11 Penalties for Destroying Evidence	111
10.12 Investigations by the Parties	112
10.13 Inadmissibility of Illegally Obtained Evidence	113
10.14 Admissibility of Pretext or Trap Purchases	114
11. Patent Infringement Litigation—Invention Patents and Utility Models	117
11.1 Introduction	117
11.2 The Rights of Patentees and Related Injured Parties to Bring Action	118
11.3 Acts of Infringement	119
11.4 Indirect Infringement	120
11.5 Joint Infringement	121
11.6 Reverse Burden of Proof If the Patent Relates to a Method of Making a <i>New Product</i>	122
11.7 Claim Interpretation	122
11.8 Doctrine of Equivalents	125
11.9 File Wrapper Estoppel	128
11.10 Interpretation of Claims to Rectify Mistakes	129
11.11 Proving Infringement	129
12. Defenses	131
12.1 Types of Defense	131
12.2 Invalidity	132
12.3 Non-Infringement	132
12.4 Prior Art Defense	133
12.5 Exhaustion of Rights	134
12.6 Prior Use Defense	134
12.7 Temporary Entry into China	136
12.8 Research and Development	136
12.9 Clinical Trials	136
12.10 Innocence	137
12.11 Limitation Defense	138
12.12 Breach of Anti-Monopoly Law	138
12.13 Patent Incorporated into Standard	139

13. Design Patents	141
13.1 Introduction	141
13.2 Stay of Infringement Proceedings	141
13.3 Grounds for Invalidating Design Patent	141
13.4 Definition of Design	142
13.5 Design Rights Shall Not Belong to an Existing Design	143
13.6 Identical or Not Substantially Different Designs	143
13.7 Conflict with Prior Legal Rights	145
13.8 Two-Dimensional Designs that Mainly Serve as Indicators	145
13.9 The Design Drawing Should Clearly Identify the Design	146
13.10 Amendments Beyond the Scope of the Initial Application	146
13.11 Contrary to Law or Social Morality, or Detrimental to the Public Interest	146
13.12 Identical Invention-Creation	147
13.13 Infringement of Design Patents	147
13.14 Designs Incorporated into Other Products	149
13.15 Defenses	149
13.16 Prior Art Defense	150
13.17 Damages	150
14. Remedies	151
14.1 Remedies Available in China	151
14.2 Injunctions	152
14.3 Circumstances in Which an Injunction Will Not Be Granted	152
14.4 Reasonable Fee for Pre-Grant Use	154
14.5 Damages for Post-Grant Infringement	154
14.6 Eliminating Ill Effects	159
14.7 Apology	159
14.8 The Enforcement of Damages Awards	159
14.9 The Enforcement of Injunctions	159
Concluding Remarks	161
Tables	163
Patent Applications	163
Patent Infringement Litigation	164
Patent Prelitigation, Litigation Official Court, and Enforcement Cost Projections	165
Appendices	
1. Patent Law of the People's Republic of China	169
2. Implementing Regulations of the Patent Law of the People's Republic of China	191

3. Interpretation by the Supreme People's Court on Several Issues Regarding Legal Application in the Adjudication of Patent Infringement Cases	245
4. Several Provisions of the Supreme People's Court on Issues Relating to Application of Law to Adjudication of Cases of Patent Disputes	251
5. Several Provisions of the Supreme People's Court for the Application of Law to Pre-trial Cessation of Infringement of Patent Right	259
6. Supreme People's Court Opinion on Certain Issues with Respect to Intellectual Property Judicial Adjudication Under the Current Economic Situation	265
7. List of Courts with Jurisdiction to Handle Patent Cases	281
<i>Table of Cases</i>	283
<i>Table of Legislation</i>	285
<i>Index</i>	287

## CHAPTER 1

# Introduction

### 1.1 INTELLECTUAL PROPERTY RIGHTS IN CHINA

1.1.1 The author first studied intellectual property law at Fudan University in Shanghai, the People's Republic of China (PRC or China), in 1989. At that time, there were no courses on intellectual property (IP); only a short section of the course on civil law was devoted to intellectual property. At the time, studying the enforcement of intellectual property rights in China was more theoretical than practical.

1.1.2 In 1993, I started working as an intellectual property paralegal based in Hong Kong. At that time, I handled the filing of some patents in China but no patent litigation. During the 1990s, most of the work of intellectual property practitioners in China revolved around anti-counterfeiting with some general advice on patent law.

