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Compulsory licence and government use in Taiwan: A regress

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Compulsory Licence and Government Use in Taiwan: A Regress

Kung-Chung Liu

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Abstract The Taiwanese Patent Act foresaw from its inception in 1944 compulsory licence (CL) and government use. The provisions on the former have been amended several times, moving away from the Paris Convention model, while provisions on the latter were revised once, only to narrow its scope. Overall speaking, the regime on compulsory licensing and government use is in regress and fails to fulfil its function of balancing public and private interests. Thus far in Taiwan, two CL have been granted and implemented with the second being annulled later, and only one government use has been granted and yet not implemented due to its precondition not being satisfied. The Fair Trade Commission has not yet seen CL as one of the “necessary corrective measures” of the Fair Trade Act, although it did find violation of the Fair Trade Act in the Philips CD-R case.

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1 Introduction

CL in the broader sense includes CL (in the stricter sense) and government use. However, for conceptual clarity, this chapter treats CL and government use separately. CL is different from government use in that its grantee is a non-government entity, while the grantee in government use is a government or entities working for the government.

Modelled after Article 5A(2) of the Paris Convention, without however mentioning the term “to prevent the abuses” of patent rights, the Taiwanese Patent Act foresaw from its inception in 1944 CL and government use. The provisions on compulsory licensing have been amended several times, moving away from the Paris Convention, while provisions on government use were revised once, only to narrow its scope. Overall speaking, the regime on compulsory licensing and government use is in regress and fails to fulfil its function of balancing public and private interests.¹

In addition to the Patent Act, the Fair Trade Act can, at least also be applied in order to result in CL. This chapter will first discuss in theory, the Patent Act then the Fair Trade Act (Sects. 2 and 3) in Taiwan. This chapter would not be complete without mentioning the latest provision on compulsory licencing for pharmaceuticals to export, therefore the concluding remarks are reserved for that purpose (Sect. 4).

2 The Patent Act

2.1 *Compulsory Licence*

Two CL have been granted thus far in Taiwan. Both were put into practice, yet the second one was later annulled by the Taiwan Intellectual Property Office (TIPO).

2.1.1 **Half a Century of Good Old Days: 1944–1994**

The Law in Books

The 1944–1994 Patent Act clearly saw patent not as an end in itself but rather as an instrument for the satisfaction of domestic needs and the incremental nature of technological improvement that is usually based on prior inventions.

¹ About the general need for and legitimacy of compulsory licensing, see Liu (2012), pp. 679–699. About the economic merits of compulsory licensing, see Antonelli (2013), pp. 157–174.

It was provided in Article 9 that a later invention that was based on a prior invention could still apply for invention patent or utility model patent (dependent patent). However, the dependent patentee shall provide the first patentee with appropriate monetary compensation or an offer of joint production, which the first patentee shall not refuse without justifiable reason. This was in fact an implicit CL provision.

Article 67 stipulated that not or insufficient working of a patent can lead to its rescission or compulsory licensing: The Patent Office can rescind the patent *ex officio* or issue CL upon application of interested parties when the patentee has not worked or not appropriately worked the patent 3 years after the patent grant without justifiable reasons. The Patent Office shall notify the patentee before deciding. The grantee of the CL shall provide the patentee with monetary compensation, which in case of dispute shall be decided by the Patent Office.²

Article 68 defined what would constitute “not appropriately working the patent”:

1. The patented product has not been produced in large scale without sufficient reason while it is possible to use the product in the country;
2. The patentee produces the patented products entirely or for the most part in foreign countries and imports them into domestic market;
3. The patentee of an dependent invention fails to reach a voluntary licensing agreement under reasonable terms and conditions with the first patentee upon whose patent the dependent patent was based;
4. Parts have been imported and are only to be assembled domestically.

In addition, where a patented product, which would fill an important need in the country, has not been sufficiently supplied despite being appropriately worked, the Patent Office may order the patentee to expand his supply within designated time limit (Article 70). If, however, the expansion fails to lead to sufficient supply, a further case of “not appropriately working the patent” will be constituted, which would result in a CL.³

Article 69 obliged the grantee to work the patent at issue appropriately: where the grantee of the CL according to Article 67 fails to work the patent appropriately, the Patent Office may rescind the compulsory licence upon application or *ex officio*.

