

Study on the Applicability of Defense System of Inequitable Conduct in Patent Malicious Litigation

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Abstract

As China pays more and more attention to the protection of intellectual property, the intellectual property lawsuits are increasing dramatically in the judicial practice. In many cases of intellectual property lawsuits, malicious litigation is a very special type of litigation, which not only wastes a lot of judicial resources but also lures more people to make profits from intellectual property litigation. Through reading a large number of literatures, it was found that a very comprehensive analysis of the malicious litigation has been made from various perspectives in the academic circles. However, the legal regulation in practice is still not ideal. This paper analyzed the reasons and problems of the high incidence of malicious litigation at present, introduced American defense system of inequitable conduct and discussed the rationality of the application of the defense system of inequitable conduct in China.

Keywords

Patent; Malicious litigation; Defense system of inequitable conduct.

1. Introduction

In November 2019, The general offices of the Communist Party of China (CPC) Central Committee and the State Council have jointly issued a directive calling for intensified protection of intellectual property rights (IPR), which clearly pointed out that China still needs to constantly improve the intellectual property protection system and improve the ability and level of intellectual property protection by comprehensively utilizing various social forces and means. Nowadays, there are many obstacles in practice, including the difficulty caused by overlapping concepts in defining malicious litigation[1], the difficulty in recognizing malicious litigation by the judge due to its extremely strong invisibility [2], and long suit time because of many setbacks on the cohesion between administrative protection and judicial protection[3], In this context, this paper discriminated the definition of patent malicious litigation in order to explore the rationality of introducing the defense system of inequitable conduct.[4]

2. The Definition of Patent Malicious Litigation

As malicious litigation is a very special type of litigation, it is initial to define it by legislation so as to achieve a better judicial effect. This paper sorted up the related definitions in the academic circles and the judicial practice and finally summarized the most appropriate defining principle.

2.1. The Concept of Malice

In the academic circle, Xinbao Zhang believes that "malice", as the most serious state of impute ability, is out of direct intention, and the actor behaves indifferent towards prohibitive provisions or other legitimate rights and interests.[5] Huitao Wang and Youde Zheng believe that whether the parties have subjective faults is the most important factor, which makes the difference between good faith and bad faith in civil proceedings.[6] In judicial practice, the far east cement case was taken as an example. The abbreviation of adjudication of it illuminates

that "malice" refers to the situation where any party claiming rights takes measures against the judicial purposes set up or used by its rights, or exercises inequitably litigation rights, when he is fully aware that his claims lack the correct arguments, intentionally leading the other party to suffer a loss of properties or rights and interests. Another example was Duo ling Company case. The case holds that the actor should be recognized as intentional if he knows perfectly well, which could be inferred from his family background, behavioral performance and various factors.

The author thought that the definition of malice requires to hold a prudent and modest attitude. In patent malicious litigation, two interests contradict with each other. One is to protect the exercise of the right of action of intellectual property rights, and the other is to curb the malicious litigation to prevent the abuse of the right of action. Under this circumstance, it is difficult to define "malice". Once the definition of "malice" is too broad, it will affect the enthusiasm of the patentee to protect rights and lead to the right holder being lazy in protecting rights. Therefore, in the patent malicious litigation, the principle of modesty should be upheld in defining "malice", maintaining a balance between protecting the right of action and preventing the abuse of the right of action.

2.2. The Concept of Malicious Litigation

Malicious litigation can be traced back to the principle of "good litigation"[7] in Roman law. Under Ancient Roman law, the "trial officer" could not normally punish the plaintiff, because the plaintiff's case was normally an enhancement rather than a derogation, but the defendant had the right to ask the judge to add a counter-judgment clause to the judgment to prevent "appeasement".

At present, regarding the concept of malicious lawsuit, the academic circle is divided into generality school and particularity school. Among the generality school, "tort theory"[8] holds that malicious lawsuit is a kind of tort. Liming Wang believed that the subjective state of the actor in the malicious lawsuit was intentional, and he filed a lawsuit without legal and reasonable basis in his behavior, thus damaging the legitimate rights and interests of others, and the existence of causality constituted infringement. "The theory of harming other interests"[9] believes that malicious litigation should have the purpose of harming the interests of the other party. Huixing Liang believed that the perpetrator initiated the lawsuit based on malicious intent, aiming to make the defendant subject to judicial judgment, and thus damage the interests of the defendant. "Improper interest Theory" believes that the concept of malicious action focuses on the actor's purpose of obtaining improper interests. Xin Nie believes that malicious litigation emphasizes that the actor has an illegal purpose, which is concentrated in the actor's intention to seek improper interests with litigation as a tool.[10]

