Implement the Temporary Protection System of Invention Patents

-- From the Perspective of the Payment Mechanism of Patent Royalty

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Abstract. The existing temporary protection system seems to protect patent applicants through patent royalties. In fact, due to its emphasis on technology dissemination, pursuit of judicial efficiency, and lack of judicial relief for cost recovery during the temporary protection duration, the temporary protection system is ineffective. The abnormal protection mode that holds "double protection is given when a patent is authorized and no protection is given when a patent is not authorized" provides a larger room for a "submarine patent". Concerning the behavior of "implementing related inventions in the temporary protection duration", on the one hand, the law seldom endows patent applicants with rights; on the other hand, certain concessions must be made based on the awareness of rights, which leads to "patent royalty" that is hard to dispose of for personnel handling the case. To implement the temporary protection system of invention patents, it is necessary to combine the unique patent examination system in China. "Whether authorized or not, the patent royalty should be paid" is the original principle of "temporary protection" in China. As an independent stage, the patent royalties during the temporary protection duration should be premised on the patent license fee/infringement fee. Besides, special standards of calculation and examination as well as implementation plans should be established.

Keywords: Temporary Protection System; Patent Royalty; Patent Applicant.

1. Introduction

Article 13 of *Chinese Patent Law* (hereinafter referred to as *Patent Law*) stipulates that "after the application publication for an invention patent, the applicant may require the agency or individual that implemented his invention to pay appropriate fees." Therefore, the temporary protection system of invention patents has legal authorization, which protects the invention patent applicant "after the application is published and before the announcement is made" through "appropriate fees payment". However, due to the lack of a supportive system for the patent royalty, the "temporary protection system" is facing doubts and challenges. The fifth batch of the No.20 guidance case of the Supreme People's Court responded to the temporary protection of invention patents, but it was controversial because it once weakened the "temporary protection". Since January 1, 2021, it has no longer been used as a reference. An appropriate and relatively perfect protection mechanism is urgent for "temporary protection".

To protect the invention patent's applicants and balance their interests with users', the "temporary protection system" is put into practice. After the in-depth reflection, the author tries to put forward a feasible improvement scheme for the payment mechanism of "patent royalty" under the temporary protection system.

2. Problems of the Temporary Protection System

(1) Superficial and Ineffective Temporary Protection System

The temporary protection system lacks relevant system guarantees, which makes it superficial and ineffective. According to the existing system design, patent applicants can only ask to pay appropriate fees for "implementing their inventions during the period between the publication of patent application documents and the authorization date" through a legal approach after obtaining patent authorization. If the patent application is rejected, they have no right to ask for patent royalty [1].

From the users' perspective and thinking in the way of a "reasonable person", it is not difficult to understand the patent applicant's "dilemma of safeguarding rights" in practice. Firstly, because the patent applicant is not protected by law during the temporary protection duration, "paying appropriate fees" is not the users' obligation. Even if the counterpart chooses not to pay, he does not bear any adverse consequences. Secondly, whether the patent applicant can be authorized is still unknown and the existing "temporary protection royalty" is roughly equivalent to the "patent infringement royalty". Payment at this time not only bears the risk that related technologies will be brought into the public domain in the future, but also has no benefits corresponding to the risk. Thus, the provision of "paying appropriate fees" cannot be implemented. Accordingly, the temporary protection system is ineffective. Just as Yang Ming said, "The fundamental reason why the temporary protection system is so weakened is that the legislation does not provide concrete support for the applicant to ask for users' patent royalty" [2].

As the legislative spirit of *Patent Law*, "exchanging publicity for protection" should be the original intention and development of a "temporary protection system". *Patent Law* also clearly stipulates that "the applicant may require the agency or individual that implemented his invention to pay appropriate fees" to realize the purpose of "exchanging publicity for protection". However, in practice, a considerable number of patent applicants, that is, those who fail to obtain patent authorization in the end, cannot obtain this protection. As mentioned earlier, due to the insufficient judicial guarantee mechanism, these applicants have to bear the adverse consequences of "patent publication without protection", which should be considered in the further improvement of the temporary protection system.

(2) Catalyzing "Submarine Patent"

The so-called "submarine patent" is to use various means to hide the patent for several years. After the related technology is widely used, the authorized patent is suddenly publicized to obtain huge compensation [3].