The Practice: The Nippon Soda Topsin Case

There had been only one case in which a CL was issued by the Central Bureau of Standards (CBS, predecessor of the TIPO) under the Ministry of Economic Affairs (MOEA) during 1944–1994. It took almost 7 years of legal back and forth before

² The CL regime seemed only natural to the most authoritative commentator of that time, Yu-Fong Nin (who also served as head of the Patent Office). In his well-known thesis, *Industrial Property Rights Law* (in Chinese, 1st ed. 1972, p. 202 and again 3rd ed. 1982, p. 202), he just recited Article 67 without elaborating on it.

³ Chen (1995), pp. 186–187.

the CL was finally confirmed. Presumably, the CBS was not familiar with the *raison d'être* of compulsory licence, and the patentee and the Japanese government had exerted much pressure on the CBS and the MOEA.

On 23 July 1976, a local company filed with the CBS an application for CL against a Japanese company (Nippon Soda Co. Ltd.) to work its method patent and to produce patented products (a farm chemical called "Topsin", patent number 5644). After more than 1 year, on 14 February 1978, the CBS issued a CL on the following grounds: while it is possible to use the patented product domestically, the patentee made no large-scale manufacture, importing only a small quantity for test sales purposes. According to the manufacturing plans of the applicant and the alleged licensee (a local company), the manufacturing technology required is rather simple, the facilities needed very limited, and the investment needed to produce the patented products small. By the time the patentee signed the draft licensing agreement (25 October in 1974) with the licensee, 3 years had elapsed since the patent grant, and the draft agreement was not yet formalized. In addition, the manufacturing plan proposed by the applicant was concrete and feasible, and its manufacturing method identical to the one contained in the patent descriptions. Taking the aforementioned into consideration, the CBS concluded that the patentee had not worked the patent 3 years after the patent grant without justifiable reasons. The CBS issued a CL without specifying its duration and ordered that the patentee be rewarded with compensation to be negotiated by the parties and that it be notified of the agreement reached.⁴

In the application for the CL, the applicant mentioned that a post note of NT\$60 was included in the application. But no record can be found in the archive of the CBS on whether the parties had reached consensus on the compensation and how much it was.

On appeal, the case was annulled by the MOEA on the ground that the issued compulsory licence was limited to the use of claims 1 and 2 and did not include the use of claims 20–23 of the patent, which were necessary for producing the patented products; as such, the CL was obviously inappropriate.⁵ The case was remanded back to the CBS, which simply confirmed on 25 February 1980 that the licence lost its validity with immediate effect.⁶ The applicant appealed the decision to the MOEA, which was of the opinion that the CBS should substantially review the case rather than just reiterating the decision the MOEA made on 13 April 1979.⁷ Upon the second remand, the CBS again granted a CL to use the patent, however including claims 1 and 2 and 20–23.⁸ After being rejected by the MOEA⁹ and the

⁴ CBS (66) Tai Zhuan Cheng Er Tze 65589 (14 February 1978).

⁵ MOEA (68) Gi 11239 (13 April 1979).

⁶ CBS (69) Tai Zhuan Cheng Yi Tze 104993 (25 February 1980).

⁷ MOEA (70) Su 14582 (17 April 1981).

⁸ CBS (70) Tai Zhuan Cheng Yi Tze 126940 (6 November 1981).

⁹ MOEA (71) Su 18908 (2 June 1982).

Executive Yuan,¹⁰ the patentee brought appeal to the Supreme Administrative Court, which concurred with the CBS. The court's decision focused exclusively on confirming that the patentee had "not appropriately worked the patent"¹¹: by the time the patentee signed the "enforcement contract (formal contract)" with the licensee, 6 years had elapsed since the patent grant; the 300 kg of "Topsin-M" produced by the plaintiff were "elementary body" and not "product" and therefore did not suffice to be the actual result of working of the patent; the statistics from the Taiwanese Farm-chemicals Association provided by the plaintiff were about the product made domestically and not the product made by the licensee; and the product for test sales was imported from Japan.

