

PENALTY OF 'COMPULSORY LICENSING': A DEROGATION FROM PATENT PROTECTION TO DETER THE MISUSE, AS PATENT & ANTITRUST LAW INTERFACED

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ABSTRACT

The Article discusses the specifications of ongoing tension between patent law & antitrust, as far as it is concerned with the imposition or grant of compulsory license as a penalty or remedy, while simultaneously throwing light on the scope & means to harmonize the same. While the room for an interface between the two subjects could be big, the author has deemed it appropriate to discuss the same only in light of the application of compulsory license.

The author explains what the term compulsory license in theory means, and how it looks in practical application. Throughout the article, it will be visible that the implementation or litigation around the concept is not as simple as it sounds in theory, rather it comes out in different faces, which are contradictory among themselves, and being as such, it makes the analysis complex. Different cases with varying facts give rise to contradicting results & therefore the author in the article has not provided a precise one-sided conclusion.

The author begins the analysis discussing the jurisprudence of interface, and moves on to appreciate various rights which impliedly vest with the patentee on account of the exclusive patent holding. The author further, through the discussion on various patent power-violations that we usually come across, warns of the cautious enjoyment of the exclusive right to the patent, within the ambit of patent law strictly, as not to violate the well-known antitrust principles.

The analysis in the article on the practical implementation of compulsory license is largely derived from the jurisprudence of the US, as in other jurisdictions including India, the concept has largely survived in theory only.

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INTRODUCTION

While we talk about the interface between the law of patent and antitrust, among scholars, governments & adjudicatory machinery across the globe, there have been unending debates over the magnitude of limitation that may be imposed upon the patent power in the garb of antitrust. Patentees across the world for obvious reasons oppose the intervention of antitrust authorities, as against those who are concerned with the fair competition in the market vis. consumers' as well as producers' welfare. The author, through the present paper seeks to carry forward the said literature or discussion on the interface with an in-depth analysis of compulsory license as a focal point of the intersection between the two subjects.

In order to understand the relevance of compulsory licensing in the realm of the interface, it is pertinent to have a conceptual understanding of the concept. Two types of licenses, in theory, are contemplated under the patent law of any given jurisdiction, the first being a 'voluntary license' which is a demand-consent based transaction between the patentee & licensee, while the second one is a 'compulsory license'. A License gets the qualifying tag of compulsorily given when granted by the government, patent or an antitrust authority (hereinafter, the 'authority'), to a third party in accordance with the procedure of law, with the purpose of permitting such party to exploit the patented product¹.

The need for compulsory license arises only when the request by the prospective licensee for voluntary one fails or is refused by the patentee. Hence compulsory license necessarily carries a negative relationship with the refusal to license (hereinafter, 'refusal') by the patentee. It's therefore needless to mention that compulsory license is not a matter of direct & wilful transaction between the patentee & licensee, but a legal compulsion imposed upon the former, in the favour of later and interest of the public. The author is obliged to mention here that though the concept of compulsory license is available in theory in almost every notable legal jurisdiction of the world, the developed jurisprudence with abundant cases where the penalty of compulsory license has actually been imposed is only available for the USA.

The author, therefore, in the present article with essentially the case laws of the USA, by having a little resort to the relevant jurisprudence available in Europe and India, attempts to analyse that how far the patentee's act of refusal to voluntarily grant a license is likely to be trapped under antitrust as a 'refusal to deal' and thereby get punished with the penalty of compulsory

¹ (For the purpose of this article, 'Patented product' includes patented processes as well.)

license i.e., a duty to deal (hereinafter, the ‘penalty’). Hereby the discussion will be signified with the consolidation of the relevant rulings & scattered jurisprudence which is intended to connect the said penalty and the anti-competitive conduct of refusal, as two opposite faced sides of the same coin, by having due regard to the understanding that later is a matter of a right until the statutory limit of protection exceeds.

A four-part strategy to discuss the aforesaid matter has been followed in the present article, wherein vide *Part I*, the author attempts to acquaint readers with the broad jurisprudence on interface between the two subjects and how exactly the penalty of compulsory license comes into play, which is followed by the *Part II* wherein refusal by the patentee has been appreciated as an inherent right vested by the virtue of very patent-holding, which is then warned of cautious use in the discussion under *Part III* on the possibilities where the act of refusal may exceed its statutory protection and fall in the ditch of antitrust as a refusal to deal, further attracting ‘compulsory license’ as an antitrust penalty i.e. a duty to deal. Under *Part IV*, the author discusses, in general, the conduct of leveraging ensuing from the monopoly use of patent: how it can push the patentee to refuse to deal further and whether it could attract the penalty of compulsory licensing or not. Lastly, the author concludes the article with recommendations for ‘harmonious construction’ as a means to adjudicate the relevant cases.

I. AN INTERFACE: LOCATING THE THIN LINE LIMITATIONS

The usage of a patent; purpose; and manner of the usage lies in the hands of the patentee who may end up encroaching upon the regime of antitrust, while exercising its exclusive rights under apprehension that it has absolute and unfettered discretion over the usage of a patent. To avoid such unintentional encroachments, it’s pertinent to locate at the outset, the thin lines of boundaries between two subjects.

