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International report - Draft Industrial Property (Rights) Law includes compulsory licence provisions

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On May 5 2016 the draft Industrial Property (Rights) Law passed the Ministry of Science, Industry and Technology commissions with minor amendments. One of the most debated issues was the application of the doctrine of international exhaustion of IP rights to all IP rights (for further details please see "Turkey poised to adopt doctrine of international exhaustion").

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Another hotly debated issue covered in the draft law is the inclusion of compulsory licensing provisions in the patent section. The existing Patent Decree-Law regulates compulsory licensing, mainly covering limited situations in which a compulsory licence over a patent right can be requested and granted. These situations are:

- non-use of the patent;
- dependency of patent subject matter; and
- matters of public interest.

The draft law appears to include the same grounds for compulsory licensing, although it adds another provision regarding the application of the Agreement on Trade-Related Aspects of IP Rights and public health. However, each provision has been broadened. In particular, the scope for granting a compulsory licence in case of failure to work has been extended, despite strong objections by non-governmental organisations (NGOs) during commission meetings.

Article 130 – the new provision on compulsory licences in case of failure to work of a patent – reads as follows:

> "*At the end of three years after publication of a patent grant in the Bulletin or at the end of four years after the patent application date – whichever date expires later– any interested party can request the issue of a compulsory licence, claiming that as of the date of the demand for compulsory license, the invention subject to the patent has not been started to use or no serious and real measures have been taken to use the patented invention or* the use of the invention does not reach a level to satisfy the national market's needs." (Emphasis added.)

It is important to note that public interest is not a pre-condition for granting a compulsory licence under Article 130 of the draft law. Article 132 provides for a compulsory licence in case of public interest as a separate situation.

The NGO arguments focused on the fact that the phrase "to satisfy the national market's needs" indicates a specific quantitative amount of production or marketing of a patented product. As there is no public interest condition, all patented products are covered, even luxury goods. Therefore, for example, a competitor of a patented product could apply to the IP Court seeking a compulsory licence on the grounds that 500,000 items of a product a year have been manufactured, used, marketed or imported, but the national market actually needs 600,000 items a year.

During the first and second commission meetings, the minister and the spokesman of the Turkish Patent Institute (TPI) responded to the NGOs by stating that the IP Court will evaluate and interpret the national market need condition on a case-by-case basis. However, there is no room for interpretation when determining the demand for a product on a market and comparing it to the amount of product marketed.

At the third commission meeting, the TPI spokesman further stated that Article 130 is in line with the Paris Convention and the convention treats compulsory licences in the same way. However, Article 5 of the Paris Convention refers to "failure to work or insufficient working", but makes no mention of satisfying local market needs. It appears that the ministry and the TPI wish to interpret 'insufficient working' as satisfying local market needs in Turkey without pre-conditioning the term 'public interest'.

The discussion continued during the EU-Turkey IP Rights Working Group, before the preparation of the EU Progress Report for Turkey. On this occasion, the TPI presented examples from other member states' patent acts (eg, Spain, Greece and Germany).

According to the 2014 World Intellectual Property Organisation Standing Committee on the Law of Patents report, Spain and Greece interpret 'insufficient working' as "failure to satisfying local market needs". In contrast, the German Patent Act clearly does not support the TPI's arguments, as Article 24(5) rules that:

> "*Where the proprietor of the patent does not apply the patented invention in Germany or does not do so predominantly, compulsory licences in accordance with subsection (1) may be granted to ensure an adequate supply of the patented product on the German market. Import shall thus be equivalent to the use of the patent in Germany.*"

First, Article 24(5) of the act refers to Article 24(1), which sets public interest as a pre-condition. Second, rather than referring to the satisfaction of national market needs, Article 24(5) states "to ensure an adequate supply of the patented product on the German market", which clearly does not point to a specific quantitative amount.

The legislature should follow Article 5 of the Paris Convention and use the terms 'non-working' or 'insufficient working', especially considering the lack of public interest condition and that the intention should be to prevent abuses which might result from the exercise of the exclusive rights conferred by the patent. It is also clear that such wording would enable the IP Court to examine whether the patent is worked by considering the characteristics of each issue. However, it seems that the draft law will be enacted as it is, without any amendment to Article 130. Therefore, the courts will determine whether the patent is worked and local market demand is satisfied.

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