2.1.2 The Beginning of Regress: 1994–2012

Based on the misinterpretation of the draft Article 31 (b) of the TRIPS Agreement as allowing only three substantive grounds for compulsory licence,¹² namely national emergency, non-profit use for public interest, and failure of the applicant to reach voluntary licensing agreement with the patentee under reasonable commercial terms within a considerable period of time, in 1994 the TIPO proposed to delete the general clause for CL against not or insufficient working of patent¹³ and recognize only four specific grounds for compulsory licensing: (1) national emergencies, (2) not-for-profit use of a patent for the enhancement of public welfare, (3) failure to reach a voluntary licensing agreement with the patentee, (4) remedy against anti-competitive conduct (Article 67 renumbered as Article 78 and as Article 76 in 2003). In addition, a mandatory cross-licensing mechanism was also envisioned to cure the failure of a dependent patentee whose invention was based on the invention of others to reach a voluntary licensing agreement with such other patentees, as well as to cure the failure of a method patentee whose products made with the said method are covered by the product patent to reach a voluntary licensing agreement with such product patentee (Article 80, renumbered as Article 78 in 2003¹⁴). The proposal was accepted entirely by the Legislative Yuan and became law in 1994.

¹⁰ The Executive Yuan Tai (71) SuTze 17491 (18 October 1982).

¹¹ The Supreme Administrative Court 1983 Pan-Tze 359 Decision (decided on 7 April 1983).

¹² Document of the Legislative Yuan of 1 January 1994, Second Congress, First Session, 48th Meeting. It has been widely accepted by the international IP community that Article 31 of the TRIPS Agreement imposes only a stringent procedural requirement but leaves Members leeway in deciding the grounds for issuing CL. For more details, see the chapter "The Use of Compulsory Licences in Latin America" by Carlos M. Correa, in this volume.

¹³ However, some commentators lauded the provision as more "up to date". See Chen (1997), p. 109.

¹⁴ In 1997, an additional requirement was inserted into this Article: "the dependent invention or the method patent must 'involve an important technical advancement of considerable economic significance in relation to the prior invention or product patent'".

Only two applications had been filed between 1994 and 2012. While the first led to the grant of a CL by the TIPO against Philips (“Philips CD-R case”) to remedy failure to reach a voluntary licensing agreement with Philips,¹⁵ the second was later withdrawn by the applicant.¹⁶

The Philips CD-R Case

Philips, Sony, and Taiyo Yuden have pooled their patents on CD-R together and jointly licensed the pooled patents through a Joint Licensing Agreement (JLA)¹⁷ in 1992 with one royalty formula: 3 % of the net sales price and not lower than ¥10 (Japanese Yen). Philips was designated as the sole contact for licensing the pooled patents. The market price of a CD-R disc at the time the JLA was entered into was approximately ¥300, making 3 % of which almost identical with ¥10. However, the market price of CD-Rs in the meanwhile dropped drastically and made the price floor of ¥10 unbearable. In July 2002, GigaStorage, a Taiwanese CD-R manufacturer and once a licensee of CD-R patents held by Philips, filed with TIPO an application for compulsory licence of the five patents owned by Philips after fruitless negotiation with Philips to reduce the royalty to reflect the falling prices of CD-Rs.

A. The TIPO Granted Compulsory Licence Against Philips

The TIPO came to a decision 2 years later (in 2004) and permitted the applicant the use of Philips’s five patents primarily to satisfy the needs of domestic market to the dates when they expired (ranging from 26 January 2007 to 19 December 2009).¹⁸ The TIPO did not touch upon the sensitive issue of appropriate compensation since the object of the application for compulsory licence was limited to the granting of such and did not involve the calculation of compensation. However, no agreement on the calculation of compensation has ever been reached between the two parties. The case was appealed to the Taipei Administrative High Court in August 2006.

