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### The need and justification for a general competition-oriented compulsory licensing regime

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# The Need of and Justification for A General Competition-oriented Compulsory Licensing Regime

Kung-Chung Liu\*

## Abstract:

There seems to be little or no discussion about the need of and justification for a general compulsory licensing that could be applicable to all IP laws. This author has previously argued, by referencing to competition law, in 2008 that it is paramount for the WTO to revise the TRIPS Agreement, so as to include substantive grounds for granting compulsory patent licenses. In so doing, the preservation of competition should be factored in as one of the public policy objectives. As a follow-up study this paper takes an IP-internal approach (therefore will only consult competition law in a very limited fashion) and strives to present a general compulsory licensing doctrine that can be included as an inherent and integral element of IP laws. However, any general theory runs the risk of overstating convergence and oversimplifying divergence. Bearing this possible shortcomings in mind, this paper focuses solely on one aspect of compulsory licensing, namely the protection of market competition, and leaving other public interests, such as the prevention of an epidemic, and access to information out of its ambit.

## Introduction

Intellectual property (IP) laws must answer the following two fundamental questions in order to avoid being irrelevant and losing its legitimacy all together: 1. How to better enhance the public interest during the process of ever strengthening of IP protection? 2. How to effectively reduce the transaction costs for using IP-protected products and services? In certain cases the refusal to license IP can negatively impact public interests and transaction costs. The ensuing conflict may be resolved by resorting to remedies extraneous to IP law such as competition law, and also to IP-internal remedy, mainly in the form of compulsory licensing.

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The issue of compulsory licensing dwells mainly in the field of patent. Joseph Kohler commented more than 110 years ago that the then German Patent Law was “exceedingly incomplete” because it lacked of direct compulsory license and foresaw only forfeiture of patent in case the patentee did not exercise his/her right<sup>1</sup>. Economist Pankaj Tandon suggested the use of compulsory license to reduce the deadweight loss created by patent monopoly: a very long patent accompanied by a very low regulated royalty rate on compulsory licenses is optimal to minimize the monopoly distortion per period while maintaining innovation incentives<sup>2</sup>.

There seems to be little or no discussion about the need of and justification for a general compulsory licensing that could be applicable to all IP laws<sup>3</sup>. This author has previously argued, by referencing to competition law, in 2008 that it is paramount for the WTO to revise the TRIPS Agreement, so as to include substantive grounds for granting compulsory patent licenses. In so doing, the preservation of competition should be factored in as one of the public policy objectives<sup>4</sup>. As a follow-up study this paper takes an IP-internal approach (therefore will only consult competition law in a very limited fashion) and strives to present a general compulsory licensing doctrine that can be included as an inherent and integral element of IP laws. However, any general theory runs the risk of overstating convergence and oversimplifying divergence. Bearing this possible shortcomings in mind, this paper focuses solely on one aspect of compulsory licensing, namely the protection of market competition, and leaving other public interests, such as the prevention of an epidemic, and access to information out of its ambit.

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<sup>1</sup> J. Kohler, “Handbuch des deutschen patentrechts in rechtsvergleichender darstellung” 618 (Mannheim, 1900).

<sup>2</sup> P. Tandon, “The Optimal Patents with Compulsory Licensing, Journal of Political Economy” 470-86 (Dept. of Economics, Boston University, 1979).

<sup>3</sup> Admittedly the EU case-law deals with the application of Article 102 Treaty on the Functioning of European Union (TFEU, former Article 82 EC) to refusal to license and three of these decisions actually involved copyright (Magill, IMS Health, and Microsoft). But the case-law in the EU has developed mostly with regard to copyright law and not yet applied to other IP. Moreover, the European Court of Justice has not formulated any general theory on compulsory licensing.

<sup>4</sup> K-C Liu, “Rationalising the Regime of Compulsory Patent Licensing by the Essential Facilities Doctrine”, 39 IIC 772-773 (2008).

For the purpose of this paper, compulsory licensing refers to the use of protected IP without the consent of right holders upon payment of a reasonable remuneration<sup>5</sup>. If the remuneration is left to be negotiated, it is compulsory license properly so-called or compulsory license in the narrower sense. If the remuneration is fixed and no negotiation was needed, it is statutory license or compulsory license in the broader sense. In any case, the exclusivity right conferred by IP is downgraded to the right to remuneration<sup>6</sup>.

In the following sections this paper first takes stock of the national practices on compulsory licensing, looks into certain international IP conventions and IP-related laws from advanced countries (no claim of comprehensiveness is made in this regard<sup>7</sup>) for support of such a hypothesis. The US, UK and Germany are taken as example, because they all appreciate the importance of protecting market competition by compulsory licenses in their respective domestic territories and yet take a double-standard approach in international arena by avoiding to even mention the term compulsory license<sup>8</sup>. This paper will continue to put forward a theoretical analysis of a competition-oriented compulsory licensing of IP, and provide some suggestions for solving some thorny issues, such as the determination of the reasonable remuneration and the agency which is to administer compulsory licensing to make such proposal work. In the end, this paper makes an extended endeavour to challenge the soundness of the categorical denial of compulsory trademark licensing in the context of compulsory patent licensing to protect the general public.

## **I. Taking Stock of National Practices of Compulsory Licensing**

The actual practice of granting compulsory licenses is rather low. As of August 2007, only 11 developing countries have declared that they will avail themselves of the compulsory licenses faculties provided by the Berne

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<sup>5</sup> No international convention ever defines the meaning of compulsory licenses.

<sup>6</sup> G. Schricker & U. Loewenheim, *Urheberrecht*, 4 Aufl. 2010, Vor §§ 28ff Rdnr. 184, 185 ; K. Garnett, G. Davies & G. Harbottle, "Copinger & Skone James on Copyright" 28-02 (Sweet & Maxwell, 16<sup>th</sup> edition 2011).

<sup>7</sup> For a discussion of the US and EU competition law on unilateral refusal to license IP, see B. C. Gallego, "Unilateral Refusal to license Indispensable Intellectual Property Rights—US and EU approaches", in: J. Drexler (ed.), "Research on Intellectual Property and Competition Law" 215 et seq. (Edward Elgar, 2008).

<sup>8</sup> For example, Art. 31 of the TRIPS Agreement deals with "other use without authorization of the right holder", without mentioning "compulsory licenses".

