

## Tripping Over TRIPS: Is Compulsory Licensing Under *eBay* at Odds with U.S. Statutory Requirements and TRIPS?

“[E]xclusion may be . . . the very essence of the right conferred by the patent, as it is the privilege of any owner of property to use or not use it, without question of motive.”<sup>1</sup>

### I. INTRODUCTION

A patent entitles its owner to exclude others from making, using, offering for sale, selling, or importing a patented invention.<sup>2</sup> A permanent injunction is perhaps a patent owner’s most powerful tool to enforce the right to exclude.<sup>3</sup> For almost a century, patent owners relied on a presumption that they were entitled to a permanent injunction upon a finding of validity and infringement of a patent.<sup>4</sup> The Supreme Court, however, recently rejected the so-called “general rule” in favor of permanent injunctions in *eBay Inc. v. MercExchange, LLC*.<sup>5</sup>

In the post-*eBay* era, patentees and accused infringers face a new issue in the already complex arena of patent litigation.<sup>6</sup> Specifically, courts may now more often deny a patentee’s request for a permanent injunction, despite finding the patent to be valid and infringed.<sup>7</sup> After *eBay*, accused infringers may try to persuade the courts to exercise discretion to impose a compulsory license rather

---

1. *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 429 (1908) (recognizing fundamental right of patentee).

2. 35 U.S.C. § 154(a)(1) (2000) (defining privileges of patent owner); 35 U.S.C. § 271(a) (setting forth activity constituting patent infringement).

3. See 35 U.S.C. § 283 (granting courts authority to award injunctions to prevent patent rights violations); Mitchell G. Stockwell, *Implementing eBay: New Problems in Guiding Judicial Discretion and Enforcing Patent Rights*, 88 J. PAT. & TRADEMARK OFF. SOC’Y 747, 747 (2006) (stating patentee’s right to exclude others is most powerful remedy).

4. See *Cont’l Paper Bag*, 210 U.S. at 429 (holding right to exclude “very essence” of patent right). The presumption that a patentee was entitled to a permanent injunction rested on the notion that infringement of a valid patent would irreparably harm a patentee. Richard B. Klar, *eBay Inc. v. MercExchange, L.L.C.: The Right to Exclude Under United States Patent Law and the Public Interest*, 27 WHITTIER L. REV. 985, 989-90 (2006) (stating irreparable harm presumed when validity and infringement adjudged in patentee’s favor).

5. 126 S. Ct. 1837, 1841 (2006) (rejecting “general rule” in favor of permanent injunctions).

6. See Howard Susser & Jerry Cohen, *Supreme Court Ends Special Treatment for Patent Injunctions*, 50 B.B.J. 9, 9 (2006) (commenting post trial compulsory licensing may devalue patents and increase complexity of patent cases). See generally DONALD S. CHISUM, CHISUM ON PATENTS § 21.02 (2006) (setting forth jurisdictional and procedural requirements in patent litigation); Stockwell, *supra* note 3 (describing issues patentees and infringers need to consider at trial).

7. Gregory Castanias & Susan M. Gerber, *The Supreme Court’s Decision in eBay: What Does It Mean for Injunctions in Patent Cases?*, MONDAQ BUSINESS BRIEFING, June 13, 2006, available at 2006 WLNR 10092282 (articulating potential outcomes in patent infringement cases).

than to grant a permanent injunction.<sup>8</sup> A compulsory license is a court ordered license that allows an infringer to continue practicing the patented invention upon payment of a royalty to the patentee.<sup>9</sup> The courts, however, have not yet identified the factors to consider when determining whether to deny an injunction and grant a compulsory license.<sup>10</sup>

Before *eBay*, courts granted compulsory licenses only on rare occasions.<sup>11</sup> Some legal experts are now advocating the adoption of a compulsory licensing scheme as part of the United States patent system because of an increase in business-method patents and the concern of licensing tactics used by patent trolls.<sup>12</sup> In addition, some legal experts argue that compulsory licensing will harmonize the United States with other countries that require a patentee to practice the patented invention.<sup>13</sup> Other legal experts argue compulsory

---

8. See Stockwell, *supra* note 3, at 755-56 & n.42 (citing two courts considering compulsory licenses since *eBay* decision).

