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CHINA IPR NEWS

1. The newly amended Chinese Patent Law will take effect on October 1, 2009

The Standing Committee of CPC (China People's Congress) passed "A Decision Relating to the Amendment of Patent Law of P.R.C" in its sixth conference of December 27, 2008, that Amendment will take effect on October 1, 2009.

Compared with the current Patent Law (amended in August 2000), the new amendments mainly include the following aspects:

- The relative novelty requirement is shifted to the absolute novelty requirement,
- A statutory bar of conflicting application and a creativity (non-obviousness) requirement are added to the design patent,
- The provision governing the double filing in respect of the same invention-creation is refined,
- The requirement that a patent application for an invention or utility model completed in China must firstly be filed in China before being filed abroad is replaced with a requirement of a security checkup before being filed abroad,
- Lines for joint owners' powers in the exploitation of their jointly owned patent are demarcated,
- The protection level of patent rights is enhanced through adding the offer for sale as an infringing act for the design patent, increasing the amount of statutory damages for patent infringement, and clearly providing for the preliminary injunction relief (which only provided for in a judicial interpretation before),
- More limitations or restrictions on patent rights enforcement such as the parallel importation, the Bolar exception and the prior art defense (which not provided for in law before but permitted in judicial practice).
- The provisions governing compulsory license are also

refined.

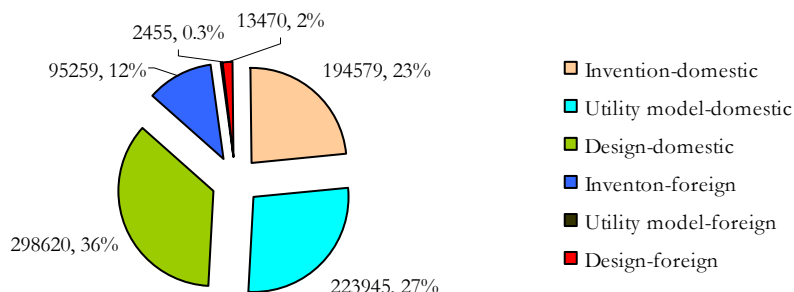
The current Chinese Patent Law took effect from April 1, 1985 and experienced two amendments in 1992 and 2000, respectively. The previous two amendments focused more about bridging the gap between the local rules and integration of Chinese laws with international protocols, whereas the third amendment focused more on the adaption of the law to the specific situation of China's economy and society, and the balance of the interests of patentees and the public at large.

2. SIPO received approximately 830,000 applications and issued more than 400,000 patents in 2008

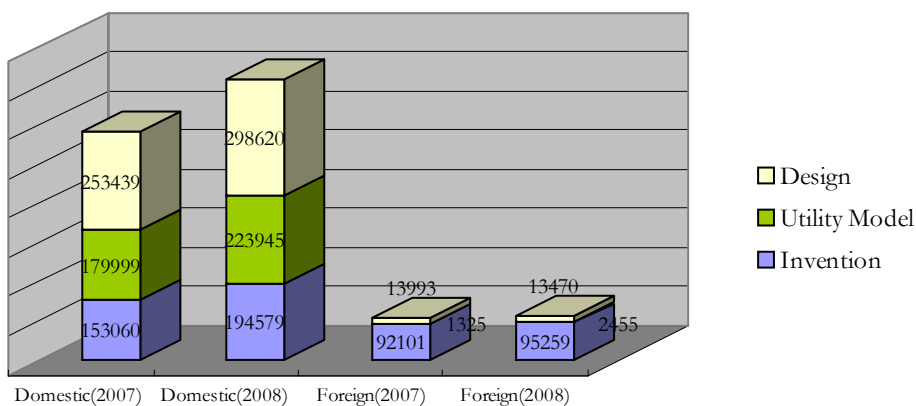
According to the statistics released on the SIPO website, it received 823,328 applications in 2008, significantly more than those of the last year, 693,917, a 19.4% year on year increase and issued 411,982 patents, a 17.1% increase over the 351,782 issued in 2007.

Among the patent applications in 2008, 717,144 were domestic accounting for 86.6% of the total and 111,184 or 13.4% were foreign applications. Among the foreign applications, 95,259 were invention or 32.9% of total invention applications; 1,641 were utility model applications, or 0.7% of total utility model applications; and 14,284 were design applications or 4.6% of total whole design applications.