Convention<sup>9</sup>. To many people's surprise, as in elsewhere in the world (Canada being the only exception), the actual grant of compulsory patent licenses is very limited in Asia, ranging from none (China, Hong Kong, Indonesia, Japan, Korea, Singapore) to only single digits (India, Malaysia, Taiwan and Thailand)<sup>10</sup>. These figures show that countries are using stringent discretion in exercising their rights and leeway to impose compulsory license.

The fact that few grants have been made for compulsory IP licensing on a worldwide basis can be attributed to the unfriendly international regime. On the one hand, the Berne Appendix is overly strict<sup>11</sup>, complex, and ambiguous<sup>12</sup>. On the other, Article 31 of the TRIPS Agreement establishes strict procedural safeguards<sup>13</sup>, so strict that led to an explosion of objections from developing countries over the effective denial of access to medicines to combat epidemics<sup>14</sup>, even though Members have fairly free hand to determine the grounds for granting compulsory licensing<sup>15</sup>.

The practice of threatening to apply for WTO action by powerful Members also

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<sup>9</sup> S. Von Lewinski, "International Copyright Law and Policy" 5.233 (OUP, Oxford 2008).

<sup>10</sup> K-C Liu, "More Economic Approach to IPR and Competition Law—A Cross-Jurisdiction Study on Patent Pools", in: Liu & Hilty, "Enforcement of Patents" Chapter 2 (Kluwer Law International, 2012).

<sup>11</sup> In order to take into consideration the economic situation and social/cultural needs of developing countries, the Berne Convention adopted the Paris Act and its Appendix (special provisions regarding developing countries) at the 1971 Paris Revision Conference. In essence, the Appendix confers upon developing countries the right to provide for compulsory licenses for the limited purposes of teaching, scholarship, research or systematic instructional activities regarding the rights of translation and reproduction, subject to just compensation, non-exclusive and non-assignable nature of such licenses.

<sup>12</sup> For detailed discussion, see K-C Liu, H. Sun, "A Universal Copyright Fund—A New Way to Bridge the Copyright Divide", 1(2) NTU Law Review 40(2006).

<sup>13</sup> D. Gervais, "The TRIPS Agreement—Drafting History and Analysis" 2.282 (Sweet & Maxwell, 3rd ed., 2008).

<sup>14</sup> W. Cornish, D. Llewelyn & T. Aplin, "Intellectual Property: Patents, Copyright, Trademarks and Allied rights" 318 (Sweet & Maxwell, 2010).

<sup>15</sup> S. Harnisch, "Die Zwangslizenz im südafrikanischen und deutschen Patentrecht" 60 (BWV Berliner-Wissenschaft, 2010); Nuno Pires de Carvalho, "The TRIPS Regime of Patent Rights" 31.4 (Kluwer Law International, 2nd Revised edition, 2005).

makes countries hesitant to resort to compulsory licensing<sup>16</sup>. For example, in contrast to the its case-law concerning the application of Article 102 of the Treaty on the Functioning of European Union (TFEU, former Article 82) to refusal to license (Volvo, Magill, IMS Health, Microsoft), the European Union (EU) has reacted strongly against the decision of the Taiwanese Intellectual Property Office (TIPO) to grant compulsory license against Phillips. It demanded that Taiwan revise provisions on compulsory license and “ensure that precedential effects of the measures are eliminated, including ensuring that the compulsory licenses are revoked in their entirety” within two months from the transmission of the report to the TIPO<sup>17</sup>. Under such threat, the TIPO did undertake to revise the revisions, the result of which can be predicted (for more details see infra IV. B.1).

## **II. Finding Support for Compulsory Licensing from International IP Conventions**

International IP conventions see compulsory licensing very differently. Notwithstanding that the TRIPS Agreement categorically denies compulsory trademark license, an ad hoc and haphazard recognition of compulsory copyright licensing with a special and yet unspoken concern for preserving market competition, and a general recognition of compulsory patent licensing that also has an eye for the preservation of market competition can be found in some international IP conventions. Further support can be found in Article 7 of the TRIPS Agreement which proclaims that “The protection and enforcement of intellectual property rights should be in a manner conducive to ...economic welfare.” More and more people are advocating that the General Provisions and Basic Principles of the TRIPS Agreement should be taken as binding rules rather than declaration only<sup>18</sup>.

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<sup>16</sup> See *Id.*

<sup>17</sup> For the history of the Philips case (the TIPO’s decision to grant compulsory patent license against Philips and later to annul such grant, the Taipei Administrative High Court’s overrule of the TIPO’s decision to grant compulsory patent license), its core issues, namely the abuse of a joint monopolistic position, cartel, the aftermath and ramifications in the US and EU, please see K-C Liu, “The Taiwanese ‘Philips’ CD-R Cases: Abuses of a Monopolistic Position, Cartel and Compulsory Patent Licensing”, in: C. Heath & A. Sanders (eds.), “Landmark Intellectual Property Cases and Their Legacy” 92 et seq. (Aspen Pub, 2010).

<sup>18</sup> H. Xue, “Enforcement for development: why not an agenda for the developing world?”, in: X. Li & C. Correa (eds.), “Intellectual Property Enforcement- International Perspectives” 148 (Edward Elgar, 2009) ; A. Kur & M. Levin (ed.), “Intellectual Property Rights in a Fair World

## **A. No Compulsory Trademark Licensing according to the TRIPS Agreement**

Prior to the TRIPS Agreement, there has been no mentioning of compulsory licensing in the international trademark conventions. The TRIPS Agreement is the first to mention it, but only with a view of banning it. Article 21 states that: 'it being understood that the compulsory licensing of trademarks shall not be permitted'. It is remarkable that compulsory licensing is explicitly ruled out only in the field of trademark<sup>19</sup>, while allowed by both the Berne Convention and Paris Convention.

The common justifications for such exclusion are twofold. First, the purpose of a trademark is to distinguish the goods or services of one undertaking from those of another, "it would be nonsensical to let a third party to use that link as identifying the product or service without the consent of (and control by) the trademark owner. In other words, compulsory trademark licensing would lead to the danger of confusion of consumers as to source of the goods<sup>20</sup>. Second, compulsory trademark licensing would deprive the trademark owner of the chance to control the quality of the goods that would bear his/her trademark and constitutes a disincentive to provide consumers with high quality goods<sup>21</sup>.

## **B. Ad Hoc and Haphazard Compulsory Copyright Licensing**

The Berne Convention, the Rome Convention, and the TRIPS Agreement<sup>22</sup> recognize compulsory copyright licensing only in enumerated cases which have an undertone of preserving market competition for broadcasting and

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Trade System—Proposals for Reform of TRIPS" 529 et Seq. (Edward Elgar, 2011).