B. The TIPO Annulled the Granted Compulsory Licence

GigaStorage and Philips filed separately with the TIPO applications to annul the compulsory patent licence on 23 April and 5 May 2006. Among other reasons,

¹⁵ For more details, see Liu (2011), pp. 83–104.

¹⁶ The unsuccessful fate of the CL against Philips might have played a role in the withdrawal of the application because the applicant was also a local CD-R manufacturer.

¹⁷ The JLA was declared a cartel agreement among competitors and banned by the Taiwanese Fair Trade Commission (TFTC). Accordingly, Philips, Sony, and Taiyo Yuden started to license their own patents separately despite the later Supreme Administrative Court decision that rejected the determination by the TFTC. For more details, see Liu (2011), pp. 86–87.

¹⁸ For more details, see Liu (2011), p. 88.

GigaStorage's main consideration was that it would cease to manufacture CD-Rs in Taiwan on 31 May 2007 and no longer need the CL. Philips's application was based on the ground that the licensee exceeded the limit of "primarily for domestic market" by exporting more than 50 % of its production made under the CL. Philips went further to demand that the licence be retroactively annulled, hoping to eradicate any precedential effect of the TIPO's decision.

On 31 May 2007, the TIPO annulled the CL with immediate rather than retroactive effect as requested by Philips. Its reasoning was twofold: GigaStorage no longer needed the use of the patents and no other public interest was at stake, and evidence provided by Philips could not directly prove that GigaStorage exported more than 50 % of its production made under the CL.¹⁹

C. The Taipei Administrative High Court Rescinded the TIPO's Decision to Grant Compulsory Licence

Regardless of the fact that the TIPO annulled the CL with immediate effect on 31 May 2007 and that the compulsory licence was granted only to GigaStorage, the Taipei Administrative High Court rescinded the decisions of the TIPO on 13 March 2008, but only on the ground that the TIPO failed to take into consideration factors other than the way royalty is calculated when determining "the reasonable commercial terms". Given the fact that GigaStorage and Philips entered into a settlement agreement on 29 October 2007,²⁰ the TIPO decided not to appeal the decision, which made the case final.

2.1.3 Race to the Bottom: 2013 Patent Act

Under the TIPO's initiative,²¹ the Patent Act was revised on 29 November 2011 by the Legislative Yuan to limit the TIPO's power to grant CL. The amendment took effect on 1 January 2013. The new provision largely closes down the possibility of granting CL upon application to three narrowly defined situations: (1) - non-commercial exploitation for enhancement of public interest, (2) exploitation of dependent patents, (3) commission by a patentee of acts restricting competition or unfair competition acts determined by a court or by the Taiwanese Fair Trade Commission (TFTC).

¹⁹ The TIPO Tzefatze No. 09618600360 (31 May 2007).

²⁰ For more details, see Liu (2011), p. 89.

²¹ The European Union reacted strongly to the TIPO's decision to grant compulsory licence against Philips and demanded that Taiwan revise provisions on compulsory licence and "ensure that precedential effects of the measures are eliminated, including ensuring that the compulsory licenses are revoked in their entirety" within 2 months from the transmission of the report to the TIPO. Under such threat, the TIPO undertook to revise the Patent Act.

Article 87(2) prescribes grounds for compulsory licensing:

1. Under any of the following circumstances, for which compulsory patent licensing is necessary, the Specific Patent Agency may, upon request, grant compulsory licensing of a patent: (1) where the patented invention is exploited non-for-profit for the enhancement of public interest; (2) where a later invention or utility model patent cannot be exploited without infringing a prior invention or utility model patent, and where the later invention or utility model patent involves an important technical advancement of considerable economic significance in relation to the prior invention or utility model patent; (3) where a patentee has been found committing acts restricting competition or unfair competition acts by a court or by the TFTC.²²

Application for CL of a patent covering semiconductor technology shall be filed based on the grounds set forth in Subparagraphs 1 and 3 of the preceding Paragraph (Article 87(3)). Application for CL of a patent in accordance with Subparagraphs 1 through 2 of Paragraph 2 may only be permitted if the requestor for CL has made efforts to obtain authorisation from the right holder on reasonable commercial terms and conditions and such efforts have not been successful within a reasonable period of time (Article 87(4)). In response to a request for compulsory licensing of a patent in accordance with Subparagraph 2 of Paragraph 2, the owner of the prior patent may propose reasonable terms and conditions and seek the grant of CL of the later patent owned by the requestor (Article 87(5)). Article 88 prescribes the procedure, scope, duration, etc. of a CL. Article 89 deals with the termination of a CL.

