

Client Alert

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China Patent: SPC IP Tribunal holds first joint hearing on patent validity and infringement disputes

On 5 December 2019, the IP Tribunal of the Supreme People's Court ("SPC") handed down two decisions in which – in a first for China, the SPC heard and decided on both the patent validity and infringement disputes in one consolidated proceeding.

Background

The two actions arose out of a patent infringement dispute between the plaintiff, Xiamen Power Electronic Technology Co., Ltd. ("Power Electronics"), and the defendant, LG Electronics (Tianjin) Appliances Co., Ltd. ("LG Electronics"). Power Electronics owns CN Patent No. 201220203855.0 ("the '855 Patent"), which is related to the structure of an over-temperature protection circuit.

Power Electronics brought a lawsuit against LG Electronics for infringement of the '855 Patent before the Hangzhou Intermediate Court ("trial court"). In response, LG Electronics initiated an invalidation action before the Patent Re-examination Board ("PRB"), challenging the validity of the '855 Patent. The trial court made a non-infringement ruling and Power Electronics appealed before the SPC IP Tribunal. Meanwhile, LG Electronics disagreed with the PRB's decision that affirmed the validity of the '855 Patent issued, first appealing before the Beijing IP Court, where it lost, then appealed before the SPC IP Tribunal. The SPC IP Tribunal decided to hold a joint hearing as LG Electronics alleged that Power Electronics made different claim interpretations in the infringement and invalidation proceedings, respectively.

Our comments

This case is representative of China's recent efforts to reduce discrepancies resulting from China's bifurcated infringement and invalidation proceedings. Similar to the German system, infringement and invalidation are addressed in two separate proceedings, i.e., Chinese courts rule on infringement and the PRB under the national patent office reviews invalidation contentions. Consequently, the court hearing the infringement case cannot review and make decisions on the validity of the asserted patent in its proceedings.

In the past, the courts that hear infringement and appeals of the PRB's invalidation decisions are often not the same. In addition, the timelines of these often parallel proceedings are not synchronized. As a result, there can be situations where a patent is found infringed and yet subsequently invalidated after years of lengthy trials, significant efforts and wasted judicial resources. Differences between claim constructions in the two proceedings may also arise, whether due to different standards being applied by law and





practice¹ or a patentee's own position-shifting. For example, in the present case, a key dispute is that the patentee asserted a broad claim interpretation before the trial court to increase the likelihood of proving infringement, while narrowing its claim constructions in the PRB proceeding in defense of validity.

Both the judiciary and the patent office have implemented measures to address this issue. For instance, the SPC issued a judicial interpretation providing that an infringement trial should be dismissed if the asserted patent is invalidated before the PRB². This measure aims to prioritize the dispute on the validity of the asserted patent before a court addresses the infringement allegation. Meanwhile, since 2018, the PRB has held several joint oral hearings with local courts and local patent offices in civil or administrative enforcement actions to enhance coordination between the invalidation and enforcement proceedings. This aims to prevent the patentee from presenting different claim constructions in the two proceedings.

The SPC made a further structural change to the jurisdiction of patent disputes. On 1 January 2019, the SPC set its IP Tribunal to hear the second instance of patent disputes, including invalidation appeals and infringement appeals. This jurisdiction restructuring significantly improved the consistency of judicial practices as well as claim constructions in invalidation and infringement proceedings, making a joint appeal hearing of two proceedings possible.

In the present case, the SPC IP Tribunal decided to consolidate and hear the two appeals together. The tribunal held a pretrial claim construction hearing, similar to the US Markman hearing, in which the judges heard each party's arguments on the interpretation of claims at issue and addressed the different claim constructions presented by the patentee in the infringement and invalidity proceedings.

Perhaps the most valuable information to be gleaned from the case is that the SPC IP Tribunal has clarified that the same claim construction standard shall apply in both invalidation and infringement proceedings, thereby bringing greater certainty to the patent system.

The unique facts of the *Power Electronics v. LG Electronics* decision are that the appeal of the trial court decision and the appeal of the PRB decision reached the SPC IP Tribunal at the same time such that the two appeals could be heard and decided together. As mentioned earlier, most cases that could not be consolidated were due to different timings. To address this issue, the SPC IP Tribunal has confirmed that different appeals relating to the same patent will be assigned to the same SPC panel, or to the same judge, where feasible.

The outcome of this case and the SPC setting up mechanisms to allow more coordinated handling of the invalidation and infringement proceedings are

¹ Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Patent Infringement Dispute Cases; Draft Provisions on Several Issues Concerning the Trial of Administrative Cases Involving Patents.

² Interpretation (II) of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Patent Infringement Dispute Cases.



positive signs towards improved patent protection in China. With China evolving as a top forum for patent litigation, with sufficient preparation and modernized strategic goals, patent owners can look forward to a more centralized, better-managed and less skewed patent legal system.

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