SPC Guiding Case No. 20: Shenzhen Siruiman Fine Chemical Co., Ltd. v. Shenzhen Kengzi Water Supply Co., Ltd. and Shenzhen Kangtela Water Treatment Equipment Co., Ltd. (Invention Patent Infringement Dispute)

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

Discussed and adopted by the Judicial Committee of the Supreme People's Court; issued on November 8, 2013.

Keywords

Civil / intellectual property / infringement / invention patent / temporary protection period / subsequent acts

Holding

Where the manufacture, sale, or import of the alleged patent-infringing product during the temporary protection period — from the publication of the invention patent application to the grant of the patent right — is not prohibited by the Patent Law, the subsequent use, offer for sale, or sale of such product, even without the patentee's permission, shall not be deemed infringement of the patent right; however, the patentee may, in accordance with law, require the unit or individual that implemented its invention during the temporary protection period to pay an appropriate fee.

Basic Facts

Shenzhen Siruiman Fine Chemical Co., Ltd. ("Siruiman") applied to the State Intellectual Property Office for an invention patent on January 19, 2006. The patent was published on July 19, 2006, and granted and announced on January 21, 2009. The invention was entitled "Equipment for Preparing High-Purity Chlorine Dioxide," with Siruiman as the patentee. The most recent annual fee for the patent was paid on November 28, 2008. On October 20, 2008, Shenzhen Kengzi Water Supply Co., Ltd. ("Kengzi Water Supply") entered into a "Purchase and Sale Contract" with Shenzhen Kangtela Water Treatment Equipment Co., Ltd. ("Kangtela"), under which Kengzi Water Supply purchased a Kangtela chlorine dioxide generator for RMB 260,000. On December 30, 2008, Kangtela had already requested the tax authority to issue a uniform invoice on behalf of the above product sale. In the "Purchase and Sale Contract," it was agreed that Kengzi Water Supply would pay Kangtela for the equipment in installments, and that Kangtela would provide Kengzi Water Supply with installation, commissioning, repair, maintenance, and other technical support and after-sales service.

On March 16, 2009, Siruiman sued in the Shenzhen Intermediate People's Court of Guangdong Province, alleging that it owned the invention patent entitled "Equipment for Preparing High-Purity Chlorine Dioxide" (the "patent in issue"), and that the chlorine dioxide production equipment produced and sold by Kangtela and used by Kengzi Water Supply fell within the scope of protection of the patent in issue. It requested an order that the two defendants cease the infringement and compensate economic losses of RMB 300,000 and bear litigation costs and other expenses. In this case, Siruiman did not raise a claim for payment of the fee for the temporary protection period of the invention patent, and, even after the first-instance court had explained the matter, Siruiman still insisted on its original claims.

Judgment

On January 6, 2010, the Shenzhen Intermediate People's Court of Guangdong Province rendered Civil Judgment (2009) Shen Zhong Fa Min San Chu Zi No. 94: Kangtela shall cease the infringement, and Kangtela and Kengzi Water Supply shall jointly and severally compensate Siruiman economic losses of RMB

80,000. Both Kangtela and Kengzi Water Supply appealed. On November 15, 2010, the Guangdong Higher People's Court rendered Civil Judgment (2010) Yue Gao Fa Min San Zhong Zi No. 444: dismissing the appeal and affirming the original judgment. Dissatisfied with the second-instance judgment, Kengzi Water Supply applied to the Supreme People's Court for retrial. On December 20, 2011, the Supreme People's Court rendered Civil Judgment (2011) Min Ti Zi No. 259: revoking the original first- and second-instance judgments and dismissing Siruiman's claims.

Reasoning

The Supreme People's Court held: Since Siruiman did not raise a claim for payment of the fee for the temporary protection period of the invention patent in this case, the main focus of the dispute was whether Kengzi Water Supply's use, after the grant of the patent in issue, of the alleged patent-infringing product it purchased from Kangtela during the temporary protection period of the patent in issue infringed the patent in issue, and whether Kangtela's provision of after-sales service to Kengzi Water Supply after the grant of the patent in issue infringed the patent in issue.