The author with the following scenarios, attempts to locate those thin lines of limitations:

Firstly, the exercise of exclusive patent rights which follows no such ‘act’ or ‘effect’ on competition in the market, which antitrust seeks to punish;

Secondly, an enjoyment of exclusive patent rights follows such anti-competitive ‘act’ including ‘refusal to license’ or ‘effect’, which is likely to be trapped under antitrust. However, those acts of effects constitute to be what would have been foreseen by the lawmakers of patent law, as inherent & obvious consequence of the legitimate exercise of the patent right;

Thirdly, the exercise of right follows such ‘act’ or ‘effect’ which does not fall within any of the above scenarios and goes beyond the scope of patent protection. In other words, an ‘act’ or ‘effect’ ensuing from patent use, would not have been foreseen or appreciated by the lawmakers as a consequence of the patent use. For example, ‘refusal to license’ essentially goes along with an exclusive right to exploit a patent, however may be punished if accompanied with such other ‘act’ or ‘effect’ which is not protected under patent law.

In the first two scenarios, the law of patents would override antitrust, while the latter would prevail in the last-mentioned scenario. It’s in this third situation, the interface between two subjects begins, as antitrust authorities with the purpose to remedy the damages caused to competition in the market, may direct the patentee to decentralize the exploitation of a patent or in words may impose a penalty of compulsory licensing.

II. UNILATERAL REFUSAL TO LICENSE; AN INHERENT RIGHT

The Refuse to grant license is a right that naturally flows from a legal right conferred upon the patentee to bar others from using the patented invention. Therefore, the legality of ‘refusal’ lies in the very nature of the right to enjoy a patent, being ‘exclusive’ i.e., having a right to bar others from enjoying the same. This exclusive right is a reward for the invention done by the patentee and gives him a competitive advantage over the competitors.

The competitors of the patentee with the purpose to obtain ‘compulsory license’ may allege ‘refusal’ as an abuse of the patent power. Such claims of abuse could be adjudicated only after being weighed against the right of the patentee to refuse to deal (grant licence). The possibility of the latter to win is better on the premises of a reasoning discussed in the preceding para, while the chances of the former overriding the latter is not extinct and the same may occur in circumstances enumerated under the next part. The right to refuse, therefore, has been held to have not fallen afoul of the Sherman Act². This position with respect to ‘refusal’ being an obvious & natural consequence of an exclusive right is a general rule of law.³ Only in exceptional circumstances, the act of ‘refusal’ may get punished.

A line demarcating ‘refusal’ as a statutory right from those exceptional circumstances where such refusal could be punished, is vulnerable & may be exposed to unjust interventions if the objective of the two laws & accompanying jurisprudence is not understood properly. Those

² United States v. Westinghouse Electric Corp., 648 F.2d 642 (9th Cir. 1981).

³ 35 U.S.C. § 271(d).

exceptional circumstances have been tried to be delineated under part III and IV of the present article, through the analysis of the series of judgments ruled in consonance with the legislative mandate.

Now, having mentioned that ‘refusal to license’ has won legal protection through judicial precedents in the US, the author is obliged to present a clear picture of the following two aspects:

Firstly, to punish *Refusal to license* as a ‘refusal to deal’ under antitrust, a prior condition of the patent holder being ‘dominant’ in the relevant market⁴ must be established. However, there are divergent opinions on the question that whether such very dominance may be presumed or not in a case of a patent, which the author must mention, is being answered in negative more usually.⁵

Secondly, Arguendo, that the prior condition of monopoly or dominant power of the patentee is presumed or established, ‘misuse of patent’ thereto should in no case be presumed at the first place. It is needless to mention that the mere holding of the ‘Monopolist Position’ (hereinafter, used also for the entity who is dominant or has substantial market power, if not exact monopoly) is not a punishable act in itself⁶ if it’s been achieved with the grant of statutory protection like a patent or with any other justified business method.⁷ Therefore, as discussed under part I also, that the conduct of ‘unilateral refusal’ should not bother an antitrust authority unless such anti-competitive act(s) or effect(s) follow the act of ‘refusal’ which do not fall under the statutory protection of patents.⁸ Hence, it’s only when there is ‘misuse of patent’ or ‘refusal’ is accompanied by such ‘anti-competitive practice(s)’ which the legislature would neither have foreseen nor appreciated as the natural consequence of patent protection, the patent holder may be penalised appropriately with any antitrust penalty including ‘compulsory license’.

⁴ Northern Pacific R. Co. v. United States, 356 U.S. 1, 6.

⁵ Monsanto Co. v. Spray-Rite Serv. Corp., 465 U.S. 752, 761 (1984), answers the question in negative, while International Salt Co. v. United States, 332 U.S. 392 & United States v. Paramount Pictures, Inc., 334 U.S. 131 do it positively.

⁶ U.S. v. Line Material Co., 333 U.S. 287 (1948); U.S. v. Aluminum Co. of America, 148 F.2d 416 (1945).

⁷ State of Illinois v. Panhandle Eastern Pipe Line Co., 935 F.2d 1469 (7th Cir. 1991); Zenith Radio corp. V. Hazeltine Research Inc. 395, U.S. 100, 135 (1969).

⁸ In re Independent Service Organizations Antitrust Litigation, 162 F.R.D. 355; CSU, L.L.C. v. Xerox Corp., 202 F.R.D. 275 (D. Kan. 2001).