It can be said that the temporary protection system plays a catalytic role in "submarine patents" to a certain extent. According to the existing system design, the protection object of temporary protection is limited to the patentee who finally gets the patent authorization. When many patent applicants are unable to be protected, it is acceptable for patent applicants to avoid technology from being known to the public in various ways. In addition, the relief method of "prosecution after authorization" is adopted for "patent royalty during temporary protection duration", which creates more profits for "submarine patent". On the contrary, if the patent royalty can be calculated more scientifically and clearly to reasonably protect the invention patents at all stages instead of allowing the obligee to seek illegitimate interests, the "submarine patent" can be suppressed.

(3) Calculation Dilemma of Patent Royalty

As for the calculation of patent royalty in the "temporary protection duration", there are still some problems in practice, such as "confusing calculation standard" and "limited protection scope".

1. Confusing Calculation Standard

There is no uniform calculation standard for the "patent royalty in the temporary protection duration", which makes the judicial practice of referring to "patent license fee" and "patent infringement fee" (as seen in Appendix 1 for relevant judgments). It indicates that the same invention patent may be protected to varying degrees in different courts. In the few judgments of the court on "patent royalty in the temporary protection duration", the criteria for determining patent royalty also divides.

2. Limited Protection Scope

According to the controversial "Guidance Case No.20 of the Supreme People's Court", in the case that using, promising to sell, and selling "related inventions in the temporary protection duration of invention patents" does not constitute infringement, but if legal sources cannot be provided, appropriate fees shall be paid to the patentee. Wu Mingyi and Ye Rong further explained that "the consideration of legal source judgment should focus on whether the product is obtained through legitimate and legal commercial approaches" [4].

It can be seen that through "legal sources", the Supreme People's Court intends to reduce the payment responsibilities of some users. If the manufacturer has "paid the royalty", those who used, promised to sell, and sold can be exempted from patent royalty when they prove the "legal source". To a certain extent, the restriction of "implementation" in Article 13 of *Patent Law* is interpreted as "manufacture", thus limiting the temporary protection scope and weakening the protection of patent applicants. Although the patent applicant does not enjoy a complete patent right before being authorized, such limited protection is not conducive to supporting patent applicants whose rights and interests have been infringed.

3. Cause Analysis

(1) Emphasis on Technology Dissemination and Pursuit of Judicial Efficiency

The superficial and ineffective temporary protection system is produced by the "emphasis on technology dissemination at the expense of private rights protection" as well as the "pursuit of judicial efficiency and the weakening of temporary protection".

1. Emphasis on Technology Dissemination at the Expense of Private Rights Protection

The concept of "promoting technology dissemination, using more advanced technologies as soon as possible, and promoting the construction of an innovative country" runs through the "temporary protection system". Thus, before the patent applicant officially becomes the patentee, the judiciary does not interfere as much as possible. On the one hand, the patent applicant may not stop others from using related inventions. On the other hand, it is recognized that patent applicants can "require the inventor to pay appropriate fees" to protect their legitimate rights and interests. Even so, the judiciary has not fully guaranteed the payment of patent royalties, and only "some patent applicants who have obtained patents" have been effectively protected.

Under the conflict between technology dissemination and rights protection, the law favors technology dissemination and sacrifices private rights protection. However, insufficient protection of rights will hinder technology dissemination. To respond to related questions, it is necessary to re-weigh their relationship. "Technology dissemination" and "private rights protection" should complement each other, so we should not abandon the other to protect one party. In addition, concerning patent protection, perfect protection of private rights is more conducive to encouraging technological innovation and promoting technology dissemination.

2. Pursue Judicial Efficiency and Weaken Temporary Protection

The "temporary protection system" adopts "retrospective relief after authorization", which plays an important role in "saving judicial resources and costs". It can not only reject unauthorized patents, but also calculate the patent royalty before and after authorization. The seemingly convenient system operation lays a hidden danger for the investment of more resources and costs at the expense of weakening temporary protection.