2.2 Government Use

2.2.1 1944–1994: Limitation or Expropriation of Patents for the Military or State-Run Businesses

The Patent Act did not contain a general government use clause but mentioned two specific kinds of government use. Article 72 stipulated that the government may limit or expropriate patents entirely or partially for military purposes or to meet the needs of state-run enterprises, provided that the patentees have been compensated with money. No record or literature shows that this Article had ever been put to use prior to its deletion in 1994.

²²Theoretically, any violation of the Fair Trade Act, which is composed of antitrust and unfair competition law, would suffice. However, violation of the unfair competition provision alone would hardly justify the grant of a compulsory licence.

2.2.2 1994–2012: Further Narrowing Down Government Use to National Emergency

Replacing Expropriation with Compulsory Licence

The reason for the deletion of Article 72 of the Patent Act was that “the grounds for CL will be limited by this amendment to national emergency, public-interest-enhancing non-profit use and failure to reach licensing agreement under reasonable commercial terms within a reasonable period. In case of national emergency, a much more serious scenario than the military use and with stricter requirements, only compulsory license of patents can be applied for, whereas expropriation of patents can be applied to military use. This seems to be out of balance. As for the expropriation of patents to meet the needs of state-run enterprises, it runs counter to the established policy of privatisation of state-run enterprises. To avoid undue involvement of the public sector in private economic activities, such provision is therefore deleted”. The deletion has not aroused much debate even though it is very dubious whether compulsory licensing for national emergency and government use for the military are comparable at all and it is not clear which scenario can be said to be more serious than the other.

The Practice: The Tamiflu Case

On 31 October 2005, the Department of Health (DOH) filed with the TIPO an application for a CL to use a patented drug owned by Gilead Sciences, Inc., USA and exclusively licensed to F. Hoffmann-La Roche Ltd, Switzerland. The application was motivated by the fear that an epidemic of avian flu might break out in Taiwan. In less than 2 months, the TIPO approved conditionally the application for manufacturing such patented capsules until 31 December 2007. Thanks to the fact that the feared epidemic did not break out, the CL was not implemented.²³

2.2.3 The 2013 Patent Act

The 2013 Patent Act’s revision of government use was mainly driven by the need of government authorities to respond to national emergency or other circumstances of extreme urgency immediately without having to file an application for compulsory licence and for the sake of “clearly delineating the division of competence and responsibility between offices” (cited from the legislative reasons). There has not been much parliamentary debate on this revision. According to Article 87 (1), in response to national emergency or other circumstances of extreme urgency, the TIPO shall, in accordance with an Emergency Order or upon notice from the

²³ Liu (2008), p. 67.

competent central government authorities, grant compulsory licence and notify the patentee as soon as reasonably practicable. In other words, the TIPO no longer has to make a decision and will just issue a compulsory licence automatically.

2.3 *Assessment of the 2013 Patent Act Regime on Compulsory Licence and Government Use*

2.3.1 **Compulsory Licence**

By and large, the new provisions on compulsory licensing are in regress, rather than progressing, in terms of furthering public interests, mainly because a general clause for compulsory licence is missing (such as Article 67 of the Patent Act between 1949 and 1994), which is common in Germany,²⁴ Japan,²⁵ and the UK.²⁶

The Legacy of the Philips CD-R Case

The Philips CD-R case was annulled by the TIPO on the ground that it was no longer needed and by the Taipei Administrative High Court for not being inclusive enough in determining reasonable commercial terms and conditions. Notwithstanding, the substantive reasons of the Philips CD-R case remain unchallenged and therefore command precedential or at least guiding effects for the interpretation of the new patent law.