9. Stockwell, *supra* note 3, at 755 (defining compulsory license); Harold C. Wegner, *Injunctive Relief: A Charming Betsy Boomerang*, 4 NW. J. TECH. & INTELL. PROP. 156, 156 (2006) (explaining meaning of compulsory license). The court granting the compulsory license determines the monetary damages or royalty rate for continued use of the patented invention. 35 U.S.C. § 284 (2000) (providing court shall award damages no less than reasonable royalty in infringement cases); *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970) (setting forth factors for determining royalty rate following infringement); *Susser & Cohen*, *supra* note 6, at 11 (questioning whether courts issuing compulsory licenses must use same royalty rate for past and future damages); Leslie T. Grab, Recent Development, *Equitable Concerns of eBay v. MercExchange: Did the Supreme Court Successfully Balance Patent Protection Against Patent Trolls?*, 8 N.C. J.L. & TECH. 81, 104 (2006) (noting difficulty in determining monetary damages when patentee does not practice patented invention). A calculation of monetary damages following patent infringement includes lost profits, royalties for sold infringing products, compensation for future infringement, and licensing fees. See Grab, *supra*, at 104. When a patentee does not practice the invention, the court must determine the royalty rate under a compulsory license without reliance on lost profits or previously established royalty rates. *Id.*

10. See Stockwell, *supra* note 3, at 747, 755-760 (weighing key factors courts should consider in deciding requests for injunctions). For example, one outstanding question for courts and patentees to consider is whether a presumption of irreparable harm continues to exist following *eBay*. *Id.* at 749-51.

11. See *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 (1980) (emphasizing rarity of compulsory licenses in patent system); Bryan Diner, Anthony C. Tridico, & John C. Stolpa, *The Effect of the U.S. Supreme Court's Decision in eBay v. MercExchange on the Biopharmaceutical Industry*, MONDAQ BUSINESS BRIEFING, July 26, 2006, available at 2006 WLNR1291927 (describing compulsory license as rare remedy prior to *eBay*).

12. See Jason Rantanen, *Slaying the Troll: Litigation as an Effective Strategy Against Patent Threats*, 23 SANTA CLARA COMPUTER & HIGH TECH. L.J. 159, 163-66 (2006) (describing evolution of patent trolls); Ryan Eddings, Note, *Trolls and Titans Take Fight to Top Court*, 18 LOY. CONSUMER L. REV. 503, 503-04 (2006) (defining patent trolls as non-practicing entities seeking exorbitant licensing fees by threat of injunction). The term "patent troll" was coined in the late 1990s to refer to patent owners who seek to engage in opportunistic licensing without practicing the patented invention. Elizabeth D. Ferrill, Comment, *Patent Investment Trusts: Let's Build a PIT to Catch the Patent Trolls*, 6 N.C. J.L. & TECH. 367, 367 (2005) (summarizing rise of patent trolls). Patent trolls often seek aggressive enforcement of their patents in an effort to extort higher licensing fees under the threat of litigation and a permanent injunction. *Id.* at 375-76.

13. See Joseph A. Yosick, Note, *Compulsory Patent Licensing for Efficient Use of Inventions*, 2001 U. ILL. L. REV. 1275, 1276-77 (2001) (comparing lack of compulsory licensing in United States to other countries); see also Wegner, *supra* note 9, at 158-59 (noting "working" requirement to enforce patent rights in European countries).

licensing is only necessary when warranted by a significant public interest.<sup>14</sup>

Practitioners and scholars also raise concerns that compulsory licensing may be against the United States's obligations under international trade treaties, such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS or TRIPS Agreement).<sup>15</sup> This concern stems, at least in part, from the United States's position strongly opposing compulsory licensing in international treaties.<sup>16</sup> Thus, despite *eBay* increasing the likelihood that a compulsory license may be granted as an alternate remedy in patent infringement cases, serious questions remain about the soundness of adopting compulsory licensing in the United States and the international impact of such licensing schemes.<sup>17</sup>