As for China's implementation of the system of "early disclosure and delayed examination", an important factor is to "reduce the workload of the Patent Office" by publicizing "inventions applying for patent rights". Besides, finding unqualified applications before substantive examination through public power can save resources and costs for substantive examination. However, under the current operation mode, it is difficult for the public to play its role effectively. As mentioned earlier, in the temporary protection duration, the public has no obligation to pay any fees for the implementation of related inventions. Thus, there is no motivation to drive the public to refuse the relevant invention. On the contrary, more people will apply to the Patent Examination Committee for patent invalidation after the patentee sued the court when his rights and interests are infringed. This not only fails to realize the original intention of "using the public to examine in advance", but also expands the business of the Patent Examination Committee for "handling invalid applications", and increases the input of resources and costs.

(2) Abnormal Temporary Protection System

The existing temporary protection system is deformed (see Appendix 2 for analysis), because it over-emphasizes one but neglects the other. On the one hand, it excessively protects authorized patent applicants, while ignoring applicants of unauthorized patents. Thus, the temporary protection system has catalyzed "submarine patent".

1. With Authorization: Given Double Protection

In the judicial practice to deal with related issues, it is easy to find that the authorized patentee is protected before and after being authorized. Under the practice that "royalties in the temporary protection duration" are calculated referring to "royalties for patent infringement", "temporary protection" only extends the protection period of "authorized protection". However, Article 13 of *Patent Law* stipulates that the subject is an "applicant", which is different from a "patentee". After obtaining authorization, more rights should be given and related rights should be protected more strictly [5]. If the rights before and after authorization are equivalent, the legal protection is no longer progressive with stages, but double protection under a parallel structure with enlarged rights of patentees.

2. Without Authorization: Not Given Protection

As An Xuemei and Zhu Xuezhong contended, "Rights need to be protected by the relief, a means to safeguard rights." The "right to claim for temporary protection duration" without the guarantee of "right to appeal" has become an "expected right", and unauthorized patent applicants cannot get relief. Although we do not rule out the possibility of "fake and inferior patents", it seems biased to give up protecting "inventions" that "fail to meet the standards for granting patents but unite the efforts of creators and promote social progress". In fact, "the patent applicant enjoys legal property ownership over the technical scheme recorded in his application documents" [6]. Further, the reason why the patent applicant filed the patent application is to "obtain the exclusive monopoly right of its proprietary technology and the publication of the patent application documents does not indicate that the obligee wants to give up his property rights and make it public wealth". Allowing the applicant to bear the risk of "related inventions entering the public domain" excessively will inhibit patent application and hinder technology dissemination to some extent.

According to the judicial interpretation of the Supreme People's Court, "If the scope of protection requested by the applicant during the publication of the invention patent is inconsistent with that of patent protection during the publication and authorization of the invention patent, and the sued technical scheme falls into the above two possibilities, the People's Court shall determine that the defendant implemented the invention within the period mentioned in the preceding paragraph. If the sued technical scheme falls into only one of possibilities, the People's Court shall determine that the defendant did not implement the invention during the period mentioned in the preceding paragraph." It can be seen that the "temporary protection" that can get legal relief is limited to the authorized part. On the one hand, it confirms the "double protection" mentioned above. On the other hand, it highlights the problems of the existing protection system, that is, the court consciously emphasized in a judicial judgment that "before granting a patent, the public can only see the claims when the patent application is published. Based on the legitimate expectation, the public should have the right to decide what actions to take according to the published claims." That is to say, the existing temporary protection system not only makes "a gap between the patent protection effect and the patentee's expectation", but also hardly provides reasonable expectations for the public because of violating the "legitimate expectation".

(3) Qualitatively Vague Behaviors

The difficulties in cost calculation and limited scope of temporary protection lie in the qualitatively vague behavior of "implementing the invention related to the invention patent applicant within the temporary protection duration". The reason is that "the law is unwilling to give full protection to patent applicants". That is, the law that seldom gives patent applicants rights has to compromise based on legal principles. This ambiguous position is difficult to stand the test of practice. When encountering real disputes, the problems such as "unfair and narrow scope of protection" and "lack of a uniform standard for specific cost determination" are thrown at personnel handling the case.

Accordingly, because the implementers of related inventions other than the manufacturers can be exempted from patent royalty through "legal sources", it is difficult to solve disputes about patent royalty efficiently in the temporary protection duration.