The determination of patent infringement should comprehensively and integrally take into account the relevant provisions of the Patent Law. Based on the timing of the alleged infringing acts in this case, the Patent Law of the People's Republic of China as amended in 2000 should apply. Article 11, paragraph 1 of the Patent Law provides: "After the grant of the patent right for an invention or utility model, except as otherwise provided in this Law, no unit or individual may, without the permission of the patentee, exploit the patent, that is, make, use, offer for sale, sell, or import the patented product for production or business purposes, or use the patented process, or use, offer for sale, sell, or import the product directly obtained by the patented process." Article 13 provides: "After the publication of an invention patent application, the applicant may require the unit or individual that exploits the invention to pay an appropriate fee." Article 62 provides: "The limitation period for a lawsuit concerning infringement of patent rights is two years, calculated from the date on which the patentee or an interested party knew or should have known of the infringing act. Where an invention was used without payment of the appropriate fee during the period from the publication of the invention patent application to the grant of the patent right, the limitation period for a lawsuit by the patentee demanding payment of the fee is two years, calculated from the date on which the patentee knew or should have known that another person was using its invention; however, where the patentee knew or should have known before the grant of the patent right, the period is calculated from the date of grant of the patent right." Considering the above provisions together, although the Patent Law provides that the applicant may require the unit or individual that exploits the invention during the period from the publication of the invention patent application to the grant of the patent right (i.e., the temporary protection period) to pay an appropriate fee — that is, the applicant enjoys the right to claim payment of the fee for the temporary protection period of the invention patent — it does not enjoy the right to require cessation of the exploitation during the temporary protection period. Therefore, exploiting the relevant invention during the temporary protection period of the invention patent does not constitute an act prohibited by the Patent Law. Where the manufacture, sale, or import of the alleged patent-infringing product during the temporary protection period is not prohibited by the Patent Law, the subsequent use, offer for sale, and sale of that product, even without the patentee's permission, should be permitted. In other words, the patentee has no right to prohibit others' subsequent use, offer for sale, or sale of the alleged patent-infringing product manufactured, sold, or imported during the temporary protection period. Of course, this does not negate the patentee's right to require the person exploiting the invention to pay an appropriate fee under Article 13 of the Patent Law. As for the alleged patent-infringing product manufactured, sold, or imported during the temporary protection period, where the seller and user have provided a lawful source, the seller and user shall not bear liability for paying the appropriate fee.

Determining that the subsequent use, offer for sale, sale, and other exploitation acts targeting products obtained by exploiting the invention during the temporary protection period do not constitute infringement

after the grant of the invention patent is consistent with the legislative purpose of the Patent Law. On the one hand, the original intent of the patent system is "disclosure in exchange for protection," and protection can only be requested after grant. For an invention patent application, exploiting the relevant invention before the publication date does not constitute infringement, and the subsequent exploitation acts targeting products obtained by exploiting the invention before the publication date should likewise be permitted after the publication date. During the period from the publication date to the grant date, temporary protection is provided for the invention patent application; exploiting the relevant invention during that period is not prohibited by the Patent Law, and the subsequent exploitation acts targeting the products obtained by exploiting the invention should likewise be permitted after that period, but the applicant, upon obtaining the patent right, has the right to require the person exploiting its invention during the temporary protection period to pay an appropriate fee. Since the Patent Law does not prohibit exploitation before the grant of the invention patent, the subsequent exploitation of products manufactured before the grant does not constitute infringement. Otherwise, the legislative intent of the Patent Law would be contravened by providing protection for technical solutions that have not yet been published or granted. On the other hand, the Patent Law provides for the right of prior use; although it only provides that a prior user's continued manufacture of the identical product or use of the identical process within the original scope does not constitute infringement, and does not provide whether the subsequent exploitation acts of the identical product manufactured or of the product manufactured using the identical process constitute infringement, one cannot determine that the aforesaid subsequent exploitation acts constitute infringement merely because the Patent Law does not expressly provide for them; otherwise, the right of prior use provided in the Patent Law would be meaningless.

In this case, Kangtela's sale of the alleged patent-infringing product occurred during the temporary protection period of the patent in issue, and that act was not prohibited by the Patent Law. Under such circumstances, Kengzi Water Supply's subsequent use of the purchased alleged patent-infringing product should also be permitted. Therefore, Kengzi Water Supply's subsequent use did not infringe the patent in issue. By the same token, Kangtela's provision of after-sales service to Kengzi Water Supply after the grant of the patent in issue also did not infringe the patent in issue.

Relevant Legal Provisions

Articles 11, 13, and 69 of the Patent Law of the People's Republic of China.

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