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## China Patent Re-Examination

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# China Patent Re-Examination

## **Moderator:**

*David O'Dell, Haynes & Boone, LLP*

## **Panelists:**

*Professor Zhang Chu, China University of Politics & Law*

*Alfonso Chan, Shore Chan Bragalone DePumpo LLP*

*Shelley Zheng, Advance China I.P. Law Office*

## **INTRODUCTION BY PROFESSOR XUAN-THAO NGUYEN, SMU DEDMAN SCHOOL OF LAW:**

PROFESSOR NGUYEN: This panel will focus on re-examination in relation to some previously raised questions. Hopefully, this panel will be able to address the questions.

The moderator for this panel is David O'Dell. David is a partner in the Dallas office of Haynes & Boone, LLP. David was an engineer for a number of years, and he was not only involved in computer science, he was actually a programmer. Without further ado, David will introduce today's panelists as he would be the best person to compare and contrast both the United States' and China's practices relating to re-examinations.

MR. O'DELL: Thank you, Professor Nguyen, for letting us come here today. We have three very distinguished speakers for this panel on patent re-examination. The first panelist I would like to introduce is Shelley Zheng. Shelley is a senior partner in the Advance China I.P. Law Office in Beijing, China. She is a patent attorney, trademark attorney, and an attorney-at-law. She also received a physics degree from Tsinghua University. Shelley is very familiar with patent practice, and has rich experience handling patent prosecution and litigation. She specializes in the fields of physics, telecom, electronics, and mechanics. She is active in international IP activities and is familiar with international progress in the IP field. She is a member of both the International Federation of Intellectual Property Attorneys and the Licensing Executive Society.

Next is Alfonso Chan. Alfonso is a trial lawyer with the Dallas law firm of Shore Chan Bragalone DePumpo LLP.<sup>1</sup> Alfonso is experienced in litigating complex intellectual property licensing cases on behalf of both IP owners and accused infringers. Alfonso focuses primarily on semiconductor and electronic-technology-intensive matters. He maintains a very active international practice, going to China very often, as well as Taiwan, Japan, Korea, and Europe. He also served as an adjunct professor of law at SMU Dedman School of Law. Prior to practicing law, Alfonso served in the United States Navy as a propulsion engineer at the Naval Reactors Headquarters. Alfonso received a B.S., *cum laude*, in materials engineering from Rensselaer Polytechnic Institute, a Graduate Certificate in nuclear engineering from Bettis Reactor Engineering School, and an M.S. in materials science and engineer-

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1. China IP: NOW! Symposium sponsor.

ing from University of Virginia. He also received his J.D., *magna cum laude*, from SMU Dedman School of Law.

Our final panelist is Dr. Zhang Chu. Professor Zhang is currently professor of law at the China University of Politics & Law in Beijing, China. He also serves as the Chief Director for the Center for Intellectual Property Rights Studies and is a general manager at Fada Technology Co., Ltd. Previously, Professor Zhang worked at other law schools, including Beijing University and Zhengzhou University. Professor Zhang is the author of many books about Chinese patent law, including his most recent book, *China Patent Legal System & Practice*.<sup>2</sup> He is truly an expert in this area. Professor Zhang is also very active in community service, including work for the Ministry of Justice and the Center for Cyberlaw Studies, and he has worked for several influential IP cases.

Our format for this session is that Professor Zhang will give a presentation on patent re-examination in China, and then we will open it up to questions and answers. So now, Professor Zhang, would you come up and give your presentation?

PROFESSOR ZHANG: Thank you. Good afternoon, ladies and gentlemen. It is my pleasure to be here. I have a long relationship with SMU. In the 1990s, there was a former professor here named Lingfei Lei. She is a co-author of mine and I got her book on electronic commerce law translated and published in China. Also, my first English article was published in the Winter 2005 edition of the then-titled *Computer Law Review & Technology Journal* at SMU Dedman School of Law.<sup>3</sup>

My topic is "Patent Invalidation in China & Our Practices." The presentation is divided into two parts: Part one is invalidation in China. So why request for invalidation? Normally, the one who is accused of infringement would take it as a vital defense. In almost 90% of patent infringement cases, the defendant will file an invalidation case as a defense. One reason for invalidation is that the patentee intends to amend some claims of the granted patent. Another reason for the invalidation is *pro bono* work: we need some people or organizations to protect common knowledge. Action is needed for the common knowledge protection.

