Recent Development of Chinese Patent Practice

China Patent Agent (H.K.) Ltd.
April 2018
Prioritized Examination

- Came into effect from August 1, 2017
- Remedy for domestic applicants
  - Chinese local corporations
  - Chinese subsidiaries of foreign corporations
- Applicable to
  - Substantive examination for inventions
  - Preliminary examination for designs and UMs
  - All reexaminations
  - All invalidations
Prioritized Examination - Continued

- **How fast**
  - **For Invention**
    - Substantive examination within 1 year (regular 2-3 years)
    - OA1 in 45 days after grant of prioritized exam (response in 2 months)
  - **For UMs and Designs**
    - Issuance : 2 months (avg. 8-12 months)
    - Reexamination : 7 months (avg. 12 months)
    - Invalidation : 4-5 months (avg. 6 months)
Prioritized Examination - Continued

- For what technologies
  - Technology being implemented
    - by Applicants (ongoing or ready to)
    - by others (ongoing)
  - Applications first filed in China, when foreign filings ensure
  - Government-promoted Tech, including
For what technologies

- Rapidly Developing Tech, including
  - Internet,
  - Big data,
  - Cloud computing, etc.

- Industries promoted by government (province and city level)

- Public or state interest
Tips

- No voluntary amendments under Rule 51
- No supplementary evidence or grounds from Invalidation petitioner
- No extensions in reexamination
- No claim amendments during invalidation* (*deleting claims Okay)
Amendments to patent documents

Subject to the above principles of amendments, the specific manners of amendments are generally limited to deletion of a claim, combination of claims, deletion of a technical solution, further limitation for a claim, and correction of an obvious error.

“further limitation for a claim” means incorporation into the claim one or more technical features recited in other claims so as to narrow the scope of protection.

*Last claim comprising all features from description could be a good practice
Part II, Chapter 1
4.2 Rules and Methods for Mental Activities

(2) Except the cases described above in point (1), if a claim in its whole contents contains not only matter of rule or method for mental activities but also technical features, then the claim, viewed as a whole, is not a rule or method for mental activities, and shall not be excluded from patentability under Article 25.

No Art. 25 rejection if technical features are involved
Subject to rejection on inventiveness if the differentiating features are not technical features
Post-Filing Data

- Revision of Examination Guidelines last April
  - Whether or not the description is sufficiently disclosed is judged on the basis of the disclosure contained in the initial description and claims. With respect to experimental data submitted after the date of filing, they should be examined by the examiner. The technical effect proved by the supplementary experimental data should be one that can be derived by a person skilled in the art from the disclosure of the patent application.
  - Post-filing data should be considered by examiners.
  - In practice, SIPO’s threshold is still very high.
Post-Filing Data - Continued

- Original data for proving technical effect of the invention is always required to be in the original application in order for the examiner to consider supplementary data.
  - If there is original data, the supplementary data should be considered and can be used to prove inventive step of the invention;
  - If there is no original data, examiners always refuse to consider any supplementary data.
- Beijing High Court and Supreme Court believe SIPO’s practice on this matter too conservative and rigid but have never reversed any decision made by PRB between 2014 and 2017.
The result of our search for the cases in last few years

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<tr>
<th>Explicitly Disclosed in the Original Application</th>
<th>Post-Filing Supplementary Data Considered by</th>
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<tr>
<td>Effect to be proved by Supplementary Data</td>
<td>Relevant data to the Effect</td>
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<tr>
<td>yes</td>
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Administrative Enforcement

- Administrative/Judicial dual tracks on patent enforcement in China
- In comparison to judicial track, administrative enforcement is faster and cheaper
- Injunction is available but no damage
- SIPO is proposing to strengthen patent enforcement power for patent administrative authorities in the Fourth Amendments to the Patent Law.
- Local patent administrative authorities are very active and aggressive in these years.
Burden for Collection of Evidence

- The Patentee has the burden for collecting evidence of infringement and damages.
- The Supreme Court has reduced the burden for collecting evidence of damages in its interpretation of 2016.
  - If it is hard to determine the loss by the patentee and the patentee has provided preliminary evidence to prove the profits gained by the infringer, while accounting or infringing evidence is mainly controlled by the infringer, the courts may order the infringer to provide the evidence; if the infringer refuses to do so without justifiable reasons, or provides false ones, the courts may determine the profits according to the claims and evidence provided by the patentee.
- See the following Huawei vs. Samsung case.
If the patent being infringed is a method for making a new product, the burden of proof will shift to the defendant.

