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Patent protection defences: options, strategies and procedures

Feng Zheng and Xiaoyang Yang of Wanhuida outline the various defence mechanisms patentees have at their disposal when facing infringement accusations in China

Chinese law provides for several defences to a patent infringement accusation, including the non-infringement defence, prior art defence and invalidity defence. In case the defendant is a distributor rather than a manufacturer of the accused product, the legitimate source defence may also apply. These defences are directed at establishing the legitimacy and/or nonliability of the accused from different angles and can be used either alone or in combination with one another.

Non-infringement defence

Under Chinese law, infringement of a patent includes both literal infringement and equivalent infringement. A non-infringement defence is thus raised to show that neither literal nor equivalent infringement is present. The non-infringement defence is available to various entities in the supply chain, ranging from suppliers, manufacturers, distributors to end users.

Whether a non-infringement defence is successful largely depends on how patent claims are construed. In other words, how do technical features of the accused product correspond to those of the allegedly infringed patent? In interpreting a patent claim, Chinese courts usually start with scrutinising internal evidence, and then move on to external evidence provided internal evidence is insufficient. Internal evidence in this context refers to the description, drawings and prosecution dossier of a patent, and external evidence mainly concerns evidence not directly related to the patent. This includes textbooks, reference books or other common knowledge evidence proving how a person of ordinary skill in the art (POSITA) would interpret the patent claims.

In the case of literal infringement, the patentee is obliged to establish that every element recited in a claim has identical correspondence in the accused product. Equivalent infringement hinges on the finding of equivalency. Equivalency under Chinese law means the accused product includes a technical feature which, though different from a feature of the patent at issue, performs substantially the same function. It must be performed in substantially the same way, to achieve substantially the same technical effect, and such a technical feature can be easily conceived of by a POSITA without any creative work.

File wrapper estoppel frequently operates to limit claim construction. Under China's dual track system, patent infringement and patent validity proceedings are determined by the judiciary and the CNIPA respectively (though the CNIPA invalidity decision is also appealable before the court), yet the two proceedings are often closely intertwined. Courts would examine how the patent claims are being interpreted by the patentee not only during the prosecution stage but also during a patent invalidity proceeding. Chinese law mandates that a patentee be estopped from reclaiming what he has given up in exchange for the grant of the patent during prosecution or from maintaining the patent's validity in a patent invalidity proceeding.

Prior art defence

The prior art defence is set forth in Article 67 of the Chinese Patent Law, which states as follows:

"In a patent infringement dispute, where the alleged infringer has evidence to prove that the technology or de-

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sign exploited by it or him forms part of prior art or its prior design, such exploitation does not constitute infringement of patent right."

The prior art defence does not concern the examination of the inventiveness of the patent at issue over the cited art; instead, it asks whether the technical solution of the accused product falls within the scope of the cited art.

The test for prior art defence centers on whether a cited art discloses all technical features identical with or equivalent to the technical features of the accused product. Prior art defence does not compare the patent at issue to the cited art, and hence does not address the matter of patent validity. Under China's dual track system, the success in raising the prior art defence in infringement proceedings does not necessarily mean the patent at issue will be invalidated in a patent invalidity proceeding.

In general, the cited art should disclose all the technical features of the accused product for the purpose of establishing prior art defence, and combining the cited art with another prior art document is not allowed. However, combining the cited art with common knowledge in the art may be acceptable (Peng Jie v. Yang Ning Shi, Supreme People's Court, 2022).

Prior art that may serve as the basis for a prior art defence is not limited to published articles or patent documents. A product that is made available to the market prior to the filing date of the patent at issue could also be eligible. Multinational corporations should take heed as they have increasingly become the targets of malicious patent enforcement actions in China.

Multinational corporations, which often manage patent portfolios from a global perspective, may choose in certain scenarios not to file some patents in China. An opportunist, seeing a chance for a windfall, files a patent application for products that have already been available in the market and are yet protected by any patents in China. If with any luck, the patent is granted by the CNIPA, the opportunist will not hesitate to assert the granted patent against the true inventor.

To rebut the infringement accusation, the true inventor (accused infringer) is obliged to meet the high evidentiary bar set by Chinese law, proving that the accused product had been available to the public prior to the filing date of the asserted patent, which could be onerous. This is because the accused infringer must prove the selling of the accused product predates the filing date of the patent. In case the products were sold years ago, the accused needs to prove that the earlier model is identical to the existing accused product. To avoid such risks, multinationals should keep proof of the technical solutions disclosed by the products of strategic importance, either by filing patents in China or by publishing detailed technical solutions in a way which allows easy evidence collection in the future.

