



Patents and standard-setting in China

FURTHER DEVELOPMENTS

The Standardization Administration of China and the General Administration of Quality Supervision, Inspection and Quarantine have issued draft Disposal Rules for the Inclusion of Patents in National Standards. The rules are intended to be a working manual for the relevant authorities but they may also affect private businesses. This briefing outlines the potential implications for businesses should the new rules come into effect.

Introduction

On 2 November 2009, the Standardization Administration of China (SAC) issued the draft Interim Regulations on the Administration of Formulating and Revising National Standards Including Patents. We circulated a [briefing on the Interim Regulations](#) in January 2010. Soon afterwards, the SAC and the General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) jointly issued the draft Disposal Rules for the Inclusion of Patents in National Standards, on 28 January 2010.

The Disposal Rules set out a detailed process for collecting patent information and disposing of patents during the formulation and revision of national standards. In theory, they are the working manual for dealing with patents relevant to national standards, so apply only to the SAC, the GAQSIQ and the committees that are in charge of drafting the national standards. However, they may also affect private businesses.

Legal effect of Interim Regulations and Disposal Rules

Both the Interim Regulations and the Disposal Rules, if adopted, are ministerial level rules. In theory, they cannot impose any obligation on private individuals or entities beyond the scope set out by a law promulgated by the People's Congress or its standing committee, or by an administrative regulation enacted by the State Council. Taking for example the 'implied licence' concept

(provided in the Interim Regulation), we are not aware of any law, or administrative regulation, that provides for, or endorses, any such obligation. Therefore, the 'implied licence' assumption does not bind private individuals or entities, nor does it bind a court. Nevertheless, the State Intellectual Property Office may use the Interim Regulations as a reference point in deciding whether to issue a compulsory patent licence, because it is authorised to issue compulsory licenses in the public interest.

There are some inconsistencies between the Interim Regulations and the Disposal Rules. However, because in theory the two have equal authority, we cannot assess which would prevail. In practice, the authorities are more likely to follow the one that has more detailed provisions – ie in this example, the Disposal Rules.

Scope of application

Like the Interim Regulations, the Disposal Rules apply directly to the formulation and revision of national standards and may apply 'by reference' to the formulation and revision of industry standards and local standards (ie the standard enacted by province or city government). The term 'by reference' means that the formulation and revision of industry standards and local standards do not need to follow strictly the Disposal Rules, but that they should follow the principles embedded in the Disposal Rules, as well as processes set out in the Disposal Rules, to the extent applicable.

Scope of patents subject to disclosure requirement

Unlike the Interim Regulations, which require the disclosure of patents during the formulation and revision of national standards, the Disposal Rules also require the disclosure of pending patents. This includes patents that have been publicised but are pending substantive examination and patents that have not been published.

The Disposal Rules do not specify how detailed the disclosure should be. According to a sample disclosure form attached to the Disposal Rules, at a minimum, the following information should be disclosed: (i) an introduction to the main technology involved in the relevant patent or pending patent; and (ii) the technical features in the national standard under review that are covered by the patent or pending patent.

This disclosure requirement is onerous for holders of pending patents that have not been published. In particular, the Disposal Rules do not require the recipients of information regarding pending patents to keep the pending patents confidential until they are published.

Licensing patents

According to the Disposal Rules, if a patent is involved in a standard that is under review, the patent owner should declare that it will:

- grant the public a royalty-free and non-discriminatory licence to implement the patent;
- grant the public a licence to implement the patent on a fair and non-discriminatory basis; or
- do neither of the above.

If the third option is declared, the technology covered by the patent will be excluded from the standard under review. Unlike the Interim Regulations, the Disposal Rules do not require the royalty to be significantly lower than normal. It is not clear whether this is an intentional omission.

Further, the Disposal Rules make it clear that the licence granted will automatically be revoked if the patent is no longer an inevitable part of a standard.

Procedures for patent disclosure

According to the Disposal Rules, patent information will be collected from the following parties at different stages of formulation or revision of standards:

- the party proposing a standard, who must disclose all patents and pending patents involved in the standard held by it (or its affiliates) when it proposes the standard;
- any members of a committee in charge of formulating or revising a patent, who must disclose all patents and pending patents involved in the standard held by them, or by their employer (or the affiliates of their employer); and
- the public, who are encouraged to disclose their patents and pending patents involved in the standard.

The disclosure of patents should be accompanied by the declaration mentioned above (see 'Licensing patents').

Unlike the Interim Regulation, the Disposal Rules do not impose compulsory disclosure obligations on the general public or set out any penalty for failure to disclose patents in accordance with the Disposal Rules. This may be because the Disposal Rules focus only on the process of collecting patent information during the formulation and revision of standards, or because the SAC and the GAQSIQ realise they cannot impose any obligations directly on private individuals or entities beyond the scope authorised by laws or administrative regulations, and so to specify a penalty would be meaningless.

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