A. Colgate Doctrine: Commercial Power of the Owner-Manufacturer vis. a Patentee

While the discussion is being made upon a commercial discretion of the patentee to say ‘no’ to others, the author feels it obligatory to enlighten upon the ‘Colgate Doctrine’⁹ The case which evolved the said doctrine, although does not relate to the intellectual property but the antitrust regime, assumes significance over here due to its peculiar ruling. The ruling in essence provided that an individual denial or refusal to deal cannot be held illegal under antitrust law if such refusal to deal is not otherwise inspired by some conspiracy. Further, the owner of the product had the undoubted right to maintain the resale price (hereinafter, ‘RPM’) which if not adhered by the retailers, the owner was fully entitled to refuse to continue to deal.¹⁰ The underlying rationale is that the owner shall have every right to take commercial decisions whatsoever w.r.t to the product it owns.¹¹ The ruling subsequently invited several criticisms because of the legalization of RPM therein,¹² which otherwise under the subject of antitrust is considered illegal. Nonetheless, the doctrine may ignite inspiration for patent protection, as the significance of the commercial power of the owner which fetches exclusiveness in the enjoyment of the business over the owned product is what exactly sought to be cherished by the patent law also. Therefore, the patentee by the virtue of this inherent right may choose to maintain the resale price for the patented product and refuse to continue to deal if such fixed price is not adhered to.¹³ So, what the doctrine had intended to provide long back under the antitrust regime, although questionable therein, is acceptable under the intellectual property regime, thereby highlighting a conflict between the two subjects.¹⁴

The said commercial discretion may also be witnessed in a form of *territorial division of the market* made as per the patentee’s will. In a case,¹⁵ the patentee, a national of the federal republic of Germany granted exclusive rights with respect to patent to a licensee subject to the

⁹ United States v. Colgate & Co., 250 U.S. 300 (1919).

¹⁰ Miller Insituform v. Insituform of N.A. 830 F.2d 606 (6th Cir. 1987).

¹¹ United States v. Trans-Missouri Freight Association, 166 U. S. 290, 320, (The trader or manufacturer, on the other hand, carries on an entirely private business, and can sell to whom he pleases); Eastern States Retail Lumber Dealers' Association v. United States, 234 U. S. 600 (1914), (A retail dealer has the unquestioned right to stop dealing with a wholesaler for reasons sufficient to himself, and may do so because he thinks such dealer is acting unfairly in trying to undermine his trade);

See also, Standard Oil Co. v. United States, 337 U.S. 293 (1949); United States v. American Tobacco Co., 221 U. S. 106, 180 (1969); Boston Store of Chicago v. American Graphophone Co., 246 U. S. 8 (1917).

¹² United States v. Parke, Davis & Co., 362 U.S. 29 (1960).

¹³ Bement Sons v. National Harrow Company, 186 U.S. 70 (1902); United States v. General Electric Company, 272 U.S. 476 (1926).

¹⁴ Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S.100 (1969).

¹⁵ Brownell v. Ketcham Wire Mfg. Co., 211 F.2d 121 (9th Cir. 1954).

territorial restriction imposed, that the licensed patented product could not be manufactured & sold out of the USA. The license agreement due to territorial limitations imposed was alleged to be violative of antitrust laws. However, the allegation was rejected and the validity of the agreement was upheld. This discussion highlights another aspect of conflict as antitrust seeks to punish an act of ‘territorial division of the market’,¹⁶ but when such division happens for the patented object as per the discretion of the patentee, then such act does not itself become illegal, rather, it is called an exercise of the exclusive commercial power vested with the patentee whereby he is entitled to use his sole discretion.

B. Refusal to License: Backed by ‘Public Policy’

It’s been acknowledged as a law that the *public policy* favours patent protection & maintains an interest in the enforcement of adequate remedies for patent infringement.¹⁷ In this regard, the author finds it interesting to mention that the patentee’s refusal is presumed as a valid business justification for the consumer harm and therefore unless rebutted that such refusal is accompanied by other anti-competitive conduct, cannot be punished under the antitrust.¹⁸ Therefore, a patentee cannot be deprived of the right to say no in the garb of consumer welfare. The Patentee-monopolist, therefore, does not have to be obliged to grant licence and thereby pamper or assist its rivals,¹⁹ as the same is appreciable neither under the laws of antitrust nor that of the patents. A self-serving & arrogant business setup of the patentee is exactly a need of a free market economy, as such setup is expected to contribute to the fierce competition, which in turn would motivate the competitors to innovate and improve the quality of their products at lowest possible price and thus would build a room for consumer welfare. Hence, it isn’t remote to contemplate that consumers’ interest would rather be adversely affected if the monopolist-patentee is being very often, in practice, required by the court to grant a license to the rivals. A reason being that setting things (patented product) out on a platter & spoon-feeding by the inventor i.e. patentee in favour of its competitors would remove for the latter not only the very incentive to compete but also the incentive to make and invest in the innovation; research & development (R&D), which otherwise would have been visible in the market out

¹⁶ See *Market Division or Customer Allocation*, FEDERAL TRADE COMMISSION, <https://www.ftc.gov/tips-advice/competition-guidance/guide-antitrust-laws/dealings-competitors/market-division-or> (last visited Jun. 22, 2021); See also The Competition Act, 2002, § 3(3)(c).

