

March 1, 2010

**Comments of the American Intellectual Property Law Association
on National Standards Formulation and Revision Plan of
Standardization Administration of China, the Disposal Rules for the Inclusion of
Patents in National Standards**

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RE: Comments Solicited on National Standard

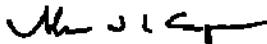
To Whom It May Concern:

The American Intellectual Property Law Association (“AIPLA”) is pleased to present the following comments on National Standards Formulation and Revision Plan of Standardization Administration of China, the Disposal Rules for the Inclusion of Patents in National Standards. AIPLA is pleased to submit these comments for your consideration.

AIPLA is a U.S.-based national bar association whose more than 16,000 members are primarily lawyers in private and corporate practice, in government service, and in the academic community. AIPLA represents a diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, unfair competition, and trade secret law, as well as other fields of law affecting intellectual property. Our members practice or are otherwise involved in patent and other intellectual property law in jurisdictions throughout the world, and do so quite extensively in China.

AIPLA, thus, has a strong interest in the National Standards Formulations and Revision Plan. AIPLA is thankful for the opportunity to submit comments on the Draft Implementing Regulations, and respectfully submits the comments which follow.

Sincerely and respectfully,



Alan J. Kasper
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Re: AIPLA Response to Request for Comments on Draft Disposal Rules for the
Inclusion of Patents in National Standards

Ladies and Gentlemen:

The American Intellectual Property Association (“AIPLA”) welcomes this opportunity to submit comments on the *Disposal Rules for Inclusion of Patents in National Standards* (“CNIS Proposed Rules”) released by the China National Institute of Standardization (“CNIS”) on January 28, 2010.

AIPLA is a voluntary bar association with over 16,000 members who work daily with patents, trademarks, copyrights, and trade secrets, and the legal issues that they present. Members include attorneys in private and corporate practice, as well as government service. AIPLA’s membership is intimately involved with the legal and business issues underlying the development, commercialization, exploitation, and licensing of intellectual property. In recognition of the growing importance of intellectual property in the context of standards setting, AIPLA formed a committee focused on standards. Consistent with this focus, AIPLA is keenly interested in laws, rules, regulations, and guidelines concerning standards setting that may impact intellectual property rights.

AIPLA is pleased to see that SAC and CNIS have considered the feedback provided in response to the *Draft Provisional Rules Regarding Administration of the Establishment and Revision of National Standards that Involve Patents*, published by SAC in November 2009 (“SAC Draft Rules”) to make the CNIS Proposed Rules more aligned with the policies of many international standards setting organizations (SSOs). This alignment helps in creating a balance between unrestricted implementation of standards and providing incentive for investments in innovation.

In offering comments on the SAC Draft Rules, AIPLA noted that it would have been helpful to have had additional time to formulate constructive written feedback concerning, among other things, the applicability of the SAC Draft Rules, patent disclosure requirements, patent licensing commitments, and compulsory licensing in connection with the adoption of particular standards. We are grateful to have a further opportunity to address these important issues in connection with the CNIS Proposed Rules. We, however, would appreciate clarification as to how the SAC Draft Rules and the CNIS Proposed Rules relate to one another. We understood that SAC would consider possible revision to the SAC Draft Rules based on the comments received and would then finalize the rules. We further understood that following finalization of those rules, SAC would develop implementation guidelines for the final rules and seek public comment on the proposed implementation guidelines. It is, therefore, unclear to us whether or not the

provisions included in the CNIS Proposed Rules (i) reflect in substance the final rules to be adopted by SAC, (ii) are the implementation guidelines for the final rules to be adopted by SAC, or (iii) are unrelated to SAC's rulemaking processes. Clarification would be greatly appreciated and would be beneficial in formulating constructive feedback in response to the proposals made in the future by either SAC or CNIS concerning standards and patents.

AIPLA would like to commend SAC and CNIS for taking additional steps in drafting the CNIS Proposed Rules that seek to protect the interests of the public while simultaneously protecting patent holders' rights. Because China is such a large player in the global economy, the laws, rules, regulations, and guidelines affecting patent holder rights in any Chinese National Standard are of utmost interest to the members of AIPLA. The area of standardization and patents can be complex and presents many challenges in balancing the interests of all stakeholders. The CNIS Proposed Rules show that China understands that although standards may be viewed as a public good, private ownership of intellectual property, in this case patents, and the potential return on investment play an important role in providing incentives for companies to invest in research and development to further technological advances. These technological advances can then serve as the basis for efficient, high quality standards. Providing a RAND licensing option, which was missing from the SAC Draft Rules, and dispensing with compulsory licensing, which was provided for in the SAC Draft Rules, will promote efficient, high quality Chinese National Standards.