In contrast to the particularity of pie emphasizes individual recognition of malicious litigation should be prudent, Yunpeng Ma think, patent malicious litigation when the patent holder to maintain their civil rights, the behavior is different from the traditional tort, should take a prudent attitude, objective basis to that of "malicious", shall not interfere with the oblige to exercise their rights.[11] Chunhui Li also pointed out that the principle of modesty should be upheld in judging patent malicious litigation cases.[12] The principle of modesty is reflected in the determination standard of "bad faith". "Knowingly filing lawsuits without legal or factual basis" is judged as bad faith. However, whether the patent has novelty and creativity, the external purpose of the lawsuit, whether the right holder applies the patent, the timing of the lawsuit and whether the lawsuit is won cannot be regarded as the basis of determining the existence of "bad faith" alone. Therefore, the determination of the concept of malicious action should still uphold the principle of "modesty" and presume subjective malice from the perspective of objective torts.

To sum up, malicious patent litigation means that the legal right holder of the patent right, without legitimate facts and reasons, fabricates or exaggerates facts, damages the legitimate rights and interests of others, disrupts the business order of others, and directly files a lawsuit on the grounds that the patent right is infringed intentionally.

2.3. Identification of Patent Malicious Litigation

2.3.1. A Comparative Study on The Identification of Malicious Litigation

As early as 1983 Bradshaw v. State Farm Mutual Automobile Insurance Co. case [13], U.S. court will induce the so-called "subjective and objective standard (subjective and objective components)" to measure and identify malicious litigation, including objective standard for "when a capability of prudent person in the defendant's position, will bring or continue prosecution". [14] The subjective standard is "whether the plaintiff of the original lawsuit has a reasonable reason to think that his case has a chance to stand". [15] Through the pre-trial evidence discovery procedure, it can prove whether the patentee's lawsuit request is prudent, whether it has been reasonably explored or is only suspected of not being infringed. [16] "Tort law restated" regulation in the United States, the civil litigation should first start from the motivation of lawful purpose, if the first reason of civil litigation is not a legitimate purpose, lawsuit illegal purpose will play a more realistic effect, and if the first purpose is to seek illegal interests, or with the aid of civil means against the other party, which belongs to the illegal civil action.

2.3.2. Identification Standard of Patent Malicious Litigation

Japanese scholar Koji Shin do pointed out that the rights and interests of litigation has become the premise for the people's court to judge the substantive issues of the case, and only when the plaintiff has obtained the right or the protection of interests in the lawsuit, the people's court can judge the substantive issues of the case. [17] When the litigious rights and interests are not protected by the judicial system, the material basis and prerequisite conditions for the legal exercise of the rights are lost, which provides important guidance for people to identify patent illegal disputes.

To confirm the identification standard of patent malicious litigation is to confirm whether the constitution of patent malicious litigation is consistent with the general civil tort. There is a view that the two should be equal. [18] Therefore, it is concluded that the constitution of patent malicious litigation is the subjective mentality of the patentee. Secondly, the reason for the patentee to bring a lawsuit is that the patent right is infringed. The patentee's patent shall be legal in form; Finally, the patentee brings an action that causes damage to others. Practice, Beijing tomorrow company v. weiner, a case of judgment, as general tort constitutive requirements of malicious litigation, another view is that a patent is not malicious lawsuit must have general civil tort damage results and causal relationship, should be more focus on the subjective mentality and infringement. Another point of view is that to determine whether a patent malicious lawsuit is constituted, the damage result and causality can be identified according to the standard of general civil infringement, but the subjective mentality infringement should be determined according to the characteristics of the patent system.

The author thinks that, determining the constitute infringement, refers to the behavior whether to impose the illegal and legal person, but in the patent malicious litigation, the parties to a lawsuit behavior is not recognized as tort, of course, because of the lawsuit is the law gives the basic rights of the parties, the parties to a lawsuit is in exercising their rights, Therefore, the illegality of conduct in patent malicious litigation is reflected in the fact that there is no reasonable and legitimate reason to support the initiation of the litigation, and the reason to determine is to determine whether the patent of the patentee is valid. In another case, although the patent of the patentee is legal and valid, the other party does not constitute infringement, and the patentee brings a lawsuit for unfair competition or other unfair interests, which is also

an important factor in determining whether there is a lack of foundation. Therefore, the identification of patent malicious litigation cannot be completely equivalent to the general civil infringement, but should be identified according to the characteristics of patent litigation itself.

3. The Defense System of Inequitable Conduct

The principle of improper conduct is a basic principle of American justice, which means that the defendant in a patent infringement lawsuit can fight against the plaintiff's defense, when the plaintiff obtained the patent by improper means, he therefore filed a lawsuit accusing the defendant of patent infringement, the defendant can therefore defend. After the defense of improper conduct is established, the patent involved will not have a complete patent right, and the court will not remedy the injunction, compensation and other requests claimed by the plaintiff.

