

Iwncomm v. Sony: Patent Indirect Infringement in China

Beijing Intellectual Property Court (“the Court”) in the (2015) No. 1194 Civil First-instance Judgment ruled that the defendant, i.e., Sony Mobile Communications (China) Co., Ltd. (hereinafter referred to as “Sony”) infringed the plaintiff, i.e., Xi’an Xidian Jietong Wireless Network Communications Co., Ltd. (hereinafter referred to as “Iwncomm”) against the patent right (No. ZL02139508.X) relating to WAPI (“Wireless LAN Authentication and Privacy Infrastructure”) national standard, and issued an injunction on this SEP dispute, together with a monetary damage of CNY 8.62 million and attorney fees of CNY 0.47 million. In reaching this conclusion, the Court held that Sony constituted assistance for infringing the method of the patent involved, which is a highly debated issue regarding establishment of indirect infringing acts.

The Judicial Interpretations

According to “Interpretations (II) of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Patent Infringement Disputes” effective as of April 1, 2016, Article 21 prescribes:

“Where a party has clear knowledge that certain products are the materials, equipment, parts and components, intermediate items, etc. specifically for the exploitation of a patent, and yet still provides, without the licensing from the relevant patentee and for the purpose of production and business operation, such products to another party committing the patent infringement, a competent people’s court shall uphold the claim by the right holder that the party’s provision of such products is an act of assistance for infringement as prescribed by Article 9 of the Tort Liability Law.”

Where a party has clear knowledge that certain products or methods have been granted patent, and yet still actively induces, without the licensing from the relevant patentee and for the purpose of production and business operation, another party committing the patent infringement, a competent people’s court shall uphold the claim by the right holder that the inducing act of the party is an act of abetting another party to commit infringement as prescribed by Article 9 of the Tort Liability Law.”

According to the judicial interpretations, no matter it constitutes an assistance infringement or an inducting infringement, the key point is “another party committing the patent

infringement”. The Supreme People’s Court gave a guidance “direct infringing acts shall serve as the prerequisite for indirect infringing acts”, thereby it is described as “committing the patent infringement.” Nevertheless, the prerequisite does not mean that a direct infringement has been established before filing an indirect infringement litigation. For a possibility that the direct infringer has been identified in the previous judgment, whether or not the direct infringer and the indirection infringer should be act as a joint defendant may be determined on a case-by-case basis.

According to the interpretations, there is not necessary to make a previous judgment of establishment of the direction infringement prior to appealing for the indirect infringement, and there is not necessary to take the direct infringer as the joint defendant when she/he has already been identified to do direct infringing acts in the previous judgment.

An earlier case

As an example, in the patent infringement dispute of our client Molex v. Chyao Shiunn Electronic (Dongguan) Co., Ltd. Guangzhou Intellectual Property Court held that the patent involved seeks to protect a “board-to-board connector”, in which claim 1 defines the technical feature “board-to-board connector”, “a first connector connected to the first board” and “the second connector connected to the second board”. However, the purchased product for notarization only includes the first connector and the second connector and does not have the “first

board" and the "second board" as claimed in claim 1. In this case, the defendant (i.e., "Chyao Shiunn") claimed that the product involved does not have above technical features as claimed in claim 1, and thereby being not within the extent for protection of the patent involved. The Guangzhou Intellectual Property Court did not request the plaintiff ("Molex") to provide evidences for direct infringing acts, nor request the direct infringer to participate in the litigation. Rather, to determine existence of the direct infringement through a rational assumption. As can be seen, although the defendant only sold the users with the connectors without mentioning the circuit board, it can be reasonable to foresee that users purchase the product and use them to naturally connect with the circuit board according to the instructions of the product. Thusly, it constituted patent infringement.

Iwncomm v. Sony

Iwncomm v. Sony took a forward step deep into the afore-mentioned questions. The claims of the patent involved are drafted in a multi-actor mode, completion of the entire claim requires the assistance of other multiple parties. As a result, only an end user will perform the entire steps in the claims.

As to the issue regarding establishment of indirect infringing acts, the Beijing Intellectual Property Court holds that generally speaking, direct infringing acts shall serve as the prerequisite for indirect infringing acts. However, this does not mean that the patentee shall prove that another subject actually implements direct infringing acts, and it will be enough to merely prove that if the user of the prosecuted product used the product in a predetermined manner, such use will comprehensively cover the

technical features of the patent right. Whether the user shall bear the liability for infringement has nothing to do with the establishment of indirect infringing acts. As can be seen, the Beijing Intellectual Property Court breakthroughs the request for "other party committing the patent infringement".

The Court's judgment holds that in some patents of using method, in particular, the method of the entire patent conducted only by the user, the entity who comprehensively cover the technical features of the patent right is an end user, but the use cannot constitute patent infringement due to his "non-production and management purpose." Under such circumstance, if it is mechanically to comply with the regulation "direct infringing acts shall serve as the prerequisite for indirect infringing acts", it will result in that the patent for use method involving an end user cannot be protected by law, which is contrary to the original intention of granting a patent right for the use method.

The patent infringement case is still under second-instance review. The legal issues involved in this case still need to be finally affirmed by the second-instance court. The series patent wars between Iwncomm and Sony will inevitably have a long-term influence on the legal practice among Chinese courts regarding multi-actor claims and infringement recognition. The Court proposed a new possibility for infringement recognition based on possibility rather than reality of the end user's acts, by means of the end user's implement of the patent involved instead of direct infringing acts. This echoes relaxation of business methods and software patent application examination standards, and to some extent, reflects the current booming trend of Internet+ in China.

The newsletter is not intended to constitute legal advice. Special legal advice should be taken before acting on any of the topics addressed here.

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Dr. Hong's practice focuses on patent invalidation and litigation in a variety of technical disciplines. She has significant experience practicing before the Patent Reexamination Board within the State Intellectual Property Office to defend. Dr. Hong works closely with the firm's other practice departments counseling clients on general corporate matters involving intellectual property and transactional due diligence, as well as providing patentability, freedom-to-operate and non-infringement opinions. Dr. Hong began her legal career since 2002 and joined Lung Tin in 2006. In 2015, Dr. Hong represented Lung Tin client Baufeind to win a victory in finding patent infringement. In addition to her J.S.D. from China University of Political Science and Law, Dr. Hong also received a L.L.M. from Boalt Hall, UC Berkeley School of Law.