¹⁷ *Abbott Labs. v. Andrx Pharms., Inc.*, 452 F.3d (2006); *PPG Indus., Inc. v. Guardian Indus., Corp.*, 597 F.2d 1090 (6th Cir. 1979); *Apple Inc. V. Samsung Electronics Co., Ltd.* 809 F.3d at 647.

¹⁸ WIPO SECRETARIAT, REFUSALS TO LICENSE IP RIGHTS – A COMPARATIVE NOTE ON POSSIBLE APPROACHES 48 (2013), https://www.wipo.int/export/sites/www/ip-competition/en/studies/refusals_license_IPRs.pdf.

¹⁹ *MCI Communications Corp. v. AT & T*, 708 F.2d 1081; *Catlin v. Washington Energy Co.*, 791 F.2d 1343 (9th Cir.1986); *Berkey Photo, Inc. v. Eastman Kodak Co.*, 603 F.2d at 294.

of competitive retaliation to the patent in question.²⁰ So, factors like public interest; market economy and R&D being a common objective of the laws of patent and antitrust, create a way for harmonization between the two subjects.

Moreover, it has been suggested that no court should impose a duty to deal i.e., ‘compulsory license’ that it cannot explain or adequately and reasonably supervise.²¹ Scholars also emphasize that enforcement of ‘compulsory license’ by the antitrust machineries, might give rise to ‘False Positives’²² & therefore would be a highly aggressive measure such that it might discourage innovation in the market²³ as already discussed. Hence the antitrust agencies are reasonably expected to not oppose the power gained by the patentee by the virtue of patent-holding & subsequent commercial decisions taken by him.

III. COMPULSORY LICENSING; A DUTY TO DEAL

The discussion under this head is made without prejudice to the preceding respective submissions in favour of commercial autonomy, although is intended to emphasize the significance of the concept of compulsory licensing, as a weapon to attack the misuse of patent or abuse of monopoly power and as a means to achieve public interest when required. However, when exactly the weapon should be used cannot be possibly laid down with exhaustive precision, because of the very nature of jurisprudence of the concept having wide ends & is being resorted to purely on factual merits of the case.

Therefore, here the author discusses below the various scenarios where ‘refusal’ may be punished:

A. Refusal to License: Whether inspired by a concerted action?

A refusal if adjudged as one flowing from an anti-competitive agreement, could specifically attract the penalty of compulsory licensing.²⁴ Say, had the RPM not been a unilateral transaction as discussed in the preceding part, but a result of the concerted action, the refusal

²⁰ Olympia Equip. Leasing Co. V. Western Union Telegraph Co., 797 F.2d at 375-76.

²¹ Phillip Areeda, *Essential Facilities: An Epithet in Need of Limiting Principles*, 58(3) ANTITRUST LAW JOURNAL 841-853 (1989); *See also* United States v. Terminal Railroad Assn. of St. Louis, 224 U. S. 383 (1912); *See also* Associated Press v. United States, 326 U. S. 1 (1945).

²² Matsushita Elec. Industrial Co. v. Zenith Radio Corp., 475 U. S. 574, 594 (1986); Verizon Communications Inc. V. Law Offices of Curtis V. Trinko, LLP, 540 U.S. (2003).

²³ Makan Delrahim, *Forcing Firms To Share The Sandbox: Compulsory Licensing Of Intellectual Property Rights And Antitrust*, U.S. DEPARTMENT OF JUSTICE (May 10, 2004), <https://www.justice.gov/atr/speech/forcing-firms-share-sandbox-compulsory-licensing-intellectual-property-rights-and>.

²⁴ Agreement on Trade-Related Aspects of Intellectual Property Rights art. 31, Apr. 15, 1994, 1869 U.N.T.S. 299; *See also* The Indian Patent Act, 1970, §90(1)(ix).

may have been liable to be punished with any antitrust penalty including ‘duty to deal’ i.e., compulsory licensing. The case, *United States V. Vehicular Parking Ltd.*²⁵ holds that resale price maintenance with a number of licensees as such with the deliberate intention to keep the prices stable throughout the market is an anti-competitive practice and goes beyond the scope of patent protection. There was an apparent concerted action behind imposing RPM simultaneously on a number of licensees, which essentially is illegal here and not such a standalone act of RPM which was justified earlier in reference to the Colgate doctrine. The authority however did not impose the penalty of ‘compulsory license’, maybe on account of an implied responsibility to resort to the said penalty only if it’s extremely important or indispensable.

In the case of *United States V. Imperial Chemical Industries*²⁶ where patented products were refused to be exported through a common agreement intended to allocate or divide territories, the patentee was penalized with the ‘compulsory license’. Here, what was illegal was not the refusal to export or territorial division of the market of course as neither ‘refusal to deal’ nor ‘territorial division’ by the patentee as a standalone act is punishable, but it’s that common agreement and concerted action which inspired such ‘refusal’ with the further intention to divide the market.

