

The Necessity of Indirect Liability for Patent Infringement in China

By Looking into the Practice in U.S. and Japan

Further to our July issue of legislation update on indirect patent infringement, we discuss here the necessity of introducing indirect liability into patent law amendment with a comparative study of practice in the U.S. and Japan.

Wallace v. Holmes,¹ the first case to recognize a claim for contributory infringement, was decided in 1871 in the U.S., and it established the framework for the doctrine of indirect infringement that was codified eighty years later in 35 U.S.C. § 271. Afterwards, Japan also introduced the patent indirect infringement through legislature.

Looking into the elements and precedents regarding the patent indirect infringement in the U.S. and Japan, this short article emphasizes that the "joint and several liability" principle provided by the General Principles of Civil Law of the People's Republic of China ("the Chinese civil law") is far from an adequate protection for patentees and the statute definition of indirect infringement in the Chinese Patent Law is necessary.

I Looking to the U.S.

The Patent Act of 1952 codified liability for active inducement of infringement under 35

¹ *Wallace v. Holmes*, 29 F. Cas.74 (Judge Woodruff: "[t]he defendants have not, perhaps, made an actual pre-arrangement with any particular person to supply the chimney, but every sale they make is a proposal to the purchaser to do this, and his purchase is a consent with the defendants that he will do so, or cause it to be done.")

U.S.C. § 271(b) and contributory infringement under 35 U.S.C. § 271(c). Regarding liability under paragraph (b), case law has established that the following three elements have to be met:

- 1) Possessing a direct tort in U.S.;
- 2) Possessing a specific intention inducing the occurrence of a direct infringement (a subjective intention element); and
- 3) Presenting positive behaviors.

With respect to the first element, *i.e.*, the presence of a direct infringement, history has witnessed many precedents, such as *Molinaro Case*² (1984), *Young Dental Case*³ (1995) and *Limelight Networks Case*⁴ (2014) in which the Supreme Court held again that inducement must be tied to underlying direct infringement.

To a less degree of clarity, the second element requires an intent, under which liability under paragraph (b) may be established, contradicting precedents have ever presented. For example, in *Manville Case*⁵, "the plaintiff

² *Molinaro v. Fannon Corp.*, CAFC 1984, 223 USPQ 706

³ *Young Dental Mfg. Co. v. Q3 Special Products, Inc.*, E. d. Mon. 1995, 36 USPQ2d 1468

⁴ *Limelight Networks v Akamai Technologies* No.12-786

⁵ *Manville Sales Corp. v. Paramount Systems, Inc.* 917 F.2d 544, (Fed.Cir. 1990) ("[t]he plaintiff has the burden of showing that the alleged infringer's actions induced infringing acts and that he knew or should have known his actions would induce actual infringements"... "[m]ere knowledge of possible infringement by others does not amount to inducement; specific intent and action to induce infringement must be proven.")

needs to provide evidences to prove that the behaviors of the defendant induce a tort, and the defendant knows it.” More, in *Warner-Lambert Case*⁶, it is not sufficient to only recognize the behaviors which constitute an infringement. Then, as mentioned in *Water Case*⁷, the patentee needs to provide evidences to prove that the defendant positively and maliciously induced and assisted others to implement a direct infringement after knowing the patent right. Nevertheless, the *Hewlett-Packard*⁸ court held that proof of actual intent was required for liability.

In 2006, the Federal Circuit in *DSU Medical Corp.*⁹ clarified the proof required to prove induced infringement under Section 271(b). The *en banc* ruling requires the patent holder to show that the alleged infringer’s actions induced infringing acts and that he knew or should have known his actions would induce actual infringements. Further, *SEB Case*¹⁰ makes clear that even if the plaintiff does not have direct evidences to prove that the

defendant really knows the presence of the patent right, however, if it can be proved that the defendant makes deliberate indifference to the presence of the patent right, the inducing infringement can also be established.

Contributory infringement, as stipulated in Section 271(c), covers the sale of a component of a patented invention that has no substantial noninfringing use. Its elements include:

- 1) Components and parts, etc. of a patented product are sold or imported;
- 2) These components and parts, etc. of a patented product constitute material parts of an invention;
- 3) It is known that these components and parts, etc. of a patented product are specifically manufactured or transformed for the patent infringement;
- 4) These components and parts, etc. of a patented product are not common articles or common goods suitable for a substantial use of non-infringement.

