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# *Chapter 1*

## Introduction

## Asian IP Landscape and Patent Features

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### **Introducing an Asian IP Research Agenda by the Applied Research Centre for Intellectual Assets and the Law in Asia (“ARCIALA”)**

As the birthplace of civilizations and some great inventions, such as paper making, (letterpress) printing, explosives, and not the least yoga, Asia is the world’s largest and most populous continent. With the support of adequate infrastructure and education, the huge population that was once a minus has now become a plus, as it means more labor force, consumption, economic growth, and massive networks of people and things. Asia is the world’s factory and growth engine in terms of exports and even innovation, as well as its biggest market.

However, rising tensions can be clearly observed in Asia: the rise of China—with its distinct political ideology—the remilitarization of Japan, and the renewed or intensified territorial disputes between China/India, China/Japan, China/the Philippines, China/Vietnam, Japan/Korea, Russia/Japan, and India/Pakistan, not to mention disputes between Taiwan/the Philippines and Taiwan/Japan. Worse still, Asia is probably the least integrated continent, with few institutions that can handle issues of Asian concerns and disputes among Asian neighbors.

Thanks to the United States, intellectual property (“IP”) has become the common language of Asia. For one thing, many Asian countries recognize the importance of IP and have adopted national IP strategies: Japan (National IP Strategy 2003), Malaysia (National Intellectual Property Policy 2007), Korea (Strategic Plan for National IP 2012–16), China (National IP Strategy, 2008–20), Taiwan (2012, IP Strategic Program), Singapore (2013 IP Master Plan), and India (National IPR Strategy 2016). In addition, specialized IP courts or divisions are commonplace in Asia: Japan (the IP Division in the Tokyo High Court in 1950), Thailand (the Central Intellectual Property and International Trade Court in 1996), Korea (Patent Court of Korea in 1998), the Philippines (Special Commercial Courts in 2003),

Malaysia (specialized IP courts for criminal and civil cases respectively in 2007), Taiwan (IP Court in 2008), China (2014), Singapore (Singapore International Commercial Court, 2015), and India (Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill, 2015). On top of that, there are many IP success stories in Asia that have leveraged IP and transformed themselves from imitator to innovator: Japan in the 1960s, Korea and Taiwan in the 1980s, China/HK/Singapore after the 1990s and India after 2000.

There are also some IP regimes that are uniquely Asian: across-the-board criminalizing of IP infringement, which runs the risk of distorting the application of IP law and jeopardizing its social acceptance. Dubious special treatment for IP is only found in competition law of some Asian countries, namely Japan, Korea, Taiwan, India, and mainland China. Article 21 of the Japanese Anti-Monopolization Act provides: “The provisions of this Act shall not apply to such acts recognizable as the exercise of rights under the Copyright Act, Patent Act, Utility Model Act, Design Act or Trademark Act,” which was copied verbatim by Article 59 (Exercise of Right to Intangible Property) of the Monopoly Regulation and Fair Trade Act of South Korea. Article 45 of Taiwan’s Fair Trade Act made a minor change by adding “proper conduct.” “No provision of this Act shall apply to any proper conduct in connection with the exercise of rights pursuant to the provisions of the Copyright Act, Trademark Act, or Patent Act.” Section 3(5) of the Indian Competition Act (2002) exempts “reasonable conditions” that are necessary for the protection of IP rights:

Nothing contained in this section shall restrict—

- (i) the right of any person to restrain any infringement of, or to impose reasonable conditions, as may be necessary for protecting any of his rights which have been or may be conferred upon him under —
  - (a) the Copyright Act; (b) the Patents Act; (c) the Trade and Merchandise Marks Act, or the Trade Marks Act; (d) the Geographical Indications of Goods (Registration and Protection) Act; (e) the Designs Act; (f) the Semiconductor Integrated Circuits Layout-Design Act.

In the same vein, Article 55 of China’s Antimonopoly Act talks about “conduct to eliminate or restrict market competition by abusing IP:” “This Law does not govern the conduct of business operators to exercise their intellectual property rights under laws and relevant administrative regulations on intellectual property rights; however, business operators’ conduct to eliminate or restrict market competition by abusing their intellectual property rights shall be governed by this Law.”

Against this background, the School of Law of the Singapore Management University sees a great need and potential for promoting the understanding and study of IP regimes and industries in Asia, and set up the Applied Research Centre for Intellectual Assets and the Law in Asia (“ARCIALA”) in May 2015, after more than one year of preparation. In addition to an interdisciplinary orientation, ARCIALA pursues a more Asian-oriented approach, in the sense that it will involve people interested in furthering Asian peace and prosperity via boosting intellectual property rights (“IPR”) and innovation in Asia to work on the understanding, cooperation, and development of the Asian IP community, and innovation with IP and beyond IP.