<sup>19</sup> Stoll, Busche & Arend (eds.), "WTO-Trade-related Aspects of Intellectual Property Rights" 349 (Martinus Nijhoff, 2009).

<sup>20</sup> A. Kur, "TRIPS and Trademark Law", in F.-K. Beier & G. Schricker (eds.), "From GATT to TRIPS: The Agreement on Trade-Related Aspects of Intellectual Property Rights" 114 (Wiley-VCH, 1996).

<sup>21</sup> P. Regibeau & K. Rockett, "The Relationship Between Intellectual Property Law and Competition Law: An Economic Approach", in: S. Anderman (ed.), "The Interface between Intellectual Property Rights and Competition Policy" 544 (Cambridge University Press, 2007).

<sup>22</sup> Art. 9(1) of the TRIPS Agreement takes over Arts. 1 through 21 and the Appendix of the Berne Convention (1971).

recording industries<sup>23</sup>. Economically speaking, performers, phonogram producers, collecting societies, music publishers and broadcasting organizations are in a vertical relationship of supply and demand of contents and service. It is not uncommon that the negotiations between these groups stall and lead to stalemate, sending the transaction costs for the use of copyrighted works skyrocketing; an intervention from the law is desirable.

## **1. Limiting Dominant Collecting Societies and Music Publishers**

The Berne Convention allows its Members to impose only two specific types of compulsory licensing. One is on the right of broadcasting, communication to the public by wire, rebroadcasting, and of public communication by loudspeaker and etc. (Article 11bis(2))<sup>24</sup>. The other is on the right of recording musical works (Article 13(1))<sup>25</sup>. Both were done “in the interests of the public,<sup>26</sup>” more specifically, “for the benefit of particular groups of the society,” namely broadcasting organizations and phonogram producers to counter-balance the dominant position of collecting societies and music publishers which “usually exercised monopolistic practices”<sup>27</sup>. That means exactly the preservation of competition.

## **2. For Secondary Exploitation by Broadcasting Organisations**

### **(1) Rebroadcasting the Consented Broadcast of Performance**

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<sup>23</sup> In respect of the communication to the public of television broadcasts if such communication is made in places accessible to the public against payment of an entrance fee, the Rome Convention foresees a possibility of compulsory licensing and even statutory licensing that would limit broadcasting organizations’ right of public communication (13(d)) (von Lewinski, *supra* note 9, 6.69). However, with the penetration of TV sets worldwide this provision has lost its significance, W. Nordemann, K. Vinck, P. Hertin & G. Meyer, “International Copyright and Neighboring Rights Law: Commentary with Special Emphasis on the European Community” 405 (Wiley-VCH, 1990).

<sup>24</sup> This was inserted at the Rome Revision (1928) when the right of broadcasting was first introduced.

<sup>25</sup> “Compulsory licenses” first appeared in Art. 13(1) of the Berne Convention in Berlin Revision (1908).

<sup>26</sup> WIPO, “Guide to the Berne convention for the protection of literary and artistic works” 11-16 (WIPO, 1978).

<sup>27</sup> Von Lweinski, *supra* note 9, 5.193.



Article 7 (1) of the Rome Convention does to grant a right of prohibition in favour of the performing artists, but only the “possibility” of preventing the exploitation of their labour if they have not consented thereto. This is a considerably lower level of protection as compared to the rights of phonogram producers and the broadcasting organizations<sup>28</sup>. Once performing artists consented to the use of their performance, such “possibility” is no longer available to them. Rather, it is up to the Contracting States to provide protection against rebroadcasting, fixation for broadcasting purposes as well the use by broadcasting organisations of fixations (Article 7(2) subparagraph (2)). In so providing, the Contracting States can provide for compulsory licenses to use of the performance.

## **(2) Statutory Licensing for Phonograms used by Broadcasting Organizations**

The use of phonograms which have been published for commercial purposes by broadcasting organizations is economically the most important situation which the Rome Convention was called upon to regulate. According to Article 12, such phonograms are made available to broadcasting organizations<sup>29</sup>. The remaining question of remuneration was settled in the following way: a single remuneration shall be paid by the user to the performers, or the producers of the phonograms, or to both. The allocation of that payment between the parties is left to domestic legislation.

## **C. General Compulsory Patent Licensing for the Prevention of Patent Abuse**

The Paris Convention and the TRIPS Agreement<sup>30</sup> foresee a general recognition of compulsory patent licensing that is also keen on the preservation of market competition. In the 1925 Hague revision a new provision on compulsory license, namely Article 5A(2), was inserted on the request and pressure of industry. Prior thereto, many patent laws had forfeiture clauses for lack of working. Compulsory licenses were regarded by industrial representatives, such as International Chamber of Commerce, at the

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<sup>28</sup> Nordemann, Vinck, Hertin & Meyer, *supra* note 23, 384.

<sup>29</sup> *Id.*, 397.

<sup>30</sup> The relationship between the TRIPS Agreement to the Paris Convention is regulated in Art. 2(1) of the former, which obliges all Members to comply with Arts. 1 to 12 and 19.

negotiation table as the only appropriate sanction for the non-working of patents<sup>31</sup>. Art. 5A stipulates a general purpose for compulsory patent licensing, namely to 'prevent the abuses' which might result from the exercise of the exclusive rights conferred by the patent<sup>32</sup>, for example, failure to work, including insufficient working. "Other examples of such abuses may exist in cases where the owner of the patent... refuses to grant licenses on reasonable terms and thereby hampers industrial development, or does not supply the national markets with sufficient quantities of the patented product, or demands excessive prices for such products<sup>33</sup>." Art. 5A of the Paris Convention has led to the worldwide acceptance of compulsory patent licensing regime<sup>34</sup>.

### **III. Finding Support for Compulsory Licensing from Advanced Countries**

The US, UK and Germany recognize compulsory licenses in a series of IP-related laws. In the following, copyright law, patent law and communication law will be examined.

#### **A. Copyright Law**

Preserving market competition is a major concern for US and UK copyright law.

##### **1. US**

The US Copyright Act generally rejects compulsory licenses that would give

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<sup>31</sup> A. Menescal, "Those behind the TRIPS Agreement: The influence of the ICC and the AIPPI on international intellectual property decisions". 2 Intellectual Property Quarterly 161 (2005).

