

Study on Thinking of China Intellectual Property Courts' Function in Judicial Confirmation of Patent

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Abstract—China has made a large stride forward to establish Intellectual Property Courts to meet the requirement of better patent rights protection. Germany, U.S. and Japan are acknowledged as patent power countries. This paper compares and contrasts the IP courts construction, especially the function in patent confirmation in these three countries, and then concludes their advanced experience in jurisdiction, trial attribute and judicial procedure of IP courts. With China judicial practice, this paper propose some suggestions to the further perfection of patent confirmation mechanism, emphasizes the role of IP courts to improve the fairness and efficiency in patent dispute resolution.

Keywords—*intellectual court; patent confirmation; judicial confirmation*

I. INTRODUCTION

The 18th CPC National Congress proposed the strategy of innovation-driven development, which stresses the key role of patent in promoting economy development. According to the statistics of the State Intellectual Property Office of THE P.R.C. China has witnessed significant increases in both quality and quantity of patent. However, the patent disputes also show an expanding trend. The amount of lawsuit concerning patent infringement has been growing continuously in recent years.¹ Given the limited duration and quickly evaporating market value of patent right, the efficiency of patent dispute resolution needs to be improved to meet the requirement of patent spread and application. And patent dispute settlements are based on the determination of patent validity and the definition of rights scope.

China adopts administrative confirmation of patent validity. The lack of judicial confirmation leads to problem of low efficiency and unfairness. However, the establishment of Intellectual Property Courts in China makes the reform viable. Therefore, this paper is projected to provide suggestions to the reform of patent trial system in China, especially the patent confirmation system with present judicial practice.

¹ According to Intellectual Property Protection by Chinese Courts in 2016, the number of first instance civil intellectual property cases accepted by local courts grew by 24.82% to 136,534; 13,357 were patent cases, up 6.46% year-on-year.

II. BACKGROUND INTRODUCTION

Due to the fluid nature of patent, the great demands of professional judgment and balance protection for patentee's interest and public interest, patent right is acknowledged as public right without denying its private attribute. Therefore, patentees' such exclusive rights shall be granted by specialized state organs through legal process.

To achieve the fundamental purpose of incentivizing innovation and inventions-creation, countries all set patent confirmation mechanism. By specialized organ's reexamining of patent validity, due patent right is re-recognized, which strengthens the stability of patent right, protects the patentee's interest better and enhances the ability of patent technology transfer and diffusion. Meanwhile, the improperly licensed right can be nullified to level playing field and promote technology innovation and development.

There are generally two ways where the patent confirmation will be requested:

- be filed by the accused infringer in infringement dispute as defense or counterclaim;
- be requested by any entity or individual, mostly by patentee or that has relative legal interest, without patent infringement dispute.
- Different organs exercise the function over actions for the declaration of patent nullity in different countries.
- Depending on the jurisdiction authorized to intellectual property courts, courts may hold the trails relate to patent confirmation in the following cases:
- any entity or individual may institute patent invalidity declaratory judgment litigation in court;
- The patentee or the person who made the request may institute legal proceedings in court if is not satisfied with the decision made by the reexamine organ.

China sets the patent invalidation system to start the confirmation of patent and authorizes the PRB to examine the validity of the patent. However, there's no limitation on the qualifications of questers, which means that any individual or organization may request the Patent Reexamination Board to declare the patent right invalid. And

the patentee or querster may institute legal proceedings in the people's court where such party is not satisfied with the decision of the PRB.

China established intellectual property courts in Beijing, Shanghai and Guangzhou at the end of 2014, which have jurisdiction over civil and administrative cases within the areas of jurisdiction. However, the establishment of IP courts doesn't change the single-track system of patent confirmation, the courts could not decide on patent invalidity. When an accused infringer asserts patent invalidity as a defense to infringement in trial, generally the court will suspend the proceeding and wait for the result of the PRB. Also, in the administrative procedure against PRB, court will either maintain or set aside the decision of PRB.

III. COMPARATIVE STUDY OF EXTRATERRITORIAL PATENT TRIAL SYSTEM

IP courts in different countries have different names. The Federal Patent Court of Germany, the United States Court of Appeals for the Federal Circuit and the Intellectual Property High Court of Japan are the IP courts of Germany, US and Japan respectively.

Although there are obvious differences in the patent trial systems of the three countries, common points could be found in the establishment of IP courts and their roles in patent confirmation.