This Note will explore the use of a compulsory licensing scheme in the United States post-*eBay*.<sup>18</sup> Part II of this Note will summarize the statutory requirements under the Patent Act.<sup>19</sup> Part III will provide a summary of injunctive relief in patent infringement cases pre-*eBay*.<sup>20</sup> Part IV will examine the *eBay v. MercExchange* decision and injunctive relief post-*eBay*.<sup>21</sup> Part V will examine the Agreement on Trade-Related Aspects of Intellectual Property

---

14. See Diner et al., *supra* note 11 (describing call for compulsory licensing during anthrax scare following September 11, 2001). Several United States politicians called for a compulsory license to override Bayer's patent to ciproflaxin during the anthrax scare following September 11, 2001. *Id.* Ciproflaxin is the only antibiotic approved for treating anthrax infection. *Id.* Some members of Congress believed a compulsory license to the ciproflaxin patent was the best way to generate a stockpile in case of widespread infection. *Id.* Another call for a compulsory license based on public need arose during a patent infringement action against Research in Motion (RIM), the Blackberry manufacturer. See *id.* (citing *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005)). The Federal Circuit found RIM to have infringed NTP's patents related to wireless e-mail systems. *Id.*

15. See Stockwell, *supra* note 3, at 756 (stating compulsory license grants by courts undermines United States's opposition to such licenses in international treaties); Wegner, *supra* note 9, at 157 (questioning compulsory licensing use in light of provisions in TRIPS Agreement); Castanias & Gerber, *supra* note 7 (noting compulsory licensing may cause problems in international arena).

16. Stockwell, *supra* note 3, at 756 (commenting United States's policy opposes compulsory licensing in international treaties); Wegner, *supra* note 9, at 157 (noting United States's opposition to compulsory licensing in international treaties). See generally OFFICE OF THE U.S. TRADE REPRESENTATIVE, SPECIAL 301 REPORT (2007), available at

[http://www.ustr.gov/assets/Document\\_Library/Reports\\_Publications/2007/2007\\_Special\\_301\\_Review/asset\\_upload\\_file230\\_11122.pdf](http://www.ustr.gov/assets/Document_Library/Reports_Publications/2007/2007_Special_301_Review/asset_upload_file230_11122.pdf) [hereinafter SPECIAL 301 REPORT] (reporting annual review of global intellectual property issues).

17. See Kirby W. Lee, Note, *Permitted Use of Patented Inventions in the United States: Why Prescription Drugs Do Not Merit Compulsory Licensing*, 36 IND. L. REV. 175, 178 (2003) (questioning whether courts should consider patentee's non-use of patent in granting compulsory license); Stockwell, *supra* note 3, at 747, 755-760 (exploring possible issues created by grant of compulsory license); Wegner, *supra* note 9, at 166-167 (examining pre-*eBay* compulsory licensing under Agreement of Trade-Related Aspects of Intellectual Property Rights).

18. *Infra* Parts II-VII.

19. *Infra* Part II. The phrase "Patent Act" is capitalized throughout this Note following the precedent of the Supreme Court; however, it is unclear why this phrase is capitalized, as Congress did not name the patent statute the "Patent Act." See generally 35 U.S.C. §§ 1-376 (2000).

20. *Infra* Part III.

21. *Infra* Part IV.

Rights and the United States's obligations under the TRIPS Agreement.<sup>22</sup> Part VI will analyze the issues that will arise if broad compulsory licensing becomes the norm, specifically whether compulsory licensing post-*eBay* is at odds with the Patent Act and the United States's obligations under the TRIPS Agreement.<sup>23</sup> Part VII will conclude by summarizing the likely opposition that compulsory licensing will encounter if it is broadly employed.<sup>24</sup>

## II. THE PATENT ACT

Article I, section 8 of the United States Constitution vests power in Congress to "promote the Progress of Science and useful Arts" by granting inventors and authors an exclusive right to their discoveries and writings for a limited time.<sup>25</sup> Congress exercised this power by granting patent owners a right to exclude others from making, using, offering for sale, selling, or importing patented inventions for a limited time under the Patent Act.<sup>26</sup> The Patent Act also provides that a patent owner may grant and convey an exclusive right under the patent.<sup>27</sup> Further, under the Act, a patent owner may seek relief for infringement despite not using or licensing the patent.<sup>28</sup> The statutory language does not require use of the patented invention.<sup>29</sup>

Injunctive relief is an important aspect of patent law.<sup>30</sup> A patentee cannot enjoy the statutory right to exclude—the sole right granted by a patent—without the availability of injunctive relief.<sup>31</sup> The Patent Act provides that courts may grant injunctions in accordance with the principles of equity to prevent violations of rights secured by a patent.<sup>32</sup> Pre-*eBay*, equity often

---

22. *Infra* Part V.