<sup>32</sup> In cases where the grant of compulsory licenses would not have been sufficient to prevent the said abuses, forfeiture of the patent can be provided for. No proceedings for the forfeiture or revocation of a patent may be instituted before the expiration of two years from the grant of the first compulsory license. A compulsory license may not be applied for before the expiration of a period of four years from the date of filing of the patent application or three years from the date of the grant of the patent, whichever period expires last; it shall be refused if the patentee justifies his inaction by legitimate reasons. Such a compulsory license shall be non-exclusive and non-transferable, even in the form of the grant of a sub-license, except with that part of the enterprise or goodwill which exploits such license.

<sup>33</sup> G. H.C. Bodenhausen, "Guide to the Application of the Paris Convention for the Protection of Industrial Property" 71 (WIPO reprinted, 1991).

<sup>34</sup> Harnisch, *supra* note 15, 59.

copyright owners a typically lower sum<sup>35</sup>. Nevertheless, it contains numerous compulsory and statutory licensing mechanisms in sections 108 through 122 and 1004<sup>36</sup> to prevent the delay and expenses of negotiation with copyright owners that would make a voluntary licensing impracticable<sup>37</sup>. As a consequence, the fees that copyright owners may collect from many types of consumers of their products are controlled to varying degrees by administrative agencies and courts<sup>38</sup>. Pursuant to section 801, the Library of Congress shall appoint 3 full-time Copyright Royalty Judges to make determinations and adjustments of reasonable terms and rates of royalty payments as provided in sections 112(e)(ephemeral recordings by transmitting organizations), 114 (non-interactive webcasting), 115 (for making and distributing phonorecords to the public for private use), 116 (for public performances by means of coin-operated phonorecord players), 118 (for non-commercial broadcasting by public broadcasting entities), 119 (for secondary transmission of superstations and network stations for private home viewing) and 1004 (royalty payment for digital audio recording devices) .

## 2. UK

In UK, there is no longer any rule allowing for compulsory copyright license in general, equivalent to those for patents<sup>39</sup>. However, there are at least eight distinctive categories of compulsory licenses, three of which address the preservation of competition<sup>40</sup>. Two of the three involve the broadcast industry: reproduction of broadcast schedules and use of sound recording in broadcasts and cable programme services in a cable program. The last of the three aims at the control of monopoly: under section 144 of the Copyright, Designs and

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<sup>35</sup> P. Goldstein, "Goldstein on Copyright" 1:40-1:41 (Aspen Publishers, 3rd. ed., 2005).

<sup>36</sup> Sec. 107 differs from secs. 108 through 122 in that it requires on-going reassessment while the latter rests on the assumption that the relevant cost-and –benefit calculus remains constant, *Id.*, 12:15.

<sup>37</sup> P. Goldstein, *supra* note 35, 7-74.

<sup>38</sup> W. Fisher, "Promises to Keep, Technology, Law and the Future of Entertainment" 184 (Stanford Law and Politics, 2004).

<sup>39</sup> Cornish, Llewelyn & Aplin, *supra* note 14, 13-51.

<sup>40</sup> The other five categories are for 1. once elapsed and later revived copyrighted works, 2. works which are documents embodying a design existent on January 1, 1989, 3. carrying out an order by the Secretary of State regarding the lending of works, 4. retransmitting of a wireless broadcast by cable beyond the original broadcast area, 5. works of 'enemy origin,' Garnett , Davies & Harbottle, *supra* note 6, 28-03.

Patents Act 1988 (CDPA), the Secretary of State, the Office of Fair Trading and the Competition Commission are given the power to cancel or modify the licensing agreement, and the power to provide that licenses shall be available as of right to control anti-competitive or monopolistic practices. The terms of a licence available shall, in default of agreement, be settled by the Copyright Tribunal on an application by the person requiring the licence<sup>41</sup>.

## **B. Patent Law**

Preserving market competition is a major concern for patent laws of US, UK and Germany.

### **1. US**

Generally speaking, the US has never adopted a statutory regime of compulsory license to curb patent misuse. Nor has Congress ever enacted a law that generally authorizes compulsory licensing of patents in the public interest<sup>42</sup>. But in practice, the high threshold for issuing permanent injunctive relief implies compulsory licensing in cases where patents have been infringed. The US Supreme Court reconfirmed its long stance on permanent injunctive relief in the 2006 eBay decision<sup>43</sup>.

According to eBay, no permanent injunction will be issued immediately after the adjudication of infringement and validity of patents and copyrights. Rather, the plaintiff must first demonstrate the following four factors are fulfilled before he/she can stop the alleged infringer from carrying on its use of the IP he/she owned: (1) that it has suffered an irreparable injury; (2) that remedies available

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<sup>41</sup> Garnett, Davies & Harbottle, *supra* note 6, 28-54 et seq.

<sup>42</sup> J. Reichman & C. Hasenzahl, "Non-Voluntary Licensing of Patented Inventions, UNCTAD-ICTSD Project on IPRs and Sustainable Development" Issue Paper No. 5, 21 (2003).

<sup>43</sup> eBay v. MercExchange, 547 U.S. 388 (2006).

at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. Clearly the eBay decision is not a competition-oriented test. However, if the plaintiff failed to satisfy the four-factor test, the alleged infringer can continue his/her use of IP as if a compulsory license had been granted to him/her.

## 2. UK

The comptroller has the power to grant a compulsory patent license on such terms as he thinks fit in five categories of situations<sup>44</sup>, any time after the expiration of three years or of such other period as may be prescribed from the date of the grant of a British patent. Two of the categories are occupied with the preservation of market competition: Sections 48 (which differentiates between patents with WTO owners and patents with non-WTO owners, and the grounds on which compulsory licenses will be granted are more cumbersome in the case of WTO owners.) and 51 of the CDPA (following a report of the Competition Commission that an undesirable monopolistic situation exists or an anti-competitive practice is operating against the public interest)<sup>45</sup>. Given the large number of WTO Members, it suffices to point only to section 48A(1) that sets out the following grounds for compulsory licensing: UK demand for a patented product is not being met on reasonable terms; because of unreasonable restrictions on licensing the patent, exploitation of another patented invention, which is technically and economically important, is being prevented or hindered; or the development or establishment of commercial or industrial activities in the UK are being unfairly prejudiced; because of conditions imposed upon licensing the patent, or on disposal or use of the patented product or process, either the manufacture, use or disposal of unpatented materials or the development or establishment of commercial or industrial activities in UK are being unfairly prejudiced.

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<sup>44</sup> L. Bentley & B. Sherman, "Intellectual Property Law" 578 (Edward Elgar, 3rd. ed., 2009 ).