Who can raise the request? Where can the request be made? Any entity or person who considers a granted patent not to be in conformity with patent law has the qualification to be a petitioner to file a re-examination case with the board under the state's intellectual property organization. The request should be filed with the China Intellectual Property Organization Patent Re-Examination Board.

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2. ZHANG CHU & XU XINGXIANG, *CHINA PATENT LEGAL SYSTEM & PRACTICE* (LexisNexis ed. 2010).

3. Zhang Chu & Lingfei Lei, *The Chinese Approach to Electronic Transactions Legislation*, 9 *COMPUTER L. REV. & TECH J.* 333 (2005).

Here is the general, very simple procedure of validation: To request a re-evaluation, you have to fill out the re-evaluation form. If the request meets the requirement of the Re-examination Board, it will be accepted; otherwise, it will be rejected. If the re-evaluation form is accepted, then the collegiate examination will begin. The re-examination panel will decide at that time to have an oral proceeding, sometimes called an oral hearing. Then, after their deliberations, they can make a decision. If the parties involved in the evaluation agree with the decision, there is no further action. If a party disagrees, that party has the right to institute legal proceedings.

There are four ways to claim that a patent is invalid. The first way is to claim that the patent in question has no novelty, no inventiveness, or no practical applicability. The second way is to claim that the description is not clear or complete. The third method for invalidating a patent is to claim that the patent is not supported by its description. Sometimes the specification or the grant is not clear, and this can be a cause for invalidation. The fourth way to invalidate a patent claim is to argue that one of its amendments goes beyond the scope of the initial description and claims. Amendment claims do not outline the essential technical features necessary for the solution, computer algorithm or commercial matter, or other defects, such as defects that are not in conformity with Patent Law Article 2, 5, 9, 12 or 25.<sup>4</sup>

Limitations by the patentee are not allowed. The patentee may not change the title or subject matter of a claim, extend the claim's protection, or amend beyond the scope of the initial description and claims in the invalidation process. In the invalidation process, the patentee could delay her claims or technical solutions or combine these to narrow the scope of protection. Additional causes for invalidation shall be raised within one month from the date of filing the request. Additional evidence for invalidation shall be presented within one month from the date of filing the request. If the evidence is in a foreign language, a Chinese language translation shall be made by the petitioner within the one-month time limit.

A patent administrator may rule three ways in response to a patent challenge. First, a patent may be declared invalid on the whole, which means the patentee gets a good result. Second, a patent may be declared invalid in part. Third, the patent may be maintained as valid. Also, a patent may be deemed to have been nonexistent from the beginning. But there is no retroactive effect if the patentee is not acting in bad faith, which means that the payment of the patent before the declaration of invalidation will not be refunded.

Part two of this presentation is a brief introduction to the Center for Intellectual Property Rights and Studies at the China University of Political Science and Law. One of our assets is the location of our center. Our IP center is just opposite the Patent Office's site, where we can access many

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4. Patent Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Mar. 12, 1984, effective Apr. 1, 1985), *available at* [http://www.sipo.gov.cn/sipo\\_English/laws/lawsregulations/200804/t20080416\\_380327.html](http://www.sipo.gov.cn/sipo_English/laws/lawsregulations/200804/t20080416_380327.html).

resources. For instance, on Friday afternoon each week, the Patent Office holds a free lecture that our students can participate in. Also, our students can use the Patent Office's patent database and searching facilities.

Our institution is the leading academic research institution in China. We are the top Internet search result when searching for the Chinese characters for IP. Our center was established in July 2005, and we work to integrate industry, academics, and research. I am not simply a full-time professor; I am also a general manager. An open platform for our research staff allows us to utilize resources at other Beijing universities in an interdisciplinary approach. Our counterpart in the United States is the Public Patent Foundation, based at Cardozo Law School.

My teaching method is real patent training. That means that I let the students work on real patents. This method is similar to a legal clinic, but also differs in a sense, because legal clinics provide services to clients. In a real patent process, however, we are the plaintiff-petitioner—a real stakeholder in the process. We do this for *pro bono* work, fundraising, and to enrich the experience of our students. Our institution has worked on several patents, including one for Pfizer, which is a pharmaceutical manufacturer that has sales of \$1.3 billion a year. Pfizer used our work to announce their initial public offering because of our reputation for professional quality service.