A. Patent Trial System of Germany

The Federal Patent Court of Germany was established in 1961. It is one of the highest federal courts which are competent for patent validity matters, wherein set up Nullity Boards and Appeal Boards. Although the establishment of the Federal Patent Court of Germany keeps the separation of property rights denial trial and infringement trial, it withdraws the German Patent and Trade Mark Office's power to determine the validity of patent. Meanwhile, by stipulating the Federal Court of Justice have the jurisdiction over the appeals of both patent infringement and nullification, such cases are unified under civil litigation.

The Federal Patent Court of Germany exercises the power to determine the validity of patents. For instance, the querster of the declaration for patent nullity can only raise actions in the FPC. And when an accused infringer asserts patent invalidity in an infringement dispute case, the civil court shall suspend the trial and wait for the outcome of Nullity Boards' judgment.

Patent infringement cases are solved within the Germany civil judicial system, the local courts entertain the first instance, the party may appeal to state high courts if he is dissatisfied with the judgment or ruling, and the Federal Court of Justice has the terminative jurisdiction over both the infringement and nullification cases. However, the difference is that the Federal Court of Justice shall investigate the relevant facts and the applicable law pertaining to the patent nullification cases while only the obtained law needs to be invested in patent infringement cases.

B. Patent Trial System of the United States

The United States enacted the Federal Courts Improvement Act in 1982, thereafter established the United States Court of Appeals for the Federal Circuit (USCAFC), which was merged by the United States Court of Customs and Patent Appeals and the appellate division of the United States Court of Claims.

USCAFC is particularly known for its decisions on patent law, as it is the only appellate-level court with the jurisdiction to hear patent case appeals. And the United States Supreme Court may review the decision of the USCAFC on a discretionary basis.

Before the establishment of administrative review mechanism, once the United States Patent and Trademark Office (USPTO) granted a patent, it had no power to reexamination over the patent validity, but only the courts could determine the patent validity and define rights scope. Traditionally, the request of the reexamination of patent validity was settled along with the patent infringement disputes.²

To deal with the problems of heavy litigation exhaustion and low quality patents, US amended United States patent law in 1981 and 1999, set up *ex parte* reexamination, and *inter parties'* reexamination, thus permitting any person to file a request to the PTO for patent reexamination. And as an administrative law body of USPTO, the Board of Patent Appeals and Interferences (BPAI) had the responsibility to review interference to "determine priority" (that is, to decide who is the first inventor) whenever an applicant claims the same patentable invention which is already claimed by another applicant or patentee.³

The newly revised "America Invents Act" in 2011 added post-grant review, replaced the BPAI with the Patent Trial and Appeal Board (PTAB), whose decisions can be further appealed to the USCAFC. And the USCAFC could change the decisions of PTAB directly by its judgment.

C. Patent Trial System of Japan

The Intellectual Property High Court of Japan was established in 2005 as a special branch office of the Tokyo High Court, but has more independence as it has its own independent court organization. IP High Court hears suits against the Japan Patent Office and appeals in patent action from district courts among Japan. Initially, Japan adopts the single-track system in patent confirmation, only the Japan Patent Office (JPO) can exercise the function to determine the validity of patents. And the action for declaration of patent nullity must be filed in the JPO. However, after the Supreme Court's *TI v. Fujitsu* decision in 2000, it has become possible for an accused infringer to assert patent

² See *Microsoft Corp., v. Proxycorn, Inc.*, No. 2014-1542, -1543 (Fed. Cir. June 16, 2015)

³ See 35 U.S.C. 302 (Added Dec. 12, 1980, Public Law 96-517, sec. 1, 94 Stat. 3015; amended Nov. 29, 1999, Public Law 106-113, sec. 1000(a)(9), 113 Stat. 1501A-582 (S. 1948 secs. 4732(a)(8) and 4732(a)(10)(A)); amended Sept. 16, 2011, Public Law 112-29, sec. 20(j) (effective Sept. 16, 2012), 125 Stat. 284.)

invalidity as a defense to infringement, and courts have been actively deciding on patent invalidity since that decision, transferred the patent confirmation from the initially single-track system into a dual-track system. After the establishment of IP High Court, an action for annulment of a JPO decision may be filed at the IP High Court, which makes the JPO quasi-judicial in practice, as regarded the same as the Tokyo district court.

