
The Comparison and Commentaries
on
Regulations on the Administration of Setting and Revision of the National
Standard Involving Patent (Interim) (Exposure Draft) (2009 Nov.)
and
Regulations on National Standard Involving Patent
(Interim) (Exposure Draft) (2004 Sept.)

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On Nov. 2, 2009, the Standardization Administration of the People's Republic of China promulgated Regulations on the Administration of Setting and Revision of the National Standard Involving Patent (Interim) (Exposure Draft) (hereinafter "Version 2009") and asks for opinions from specified national organs, public institutions and industrial associations on revisions of which the deadline is Nov. 30, 2009. It is noticed that compared with Version 2009, Regulations on National Standard Involving Patent (Interim) (Exposure Draft) (hereinafter "Version 2004") promulgated in September of 2004 is adjusted greatly on its contents. For the reason that the rights and obligations of patentees, standard makers, standard users and other parties are involved, the coming into effect and implementation of such regulations will cause enormous impact under the situation that the strategy of "Technology Patentability, Patent Standardization" is promoted by our country. Therefore, we make comments on Version 2009 through the comparison of the two versions for your reference.

1. Slight Adjustments on the Legislative Purpose

According to Article 1 of Version 2004, *"With the purpose of appropriately coping with the issues on national standards involving patent, standardizing the setting and revision of national standards, promoting the proper application of new technology in national standards, protecting the rights and interests of patentees and the public, ensuring the effective implementation of national standards..."*

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In accordance with Article 1 of Version 2009, *"With the purpose of appropriately coping with the issues on national standards involving patent, standardizing the setting and revision of national standards, **encouraging independent innovation**, promoting the proper application of new technology in national standards, protecting **the rights and interests of the public, patentees and relevant right owners**, ensuring the effective implementation of national standards..."*

i.e., Version 2009 newly adds *"encouraging independent innovation"* and enlarges the scope of protection simultaneously upgrading the public before patentees, which reflects the value orientation of legislation.

2. Newly Adding Grounds of Legislation

With regard to grounds of legislation, Article 1 of Version 2009 adds "Measures for Administration of National Standards and other relevant laws and regulations" on basis besides Standardization Law of the People's Republic of China, Patent Law of the People's Republic of China in Version 2004. However, up to the closing date of this article, no provision involving adjusting the relationship between standardization and patent has been found among the laws and regulations in force no matter the grounds of legislation listed in Version 2009 or *"the relevant laws and regulations"*.²

3. Newly Adding the Provision that Mandatory National Standard May Conditionally Involve Patent

According to Article 3 of Version 2004, *"Mandatory National Standards should not involve patent and recommendatory national standards do not oppose to involve patent in principle."*

According to Article 12 of Version 2009, *"A mandatory national standard shall not involve patent in principle."*

According to Article 13 of Version 2009, *"Where a mandatory national standard which has to involve a patent, the patentee shall grant license for free or the National Administrative Department of Standardization shall make a proposal and request relevant department to negotiate with patentees on the disposal of the patent. Where the relevant department and the patentee fail to reach an agreed way of disposing the patent, the related national*

² Zhong Yi, *THE FIRST, THE WINNER — COMMENTS ON THE PATENT STANDARDIZATION STRATEGY UNDER NEW PATENT LAW*, Perspective on Chinese Law, LexisNexis, page 22-23, No. 9, 2009.

standard shall be temporally withheld or the patent shall be mandatorily licensed. "

i.e., that Version 2009 newly adds that mandatory national standard may conditionally involve patent which fully embodies the purpose of legislation of "encouraging independent innovation, promoting the proper application of new technology in national standards, protecting the rights and interests of the public, patentees and relevant right owners, ensuring the effective implementation of national standards".