23. *Infra* Part VI.

24. *Infra* Part VII.

25. U.S. CONST. art. I, § 8, cl. 8 (vesting power in Congress to grant patents).

26. 35 U.S.C. § 154(a)(1) (2000) (providing right to exclude under patent).

27. *Id.* § 261 (setting forth right to grant or convey patent).

28. *Id.* § 271(d)(4) (allowing relief for infringement despite patentee's non-use).

29. *Id.* (providing patentee relief for patent infringement when patented invention not used); *see also* Brief of Biotechnology Industry Organization as Amicus Curiae in Support of Respondent at 17-18, *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006) (No. 05-130) [hereinafter BIO Brief] (discussing use of patented invention not required).

30. Brief Amici Curiae of 52 Intellectual Property Professors in Support of Petitioners at 7-8, *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006) (No. 05-130) [hereinafter Professors' Brief] (describing importance of injunctive relief in patent law); Brief of Amicus Curiae Pharmaceutical Research and Manufacturers of America in Support of Respondent at 5, *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006) (No. 05-130) [hereinafter PHARMA Brief] (calling injunctions essential to patent owners).

31. BIO Brief, *supra* note 29, at 7 (stating patent right).

32. *See* 35 U.S.C. § 283 (2000) (providing courts with discretion to grant injunctive relief in patent cases); *see also* Brief of American Intellectual Property Law Association and Federal Circuit Bar Association as Amici Curiae in Support of Neither Party at 5, *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006) (No. 05-130) [hereinafter AIPLA Brief] (emphasizing district court's discretionary power to grant permanent injunction). The purpose of injunctive power authorized by Congress is "to prevent the violation of any right secured by patent." *See* Stockwell, *supra* note 3, at 756 (citing language of 35 U.S.C. § 283); *see also* BIO Brief, *supra* note 29, at 10-15 (summarizing history of 35 U.S.C. § 283).

warranted an injunction in the absence of extraordinary circumstances if the patentee practiced the invention in competition with an accused infringer.<sup>33</sup>

### III. INJUNCTIVE RELIEF PRE-EBAY

The discretion of a court to grant an injunction is based on the consideration of traditional equitable factors.<sup>34</sup> First, a court considers whether the patent owner will suffer irreparable harm from the infringing activity if an injunction is not issued.<sup>35</sup> Second, a court determines whether monetary damages are an adequate remedy at law.<sup>36</sup> Third, a court factors in the public's interest in granting the injunction.<sup>37</sup> Fourth, a court balances the hardships of the patent owner and the infringer.<sup>38</sup> Equity requires that no single factor will determine whether a court issues an injunction, but instead requires equal consideration of all factors.<sup>39</sup>

For nearly a century, patent owners relied on the precedent of *Continental Paper Bag Co. v. Eastern Paper Bag Co.*<sup>40</sup> when seeking a permanent injunction upon a court's finding of patent validity and infringement.<sup>41</sup> This case solidified a patent owner's right to exclude others, for a limited time, from making, using, offering for sale, selling, and importing the patented invention, even when the patent owner did not make, use, or sell the patented invention.<sup>42</sup>

---

33. See *infra* notes 34-39 and accompanying text (summarizing injunctive relief pre-*eBay*); see also Professors' Brief, *supra* note 30, at 8 (summarizing equitable principles in injunctive relief).

34. See *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) (describing injunction as equitable remedy); *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1272 (Fed. Cir. 1999) (recognizing discretion enjoyed by district courts in awarding injunctive relief); *Carborundum Co. v. Molten Metal Equip. Innovations*, 72 F.3d 872, 881 (Fed. Cir. 1995) (acknowledging trial court's discretion in determining appropriate relief); *Kearns v. Chrysler Corp.*, 32 F.3d 1541, 1551 (Fed. Cir. 1994) (explaining injunctive relief not absolute, but discretionary); *W.L. Gore & Assoc. Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988) (acknowledging discretion of district courts in granting permanent injunctions); *Roche Products, Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865 (Fed. Cir. 1984) (stating injunction decision depends on equities). "Whether an injunction should issue in *this* case, and of what form it should take, certainly depends on the equities of the case." *Roche*, 733 F.2d at 865.