4. System Conception

(1) Shortcomings of the Existing Scheme

Given the superficial and ineffective "temporary protection system", some scholars put forward the solution of a "temporary injunction system" to avoid others seizing the market of patent applicants. Specifically, "the applicant may apply to the court for the pre-protection of a temporary injunction directly or in the case that another person refuses to pay the royalty, prohibiting him from (further) implementing his invention." It is undeniable that this system can indeed implement "temporary protection" despite of many shortcomings.

First of all, the "temporary injunction system" is inconsistent with the qualitative statement that "the implementation of inventions within the temporary protection duration is not a tort". Secondly, the system protects private rights too much, which is not conducive to technology dissemination. Thirdly, under this kind of "exclusive protection", if the invention patent application is not authorized in the end, it will cause irreparable losses to society, and the technology belonging to the public domain is delayed from entering the public domain. Finally, the "temporary injunction system" puts forward overstrict requirements for China's patent examination system featuring the "continuous mode" to "transform into 'parallel mode'" (adopted by the United States, Japan, and Taiwan Province of China) [2]. Not in line with China's current national conditions, it fails to meet the needs of China's *Patent Law* with special characteristics and needs to pay high costs to support its operation.

(2) Legitimacy of Patent Royalty

Civil Law emphasizes "actual performance", while *Commercial Law* emphasizes "compensation" based on pursuing efficiency. Premised on the need of considering "technology dissemination" and "private rights protection", it is reasonable for *Patent Law* to "implement royalties". The implementation of royalties means that the obligee can exercise his rights from the date when he knows or should know after the publication of the patent application without being bound by the application stage and authorization results.

In fact, "whether authorized or not, the patent royalty should be paid" is the original principle of "temporary protection", which can also curb "submarine patent' essentially. As for authorized patent applicants, the implementer of the relevant invention should pay fees. As for unauthorized applicants, the royalties paid by users can be regarded as "investment risks". On the one hand, users need to bear the risk that "technology will eventually enter the public domain". On the other hand, users get the benefit of "occupying the market ahead of time and paying less fees" accordingly. An Xuemei and Zhu Xuezhong also pointed out in their paper that "as long as the technical achievements of the applicant belong to proprietary technology, not well-known technology or technology with patent rights owned by others, the implementer should not be entitled to demand the return of the paid expenses in reality" [6].

(3) Calculation and Implementation of Patent Royalty

1. Calculation of Patent Royalty

(a) Calculation Standard

The implementation of the "patent royalty" means that if the owner and the user fail to negotiate the fee, they can sue the court, and the court will determine the payment standard and enforce it if necessary. On this basis, the royalties in the temporary protection duration can also be divided into "license royalties" and "infringement royalties" according to the nature of the behavior, namely, "reasonable expenses" and "damages". The former is on the premise that the user is not at fault, while the latter is the opposite, thus the former is certainly lower than the latter [7].

Given that the obligee has not yet obtained a formal patent authorization, the user still needs to suffer the risk of "related inventions entering the public domain", and the "royalty" should be

correspondingly lower than the "reasonable expenses/damages" after authorization (e.g. 40% of the license fee/infringement fee) according to a certain proportion. On this basis, "comprehensively consider the invention patent, the implementation of the invention patent, the subjective state of the implementer, and the identified dispute facts, so as to reasonably determine the 'appropriate fee' that the implementer should pay to the applicant" [8].

(b) Application Scope

When the patent royalty is implemented, the "temporary protection scope" will be solved easily.

After the cost is reduced, the law does not have to dwell on "unwillingness to give patent applicants rights" and "the obliged protection for patent applicants", so there is no need to restrict patent applicants from exercising their rights by "narrowing the scope of temporary protection". Therefore, any act of manufacturing, using, promising to sell, or selling the invention related to the patent applicant for production and operation shall pay the patent applicant the patent royalty.

2. Implementation of Patent Royalty (see Appendix 3)

(a) Prosecution Before Authorization / Unauthorization

When the obligee files a lawsuit "after the publication of the patent application and before the authorization decision is made", the influence of the court examination standard and its judgment result on the substantive examination is important.

