Exploring the Reasons that Guiding Case No. 20 Lost Its Guiding Effect*

Featured Article

Abstract

In December 2020, the Supreme People's Court of China decided, for the first time since the establishment of the Case Guidance System in 2010, that two Guiding Cases "will no longer be for reference and imitation". Guiding Case No. 20 was one of them. This Guiding Case was a representative intellectual property case in which the Supreme People's Court stated: "with respect to an allegedly patent-infringing product made, sold, or imported during the provisional protection period of the patent, a patentee does not have the right to prohibit others from using, offering to sell, or selling [the product] after [the period]". The view taken by the Supreme People's Court had been controversial for many years among academics and legal practitioners. Primarily focusing on how Guiding Case No. 20 is "in conflict with a new law, administrative regulation, or judicial interpretation", this article analyzes and explores the main reasons why this Guiding Case lost its guiding effect and comments on its other shortcomings.

Introduction

On November 8, 2013, the Supreme People's Court of China (the "SPC") released the fifth batch of Guiding Cases[1] for people's courts at all levels to "reference and imitate" when adjudicating similar cases. The batch included Guiding Case No. 20 (Shenzhen Siruiman Fine Chemicals Co., Ltd. v. Shenzhen Kengzi Tap Water Co., Ltd. and Shenzhen Kangtailan Water Treatment Equipment Co., Ltd., A Dispute over Infringement of Invention Patent Rights),[2] whose "Reasons for the Adjudication" section covers, inter alia, the following:

> [It is clear that] the Patent Law provides that a [patent] applicant may request that an entity or individual exploiting his[3] invention after the invention patent application is published but before the patent rights are granted (i.e., during **the provisional protection period of the patent**) pay an appropriate fee; that is, [the applicant] has the right to request the payment of a usage fee covering the provisional protection period of the invention patent. However, with respect to acts exploiting his invention during the provisional protection period of the patent, the applicant does not have the right to request that the exploitation cease.

> Therefore, exploiting an invention during the provisional protection period of the invention patent is not a type of act prohibited by the Patent Law. In light of the fact that the Patent Law does not prohibit [a person from] making, selling, or importing an allegedly patent-infringing product during the provisional protection period of the patent, acts of using, offering to sell, and selling the product after [the period] should also be allowed, even without permission from the patentee. In other words, **with respect to an allegedly patent-infringing product made, sold, or imported during the provisional protection period of the patent, a patentee does not have the right to prohibit others from using, offering to sell, or selling [the product] after [the period].** Certainly, this does not negate the patentee's right—that he can exercise in accordance with Article 13 of the Patent Law—to request that anyone exploiting his invention pay an appropriate fee. With respect to an allegedly patent-infringing product that is made, sold, or imported during the provisional protection period of the patent, the seller or user should not be liable for paying an appropriate fee as long as the seller or user provides legal origins [for the product].[4]
>
> (emphasis added)

On December 29, 2020, the SPC released the *Notice of the Supreme People's Court on Guiding Cases That Will No Longer Be for Reference and Imitation,* stating: [5]

> In order to ensure the uniform and correct application of national laws, and in accordance with the *Civil Code of the People's Republic of China* and other relevant legal provisions as well as adjudication practices, the Adjudication Committee of the Supreme People's Court discussed and decided that **Guiding Case Nos.**9 and **20 will no longer be for reference and imitation.** However, the judgments and rulings of these Guiding Cases as well as the judgments and rulings rendered by referencing and imitating these Guiding Cases are still valid. (emphasis added)

The notice came into effect on January 1, 2021. However, the SPC did not explain why the two Guiding Cases mentioned above will no longer be for reference and imitation.

Article 1 of the *Provisions of the Supreme People's Court Concerning Work on Case Guidance*[6] provides: "Guiding Cases, which **have guiding effect** on adjudication and enforcement work in courts throughout the country, shall be determined and uniformly released by the Supreme People's Court" (emphasis added). Article 7 states: "People's courts at all levels should reference and imitate the Guiding Cases released by the Supreme People's Court when adjudicating similar cases" (emphasis added). Based on these two provisions, once a Guiding Case does not have guiding effect, it is no longer to be for reference and imitation.

In addition, with respect to the circumstances under which a Guiding Case "no longer has guiding effect", Article 12 of the *Detailed Implementing Rules on the "Provisions of the Supreme People's Court Concerning Work on Case Guidance"* provides: [7]

> A Guiding Case no longer has guiding effect under any of the following circumstances:
>
> (1) [the Guiding Case] is in conflict with a new law, administrative regulation, or judicial interpretation;
>
> (2) [the Guiding Case] is replaced with a

new Guiding Case.