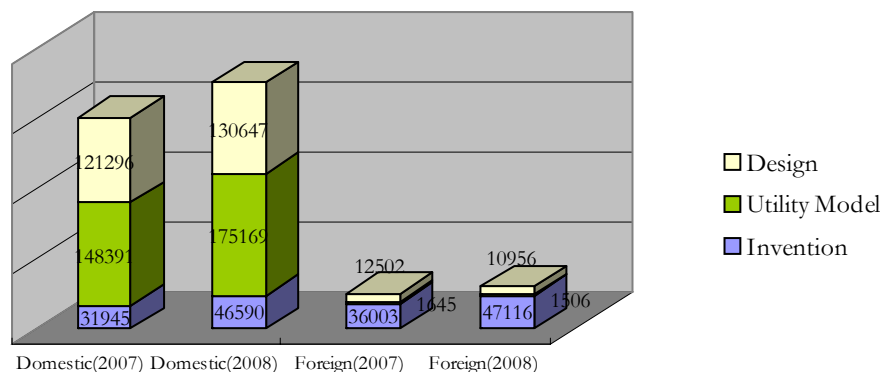
Percentages of domestic & foreign applications among the total applications received by SIPO in 2008



SIPO application data of 2007, 2008



SIPO grant data of 2007, 2008



The statistics indicate the applications filed with SIPO in 2008 have escalated and domestic applications are growing at a faster rate than foreign applications. The big growth in patent issuances evidence that SIPO has intensified its efforts for examination capability. As far as the utility model applications are concerned, it can be found that, in comparison with foreign applicants, domestic applicants have focused more on utility model applications in China.

Data source: www.sipo.gov.cn

3. China Trademark Office opened electronic filing for permitted applications

China Trademark Office (CTMO) began to accept electronic filing of trademark applications from January 17, 2009. But according to the rules released by CTMO, the electronic filing is only permitted to be filed through the website of www.ctmo.gov.cn, and some particular categories of applications such as application claiming priority, application in which the subject mark involves a personal image, collective or certification application, application designating goods or services which are not listed in *the classification for similar goods or services*, are excluded from those being allowably filed through electronic means for the time being. Electronic filing is also available to foreign applicants but the requirement of the appointment of a local agent remains unchanged.

The current official fee charged for application filed electronically is 80% of that of paper application.

Source: www.ctmo.gov.cn

LAW & PRACTICE

The Use of Consumer Survey Report in Design Patent Infringement Litigation

— *FLAT vs. GREAT WALL MOTOR*

By *Shaohui Du*
Jian Lin



Plaintiff-Appellant: FIAT AUTO S.P.A (FIAT)
Defendant-Respondent: GREAT WALL MOTOR STOCK LTD. (GREAT WALL)
Docket No.: (2008) JIMINSANZHONGZI No.84
Appellate Court: Hebei Higher People's Court
Ruling: December 29, 2008

In 2007, FIAT sued GREAT WALL before the Shijiazhuang Intermediate People's Court for patent infringement involving "GWPERI", a mini car manufactured by GREAT WALL. FIAT claimed infringement of its design patent ZL03353217.6 ('217 patent) presenting a consumer survey, which showed a similarity between "GPERI" and the '217 patent, and alleged that "GWPERI" had infringed the '217 patent at trial. The consumer survey was conducted by an agency through randomly dispensing questionnaires to people in shopping malls or plazas of Beijing, Shanghai, Guangzhou and Chengdu and then compiling a final survey report. The process of the survey was notarized by a notary public and was paid by FIAT.

The Shijiazhuang Intermediate People's Court held, *inter alia*, that the authenticity and relevance of the consumer survey report could not be ascertained owing to two facts. Firstly, the surveying agency's name recorded in the notarization documents was inconsistent with the name of the surveying agency indicated in the survey report. Secondly, the accused "GWPERI" had only one gasoline tank on one side but the car illustrated in the notarized documents had two gasoline tanks on both sides. The difference between the '217 patent and the design applied by the "GWPERI" were distinctive enough to prevent ordinary consumers from confusion. The Court found a non-infringement of '217 patent in favor of GREAT WALL.

On appeal, FIAT argued that the Court of First Instance erred in refusing to take the consumer survey report into consideration and in finding that the accused design was not similar to the patented design.

Firstly, FIAT argued that the inconsistency concerning the survey agency's name was minor and insignificant with regard to whether the consumer survey report should be admitted as genuine evidence to evaluate the similarity between the "GWPERI" and '217 patent. Owing to the oversight of the notary public, a more simplified name of the surveying agency had been used in notarization other than the formal name of the agency indicated in the survey report. Additionally, this minor defect had been corrected before the evidence was to be heard.