3.1. Theoretical Basis of the Principle of Inequitable Conduct

The principle of improper conduct is an equity criterion developed based on precedents in the field of Patent law in the United States.[19] It is also a unique patent infringement defense criterion in the United States. The enduring development of this criterion mainly depends on its goals and functions in the judicial system. This principle includes the principle of true duty[20] and the principle of unclean hands.[21] The obligation of true representation comes from the principle of good faith in administrative law and the information exchange mode of patent examination procedure itself." Unclean hands principle" is one of the oldest basic principles in the field of common law, with a history if it is almost like the principle of justice in modern justice. This principle means that "those who enter the court shall have clean hands, and those who enter the court with unclean hands shall not be relieved." That is, the person who brings a claim in court must not only prove that he or she has just cause for action, but also that he or she is clean and trustworthy. Keystone Case[22], the origin case of the principle of improper conduct in 1933, took the principle of "unclean hands" as the point of connection and decided to refuse to help according to the improper conduct of the patentee, thus laying the legal basis for the "improper conduct" in the standard judgment law.

3.2. Application of the Defense System of Inequitable Conduct

In the judicial practice of the United States, in order to avoid the abuse of the patent system by relevant right holders, the equity court established the principle of improper conduct through individual cases.[23] The defense mechanism of improper conduct in the United States effectively relieves the defendants who Sue maliciously against patents. According to 2237C.F.R.§1.56[24] of the United States, it is the basic legal obligation of patent applicants to inform the National Invention Patent and Trademark Office of information that has a significant impact on the invention ability of patents. If the patentee in the process of patent to fraud national patent and trademark office's intentions, violated its obligations shall perform the obligations of good faith and goodwill, and make the fundamental inaccurate descriptions or omissions to obtain the national patent decision-making is bad news, the patentee, make up the "misconduct", The defendant may claim an "impropriety defense"[25] in a lawsuit. In an impropriety defense, the first thing the defendant has to do is prove that the information the patentee induced to state, conceal or provide is "material", that is, relevant to whether the patent is granted.

When a defendant in a patent infringement lawsuit defends against improper conduct, it is necessary to prove that the patentee :(1) has made misleading statements, hidden important information or provided wrong important information;(2) With intent to defraud the U.S. Patent Office. Thus, the defendant first needs to show that the information about the patentee's illegal operation is "material" information, that is, critical information that constitutes the

patent right. American courts have developed different test criteria for the establishment of "materiality" in judicial practice. In addition to proving that the information is "material," it also needs to prove that the patentee intended to defraud the USPTO. And what is a "cheat", in *Kingsdown Medical Consultants, ltd. v. Hollister, Inc.* In the case, the US federal courts found at least "gross negligence"; Since it is difficult to prove in practice whether the patentee intended to defraud the USPTO, the court also allows the presumption of intent to defraud through objective facts and other evidence.

4. The Feasibility of Applying the Defense System of Inequitable Conduct in Patent Malicious Litigation Cases in China

Misconduct was introduced into our country current no defense system, but have a current technical defense system in our country, though both are a patent infringement lawsuit system of the defendant's plea, convergence in certain aspects, but there are bigger difference, on the basis of the existing technical defense system development misconduct defense system can better contain malicious litigation, patent and in judicial practice, There has been a corresponding trend.

4.1. The Defense System of Inequitable Conduct Shall Be Established Based on The Prior Art Defense System

Existing technology defense "free technical level defense" originated in Germany, causes the technical level of the free defense in 1891, the German patent law expressly provided otherwise, patent invalidation scheduled period is five years, after the period, even if the patent is failure reasons, such as the patent is the existing technology, the public also may not be the file is invalid. The provision of five-year invalid exclusion period seriously hinders the public's freedom to use existing technology, and the "defense of free technology level" [26] arises at the right moment.

The current technology defense principle means that if the accused infringer has evidence to prove that the technological means and methods adopted belong to current science and technology and current design, it does not constitute infringement of intellectual property rights. During the process of filing for a patent for invention more or less will exist errors caused by lax review authorization or repeat granted, but if there is no existing technology defense mechanism, the alleged infringer can also directly apply to the patent examination organizations to submit invalid announcement, so can also be suspended or invention patent infringement litigation, waiting for the outcome of invalidation. [27] Although patent invalidation is an administrative procedure handled by the patent review department, it will be followed by judicial review. Therefore, the existing technical defense system can better save judicial resources and protect the interests of the parties.