Since the SPC did not announce any new Guiding Case to replace Guiding Case No. 20, the first circumstance in Article 12, i.e. "[the Guiding Case]" is in conflict with a new law, administrative regulation, or judicial interpretation", may be considered the main reason why Guiding Case No. 20 will no longer be for reference and imitation. This article will mainly analyze this reason and highlight the conflicts between the case and a new judicial interpretation as well as the conflicts between the case and a new provision of the *Patent Law of the People's Republic of China*[8] *(the "Patent Law")*.

In addition, Article 2 of the Detailed Implementing Rules the *"Provisions of the Supreme People's Court Concerning Work on Case Guidance"* provides:

> Guiding Cases should be cases whose rulings or judgments have come into legal effect, [in which] **facts are dearly determined, law is correctly applied, and reasoning for the adjudication is sufficient, and which [provide] good legal and social outcomes and have universal guiding significance for the adjudication of similar cases**. (emphasis added)

Therefore, the fact that Guiding Case No. 20 will no longer be for reference and imitation may also be due to its failure to meet the above requirements. In light of these requirements, this article also attempts to analyze the theoretical and practical limitations of Guiding Case No. 20.

Guiding Case No. 20 Is in Conflict with a New Judicial Interpretation

The Interpretation (II) of the Supreme People's Court on Several Issues Concerning the Application of Laws in Adjudicating Disputes over Infringement of Patent Rights[9] (the *"Patent Judicial Interpretation (II)"*) became effective on April 1, 2016, and is, therefore, a new judicial interpretation with respect to Guiding Case No. 20. The judicial interpretation was amended on December 23, 2020. However, Article 18 remains the same, which provides:

> Where an [invention patent] right-holder brings a lawsuit to request, in accordance with **Article 13 of the *Patent Law***, the payment of an appropriate fee from the entity or individual who exploited the invention **during the period from the date when the invention patent application was published to the date when [the patent] was granted and published**, a people's court may make a reasonable determination with reference to license fees of the relevant patent.
>
> Where the scope of protection sought by the applicant at the time when the invention patent application was published is inconsistent with the scope of protection of the patent rights at the time when the invention patent was granted and published, if an allegedly [patent-infringing] technical solution falls within both of the above two scopes, a people's court should determine that the defendant exploited the invention during the period mentioned in the preceding paragraph; if the allegedly [patent-infringing] technical solution falls within only one [of the two scopes], a people's court should determine that the defendant did not exploit the invention during the period mentioned in the preceding paragraph.
>
> Where, **after the invention patent was granted and published**, [a person], without permission from the patentee and for production and business purposes, uses, offers to sell, or sells a product made, sold, or imported by another person **during the period**

> **mentioned in the first paragraph of this article**, and that other person **has paid promised in writing to pay an appropriate fee** stated in Article 13 of the Patent Law, a people's court shall not support the [invention patent] right-holders claim that the aforementioned act of using, offering to sell, or selling [the product] infringes on the patent rights.
>
> (emphasis added)

There exists a view that the Main Points of the Adjudication of Guiding Case No. 20 do not conform to Article 18 Paragraph 1 of the Patent *Judicial Interpretation (II)*.[10] This is one of the explanations of why Guiding Case No. 20 "is in conflict with a new law, administrative regulation, or judicial interpretation". The Main Points of the Adjudication section of Guiding Case No. 20 states:

> In light of the fact that the Patent Law does not prohibit [a person from] making, selling, or importing an allegedly patent-infringing product during the provisional protection period [of the patent], which begins after the invention patent application is published and ends when the patent rights are granted, [acts of] using, offering to sell, and selling [the product] after [the period] **shall not be regarded as infringements of the patent rights**, even [if these acts are done] without permission from the patentee. However, the patentee may, in accordance with law, request that an entity or individual who exploits the invention during the provisional protection period **pay an appropriate fee**. (emphasis added)

Article 13 of the Patent Law provides:[11]

> After an invention patent application is published, the applicant may request that the entity or individual exploiting his invention pay **an appropriate fee**. (emphasis added)

According to the view mentioned above, the premise of Article 13 of the *Patent Law* is that "the entity or individual exploiting [the patentees] invention" has actually infringed on the rights of the patentee, and the original intent of Article 18 Paragraph 1 of the *Patent Judicial Interpretation (II)* is consistent with the legislative spirit of Article 13 of the *Patent Law*.[12] However, the phrase "shall not be regarded as infringements of the patent rights" in the Main Points of the Adjudication of Guiding Case No. 20 actually reflects the use of the "right to claim ill-gotten gains" theory, rather than the infringement theory, to explain the "pay [ment of] an appropriate fee". This explanation does not conform to the original legislative intent of Article 13 of the *Patent Law*, nor does it conform to the original intent of Article 18 Paragraph 1 of the *Patent Judicial Interpretation (II)*. Therefore, this Guiding Case is no longer for reference and imitation.

