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Compulsory licences and legal compliance

Thailand's recent decision to issue compulsory licences for certain drugs has been reported widely at home and abroad. Yet, despite the extensive media coverage, few people completely understand the concept and role of compulsory licences, particularly in relation to patents and other forms of intellectual property (IP) rights.

The first step in understanding a compulsory licence is to understand that IP owners will obtain a time-limited period of protection for their invention or creation. Depending on the type of invention, the protection exists as a property right that enables the owner to prevent other people from using it. For instance, an invention owner may obtain a patent that would allow him to prevent people from importing, selling or manufacturing the protected invention for up to a maximum of 20 years. During this period, the patent owner may decide to permit someone to use the invention. In such a case, a voluntary licence may come into force.

A compulsory licence, on the other hand, is a form of permission given (often by a court) to a person to use an IP right without the IP owner's consent. Since a compulsory licence roughly equates to forfeiture of property rights, both international and Thai national law set out a number of restrictions as to when and how compulsory licences may be used. These restrictions are necessary to uphold the role and value of the IP system.

The parameters within which a country may legally permit a compulsory licence are set out in the World Trade Organisation's Trade-Related Aspects of Intellectual Property Rights (Trips) agreement. It is important to note that the Trips Agreement itself is not Thai law — it is an agreement between WTO nations to implement certain minimum levels of IP protection into national law. Therefore, when determining the procedure and grounds for a compulsory licence, people must pay regard to the relevant Thai laws.

In the context of patent compulsory licences in Thailand, the relevant law is the Patent Act B.E. 2522 (AD 1979), amended in 1992 and 1999. That legislation permits various types of voluntary and compulsory licences in Sections 45-47 and 50-52. The instances in which a compulsory licence may be invoked are quite limited and various safeguards are presented in these sections.

The recent actions by the Ministry of Public Health in seeking compulsory licence over various pharmaceutical patents took place under Section 51 of the Patent Act — a so-called government use compulsory licence. Section 51 permits government ministries and departments to seek a compulsory licence subject to compliance with a number of preconditions. This is an area of difficulty with the recent compulsory licences since some people dispute whether the government correctly followed the steps laid out in Thai law.

The purposes for which the government can issue a compulsory licence are limited to the following: (a) to carry out any service for public consumption or defence of the country; (b) for the preservation or acquisition of natural resources or environment; (c) to prevent or alleviate a severe shortage of food or medicine or other consumer goods or foodstuffs; and (d) for the sake of other public interests.

In order to obtain the licence, a reading of Sections 50 and 51 of the Patent Act is crucial to understand the procedures. A government department may exploit an invention, but it will be obliged to pay a royalty to the patent owner and it must notify the patentee without delay. In particular, an "offer" must be submitted to the director-general of the Department of Intellectual Property, and this offer must specify both the royalty and the proposed terms. Section 50 sets out a detailed procedure for the negotiations and the procedure that must be followed before the DIP director-general may issue the compulsory licence.

Supporters of the recent compulsory licence actions have argued that compulsory licences are frequently used internationally, even in the US and in the EU. While this is certainly the case with some forms of compulsory licences, it is not entirely correct with respect to government use of compulsory licences.

Internationally, compulsory licences are a useful judicial remedy in court cases involving breaches of laws or disputes between trading competitors. They are also common for inventors of new technologies who may require a licence of existing technologies to use the new invention. However, government use of compulsory licences is regarded by some as a more draconian action since it typically results in far more elevated losses for the patent owner.

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