4. Narrowing the Scope of "Adopting Standard"

According to Article 5 of Version 2004, *"When **international standard and foreign advanced standard** are adopted to set the national standard, relevant information involving patent shall be acknowledged as detailed as possible."*

According to Article 15 of Version 2009, *"When **an international standard** is adopted to set the national standard, all endeavors shall be made to get a full acknowledgement on relevant information involving the patent and the disposal of patent right shall refer to provisions of Chapter II and Chapter III."*

i.e., foreign advanced standard is excluded from the scope of "Adopting Standard" in Version 2009.

Note: "Adopting Standard" refers to that the national standard adopts international standard and foreign advanced standard. Owing to the underdevelopment of technology and standardization techniques in the early period, part of our country's national standards once adopted international standards and foreign advanced standards without review on patent involved in standards. It is conducive to reduce the potential risks of patent infringements of the domestic standard users by reviewing whether "adopting standard" involves patents involved in standard and narrows the scope of "Adopting Standard".

5. Newly Adding the Obligation for the Standard Maker to Verify the Authentication of Patent Information Form and Relevant Evidentiary Materials

Article 7 of Version 2009 provides that *"when a national standard involving patent is submitted for approval, the Professional Standardization Technical Commission (hereinafter "PSTC") or Body in Charge (BIC) shall verify the authenticity of the patent information form and relevant evidentiary materials and report the materials in writing which prove the authenticity and the introduction to the patent to National Administrative Department of Standardization."*

6. Clarified the Obligations of Disclosure, Notification and Report for Approval of the Patent involved in Standards

On the basis of Article 4 to Article 7 Version 2004 and Article 16 of Version 2009 clarified the following obligations of disclosure, notification and report for approval of the patent involved in standards,

- a. Disclosure obligation: Professional Standardization Technical Commission or Body in Charge shall disclose the proposals for the projects involving patent to the public in a familiar manner to the public and provides patent information and relevant evidentiary materials;
- b. Disclosure obligation: organizations or individuals who participate in the setting and revision of national standards shall disclose the relevant patent they acknowledge promptly to the PSTC or BIC.
- c. Notification obligation: Organizations or individuals not participating in the drafting of standards but acknowledging patent information regarding national standards may promptly inform patent information in writing to such PSTC or BIC at any stage during the setting and revision of the standards.
- d. Obligation of reporting for approval: when a national standard involving patent is submitted for approval, the PSTC or BIC shall verify the authenticity of the patent information form and relevant evidentiary materials and report the materials in writing which prove the authenticity and the introduction to the patent to National Administrative Department of Standardization.
- e. Disclosure obligation: as to the accepted application for patent, its disposal shall refer to the provisions of Chapter II and Chapter III. (i.e., there is a disclosure obligation for patent involved in standard during the stage of application for patent)

Moreover, *"The implementation of the disclosure of patent information and the licensing statement of patent rights shall be carried out as stipulated by the Rules for Disposal of the Patents Involved in National Standards"* provided by Article 17 of Version 2009 will not be commented in this article for we didn't find the referred Rules for *Disposal of the Patents Involved in National Standards* thereof.

7. Newly Adding the Legal Liabilities of Violating the Disclosure Obligation

Article 8 of Version 2009 provides that *"That patentees and their affiliates participating in*

the drafting of the standards fail to disclose in accordance with the above requirements shall be regarded as licensing for free and where they conceal the patent information, which bring losses to the setting and implementation of the national standards, they shall bear corresponding legal liabilities”.

8. Regulating the Scope of Choosing Terms of Licensing of Patent Involved in Standard and the Limitation on Royalty

Article 9 of Version 2009 provides that *“such statements shall include following contents from which the patentees shall choose one item,*

- (1) the patentee agrees to, on the basis of reasonableness and non-discrimination, license to any organization or individual for free to implement the patent when implementing the national standard simultaneously;*
- (2) the patentee agrees to, on the basis of reasonableness and non-discrimination, license to any organization or individual for free to implement the patent, provided, however, that the amount of royalty shall be considerably low compared with the normal;*
- (3) the patentee does not agree to license in accordance with the above two methods.*

Under the condition that the patentee chooses item (3), the standard shall not include provisions based on such patent.”