However, this case seems to have taken a route different from what was noted in the previously mentioned *Vehicular Parking ltd.* case as far as the concern for imposition of penalty of ‘compulsory license’ is in question. In both the cases, conduct of the patentee otherwise protected as discussed in part I, were backed by a larger conspiracy or concerted action, however in the first mentioned case compulsory license was not imposed, while in the present *imperial chemical* case, the penalty of compulsory license was not only imposed but also had been glorified in the following terms:

“Provision in the decree for compulsory licensing on a reasonable royalty basis does not present an insurmountable obstacle even though a number of patents may be involved. Difficult and time-consuming problems may be created in determining the royalties, but the answers are there and may be ascertained; difficulties to be encountered in finding these answers do not justify denial of the relief which the established facts require”. Hence, precedents suggest, that where refusal to license, is implemented in a manner constituting abuse, and beyond the protection of patent, antitrust law, could always be attracted.”

²⁵ 54 F. Supp. 828 (D. Del. 1944).

²⁶ 105 F. Supp. 215 (S.D.N.Y. 1952).

Such contradiction between the cases, is the irony of varying facts. Broad outline of the factual matrix may appear to be similar as discussed in the above two cases, however the circumstances in total, composed of various minor facts, play a huge role in determining conclusively: whether such a penalty should be imposed or not. Nonetheless, the author opines that the authority should be confident about the requirement of circumstances and public interest, while imposing such extreme punishment of compulsory licensing as it's a direct attack upon the right of the patentee conferred upon through a specific statute.

B. Optimistic approach: Compulsory License, a win- win solution:

The patentee before filing a suit for alleged infringement, should first introspect their own work with respect to the patent it claims: has it been able to reach out to the people? If the answer is in the negative, regardless of the validity of the claim, the infringer might simply escape with the benefit of a license, however, with the duty to pay fixed royalty, along with the burden to make the patent alive.²⁷

The motive is to uphold only what would have been intended by the legislature through the grant of patent protection to the invention, i.e., to make it beneficial for humankind. If it is not possible for the patentee to fulfil that purpose, the license is liable to be awarded to one who can serve the purpose.²⁸ Moreover, the authority in such cases before reaching the conclusion for the issue of whether compulsory license is to be granted to the infringer or not, is duty bound to evaluate the factors: that whether the grant of injunction against established infringement would adversely affect public interest *inter alia*, the factors of irreparable damage caused to the patentee by the infringement, adequacy of monetary damages & balancing rights. If the public interest or any of the other mentioned factors appear to disfavour the patentee's claim, the court would go against the patentee by granting compulsory license.²⁹

The author finds it interesting to mention here that the court at some instances while granting 'compulsory license' in an injunction suit, has termed this penalty as an 'equitable relief' in favour of the patentee. The reason for terming the penalty as a remedy for the patentee is that

²⁷ Julius E. Foster V. American Machine & Foundry Co., 492 F.2d. 1317 (2nd Cir. 1974).

²⁸The Indian Patent Act, 1970, §84(1), §85 and §89; Bayer Corporation vs. Union of India, AIR 2014 Bom 178; Archana Shankar & Gitika Suri, *Q&A: patents in India*, LEXOLOGY (Jun. 22, 2021, 11:09 PM), <https://www.lexology.com/library/detail.aspx?g=69c2088f-4f0a-4949-a63d-aff3daedd573>.

²⁹ Server Tech., Inc. v. Am. Power Conversion Corp., 3:06-CV-00698-LRH-VPC (D. Nev. 12 May., 2017); Immersion Corp. v. Sony Computer Entertainment Am., Inc., No. C 02-0710 CW (N.D. Cal. 10 Jan., 2005); Foster v. American Machine Foundry Co., 492 F.2d 1317 (2d Cir. 1974); Shatterproof Glass Corp. v. Libbey-Owens Ford Co., 758 F.2d 613, 628 (Fed. Cir.1985), (In these cases, compulsory license, instead of injunction was granted).

an injunction sought would merely punish the infringer and not compensate the patentee adequately. Therefore, this remedy of compulsory license requiring regular payments by the infringer to the patentee in the form of royalty,³⁰ has often been resorted to and considered a flexible approach: a win-win option which secures compensation in the form of royalty for the patentee and on the other hand also ensures the public interest and consumer welfare, as it is ultimately a liability in the garb of ‘remedy’ imposed upon the patentee with a duty to now deal with the licensee-infringer and thereby cause to be manufactured more affordable products with the aid of patented technology for more number of consumers.

C. Patented product: Whether an ‘essential facility’?

A product, access to which is indispensable, is called an essential product or an essential facility. The doctrine applicable to the concept finds its place in most of the antitrust jurisprudence throughout the world with the origin being under the jurisprudence developed in the USA.³¹ This concept is a branch of study within the broad antitrust issue of refusal to deal³² which the author has been discussing so far in the form of refusal to license.

The essential facility doctrine is attracted when the following four essential conditions are made out³³: *firstly*, the product or facility (here, patent) is controlled by the monopolist; *secondly*, there is no alternative to such facility i.e., to say there is no substitute of the patented product in relation to the purpose for which license is sought; *thirdly*, the access to the facility or product has been denied (here, refusal to license); *fourthly*, possibility of providing the access. While the first three factors are quite clear in their meaning, the last one is puzzling, but probably encompasses a consideration that whether the product or facility in question can be termed as scarce or indispensable. Once these factors are shown to be in existence, the authority would be driven to impose upon the monopolist a duty to deal (here, compulsory license). Therefore, the consideration of these factors, which is based on facts and circumstances, varying from case to case, is expected to conclusively decide the question of whether the monopolist is to be directed to grant compulsory license.