Some of our plans have been controversial, however. We have tried to get into the secondary security market, but our plans have not materialized yet. Some consider this plan to be a poor practice, but we want to make sure our students have every opportunity for enriching experiences. Sometimes it is desirable to get into the secondary security market, and this plan furthers the goal of giving our students interesting and enriching opportunities. But it is a somewhat controversial plan and some professors consider it a suspect practice. Thank you.

MR. O'DELL: Thank you, Professor Zhang. We have some questions to get things started. My first question will be for you, Shelley. I would like to clear up the meaning of "invalidate" and "re-examination."

MS. ZHENG: The phrases "invalidation" and "re-examination" carry different meanings in China than in the United States. In China, re-examination refers to the procedure that occurs after a patent application has been rejected.<sup>5</sup> When the patent applicant is not satisfied with the decision to reject the application, he may file a request for re-examination.<sup>6</sup> The meaning of invalidation in China is more similar to its use in the United States, though. In China, invalidation means the procedure that takes place after the

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5. *Guidelines for Examination*, STATE INTELLECTUAL PROPERTY OFFICE OF THE PEOPLE'S REPUBLIC OF CHINA, 420 (2006), available at [http://www.sipo.gov.cn/sipo/zlsc/sczn2006/guidelines2006\(EN\).pdf](http://www.sipo.gov.cn/sipo/zlsc/sczn2006/guidelines2006(EN).pdf).

6. *Id.*

patent application has been granted.<sup>7</sup> Any person may file a request for invalidation if he believes certain claims of the patent are not in conformity with patent law.<sup>8</sup>

PROFESSOR ZHANG: In a broad sense, the re-examination procedure includes both the invalidation and the actual re-examination of the patent's rejection.

MR. CHAN: The entity responsible for conducting patent re-examination procedures in China is the Patent Re-Examination Board at the State Intellectual Property Office of the P.R.C. ("SIPO").<sup>9</sup> The Patent Re-Examination Board handles both the invalidation proceedings and the re-examination proceedings.<sup>10</sup>

AUDIENCE QUESTION: What evidence may be presented during the process?

PROFESSOR ZHANG: During re-examination, various types of evidence may be presented, including publications and evidence of prior use.<sup>11</sup>

MR. O'DELL: How often are re-examinations granted?

MS. ZHENG: Approximately 30% to 40% of re-examination proceedings are successful, meaning that the petitioner is satisfied with the outcome.<sup>12</sup> These statistics are informal.

PROFESSOR ZHANG: It is likely that under the utility model, the percentage of success would be even higher.

MR. CHAN: SIPO's English website<sup>13</sup> indicates that, as long as all of the requirements for filing are met, a re-examination proceeding or invalidation proceeding will be accepted.<sup>14</sup>

PROFESSOR ZHANG: In practice, petitions are commonly rejected because the petitioner failed to properly fill out the required forms or did not present evidence in support of his petition.<sup>15</sup>

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7. *Id.* at 430.

8. Patent Law of the People's Republic of China, *supra* note 4, at art. 41.

9. *Id.*; *Guidelines for Examination*, *supra* note 5, at 411.

10. *Guidelines for Examination*, *supra* note 5, at 411.

11. *See id.* at 436–67, 475–77.

12. *Patent Application & Examination*, STATE INTELLECTUAL PROPERTY OFFICE ANNUAL REPORT, 48-49 (2008), available at [http://www.sipo.gov.cn/sipo\\_English/laws/annualreports/AnnualReport2008/200906/P020090923333622404234.pdf](http://www.sipo.gov.cn/sipo_English/laws/annualreports/AnnualReport2008/200906/P020090923333622404234.pdf).

13. STATE INTELLECTUAL PROPERTY OFFICE OF THE P.R.C., [http://www.sipo.gov.cn/sipo\\_English2008/index.html](http://www.sipo.gov.cn/sipo_English2008/index.html) (last visited October 31, 2011).

14. *See Guidelines for Examination*, *supra* note 5, at 633–34.