Although a conflicting application is not deemed as prior art under Chinese practice, the conflicting application defence is also recognised under Chinese law and has been treated by courts in a way analogous to the prior art defence. A conflicting application is a patent application filed before the filing date of a patent at issue but published thereafter. Nevertheless, it would be more difficult to establish a conflicting application defence under Chinese law, as the cited conflicting application must alone disclose all technical features of the accused product. It cannot be used in combination with a prior art document or common knowledge in the art.

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Invalidity defence

Invalidity defence in this context refers to the patent invalidity proceeding the accused infringer files to attack the validity of the patent at issue. It is one of the most frequently used defences to counter a patent infringement accusation under Chinese law, available to all entities in the supply chain.

An invalidity proceeding provides many advantages strategy-wise. Firstly, an invalidity proceeding attacks the very foundation on which the infringement accusation is based, i.e., the validity of the asserted patent. Under Chinese law, an invalidated patent is deemed to be non-existent from conception, thereby rendering the invalidation accusation moot.

Secondly, even if the patent cannot be invalidated in its entirety, claim amendments or explanatory remarks made by the patentee during invalidity proceedings to maintain patent validity could be used against them should file wrapper estoppel be breached.

Thirdly, once an invalidity proceeding is initiated, upon the request of the accused infringer, the court hearing the infringement dispute may stay the trial pending the invalidation proceeding. Hence, the filing of the invalidation request can buy the accused infringer more time to formulate their litigation strategy and arguments for the infringement dispute.

Last but not least, an invalidity proceeding moves much faster than an infringement action, with the former taking approximately six to eight months and the latter at

least one year. As such, the result of the invalidity proceeding may help the accused infringer to assess their chance of winning the civil case and adjust their litigation strategy accordingly.

Procedure-wise, the request to invalidate the patent at issue is to be filed with the CNIPA. The CNIPA's Patent Re-examination and Invalidation Department will have a panel of senior examiners to determine the validity of the patent, independent of any parallel infringement action before the court. Several invalidation grounds are accepted by the CNIPA, including unpatentable subject matter, clarity, support, sufficiency, lack of an essential technical feature, lack of novelty, obviousness and lack of practical applicability, with novelty and obviousness being the most common. Though possible in theory, it is relatively rare for a patent to be invalidated solely on formality grounds. More often, formality grounds such as clarity and support are strategically used in combination with novelty and obviousness attacks to force the patentee to limit the claims or make explanatory remarks which may later backfire in the infringement proceeding.

Legitimate source defence

A legitimate source defence is applicable to a distributor who had no knowledge that the accused product infringes the patent at issue. Article 77 of Chinese Patent Law reads:

"Any person who, for production and business purposes, uses, sells or offers to sell a patent infringing product, without knowing that it was made and sold without the authorisation of the patentee, shall not be liable to compensate for the damage of the patentee if he can prove that he obtains the product from a legitimate source."

As such, a legitimate source defence acknowledges the infringing nature of the conduct of the accused infringer but exempts it from the liability to pay damages. However, the accused infringer may still be liable for indemnifying a patentee for the reasonable expenses the latter has incurred for stopping infringement. A legitimate source defence is not available to manufacturers who are the source of the accused products. Manufacturers in this context include those who commission the production of the accused product for sale to a third party.

Chinese law adopts a bifurcated test for legitimate source defence, which asks:

- Whether the accused infringer acted in good faith; and
- Whether the accused product has been lawfully obtained.

The accused infringer bears the burden of proof to establish the lawful obtaining of the accused product, from which the good faith can generally be assumed. To that end, the accused infringer should produce evidence showing the obtaining of the accused product complied with the common business practices in the field. Typically, this means showing the accused product has been purchased from an identifiable source at a reasonable price in the normal course of conducting business. Acceptable evidence includes a purchase contract between the accused infringer and the vendor, a corporation registration of the vendor, a payment record, a tax receipt, and others.

It should be noted that a cease-and-desist letter previously sent to the accused infringer may serve as prima facie evidence attesting that the accused infringer has acted in bad faith. This is assuming the letter provides sufficient information, based on which the accused infringer should have known the sale of the accused product would be infringing. Such information usually includes information on the accused product, the patent number, title and patent certificate of the patent the accused product is believed to infringe, a comparison between the accused product and the patent and the contact information of the patentee, to name a few.

Under Chinese law, an accused infringer may resort to several defences in response to a patent infringement accusation. It would be advisable to consult local counsel as to what options are available and how such options can be utilised in the most effective way.

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