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Beijing High People's Court changes rules regarding FRAND terms for standard-essential patents regarding willful violations and negotiating in good faith, opening the way for potential treble damage.

Standard-Essential Patents in China Now Have Better Protection

The Beijing High People's Court recently came out with new guidelines providing more detailed requirements for the protection of a standard-essential patent (SEP).

Standard-essential patents cover technology directed to technical or industry standards that third parties must license in order to compete in the market, such as a company owning the patent rights to JPEG standards or TCP/IP standards.

Previously, the guidelines required that a SEP patentee should not be intentionally in breach of its obligation for licensing on "fair, reasonable and non-discriminatory" (FRAND) terms. The guidelines, however, did not state what kind of actions violate the FRAND obligation. Moreover, the guidelines did not list the obligation of an accused party who requested FRAND patent license from the SEP patentee.

The new guidelines for patent infringement provide detailed of actions considered willfully violating the FRAND obligation. The new guidelines further require the accused party should also diligently negotiate in good faith. If there is no evidence proving that a patentee willfully violates its obligation and the accused party has no apparent fault in negotiation of a license, the court generally should refuse the patentee's request for ceasing infringement upon receipt of a guarantee from the accused party. On the other hand, although not clearly stated in this new guidelines, we notice from a case from the Beijing IP Court (IWNCOMM VS SONY) that if the accused party has a clear fault, the court will regard it as a willful infringement and apply triple compensation.

This change in the law gives explanations regarding the protection of SEP and a more powerful protection therefor. It also provides clear rules for formulating a negotiation strategy under FRAND terms.

Stay tuned for more important updates on IP law in China.

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