15. *See id.*

AUDIENCE QUESTION: Under Chinese patent law, there are a variety of grounds that may be given to support a request for invalidation.<sup>16</sup> Three of the most important are lack of novelty,<sup>17</sup> lack of a sufficient description,<sup>18</sup> and lack of support for claims.<sup>19</sup> Lack of novelty is used most often. Notably, though, patentees argue that a claim's lack of sufficient description and lack of support for claims exceed the scope of patent law. The Re-examination Board will examine the patent based on the grounds raised in the request.<sup>20</sup> There is great potential for incorrectness in the Patent Re-examination Board's opinion. But if a petitioner disagrees with this decision, there is an appeals process.<sup>21</sup> On appeal, the court will evaluate the re-examination decision.<sup>22</sup> A problem may arise, however, if the court determines that the decision was in error. In that event, the case would be remanded to the Patent Re-examination Board for another review; it is possible that the cycle of reviewing the patent and then appealing that decision could be endless, making the provision somewhat dangerous. You can appeal the decision by taking the issue to the courts. Once the court makes a decision, the matter may go back to the Re-examination Board, and the process will start all over again. This could lead to an endless cycle.

MR. O'DELL: That brings us to the next question: How long does an invalidity patent re-examination proceeding generally take?

PROFESSOR ZHANG: It depends on what type it is. If it is a patent of invention, it may take more than six months. If it is utility model, it may take three months.

MR. O'DELL: So it takes about six months for an invention and three months for a utility model?

MS. ZHENG: According to my experience, a utility model may take from six months to one year.

MR. O'DELL: What about for an invention?

MS. ZHENG: It will take longer than a utility.

MR. CHAN: The SIPO published some statistics showing that they hope to finish all their re-examinations for inventions within two years.

MR. O'DELL: Can either side appeal a re-examination proceeding, or is that just for a patent owner?

PROFESSOR ZHANG: Both sides have the right to appeal.

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16. See Patent Law of the People's Republic of China, *supra* note 4, at art. 22–23, 26.

17. *Id.* at art. 22.

18. *Id.* at art. 26.

19. *Id.*

20. *Guidelines for Examination*, *supra* note 5, at 426.

21. Patent Law of the People's Republic of China, *supra* note 4, at art. 41.

22. *Id.*

MR. CHAN: My understanding is that those appeals from the patent Re-examination Board must go to the Beijing People's Intermediate Court. Is that correct?

PROFESSOR ZHANG: There are two intermediate courts of appeal in Beijing. Those appeals will go to the first intermediate court of appeals.

MR. O'DELL: Next, we will discuss courts and the parallel proceedings that often happen in litigation, pre-proceedings, and SIPO. In the U.S., there is interaction between litigation and the patent office. For example, if there is a final determination of validity in the US, that can stop a re-examination. There are also differences between the standards of review. There is a broadest-reasonable-interpretation review used by the patent office and an ordinary-meaning standard used in the courts.

What is the interaction in the Chinese proceedings? Can a final decision at trial influence a re-examination proceeding?

PROFESSOR ZHANG: They are not parallel proceedings. The court normally does not give substantive decisions on the patent. The court will just reject or uphold the patent.

MR. O'DELL: So the court will uphold the patent, but the patent office still has the ability to come back and invalidate the patent?

PROFESSOR ZHANG: If the court upholds the patent, then you are finished. If the court rejects the patent, then it goes to the re-examining board for a second round of proceedings.

MR. CHAN: I have a question relating to *Chint v. Schneider*<sup>23</sup> from one of the other presentations. In that case, the prior-art defense was used, based on the Schneider patent. And there was a finding by the trial court that the accused infringer did not show that he was practicing exactly that patent. Was the finding of the trial court persuasive in the parallel re-examination proceeding?

AUDIENCE QUESTION: The related findings were kept totally separate.

MR. CHAN: So they just independently go down their paths?

AUDIENCE QUESTION: Yes.

AUDIENCE QUESTION: How do you reconcile a trial court's finding of infringement and the panel's finding that the patent is invalid?

MR. O'DELL: In the United States, there is no clear answer. What happens in China if the trial court finds infringement, but the patent Re-examination Board finds invalidity?

PROFESSOR ZHANG: It is still invalid.

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23. *Chint v. Schneider Elec.* (正泰诉施耐德电气), WENZHOU INTERMEDIATE PEOPLE'S CT. 2007 (China). (*Ed. note*: An English-language description of the case is available at: [english.mofcom.gov.cn/aarticle/newsrelease/commonnews/200709/20070905150629.html](http://english.mofcom.gov.cn/aarticle/newsrelease/commonnews/200709/20070905150629.html)).

AUDIENCE QUESTION: According to Chinese patent law, basically the examination board's decision is not useful after a ruling from the court. Normally, the judge may read from the board's decision.

