

## **Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to the Trial of Patent Dispute Cases**

(Adopted on 19 June 2001 at the 1180th Meeting of the Adjudication Committee of the Supreme People's Court)

With a view to duly adjudicating cases of patent disputes, the following Provisions are made in accordance with the provisions of the General Principles of the Civil Law of the People's Republic of China (hereinafter referred to as the General Principles of the Civil Law), the Patent Law of the People's Republic of China, (hereinafter referred to as the Patent Law), the Civil Procedure Law of the People's Republic of China and the Administrative Procedure Law of the People's Republic of China:

**Article 1** The people's court accepts following cases of patent disputes:

1. disputes over the ownership of the right to apply for patent;
2. disputes over the ownership of the patent right;
3. disputes over contracts for assignment of the patent right or the right to apply for patent;
4. disputes arising from patent infringement;
5. disputes arising from counterfeiting other persons' patents; 6. disputes over the exploitation fee after the publication of the applications for patent for invention and before the grant of the patent right;
7. disputes over the reward and remuneration for the inventors or creators of service inventions;
8. cases of pre-litigation requests for stopping infringement or for property preservation;
9. disputes over the qualification of inventors or creators;
10. cases of dissatisfaction with the reexamination decisions by the Patent Reexamination Board to uphold rejection of applications;

11. cases of dissatisfaction with the reexamination decisions by the Patent Reexamination Board on requests for invalidation of the patent right;
12. cases of dissatisfaction with the reexamination decisions by the Patent Administrative Organ under the State Council on execution of compulsory licenses;
13. cases of dissatisfaction with the adjudication by the Patent Administrative Organ under the State Council on the royalties for execution of compulsory licenses;
14. cases of dissatisfaction with the administrative reexamination decisions by the Patent Administrative Organ under the State Council;
15. cases of dissatisfaction with the administrative decisions by the administrative authorities for patent affairs; and
16. any other cases of patent disputes.

**Article 2** Patent dispute cases of first instance shall be under the jurisdiction of the intermediate people' courts of the seats of the People's Government of the Provinces, Autonomous Regions and Municipalities under the Central Government and the intermediate people' courts designated by the Supreme People's Court.

**Article 3** Where any interested party, dissatisfied with the reexamination decision made by the Patent Reexamination Board after 1 July 2001 on the requests for revocation of a patent for utility model or design, institutes a lawsuit in the people's court, the people's court does not accept the lawsuit.

**Article 4** Where any interested party, dissatisfied with the reexamination decision made by the Patent Reexamination Board after 1 July 2001 to uphold the rejection of the application for patent for utility model or design or with the decision on the request for invalidation of the patent right for utility model or design, institutes a lawsuit in the people's court, the people's court shall accept the lawsuit.

**Article 5** Lawsuits instituted against acts of infringement of the patent right shall be under the jurisdiction of the people's court of the place where the defendant has its or his domicile or of the place where the infringing acts take place. Places where acts of infringement take place include: places where acts take place of manufacturing, using, offering for sale, selling or importing products accused of infringing a patent for invention or utility model; places where the acts of using a patented process takes place and where acts take place of using, offering for sale, selling or importing products acquired directly according to the patented process; places where acts of manufacturing, selling or importing products of patented designs; places where acts of

counterfeiting patents of other persons take place; and places where consequences of the preceding infringing acts arise.

**Article 6** Where a plaintiff takes action against the manufacturer of an infringing product, but not against the seller as well and the places where the infringing products are manufactured and sold are not the same place, the people's court of the place of the manufacture has the jurisdiction; where the action is taken with both the manufacturer and seller accused as the co-defendants, the people's court of the place where the infringing products are sold has the jurisdiction. Where the seller is a subsidiary of the manufacturer and the plaintiff takes action against the act of the infringing product manufacturer to manufacture and sell the product, the people's court of the place where the products are sold has the jurisdiction.