Given that only a few monographs on Asian IP can be found<sup>1</sup> and none is dedicated to comprehensive cross-jurisdiction case study, ARCIALA is embarking on a series of book projects as one of its first research efforts. It starts with a trilogy on leading IP cases in major Asian economies, with legal and industrial analysis. We strive to collect and analyze cases that reflect Asian trends and characteristics, some of which might even have ramifications beyond Asia. The first of the series is the present book: *Annotated Leading Patent Cases in Major Asian Jurisdictions*. The second of its kind will be *Annotated Leading Copyright Cases in Major Asian Jurisdictions*, which will deal with digital copyright, collective management of copyright, criminal copyright, limiting copyright, overlapping protection, and choice of jurisdiction and law in cross-border copyright litigation.

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1. Heath, Christopher and Liu, Kung-Chung. 2000. *The Protection of Well-Known Marks in Asia*. Alphen aan Den Rijn: Wolters Kluwer; Heath, Christopher and Liu, Kung-Chung. 2002. *Legal Rules of Technology Transfer in Asia*. Alphen aan Den Rijn: Wolters Kluwer; Heath, Christopher. 2003. *Intellectual Property Law in Asia*. Alphen aan Den Rijn: Wolters Kluwer; Heath, Christopher and Liu, Kung-Chung. 2007. *Copyright Law and the Information Society in Asia*. Alphen aan Den Rijn: Wolters Kluwer; Heath, Christopher. 2009. *Parallel Imports in Asia*. Alphen aan Den Rijn: Wolters Kluwer.

In addition, as Singapore sits in the middle point between India and China and enjoys good friendship with both sides, ARCIALA bestows upon itself a role of bridging the two Asian IP giants. A first result of this was the publication in 2016 of *Innovation and IPR in China and India: Myths, Realities and Opportunities* by Springer. The book starts with doctrinal analysis and asks whether IPRs promote innovation, technology, and business innovation: role and value measurement of IPRs, and whether patent strategy shapes the long-run supply of public knowledge. It then discusses two empirical studies on India: innovation, IP, and India—dichotomy between facts and fiction, and the law and politics of pharmaceutical patents in India. Three analytical and empirical studies on China follow: “IPRs in China—market-oriented innovation or policy-induced rent-seeking?”, “Estimates of the Value of Patent Rights in China” and “Patent Information Based Study on Patenting Behavior in China.” As a follow-up, ARCIALA will push for a study on innovation and economic development beyond IP in India and China from 2016 to inquire into state innovation policy, innovation infrastructure (physical, institutional (R&D institutions), IP, and free flow of data), and innovation without IP (open innovation: peer production and the sharing economy) in India and China.

## **Introducing the Present Book**

The present book has chosen six topics that best reflect the Asian trends in patent law. They are Specialized IP Court (or Division) and its Efficacy (Chapter 2), Compulsory Licensing (Chapter 3), Intersection between Patent Law and Competition Law (Chapter 4), Injunction (Chapter 5), Damages (Chapter 6) and Choice of Jurisdiction and Law in Cross-border Patent Litigation (Chapter 7). Cases chosen for the report are not limited to those of courts, but also include other competent authorities such as competition commissions, IP offices, and ministries. The present book is a collection of 30 case reports by 26 eminent scholars and practitioners from Asia, Germany, and the United States. It covers leading patent cases from nine major Asian economies: China, Hong Kong, India, Japan, Korea, Malaysia, the Philippines, Taiwan, and Thailand.

Each case report is structured in the following way: summary, legal context, facts, reasoning of the decisions, legal analysis, and commercial or industrial significance. The purpose of this structure is to give readers both the overview of the legal context under which the individual cases were adjudicated and how the cases are to be

deciphered legally and commercially. The 30 case reports are put into six chapters, basically in alphabetical sequence of the economies, but also chronologically (to show the evolutionary trend), or according to the relatedness of the issue or judicial system in question. To ensure better readability, case reports average around 4,000–5,000 words, with inevitable deviation in some case reports.