The author discusses below the different scenarios where the patent being an essential facility may be sought to be accessed:

³⁰ *Supra* note 27.

³¹ *See* Terminal Railroad Co. v. U.S., 224 U.S. 383 (1912).

³² THE ORGANIZATION FOR ECONOMIC CO-OPERATION & DEVELOPMENT, THE ESSENTIAL FACILITIES CONCEPT (1996).

³³ MCI Communications Corp. v. AT&T., 708 F.2d 1081, 1132 (7th Cir. 1983).

Indispensable for the Human Generation

'Refusal' by the patentee to grant a license is not justified when the patented product is essential in nature for the human generation like life-saving drugs. If any patented life-saving drug is listed at such prices in a country which is unaffordable for the people there, compulsory license may be imposed on the patentee in that country. So was done in South Africa for patented AIDS medications.³⁴ In another case *Bayer Corp. V. UOI*³⁵ in India, the Supreme Court had upheld the grant of the first ever compulsory license in the country for the patented anti-cancer drug *Nexavar*, for the reason of this drug having not worked in India. The non-workability was derived from the price at which the drug was being sold by the foreign patentee, which was multiple times higher than the affordable standard rate in India. Similarly, other countries including Thailand's public health department have also issued 'compulsory licensing' for such essential medicines.³⁶

Indispensable for the prospective licensee

Refusal to license may be punished as a refusal to deal also in a case where a patented product has a qualifying tag of indispensable attached to it on account of the need of the competitor - prospective licensee to develop a new product. Such a new product should be one which could not be developed without the usage of the patent in question and if the license is not granted the prospective licensee cannot in its own capacity compete effectively. Hence the nature of patent should be such that, it's essentially required for the prospective licensee to ensure a competitive survival.³⁷

Further, indispensability must be established to prove that the essential facility controlled by the patentee is incapable of duplication for the reasons attributable to the economic, geographical or legal constraints.³⁸ The term 'legal constraint' would of course include the

³⁴ WILLIAM FISHER III & CYRIL RIGAMONTI, THE SOUTH AFRICA AIDS CONTROVERSY A CASE STUDY IN PATENT LAW AND POLICY (2005).

³⁵ Bayer Corporation vs. Union of India, AIR 2014 Bom. 178.

³⁶ Jerome Reichman, *Compulsory licensing of patented pharmaceutical inventions: evaluating the options*, 37(2) JOURNAL OF LAW, MEDICINE AND ETHICS 247-263 (2009), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2893582/>.

³⁷ Olympia Equip. Leasing Co., 797 F.2d 370 (1986); A support may also be derived from the case laws relating to the copyright: Case C-418/01, IMS Health GmbH & Co OHG V. NDC Health GmbH & Co KG, 2004 E.C.R. I-5039; See also Cases C-241 & C-242/91 P, Radio Telefis Eireann v. Comm'n of the Eur. Cmty., 1995 E.C.R. I-743.

³⁸ State Of Illinois, ex rel. Roland W. Burris V. Panhandle Eastern Pipe Line Company, 935 F.2d 1469 (7th Cir. 1991); Vijay Kumar Singh, *Applying "Essential Facility Doctrine" – What's the Right Approach?*, 1(Mar-Apr) COMPETITION LAW REPORTS B-151 (2011); See also, Competition Act 89 of 1998 § 1(viii) (S. Afr.), (Essential Facility means "an infrastructure or resource that cannot reasonably be duplicated, and without access to which

existent patent protection on such facility, which no one other than the patentee can use. Hence the prospective license must be shown to have no other efficacious alternative to go for, nor should there exist any substitute of the patent sought to be accessed. On coming across such facts & circumstances, the authority may impose a duty to deal upon the patentee, in favour of the competitor- prospective licensee with the purpose of letting the latter develop a 'new product' for the benefit of consumers in the relevant market.

Indispensability' may be better understood in reference to the landmark case, *Microsoft V. Commission*³⁹ decided by the European Competition Commission. In the case, Microsoft, a dominant player in the market, was punished with a penalty of compulsory license, as it had refused to provide interoperability information to its competitors. The said refusal had disallowed the competitor to develop a product which could operate in a compatible manner with the Windows system, owned by Microsoft. This disentitlement further had the potential to substantially reduce the competition against Microsoft in the market, with the ultimate prejudice to the interest of the consumers. Microsoft was held to have abused its power and was therefore penalized with the compulsory publication and licensing of the interoperability information, which was denied to be accessed earlier.

It would be reasonable to say that if such a product sought to be developed by the prospective licensee with the aid of the patent in question, corresponds to a need or huge demand from the consumers in the market, there are higher chances for the prospective licensee to win against the patentee.⁴⁰ In other words, the higher the demand is for the new product, the more the case goes in favour of terming the patented product as indispensable or essential, and therefore more the chances exist of imposing the penalty upon the patentee.

