A New Strategy for Resolving Patent Ownership Disputes

Featured Article

Patent ownership dispute mainly refers to the dispute between the two parties over the ownership of the patent. In the process of cooperative research, commissioned research, service invention-creation, the ownership dispute of patent is often involved. In addition, in judicial practice, one party applies for a patent on the technological achievements to which the other party has rights without permission and discloses them, which will involve the infringement of trade secrets. In this article, I will focus on the strategy of ownership disputes which come from employee job-hopping and patent application for the technological achievements of the former entity, based on the patent ownership dispute case of Emerson electric (Zhuhai) Co. Ltd. v. A.R. Electric Co. Ltd. The paper mainly discusses the new strategy of resolving such cases.[1]

1. 1. Brief Introduction of Emerson v. A.R.

On March 26, 2010, A.R. company filed a patent application to the State Intellectual Property Administration, and was authorized on November 10, 2010. The inventor is Wang Eyu. The utility model discloses a stamping device for a thermal fuse, including a base and a multi-group stamping mechanism arranged on the base. Lin Jianlian, the founder of A.R. company, joined Emerson Shenzhen company in July 1994 and served as general manager of China operation Department of Emerson Shenzhen company until September 2007. Wang Eyu worked in Emerson Shenzhen company from May 2005 to February 2008, and promised to keep confidential the trade secrets (including the technical scheme of thermal fuse stamping device) that he had accessed to during the working period. Wang Eyu joined A.R. company in October 2009 and left A.R. company before 2016.

On December 6, 2016, Emerson Shenzhen company issued the "Statement on the Transfer Right of Technical Achievement ", the content is: Emerson Shenzhen company has been manufacturing thermal fuses since 1998. The technical achievements involved in the production tool "thermal fuse stamping device" used by Emerson Shenzhen company to manufacture the thermal fuse products are all owned by Emerson. Due to business adjustment, it has transferred the technical achievement and all rights of " thermal fuse stamping device" to Emerson Zhuhai company, and all technical drawings and other technical data have also been transferred. Emerson Shenzhen company further confirms that Emerson Zhuhai company can independently claim rights, including infringement disputes and ownership disputes, in its own name for any infringement behavior against the above technology achievements before the transfer date, and demand corresponding damages.

1 Case No. :(2020) Zui gao fa zhi min zhong 296. The case was selected as one of the 10 typical civil and administration cases of intellectual property in Shenzhen court in 2021.

In this case, Emerson Zhuhai submits drawings T-2669 and T-3009 "Top line fixture" and T-2670 and T-2668 "bottom line fixture" respectively. Therefore, it is claimed that the above drawings constitute two sets of hot melt stamping device drawings. The appraisal agency compared the two sets of drawings submitted by Emerson Zhuhai company with the technical characteristics of the patent involved, and concluded that the technical schemes of the two parties were completely the same, the parts used in the mechanical structure were the same, and the same unknown mechanical structure parts appeared.

On November 15, 2016, A.R. company filed a request to Guangdong Intellectual Property Administration for infringement dispute settlement against Emerson Zhuhai Company and Rijie Company based on the patent involved.

Emerson Zhuhai company sues to the court and claim that: 1. The court order that Emerson Zhuhai company is the right holder of the patent involved; 2. Order A.R. company to publish a statement on the adverse effects caused by its patent application and infringement complaint against Emerson Zhuhai company to eliminate the adverse effects; 3. Order A.R. company to compensate Emerson Zhuhai Company for economic losses and reasonable expenses incurred to safeguard its legitimate rights, totaling RMB 1 million.

2. Court View

The Court of first instance held that: since Lin Jianlian, founder of A.R. company, and Wang Eyu, inventor of the patent involved, both worked in Emerson Shenzhen company, they have access to the technical scheme and technical drawings of the stamping device of the thermal fuse in Emerson Shenzhen company, the technical scheme in A.R. company's patent is essentially the same as the technical scheme in the drawing of Emerson Zhuhai formed before the patent application date, combined with the statement of the inventor Wang Eyu, it is enough to confirm that the patented technology scheme of A.R. company comes from Emerson Shenzhen company, and its rights should belong to Emerson Zhuhai company. A.R. company is a typical example of something for nothing, violating the principle of good faith. In order to deal with a series of malicious acts of A.R. company, Emerson Zhuhai needs to pay corresponding manpower and material resources to restore the patent status, which caused losses to Emerson Zhuhai, so its claim for compensation for losses should be supported.

The court of second instance held that: in addition to the patent ownership dispute, this case also involved the infringement of the legitimate rights and interests of Emerson Zhuhai company. Therefore, it is more appropriate to determine this case as the disputes over patent right ownership and infringement. If the technical drawings involved contain the main technical scheme of the patent claims, it shall be considered that the technical drawings involved have covered the substantive technical features of the patent, in the absence of contrary evidence, the correlation between the technical scheme of the technical drawings and the technical scheme of the patent can be identified. Service invention is just one of legal basis, not the only one, for an entity to claim ownership of a particular invention. Even if the entity does not expressly claim a service invention, if there is evidence that the inventor of a particular invention appropriated the technological achievement of the entity and filed an application, and the inventor himself did not make any technical contribution to the invention, the patent right for the invention should still belong to the entity.

3. The Common Strategies for Resolving Patent Ownership Disputes

In practice, it is very common for former employees to seize the technological achievements of the former company and apply for patents together with the new company. Common strategies for resolving such disputes include:

3.1 Sue for infringement of trade secrets and ask the defendant to bear tort liability

Applying for a patent for a technological achievement that belongs to the trade secret of the original company without permission, resulting in the disclosure of the technology scheme, which violates the relevant provisions of Article 9 of *the Anti-Unfair Competition Law of China* and it is an act of infringing on the trade secret. The plaintiff may require the defendant to bear tort liability, including compensation for corresponding losses. However, as we know, trade secret cases have high requirements for the plaintiff to provide proof, especially for legal requirements such as whether the plaintiff's technical information is non-public and whether the plaintiff has taken confidentiality measures. The plaintiff needs to provide preliminary evidences. In addition, whether a lawsuit for infringement of trade secrets can solve the problem of patent ownership at same time, the judgment standards of each court are not uniform.