The above view has its merits. In the following subsections, the authors analyze more closely how Guiding Case No. 20 is in conflict with Article 18 Paragraph 3 of the *Patent Judicial Interpretation (II)*, which, as explained below, is based on good reasoning.

1. *Conflict with Article 18 Paragraph 3 of the* Patent Judicial Interpretation (II)

The meaning of Article 18 Paragraph 3 of the Patent *Judicial Interpretation (II)* can be explained by discussing an example involving "Party A" and "Party B": In order to make it easy for readers to understand, the authors added the expressions "Party A" and "Party B" to this paragraph:

> Where, after the invention patent was granted and published, [**Party B**], without permission from the patentee and for production and business

> purposes, uses, offers to sell, or sells a product made, sold, or imported by **another person [i.e., Party A]** during the period mentioned in the first paragraph of this article **[i.e., during the period from the date when the invention patent application was published to the date when the patent was granted and published], and that other person [i.e., Party A]** has paid or promised in writing to pay an appropriate fee as stated in Article 13 of the Patent Law, a people's court shall not support the [invention patent] right-holder's claim that [**Party B's**] aforementioned act of using, offering to sell, or selling [the product] infringes on the patent rights. (emphasis added)

In this example, "during the period from the date when the invention patent application was published to the date when the patent was granted and published" (i.e., during "the provisional protection period of the patent"), Party A made, sold, or imported a product that falls within the protected scope of claims disclosed in the invention patent application. After examination, the invention patent application was allowed and patent rights were granted (and the product still falls within the protected scope of claims of the granted patent, see Article 18 Paragraph 2). Due to the provision of Article 13 of the Patent Law on "pay [ment of] an appropriate fee" (see above), Party A should pay the patentee or promise in writing to pay him the appropriate fee stated in the provision. Whether Party A does so will have the following effects on Party B:

- If Party A has paid the patentee or promised in writing to pay him an appropriate fee, Party B, who purchased the product from Party A during the provisional protection period of the patent, can, regarding his act of using, offering to sell, or selling the product after the patent rights are granted, be free from liability for such infringements of patent rights.
- If Party A has neither paid the patentee nor promised in writing to pay him an appropriate fee, Party B cannot, regarding his act of using, offering to sell, or selling the product after the patent rights are granted, be free from liability for such infringements of patent rights.

The following is an analysis of the facts of Guiding Case No. 20 in accordance with Article 18 Paragraph 3 of the *Patent Judicial Interpretation (II)*. Shenzhen Kangtailan Water Treatment Equipment Co., Ltd. ("Kangtailan Company") (similar to Party A of the aforementioned example) neither paid patentee Shenzhen Siruiman Fine Chemicals Co., Ltd. ("Siruiman Company") nor promised in writing to pay it an appropriate fee. Therefore, based on Article 18 Paragraph 3 of the *Patent Judicial Interpretation (II)*, Shenzhen Kengzi Tap Water Co., Ltd. ("Kengzi Tap Water Company") (similar to Party B of the aforementioned example) **cannot**, regarding its act of using, after the patent rights were granted, a product made and sold by Kangtailan Company (again, similar to Party A of the aforementioned example) during the provisional protection period of the patent, **be free from** liability for such infringements of patent rights. On this basis, the "Reasons for the Adjudication" section of Guiding Case No. 20—which states that "[where neither an appropriate fee has been paid to a patentee nor has a promise to pay such a fee been made in writing,] with respect to an allegedly patent-infringing product made, sold, or imported during the provisional protection period of the patent, a patentee **does not have the right** to prohibit others from using, offering to sell, or selling [the product] after [the period]" (emphasis added) —is clearly in conflict with Article 18 Paragraph 3 of the *Patent Judicial Interpretation (II)*.

2. *Article 18 Paragraph 3 of the Patent Judicial Interpretation (II) Is Reasonable*

The above example involving Party A and Party B shows that Article 18 Paragraph 3 of the

Patent *Judicial Interpretation (II)* exemplifies very well the legal purpose of Article 13 of the Patent Law, i.e., it provides the applicant with certain protection after his invention patent application is published. Otherwise, allowing a third party to freely exploit a published invention before invention patent rights are granted would obviously harm the interests of the patent applicant.

It is worth noting that the use of the term "another person" in Article 18 Paragraph 3of the Patent *Judicial Interpretation (II)* clearly indicates that two parties (i.e., Party A and Party B in the example) are involved. In other words, this paragraph does not exempt **Party A**, who made, sold, or imported a product during the provisional protection period of the patent, from liability for infringements of patent rights regarding **Party A's own** act of using, offering to sell, or selling the product after the patent rights are granted, even if Party A has paid the patentee or promised in writing to pay the patentee appropriate fee. This reflects a principle in the determination of liability for patent infringement: the liability of **the party** who makes, sells (the first time), or imports a product (**i.e., Party A**) is greater than that of **the other party** who buys the product from Party A as well as uses, offers to sell, or sells (the second time) the product (**i.e., Party B**).