While acknowledging and applauding the progress made in bringing the CNIS Proposed Rules more in line with international norms, AIPLA notes that some provisions of the CNIS Proposed Rules should be clarified or improved further to bring them into such alignment. In this regard, AIPLA proposes specific modifications described below for CNIS and SAC to include in any further revisions of the CNIS Proposed Rules or the SAC Draft Rules. These modifications seek to clarify (1) which patents, patent applications, or patent claims are subject to licensing statements and disclosure obligations; (2) what obligations, if any, can be imposed on those who are not participants in or contributors to the development of a Chinese National Standard; and (3) the processes, including the form of disclosure, employed by technical committees and SSOs to evaluate patent disclosures.

1 Scope

Patents referred to in the Scope of the CNIS Proposed Rules include patents that have been granted by the Chinese State Council. However, it is unclear whether patents from other jurisdictions are also included in the term "patent" as it is used throughout the CNIS Proposed Rules. This has an effect on disclosure and licensing commitments in Sections 4 and 5. To address these concerns, AIPLA suggests that CNIS (1) clarify what is meant by the word "Patent" as it is used in the CNIS Proposed Rules, and (2) clearly define the jurisdiction of patents encompassed by the CNIS Proposed Rules as it pertains to disclosure and licensing statements in Sections 4 and 5. Further, AIPLA requests that CNIS clarify that all disclosure requirements and licensing commitments referred to

throughout the CNIS Proposed Rules refer solely to Essential patents or Essential patent claims, as defined and discussed below.

3 Terms and Definitions

3.1 Essential patent

SSOs around the world define the term “Essential patent” in different ways. However, it is understood that an “Essential patent” is a patent that includes at least one “Essential patent claim.” AIPLA suggests that “Essential patent” be defined as such in the CNIS Proposed Rules.

3.2 Reasonable and non-discriminatory licensing

Although the SAC Draft Rules included a reasonable and non-discriminatory (RAND) licensing option, it was at a level significantly lower than a customary royalty, which would likely cause a disincentive for high technology research and development investment. AIPLA commends CNIS for including the choice of RAND licensing for Chinese National Standards at customary levels. In addition, the included terms of reciprocity and termination for defensive purposes are highly desirable. However, AIPLA suggests that it should be made clear that other RAND terms besides reciprocity, defensive suspension and compensation are permitted. In addition, AIPLA suggests that the definition of RAND licensing be modified so that it is clear that RAND licensing is a commitment to offer RAND licenses in good faith which may be negotiated by the patent holder and prospective licensee and is not an actual grant of a RAND license. AIPLA also suggests that there be clarification that the RAND licensing statement applies only to compliant implementations of the Chinese National Standard.

3.3 Reasonable and non-discriminatory free licensing

As above, the included terms of reciprocity and termination for self-protection purposes, as well as other customary terms, are highly desirable. AIPLA again suggests the CNIS Proposed Rules clearly state (1) that the reasonable and non-discriminatory free licensing (RAND-RF) is a commitment to offer a RAND-RF license which may be negotiated by the patent holder and prospective licensee and is not an actual grant of a RAND-RF license and (2) that the RAND-RF licensing statement applies only to compliant implementations of the Chinese National Standard.

As explained in the ITU/ISO/IEC common patent policy, even if an offer to license is “free of charge,” the patent holder is still entitled to require the implementer to “sign a license agreement that contains other reasonable terms and conditions such as those relating to governing law, field of use, reciprocity, warranties, etc.” AIPLA suggests that the CNIS Proposed Rules be modified to include a similar provision.

3.6 Technical Contributions

In section 3.6 "technical contribution" is defined as "technical documents or technical proposals submitted in writing or by electronic means to the standards setting working group during the standards setting process." AIPLA questions whether a "technical document" could be an international or foreign version of the standard that is being nationally adopted. If so, that would trigger section 5.3.2 which provides for mandatory disclosure of Chinese patents even if the entity making the contribution is not participating. For the reasons discussed below, AIPLA believes that non-participants should not be required to disclose patents. AIPLA requests that the CNIS Proposed Rules be clarified to exclude already adopted external standards from the definition of "technical document."