## Chapter 2: Specialized IP Court (or Division) and Its Efficacy

In the civil law jurisdictions in Asia (China, Japan, Korea, and Taiwan), the patent litigation system is a bifurcated one under which courts trying patent infringement cases may not review the validity of the patent in question. A patent can only be invalidated with binding effects on third parties by a separate process first with the patent office and then with courts. This is due to the respect for the patent expertise of the patent office. However, such a dual track approach may easily lead to inefficiency, because the infringement court would have to suspend its trial and wait for the outcome of the invalidation process, even in the face of an obviously invalid patent. The first three case reports in this Chapter show how courts in Japan, Korea and Taiwan solved the problem.

In the Tokyo High Court (IP Division) of Japan, the predecessor of the Tokyo IP High Court, in a 1997 decision, as reported by Professor Ichiro Nakayama (“Recognizing the Abuse of Rights Defense and the Invalidation Defense”) held that it would constitute an abuse of right to exercise the rights of the patent that were highly likely to be invalidated, and broke ground for courts in infringement cases to decide on whether it was evident that the patent was invalid. However, the infringement court’s decision on this issue binds only the parties of the case and not any third parties. The view was approved by the Japanese Supreme Court and codified in 2004.<sup>2</sup>

In Korea, the Korean Supreme Court rendered in 2012 a unanimous en banc decision, as reported by Professor Byungil Kim (“Recognizing the Abuse of Rights Defense and the Invalidation Defense”), which held that Korean civil courts could

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2. As a side note to the efficacy of the Tokyo IP High Court, it deserves pointing out that in a series of three cases in 2014, the Court formed a Grand Panel, which will be set up when a case involves important issues that require unified opinions for more details please refer to the case report by Professor Masabumi Suzuki, “Enforcement of FRAND-encumbered SEPs,” in Chapter 4 (pp. 241–261).

dismiss a patent injunction or damages claim for lack of non-obviousness even before a patent is formally invalidated by the Intellectual Property Tribunal (“IPT”) of the Korean IP Office.<sup>3</sup> This is very much in line with the Japanese stance.

In Taiwan, Article 16 of the IP Case Adjudication Act follows the Japanese legislation and allows the IP Court handling a patent infringement case to decide the validity of a patent right at issue. Then an inevitable issue arises when the civil court and administrative court reach different conclusions on the validity of the same patent, namely, whether a rehearing proceeding should be allowed. In a 2015 decision reported by Professor Su-Hua Lee (“Solving Challenges Resulting from Bifurcation System”) the Taiwanese Supreme Court overruled the decision by the IP Court that denied the request for a rehearing after the patent was invalidated.

The fourth and fifth case reports look at the situation in common law jurisdictions, Malaysia and Hong Kong. In a 2013 case reported by Professor Ida Madieha Bt. Abdul Ghani Azmi (“Power of the IP Court Not to Allow Amendment to Patent Claims during Invalidation Proceedings”) the Malaysian IP court refused to allow the patentee of a well-known drug, Viagra, to amend its patent claims because that would harm local generic drug companies. Hong Kong High Court in a 2014 short-term patent litigation decision as reported by Professor Yahong Li (“Invalidation Judgment: Implications to the Reform of Short Term Patent System and IP Court”) exhibits confusing points in the Court’s judgment and indicates a long journey ahead for Hong Kong’s patent system, including specialized patent court.

### Chapter 3: Compulsory Licensing

The potential utilities of compulsory license in facilitating follow-up creation and creative use of protected works have been hugely underestimated and the “harms” baselessly exaggerated.<sup>4</sup> The Asian experiences of compulsory licensing of drug patents as reported by the first four case reports of this Chapter can attest to that statement.

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3. It has to be reminded that in Korea the Patent Court is competent to hear patent invalidation, cancellation, and confirmation-of-scope cases, but not infringement cases. As a consequence, it has to be the Supreme Court which solves the problem derived from a bifurcated patent litigation system.

4. For detailed discussion see Hitty, Reto and Liu, Kung-Chung. 2015. *Compulsory Licensing—Practical Experiences and Ways Forward*. New York: Springer.

The Philippines issued in 1965 its first and only compulsory license, with a royalty rate of 8% of the net sales of products manufactured and sold, as reported by Alex Ferdinand S. Fider (“Grounds for Compulsory Licensing: from Ambiguity to Clarity?”). The decision was challenged by the patentee, Parke Davis, but upheld by the Supreme Court. The business of Parke Davis in the 1960s remained largely unaffected during and after the period of the case, notwithstanding the grant of compulsory license. Given the increasing demand for and consumption of medicinal and pharmaceutical products over the years, it is very difficult to say that pharmaceutical companies in general will be adversely affected to a large extent by compulsory licensing.