The Patent Law introduced in 2004 set the information liaison mechanism to ensure the coordination between IP High Court and JPO. Judges shall get liaison with JPO chiefs when adjudicating cases relate to patent invalidation, and the latter may order the court to provide all the materials (including the evidence) in a case.

In trying patent infringement cases, the Japanese courts implement the system of three-tier trial. Districts Courts have the jurisdiction as the court of first instance. The IP High Court entertains hears appeals from district courts in patent actions, and the Supreme Court has appellate jurisdiction over all the appeals.

D. Analysis and Conclusion

Comparing the three countries IP courts' function in patent confirmation, the common points could be found as follow:

- Intellectual property courts have jurisdiction over confirmation of patent. Before the establishment of intellectual property courts, both Germany and Japan adopt the single-track system that authorizes particular organs to determine the validity of patent: In Germany and Japan, Patent Office excises exclusive power in the confirmation of patent validity.
- Civil attribute of judicial confirmation is confirmed. As in Germany, the appeal cases should be tried under administrative procedure in initial, and after the establishment of the Federal Patent Court, patent infringement and invalidity trials are now unified as civil procedure, avoiding the contradiction between judgments.
- IP courts are of high trial grade. The German and Japanese IP courts are of high court level. The counterpart in US is of federal appellate court. The superior court of each is their own supreme court.

IV. SUGGESTIONS ON FURTHER PERFECTION OF IP COURTS' JUDICIAL CONFIRMATION IN CHINA

The establishment of Intellectual Property Court in China gathered lots of high-qualified and rich-experienced judges, which enhances the IP trials' fairness and efficiency. It also takes a large step in the cross-region trial revolution, thus unifies the standard of judicial judgment.

However, the IP court system is not perfect, especially in the coordination of patent and infringement and confirmation. In light of this, the construction of IP courts in the mentioned three countries has considerable inspiration to the future evolution of Chinese IP courts:

A. IP Courts Shall Be Authorized the Power to Confirm Patent's Validity

Chinese courts could not determine the patent validity by judgment but need to rely on the PRB's decision, thus causes the prominent problems of circulation litigation and vexatious suit, which greatly weakens the stability of patents and harms the efficiency of patent infringement settlement.

B. IP Courts Trial of Patent Validity Shall Be Acknowledged as Civil Procedure

Under the present system, cases relate to patent confirmation will be tried under administrative procedure, as distinguished from civil proceeding. However, the boundaries between these two different procedures may cause the court to treat the same case with two standards. At the same time, as the Administrative Litigation Law of the People's Republic of China stimulates, the PRB shall be the defendant in patent invalidity litigation, which makes the PRB virtually become one of the civil parties' agent. Not only the party could not receive full right relief the civil procedure authorized, but the image of the PRB is also damaged.

Therefore, by acknowledging the civil nature of patent invalidity litigation, the misplaced litigation status of the PRB will be corrected and the fairness of patent invalidity trials will manifest.

C. IP Courts Shall Be Graded as Higher Courts

Chinese IP courts are regarded the same level as intermediate court, thus one patent's validity may be reviewed several times: first by PRB, then by Beijing IP court and Beijing Higher People's Court. For the purpose of easing litigation exhaustion and improving efficiency, other countries generally simplify their judicial procedure. Germany adopts two-tier trial system. U.S. and Japan adopt a three-tier trial system (the administration's decision was regarded as the first instance). Learning from the referential experience, China should also grade the level of jurisdiction of IP courts as Higher Courts, and accordingly extend the territorial jurisdictions, which helps to improve the efficiency to settle IP disputes, unifies the IP trial standard, and serves the aim of Chinese IP policy better.

V. CONCLUSION

The long adopted "single-track" system of patent confirmation in China has failed to meet the demand of patent right protection by its low efficiency in disputes resolution. The PRB exercises exclusive power to determine patent validity, causing the problems of circulation litigation and unfair litigation. Compare and analyze patent trial system of the three patent power countries-Germany, US and Japan, it could be found that all these countries authorize IP courts the power to determine patent validity, and both patent infringement and confirmation cases are tried under civil procedure.

Therefore, under the practice of IP courts establishment, China should seize the opportunity to reform its patent

confirmation system. The IP courts function in patent confirmation should be stressed by recognizing the civil attribute of patent invalidation cases, grading the IP courts as higher courts. However, considering the tradition of strong executive color, the further study on how to coordinate administrative and judicial confirmation is needed.

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