

## Patent Indirect Infringement in China --Proposed Amendment to the Patent Law

The Patent Law of the People's Republic of China ("the patent law")<sup>1</sup> provides a patentee with a cause of action against those that directly infringe a patent claim, which requires each claim limitation be found (literally or equivalently) in an allegedly infringing product. However, the patent law stops here. For those contributing to or inducing direct infringement by others, a patentee may rely on the "joint and several liability" principle provided by the General Principles of Civil Law ("the civil law"), which sometimes might be difficult to apply.

This article seeks to present an overview of the practice in China in relation to patent indirect infringement, which currently has been put on the table for the patent law amendment.

### 1. PROPOSED AMENDMENT

From 2012, the State Intellectual Property Office ("SIPO") started the fourth revision of the patent law and released a draft for public opinion on April 1, 2015, in which the drafted amendments related to five (5) important aspects and thirty (30) articles. In June of 2015, SIPO released an additional proposed provision on patent indirect infringement for public opinion.

The related articles currently proposed by SIPO are:

*Knowing that a product is material, equipment, component, or unfinished product specialized for implementing a patent, the party, without authorization*

*from the patent owner and with commercial purpose, provides the product to a third party to implement the patent, shall bear the joint liability with the patent infringer.*

*Knowing that a product or a process will be used to implement a patent, the party, without authority of the patent owner and with commercial purpose, induces a third party to implement the patent, shall bear the joint liability with the patent infringer.*

### 2. JUDICIAL PRACTICE

Despite no provisions in the patent law relating to patent indirect infringement, many courts have decided cases on its basis according to the principles of the civil law.

#### *Beijing Court*

In 2001, on the basis of long-term judicial practice, Beijing High People's Court issued the "Opinions on Several Issues of Judging Patent Infringement (Trial Version)" (Beijing High Court Fa [ 2001] No. 229 (annulment)) ("the Opinions"), which, for the first time in China, provided detailed prescription on indirect patent infringement. Specifically, according to the provisions, patent indirect infringement has five elements:

1. The act itself does not constitute a direct patent infringement;
2. The behavior has subjective intention to induce, encourage, or instigate a third party to infringe a patent;

<sup>1</sup> Since its promulgation in 1984, the patent law has been revised three times respectively in 1992, 2000, and 2008, that's, once every eight (8) years.

3. The behavior has objectively provided a third party with necessary conditions for a direct infringement;

4. Direct infringement exists; and

5. The object of the act is a product specialized for infringing patent, or material, device or equipment specialized for infringing patented process.

Further, in the following three scenarios, a party who indirectly infringes a patent shall bear liability, even though a direct infringement does not exist:

1. The act is one of the listed acts in Article 63 of the patent law which are not considered as patent infringement ;

2. The party manufactures or uses a patented product or use a patented process for a personal and non-commercial purpose;

3. Direct infringement identified in accordance with the patent law likely takes place or took place outside of the country.

Considering recent development and patent law amendments, in 2013, Beijing High People's Court issued again "Beijing High People's Court Patent Infringement Judging Guidelines" ( Beijing High Court Fa [ 2013 ] No. 301 ) ("the Guidelines"), in which "Joint infringement" is used instead of "indirect infringement."

*(B) joint infringement*

*105. Two or more parties who jointly implement an act of Article 11 of the patent law, or two or more parties who jointly implement an act of Article 11 of the patent law with division and collaboration, constitutes joint infringement.*

*106. A party who induces or assists a third party in implementing act of Article 11 of the patent law shall be joint infringer with the direct infringer.*

*107. The alleged infringers manufacture and sell another product with using a product infringing a patent as a component, among which if there are division and collaboration, constitute joint infringement.*

*108. The party who provides, sells or imports the material, apparatus or component specialized to implement other's product patent, or provides, sells or imports the material, device, equipment specialized to implement other's process patent, constitutes joint infringement with the party who implements the patent.*

*109. The party who provides conditions such as facilities site, storage, transportation to the party who implements the act of Article 11 of the patent law, constitutes joint infringement with the party who implements the patent.*

*110. The transferee of technology transfer contract who infringes a patent with implementing the technology according to the stipulations of the contract shall bear the liability of the infringement.*

Compared with the Opinions in 2001, the Guidelines have material changes on indirect infringement:

1. The Guidelines abandoned the term "indirect infringement", and replaced it with "contributory infringement";

2. The existence of the indirect patent infringement shall be on basis of the existence

of direct infringement, including the following situations

- (i) Division and collaboration;
- (ii) Inducement and assistance;
- (iii) Use of patented products to manufacture and sale another product with division and collaboration;
- (iv) Supply of products specialized for the infringement;
- (v) Supply of facilities site, storage, transportation and the like;
- (vi) No separate indirect patent infringement in the provision.