It is conceivable that if, under the circumstance that Party A has paid the patentee or promised in writing to pay the patentee an appropriate fee, Party A is then allowed to use, offer to sell, or sell, after the patent rights are granted, a product made, sold, or imported by Party A during the provisional protection period of the patent, Party A is likely to make or import a large quantity of the products during the provisional protection period and then use or sell these products for a long time after the patent rights are granted, resulting in a significant loss of the interests of the patentee.

Therefore, the content of Article 18 Paragraph 3 of the *Patent Judicial Interpretation (II)* is reasonable. This further reveals the inadequate arguments and considerations in Guiding Case No. 20, which is contrary to Article 18 Paragraph 3, as reflected in two main points discussed below.

(1) Guiding Case No. 20 Fails to Balance the Interests of All Relevant Parties

In Guiding Case No. 20, manufacturer and seller Kangtailan Company had neither paid patentee Siruiman Company nor promised in writing to pay it an appropriate fee (even though Siruiman Company did not claim an appropriate fee in the case), and yet it was determined that "with respect to an allegedly patent-infringing product made, sold, or imported during the provisional protection period of the patent, a patentee does not have the right to prohibit others from using, offering to sell, or selling [the product] after [the period]". This is clearly harmful to the rights and interests of the patentee and does not provide any protection to the patentee during the provisional protection period of the patent. This makes the costs of illegally exploiting an invention during the provisional protection period of the patent very low and fails to balance the interests of all relevant parties.

The facts of Guiding Case No. 20 reflect very well the low costs of illegally exploiting an invention. In that case, the patent at issue was an invention patent named "Equipment for Preparing High-Purity Chlorine Dioxide". Each of the various parts of the equipment is common. The novelty of the patent at issue lies in the connection between these parts and their mutual influences. Therefore, a person who refers to the patent specification and purchases these common parts can immediately exploit the invention. The investment costs are very low, far lower than the costs invested by the patentee in the research and development of the invention.

(2) Guiding Case No. 20 Does Not Help Encourage the Use of Inventions and Creations

With respect to the guiding significance of

Guiding Case No. 20, the Third Civil Division of the SPC and the Office for the Work on Case Guidance of the SPC commented:[13]

> The Main Points of the Adjudication of that Guiding Case aim to make this point clear: with respect to an allegedly patent-infringing product made, sold, or imported during the provisional protection period of the patent, a patentee **does not have the right** to prohibit others from using, offering to sell, or selling [the product] after [the period]. The Main Points of the Adjudication address controversies in judicial practice and have guiding significance for the adjudication of similar cases. **Not only [are these Main Points of the Adjudication] in line with the legislative spirit of the Patent Law regarding "[granting] protection in return for disclosure", they are also conducive to encouraging the use of inventions and creations, and promoting scientific and technological progress and economic and social development**. (emphasis added)

However, the authors believe that the term "protection" used in the phrase "[granting] protection in return for disclosure" not only includes protection after patent rights are granted, but should also include protection during the provisional protection period of the patent, which is clearly stated in the Patent Law. Otherwise, the desire and motivation of innovative entities to apply for patents and disclose their inventions and creations will plummet, and this will be detrimental to "encouraging the use of inventions and creations, and promoting scientific and technological progress and economic and social development".

In particular, it should be noted that, unlike countries such as the United States and Japan, which adopt the model of having the process of patent application publication run in parallel with the process of patent substantive examination, China uses the model of "early disclosure, delayed examination" (such that, in China, the time between the publication of an invention patent application and the grant of patent rights is longer than that in countries such as the United States and Japan). As a result of the Chinese model and the fact that a large number of invention patent applications request "early disclosure", the time between the publication of an invention patent application and the grant of patent rights is generally one to two years. During this relatively long provisional protection period of the patent, the person who exploits an invention can seize a large market share and obtain corresponding benefits. For example, in Guiding Case No. 20, the allegedly patent-infringing products were chlorine dioxide generators, which area type of large-scale industrial equipment with low market demand and, in general, long service life. Allowing the defendant to continue to use, offer to sell, and sell, after the patent rights were granted, the allegedly patent-infringing products made and sold during the provisional protection period of the patent directly caused the patentee significant loss of market share.

