

# The First, The Winner

## Comments On The Patent Standardization Strategy Under New Patent Law

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Standardization, whether compulsory or recommendatory, is the general applicable threshold for the entry of market by certain products, while the patent, as a kind of legitimate monopoly, characterized as exclusiveness and utilization with payment. therefore, if combined, "Patent Standardization" may be the "nuclear weapon" used by patent owner for the control of industrial chain, market monopoly and super-profit. DVD, CDMA, ATSC and other technical standards attaching patent rights show us the powers of Patent Standardization, which attracts various nations grabbing such scarce resources for the interests of its own nationals.

### • Legislation

Until now, few have been done for the combination of standardization and patent in the related laws of PRC. No provision for such combination has been provided in the Standardization Law of the People's Republic of China promulgated on December 29th, 1988 ("Standardization Law") and the Patent Law of the People's Republic of China promulgated on December 27, 2008 (as the 3th Amendments to this Law firstly promulgated on March 12, 1984, hereinafter "Patent Law"), including the supplementary enforcement regulations or rules respectively. For the purposes of rectifying such defects, the "Draft of Rules for the National Standards Attaching Patent Rights (Interim)" had been prepared by Standardization Protection of the People's Republic of China in the year of 2004,

provided, however, such RNSAPR fails to be applied due to various reasons.

### • Administration

Gradually, the existing defects on the Patent Standardization has been focused by Chinese government and certain measures has been taken, such as,

- The compulsory standard for Wireless Local Area Network ("WAPI") had been proposed by Chinese government in May of 2003, which, however, had been challenged by Intel, Broadcom and other U.S companies with the supports of their government, consequently, such WAPI had been postponed infinitely. Until June of 2009, WAPI was reapplied to be used as international standard because the application of WAPI representing the national interests and may protect the safety of wireless communication;

- During the review of statements by the Committee on Technical Barriers to Trade

of WTO in November, 2006, the proposal made by China titled as "Intellectual Property in Standardization" had been filed in WTO instruments as the first instance.

- Outline of the National Intellectual Property Strategy had been promulgated by the State Council on June 21, 2008, which specifically provided in Article 4. (17) ("Purpose") that "all policies related to the standardization shall be established and perfected and the appropriate measures shall be taken for the combination of patent and standardization. Supports shall be provided to enterprises and guilds for the participation of preparation of international standards."

### • Judicial

As certain patents had been included in the compulsory standards imposed by Chinese government, until now, the patent owners made claims to the standard implementers for infringements in 3 cases, all of such patents had been declared as null and void. For the purpose of establishing rules for such disputes, the related implementation rules or regulations of the new Patent Law had its efforts to clarify the roles of patent in the process of standardization.

As far as I know, the principles thereof had been provided in Article 20 of the Interpretation on Certain Issues Concerning the Application of Law in the Trial of Controversies over the Infringement of Patent Right (Draft) promulgated by the Supreme People's Court of PRC on June 18, 2009 (hereinafter "Draft") as follows:



· “If any patent, with the consent of patent owner, is incorporated into the standard published by the standard makers of state or local authorities or guild and the patent concerned is not disclosed therefrom, which may be seen by the People’s Court as the consent of such patent owner is acquired for the use of such patent for the implementation of the said standard except those used in substantial form. Except the loyalty fee is waived by such patent owner, the novelty and functions of such patent, the technical scopes, characteristics and extent for the use of such standard, as well as any other reasonable factors, shall be considered by the People’s Court for the determination of such loyalty fees.”

Interpretation: In summary, if the standard maker incorporates the patent into the standard without disclosing the same, such patent may be utilized by the standard executor with the payment of reasonable loyalty fees determined by the Court.

· “If the patent and its use conditions have been disclosed in the standard and the user fails to utilize such patent in accordance with such conditions, the requirements of patent owner made to such user for the observation of the conditions shall be supported by the People’s Court, provided, however, if it is found that such conditions are unreasonable, the People’s Court may, at the request of patent owner, make amendments to such conditions correspondingly. If such conditions fail to be disclosed or the conditions disclosed are ambiguous, the Parties concerned may consult with each other for the settlement of the same, if fails, final and binding judgment on such conditions may be made by the People’s Court at the request of either party.”

Interpretation: Standard user shall utilize the patent in accordance with the terms and conditions disclosed in the standard, provided, however, if such terms and conditions fail to be disclosed or are unreasonable or ambiguous, the judicial remedies may be provided at the request of party concerned.

· “Any different terms and conditions to the patent provided in any other laws or regulations, if any, shall prevail.”

Interpretation: In consideration of the issues mentioned above fail to be provided, in the existing laws and regulations, such stipulations may avoid any possible conflict with any new laws or regulations in the future.

For the purpose of illuminating the specific influences on the Patent Standardization by the stipulations of the Draft, a case may be exemplified under the conditions as follows:

#### 1. Matter of Facts

The conditions to the patent declared and listed in the standard instruments

a) including the section of Patent involved in Standard (“PIS”);

b) including list of the possible patent owners holding such PIS;

c) excluding the number of PIS; and

d) indicating that PIS owner makes guarantee to the standard maker that any applicant may negotiate with it for the licenses of patent under the reasonable and non-discrimination terms.

#### 2. Legal Analysis

a) Review on the Obligations of Patent-Disclosure

In my opinion, the necessary disclosure of patent has been made, provided, however, with certain risks of undue disclosure.

On the condition that the patent number is not listed in the instrument, if the standard user, upon portfolio search conducted on the section of patent and list of possible owner as mentioned above, fails to make a specific conclusion or substantial costs are necessary for the establishment of such conclusion, undue disclosure may be claimed by such user to Court for the collateral use of patent in the process of utilization of standard. If the PIS is not fully disclosed in the proceedings, the undue disclosure mentioned above may be held by Court as nondisclosure, which may prejudice the rights and interests attached on such PIS.

b) Review on the Conditions of Use and Obligations of Disclosure

As the “reasonable and non-discrimination terms” (RAND) listed herein is the generally accepted license model all of the world, it is believed that the obligations of disclosure have been fully fulfilled and the conditions for the use of patent may not

be claimed as unreasonable or inaccurate.

In summary, Article 20 of the Draft mainly focuses the “Obligations of Disclosure”, i.e., the standard user may be awarded the remedies if the obligations of disclosure is fails to be fulfilled, provided, however, no provision is made for the restriction of standard maker and remedies to the PIS owner, for example, if any patent is incorporated in the standard due to the negligence of standard maker, or without notice to PIS owner and disclosure to the public, whether the owner may refuse the use of its patent, whether such standard is effective, what liabilities shall be assumed by the standard maker or what remedies may be provided to such owner?

With the increasingly important role played by the transnational enterprise, industry alliance and other unofficial standard makers in the establishment of international, regional, national or industrial standards, if the standard maker, concurrently as the patent owner, fails to be restricted reasonably, it is possible that monopolization and abuse of IP may occur for the maximum profits of such patent owner. Therefore, perfect rules to equalize the rights and obligations of the parties to Patent Standardization shall be necessary and urgent.

## • Conclusion

The new patent law shall come into effect on October 1, 2009 without any stipulations on the Patent Standardization, provided, however, 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 (Draft), as the ancillaries and remedies to such defect, may provide the corresponding legal basis for the determination of disputes arising out of the operation of Patent Standardization.

As have been discussed above, market monopoly, super-profit and rule-making powers may be obtained by the enterprises whose patents have been included in the standards, and the one who comes first will get more, good luck to the pioneers and practitioners of such Patent Standardization. [LN](#)