4.1 Disclosure of patent information

Early disclosure by a participant or contributor that believes it holds an Essential patent is a sound policy because it enables standards developers to determine whether a RAND or RAND-RF licensing statement may be obtained from the patent holder. However, disclosure should only extend to Essential patents, i.e., patents that the standard will unavoidably infringe. For example, in Section 4.1.1, disclosure is encouraged for "known or possible standard-related patents." AIPLA suggests that this statement be modified such that disclosure is encouraged for patents having at least one claim that is "believed by the patent holder at the time of disclosure to be potentially an Essential patent claim with respect to the final published standard."

The disclosure should include patents or published patent applications which the patent holder in good faith believes would be required to implement the standard. This is consistent with the approach taken by the ITU/ISO/IEC. A requirement for a "legal" analysis of the clauses involving disclosed patents and the briefing of technical content is problematic. Table A.1 requires a legal interpretation of the disclosed patent and its claims with respect to the standard. Both patent holders and third parties will be hesitant to document the clauses and provide briefing for fear that their interpretations may be used out of context or inaccurately against them at a later time during an invalidity, unenforceability, or infringement action. AIPLA suggests two alternate modifications.

First, AIPLA suggests that the use of both Tables A.1 and A.3 is not necessary. Patent holders may use the form in Table A.3 to both identify Essential patents and select a licensing mode for Essential patent claims contained in the disclosed patent for the applicable Chinese National Standard. It might be that CNIS had contemplated that the form in Table A.1 would be used to disclose third parties' patents. While it is true that a third party would not be able to disclose and make a licensing mode selection on behalf of a patent holder, deference should not be given to a third party in determining whether or not another's patent is likely to contain Essential patent claims. As discussed below, third party disclosures of Essential patents should be followed up by a request to the patent holder to confirm whether or not it holds any Essential patent claims. It would be the patent holder, therefore, that would complete the form in Table A.3 even in a situation where a third party identified the Essential patent in the first instance, and thus there is no need for a third party or patent holder to complete Table A.1. The use of a combined

form such as that in Table A.3 is also consistent with international norms, for example, the forms included in the *Guidelines for the Implementation of the Common Patent policy for ITU-T/ITU-R/ISO/IEC*.

A second alternative that AIPLA suggests is that Table A.1 be modified to remove the columns entitled “Clauses involving patents” and “Briefing of technical content of patent, and description of its connection with standard provisions.” Potentially Essential patents would be disclosed by number without the drawbacks of legal interpretations against self interest as discussed above.

Because of confidentiality issues, many SSOs only require or encourage disclosure of issued patents and published patent applications. Companies may resist disclosing confidential information related to unpublished patent applications under Section 4.1.2, especially when a standard is still under development and patent claims may or may not remain essential. AIPLA suggests that disclosure be limited to issued patents and published patent applications, and may also include unpublished patent applications to the extent that disclosure of confidential information related to the unpublished patent application is not required.

4.2 Announcement of relevant information

The information published in Table A.2 may be confidential in nature (for unpublished pending applications) or may be unnecessarily burdensome (for the clauses category) which in turn could dissuade patent holders from participating in standards setting activities in China. For the reasons discussed above, AIPLA suggests that Table A.2 be modified (1) to remove the column entitled “Clauses involving patents” and (2) so that unpublished patent applications are not listed. In addition, for the sake of clarification, AIPLA suggests that the categories “License obtained?” and “Date of licensing” be modified to state that they are not actual licenses, but licensing statements, as also discussed above (i.e., be renamed to “RAND Statement Obtained?” and “Date of RAND Statement”).

It is also unclear to AIPLA why Table A.2 is needed if the form in Table A.3 has been completed by each patent holder having Essential patents to disclose. AIPLA would be grateful for clarification in this regard.

4.3 Patent licensing

Section 4.3.3 states that upon submission, the chosen mode of licensing is irrevocable until the standard is annulled or the patent licensed is no longer an Essential patent due to revision of the standard. AIPLA suggests for two reasons that the CNIS Proposed Rules be modified to clarify that only patent claims essential to the finalized standard are subject to the licensing commitment. First, individual patent claims, not entire patents, are essential to a standard. The licensing statement should extend only to these claims, not the patent as a whole. Second, the finalized standard may differ from the standard that is under development or in draft form. Because early disclosure is a goal, there is a

risk of over-disclosure and, therefore, over-commitment. Patent holders should be held to a licensing commitment only to the extent that individual patent claims are essential to the finalized standard. AIPLA suggests that the current statement regarding irrevocability be modified as follows: “The chosen mode of licensing patent claims essential to the Chinese National Standard is irrevocable until such Chinese National Standard is annulled or the patent claims subject to the licensing statement are no longer essential to the Chinese National Standard.”