According to the Philips CD-R ruling, the standing of the applicant to file for compulsory licence will not be affected by his/her use of the patent at issue prior to the filing²⁷; factors to be taken into consideration when determining the reasonable commercial terms and conditions include the calculation methods for royalty; the benefits to the licensor and licensee; the shared risks; the renown of the technical brand; market demands; the scope, duration, and technology of the licence; horizontal competition; conditions in the licensing market; and the clauses contained in the licensing agreement.²⁸ It cannot be concluded as reasonable commercial terms and conditions when it is solely based on the calculation methods for royalty proposed by the applicant; “reasonable period of time” shall be determined

²⁴ See the chapter “Compulsory Licensing in Germany” by Philipp Maume, in this volume.

²⁵ Masabumi Suzuki/Yoshiyuki Tamura, chapter 5 in Liu and Hilty (2012), pp. 33–60.

²⁶ For a detailed discussion of the patent law of the UK, see Liu (2012), p. 688.

²⁷ Liu (2008), p. 67. Whether the alleged infringer of a patent can use CL as a defence against infringement claim only when the TIPO actually granted such licence beforehand remains to be clarified by courts.

²⁸ Liu (2011), p. 89.

according to general social conceptions and not unilaterally by the length asserted by either the applicant or his/her opposing party.²⁹

Depriving the Patentee of Procedural Right to Be Heard Prior to the Grant of Compulsory Licence in Circumstances of Extreme Urgency

It is undoubtedly true that national emergency allows no time for negotiating a voluntary licensing agreement for the needed patent. That's why the second sentence of Article 31 (b) of the TRIPS Agreement waives a prior negotiation requirement as stipulated in the first sentence. However, the basic right of being heard before the handing down of an adverse decision cannot be waived altogether in other circumstances of extreme urgency. In addition, the involvement of the patentee before the competent central government authorities can substantially contribute to the correct evaluation of the case and the outcome of such a compulsory licence.

Abandoning the TIPO's Gatekeeper Role in National Emergency and Circumstances of Extreme Urgency

In case of national emergency and circumstances of extreme urgency, all that is required of the TIPO is to notify the patentee as soon as reasonably practicable. The TIPO no longer has any role to play. Whether the requested patent is the right cure compared to other alternative patents and whether some ancillary orders (such as providing aid or know-how information³⁰) are required to work the CL are entirely left with the President or the competent central government authorities, who are unfamiliar with the patent landscape. The TIPO should at least intervene when the President and the competent central government authorities decide on the grant of CL and not abandon its gatekeeper role.

Erroneously Limiting Public Interest Use to Not-for-Profit

The provision on not-for-profit use that would enhance public interest stands out for two reasons. For one thing, it does not elaborate on the meaning or scope of public interest,³¹ which provides courts with little guidance on its application. Without clear guidance, courts in Taiwan tend to interpret public interest narrowly. For

²⁹ Liu (2008), pp. 68–70.

³⁰ For a detailed discussion of ancillary orders that are required to make the issued compulsory licence work, see the chapter "Ancillary Orders of Compulsory Licensing and Their Compatibility with the TRIPS Agreement" by Richard Li-dar Wang, in this volume.

³¹ According to Chen (1995), p. 186, public interest should be interpreted broadly to include at least national defence, national health, medicines, food, and environmental protection.

another, it limits such CL to not-for-profit use, a limitation that is in itself infeasible in a market economy and therefore cannot be found in the much looked-up patent law of, say, Germany and the UK.³² Not-for-profit should not be the precondition for compulsory licence.³³

Public Non-commercial Use Stricter Than TRIPS³⁴

According to Article 87(3), the application for public non-commercial use may only be permitted if the applicant for compulsory licence has made efforts to obtain authorisation from the right holder on reasonable commercial terms and conditions and such efforts have not been successful within a reasonable period of time. However, under Article 31(b) of the TRIPS Agreement, this requirement of prior unsuccessful negotiation may be waived by a Member in cases of public non-commercial use. In comparison, Article 87(3) is stricter than Article 31(b) of the TRIPS Agreement and wrongfully favours patentees' interest over public interest.