<sup>45</sup> The other three categories are for Crown use (section. 55- 59), in relation to biotechnological inventions, for licenses granted on public health grounds.

Compulsory licensing provisions in UK are enmeshed in such a net of procedures that it is only the threat of invoking them that carries any significant weight<sup>46</sup>. Six compulsory patent licenses have been granted after World War II. It has been confirmed by the High Court of Justice that the comptroller has the power to grant compulsory license to import the patented drug and its intermediate with a view to their sale in UK, because that amounted to 'a use or exercise of ' the invention at issue<sup>47</sup>.

### **3. Germany**

According to Article 24 of the German Patent Act, there are two kinds of compulsory licenses, one for the public interest and the other for dependent patent. A non-exclusive authorization to commercially exploit an invention shall be granted by the Federal Patent Court in individual cases (1) if the applicant for a license has unsuccessfully endeavored for a reasonable period of time to obtain from the patentee consent to exploit the invention under reasonable conditions common in trade, and (2) public interest commands a granting of compulsory licensing (para. 1). If the applicant cannot exploit his patent without infringing on another patent of an earlier date, and if his invention in comparison with that of the earlier invention comprises an important technical advance of considerable commercial significance, and the conditions listed in para. 1 (1) are met, he/she shall have the right to ask the patentee of the earlier invention to grant compulsory license (para. 2). In addition, if the patentee does not exploit the patented invention or work it predominantly in Germany (importation equals local working) and an adequate supply of the patented products to the domestic market is not ensured, a compulsory license shall be granted within the framework of para. 1 (para. 5).

In the 1996 "Polyferon" case, the Federal Supreme Court (BGH), in annulling the one and only granted compulsory license (1994) after World War II, elaborates that from the exclusive position of a right holder alone, no public interest can be established, even if the right holder enjoys a de facto monopolistic position. Therefore special circumstances must be existent in

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<sup>46</sup> See Banks Report, cited from Cornish, Llewelyn & Aplin, *supra* note 14, 7-42.

<sup>47</sup> F. Hoffmann-Lo Roche & Company A. G.'s Patents, [1973] R.P.C. 130, [1972] FSR 385.

order to satisfy the public interest requirement. What may come within the purview of special circumstances besides abuse of patent rights includes technical, economic, social-political and medical perspective, which can certainly include the maintenance of market competition<sup>48</sup>.

## **C. Communications Law**

### **1. US**

In addition to the Copyright Act, the Federal Communications Commission (FCC) began in 2008 to intervene into contractual arrangements between satellite cable programming vendors, cable operators and satellite broadcast programming vendors. In accordance with the Program Access Rule, the FCC requires that exclusive contracts between cable operators, satellite cable programming vendors in which a cable operator has an attributable interest or satellite broadcast programming vendors in which a cable operator has an attributable interest in an area served by a cable operator must be approved by the FCC in advance<sup>49</sup>. The purpose of the Program Access Rule is to prevent exclusive contracts from constraining or even blocking the use of copyrighted works. In reviewing and disapproving (or approval with conditions) such exclusive contracts the FCC can invoke compulsory licensing mechanism.

### **2. UK**

The issue of ensuring fair and effective competition is also an acute problem in the broadcasting of premium sports events, due to the following reasons: 1. live high-quality sports retain an enduring appeal for many UK consumers; 2. access to this content has driven the development of pay TV in UK; and 3. for many years Sky has held the exclusive rights to broadcast many of the most sought-after premium sports and therefore has market power in the wholesale of these channels. After taking into account of the fact that Sky's market position is unlikely to change in the next few years, the Office of Communications (Ofcom) has on 31 March 2010 exercised its powers under section 316 of the Communications Act to ensure fair and effective competition and issued the "Pay TV Statement".

The Pay TV Statement foresees a coming market failure and therefore imposes compulsory license on Sky by requiring Sky to offer the most

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<sup>48</sup> BGH GRUR 96, 193.

<sup>49</sup> FCC, Program Access Rule, 47 CFR Ch. I (10–1–08 Edition), § 76.1000- § 76.1004.

important sports channels- Sky Sports 1 and Sky Sports 2 to retailers on platforms other than Sky's, at wholesale prices set by Ofcom, and approves Sky and Arqiva's request for Sky to offer its own pay TV services on digital terrestrial TV ('Picnic'), but conditional on a wholesale must-offer obligation on Sky Sports 1 and 2 being in place, with evidence that it has been effectively implemented. This conclusion is also conditional on any movies channels included in Picnic being offered to other digital terrestrial TV retailers<sup>50</sup>.

#### **IV. Theoretical Analysis of a Competition-oriented Compulsory Licensing**

##### **A. Justification, Substantive and Procedural Tests**

Joseph Kohler argued for compulsory licensing from the view point of social obligation in his comments on the “obligation to work one’s patents” pursuant to the then German Patent Law. He reasoned that “the underlying idea of such a statutory principle is the following: when one is free to exercise his/her right or not to, it is then just when his/her slowness does not bring significant disadvantages to the general public. However, when it does, the individual may not deprive the people of the cultural achievements by not exercising (his/her right). The exercise of rights then becomes a social obligation. This applies whenever the right-owner possesses a monopolistic position, so as not to deprive the country or his/her fellow men of the whole legal regime (Rechtsgut)<sup>51</sup>.

However, the more economic approach to IP law led to the dominant complementarity theory<sup>52</sup>. According to such theory, while complimenting each other, IP law and competition law seek to enhance consumer welfare and efficient allocation of resources<sup>53</sup>, and to promote dynamic competition

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<sup>50</sup> Ofcom, Pay TV Statement, Summary 1.1-1.7.

<sup>51</sup> Kohler, *supra* note 1, at 613.

<sup>52</sup> It has been suggested that the complementarity theory can be further replaced by an integrated innovation-economic concept of IP protection and competition, see R. Podszun, “Lizenzverweigerung- Ernstfall im Verhältnis von Kartell- und Immaterialgüterrecht”, in: P. Matousek, E. Müller & T. Thanner (Hrsg.), “Jahrbuch Kartell- und Wettbewerbsrecht” 75 (NWV, 2010).

<sup>53</sup> More than 100 countries in the world have competition laws, the latest example being the Malaysian Competition Act 2010 that comes into force on 1 January 2012. The proliferation of competition law means that the protection of market competition has become a universal truism.