When determining direct and contributory infringement in the recent *Iwncomm vs. Sony* case,

- The courts deduced that since the chips used in *Sony*’s cell phones has the claimed WAPI function, *Sony* should have the knowledge of patent infringement by selling them, and
- *Sony* must have tested all models of its cell phones designed and manufactured.
- *Sony* was asked first to prove substantial non-infringing use of the WAPI functional module of a cell phone.
The damages claimed for patent infringement should be determined based on the loss by the patentee, the profit gained by the infringer, the license royalty or statutory damages.

SIPO already increased statutory damages to up to $158,700 and is proposing double and triple damages in the Fourth Amendments to the Patent Law.

As the burden for collection of evidence on damages has reduced, the courts granted a lot of high damage cases in recent years.

See *Huawei vs. Samsung* and *Iwncomm vs. Sony*.
Damages - Continued

Average damages of invention patent

Unit: RMB Thousand
Damages - Continued

For invention patents (2015-2016)

- Average damages

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<tr>
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<th>Three IP Courts</th>
<th>Other courts</th>
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<td>1800</td>
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Huawei v. Samsung, Case No. 725, Quanzhou (2016)

- The 1st instance judgement issued on March 29, 2017
- Awarded damages of RMB 80,000,000 (around USD 11 million)
- On Sales Volume
  - IDC data shows the sales of USD 12.7 billion
  - Defendant questioned the authenticity of IDC data, but did not provide counter evidence
  - IDC data of USD 12.7 billion applies
On Profit

- 2015 Financial Report of Samsung showed the profit rate 13.2%
- The public data of Ministry of Industry and Information Technology (MIIT) showed the average profit data 3.2% for domestic cellphones

Court’s Holding:

- The profit shall be between 3.2%~13.2%
- Hence the damage shall be between (USD 12.7 billion*3.2%~USD 12.7 billion*13.2%)*6.5 = RMB 2.6 billion~10.9 billion
- The claimed damages RMB 80 million is fully supported
- Fujian High Court upheld the decision during appeal
The First SEP Injunction in China

Claim 1 of China patent No. ZL02139508.X

1. A method for secure access and data encryption in WLAN, comprising:
   - Step 1, Mobile Terminal MT sending MT certificate to Access Point AP to request certified access;
   - Step 2, Access Point AP sending the MT cert. to Authentication Server AS and requesting authentication;
   - Step 3, Authentication Server AS authenticating AP and MT;
   - Step 4, if step 3 succeeds, AS sending the results for AP and MT to AP and proceeding to step 5; otherwise, AP rejecting access of MT;
   - Step 5, AP returning the results to MT;
   - Step 6, MT judging the result for AP if it passes, and if yes it proceeding to step 7, otherwise MT quitting the access with AP;
   - Step 7, MT completing access with AP, and starting communication.
Contributory infringement

- All claimed steps are implemented by end user (MT) and other parties (AP and AS)
- Sony provides (MT) to end user
- Non-commercial purpose from the users
- Devices sold has no substantial non-infringing use
-"Normally on premise of direct infringement…but not necessarily, (contributing infringer liable) as long as all steps will be carried out if the end user follows the specification“
Exhaustion of Rights

- Neither *Qualcomm* or *Sony* has a license with the patentee for using the patented method.
- Statutory exhaustion does not cover method patent.
- Exhaustion rule of Beijing High Court covers method patent.

SEP Related Issues

- FRAND statement waives rights to sue? No
- Fault by licensee---injunction available
- For SEP, no claim chart is required for showing good faith, and for SEP patentee, requiring NDA before providing claim chart is reasonable.
Iwncomm v. Sony China (2017)

- **Damages**
  - **Reasonable royalty**
    - 4 license agreements (patent packages including other patents) with other licensees, 1 RMB per handset
    - Permitted number of handsets by government branch
  - **Royalty * 3 times, total RMB 8.5 million**
    - National science & technology award
    - Standardized technology
    - Sony’s fault by delaying negotiation
Sony appealed to Beijing High Court

- Decision was made on March 28, 2018
- The High Court agreed with all the rulings of Beijing IP Court but disagreed with the contributory infringement ruling.

"without a direct implementer, determining contributory infringement made by the provider of only one of the parts does not meet the requirements for the key element of contributory infringement and will jeopardize the public interest by excessively protect the right holder."
Thank you!

Contact information:
Tel: 212-809-8100; Fax: 212-809-8118
Email: yyu@cptausa.com; newyork@cpahkltd.com