COMPULSORY LICENSING

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The recent compulsory license initiatives by the Thai government with respect to pharmaceutical patents was reported widely both in Thailand and further afield. Yet, despite the extensive media coverage, few people completely understand the concept and role of compulsory licenses, particularly in relation to patents and other forms of intellectual property (IP) rights.

The first step in understanding a compulsory license is to understand that the owner of an IP right will obtain a time-limited period of protection for his or her invention or creation. Depending on the type of innovation or creation, the protection exists in the form of a property right that enables the owner to prevent other people from using that innovation or creation. For instance, the owner of an invention may obtain a patent that would enable 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 somebody to use the invention and in such a case a voluntary license may come into force. A compulsory license on the other hand is a form of permission that is given (often by a court) to a person to use an IP right without the consent of the owner of that IP right. As a compulsory license roughly equates to a forfeiture of property rights, both international and Thai national law set out a number of restrictions as to when and how the rights may be used. These restrictions are necessary to ensure that the role and value of the IP system is not undermined.

The parameters within which a country may legally permit a compulsory license are set out in the World Trade Organization'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. Hence, when determining the procedure and grounds for a compulsory license, regard must be paid to the relevant law that exists in Thailand. In the context of patent compulsory licenses in Thailand, the relevant law is set out in the Patent Act B.E. 2522 (A.D. 1979) as amended in 1992 and 1999. That legislation permits various types of voluntary and compulsory licenses in Sections 45-47 and 50-52. The instances in which a compulsory license 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 license over various pharmaceutical patents took place under Section 51 of the Patent Act – a so-called government use compulsory license. The Section permits government ministries and departments to seek a compulsory license subject to compliance with a number of preconditions. This is an area of difficulty with recent compulsory licenses as there is dispute as to whether the correct steps as required by Thai law have been followed correctly.

The purposes for which the Thailand government can issue a compulsory license are limited to the following: (a) to carry out any service for public consumption or defense 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 license, 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 set out both the royalty and the proposed terms. Section 50 sets out a detailed procedure for the negotiations of the parties and the procedure that must be followed before the Director General of DIP may issue the compulsory license.

Supporters of the recent compulsory license actions have argued that compulsory licenses are frequently used internationally, even in the US and in the EU. While this is certainly the case with some forms of compulsory license, it is not entirely correct with respect to government use of compulsory licenses. Internationally, compulsory licenses 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 license of existing technologies to use the new invention. However, government use of compulsory licenses is regarded as a more draconian action as it typically results in far more elevated losses for the patent owner. ❖