In this case, the court examination is conducted "after the formal examination by the Patent Examination Board and before the substantive examination is initiated". To conform to the development law of things, the author puts forward the standard of "higher than formal examination and lower than substantive examination".

According to the analysis in Appendix 4, when the court considers that the relevant invention should be protected by patent, it is reasonable for the Patent Examination Board to decide whether to authorize it or not. The judgment made by the court can provide a reference for the substantive examination of the Patent Examination Committee. However, in the case that the court thinks it should not be protected, if the Patent Examination Committee continues to examine and even makes an opposite decision to the court, it will not only waste judicial resources, but also harm the judicial authority. Therefore, the Patent Examination Committee should reject the application or postpone the trial, and the patent applicant can get relief through appeal and retrial procedure.

After disputes arise between the parties, some low-quality patents can be excluded through the advance examination by the court, which can reduce the burden of substantive examination by the Patent Examination and Examination Committee, and undercut the disputes over the patent royalty of subsequent invalidated patents.

(b) Prosecution After Authorization / Unauthorization

If authorization is obtained, the expenses before and after authorization can be sued together and calculated separately. To save the judicial cost to the maximum extent and adapt to the existing judicial practice, the expenses before and after authorization will be prosecuted together, which is convenient for the court to hear and the obligee. After all, we cannot criticize the patentee for "knowing the time when others implemented the patent before suing, so as to apply accurately". Different from the existing operation mode, even if the prosecution is tried together, the expenses before and after authorization should be calculated according to their calculation standards, instead of simply extending the protection time based on one standard.

Without authorization, the obligee can still sue for the previous "royalty" within the limitation of action. The court's examination standard should be lower than that of the Patent Examination Board, which shows that the failure to meet the standard of "granting patent protection" does not mean that the standard of "obtaining temporary protection" cannot be met. In addition to some fake and inferior patents, there are some flawed and immature "inventions" in the application, which are also "intangible property" and should be reasonably protected. Therefore, even if it is not authorized, the obligee can still file a lawsuit for the technology implementation in the temporary protection duration. If the court considers that its standards have been met, the counterpart should still pay. Meanwhile, if the court considers that the request is unreasonable, it may be rejected.

5. Conclusion

"Exchanging publicity for protection" is the purpose of *Patent Law*, but "temporary protection" has become a compromise based on the consideration of "technology dissemination and judicial resources". This deformed system, which lacks a supportive system, is difficult to give proper protection to patent applicants. To solve the practical dilemma and improve the temporary protection system, this paper puts forward the idea of "implementing the patent royalty", based on which relevant systems are built.

It is undeniable that this concept needs to be tested by practice and time, which may increase the workload of the court in the short term. The author tries to perfect the temporary protection system to achieve the effect that "the implementer actively negotiates with the patent applicant to pay appropriate fees" after a certain period, so as to balance the interests of both parties and not increase extra burden for the court. "Strengthening the protection of patent applicants and balancing their interests with those of implementers" is the original intention of this paper, which is also necessary to encourage innovation and promote the construction of China as a socialist modernization power in the long run.

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Appendix 1 Judgment Results of Patent Royalty in the Temporary Protection Duration

Courts	Case Number	Consideration Factors
Zhejiang Higher People's Court	(2009) Zhe Zhi Zhong Zi No.30	Without the clear patent license fee for reference, factors such as technology source, production, and sales as subjective factors, as well as production capacity and scale, and product price should be comprehensively considered
Guangdong Higher People's Court	(2017) Yue Min Zhong No.1997	Considering the types and possible market value of the patents involved, the business scale of Hongtu Company, the value of the products accused of infringement, and other factors
Fujian Intermediate People's Court, Fujian Province	(2018) Min 01 Min Chu No.132,	Considering the category of the plaintiff's patent right, the value of the product involved, the contribution of the patented technology to the product involved, the degree of the defendant's subjective fault, and referring to the way to determine the amount of compensation for patent infringement damage