Secondly, FIAT argued that the notarization was made on the spot of the survey, and intended for the attestation of the truth of the survey activity. Hence whether or not the car in the pictures used for the questionnaire were exactly the same as the "GWPERI" was irrelevant to the probative value of the notarization and the Court of First Instance should have considered the notarization as evidence.

Thirdly, FIAT argued that the Court of First Instance should have found the overall appearance of the accused "GWPERI" similar to patented design based on a comparative analysis as a whole.

GREAT WALL responded that the consumer survey report is not an admissible type of evidence under Chinese Civil Procedure Law and its genuineness and objectiveness can't be verified because the surveying agency was paid by FIAT for its work. The car in the notarized documents with two gasoline tanks is not the accused "GWPERIL" which has only one gasoline tank. A statement assenting the facts found by the Court of First Instance was also presented to Hebei Higher People's Court.

Hebei Higher People's Court held, *inter alia*, a key issue in this case is to find whether the accused design is similar to the patented design. A premise addressing the similarity issue was to determine the right approach of comparison and





from whose perspective to make the comparison. According to Article 56(2) of Patent Law and related applicable rules, the comparison should be made between the “GWPERIL” (a genuine physical accused car) and ‘217 patent from the perspective of an ordinary consumer.

The Hebei Court found that, an improper approach was adopted by the consumer survey report to compare the car in pictures with ‘217 patent, which may result in a different outcome, because putting the accused car picture and patented design drawings together to compare with each other would result in a direct visual impression in the absence of time or space interval which always existed if the comparison is made by an ordinary consumer. The Hebei Court found the approach adopted by the survey report deviates from the rule of Article 56(2) of Patent Law, not only because the comparison is not made between the “GWPERIL” (a genuine physical accused car) and ‘217 patent but also because the comparison is made in the absence of time or space interval.

Moreover, the Hebei Court found the people surveyed were randomly selected from those in shopping malls or plazas of Beijing, Shanghai, Guangzhou and Chengdu to answer questions on whether the cars in the pictures of the questionnaire were similar to each other. The Hebei Court determined that it had no way to check whether the people surveyed were ordinary consumers of mini cars, but an ordinary consumer of the accused car differs from those of non-potential purchasers in terms of attention paid to the car and which parts of the car they may be interested in. Both may influence their judgment concerning the overall appearance of the car, so the people surveyed were not the appropriate consumer population as required under the law.

Accordingly, FIAT’s arguments with respect to the consumer survey report were rejected by the Court, notwithstanding the uncertainty of whether the car in the notarized pictures was the accused “GWPERIL” , the corrected defect of the notarization and the objectiveness issue raised by the respondent.

Finally, The Hebei Court affirmed the decision of Court of First Instance regarding the issue of the similarity between the “GWPERIL” and ‘217 patent and ruled in favor of GREAT WALL.

Comments

We deem it a matter of opinion whether an accused design is substantially the same or similar to a patented design, in a design patent infringement litigation. As a strategy, more and more litigants (the patentees usually) elect to establish their claim of the similarity by presenting to court a consumer survey report made by a third-party agency, apart from obtaining an Infringement Analysis Report (Expert Affidavit) concerning the similarity issue from an agency certified by the Supreme People’s Court. It remains uncertain to what extent the consumer survey report will be weighed by court as evidence to evaluate the identity or similarity issue because the objectiveness of the survey report may be doubted. For example, the compilation of a survey is controlled by one party, patentee or defendant, and therefore, the people surveyed may be misled by questions in the questionnaire.

From this case, it is certain that the patentee and its survey agency should pay considerable attention to surveying the appropriate people, drafting proper questions in the questionnaire, and conducting a proper survey to maximize the use of such a report for purposes of litigation. Otherwise procedural flaws may lead to its exclusion from consideration.

In our opinion, the Hebei Court in this case set a high standard for the consumer survey report to be introduced as evidence to evaluate the similarity issue by requiring a comparison therein between a genuine physical accused car and the design patent. This exceedingly high requirement limits the use of the consumer survey as an instrument in design patent infringement litigation because a consumer survey is unlikely to be conducted by showing the people surveyed a genuine physical accused product unless the size of the accuse product is physically small enough.





The Nature and Use of the Search Report on a Utility Model Patent

— The 3rd report on the utility model patent system in China

By Qi Wang
Shaohui Du

In our previous two issues, we presented two articles on the major differences between the invention patent and the utility model patent systems and the practice of double applications regarding the same invention-creation. In this issue, we will introduce “the nature and use of the search report on utility model patent” to conclude our reports on the utility model patent system in China.