Section 4.3.4 states that “in the case of transfer of patent rights, the licensing made by such licensor for a standard still remains valid for the licensee.” AIPLA suggests that this provision should be clarified as to whether this means executed license agreements, the RAND licensing statement, or both.

4.4 Requirements for Meetings. This paragraph requires that the person presiding over the meeting “check” whether a draft standard involves new patents, and whether patent information has been announced for the standard. While it is reasonable to require the meeting Chair to review submitted patent disclosure forms relevant to the standard being discussed, it would be helpful to clarify that the meeting Chair is not obligated to conduct an independent investigation to “check” whether other patents may be implicated by the standard.

4.6 Formulate Chinese standards on basis of international or foreign standards

Our English language translation of this section states that “[w]hen formulating Chinese standards on [the] basis of international or foreign standards, the Chapter 5 requirements shall be met in *disposing* [of] the inclusion of patents in standards.” First, we assume that the intended word is “disclosing” and not “disposing.” Reading on the basis of that assumption, it is unclear from this statement whether the patents referred to are limited to Chinese patents and patent applications or whether the term “patents” includes foreign patents that are essential to the international or foreign standard. Although some international SSO patent policies, such as the ITU/ISO/IEC common patent policy (Part I, Clause 3), allow non-participants to alert technical bodies regarding any known patent, international SSOs are not known to require disclosure by non-participants. Participants in the development of international or foreign standards, who are not also active participants in, or contributors to, Chinese National Standards, would have no way of knowing of their disclosure requirements under Section 4.6. Although AIPLA could find no express penalties for non-disclosure noted in the CNIS Proposed Rules as in Article 8 and Article 13 of the SAC Draft Rules, we believe that it would be onerous to impose a penalty in China on a patent holder that is merely participating in the development of an international or foreign standard. AIPLA suggests that this section clearly state that disclosure requirements for Chinese National Standards based on international or foreign standards are limited to Chinese patents and published Chinese patent applications owned by active participants in and contributors to the development of the Chinese National Standard.

Similarly some international SSOs permit the disclosure of third parties' Essential patents but do not require such disclosure. AIPLA requests that this section be modified to clarify that no party is obligated to disclose a third party's Essential patent as a result of the third party disclosing its Essential patent in connection with the development of an international or foreign standard on which a Chinese National Standard is based.

In addition, the AIPLA believes that it is important to acknowledge that some international and foreign standards are protected by copyright laws of the relevant jurisdictions, and that copyright issues must be addressed before Chinese standards are completed based on such standards. Such an acknowledgement, while not directly related to the patent issues discussed elsewhere in this document, would assure international standards bodies that Chinese national standards will only utilize copyrighted material in accordance with the law. A suggested addition to Section 4.6 may be the following: "Groups developing Chinese national standards based on international or foreign standards will comply with applicable copyright laws and requirements when adapting or modifying such international or foreign standards."

5 Procedures for Disposal of Patents

Section 5.4.1 of the CNIS Proposed Rules encourages disclosure of third party patents by participants, contributors, and non-participants, *i.e.*, by the public. This encouragement is problematic for two reasons. First, parties should not be expected to make statements against their own interests. When a potential implementer states that a third party owns Essential patent claims, that potential implementer is arguably admitting to infringement upon implementation of the standard. Second, nowhere in the CNIS Proposed Rules does it state a procedure for the SSO to approach the identified third party for verification before an announcement of the relevant information on the administrative department of standardization's website, per Section 4.2.1. AIPLA suggests that any disclosure of third party Essential patents be permitted, but not expected or encouraged, and that if disclosed, the third party should be contacted for verification and submission of its own disclosure and licensing commitment statement prior to an announcement on the SSO's website. The third party non-participant, however, would have no obligation to conduct a search or submit a disclosure or licensing statement.