**Article 7** Where a plaintiff institutes a lawsuit with respect to the patent application filed before 1 January 1993 and on the basis of the patent for invention of process granted to the application, the lawsuit is under the jurisdiction as determined in the light of the provisions of Articles 5 and 6 of these Provisions. The people's court, in substantial hearing of the preceding cases, applies the provision that a patent for invention of process is not extended to the product.

**Article 8** Any plaintiff takes action against an infringement of patent right for utility model shall produce the search report made by the Patent Administrative Organ under the State Council when instituting the lawsuit. Where any defendant involved in the case of dispute arising from the infringement of the patent right for utility model or design shall, when making its or his defence, file a request for invalidation of the plaintiff's patent right.

**Article 9** Where the defendant files a request for invalidation of the patent right when making its or his defence in the case received by the people's court of dispute as arising from the infringement of the patent right for utility model or design, the people's court shall suspend the legal proceedings. However, under any one of the following circumstances, the legal proceedings may not be suspended:

- (1) where no technical documentation is found in the search report produced by the plaintiff that results in the loss of novelty or inventiveness of the patent for utility model;
- (2) where the defendant's evidence is sufficient to prove that its or his used technology has been known to the public;
- (3) where the proof or basis the defendant has furnished for requesting the invalidation of the patent right in question is obviously insufficient; or

(4) any other circumstances where the people's court finds that the legal proceedings should not be suspended.

**Article 10** Where the defendant files a request for invalidation of the patent right in question after the expiration of the time for making defence in a case received by the people's court of dispute arising from the infringement of the patent right for utility model or design, the people's court shall not suspend the legal proceedings, except that it is found necessary to do so upon consideration.

**Article 11** Where the defendant files a request for invalidation of the patent right in question in a case received by the people's court of dispute arising from infringement of patent right for design or one from infringement of patent right for utility model or design in which the Patent Reexamination Board uphold, upon examination, the patent right, the people's court may not suspend the legal proceedings.

**Article 12** Where the people's court decides to suspend the legal proceedings, the patentee or the interested party requests for ordering the defendant to desist from the relevant act or for taking other measures to halt the spread of damages caused by the infringement and provides guaranty, and the people's court, upon consideration, finds it in compliance with the provisions of the relevant laws, the people's court may simultaneously make the relevant ruling when deciding to suspend the legal proceedings.

**Article 13** Where the people's court preserves property of the patent right, it shall send the Patent Administrative Organ under the State Council a notification for assistance in execution of the property preservation, indicating the matters for which assistance is sought and the duration of the patent right preservation, with the people's court ruling paper attached. For a patent right preservation that shall not last more than six months, the term is counted from the date the Patent Administrative Organ under the State Council receives the notification of assistance for execution. If it is still necessary to continue to take the measure to preserve the patent right, the people's court shall send to the Patent Administrative Organ under the State Council the notification of assistance for executing the continued preservation before the expiration of the time limit fixed for the preservation. Where such notification is not delivered before the expiration of the time limit fixed for the preservation, the property preservation of the patent right is deemed to have been automatically released. The people's court may take the property preservation measure for the pledged patent right, the pledge's priority of compensation is not affected by the preservation measure; the exclusive licensing contract concluded between the patentee and the licensee does not affect the people's court's adopting the

property preservation of the patent right. The people's court shall not re-preserve the patent right that has been preserved.

**Article 14** Where in respect of any invention-creation completed before 1 July 2001 by making use of the material and/or technical condition of the entity to which the inventor or creator belongs, the entity and the inventor or creator has concluded a contract, agreeing on the ownership of the right to apply for patent and of the patent right, the agreement shall be observed.

**Article 15** Where any case received by the people's court of dispute arising from patent right infringement relates to conflict of rights, the legitimate rights and interests of the interested party that enjoys the prior right according to law shall be protected.

**Article 16** The prior legitimate rights referred to in Article 23 of the Patent Law include the trademark right, copyright, right of enterprise name, portrait right and the right to use the package or decoration peculiar to any known goods, etc.