Guiding Case No. 20 Is in Conflict with a New Provision of the Patent Law

Article 42 of the *Patent Law* provides:

> The term of invention patent rights is 20 years, the term of utility model patent rights is 10 years, and the term of design patent rights is 15 years. All [of the terms] are calculated from the date of application.
>
> Where invention patent rights are granted four or more years after the date of the invention patent application and three or more years after the date of request for substantive examination, the patent administration department of the State Council shall, at the request

> of the patentee, compensate for [lost time in the] term of the patent rights in response to **unreasonable delay** in the granting of invention patent rights, except for unreasonable delay caused by the applicant.
>
> […]
>
> (emphasis added)

Article 42 Paragraph 2 of the *Patent Law* was added in 2020 when the law was amended. The original legislative intent of the provision is to compensate for the shortening of the protection period of an invention patent caused by the unreasonable delay in the process for granting the patent (because "[t]he term of invention patent rights is 20 years [and the term is] calculated from the patent application date", the actual protection period is 20 years minus the period between the patent application date and the date when the grant of the patent is published), thereby providing a more reasonable protection period for the patentee.

It is worth noting that an unreasonable delay in the process for granting the patent also means a corresponding extension of the provisional protection period of the patent. Since the legislative purpose of Article 42 Paragraph 2 of the *Patent Law* is to provide patentees with more reasonable protection, how to allow patentees to obtain appropriate protection during the extended provisional protection period of the patent should also be considered. If, in accordance with the "Reasons for the Adjudication" of Guiding Case No. 20, the acts of using, offering to sell, or selling, after the patent rights are granted, products made during the provisional protection period of the patent shall not be regarded as infringements of the patent rights, this means that the person who exploits the invention can, during the extended provisional protection period of the patent, seize a greater market share and obtain more benefits, causing more harm to the patentee. In this way, even though the patentee is, in accordance with Article 42 Paragraph 2 of the *Patent Law*, compensated for the lost time in the protection period, the loss caused to the patentee by the aforementioned acts of the person who exploits the invention will still be irreparable. Therefore, in order to fully achieve the legislative purpose of Article 42 Paragraph 2 of the *Patent Law* (i.e., to provide patentees with more reasonable protection), Guiding Case No. 20 should no longer have guiding effect. In this sense, there is also conflict between Guiding Case No. 20 and Article 42 Paragraph 2 of the *Patent Law*.

Theoretical and Practical Limitations of Guiding Case No. 20

1. Guiding Case No. 20 Actually Created New Acts that Do Not Constitute or Are Not Regarded as Infringements of Patent Rights or Acts that Are Exempted from Liability for Infringements of Patent Rights

In the *Patent Law*, the acts that do not constitute or are not regarded as infringements of patent rights include only those acts specified in Article 67[14] and Article 75[15] (see **Sidebar 1**). In addition, Articles 18 and 25 of the *Patent Judicial Interpretation (II)*, which came into effect after the release of Guiding Case No. 20, provide for acts that are exempted from liability for infringements of patent rights (see **Sidebar 2**).

The "Reasons for the Adjudication" of Guiding Case No. 20—regarding the decision that acts of using, offering to sell, or selling, after patent rights are granted, an allegedly patent-infringing product made and sold during the provisional protection period are not prohibited—actually went beyond the aforementioned provisions of the *Patent Law* and the *Patent Judicial Interpretation (II)* to create new acts that do not constitute or are not regarded as infringements of patent rights, or new acts that are exempted from liability for infringements of patent rights.

2. The View in the "Reasons for the Adjudication" of Guiding Case No.20, Providing That If Subsequent Exploitations Are Determined to be

Infringements This Essentially Provides Protection to Technical Solutions That Are Not Yet Disclosed or Patented, Is Inappropriate

Sidebar 1:

Patent Law of the People's Republic of China (amended in 2020)

Article 67

In a patent infringement dispute, where the alleged infringer has evidence to prove that the technology or design exploited by him is a type of existing technology or an existing design, [his exploitation] **shall not constitute an infringement of patent rights**.

Article 75

None of the following circumstances **shall be regarded as an infringement of patent rights:**

(1) using, offering to sell, selling, or importing a patented product or a product obtained directly by the patented process after the said product is sold by the patentee or by his licensed entity or individual;

(2) having made the same product or having used the same process before the filing date of the patent application, or having made necessary preparations for making such a product or using such a process before the said filing date and continuing to make such a product or using such a process only within the original scope;

(3) for a foreign transportation vehicle temporarily passing through China's territorial land, territorial waters, or territorial airspace, using, in accordance with an agreement signed between its country of origin and China or an international treaty to which both countries have acceded, or in accordance with the principle of reciprocity, relevant patents in the devices and equipment of the vehicle for its own needs;

(4) using relevant patents specially for scientific research and experiments;

(5) making, using, or importing patented drugs or patented medical instruments for the purpose of providing the information as required for administrative examination and approval; or making or importing patented drugs or patented medical devices specifically for [the party performing the act(s) mentioned in the preceding clause].