35. See *Weinberger*, 456 U.S. at 311 (describing irreparable harm as longstanding consideration).

36. See *id.* (citing precedent for consideration of monetary damages).

37. See *id.* (stressing particular regard for public consequences of injunction).

38. See *id.* (employing balance of conveniences and potential injuries when granting or denying injunction).

39. *Datascope Corp. v. Kontron Inc.*, 786 F.2d 398, 401 (Fed. Cir. 1986) (explaining balance of factors in determining relief). The "balance weighs the hardship the patentee would suffer without the injunction against the harm the injunction would impose on the infringer." AIPLA Brief, *supra* note 32, at 15 (citing *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982)).

40. 210 U.S. 405 (1908).

41. See *id.* at 423-24 (announcing per se general rule for injunctive relief following infringement).

42. See *id.* at 426-30 (discussing patentee's exclusive rights). In reaching its decision, the Court considered numerous circuit court decisions that defined the patentee's right and held that incident to this right, the patentee is entitled to an injunction even when the patentee did not use the patented invention. *Id.* at 426. The Court rejected the idea that a patentee must use the patented invention before seeking an injunction enjoining the infringer from using the invention. See *id.* at 427-28. The Court also rejected the notion that the patentee has a "moral obligation to see that the public acquires the right to the free use of [the] invention as

The *Continental Paper Bag* Court stated that “such exclusion may be said to have been the very essence of the right conferred by the patent, as it is the privilege of any owner of property to use or not use it, without question of motive.”<sup>43</sup> A strong presumption of injunctive relief evolved from a line of cases following *Continental Paper Bag*.<sup>44</sup>

Pre-*eBay*, consideration of these four equitable factors in patent cases rarely resulted in the denial of an injunction.<sup>45</sup> Particularly, courts denied injunctive relief only when public interest or public health significantly outweighed the right of the patent owner.<sup>46</sup> For example, in *City of Milwaukee v. Activated Sludge, Inc.*,<sup>47</sup> the district court denied an injunction because enjoining the city from practicing the patented method of sewage disposal would have seriously harmed the city.<sup>48</sup> The court noted that an injunction would have resulted in closing the sewage facility, which could have resulted in a severe public health risk.<sup>49</sup> As a result, the court in *City of Milwaukee* awarded the rather exceptional relief, at that time, of a compulsory license.<sup>50</sup>

Further, prior to *eBay*, Congress repeatedly rejected proposals to add compulsory licensing provisions to the patent statute.<sup>51</sup> Opponents of

---

soon as is conveniently possible.” *Id.* at 424. The Court acknowledged that Congress provided patent owners with a statutory right to exclude, stating that a patent owner “may insist upon all the advantages and benefits which the statute promises . . . .” *See id.*

43. *Id.* at 429 (holding right to exclude central to patent right).

44. *See, e.g.,* *Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354, 1372 (Fed. Cir. 2004) (upholding district court’s grant of injunction despite failure to set forth reasons justifying injunctive relief); *Richardson v. Suzuki Motor Corp.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989) (stating as “general rule” injunctive relief should follow finding of infringement and validity); *W.L. Gore & Assoc., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988) (restating injunction should issue upon finding of infringement unless sufficient evidence presented for denying it).

45. *See Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995) (stating courts may deny injunctive relief in rare instances to protect public interest). A court can, but is not required to, enjoin an infringer’s use of a patent in situations where “a patentee’s failure to practice a patented invention frustrates an important public need.” *See id.* (citing 35 U.S.C. § 283 (2000)).