Indispensable to increase the optimal level of consumption & production

Sometimes, efficiency in production might require the competitors to cooperate by the way of patent pooling⁴¹ for separate patents which are complementary to each other but owned by different patentees. Such pooling of complimentary patents is essential to give not only an end consumer the widest possible satisfaction but also the competitors the highest possible profits.⁴²

competitors cannot reasonably provide goods or services to their customers"); *See also*, *Associated Press v. United States*, 326 U.S. 1 (1945).

³⁹ Case T-201/04, *Microsoft v. Comm'n*, 2007 E.C.R. II-3601.

⁴⁰Gregory Gundlach & Paul Bloom, *The 'Essential Facility' Doctrine: Legal Limits and Antitrust Considerations*, 12(2) JOURNAL OF PUBLIC POLICY & MARKETING 156-169 (1993).

⁴¹ THE WIPO Secretariat, *PATENT POOLS AND ANTITRUST – A COMPARATIVE ANALYSIS* (2014), https://www.wipo.int/export/sites/www/ip-competition/en/studies/patent_pools_report.pdf.

⁴² Josh Lerner & Jean Tirole, *Efficient Patent Pools*, 94(3) THE AMERICAN ECONOMIC REVIEW 691-711 (2004).

A production with the combination or pooling of these complementary patents, if shows to be yielding better returns for these patentees & higher consumption level for the consumers, then such patent pooling, in the opinion of the author should be appreciated, though without prejudice to the considerations to prevent other anti-competitive practices likely to emerge from such pooling. So, the foremost requirement is to verify the fact that these separate patents are not by their nature in competition with each other i.e., are not substitutable, rather are 'blocking' such that they all can operate effectively only upon being pooled together.⁴³

However, there is hardly any case law available where the authority can be seen using the weapon of compulsory licensing to require different patentees to pool their blocking patents so that a better efficiency for the patentees and satisfaction level for the consumers can be achieved. Regardless of the non-availability of such case law, the author is of the opinion that the authority is entitled to impose the duty of mutual compulsory licensing for the purpose discussed above. The reason being that if such mutual duty is not imposed, then the patents required to be pooled would go underutilized and ultimately would not be able to serve the public in the best manner possible. Hence, pooling in such cases may be termed as indispensable and if not done voluntarily by the patentees should warrant the authority to impose the duty of mutual compulsory licensing.⁴⁴

Patent Pooling: a flip side

Nonetheless, a flip side i.e., anti-competitive effects of such patent pooling are also available under the jurisprudence and are in fact even more popular than the pro-competitive effect discussed. In a case⁴⁵ where the conduct of patent pooling & allocation of territory was involved, which restrained interstate trade in violation of the Sherman Act, it was held to be an 'act' against the very 'public policy'.⁴⁶ In the case the 'public injury' was deemed fit to be remedied with the grant of 'compulsory license'. However, the author is a bit afraid to say that such a penalty of 'compulsory license' was indispensable to cure the 'pubic injury' caused.

The discussion between the two preceding paragraphs, witnesses the following two common mentions: *firstly*, patent pooling being the subject matter of discussion; *secondly*, compulsory

⁴³ Steven Carlson, *Patent Pools and the Antitrust Dilemma*, 16(2) YALE JOURNAL ON REGULATION 359 (1999).

⁴⁴ *Aspen Skiing v. Aspen Highlands Skiing*, 472 U.S. 585 (1985); *Lorain Journal Co. v. United States* 342 U.S. 143, 146-49 (1951).

⁴⁵ *United States v. National Lead Co.*, 332 U.S. 319 (1947).

⁴⁶ *See Morton Salt Co. v. Suppiger Co.* 314 U.S. 488 (1942), (a court of equity will not aid the protection of patent monopoly, when attempted to be used as the effective means of restraining competition with the patentee's sale of an unpatented article, as same goes against the very public policy).

license being the solution. Nonetheless, there is an unavoidable difference that under the last section, patent-pooling was sought to be achieved through compulsory license, while here it was sought to be punished with it. These natural contradictions are sufficient to make the patentees understand that they cannot be absolutely immune from the application of antitrust principles.

IV. 'COMPULSORY LICENSE' AGAINST 'LEVERAGING': DISCUSSING THE FEASIBILITY

We often come across the practice of leveraging⁴⁷ by the patentee. The term here refers to a conduct of the patentee whereby he through the use of his protected patent seeks to control the market of another product (say, product B) on which no lawful patent is held by him. Modes of such leveraging here include price control clause⁴⁸ or other restrictive conditions with respect to product B, in the license agreement. Licensee is being intended by the patentee to act as a bridge to fill the gap between the patentee & the market of product B.⁴⁹ Such conduct which is an established antitrust violation, has been in precedents held to have exceeded the protection of patent law.⁵⁰

On reading the preceding paragraph, it may logically come to the readers' mind that the act of leveraging is unrelated to that of refusal to deal and compulsory licensing discussed earlier. The author agrees that these two concepts have got their different spheres of jurisprudence under antitrust, however, the concept of 'leveraging' is relevant here in relation to the act of refusal as there may be a complex scenario where refusal to deal follows leveraging.

The author in this regard has an interesting case of *Sylvania Industrial Corporation*⁵¹, to discuss. In this case, an infringement suit was filed by the patentee, however the authority on finding the abusive practices of leveraging and price controlling on the part of the patentee, dismissed the suit. The dismissal necessarily meant to allow the alleged infringer-licensee to

⁴⁷ John Steren & Patricia Wagner, *Monopoly Leveraging: Antitrust Risks Associated with Referrals to an Ancillary Service Provider*, LEXOLOGY (Dec. 20, 2018), <https://www.lexology.com/library/detail.aspx?g=b6a7f912-a225-4f8d-aceb-17d5964b69bf>.