(competition by substitution vs. competition by imitation)<sup>54</sup>. Competition law intervenes into the IP world only when the behavior of IP owners, IP per se or market factors other than IP (e.g. standards, network effects) hinders or excludes dynamic competition<sup>55</sup>. The leading example can be found in the application of Article 20(1) (against discrimination by dominant undertakings) of Act against Restraints of Competition (GWB) in Germany by the BGH<sup>56</sup>. In the 2004 Standard-Spundfass case the BGH imposed an obligation to license on the patentee who enjoyed dominant position due to the de-facto standard and whose discriminatory refusal to license patents would contravene the purpose of GWB to guarantee freedom of competition<sup>57</sup>. The BGH also rightly stated that Article 20(1) GWB serves a different purpose than Article 24 of the Patent Act and can therefore be applied in parallel with and in addition to the latter<sup>58</sup>.

In return, IP-internal compulsory licenses should take the functioning and preservation of market competition as its substantive test<sup>59</sup>, and limit IP for competition policy reason. As a matter of fact, the functioning and preservation of market competition is a competition law concept and shall be construed accordingly. Therefore where IP owned by dominant undertakings is indispensable to consumers and impossible for other competitors to replicate or acquire, the refusal to grant license to use such IP may restrain and even hamper (downstream/upstream) market competition, which is imperative for the satisfaction of cultural and entertainment needs of the masses and boosting innovation, etc. As discussed above, such approach has been well adopted by international IP conventions and laws of advanced countries.

With regards to the procedural test of such a general compulsory IP license, it is suggested that the license-seeker cannot just go ahead using and infringing

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<sup>54</sup> J. Drexler, "Is there a 'more economic approach' to intellectual property and competition law?", in: J. Drexler (ed.), "Research on Intellectual Property and Competition Law" 44 (Edward Elgar, 2009).

<sup>55</sup> *Id.*, 47-48. Podszun, *supra* note 52, at 74.

<sup>56</sup> The examination of competition laws of the US and UK will exceed the limits of this paper. For a brief discussion of the US law, see Liu, *supra* note 4, 764-765.

<sup>57</sup> For an English translation of the case and comment by Matthias Leistner, see 36 IIC 741-752 (2005).

<sup>58</sup> BGH, Urteil vom 13. 7. 2004 - KZR 40/02 (Lexetius.com/2004,2151), Para.37.

<sup>59</sup> R. Hilty, Renaissance der Zwanglizenz im Urheberrecht, 643 GRUR 2009, Heft 7, 643.

IP owned by others. Rather he/she must negotiate first with IP-owner and file application for compulsory license with courts when negotiation failed. To scrutinize sham from sincere negotiations, the German “Orange-Book-Standard” case decided by the BGH offers good advice: the infringer must have made an unconditional offer to acquire a license from the patentee and deposited a sufficient amount for the benefit of the patentee at the court, before he/she can file for compulsory license<sup>60</sup>. However, one should not forget that the vast number of potential IP users might not know of the existence of IP and commit infringement. Therefore if that is the case, the prior negotiation requirement can be dispensed with.

## 1. Patents

Along with worldwide rampant proliferation of patents comes the threat to the ideals of open science and free exchange of creative ideas and to follow-on research and its application<sup>61</sup>. Never than before, has the issue of patent blockage and of compatibility (forward and backward) becomes so important. Cross-licensing and patent pools have limited alleviating effects<sup>62</sup>. Various types of exemptions as solutions for the anti-commons and blockage problem, ranging from a fair use exception to the exclusive rights of patents, an opt-in exemption, and forfeiture have been proposed<sup>63</sup>. However, compulsory patent licensing is by far the least intrusive and the most easy-to-operate method (detailed analysis see infra B&C).

## 2. Copyright

Traditionally, copyright has little to do with competition law due to its less exclusive character. But the time has changed. Copyright can impede competition much the same way as patents (exemplified by the Microsoft case)<sup>64</sup>. The European Copyright Code proposed by the Wittem Group in April

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<sup>60</sup> BGH KZR 39/06, 2009 GRUR, 694.

<sup>61</sup> R. L-D Wang, “Biomedical Upstream Patenting and Scientific Research: The Case for Compulsory Licenses Bearing Reach-Through Royalties”, 10 Yale J. L. & Tech 253 (2008).

<sup>62</sup> *Id.*, 307-312.

<sup>63</sup> For a summary of all the suggestions being circulated, see *Id.*, 315-318.

<sup>64</sup> For a discussion of this topic see G. B. Ramello, “Copyrights and Antitrust Issues”, in: W. J. Gordon & R. Watt (eds.), “The Economics of Copyright” 118 et seq. (Edward Elgar, 2003).

2010<sup>65</sup> tightly points out this danger and advocates that copyright law should reflect the core (European) principles and values of law, including freedom of competition (freedom of expression and information as well, Preamble). It therefore suggests that compulsory license be granted for uses of news articles, scientific works, industrial designs, computer programs and databases against payment of a negotiated remuneration<sup>66</sup>, provided that: (i) the use is indispensable to compete on a derivative market; (ii) the owner of the copyright in the work has refused to license the use on reasonable terms, leading to the elimination of competition in the relevant market and (iii) the use does not unreasonably prejudice the legitimate interests of the owner of the copyright in the work (Art. 5.4).

## **B. Functions**

### **1. To Reinstate Compulsory Licensing Especially in IP Late-comer Countries**

IP less-developed countries, which are at the besiege of hostile international environment, can be easily deterred from perceiving compulsory licensing in the context of preserving competition and constantly, consciously or not, narrowing down the scope of compulsory licensing. To a large extent Taiwan typifies such countries.

The Taiwanese Patent Act foresaw from its coming into force in 1949 compulsory licensing for five categories of events: national emergencies, not-for-profit use of a patent for the enhancement of public welfare, where failure to reach a licensing agreement with the patentee under reasonable commercial terms and conditions within a considerable period of time, to remedy restriction of competition. Although seemingly broad in scope, compulsory patent licensing has never been applied for until 2002<sup>67</sup>. Only two

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<sup>65</sup> The European Copyright Code is the result of the Wittem Project established in 2002 as collaboration between copyright scholars across the European Union concerned with the future development of European copyright law. Its Drafting Committee is composed of Lionel Bently, Thomas Dreier, Reto Hilty, Bernt Hugenholtz, Antoon Quaedvlieg, Alain Strowel and Dirk Visser. Available at : <http://www.copyrightcode.eu/>

<sup>66</sup> According to footnote 54 of the European Copyright Code , the term 'negotiated remuneration' means that the compulsory license fee is to be negotiated in individual cases, and therefore does not imply a role for collective rights management.