### ***The Supreme People's Court***

In addition to the efforts from Beijing courts, the Supreme People's Court also tried in this aspect with respect to indirect infringement. On June 18, 2009, the Court publicly released "Interpretation of the Supreme People's Court on Several Issues Concerning The Application of Law in The Trial of Cases of Infringement of Patent Disputes (draft)" ("the Interpretation"), Article 16 of which attempted to prescribe indirect infringement. Based on the article, an indirect patent infringement includes elements of: (i) the party knowingly provided a third party with product special for infringing a patent; the third party infringed the patent with such a product; in the case, the party and the third party shall bear joint infringement liability; (ii) the party knowingly provided a third party with product special for infringing a patent; the third party implement the patent with the product with a non-commercial purpose; in the case, the third party would not constitute patent infringement while the party shall bear separate infringement liability. However, in the final version of the

Interpretation, the provisions concerning indirect infringement have been deleted.

On July 31, 2014, the Court issued "Interpretation of the Supreme People's Court on Several Issues concerning the trial of cases of infringement of patent disputes (draft)" ("the Interpretation(B)"), which tried again to prescribe indirect infringement in Article 25:

*Knowing that a product is material, unfinished product, component, or equipment specialized for implementing an invention patent or an utility model patent, the party still provides the product to the third party who has no right to implement the patent or the third party who has no liability to the patent infringement, the claim filed by the right owner that the party belongs to the act assisting to infringe a patent listed in Article 9 of Tort Law of the People's Republic of China, shall be supported by the people's court.*

*Knowing that a product is material, unfinished product, component, or equipment specialized for implementing an invention patent or an utility model patent, the party still intentionally induce with providing the drawings or methods the third party who has no right to implement the patent or the third party who has no liability to the patent infringement, the claim filed by the right owner that the party belongs to the act inducing to infringe a patent listed in Article 9 of Tort Law of the People's Republic of China, shall be supported by the people's court.*

In the suggested provisions, by a different approach, the Court indicates that the indirect patent infringements are composed of assistance indirect infringement and

inducement indirect infringement. The provisions further regulate that each kind of indirect infringement includes two status: 1) all parties bear joint liability when the parties include the party who is assisted, the party who is induced, and the party who has no right to implement the patent, and 2) the party who is assisted and the party who is induced bear separate liabilities as well as the party to implement the patent has no liability. However, the suggested provisions again were deleted in the final version of the Interpretation (B) issued on January 29, 2015.

### 3. OUR THOUGHTS ON PROPOSED AMENDMENT

As seen from the above, the proposed amendment to the patent law took the same approach as that in the Interpretation (B) from the Supreme People's Court, that's, an indirect infringement composed of assistance indirect patent infringement and inducement indirect infringement. We also note that the difference between the proposed amendment and the Interpretation (B) lies in whether it is necessary to prove direct infringement to establish

liability for indirect infringement. According to the proposed amendment, regardless of the form the indirect infringement takes, it requires the existence of direct infringement.

To enact the patent law amendment, we believe more considerations should be given to (i) the relationship between joint patent infringement and indirect patent infringement, (ii) the applicability of the "joint and several liability" principle provided by the civil law to all kinds of indirect infringement, and (iii) the provisions relating to the definition of indirect infringement.

Currently, as mentioned above, a few courts in China have decided cases of indirect infringement of patent under the civil law principle. However, lacking statute definition in the patent law and judicial guidance from the Supreme People's Court, it has been difficult in practice in some courts to impose civil liability on indirect infringement of a patent, which may be viewed from the fact that only a few courts have decided indirect infringement cases. Thus, it is necessary to introduce the indirect infringement by either statute definition or judicial guidance.

*The newsletter is not intended to constitute legal advice. Special legal advice should be taken before acting on any of the topics addressed here.*

*For further information, please contact one of the attorneys listed below. General e-mail messages may be sent using [ltbj@lungtin.com](mailto:ltbj@lungtin.com) which also can be found at [www.lungtin.com](http://www.lungtin.com).*

Yan HONG, partner, attorney-at-law & patent attorney: [ltbj@lungtin.com](mailto:ltbj@lungtin.com);

Qinghong XU, Ph.D., JD: [xqh@mailbox.lungtin.com](mailto:xqh@mailbox.lungtin.com)

18th Floor, Tower B, Grand Place, No. 5 Huizhong Road, Chaoyang District, Beijing 100101, China

Tel: 86-10-8489 1188; Fax: 86-10-8489 1189

E-mail: [ltbj@lungtin.com](mailto:ltbj@lungtin.com) Website: [www.lungtin.com](http://www.lungtin.com)