

OPINION

Compulsory Licensing under a Unitary Patent

Hugh Dunlop

Partner, Maucher Jenkins, London

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Expectations are high that the European Unitary Patent and the Unified Patent Court will get off the ground very soon. The new court will have jurisdiction over unitary patents (and “traditional” patents granted under the EPC that are not opted-out) for actions in relation to patent infringement and licences of right, but compulsory licences are supposed to be left to national courts. This article explores whether this assumption may be challenged and, even if it stands, whether national courts may take an EU-wide view of compulsory licences under unitary patents.

Status of unitary patent project

Following the ratification of the UPC Agreement by the Netherlands on 28 September 2016, it only remains for UK and Germany to ratify, and the unitary patent and unified court system will begin four months and a day later.¹ The UK Government made a surprise announcement on 28 November 2016 of its intention to proceed with ratification, notwithstanding the Brexit referendum. This is more than mere posturing and it gives a boost to the prospect that the project may proceed sooner rather than later. Accordingly, it is not premature to consider one of the more esoteric aspects of patent law in Europe—compulsory licensing—and how it might apply to a forthcoming unitary patent.

International Treaties and European domestic law on compulsory licensing

Article 5 of the Paris Convention provides that

“each country of the Union shall have the right to take legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent, for example, failure to work”.

Most, if not all, EU states have indeed provided for compulsory licensing in their legislation.²

It is provided in TRIPS that the scope and duration of any use of the subject-matter of a patent without the authorisation of the right holder shall be limited to the purpose for which it was authorised,³ and that any such use shall be authorised predominantly for the supply of the domestic market of the member authorising such use.⁴

Failure to work an invention, or insufficient working, is one of the usual grounds for the grant of a compulsory licence. The blocking of use of a dependent patented invention is another, when the improvement invention in comparison with that of the patent with the older seniority is an important technical advance of considerable economic significance.⁵

Article 5(4) of the Paris Convention limits applicants from applying for a compulsory licence on the ground of failure to work or insufficient working 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, and also permits a patentee to resist the application by justifying non-working.

It is a requirement of TRIPS art.31(b) that any compulsory licensing of a patent (or government use or any other use without the authorisation of the right holder) may only be granted if the putative licensee has first made efforts to obtain authorisation from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. This is incorporated into domestic law of many EU states.⁶

Note that the Paris Convention prohibits outright forfeiture of the patent (except in cases of abuses that cannot be resolved by compulsory licence).

Compulsory licensing under a unitary patent

It is clear that the authors of Regulation 1257/2012 left compulsory licensing under unitary patents to national courts. This is set out in Recital 10:

¹ UPC Agreement, final Recital; and Regulation 1257/2012 art.18.2.

² e.g. UK Patents Act ss.48–50

³ TRIPS art.31(c).

⁴ TRIPS art.31(f).

⁵ UK Patents Act s.48(A)(b)(i); German PatG §24(2); and French Intellectual Property Code art.L613-15.

⁶ UK Patents Act s.48A(2); German PatG §24(1) proviso (i); and French Intellectual Property Code art.L613-12.

“Compulsory licences for European patents with unitary effect should be governed by the laws of the participating Member States as regards their respective territories.”

But is this enough to make compulsory licensing of an EU-wide right a national matter for national courts? There are a number of reasons why this might not be so.

The first is that the UPC does not necessarily lack jurisdiction. Article 32 of the UPC Agreement sets out the actions that are within the “exclusive” competence of the UPC. The list includes actions for compensation for licences of right under art.8 of the Unitary Patent Regulation,⁷ but not compulsory licences. Article 32(2) leaves everything not on the list to the national courts, without specifying any exclusivity.⁸ Commentators ask the question⁹ whether it is open for the UPC to seize non-exclusive jurisdiction over compulsory licensing.

The second is the EU-wide nature (barring Spain, Poland, Croatia and those yet to ratify) of the right to be licensed. Is the compulsory licensing of an EU-wide right indeed a national matter? In other words, might a national court grant a compulsory licence under a unitary patent without limitation to the jurisdiction of that court?

At first sight, the grant of a compulsory licence with EU-wide scope might seem contrary to TRIPS (“any such use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use”). Might a national court be so bold as to say that its “domestic market” is the EU (applying a “single market” principle)?