**Article 17** The first paragraph "the extent of protection of the right for invention or utility model shall be determined by the terms of the claims. The description and the appended drawings may be used to interpret the claims" of Article 56 of the Patent Law means that the extent of protection of patent right should be determined by the necessary technical features expressly stated in the claims, including the extent as determined by the features equivalent to the necessary technical features. The equivalent features refer to the features which use substantially the same means, perform substantially the same function and produce substantially the same as the stated technical features and which can be contemplated by an ordinarily skilled artisan in the art without inventive labor.

**Article 18** Where any act of patent infringement takes place before 1 July 2001, the civil liability under the Patent Law before this revision shall apply; where such act takes place after 1 July 2001, the provisions of the revised Patent Law shall apply to impose the civil liability.

**Article 19** Where any one counterfeits another person's patent, the people's court may impose, on it or him, the civil liability according to the provision of Article 58 of the Patent Law. Where the administrative authority for patent work does not impose any administrative penalty, the people's court may impose civil penalty pursuant to the provision of Article 134, paragraph three, of the General Principles of the Civil Law, and the amount of the applicable fine in civil terms may be determined in the light of the provision of Article 58 of the Patent Law.

**Article 20** Where the people's court imposes liability for compensation on the infringer according to the provision of Article 57, paragraph one, of the Patent Law, it may, on the request of the rightholder, determine the amount of compensation according to the losses suffered by the rightholder due to the infringement or the interests sought by the infringer from the infringement. The losses suffered by the rightholder due to the infringement may be computed by the total of the infringing products sold in the market times the reasonable profit of each infringing product. Where it is difficult to determine the total reduction in the volume of sale by the rightholder, the total of the infringing products sold in the market times the reasonable profit of each infringing product may be deemed to the losses suffered by the rightholder due to the infringement. The interest of the infringer from the infringement may be computed according to the total of infringing products sold in the market times the reasonable profit of each infringing product. The income of the infringer from the infringement is generally counted according to the business profit of the infringer. As for the infringer who solely engages in infringement as its or his entire business, the income may be computed according to its or his sales profit.

**Article 21** Where the losses of the infringe or the income of the infringer is difficult to be determined, the people's court may, where the patent licensing fee may be referred to, determine the reasonable amount of compensation according to the kind of patent right involved, the nature and facts of the infringement by the infringer, the amount of the patent licensing fee, the nature, extent and time of the patent license with reference to one to three times the patent licensing fee; where there is no patent licensing fee to be referred to or the license fee is obviously unreasonable, the people's court may, according to the factors, such as the kind of the patent right, the nature and facts of the infringement, determine the amount of compensation of more than RMB 5,000 Yuan and less than RMB 300,000 Yuan, but not exceeding RMB 500,000 Yuan at most.

**Article 22** The people's court may, on the request of the rightholder or according to the specific facts of a case, include the reasonable expenses paid for investigation or for stopping the infringement in the amount of compensation.

**Article 23** The limitation for action against patent right infringement is two years, computed from the date when the patentee or the interested party knows or has reasonable grounds to know about the infringing act. Where the rightholder does not take action until two years later and if the infringing act continues when the action is taken, the people's court shall, within the term of validity of the patent right in question, rule that the defendant desist from the infringing act, and the amount of compensation

for the infringement shall be computed from two years before the date when the rightholder institutes legal proceedings in the people's court.

**Article 24** The offering for sale referred to in Articles 11 and 63 of the Patent Law means the expression of will for sale by way of advertisement, shop window display or exhibition.

**Article 25** Where the people's court receives a case of dispute arising from patent infringement in which the administrative authority for patent affairs has made an infringement or non-infringement determination, the people's court may, on the request of the interested party to the lawsuit, carry on a comprehensive examination.

**Article 26** Where there is any discrepancy between the former relevant judicial interpretations and these Provisions, these Provisions shall prevail.