Thus, no showing of intent is required for liability under paragraph (c) if the defendant sold a component of a patented invention that was a material part of the invention and had no substantial noninfringing use, and in addition, the defendant knew that the component was especially made for use in infringing the patent. In addition to the above elements, the premise of the presence of the direct infringement is also required. The above clauses for contributory infringement are subjectively and objectively combined with each other. In other words, a subjective element of knowing the

⁶ *Warner-Lambert Co. v. Apotex Corp.* 316 F.3d 1348 (Fed.Cir. 2003) (“knowledge of the acts alleged to constitute infringement is not enough.”)

⁷ *Water Technologies Corp. v. Calco, Ltd.* 850 F.2d 660 (Fed.Cir. 1988) (“To establish liability under section 271(b), a patent holder must prove that once the defendants knew of the patent, they “actively and knowingly aid[ed] and abett[ed] another’s direct infringement.”)

⁸ *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464 (Fed. Cir. 1990)

⁹ *DSU Medical Corp. v. JMS Co.*, Fed.Cir., 2006-12-13

¹⁰ *SEB S.A., and F-FAL corporation v. Montgomery Ward & Co., Inc., and Global-tech Appliances, Inc., and Pentalpha Enterprises, ltd.*, CAFC, 2009-1099, -1108, -1119

infringement is included, and in terms of the objective element, the object thereof is defined as a “material part”, rather than the articles specialized for a patent.

II Looking to Japan

In Japanese Patent Law of the 10th year of Taisho, there were no provisions relating to patent indirect infringement, but there existed a theory of joint infringement as stipulated in Article 719 of Japanese Civil Law to preparatory torts and contributory torts, which prescribed, once an infringement had been found, to grant damage compensations but no injunctions. Eventually, the indirect infringement was introduced in the patent law in 2002 to cover three types of indirect infringement, *i.e.*, objective indirect infringement (Article 101(1) and (4) of the current Patent Law), subjective indirect infringement (Article 101(2) and (5) of the current Patent Law) and holding indirect infringement (Article 101(3) and (6) of the current Patent Law).

Among them, objective indirect infringement refers to production, sale, offering for sale and importation of articles dedicated to the production of patented products or the use in patented methods for the purpose of business.

Subjective indirect infringement refers to further production, sale, offering for sale and importation of articles dedicated to the production of patented products or the use in patented methods for the purpose of business, wherein the article (which is not a general merchantable thing in Japan) is indispensable

for solving the subject of a patent for invention, and it is perfectly well known that said invention is a granted one and said article is used for the implementation of said invention.

Holding indirect infringement refers to the holding of the patented articles or the articles used in the patented methods for the importation or the assignment for the purpose of business.

In a patent indirect infringement case, three elements, *i.e.*, a specificity element, an indispensable element, a knowing-well element would be considered.

A specificity element, an element in determining liability for objective indirect infringement, refers to the ones free of other uses in a scenario from the perspectives of economy, commerce and utility. As indicated in *Bread Maker Case*¹¹ on the 12th year of Heisei, this element is required as it should be judged from the perspectives of economy, commerce or any practical use purposes etc. whether probability of patent torts induced by manufacture or sale of articles for the purpose of business is very high or not. With respect to the issue on whether a special article must be a constitutional element defined in a claim, in light of the process for introducing indirect infringement, the object for a special article is not only limited to a constitutional element¹² defined in a claim.

An indispensable element, an element in determining liability for subjective indirect

¹¹ 大阪地裁 平成 12 年 10 月 24 日 平成 8 年 (ワ) 第 12109 号

¹² 高林龍『知的財産法制の再構築』51 頁 (日本評論社, 2008)

infringement, refers to indispensable for solving the subject of an invention which is different from a constitutional element defined in a claim.¹³ To elaborate, an initial precedent¹⁴ put forward the purpose of the indispensable element, that is, the indispensable objective element should be explained as an important component of the invention, which, on the occasion of excluding the specificity element, shall preclude the unreasonable extension of the patent right. It further clearly shows that the indispensable element should be explained as starting materials, components, props, etc. as latest disclosed in the invention and free of specific technical means in the prior art. More, the indispensable element excludes articles which are generally circulated in Japan¹⁵.