According to the case report by Professor Tay Pek San (“Government Use of Patented Drugs to Facilitate Access to Medicines”), Malaysia was the first Asian country, following the Doha Declaration on trade related aspects of intellectual property rights (“TRIPS”) and Public Health, to issue in 2003 a government use license for public health purposes (HIV/AIDS), at the base royalty rate of 4%. The decision was not challenged and the designated royalty not collected by the patentees. Following the importation of ARVs from India, the cost of treatment per patient for each month dropped from USD 315 to USD 58, which represented an 81% reduction. At the same time, patients treated by government hospitals and clinics increased from 1,500 to 4,000.

In Thailand, seven compulsory licenses have been issued against pharmaceutical product patents between 2006–08, as reported by Weerawit Weeraworawit (“Seven Compulsory Licenses on Pharmaceutical Product Patents”). The designated compensation to the patent holders ranged from 0.5%, and 3%, to 5% of the sale of the generic drug. None was challenged by the patentees. One study shows that a total of about USD 487 million has been saved, and the trade retaliation imposed by the U.S. government, the cancellation of tariff privilege granted to three Thai exports under the General System of Preference, had no effect on Thailand’s total export value.

Professor N.S. Gopalakrishnan reports (“Compulsory License of Bayer’s Patented Drug Nexavar”) that in India the only compulsory license was issued in 2012 against Bayer (kidney/liver cancer), and the 6% royalty set by the Controller of Patents was raised to 7% by the IP Appellate Board. The decision was contested and upheld by the Mumbai High Court in 2014. The compulsory license led to a

97% price reduction. Professor Yugank Goyal pointed out that “Since the Indian pharmaceutical market is huge, multinationals are going to suffer enormous loss if they pack up and leave.”<sup>5</sup> As a matter of fact, big international pharma companies did not leave India, but moved in to buy Indian generic companies.<sup>6</sup>

According to the case report by Professor Kung-Chung Liu (“Compulsory Licensing of Taiwanese CD-R Patents Owned by Philips”), Taiwan is the only Asian jurisdiction that in addition to issuing compulsory license on a vaccine against avian flu (Tamiflu, 2005, no royalty designated; the license was never put to practice) issued compulsory license against technology patent: one against a farm chemical in 1976 (no royalty designated) and another against five CD-R related patents held by Philips in 2004 (no royalty designated).<sup>7</sup>

As explained by Dr. Christopher Heath (“Patent Pools, Refusal to License, and Abuse of a Dominant Position”), Japan also has a case on compulsory patent license in a broader sense, which is the rather famous Pachinco case. In 1997 the Japan Fair Trade Commission (“JFTC”) held that a refusal to license amounts to an unlawful attempt at monopolization in a situation where patent holders have pooled their patents in the same technical field and license exclusively amongst themselves, and where market entry is possible only by obtaining a license. The JFTC ordered the society administering the patent pool to cease the refusal of licenses to non-members, but did not order the society to grant a license to a specific third party. The decision was upheld by the Tokyo High Court in 2003.

## Chapter 4: Intersection between Patent Law and Competition Law

The issue of whether the exercise of patent rights can lead to antitrust concerns is gaining importance also in Asia, as evidenced by the seven case reports collected

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5. Goyal, Yugank. 2014. “Economic and Procedural Constraints of Compulsory Licenses for Medicines.” In *Compulsory Licensing—Practical Experiences and Ways Forward*, edited by Reto Hilty & Kung-Chung Liu, 452. New York: Springer.

6. See the case report by Professor Gopalakrishnan, “Compulsory License of Bayer’s Patented Drug Nexavar” in Chapter 3 (pp. 124–147). In addition, see example report from: [www.thepharmaletter.com/listing/mergers-acquisitions/india?tagid%5B%5D=8321](http://www.thepharmaletter.com/listing/mergers-acquisitions/india?tagid%5B%5D=8321).

7. For more details see Liu, Kung-Chung. 2015. “Compulsory License and Government Use in Taiwan—A Regress.” In *Compulsory Licensing—Practical Experiences and Ways Forward*, edited by Reto Hilty & Kung-Chung Liu, 79–93. New York: Springer.

in this Chapter. The special provisions of the anti-monopoly laws of the Confucian countries aimed to deal with that issue mentioned in the previous section were put to test. The Asian practices on this topic are worth noticing because they might spill over to the rest of the world.