1. The main provisions governing the search report on a utility model patent

The Article 57(2), a provision relating to the search report on the utility model patent, was firstly introduced in the Patent law through its amendment of Aug 2000. Thereafter, supplementary rules have been provided for in the Implementation Regulations of the Patent Law and patent-related judicial interpretations. The introduction of the search report framework corresponds to the fact the utility model application won't go through substantive examination to ripen into a patent.

With a view to provisions and rules¹ those govern, the framework of the search report on a utility model patent under Article 57(2) could be defined as:

A. Only the patentee is the qualified requester, in other words, any others other than the patentee are not allowed to request SIPO to issue the Search Report on a Utility Model Patent,

B. Only SIPO is empowered to make and issue such a report, those search reports made or issued by any other organizations or entities other than SIPO is not the ones under Article 57(2),

C. Only if a utility model patent is granted and announced, the patentee can request SIPO to issue such a search report,

D. All claims will be searched but the issues addressed in the report are limited to novelty and obviousness,

E. The search report under Article 57(2) is allowed to be requested only once. The Guidelines for Examination (2006) offers two procedures to rectify possible errors in the issued search report, an ex-officio rectification and a rectification upon the request of the patentee. However, a supplementary search will usually not be conducted unless some requirements are met.²

2. Legal nature of the search report on a utility model patent

The search report on a utility model under Article 57(2) issued by SIPO is unrelated to the substantive examination or invalidation procedure, which is not dispositive of the validity issue of a utility model patent. Thus, neither reconsideration or appeal proceedings nor observations are open to a dissenting requester (patentee).³ If the utility model patent has some defects in its patentability, it's an issue supposed to be addressed in an invalidation procedure.

1. Article 57(2) of Patent Law (2000), Article 55,56 of the Implementation Regulations of Patent Law (2000)
2. According to 13.4.1, Chapter 6, Part II of Guideline for Examination (2006), the main rectifiable errors include: any error of bibliographic data or the word; any procedure error in making the search report; any obvious error in applying the laws or regulations; any obvious error in identifying the facts on which the conclusion relies.
3. The search report on a utility model patent issued by SIPO is equipped with a declaration of “This report is not an administrative decision subject to judicial review”.





3. Significances of a search report on a utility model patent under Article 57(2)

Pursuant to the current provisions and rules⁴ those govern, the search report on a utility model patent under Article 57 (2) has the following use or significance:

A. It can serve as prima facie evidence for the novelty and non-obviousness of the utility model patent at issue, but the submission of it to court is not a prerequisite for the patentee to file his infringement case.

B. It is an important factor which will be weighed by the judge to decide whether to stay an ongoing infringement lawsuit once the defendant counterclaims the invalidity of the utility model patent in suit. The applicable rules state that when the defendant has initiated an invalidation procedure not later than the expiring day of his answer period of the lawsuit, if there is no search report presented to the court by the patentee, the court shall stay the proceedings. Whereas if a search report is presented to and no reference therein is found to be detrimental to the novelty and the non-obviousness of the patent in suit, the court may not stay the proceedings. However, when the court is confronted with whether to stay the proceedings or not it may be a rigid, sometimes⁵ perhaps improper approach to exclusively follow those rules mentioned above, which put too much weight on the search report other than give a wholly consideration to the evidence presented by two sides of parties. In practice, many courts have been aware of that and made decisions not solely relied upon the search report under Article 57(2).

C. Submission of the report to court is one of the requirements for a utility model patentee to obtain an injunction order to stop infringements before the court trial.

D. It usually would be of more practical value for the judge to try on a prior art defense raised by the defendant in a particular case.⁶

4. The patentee's considerations to use a search report in a patent litigation

For a utility model patent infringement lawsuit, if the defendant desires to have the court proceedings stayed, one of conditions needed to be satisfied firstly is to initiate an invalidation procedure within the answer period notified by court. In practice, most defendants comply, and then the plaintiff (usually the patentee) would present his search report to court to counteract a possible influence resulting from the start of invalidation procedure. The patentee may consider the following to make the best use of his search report:

A. An appropriate time to make the request to SIPO for the search report. Currently, it will take about 3 months to obtain such a report, which should be considered before the litigation is initiated. Although, the patentee can make such a request once the utility model patent is granted and announced, this is not recommended for some reasons.⁷