⁴⁸ *United States v. Univis Lens Co.*, 316 U.S. 241 (1942); *Barber-Colman Co. v. National Tool Co.*, 136 F.2d 339 (6th Cir. 1943); *Ethyl Gasoline Corporation v. United States*, 309 U.S. 436 (1940).

⁴⁹ See The Indian Patent Act, 1970, §88(1).

⁵⁰ *Zenith Radio corp. V. Hazeltine Research Inc.* 395, U.S. (1969), (A patentee may not put A condition on licensee, to purchase, use, sell, or not to so w.r.t any other article in commerce, which is not patented. Doing so was held to be the misuse of patent.); *United States v. Line Material Co.*, 1948, 333 U.S. 287, 311, 68 S. Ct. 550, 92 L. Ed. 701.

⁵¹ *Sylvania Industrial Corporation v. Visking Corporation*, 132 F.2d 947 (4th Cir. 1943).

continue to use the patent under license agreement without paying heed to such restrictive conditions giving rise to leverage imposed therein. It may therefore be said that the dismissal order therefore had the effect of constructive if not active 'compulsory license' being imposed upon the patentee, as the patentee would no longer want to continue in relation with the licensee who is by the court allowed to not adhere to the unwarranted -restrictive conditions imposed in the license agreement. Patentee in order to nullify the said effect of constructive compulsory license withdrew the very license agreement, which may be called a refusal to continue to deal now. On this action of refusal, the aggrieved licensee- infringer moved the application for compulsory licensing, however, this time court rejected the said remedy in favour of the patentee, on consideration of the fact that had such very agreement not been entered into at the first place, neither the restrictive condition under agreement would have come under the scrutiny nor relief of infringement would have been denied to the patentee.

The authority through the ruling, seems to have given the due respect to the right of the patentee to refuse to continue to deal and rightly therefore denied the remedy. However, again a contradiction may be witnessed between two different rulings of the authority in this case i.e., between one punishing the act of leveraging with the constructive compulsory license and one actively denying the said remedy against the act of refusal to continue to deal.

In the opinion of the author, these contradictions discussed so far are obvious as the authorities in the USA have been flexible enough in taking compulsory license out of mere theory to the actual world to remedy the grievances against the patentee. This flexibility naturally ensues as in the US jurisprudence, compulsory license is officially a recognized antitrust remedy⁵² unlike most other notable jurisdictions, although this is further subjected to an implied responsibility discussed earlier also that this particular remedy should be resorted to only when the circumstances sufficiently require so.

CONCLUSION

The scope of interface between the two subjects is very wide. As discussed, refusal to license, if it turns out to be an abusive conduct or one having detrimental effects on the market, is necessarily succeeded by the imposition of the duty upon the patentee to grant a license i.e., compulsory license. However, this particular duty or penalty may not follow all the kinds of patent abuse, as it's not the only penalty available against the patentee but is simply one of the

⁵² United States v. Glaxo Group Ltd., 410 U.S. 52, 64 (1973).

recognized remedies under the antitrust to be opted for. The author is of the opinion that the penalty of compulsory license being a direct attack on the reward of the patentee, should be awarded only in minimal cases specifically where the public interest in various forms as discussed in part III, warrants such duty to be imposed.

Nonetheless the scope of power conferred upon the respective authorities in either of the subject should not be widened, as the patent being an intellectual property privilege conferred by the statute undoubtedly causes restraint upon the free economy, hence such privilege should not be widely interpreted in favour of patentee as such to derogate the general antitrust principles. So, should not be done even *vice versa*, as specific legislation of patent always prevails over general law of antitrust, but strictly to an extent permitted by the former.⁵³

In pursuance of a step to harmonize the interface, the court adjudicates the matter keeping the opinion inclined to the common objectives of, instead of an inherent conflict between both the subjects. The authorities under antitrust have been refraining from imposing punishment on the exclusive use of a patent by the patentee in cases involving allegations of abuse or need of compulsory license and hence, it may be said that authorities under antitrust regime are themselves mindful of boundaries of their subject and appropriately recuse themselves from derogating patent protection.⁵⁴ Hence, antitrust authorities would not punish an exclusive use of a patent unless the conditions and factors discussed hereinbefore are shown to be in existence, warranting the law of antitrust to override that of patents and patent law would appear to be going well in consonance with the antitrust law and override the latter only to the extent protection is granted under the former.⁵⁵

As discussed throughout the article, litigation moving around the concept of compulsory license is multifaceted, as an act of the patentee in one case held not to be in violation of the antitrust, does not absolutely cushion it with the legality for all other cases of the same category with the varied facts. Therefore, a balance should be contemplated by the patentee while exclusively enjoying the patent.

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⁵³United States v. Masonite Corporation, 316 U.S. 265 (1942).

⁵⁴Hartford-Empire Co. v. United States, 323 U.S. 415, 65, 387 (1945).

⁵⁵Simpson v. Union Oil Co., 377 U.S. 13 (1964).