

November 30, 2009

Attention to: Standardization Administrator of PRC

Japan Intellectual Property Association
President Tsuneaki HAGIWARA

Opinions on Regulations on the Administration of Setting and Revision of the National Standard Involving Patent (Interim) (Exposure Draft)

To whom it may concern:

Set up in 1938, JIPA is a non-profit, non-governmental organization, which has approximately 900 members of Japan major companies now. We had provided related institutions all around the world with well-timed, suitable opinions on improvement of their IP systems and their utilization.

After our careful study and discussion on this draft, JIPA's now is presenting you our opinions, for which you could kindly refer to the attachment.

We are looking forward to an opportunity for discussion with you in the coming future. And we would be honored to give more detailed explanations on backgrounds and reasons upon your enquiry.

Attachment: Opinions on Regulations on the Administration of Setting and Revision of the National Standard Involving Patent (Interim) (Exposure Draft)

Address:

Japan Intellectual Property Association
Secretary General, Hideo DOI
TEL: 81-3-5205-3432
FAX: 81-3-5205-3391

Opinions on Regulations on the Administration of Setting and Revision of the National Standard Involving Patent (Interim) (Exposure Draft)

1. Article 8 Those 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.

We think that the possibility to disclose without any omission would be small, provided that some patentees submit hundreds or thousands of patent application every year. If this results in free licensing, it will clearly restrict rights a patentee can have.

2. Article 9 When the setting and revision of national standards involve patents, PSTC or BIC shall obtain promptly the irrevocable licensing statements in writing issued by the patentees on implementing the patents.

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.

Usually, royalty fee is decided by the patentee, through negotiation with the licensee. However, Article 9 will make patentee license for free or in a lower price, for the purpose to standardize this patent technology. As a result, patentee's rights will be restricted.

As is known to all, for some Chinese companies, which attach importance to technology innovation, the cost of development and research is generated from royalty fee when licensing to others. A virtuous circle can be formed as developing technology → obtaining this patent → acquiring royalty fee → then developing new technology again.

But according to Article 9, the royalty fee gained could be lower than enough for development,

which could standstill your technology development because of lacking of expense.

Besides, Article 9 may disagree with Article 1 of Patent Law of the People's Republic of China, which protects patent right and encourages innovation for society development.

Article 16 of Patent Law of the People's Republic of China stipulates that "The entity that is granted the patent right shall award to the inventor or creator of a service invention-creation a reward and, upon the exploitation of the patented invention-creation, shall award to the inventor or creator an appropriate remuneration based on the extent of exploitation and application and the economic benefits yielded". Also, In (※) Implementing Regulations of The Patent Law of the People's Republic of China, Article 76 (Where a state-owned enterprise or institution which has been granted a patent right authorizes other entities or individuals to exploit the patent, it shall, after taxation, draw a percentage of no less than 10% from the fee which is charged from the license of exploitation of this patent and award it to the inventor or designer as remuneration.) also makes explanation on the fee awarded to inventor.

However, when this service invention is related with standard, the remuneration awarded to inventor will be decreased if patentee follows (1) or (2) of Article 9. This is also not in line with Article 16 of Patent Law of the People's Republic of China on "awarding appropriate remuneration to inventor". Therefore, we think Article 9 of this Draft needs to be reconsidered.

(※) The State Council now is amending this Implement, the one here we refer to is the current one in practice.

3. Article 12 A mandatory national standard shall not involve patent in principle.

We are not clear about this Article. If it means that "Once the product is manufactured under mandatory national standard, patentee can not claim its rights even if the products are produced or sold without patentees' authorization.", patentee's rights will be restricted here.

4. Article 13 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 standard shall be temporally withheld or the patent shall be compulsively licensed.

As we all know, none of patent rights has ever been compulsively licensed in China, since your formulation of paten system 25 years ago. But now, compulsive license can be executed if "mandatory national standard has to involve a patent," and "the relevant department and the

patentee fail to reach an agreed way of disposing the patent”. This could be very contradictory with Patent Law of PRC, which will not approve compulsive license on such conditions

In Patent Law of PRC, Article 57 and Article 58 stipulates that Patentee can obtain reasonable license fee if being compulsively licensed. But in Article 13 here, patentee may obtain less license fee as the precondition is intended for free license.

All in all, we think that this also limits patentee’s rights.

5. Summary

As stated above, some Articles which could restrict patentee’s rights can be seen in this draft. We understand that it is an arduous task to balance the interest between technology standard (public assets) and patent rights (private assets of a person or a company).

Expecting internalization of China’s industries, we sincerely hope that this Regulation can be in line with practices of other countries or of a national standard.