46. *See, e.g.,* *Hybritech Inc. v. Abbott Labs.*, 849 F.2d 1446, 1458 (Fed. Cir. 1988) (affirming decision denying injunction in part because public interest best served by availability of patented diagnostic kit); *Datascope Corp. v. Kontron Inc.*, 786 F.2d 398, 401 (Fed. Cir. 1986) (affirming decision denying injunction because removing catheter from market harms public health); *Vitamin Technologist, Inc. v. Wisconsin Alumni Research Found.*, 146 F.2d 941, 944-45 (9th Cir. 1945) (acknowledging important public interest may be sufficient grounds to deny injunctive relief); *City of Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577, 593 (7th Cir. 1934) (denying injunctive relief because of threat to public health posed by close of sewage plant).

47. 69 F.2d 577 (7th Cir. 1934).

48. *Id.* at 593 (holding public interest outweighed patentee’s rights).

49. *Id.* (noting closing sewage plant could disrupt entire community, pollute water, and endanger public health). *City of Milwaukee* is cited as the leading case where public interest compels denial of injunctive relief. *See Lee, supra* note 17, at 189 (recognizing importance of *City of Milwaukee* in determining grounds for denying injunctive relief).

50. *City of Milwaukee v. Activated Sludge*, 69 F.2d 577, 593 (7th Cir. 1934) (denying injunctive relief and awarding monetary damages); *see Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 (1980) (noting rarity of compulsory licensing). The Court noted that denying injunctive relief essentially forces a compulsory license upon the patent owner. *Dawson Chem.*, 448 U.S. at 215.

51. *See* BIO Brief, *supra* note 29, at 18-19 (stating Congress consistently rejects compulsory licensing

compulsory licensing argued that the broad use of compulsory licensing would diminish the value of the patent system and frustrate the rights conferred by a patent.<sup>52</sup> Alternatively, proponents advocated that compulsory licensing would promote the use of dormant patents, provide alternate remedies in patent litigation, and promote technological developments.<sup>53</sup>

#### IV. *EBAY, INC. v. MERCExchange, L.L.C.*: THE STATUS QUO CHANGES

In 2001, MercExchange sued eBay and Half.com for infringing two patents directed to methods of operating a trusted computer network for buying and selling goods and conducting online auctions.<sup>54</sup> The jury found that eBay willfully infringed both patents and awarded MercExchange \$35 million in damages.<sup>55</sup> Following trial, MercExchange filed a motion seeking to permanently enjoin eBay from further infringing its patents.<sup>56</sup>

The district court, however, denied MercExchange's motion for injunctive relief.<sup>57</sup> It recognized that under section 283 of the patent statute, the trial judge has discretion not to issue a permanent injunction following findings of patent validity and infringement.<sup>58</sup> The court also recognized that traditional

---

attempts except in limited situations of public welfare); Yosick, *supra* note 13, at 1278-79 (summarizing compulsory licensing proposals rejected by Congress). *But see* Diner et al., *supra* note 11, at nn.10-11 (listing statutory exceptions to injunctive relief). Congress provides several statutory exceptions to injunctive relief. *See id.* The Patent Act provides that courts cannot enjoin medical practitioners from performing medical or surgical procedures. *See* 35 U.S.C. § 287(c) (2000). Federal laws also provide that the government may receive a compulsory license to inventions made using federally funded research. *See id.* § 1498(a) (granting jurisdiction for claim against government for reasonable compensation in connection with unlicensed patent use); *id.* §§ 202(c)(4), 203 (2000) (regulating patent rights for inventions made with federal funding). In addition, Congress may grant compulsory licenses for compliance with the Clean Air Act. *See* 42 U.S.C. § 7608 (2000). Congress may also grant compulsory licenses for inventions that are covered by the Atomic Energy Act. *See id.* §§ 2183, 2187. Congress also permits compulsory licensing to remedy anti-trust violations. Diner et al., *supra* note 11.

52. *See* Yosick, *supra* note 13, at 1278-79 (explaining opposition to compulsory licensing provisions). Congress rejects most compulsory licensing provisions on the grounds that they would discourage innovation, promote concealment of inventions, and frustrate the patent system. *Id.*

53. *See* Yosick, *supra* note 13, at 1275 (advocating expanded use of compulsory licenses).