<sup>67</sup> The reason was presumably either Taiwanese companies were not in the position to work

compulsory licenses (Philips and Tamiflu) were granted by the TIPO against foreign patentees.

Despite the extremely low number of granted compulsory license, the TIPO initiated to limit its power to grant compulsory license upon application to four types of cases, which became law on 29 November 2011 (the coming into force of which is expected to be one year later)<sup>68</sup>. While Types 2 and 3 (compulsory license of the head patent for the benefit of the dependent patent) are common across jurisdictions, Type 4 (of imposing restrictions on competition or committing unfair competition) is redundant as a matter of fact since courts or the Fair Trade Commission (FTC) are already entitled to make decisions on that pursuant to Article 41 of the Fair Trade Act. What really stands out is Type 1 (Not-for-profit practice that would enhance public interest), for two reasons: 1. It does not elaborate on the meaning or scope of public interest, which would make people unsure about what amounts to public interest in the first place and later impose on them the burden of establishing and proving such abstract idea. 2. It limits such compulsory license to not-for

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patents at issue or simply used them illegally.

<sup>68</sup> Art. 89 of the Taiwanese Patent Act provides: 1. In case of national emergencies other circumstances of extreme urgency, the TIPO must grant compulsory license and notify the patentee as soon as possible when it is commanded by the "Emergency Decree" issued by the President, or requested by other competent authorities which may need to practice the patent at issue. 2. Upon application, the TIPO may grant compulsory license in one of the following cases and only to the extent that it is necessary: (1) Not-for-profit practice that would enhance public interest. (2) The practice of an invention patent or a utility model, which possesses important technical improvement(s) with considerable economic significance, would inevitably infringe upon other prior inventions or utility models. (3) The holder of a plant variety right, which possesses important technical improvement(s) with considerable economic significance, must practice biotech patents of others. (4) The patentee has imposed restrictions on competition or has committed unfair competition which has been adjudicated by court or disposed of by the Fair Trade Commission. 3. The grant of a compulsory license with regard to semi-conductor patents is limited to Paragraph 2 (1) and (4). 4. The grant of a compulsory license pursuant to Paragraph 2 (1)-(3) is only permissible after the applicant has failed to secure a licensing agreement under reasonable commercial terms and conditions within a considerable period of time. 5. Patentee, whose patent has been compulsorily licensed pursuant to Paragraph 2 (2)-(3), may file with the TIPO application with reasonable terms and conditions to grant compulsory license with regard to the new invention patent, utility model and plant variety.

profit, a limitation that cannot be found in the UK and German patent laws (see supra III B. 2 & 3)<sup>69</sup>. To sum up, the revision of compulsory patent licensing provisions is for the worse.

Only with the help of a generalized theory and doctrine can compulsory licensing be reinstated in its proper position and countries that need compulsory licensing to preserve competition in their domestic markets can be assured that such need can and should be satisfied accordingly.

## **2. To Accelerate Voluntary Licensing**

One may assume that the general possibility of granting a compulsory license alone poses deterrent effect and enhances right-holders' readiness to signing a licensing agreement. Therefore the ultimate goal of compulsory licensing is not to deprive IP holders of their rights, but only to function as the last resort to stimulate the patentee into working or voluntarily licensing the patent. From the perspective of royalty negotiation, compulsory license functions as a shift from entirely ex ante (before use) negotiation to partially ex ante and partially ex post (after use) negotiation. As such, compulsory license does not sabotage but rather accelerate voluntary licensing, because it avoids delays and excessive costs incurred by prolonged negotiation. Moreover, the partially ex post approach to determining royalties can provide parties better basis upon which to estimate the real value of the patents used because concrete outcomes derived from the actual use of patents will be at the parties' disposal<sup>70</sup>.

## **C. Solving Some Thorny Issues Surrounding Compulsory Licensing**

In order to make the competition-oriented compulsory licensing theory work,

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<sup>69</sup> Taiwanese Copyright Act allows only sporadic and limited compulsory licensing for recording of musical works already recorded and published (Art. 69), for the use of sound recording (Art. 26 (3)), and for preparing pedagogical texts (Art. 47). With the enactment of the Act to Promote the Culturally Innovative Industries on 3 February 2010, the TIPO is empowered to grant compulsory licenses to use 'orphan works' upon deposit of compensation equivalent to the reasonable royalty that the average voluntary negotiation would have agreed to. However, prior to that all possible means must have been exhausted and to no avail to determine the identity of the author or his whereabouts (Art. 24).

<sup>70</sup> Wang, *supra* note 61, 322.

the difficult issue of determining reasonable compensation for compulsorily licensed IP and which agency<sup>71</sup> is to administer such regime have to be solved.

## **1. Determining the Reasonable Compensation**

There are at least three separate methods to determine the reasonable compensation, which can be used individually, alternatively and/or cumulatively.

### **(1) Looking into the Original Licensing Agreement**

Oftentimes some readily available proxies for a fair compensation can be found by looking into the original licensing agreement between the parties at dispute. In the Phillips CD-R cases, the other agreed method of calculating royalty is 3% of the net sales price as opposed to ¥10 per disc. 3% of net sales price was once agreed upon between Philips and its licensees and can be regarded as reasonable. It therefore shall have a prima facie reasonableness, and if the patentee denies such assumption, the burden of proof shall rest with him or her.

### **(2) Benchmarking**

The royalty rate is most likely fixed by comparison with relevant rates charged by the patentee or others in the industry for similar licenses<sup>72</sup>. The German Federal Supreme Court also states in the 'Orange-Book-Standard' decision that if the license-seeker alleges that the royalty demanded by the patentee was excessively high reaching the degree of abuse, or the patentee refuses to specify the royalty, then the license-seeker should be allowed to determine a reasonable royalty in accordance with the equitable standards. Otherwise the license-seeker would run the risk of overpaying the patentee in order to satisfy the requirement of making unconditional offer to sign licensing agreement<sup>73</sup>.

Licensing is a common practice in all fields of industries and licensing agreements are collectable data. According to Article 28 of the Act on Patents Invented by Employees, the German Arbitration Panel shall resolve the

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<sup>71</sup> This issue has been addressed by K-C. Liu, *supra* note 3, 774.

<sup>72</sup> Cornish, Llewelyn & Aplin, *supra* note 14, 323.