The Immediate Determination of Remuneration Runs the Risk of Being Premature and Incorrect

According to Article 88(3), a decision on an application for compulsory licence shall indicate the required remuneration. The legislative reason was that "the current two-stage approach (negotiate first, the TIPO intervenes later when dispute arises) was time-consuming and the patentee cannot be compensated in time". Indeed, in Germany, the remuneration will be decided by the Federal Patent Court when it grants CL and the payment of which is the precondition for such a grant.³⁵ However, in Germany, one can rather easily draw a good picture of what constitutes reasonable compensation for a specific licensing agreement with help from literature such as "Licensing Rates for Technical Inventions".³⁶

In sharp contrast, it would be extremely difficult, if not impossible, for the TIPO to intervene and decide the reasonable remuneration in a void (without external help) and in advance. Only the later and actual development of the market can

³² For a detailed discussion of the patent law of Germany, see Liu (2012), p. 689.

³³ Patent Declaration that "In determining the scope and duration of a compulsory license states should take into account the commercial interests of licensees. A Compulsory licensee should not be deprived of the possibility of obtaining reasonable compensation and an adequate return on investment. Otherwise, he or she will have no incentive to apply for a compulsory license in the first place." (Paragraph 32).

³⁴ Shieh (2012), p. 49.

³⁵ Wilhelm in Fitzner/Lutz/Bodewig, PatRKomm, 4th ed., 2012, PatG § 24 Rn. 56; Benkard/Rogge, Patentgesetz, 10th ed., 2006 § 24, Rdnr. 33.

³⁶ For a detailed discussion, see Liu (2012), p. 696.

better tell. One wonders why the Patent Act would not follow the wisdom of the “Orange Book” decision by the German Supreme Court by requiring the applicant to first pay an amount according to equitable discretion and letting the parties work out the difference later with the assistance from the TIPO.

Unduly Excluding Design Patents from Compulsory Licensing

Article 87(2) mentions only invention patents and utility model patents as the scope of CL and government use, and Article 142 does not apply Articles 87 and 88 *mutatis mutandis* to design patents. This seems to mismatch the growing importance of design patents in an interconnected world.³⁷ According to the Copyright, Designs and Patents Act 1988, UK, the government has power to grant CL for both registered and unregistered designs for protection of the public interest.³⁸ This would be very much needed Taiwan in the foreseeable future.

2.3.2 Government Use

The Legacy of the Tamiflu Case

According to the Tamiflu case, which was not challenged by the parties or courts, what constitutes a national emergency shall be determined by competent national authorities alone; in case of national emergency, the patent at issue needs not be the only or last means to cope with it, and the guarantee by the patentee that he/she will provide the patented drug ahead of the scheduled delivery date cannot dissolve the national emergency in time.³⁹

³⁷ However, some are still of the opinion that design patents are not related to public interest at all; see Yang (2003), p. 456.

³⁸ Section 238 provides: (1) Subsection (1A) applies where whatever needs to be remedied, mitigated or consists of or includes—(a) conditions in licences granted by an unregistered design right owner restricting the use of the design by the licensee or the right of the design right owner to grant other licences, or (b) a refusal of a design right owner to grant licences on reasonable terms. (1A) The powers (by the Secretary of State, the Competition Commission or the Office of Fair Trading) conferred by Schedule 8 to the Enterprise Act of 2002 include power to cancel or modify those conditions and, instead or in addition, to provide that licences in respect of the design right shall be available as of right. (3) The terms of a licence available by virtue of this section shall, in default of agreement, be settled by the comptroller. Section 270 provides the same powers exercisable for protection of the public interest when it comes to registered designs: (1) The registrar may by order cancel or modify any such condition or may, instead or in addition, make an entry in the register to the effect that licences in respect of the design are to be available as of right. (2) The terms of a licence available by virtue of this section shall, in default of agreement, be settled by the registrar on an application by the person requiring the licence; and terms so settled shall authorise the licensee to do everything which would be an infringement of the right in the registered design in the absence of a licence.