1.1.3 As China's economy grew, more and more foreign companies invested in higher technology production in China, and the filing of patents increased substantially. After China joined the World Trade Organization (WTO) in 2001, there was a further marked increase in filings. From about 2003, we also started to see foreign and domestic companies become more and more involved in patent litigation. In the past five years, the majority of my practice has been devoted to handling patent litigation matters in China, including a number of cases involving cross-border patent disputes.

1.1.4 In 2008, China became the world's second largest economy, behind the United States (U.S.), and surpassed Germany to become the second largest exporter in the world.<sup>1</sup> Many foreign companies have no choice but

1. World Economic Outlook Database, International Monetary Fund, 2009.

to invest in and transfer technology to China. Increasingly, they have to rely on the Chinese legal system to protect their rights.

1.1.5 A number of problems remain in the Chinese legal system, including that law is not above politics; the state owns many large enterprises, and, local protectionism can be strong. Each of these problems is discussed briefly at the end of this chapter.

1.1.6 Nevertheless, the Chinese legal system has over the last eighteen years improved with the growth of the economy. The official policy of the Chinese government is to protect intellectual property rights so as to encourage domestic innovation and move the economy away from the current “world’s factory” model whereby foreign products are made in China to be exported elsewhere. Although there will be ups and downs, I expect to see the legal system governing patents to continue to improve.

## **1.2 SCOPE OF THIS BOOK**

1.2.1 This book is intended to provide non-Chinese patent practitioners and others interested in the Chinese patent system an overview of the patent enforcement system so as to allow them to understand the steps that need to be taken to protect or defend their rights.

1.2.2 This book is not a substitute for obtaining legal advice. Although this caveat is always included in texts on legal subjects, it is particularly important that legal advice be obtained in relation to patent matters in China. Laws and regulations can change very quickly, and local rules and practices can make a big difference to whether a case can be brought or defended successfully.

## **1.3 HISTORY OF PATENT LAW IN CHINA**

1.3.1 The concept of intellectual property rights, particularly patent rights, is relatively new in China. Traditionally, no domestic intellectual property laws existed. It was not until the late nineteenth century, when Chinese scholars began to travel and study abroad, and bring ideas back from the West, that palpable notions of intellectual property rights began to be formulated in China. This intellectual development culminated in 1898 when several ordinances relating to intellectual property, including the *Awarding Procedures for Manufacturing Craftsmanship*, were issued by the government of the Qing Dynasty.

1.3.2 This legislation became the first in Chinese history that recognized the rights of inventors; the protection it afforded lasted for a period of



between 10 and 50 years. However, after a brief period, the protection of this legislation and all other patent protection vanished, as China fractured and came under the control of warlords in the post-Qing dynasty period. No patent laws were enacted throughout the period of national turbulence that lasted from World War I through the civil war between the Communist and Nationalist forces, and the initial stages of socialism in China that led to the Cultural Revolution. During the Cultural Revolution almost all economic laws were repealed and there was limited protection of economic rights, let alone patent rights.

## **1.4 MODERN PATENT LAW**

1.4.1 After the Cultural Revolution, China entered a period of “reform and opening,” which included the development of a market economy as part of the socialist economy. It was recognized that a market economy necessitates a legal system that can protect economic rights, and so steps were taken to create such a system. A new court system was established, and numerous laws, including the General Principles of Civil Law, a mini civil code, and a Civil Procedure Law were enacted.

1.4.2 It was also recognized that to create a market economy, it is necessary to be able to register and protect intellectual property. The first Patent Law was passed in 1984 by the National People’s Congress and came into force in 1985. The Patent Law was subsequently amended in 1992, 2000, and 2008, with the third set of amendments coming into force in October 2009.

1.4.3 Trademark, copyright, and unfair competition laws were also enacted.

## **1.5 PATENTS IN CHINA**

1.5.1 According to the official State Intellectual Property Office (SIPO) of the People’s Republic of China (Chinese Patent Office) 2010 Statistics, a total of 1,222,286 patent applications were filed in China during 2010. A breakdown of this total figure shows that there were 391,177 invention patent applications, 409,836 utility model applications, and 421,273 external design patent applications. Foreigners submitted 112,858 of the applications, while domestic applications accounted for 1,109,428 of the total of 1,222,286 patent applications.<sup>2</sup>

2. See [http://www.sipo.gov.cn/sipo\\_English/statistics/](http://www.sipo.gov.cn/sipo_English/statistics/) for detailed statistics.