Appendix 2 Relationship Diagram between System Status and System Design

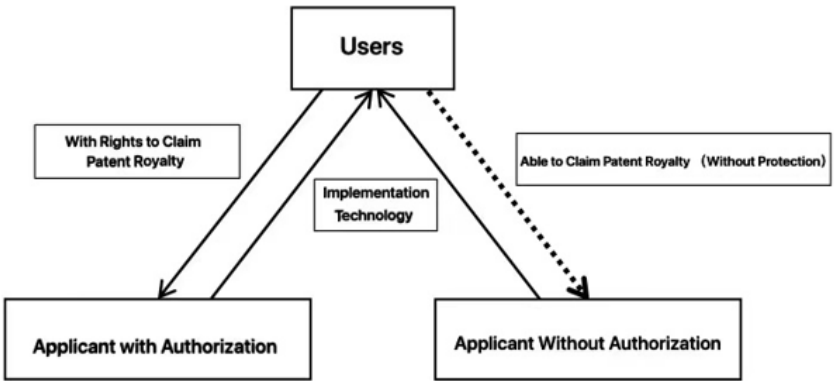


Figure 1. Current Status of the System

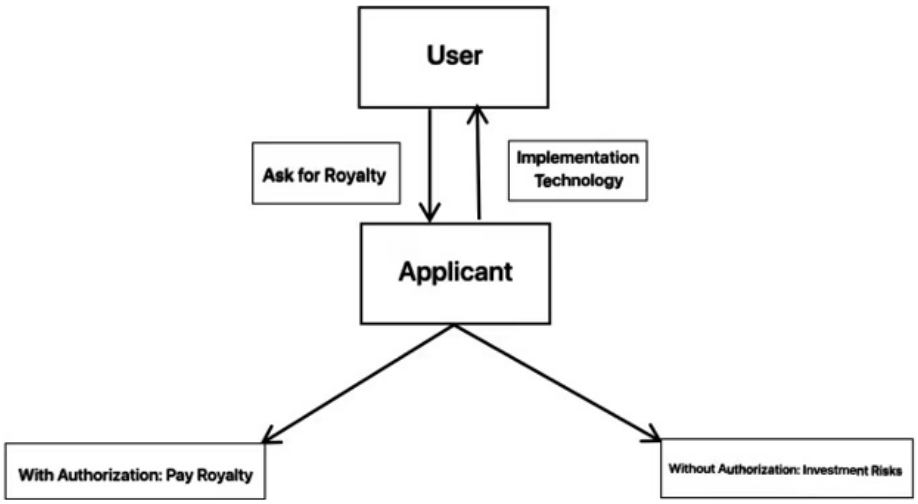
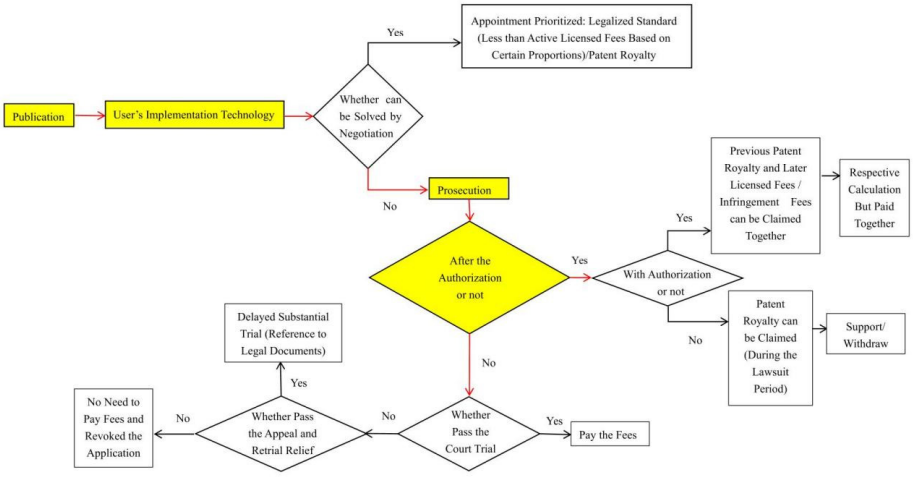


Figure 2. System Design

Appendix 3 Flow Chart of System Conception



Appendix 4 Analysis Table of Court Review Criteria

Standard of "Higher than Formal Examination and Lower than Substantive Examination"		
	Authorization by Patent Examination Board	Unauthorization by Patent Examination Board
Court Authorization	Reasonable	Reasonable
Court Unauthorization	Unreasonable	Reasonable