³⁹ Liu (2008), pp. 71–75.

The Scope and Requirement of Government Use Too Narrow and Stringent

The 2013 Patent Act mistakenly limits government use to national emergency and circumstances of extreme urgency, excluding other public interest concerns that might be of lesser gravity yet equally legitimate, such as health care, environment protection, and national defence. The Patent Act further ties national emergency only to an Emergency Order issued by the President, which happened only once after the lifting of Martial Law in 1987.⁴⁰ What's really worrying is that the function and legitimacy of government use seem to have gradually faded away from the realm of patent law under the influence of technocrats of the TIPO.

3 The Fair Trade Act

In principle, CL can also be acquired via the application of the Fair Trade Act. However, the TFTC has not yet seen compulsory licence as one of the “necessary corrective measures” of the Fair Trade Act, although it did find a violation of the Fair Trade Act in the Philips CD-R case.

The FTTC found in the Philips CD-R case abuses of a joint monopolistic position by and cartel⁴¹ among Philips, Sony, and Taiyo Yuden and imposed NT \$8 million, NT\$4 million, and NT\$2 million fines, respectively, but in one administrative decision and not three. While the Taipei Administrative High Court upheld the first finding and overruled the second, it found itself unable to render an “affirmed-in-part, vacated-in-part” decision and was compelled to rescind the TFTC’s decision as a whole. Both the TFTC and the complainant appealed the case to the Supreme Administrative Court, which was rejected on 4 April 2007.⁴²

The case was remitted back to the TFTC, which came to the same conclusion that the following exploitative abuse of monopoly power violated Article 10(2) and (4) of the Fair Trade Act: refusing to renegotiate royalty with licensees while there have been significant changes in the market; refusing to provide licensees with

⁴⁰ In 1999, an Emergency Order was issued by the President after a magnitude 7.3 earthquake hit Taiwan.

⁴¹ However, the Taipei Administrative High Court was of a totally different opinion and was guided by the following facts: (1) the TFTC has determined the relevant market to be the “CD-R technology market”; (2) what the TFTC defined as CD-R is products produced in accordance with the standards specified in the Orange Book set up by Philips and Sony; (3) local CD-R manufacturers must use all the patents owned by Philips et al. in order to make CD-Rs; (4) using patents of any one of the three companies would not be sufficient to manufacture CD-Rs; (5) therefore, patents owned by Philips et al. were complementary in nature and every pooled patent was indispensable, which made the patented technology no longer substitutable, and no competition relationship could exist between Philips et al.

⁴² The Supreme Administrative Court Pantze 553 of 2007 (4 April 2007).

information about the content, scope, or valid term of the licensed patents; and commanding that licensees not challenge the validity of the licensed patents.⁴³

In case the TFTC reaches the finding that an IP owner has abused its monopolistic market power by charging prohibitively high royalty, it is arguably desirable for the TFTC to issue CL thereupon so as to avoid the delay that will ensue when the victim of such abuse has to file with the TIPO an extra application for compulsory licence.

4 Concluding Remarks

Taiwan has accepted the amendment of the TRIPS Agreement proposed by the general council of the World Trade Organization on 31 July 2012. To honor that international commitment the 2013 revision to the Patent Act introduces provisions on Compulsory licensing for pharmaceuticals to export (CLPE). Article 90 prescribes grounds of and procedures for CLPE for assisting countries with insufficient or no manufacturing capacities in the pharmaceutical sector to obtain pharmaceutical product(s) needed in treating HIV/AIDS, tuberculosis, malaria, and other epidemics. Article 91 deals with the export of patented pharmaceutical products made under the compulsory licence and the remuneration for the patentees.

Although CLPE is conceptually similar to government use, it differs from the latter in that it is the result of international human brotherhood and therefore for the use of foreign government rather than for domestic government.

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⁴³ The TFTC Tzutze 098156 (29 October 2009).