The defense system of prior art and the defense system of improper conduct have the same starting point of system, and both are about the right of defense against intellectual property claims in essence. [28] However, this does not mean that the government can use the current civil defense system of technology to regulate improper conduct, but because there are fundamental differences between the two. The current technology civil defense system is aimed at protecting the rights of citizens to freely use the existing science and technology, while the improper conduct civil defense system is aimed at punishing those who use improper conduct to obtain patents. The system of civil defense against improper conduct must examine the subjectiveness or intention of the parties, while the current technical civil defense system does not involve the parties' legal behavior. The established as a result, the existing technology of civil defense will only harm the right holder of the special rights practical demands, and technology is not justified defense the established results will not only harm the right holder of

the special rights practical demands, but also can harm the special rights of the patent claim, or enforceability of kin patents.

4.2. To Establish A Defense System of Inequitable Conduct Based on Existing Judicial Practice

Although China's Patent Law and other relevant legislative powers do not explicitly provide the defense mechanism of improper conduct, the Guidance for Determination of Patent Infringement (2017) of Beijing Higher People's Court explicitly provides the defense of infringement of invention patent right. Article 126 of the Guidelines clearly stipulates that "where the infringer provides evidence to prove that the patent involved was acquired in bad faith by the invention patentee, the infringer shall have the right to reject the plaintiff's demand for prosecution". Similarly, article 127 of the Guide defines malicious acquisition of invention patent right as: it refers to the act of declaring invention patent for invention patent creation which is clearly aware that the invention patent creation should not be guaranteed by the national patent and obtaining invention patent right. In addition, the guide lists five specific cases of illegal acquisition of invention patents. [29] Thus, the "guide" specification of abuse of patent right by the civil defense system is essentially the misconduct of the defense system, semantic perspective, but from a legal violations of the patent right defense, defense system is not equal to improper behavior because the preconditions for the infringement of the patent right is not correct use or legitimate intellectual property rights, However, improper conduct refers to the patent right itself has defects, so it is appropriate to regulate it as improper conduct defense system.

In the case of Li Zhong Yuan, as Wu jiang city high school pressure valve factory director Yuan Li Zhong, with GB/T-8644-1998 issued by the national technical program application and obtained ZL01204954.9 utility model patent, and then filed a lawsuit of infringement, Claiming that Yang Zhong Tong fa pneumatic valve Actuator Factory and Yang Zhong Tong fa Industrial Co., Ltd. infringed their patent right. [30] The Nanjing Intermediate Court held that the right of action is a right granted to citizens by the Constitution, but citizens should follow the legal provisions and the principle of good faith when exercising the right of action. If the legitimate interests of other subjects are infringed upon due to their fault, they should bear civil liability. This is like the defense system of improper conduct in the United States and provides a vain for the judgment of malicious lawsuit.

4.3. The Legislative Design of the Defense System of Inequitable Conduct in China

Inspired by the current "prior art defense system" and the judicial practice of the existing patent malicious litigation in China, we can design the Chinese version of "inequitable conduct defense system" based on the "prior art defense system". Specifically, even though the court is unable to make an accurate examination on the materiality, novelty, and practicality of the "significant" information as the patent office while judging whether the patentee makes misleading statements or hides "significant" information, [31] the court can examine whether the described information is "significant", referring to the standards of "prior art defense system" including "no substantial difference", "equivalent", and "common knowledge" that allows simple combinations in the Beijing municipal higher people's court "patent infringement judge guide (2017), the Supreme People's Court the relevant judicial interpretations. In addition, the court can judge whether the patentee has the intention to deceive the patent office according to the constituent elements of general civil fraud. During the process of introducing the defense system of inequitable conduct, such identification method doesn't only adapts to the patent examination system of China and the technical understanding ability of the court, but also reduces the burden of litigation to a great extent.

Based on the establishment and development of "existing technical defense system", China transplants inequitable conduct defenses system formed in the judicial practice of the patent in the United States. Under the background of the split between the function in recognizing and infringement of patent, the transplant can not only enrich and specify "the principle of good faith" in the patent law, but also effectively restrain improper patent application, as well as malicious lawsuit developed by improper patent application in practice.

5. Conclusion

Malicious patent litigation is also a kind of abuse of intellectual property rights. With the increase of protection of intellectual property rights, the behavior of the patentee abusing patent rights to file lawsuits remained incessant after repeatedly prohibition, which not only occupies many judicial resources but also disturbs the order of market economy. Patent malicious prosecution itself is less visible. Nowadays, the current studies of patent malicious prosecution and practice are still in its infancy. In this paper, the current researches of scholars were summarized, some key concepts of patent malicious lawsuit were defined, the standard of patent malicious prosecution has been clear, and American misconduct defense system was introduced to discuss the solutions of patent malicious litigation.

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