4. Those rules are stipulated in patent-related judicial interpretations issued by the Supreme People's Court, which are "Several Provisions of the Supreme People's Court for the Application of Law to Pre-trial Cessation of Infringement of Patent Right", (judicial interpretation (2001) No. 20), "Several Provisions of the Supreme People's Court on Issues relating to Application of Law to Adjudication of Cases of Patent Disputes" (judicial interpretation (2001) No. 21), and "Response of Supreme People's Court on whether Presenting Search Report on a Utility Model Is a Requirement of Bringing a Suit before Court" ([2001] No. 2, 3rd Distributary of Civil Division)

5. For example, in an infringement suit assuming the patentee (plaintiff) of a utility model patent presents a search report under article 57(2) where the patent concluded as novel and non-obvious, meanwhile the defendant initiates an invalidation procedure where different references (from those cited in the search report) but strong enough vitiating the novelty or non-obviousness of the patent are presented to PRB and the court as well, in this event, that would be very unfair for the defendant if the court disregards the defendant's evidence and an ongoing procedure before PRB to proceed to a judgment in the patentee's favor and then has the judgment executed. Because even the defendant eventually wins in the invalidation procedure, the decision of invalidating the patent made by PRB definitely has no retroactive effect with the executed judgment according to Article 47 of Patent Law.

6. Legal Affairs Department of SIPO, "Guide to the newly amended patent law", Intellectual Property Press, Aug 2000, Page 328.

7. If a patentee has knowledge of that his patent lacks novelty or inventive step from the search report before filing the suit, he may be accused as a malicious litigant by the other party during the suit and the Article 47 of Patent Law is possibly applicable here.





B. If the time is limited for a patentee to request SIPO for a search report under Article 57(2), he may request the search report made by another organization ⁸ under SIPO, although it would be considered of less value for reference compared with the search report under Article 57(2).

C. Usually a particular search report contains three conclusions: 1. all claims meet the requirements of patentability, 2. none of claims meets the requirements of patentability, 3. a part of the claims meet the requirements of patentability. In practice, if the patentee obtains a conclusion 2, he will not present the search report to court. ⁹ The issue arises in the event of conclusion 3, where the claims capable of covering the allegedly infringing product are concluded as meeting the patentability requirements (for example, the independent claims is concluded as invalid however its dependant claims capable of covering the allegedly infringing product are concluded as valid), shall the patentee be recommended to present the search report to court? That depends on the attitudes of courts on whether they shall proceed, or shall stay to await an effective decision made by PRB if the court is aware of the conclusion 3. Chen Yongshun, an ex-senior IP law judge of Beijing Higher People's Court has argued the court to stay the proceedings to wait,¹⁰ but the current practice of some courts, like the Beijing 2nd Intermediate People's Court, is they might well proceed on the basis of those claims concluded as valid in the search report after weighing all evidence presented by two sides of parties.

5. The new provision regarding the search report in the 3rd amendment of Patent Law

The Chinese Patent Law experienced its 3rd amendment on 27 December 2008, and will take effect after 1 October 2009. The newly amended provision¹¹ regarding the search report on a utility model patent differs in the following aspects from that (Article 57(2)) in the Patent Law (2000):

A. The “search report” is renamed as “patent evaluation report”, which means the search report could cover some other issues falling into grounds for invalidation like insufficient disclosure, claims lacking support, in addition to novelty and obviousness,

B. The subject of such a report is extended as covering both utility model patent and design patent;

C. The qualified requester is extended to “patentee and any interested parties”;

D. Clearly stating that the patent evaluation report could serve as evidence for patent infringement disputes.

Some supplementary rules on patent evaluation report are expected to be provided for in the new Implementation Regulations of Patent Law, the amendment of which should be accomplished before or on October 1, 2009 and enter into force together with the new amendment of Patent Law according to the current custom of legislation in China.

8. An organization affiliated to SIPO titled “Patent Searching & Consulting Center” also offers patent search service to the public and issued search report in its own name. Currently it is the “Patent Examination Cooperation Center”, another affiliating organization of SIPO, that is responsible for preparing the search report under Article 57(2) issued in the name of SIPO.

9. There's no legal consequence provided for in the Patent Law for the instance where the patentee does not present the search report to the court trying his infringement case only because the conclusion of the report is bad. But this instance may involve an issue of “malicious intention” provided for in the Article 47 of Patent Law.

10. Chen Yongshun, “Chinese Patent Litigation”, Intellectual Property Press, May 2005, Page 318.

11. Article 61 of the newly amended Patent Law (2008).



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