(emphasis added)

Sidebar 2:

Interpretation (II) of the Supreme People's Court on Several Issues Concerning the Application of Laws in Adjudicating Disputes over Infringement of Patent Rights

Article 25

Where, for production and business purposes, [a person] uses, offers to sell, or sells a patent-infringing product that is not known to have been made and sold without permission from the patentee, and evidence has been adduced to prove the legal origin of the product, a people's court should support a right-holders request that the aforementioned act of using, offering to sell, or selling cease, **except that the user of the allegedly [patent-] infringing product has adduced evidence to prove that he has paid a reasonable price for the product.**

The term "not known" mentioned in the first

paragraph of this article refers to the fact that [a person] actually does not know and should not know.

The term "legal origin" mentioned in the first paragraph of this article refers to the acquisition of a product through normal commercial means such as legal sales channels and usual sales contracts. With respect to the legal origin, the person who uses, offers to sell, or sells [the product] should provide relevant evidence that conforms to the customary practices of the type of transaction [involved].

(emphasis added)

The "Reasons for the Adjudication" section of Guiding Case No. 20 states:

> [...] the patent system is designed to "[grant] protection in return for public disclosure" and the protection [of the invention] can only be requested after [the patent] rights are granted. In terms of an invention patent application, the exploitation of the related invention before the disclosure date does not constitute infringement. After the disclosure date, the acts of exploiting products that were obtained before this date by exploiting the invention should also be allowed. From the disclosure date to the date when the [patent] rights are granted, the invention patent application is given provisional protection. The exploitation of the related invention during this period is not prohibited by the Patent Law. Similarly, after [this provisional protection] period, the acts of exploiting products obtained [earlier] by exploiting the invention should also be allowed; but, after obtaining the patent rights, the applicant has the right to request that anyone who exploited his invention during the provisional protection period pay an appropriate fee. Because the *Patent Law* does not prohibit acts of exploitation taking place before the invention patent rights are granted, **subsequent exploitation of products made before the patent rights are granted also does not constitute infringement. Otherwise, it would violate the original legislative intent of the Patent Law by providing protection to technical solutions that are not yet disclosed or patented.** (emphasis added)

With respect to the person who exploits an invention (not including any party who purchases a product from the person who initially exploits the invention and uses, offers to sell, or sells the product after the purchase), his exploitation during the provisional protection period of the patent has already resulted in benefits. It is, therefore, reasonable for him to pay the patentee an appropriate fee, the payment of which, however, should not have exhausted the patentees other patent rights. If, after patent rights granted, this person is allowed to continue to use, offer to sell, or sell the products made, sold, or imported during the provisional protection period of the patent, this will cause the patentee to lose his exclusive rights brought by the patent. Therefore, prohibiting the exploitation of an invention after patent rights are granted is not to provide protection to technical solutions that are not yet publicly disclosed or patented, but is to protect the patentee's actual interests after the patent rights are granted.

3. The Use of "Prior Use Rights" As an Analogy in the "Reasons for the Adjudication" of Guiding Case No. 20 Is Inappropriate

The "Reasons for the Adjudication" section of Guiding Case No. 20 also states:

> [...] the *Patent Law* provides for **prior**

> **use rights**. [The law] only states that a prior users continued making of the same product or use of the same process within the original scope is not regarded as an infringement; [it] does not state whether, with respect to the same product that has been made [before the patent application date] or a product that has been made[, before the patent application date,] by using the same process, a subsequent act of exploiting [the product] constitutes infringement. But the aforementioned subsequent act of exploitation cannot be determined to constitute infringement merely because the *Patent Law* does not have clear provisions. Otherwise, the prior use rights provided for by the Patent Law would be meaningless. (emphasis added)

A prior-use right holder's act of exploiting a patented technology occurred before the filing date of a patent application and this covers a time range that is different from the provisional protection period of the patent, which covers the time range that is after the invention patent application is published but before the patent rights are granted. The solution exploited by a prior-use right holder that happens to be identical with the patented technology is, for the most part, independently developed and designed and should be protected by law. However, the acts of a person who exploits an invention during the provisional protection period of the patent are mostly based on the disclosures in the patent application and it is difficult to prove the related solution is independently developed and designed. Therefore, the legislative purposes of provisions regarding holders of prior-use rights and those who exploit an invention during the provisional protection period of the patent are not comparable and should not have been compared in Guiding Case No. 20.

