

CLIENT ALERT

Lawmakers Take Aim at Chinese Drone Technology

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Last week, the House of Representatives passed a bill that would ban some U.S. Federal agencies from purchasing drones and drone components manufactured in certain foreign countries. The “[Drone Origin Security Enhancement Act](#)” would prevent Department of Homeland Security (DHS) agencies from purchasing drones based solely on their country of manufacture. A similar [bill](#) currently in the Senate, though not as far along as the House bill, would prohibit such procurement by all government agencies. The proposed bills prohibit the procurement of drones manufactured in any nation designated by the Department of Commerce, the Director of National Intelligence or the Secretary of Homeland Security as a national security threat. The main target is China, home of major manufacturers of drones and drone components alike.

The consequences of the bills could be far-reaching, as the ban may expand beyond the drone itself to include component parts in products and devices that support the drone system. The bills define a foreign manufactured drone broadly, including the flight controllers, radios, data transmission devices, cameras, gimbals, ground control systems, and operating software that make up or are mounted on the drone. These components are critical to drones used in commercial operations. Due to China’s dominance in manufacturing, these restrictions could be problematic for U.S. Government users and for drone manufacturers that install Chinese-made components on their drones.

Chinese drone companies are expanding their influence in both market share and emerging drone technologies. For example, a Chinese company recently conducted successful tests of a methanol-fueled battery system, which can keep a 33 pound drone airborne for up to 12 hours. This promising technology offers significantly longer flight time without the high production costs and safety concerns associated with other fuel-powered energy sources. Should the House bill become law, this particular system could be off-limits for all DHS drone fleets.

The proposed bills also ban the procurement of drones that use network connectivity or data storage that is located in or administered by a corporation domiciled in China or in other covered countries. The DHS has specifically identified automatic transmission of sensitive flight data from Chinese-made drones to servers located in China as a threat to national security. This piece of the legislation, if enacted, will have a major effect on China-based technology companies, as Chinese-made products currently dominate the drone market, and they are often used for general government operations, either operated directly by the government as a Public Aircraft operation, or flown by a third-party operator.

While this development is causing uncertainty in the U.S. market, UK and EU governments are less concerned. The British military does not use Chinese-built drones, but the country’s police forces do; in Europe, the French, Danish, and Dutch militaries use Chinese drones, though Denmark and the Netherlands limits such use to non-operational, non-classified missions.

The U.S. Government’s recent and dramatic shift away from Chinese-manufactured technology presents a challenge for Chinese manufacturers, for manufacturers outside of China that install Chinese components on their drones as well as investors in such manufacturers. We will continue to monitor the progression of these bills; if enacted, manufacturers, government contractors,

and investors in emerging drone technologies will need to assess their reliance on and investment in Chinese-manufactured drones, their systems, and components.

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