5.3 Drafting and 5.6 Approval

Section 5.3.5 provides that if a patent licensing statement cannot be procured or if the patent holder states that it is unwilling to license an Essential patent claim on RAND or RAND-RF terms, the proposed standard will not contain the patented technology. In addition, Section 5.6.3 provides that if a new Essential patent is discovered before a standard is approved, the draft standard procedure will be terminated until disposal of the patent. In both cases, however, no process is stated for the removal of that technology from the standard or alternate potential disposition of the situation. While AIPLA has expressed its view above that it would be burdensome for a patent holder to map its patent to portions of a developing standard and that such a requirement would be

inconsistent with international norms, AIPLA recognizes that some SSOs do request a participating patent holder to make such a mapping in the event that the patent holder expressly states that it is unwilling to license the patent on RAND or RAND-RF terms and conditions (or in cases where a patent holder discloses an unpublished patent application and refuses to provide an application number or other identifying information). AIPLA suggests that a process for the removal of the technology and/or an alternate disposition of the situation be clearly stated in the CNIS Proposed Rules such that a patent holder who participates in the development of the Chinese National Standard has expressly refused to license Essential Patent Claims on RAND or RAND-RF terms and conditions is requested to identify those portions of the standard which when implemented would infringe such Essential Patent Claims.

In addition, participants and contributors are required to disclose Essential patents in Sections 5.3.1 and 5.3.2, but nowhere do the CNIS Proposed Rules state that (1) there is no affirmative duty to search a company's patent portfolio or (2) the disclosure requirement is limited to the knowledge of the individuals participating or contributing. It is very difficult and very costly for patent holders of any size to search their portfolios and evaluate any patent claim that might be essential to a developing standard. The process is further complicated when the claims are in pending applications subject to change and when the standards are in draft form subject to later changes. If disclosure requirements are deemed too onerous, innovators who may have the most to contribute to the development of a standard may refuse to participate or contribute. Limiting the disclosure requirement to those Essential patents that the individual participating is personally aware of is a common way to balance the interests of all stakeholders. AIPLA acknowledges that some patent policies prohibit patent holders from intentionally shielding their representatives from knowledge about the patent holder's portfolio for the purpose of avoiding a patent disclosure obligation. AIPLA suggests that the CNIS Proposed Rules include a provision that states that a patent search is not required, and that only Essential patents that the individual who is an active participant or contributor is individually aware of must be disclosed.

5.5 Examination

According to the experience of AIPLA members, international SSOs do not examine patents. In fact, many SSOs state that they take no position on the applicability of patent claims to their standards. For example, the ITU/ISO/IEC common patent policy states “[t]he Organizations should not be involved in evaluating patent relevance or essentiality with regards to Recommendations | Deliverables, interfere with licensing negotiations, or engage in settling disputes on Patents; this should be left - as in the past - to the parties concerned.” Patents are highly sophisticated legal documents that must be examined by legal professionals and possibly validated in a court of law. Usually technical bodies and working groups consist of engineers and other technical personnel, not legal professionals. AIPLA thus suggests that, while it may be inevitable that working groups consider patent disclosures and licensing statements that have been submitted, no “opinions” about patent matters be developed. Furthermore, members of the technical

bodies and working groups are likely potential implementers of the standard. Their individual interests would be best served by invalidation or determination of non-applicability of any proposed Essential patent claims. This poses a potential conflict of interest that the technical bodies and working groups should not be faced with. Accordingly, AIPLA suggests that Section 5.5 be deleted and that no examination of patents take place within the standardization technical committee or organization in charge.

5.8 Reexamination

On the basis of the available English language translation of this section, the meaning is not entirely clear to AIPLA. We assume that the reference to “reexamination” is intended to be focused on a review of the standard and not on the legal process of reexamining patents in a Patent Office. If that assumption is correct, AIPLA respectfully notes that International SSO patent policies have not been found to include provisions for reexamination of the relevance of patents to a standard. As stated in Section 5.5 above, technical bodies and working groups are not staffed appropriately with respect to legal expertise and freedom from conflict of interest such that they can make sound decisions regarding an evaluation of the relevance of patents to a standard. It is unclear to AIPLA whether the technical committee or SSO will look at each standard after three years to see if there are additional patents that are Essential patents and determine if an appropriate licensing statement can be obtained from the patent holder? AIPLA suggests that the process and goal be clarified for further consideration and comment by the public.

Again, AIPLA appreciates the opportunity to comment on the CNIS Proposed Rules.

Respectfully submitted,

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