4. Guiding Case No. 20 Is Inconsistent with the Patent Examination Guidelines

The *Patent Examination Guidelines*, which was formulated by the China National Intellectual Property Administration, was revised in 2019 to, for the first time, include a provision that allows patent applicants to apply for delayed provision that allows patent applicants to apply for delayed examination.[16] Part V Chapter Seven Section 8.3 of the *Guidelines* provides the following regarding "delayed examination":

> **An applicant may submit a request for delayed examination of an application for an invention patent or a design patent.** The request for delayed examination of [the application for] an invention patent should be submitted by the applicant at the same time as the request for substantive examination, but the request for delayed examination of the application for an invention patent shall take effect on the date when the request for substantive examination becomes effective [...]. The period of delay is one year, two years, or three years from the effective date of the delayed examination request. After the expiration of the delay period, the application will be examined in order [of receipt]. When necessary, the Patent Office may initiate the examination procedures on its own and notify the applicant that the delayed examination period requested by the applicant is thereby terminated.
> (emphasis added)

An applicant may take the initiative to request that the substantive examination of an invention patent application be delayed for one to three years. Then, the applicant can, based on his own technological development and iteration and that of his competitors, consider more comprehensively the focus of the scope of his patent protection. The applicant can also reserve, for a longer period of time, the possibility of filing a new divisional application.

If the "Reasons for the Adjudication" in Guiding Case No. 20 are followed, the patent applicant is likely to be reluctant to adopt the strategy of delaying examination. This is because it will extend the provisional protection period of the

patent and a patentee will not be willing to increase his risk of "not hav[ing] the right to prohibit others from using, offering to sell, or selling" after the provisional protection period "an allegedly patent-infringing product made, sold, or imported during the provisional protection period". This violates the original intent of the above-mentioned revision of the Patent Examination Guidelines and will lead to the failure of Chinas "early disclosure, delayed examination" system.

Concluding Remarks

Guiding Case No. 20 not only conflicts with a new judicial interpretation and a new provision of the Patent Law but also interpretation and a new provision of the Patent Law but also longer has guiding effect. The SPCs decision that Guiding Case No. 20 "will no longer be for reference and imitation" is reasonable and helps the gradual improvement of the Case Guidance System. In the future, if decisions are issued to announce that some other Guiding Cases "will no longer be for reference and imitation", the authors hope that the SPC will provide reasons accordingly, so as to provide better guidance and reference for the people's courts at all levels in the adjudication of related cases as well as for participants of related cases.

[*] This article was originally published in 13 CHINA LAW CONNECT 33 (June 2021) of Stanford Law School, *also available at* STANFORD LAW SCHOOL CHINA GUIDING CASES PROJECT, Experts *Connect*™, June 2021, http://cgc.law.stanford.edu/commentaries/clc-13-202106-connect-15-zhang-ma. The original, Chinese version was edited by Dr. Mei Gechlik. The English version was prepared by Jennifer Baccanello, Shanahly Wan, and David Wei Zhao, and was finalized by Jennifer Ingram, Nathan Harpainter, and Dr. Mei Gechlik.

[1] 《最高人民法院关于发布第五批指导性案例的通知》(*Notice of the Supreme People's Court on the Release of the Fifth Batch of Guiding Cases*), issued on and effective as of Nov. 8, 2013, https://www.chinacourt.org/law/detail/2013/11/id/147238.shtml.

[2] 《深圳市斯瑞曼精细化工有限公司诉深圳市坑梓自来水有限公司、深圳市康泰蓝水处理设备有限公司侵害发明权纠纷案》(*Shenzhen Siruiman Fine Chemicals Co., Ltd v. Shenzhen Kengzi Tap Water Co., Ltd. and Shenzhen Kangtailan Treatment Equipment Co., Ltd,. A Dispute over Infringement of Invention Patent Rights*), 12 CHINA LAW CONNECT 79 (Mar. 2021), also available at STANFORD LAW SCHOOL CHINA GUIDING CASES PROJECT, English Guiding Case (EGC20), Mar. 2021, http://cgc.law.stanford.edu/guiding-cases/guiding-case-20.

For the final judgment upon which Guiding Case No. 20 is based, see (2011) 民提字第 259 号民事判决 ((2011) Min Ti Zi No. 259 Civil Judgment), rendered by the Supreme People's Court on Dec. 20, 2011, full text available on the Stanford Law School China Guiding Cases Projects website, at http://cgc.law.stanford.edu/judgments/spc-2011-min-ti-zi-259-civil-judgment.

The aforementioned bilingual version of Guiding Case No. 20 also shows the China Guiding Cases Projects comparison of this Guiding Case with the reasoning section of (2011) Min Ti Zi No.259 Civil Judgment.

[3] The terms "he", "him", and "his" as used herein are, unless the context indicates otherwise, gender-neutral terms that may refer to "she", "her", "it" and "its".

[4] For more discussion of the concept "legal origins", see *infra* part titled "Theoretical and Practical Limitations of Guiding Case No. 20".

