CLEARY GOTTLIEB

Alert Memo

BRUSSELS, NOVEMBER 3, 2011

www.clearygottlieb.com

CHINA'S SIPO ISSUES DRAFT AMENDMENTS TO THE MEASURES FOR PATENT COMPULSORY LICENSING

On October 12, 2011, China's State Intellectual Property Office (the "SIPO") issued for public comment draft amendments to the "Measures for Compulsory Patent Licensing" (the "Draft Amendments").[1] The Draft Amendments shed some light on the procedure for issuance of compulsory patent licenses for antitrust violations and the respective roles of the Chinese patent administration and Chinese antitrust authorities, but they leave many questions unanswered. The comment period ends on November 13, 2011.

The Anti-Monopoly Law (the "AML") prohibits abuse of IP rights that restricts or eliminates competition (Article 55). Article 48 of the Chinese Patent Law provides that the State Council's patent administration department may grant a compulsory license to a requesting party if a patentee's exercise of its patent rights constitutes anti-competitive conduct. Article 5 of the Draft Amendments restates this rule, and Article 11 adds that any request for compulsory licensing under Article 48 of the Patent Law should be accompanied by a court judgment or a decision of a Chinese antitrust authority finding that the patentee's exercise of its patent rights constitutes anti-competitive conduct.

The Draft Amendments suggest that neither the Chinese antitrust authorities nor Chinese courts have the power to grant compulsory patent licenses to remedy violations of the AML. Under the AML, antitrust authorities can impose fines to undertakings and industrial associations, and cancel the registration of an industrial association. Chinese courts can pursue civil or criminal violations. However, the AML does not specifically authorize the antitrust authorities or the courts to issue compulsory licenses.

To obtain a compulsory license in a case like the EU *Microsoft* case, therefore, a victim of patent abuse would have to obtain a decision of the National Development and Reform Commission ("NDRC") or the State Administration for Industry and Commerce ("SAIC") or a court judgment finding that the conduct in question violated the AML and then apply to the State Council's patent administration department, which could issue a compulsory license. Unfortunately, NDRC and SAIC have issued no guidance on when the

[1] See http://www.chinalaw.gov.cn/article/cazjgg/201110/20111000350961.shtml

enforcement of patents constitutes a violation of the AML, much less on when such conduct would justify a compulsory license. Similarly, the Draft Amendments do not indicate what criteria the patent administration department would apply to determine whether a compulsory license is an appropriate remedy for an antitrust violation.

The Draft Amendments appear to raise more questions than they answer. Although they arguably clarify that the Chinese courts and antitrust authorities have no power to grant compulsory licenses, they shed no light on the conduct that the Chinese patent administration would consider justifies a compulsory license or the level of review the patent administration will exercise over judgments or decisions of Chinese courts or antitrust authorities regarding patent abuse constituting an antitrust violation.

* * *

If you have any questions, please feel free to contact any of your regular contacts at the firm or any of our partners and counsel listed under China or Antitrust and Competition under the "Practices" section of our website at http://www.clearygottlieb.com.

CLEARY GOTTLIEB STEEN & HAMILTON LLP

CLEARY GOTTLIEB

Office Locations

NEW YORK
One Liberty Plaza
New York, NY 10006-1470
T: +1 212 225 2000
F: +1 212 225 3999

WASHINGTON
2000 Pennsylvania Avenue, NW
Washington, DC 20006-1801
T: +1 202 974 1500
F: +1 202 974 1999

PARIS
12, rue de Tilsitt
75008 Paris, France
T: +33 1 40 74 68 00
F: +33 1 40 74 68 88

BRUSSELS
Rue de la Loi 57
1040 Brussels, Belgium
T: +32 2 287 2000
F: +32 2 231 1661

LONDON
City Place House
55 Basinghall Street
London EC2V 5EH, England
T: +44 20 7614 2200
F: +44 20 7600 1698

MOSCOW
Cleary Gottlieb Steen & Hamilton LLC
Paveletskaya Square 2/3
Moscow, Russia 115054
T: +7 495 660 8500
F: +7 495 660 8505

FRANKFURT
Main Tower
Neue Mainzer Strasse 52
60311 Frankfurt am Main, Germany
T: +49 69 97103 0
F: +49 69 97103 199

COLOGNE
Theodor-Heuss-Ring 9
50688 Cologne, Germany
T: +49 221 80040 0
F: +49 221 80040 199

ROME
Piazza di Spagna 15
00187 Rome, Italy
T: +39 06 69 52 21
F: +39 06 69 20 06 65

MILAN
Via San Paolo 7
20121 Milan, Italy
T: +39 02 72 60 81
F: +39 02 86 98 44 40

HONG KONG
Bank of China Tower
One Garden Road
Hong Kong
T: +852 2521 4122
F: +852 2845 9026

BEIJING
Twin Towers – West (23rd Floor)
12 B Jianguomen Wai Da Jie
Chaoyang District
Beijing 100022, China
T: +86 10 5920 1000
F: +86 10 5879 3902

BUENOS AIRES
CGSH International Legal
Services, LLP-
Sucursal Argentina
Avda. Quintana 529, 4to piso
1129 Ciudad Autonoma de Buenos Aires
Argentina
T: +54 11 5556 8900
F: +54 11 5556 8999

SÃO PAULO
Cleary Gottlieb Steen & Hamilton
Consultores em Direito Estrangeiro
Rua Funchal, 418, 13 Andar
São Paulo, SP Brazil 04551-060
T: +55 11 2196 7200
F: +55 11 2196 7299