It may be noted that the CJEU has already ruled that domestic law would be contrary to art.34 TFEU¹⁰ if it permits the grant of a compulsory licence on the grounds of insufficiency of exploitation of a patent within only part of the EU when the demand is satisfied by importation from other Member States.¹¹ Here we are contemplating the opposite scenario—a situation where grounds for a compulsory licence exist (e.g. the demand in a particular Member State where the action is brought is not being met even by importation from elsewhere in the EU) and the patentee asks the court to limit the territorial scope of the compulsory licence to just that state.

One might say that a national court *cannot* grant a compulsory licence with an absolute territorial limitation under an EU-wide right, because such a limitation would be contrary to art.35 TFEU¹² or contrary to art.101 TFEU.¹³

There has been a longstanding doctrine that IP rights are national rights that can, for that reason, trump EU competition law (going back to *Parke Davis & Co v Probel* (C-24/67)¹⁴). But such an assumption falls away with a unitary patent. It is quite possible that a national court, having decided that grounds for a compulsory licence exist (e.g. domestic demand not being met) might take a broad interpretation of the “domestic market” obligation under TRIPS and might not limit the scope of a compulsory licence to the court’s own jurisdiction on the grounds that (1) to do so would be contrary to art.35 or art.101 TFEU, or (2) if the domestic demand is not being met even by importation from elsewhere in the EU then there must be unfulfilled demand across the EU, so there is no need to limit the territorial scope.

The situation in the UK is a little clearer. UK law has been amended to comply with TRIPS, so that (in the case of a patent whose proprietor is from a WTO country) the UK court must limit the scope of the licence, so that the licence *shall be predominantly for the supply of the market in the UK* (whether from within the UK or elsewhere in the EU)—Patents Act s.48A(6).

In Germany, there is not only emphasis on the purpose of supplying the domestic market, but also emphasis on where that supply is coming from:

“PatG §24(5): Übt der Patentinhaber die patentierte Erfindung nicht oder nicht überwiegend im *Inland* aus, so können Zwangslizenzen im Rahmen des Absatzes 1 erteilt werden, um eine ausreichende Versorgung des Inlandsmarktes mit dem patentierten Erzeugnis sicherzustellen. Die Einfuhr steht insoweit der Ausübung des Patents im Inland gleich”,

which may be translated as:

“If the practising of the patented invention by the patentee is not or predominantly not from Germany, a compulsory licence in the context of paragraph 1 may be granted to ensure an adequate supply of the domestic market with the patented product. Importation equates to domestic working of the patent.”

In the context of an application to a German court for a licence under a German patent, it is quite appropriate to translate “im Inland” as meaning “from Germany”. In the context of an application to a German court for a licence under a unitary patent, it could be translated as “from within the EU” or “from Germany” depending on the severity of the non-working (e.g. unfulfilled demand across the EU). If the latter were argued and proven by

⁷ UPCA art.32(1)(h).

⁸ UPCA art.32(2): “The national courts of the Contracting Member States shall remain competent for actions relating to patents and supplementary protection certificates which do not come within the exclusive competence of the Court.”

⁹ C.S. Petersen et al., “The Unified Patent Court, Compulsory Licensing and Competition Law”, *Nordiskt Immateriellt Rättskydd* (29 August 2014), SSRN, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2489006 [Accessed 1 May 2017].

¹⁰ Art. 34 TFEU art.34: “Quantitative restrictions on imports and all measures having equivalent effect shall be prohibited between Member States.”

¹¹ *Commission of the European Communities v United Kingdom* (C-30/90) EU:C:1992:74; [1992] 2 C.M.L.R. 709.

¹² TFEU art.3: “Quantitative restrictions on exports, and all measures having equivalent effect, shall be prohibited between Member States.”

¹³ TFEU art.101: “The following shall be prohibited as incompatible with the internal market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the internal market.”

¹⁴ *Parke Davis & Co v Probel* (C-24/67) EU:C:1968:11; [1968] C.M.L.R. 47.

an applicant for a compulsory licence, would there be any need for the court to limit the scope of the licence to “predominantly for the supply of the market in Germany”?

Conclusion—forum-shopping for compulsory licences?

Some day we may have to consider whether a licence under a unitary patent that is limited “for the supply of the market in Germany (or some other Member State of

the unitary patent package)” is compliant with arts 35 and 101 TFEU, but a bigger issue is whether some court may emerge that takes a broad interpretation of the “domestic market” obligation under TRIPS and starts granting EU-wide compulsory licences under unitary patents on more favourable terms than are being offered in licensing negotiations, thereby creating a new forum for shopping for such licences. Should there be concern that this may arise, it may be a discouragement to applicants against selecting the unitary patent route.