3.2 On the grounds of service invention-creation, ask the court to confirm the patent ownership

According to paragraph 1 of Article 6 of *the Patent Law of China*, " An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the material and technical means of the entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the application is approved, the entity shall be the patentee."

In addition, according to article 12 of *the Implementing Regulations of the Patent Law, " A service invention-creation made by a person in execution of the tasks of the entity to which he belongs* referred to in Article 6 of the Patent Law means any invention-creation made: (1) in the course of performing his own duty; (2) in execution of any task, other than his own duty, which was entrusted to him by the entity to which he belongs; (3) within one year from his retirement, resignation or from termination of his employment or personnel relationship with the entity to which he previously belonged, where the invention-creation relates to his own duty or the other task entrusted to him by the entity to which he previously belonged. The entity to which he belongs referred to in Article 6 of the Patent Law includes the entity in which the person concerned is a temporary staff member. Material and technical means of the entity referred to in Article 6 of the Patent Law mean the entity's money, equipment, spare parts, raw materials or technical materials which are not disclosed to the public, etc. "

Therefore, in most cases involving disputes over the ownership of service invention-creation, the plaintiffs apply the above laws and regulations and sue to the court to confirm the ownership of the patent right. However, it can be seen from the above law that when the patent application date involved in the case is not during the employee's tenure or within one year after his/her resignation, but after one year of his/her resignation, the plaintiff has some difficulty in proving that the patented technology scheme involved is service invention-creation. Because it is difficult for the plaintiff to collect the specific completion time of the patented technology scheme, also difficult to demonstrate whether the invention is "made in execution of the tasks of the entity " or " made mainly by using the material and technical means of the entity ". In addition, when the employee is not the actual inventor of the technical scheme, there is no way to prove whether he is " in execution of the tasks of the entity " or "mainly using the material and technical means of the entity ".

As in this case, the patent application date was March 26, 2010, but at this time, both Lin Jianlian, founder of A.R. company, and Wang Eyu, inventor, had left Emerson Shenzhen company for more than one year. If you want to file a lawsuit from the perspective of service invention-creation, it is necessary to further prove that Lin Jianlian and Wang Eyu are the actual inventors of the patent technology and the

invention is " made in execution of the tasks of the entity " or " made mainly by using the material and technical means of the entity ", which is obviously impossible.

3.3 Request the patent invalidation

The real right holder of the technological achievements involved in the case will sometimes file a request for invalidation of the patent involved, which means that the right holder has prepared for the worst and would rather let the patent invalidation than let the defendant own the patent exclusively, in order to eliminate the risk of patent infringement. This is actually helpless move, the right holder usually would not choose such a strategy, unless he has exhausted all other means.

4. The Enlightenment from Emerson v. A.R.

The case of Emerson v. A.R. provides us with a new perspective on this kind of patent ownership disputes. Obviously, the plaintiff did not pursue the usual strategy for such disputes, but through the evidence to prove that the technical scheme already exist before the patent application date, the defendant know the technical scheme, and apply for the patent without any permission. That is obvious subjective malice, violates the principle of good faith in civil law, so the patent right should belong to the plaintiff. Therefore, the legal principle plays a key role in the qualitative judgment of this case, and the advantage is that the plaintiff is exempted from the burden of proof based on the specific provisions of lower legal provisions. However, this does not mean that the plaintiff no need to bear any burden of proof. As stated in the judgment, the plaintiff still needs to bear the burden of proof on the key facts such as "the defendant is or may be aware of the plaintiff's technical scheme" and "the plaintiff's technical solution is essentially the same as the patented technology solution".

Another point worth learning from this case is that in respect of the loss caused to the plaintiff by the defendant's act, the court shall hear the infringement case together and order the defendant to compensate for the loss. The court of first instance held that: "In trial practice, ownership disputes are usually referred to as confirmation of rights, but the consequences of damages and compensation are not dealt with. However, in the case that the patent ownership has been identified, Emerson Zhuhai company will usually claim the liability for damages on the grounds that there is a causal relationship between the damage result and A.R.'s patent grabbing. Of course, if the infringement behavior separately constitutes the liability behavior, the parties can claim separately, but the two claims are handled together, not only conducive to the fact finding of the case, but also can save litigation resources, reduce the litigation burden of the parties. Therefore, Emerson Zhuhai's claim for damages can be dealt with in this case." In my opinion, this is another highlight of the case, the ruling supports the right holder in the patent ownership dispute cases, can claim damages together, in order to save judicial resources, which is conducive to reduce the cost of litigation, is laudable. In the judgment of the second instance, the Supreme People's Court held that "in addition to the patent ownership dispute, this case also involved the infringement of the legitimate rights and interests of Emerson Zhuhai company. Therefore, it is more appropriate to determine this case as the disputes over patent right ownership and infringement." This is obviously the affirmation of the first instance judgment on this issue.

To sum up, the right holder can adopt appropriate strategies according to the specific case situation and the purpose to be achieved when the employee unlawfully discloses the technical solution of the entity and applies for a patent. Through the application of civil legal principles and tort liability law and other non-intellectual property law, it can also obtain good effect. At the same time, in order to save the cost of lawsuit, the plaintiff can also request the court to order the defendant to bear the corresponding compensation liability for the damage caused by the defendant's behavior in the case of ownership dispute.

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