A knowing-well element, an element in determining liability for subjective indirect infringement, refers to the knowledge not only that said invention is a licensed invention, but also that said product is used in the implementation of said patented invention. None is dispensable. As Judge Ryoichi Mimura explained, it is not sufficient to merely know that the product is used for the patent invention but it needs to know how to specifically use the product in a patent product and a patent method. Accordingly, a general degree of knowing is not sufficient, and a fact that in fact there are specific persons who use said parts to invent a patent should be further known¹⁶.

¹³ 特許庁 編『工業所有権法（産業財産権法）逐条解説（第17版）』276頁，（発明協会、2008）

¹⁴ 東京地判平成16年4月23日 判例時報1892号89頁

¹⁵ 日本特許庁「産業財産権法（工業所有権法）の解説（平成14年法律改正（平成14年法律第24号）第2章間接侵害規定の拡充）」

¹⁶ 三村量一「非専用品型間接侵害（特許法101条2

Differing from the practice in the U.S., Japan has regarded the presence of direct infringement as a premise of the tenability of indirect infringement, which is academically divided into a theory of dependency in which the presence of direct infringement is regarded as a premise, and a theory of independency in which the presence of direct infringement is not regarded as a premise. However, in the actual cases, one of two theories is not partialized, but judgments are made depending on specific cases. For example, in the above Bread Maker Case and Exchange Lenses Case¹⁷, direct implementing actions are actions used in family, and are also judged as constituting an indirect infringement.

III Chinese 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 Chinese civil law. For example, in *Magnetic Mirror Type DC Arc Furnace Case*¹⁸ (1993), indirect infringement was found in the second instance. Another example was *Split Type Cold Hot Water Unit Case* (2007), where the product manufactured by the defendant only lacked a part of “refrigeration connecting pipe” compared with claimed invention directed to a circulating pump. In finding infringement, Beijing High People’s Court opined that: although the product sold by the defendant lacked such a part as a refrigeration connecting pipe, the

号、5号)の問題点」、103頁～104頁（知的財産法政策学研究VOL.19, (2008)）

¹⁷ 東京地判昭和56年2月25日 昭和50（ワ）9647）

¹⁸ Shanxi High Court (1993) Jin jing zhong zi No.152

defendant's *Installation, Operation, and Maintenance Manual* clearly recorded that the refrigeration connecting pipes must be installed in the actual use and without it, the product could not be actually operated. Therefore, the product constituted an indirect infringement.

In *Weeding Composition Case*,¹⁹ indirect infringement was affirmed where bispyribac-sodium original medicines were key ingredients specifically used for preparing 92 patented products (*i.e.*, the production of the 92 patented products was a sole commercial use of the bispyribac-sodium original medicines). Similarly, the *Fully Refractory Fiber Fire Insulation Shutter Case*²⁰ found an indirect infringement in which the action that intermediate products specially used for the known-well patented product that were deliberately manufactured.

As indicated above, although China does not legalize the patent indirect infringement, it has witnessed typical juridical precedents regarding the indirect infringement. The foundation of the judicial determination lies in the general definition of joint and several liability in the Chinese civil law. The law, however, is vague with respect to the acts that constitute inducement. Moreover, contributory torts, as understood in the Western sense, have not been defined generally under the umbrella of joint and several liability. The Chinese civil law focuses on the independent character of the acts of infringement, which effectively requires some unity of action and coordination amongst the accused infringers. In contrast, 35 U.S.C. §

271(c) of the American Patent Act looks less at the actual acts performed by the accused joint infringers and more at the relationship between the accused parties.

Furthermore, with the rapid development of the communication technologies, the traditional infringement theories cannot fully meet the demands for protecting patent rights. Thus, it is necessary to introduce the indirect infringement by statute definition. From 2012, the State Intellectual Property Office started the fourth revision of the Chinese patent law and released a draft for public opinion on April 1, 2015, in which the definitions for patent indirect infringement have been proposed. Hopefully in this fourth revision, the patent indirect infringement can be successfully legalized, and various elements including the subjective intention element, the knowing well element, the sole commercial use, etc. are clearly further defined through juridical practices

¹⁹ (2005) Su min san zhong zi No.014

²⁰ (2002) 一 Zhong min chu zi No. 3258

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 which also can be found at www.lungtin.com.

Yingyan LI, patent attorney, partner, deputy general manager: ltbj@lungtin.com;

Qinghong XU, Ph.D., JD, partner: 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 Website: www.lungtin.com