[5] 《最高人民法院关于部分指导性案例不再参照的通知》*(Notice of the Supreme People's Court on Guiding Cases That Will No Longer Be for Reference and Imitation*), issued on Dec. 29, 2020, effective as of Jan. 1, 2021, http://www.court.gov.cn/fabu-xiangqing-282441.html. For a discussion of why the term "reference and imitate" is used for "参照", see Provisions of the Supreme People's Court Concerning Work on Case Guidance, *People's Republic of China*, Article 7, Stanford CGCP *Global Guide*™, Aug. 2020, http://cgc.law.stanford.edu/sgg-on-prc-provisions-case-guidance.

[6] Provisions of the Supreme People's Court Concerning Work on Case Guidance, *People's Republic of China*, supra note 5. For the original, Chinese version of the Provisions see《最高人民法院关于案例指导工作的规定》(*Provisions of the Supreme People's Court Concerning Work on Case Guidance*), passed by the Adjudication Committed of the Supreme People's Court on Nov. 15, 2010, issued on and effective as of Nov. 26, 2010, http://zxsfy.chinacourt.gov.cn/article/detail/2019/07/id/4988096.shtml.

[7] Detailed Implementing Rules on the "Provisions of the Supreme People's Court Concerning Work on Case Guidance", *People's Republic of China*, Stanford CGCP *Global Guide*™, Aug. 2020, http://cgc.stanford.edu/sgg-on-prc-detailed-implementing-rules-provsions-case-guidance. For the original, Chinese version of the Detailed Implementing Rules, see 《〈最高人民法院关于案例指导工作的规定〉实施细则》 (*Detailed Implementing Rules on the "Provisions of the Supreme People's Court concerning Work on Case Guidance"*), passed by the Adjudication Committee of the Supreme People's Court on Apr. 27, 2015, issued on and effective as of May 13, 2015, http://zxsfy.chinacourt.gov.cn/article/detail/2019/07/id/4988096.shtml.

[8]《中华人民共和国专利法》(*Patent Law of the People's Republic of China*), passed and issued on Mar. 12, 1984, effective as of Apr. 1, 1985, amended four times, most recently on Oct. 17, 2020, effective as of June 1, 2021, http://www.moj.gov.cn/Department/content/2020-11/19/592_3260623.html.

[9]《最高人民法院关于审理侵犯专利权纠纷案件应用法律若干问题的解释（二）》 (*Interpretation (II) of the Supreme People's Court on Several Issues Concerning the Application of Laws in Adjudicating Disputes over Infringement of Patent Rights*), passed by the Adjudication Committee of the Supreme People's Court on Jan. 25, 2016, issued on Mar. 21, 2016, effective as of Apr. 1, 2016, amended on Dec. 23, 2020, effective as of Jan. 1, 2021, http://www.court.gov.cn/zixun-xiangqing-282641.html.

[10] Judge GUO Feng, *Results from the "cleanup" of Judicial Interpretations and Guiding Cases and Trends in Their Development in the Era of China's* Civil Code, 12 CHINA LAW CONNECT 1 (Mar. 2021), *also available at* STANFORD LAW SCHOOL CHINA GUIDING CASES PROJECT, Mar. 2021, http://cgc.stanford.edu/commentaries/clc-12-202103-34-guo-feng.

[11] *Patent Law of the People's Republic of China, supra* note 8, Article 13. The article remains unchanged after the 2020 amendment to the *Patent Law*.

[12] Judge GUO Feng, *supra* note 10, at 4.

[13] 最高人民法院三庭、最高人民法院案例指导工作办公室 (The Third Civil Division of the Supreme People's Court and The Office for the Work on Case Guidance of the Supreme People's Court), 指导案例 20 号《深圳市斯瑞曼精细化工有限公司诉深圳市坑梓自来水有限公司、深圳市康泰蓝水处理设备有限公司侵害发明专利权纠纷案》的理解与参照 *(Understanding, Referencing, and Imitating Guiding Case No. 20, Shenzhen Siruiman Fine Chemicals Co., Ltd. v. Shenzhen Kengzi Tap Water Co., Ltd. and Shenzhen Kangtailan Water Treatment Equipment Co., Ltd., A Dispute over Infringement of Invention Patent Rights*), 《人民司法 • 案例》(THE PEOPLE'S JUDICATURE • CASES), Issue No. 6, at 98 (2014).

[14] *Patent Law of the People's Republic of China, supra* note 8, Article 67. The article remains unchanged after the 2020 amendment to the *Patent Law*.

[15] *Id.* Article 75. The article remains unchanged after the 2020 amendment to the *Patent Law*.

[16]《国家知识产权局关于修改〈专利审查指南〉的决定》(*Decision of the China National Intellectual Property Administration on Revising the "Patent Examination Guidelines"*), issued on Sep. 23, 2019, effective as of Nov. 1, 2019, http://www.gov.cn/xinwen/2019-09/26/content_5433360.htm.

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