AUDIENCE QUESTION: Basically, they can ask the infringer to return part of the fee they received.

AUDIENCE QUESTION: Is there any way to ask for a stay of the proceedings at the board level if the same matter is pending in the court? This would help to avoid two conflicting decisions.

PROFESSOR ZHANG: It is a controversial problem. Sometimes the patentee complains that the patentee has the right to a patent that cannot be protected. It is a complicated process.

AUDIENCE QUESTION: The court may read the board's decision, but sometimes there are special situations; sometimes there is a dispute regarding who owns the patent. This is a special situation where the court cannot read for the board because there is a dispute about ownership of the patent.

MR. O'DELL: In the U.S., we have an *ex parte* re-examination proceeding where someone can file a request for re-examination and not give their name—it would be anonymous. Is there such a proceeding in China?

PROFESSOR ZHANG: No. Well, you can send mail or an e-mail anonymously during the procedure.

MR. O'DELL: Let me clarify. For the person filing the claim, if they hired me as an attorney to do it anonymously my name would show up, but I do not have to identify the "real party in interest."

AUDIENCE QUESTION: During the re-examination process you can use a fake name. But if the patentee files a lawsuit against the patent office after re-examination, then during the civil process you have to disclose your name—at that point you cannot use a fake name. If you still use a fake name, you will lose the lawsuit.

MR. CHAN: I was reviewing more of the China Patent & Trademark Office (CPO) procedures and I believe you can use a straw man. You can use an actual entity, but the problem that you may have is that you may not be able to benefit from any stay in litigation because you used the straw man.

MR. O'DELL: Professor Zhang, you mentioned that the patent owner can make amendments during the re-examination process but that there were restrictions on those amendments. Can you explain those restrictions further?

PROFESSOR ZHANG: You can only narrow the scope of your protection. For example, you can delete claims or, conversely, you can combine two claims together. That is also a way to narrow the scope—that is the restriction.

MR. O'DELL: Is there a proceeding required in order to change the scope?

PROFESSOR ZHANG: No. We have no such re-issue provision for patentees. This is why patentees have the ability to file an invalidation claim for themselves. That means the patentee wants to narrow down the scope.

MR. O'DELL: Meaning the patentee wants to narrow his claim to be valid? So the strategy is to add a limitation in order to get rid of some overly broad claims?

PROFESSOR ZHANG: Yes.

MR. CHAN: My understanding is that there is no opportunity in CPO to get broader claims than what is issued and what is supported by the spec team. So you have to always narrow.

MR. O'DELL: In the US we have something called "intervening rights," where someone narrows or changes the scope of their patent claims to now make them valid. What about the infringers up to that point? Are they still liable for damages of what was previously considered an invalid claim?

PROFESSOR ZHANG: Well, the new ones substitute for the old ones. So I think it will not consist of infringement.

MR. CHAN: I think this is a very interesting aspect of Chinese patent law that can actually be traced back to its German roots. The original code came from Germany. What happens upon an amended claim is that it is assumed that the amended claim has priority back to the beginning. It has a retroactive effect.

MR. O'DELL: Different from the U.S.?

MR. CHAN: Yes, because those in the U.S. argue about the claim's breadth and other things, but in China they just make it a bright line rule—it is retroactive, so it is as if the amended claim was the issued claim from the very beginning.

AUDIENCE QUESTION: One of the things I see most commonly as a basis for re-examination is that an amendment during prosecution went beyond what was originally filed as an original claim—which is very dangerous from a U.S. perspective, where we have a broad treatment of amended claims. China invalidates patents where the words do not exactly adhere to the amendment, similar to Germany. It is a very strict standard coming from the American prospective.

AUDIENCE QUESTION: On your slides, Professor Zhang, you have listed "commercial methods" as a basis for invalidation. Can you elaborate on that?

PROFESSOR ZHANG: From what I understand, there are only a few—maybe two, or something around that number—patents that have been granted as a "business matter" patent in China. China's patent office treats these proposed patents very cautiously. Normally, in order to receive a "business matter" patent, you should connect it to hardware or something of that nature, and then you can be granted the patent.

AUDIENCE QUESTION: So that is equivalent to the U.S.'s "business method" patent?

PROFESSOR ZHANG: Yes.

MR. O'DELL: I would like to thank Ms. Zheng, Mr. Chan, and Professor Zhang for participating in this panel discussion.