<sup>73</sup> BGH KZR39/06, paras. 38, 39.

disputes between employees and employers if they cannot agree upon the reasonable compensation for employees. In order to discharge its duty, the Arbitration Panel has been active and effective in proposing acceptable suggestions, out of which a volume of 'Licensing Rates for Technical Inventions' has long been published and widely used in Germany<sup>74</sup>. By collecting the licensing agreements of all areas and classifying them according to the patents, industries, major licensors etc., one can easily get a fairly good picture of how the reasonable compensation should be for a specific licensing agreement. In addition, there is much literature<sup>75</sup> and even online services<sup>76</sup> available on the market, which provide such information<sup>77</sup>.

### **(3) 25 Per Cent Rule**

In addition, a fairly simple '25 Per Cent Rule' ('Rule') has been established and adopted by US courts over the last 40 years. The Rule suggests that the licensee pay a royalty rate equivalent to 25 per cent of his/her expected profits for the product that incorporates the IP at issue. The Rule has been useful not only in valuating patents, but also in copyright, trade secret and know-how contexts<sup>78</sup>. Focus of the Rule is placed on long-term and fully-loaded profits<sup>79</sup>.

## **2. Which Institution is to administer the Granting of IP-internal Compulsory Licenses?**

In Germany it is the Federal Patent Court that is responsible for the granting of

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<sup>74</sup> O. Hellebrand, G. Kaube & R. v. Falckenstein, "Lizenzsätze für technische Erfindungen" (3 Aufl., 2007).

<sup>75</sup> R. Parr, "Royalty Rates for Licensing Intellectual Property" (Intellectual Property Research Associates, Inc., 4th ed., 2010).

<sup>76</sup> E.g. [www.royaltysource.com](http://www.royaltysource.com), [www.tenkwizard.com](http://www.tenkwizard.com)

<sup>77</sup> Arguably this method will not work for standardized technology that may be covered by a number of complementary patents held by different patentees and each patentee may be tempted to charge the monopoly price for the whole technology which creates a "tragedy of the anti-commons." In that case, the compulsory license needs to take the involved multiple patents as a whole and turn to the other two methods for help.

<sup>78</sup> R. Goldscheider, J. Jarosz & C. Mulhern, "Use of the Twenty-Five Percent Rule in Valuating Intellectual Property", in: R. Parr (ed.), "Royalty Rates for Licensing Intellectual Property" 31-31 (Wiley, 2007).

<sup>79</sup> *Id.*, 34.

compulsory patent license. In UK, in the field of copyright it is the Secretary of State, the Office of Fair Trading and the Competition Commission that are responsible for the granting of compulsory license; in the realm of patents, the comptroller of the Patent Office can upon a report of the Competition Commission issue compulsory licenses. In the US it is courts that can issue compulsory licensing. It is suggested that courts are best situated to administer a general-competition oriented IP-internal compulsory licensing (as opposed to compulsory licensing via competition law), for three reasons: 1. Intellectual Property Office (IPO) as administrative agency is not suited to play the role of referee between different citizens. 2. IPO is more prone to be captured by IP industries and interest groups than courts due to long and frequent interaction with them. 3. Courts can better apply IP laws against the background of competition law and its consideration than IPO.

#### **V. Excursus: Challenging the Soundness of the Categorical Denial of Compulsory Trademark Licensing**

The categorical exclusion of compulsory trademark licensing by the TRIPS Agreement has mostly found blind support (“This is based on the principle that there can scarcely be any justification”<sup>80</sup>). However, it is not in line with the “rule of reason” stance that has triumphed over the “per-se illegal” rule in many jurisdictions<sup>81</sup>. Second of all, it is worth pointing out that the US Fair Trade Commission contemplated in the 1970s to introduce compulsory licensing of trademarks as a measure in eliminating monopoly power in companies which enjoy ownership of well-known marks<sup>82</sup>. It is contended by this paper that there might very well be scenarios in which compulsory trademark licensing is not only justified but also imperative.

Let’s turn to history for inspiration. On 31 October 2005 the Department of Health (DOH) filed with the TIPO an application for a compulsory license to use a patented drug owned by Gilead Sciences, Inc. USA and exclusively licensed to F. Hoffmann – La Roche Ltd, Switzerland. The application was driven by the fear that an epidemic of avian flu might break out in Taiwan. The TIPO approved conditionally the application to manufacture via pharmacy

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<sup>80</sup> Gervais, *supra* note 13 **Error! Bookmark not defined.**, 2.185.

<sup>81</sup> It is the case in the US, EU, Japan, Korea and Taiwan, for details see Liu, *supra* note 10.

<sup>82</sup> See M, Leaffer, “Sixty Years of the Lanham Act: The Decline and Demise of Monopoly Phobia”, in: H. Hansen (ed.), “US Intellectual Property Law and Policy” 85-86 (Edward Elgar, 2006).



companies such patented capsules until 31 December 2007. Thanks to the fact that the feared epidemic did not break out and the compulsory license had not been implemented. Nevertheless, the wide media coverage of the dispute surrounding the issuance of such a compulsory patent licensing and the public anxiety over the allegedly imminent epidemic have made the trademark of such patented drug “Tamiflu” (to be more exact its Chinese translation “Ke-Liu-Gan”) well known in Taiwan, reaching the fame of a household brand.

Suppose that the avian epidemic did break out and the implementation of the granted compulsory patent licensing becomes unavoidable. The general public needs to accept drug prescribed by the DOH against avian flu in very short notice. Neither the patent number (129988), nor the name of the patent (a new chemical compound, its synthesis and use for healing) means anything to the public<sup>83</sup>. What better reference there is than the trademark of “Tamiflu” being put on the manufactured drugs? Although admittedly the referral use of the trademark “Tamiflu” might be allowed eventually, but not without legal uncertainty. There is evident need of and justification for compulsory licensing of the trademark “Tamiflu.” As all compulsory licenses are always granted with conditions and limitations, such as the period, place and price, the compulsory licensing of “Tamiflu” can surely include arrangements for averting the likelihood of confusion and assuring quality control. In the present case, a notice of “**Tamiflu** made with compulsory license of a patent held by **Hoffmann – La Roche**” and the condition that the manufacture shall be subject to the surveillance of Hoffmann – La Roche, can easily serve the purpose.

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<sup>83</sup> In the case mentioned in *supra* note 47, it must be the same for British consumers when confronted with a patented drug which had a patent number ‘864,824’ and a strange name of “chlordiazepoxide”. It would be much easier if its very well-know trademark ‘Librium’(tranquillizer) were used.