According to the case report by Professor Byungil Kim (“Anti-competitive Patent Licensing Practice: Qualcomm’s Abuse of Market Dominance”), in 2009 the Korean Fair Trade Commission (“KFTC”) found that Qualcomm, as the monopolist in the CDMA mobile telecommunication technology market and the CDMA modem chip market, engaged in the following anti-competitive conduct: discriminatory royalty, providing rebates, and charging royalty for expired patents. As a result, the KFTC issued a decision to impose a fine of approximately KRW 260 billion (about USD 229 million) on Qualcomm for abuse of market dominance, the second-largest penalty in a single antitrust case (now appeal pending before the Supreme Court).

How to deal with standard essential patent (“SEP”) related issues has become one of the most heatedly debated topics in mainland China. *Huawei v. InterDigital* is the first court decision that ruled on the FRAND rate of SEP in Asia. In December 2011, Huawei filed two lawsuits against InterDigital in the Shenzhen Intermediate People’s Court. The first lawsuit alleged that InterDigital had been abusing its dominant market position by a number of unlawful practices, such as discriminatory pricing, tying-in, and refusal to deal. In 2013, the Shenzhen Intermediate People’s Court ruled that InterDigital had abused its dominant market position in violation of China’s Anti-Monopoly Law and that InterDigital should be liable for the damage of RMB 20 million (about USD 3 million). In the second complaint, as reported by Professor Jyh-An Lee (“The Determination of FRAND Rate for SEPs: *Huawei v. InterDigital*”) Huawei sued InterDigital for violating its FRAND obligations. Although the many negotiations between Huawei and InterDigital did not lead to the conclusion of any licensing agreement, the Shenzhen Intermediate People’s Court ruled in 2013 that InterDigital violated its FRAND obligations, and the licensing rate paid by Huawei for InterDigital’s SEPs should not exceed 0.019%

of the actual sales prices of Huawei’s wireless devices.<sup>8</sup> The courts stated that the legal base for Huawei’s claim was InterDigital’s commitment to ETSI to license its SEPs to standard implementers under FRAND terms. Both decisions were upheld by the Guangdong High People’s Court in October 2013. In contrast, as reported by Professor Haochen Sun (“Criteria for Using Standard Essential Patents Legally in China”), in 2013/2014 the Nanjing Intermediate People’s Court and Jiangsu High People’s Court took a rigid view and demanded that a party can legally utilize an SEP only if such an SEP has been explicitly specified by the Contributors Agreement and that party has obtained a license from the relevant patent owner. InterDigital was again investigated by China’s National Development and Reform Commission (“NDRC”) in June 2013 for alleged violation of the Anti-Monopoly Law and reached a settlement with NDRC in May 2014 with the undertaking that it will not bundle SEPs with non-SEPs when licensing Chinese licensees.<sup>9</sup>

According to the case report by Professors Jing Li and Xiuqin Lin (“Anti-monopoly Case against Qualcomm’s Patent Licensing Practice”, which focuses on the violation of the Anti-Monopoly Law), the string of events continued into 2015 when the NDRC found that Qualcomm had abused its dominant position in the wireless communication SEPs licensing market and the baseband chips market in violation of Anti-Monopoly Law, and imposed a fine of RMB 6.088 billion (about USD 975 million). More far-reaching than the astronomical fine were the undertakings made by Qualcomm as reported by Yanbing Li (“NDRC’s Antitrust Remedies against Qualcomm’s SEP Package Licensing”, which focuses on the remedies of Anti-Monopoly Law violation) and by InterDigital to the NDRC that they will not bundle SEPs with non-SEPs when licensing Chinese licensees. This could be a

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8. In market economies or the so-called social market economy (Soziale Marktwirtschaft) represented by Germany, price or, in the context of licensing agreements, royalty is the result of supply and demand and the most sensitive element of competition. Traditionally regulators exercise the utmost self-restraint and refrain from meddling with prices. In mainland China, however, one has to take into consideration the fact that provincial courts are reliant on provincial budgets and support, and would therefore not hesitate long before intervening, even into prices, when one party of the dispute is registered and headquartered in that province where the court is located. Administrative agencies, not the least antitrust authorities, have the tradition and personal conviction to intervene into pricing whenever they deem necessary.

9. The settlement decision between NDRC and InterDigital, see National Development and Reform Commission. 2014. “國家發展改革委對美國InterDigital公司涉嫌價格壟斷案中止調查”. Retrieved May 22. from [www.ndrc.gov.cn/gzdt/201405/t20140522\\_612466.html](http://www.ndrc.gov.cn/gzdt/201405/t20140522_612466.html).