9. Specifying the Coping Methods If Patent is Found Being Involved in Standards without a Licensing Statement on Implementation After National Standards are Promulgated

According to Article 13 of Version 2004, *“Where the patentee refuses to make the above licensing statement on implementing a patent, the National Administrative Department of Standardization shall withdrawal such standard to the PSTC.”*

According to Article 11 of Version 2009, *“Where the patentee refuses to make the above licensing statement on implementing a patent, the National Administrative Department of Standardization shall revise such standard.”*

10. Adjusting the Requests of Compiling Patent Information in National Standard Instruments

According to Article 14 of Version 2004, *“The requests of compiling the national standard instruments involving patent shall refer to the provisions of GB 1.2.”*

According to Article 18 of Version 2009, *"Relevant patent information in national standard instruments shall be compiled in accordance with the provisions of GB/T1 Guide to Standardization Work."*

Although we haven't listed the differences between Version 2009 and Version 2004 one by one, Version 2009 has achieved great development compared with Version 2004 for the purpose of the above adjustments. But meanwhile problems still remain, for example,

1. That Article 8 of Version 2009 only limits the parties who may bear legal liabilities of violating disclosure obligation within the scope of *"patentees and their affiliates participating in the drafting of the standards"* which seems not so appropriate because PSTC or BIC (i.e., standard maker or reviser) bearing disclosure obligation may also violate the disclosure obligation for negligence or on purpose.

2. According to Article 8 of Version 2009, *"That patentees and their affiliates participating in the drafting of the standards fail to disclose in accordance with the above requirements shall be regarded as licensing for free";*

According to Article 20.1 of the Interpretation of the Supreme People's Court on Certain Issues Concerning the Application of Law in the Trial of Controversies over the Infringement of Patent Right (Exposure Draft), *"Where the patent is incorporated into the standard published by national, industrial or local standard making organization upon the consent of the patentee and the patent has not been disclosed by the standard, the people's court may determine that the patentee licenses others to exploit the patent when they exploit such standard except that the patent must be exploited in the form of standard according to law. Where the patentee requests the person who exploits the standard to pay royalties, the people's court shall determine a reasonable amount of royalties after comprehensively deliberating the innovative degree of the patent and its function in the standard, the technical field which the standard belongs to, the nature of the standard, the scope of carrying out the standard and other factors except that the patentee promises to waive royalties."*

i.e., the above two drafts hold different opinions on the consequences of failing to exercise the disclosure obligation of patent involved in standard. Licensing for free is the consequence regulated by Version 2009 while the consequence of the judicial

interpretation of the Supreme People's Court is "to determine a reasonable amount of royalties".

3. Version 2009 newly adds obligations of disclosure, notification and reporting for approval and other obligations for the patentees of patent involved in standard, standards makers or revisers, restricts the scope of choice of the patentees of patent involved in standard concerning the terms of licensing, limits the royalties to be considerably low compared with the normal and adds two administrative activities of *"temporarily withheld"* (Article 10 and Article 13) and *"mandatorily licensed"* (Article 13). Such provisions involve crosses of several legal departments like Standardization Law, Patent Law, Administrative License Law, etc. and also involve legal provisions regarding administrative and judicial remedies, provided, however, there's no specific provision or authorization of legislation in and from upper law.

Above all, according to the provisions of Legislation Law, we suggest that Version 2009 would better be enacted as a law or an administrative regulation rather than the departmental rule, which is conducive not only to the united law enforcement by administrative organs of standardization and patent and judicial organs but also to the solution on interest conflicts between patentees of patent involved in standard and standard users so that the legislative purposes of *"encouraging independent innovation, promoting the proper application of new technology in national standards, protecting the rights and interests of the public, patentees and relevant right owners, ensuring the effective implementation of national standards"* can be realized.