54. *See* MercExchange, L.L.C. v. eBay, Inc., 401 F.3d 1323, 1325-26 (Fed. Cir. 2005) (summarizing case history), *vacated*, 126 S. Ct. 1837 (2006). The patents in suit were United States Patent Nos. 6,085,176 (issued July 4, 2000) and 5,845,265 (issued Dec. 1, 1998). *See id.* eBay, Inc. owned and operated an internet website that allowed sellers to list goods and products online; buyers could then search the listed items and purchase them either in an online auction or at a fixed price. *Id.* at 1325. Half.com, Inc., a wholly-owned subsidiary of eBay, Inc., operated a similar website that allowed users to search for and purchase items posted on websites of other retailers. *Id.* MercExchange held, but did not use, the business method patents in suit. *See* Eddings, *supra* note 12, at 503-04 (characterizing MercExchange as non-practicing entity). Non-practicing entities are also known as patent trolls. *Id.*

55. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 698-99 (E.D. Va. 2003) (referencing jury verdict), *rev'd in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated*, 126 S. Ct. 1837 (2006). Following post trial motions, the court entered final judgment for MercExchange for \$29.5 million. *Id.* at 722.

56. *See id.* at 710-11 (describing MercExchange's motion for permanent injunction order).

57. *Id.* at 710-15 (explaining court's rationale in denying motion for permanent injunction order).

58. *Id.* at 711 (discussing trial judge's discretionary authority to grant permanent injunctions against

principles of equity must guide a decision to issue or deny an injunction.<sup>59</sup> The district court therefore applied the four-factor test and considered whether MercExchange would be irreparably injured absent an injunction, whether the remedy would be adequate, whether the injunction would be in the public interest, and whether the balance of the hardships tipped in MercExchange's favor.<sup>60</sup> The court reasoned that MercExchange would not suffer irreparable harm from the denial of injunctive relief because it did not practice or commercialize its invention, it was willing to license the patents, and it did not seek a preliminary injunction during the trial.<sup>61</sup> The court ruled that because MercExchange was willing to license its patent rights, money damages were an adequate remedy.<sup>62</sup> The court concluded that public interest considerations equally supported both parties' positions.<sup>63</sup> It also concluded that the balance of hardships weighed in eBay's favor, and that MercExchange could recover from any harm suffered with monetary damages.<sup>64</sup>

On appeal, the Federal Circuit reversed the district court's holding.<sup>65</sup> It applied the same four-factor test used by the district court, but held that the balance of factors weighed in MercExchange's favor.<sup>66</sup> The court articulated,

---

infringers). Section 283 of the Patent Act provides that courts "may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable." 35 U.S.C. § 283 (2000).

59. *MercExchange*, 275 F. Supp. 2d at 711 (acknowledging injunctions as equitable relief).

60. *Id.* (listing equitable factors requiring consideration before granting injunctive relief).

61. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 711-12 (E.D. Va. 2003) (outlining court's analysis of plaintiff's failure to demonstrate irreparable harm), *rev'd in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated*, 126 S. Ct. 1837 (2006). "[L]ack of commercial activity by the patentee" is an important factor in determining whether "the patentee will suffer irreparable harm absent an injunction". *Id.* at 712 (quoting *High Tech Med. Instrumentation, Inc. v. New Image Indus., Inc.*, 49 F.3d 1551, 1556 (Fed. Cir. 1995)). In analyzing the potential for irreparable harm caused by denying injunctive relief, the court referenced evidence presented at trial showing MercExchange's willingness to license its patents. *Id.* Such evidence included numerous comments by MercExchange to the media before, during, and after trial that it sought damages from eBay rather than an injunction. *Id.*

62. *Id.* at 713 (citing *Foster v. Am. Mach. & Foundry Co.*, 492 F.3d 1317, 1324 (2d Cir. 1974)) (noting money damages held adequate relief). The court also cited a case in which the Federal Circuit held that courts may compensate with damages upon finding evidence that the patentee is willing to license its patent rights. *Id.* (citing *High Tech Med. Instrumentation, Inc. v. New Image Indus., Inc.*, 49 F.3d 1551, 1557 (Fed. Cir. 1995)).

63. *Id.* at 714 (comparing public interest considerations supporting grant or denial of injunctive relief).

64. *Id.* at 714-15 (explaining equitable factors tipping balance of hardships in eBay's favor).

65. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1326 (Fed. Cir. 2005) (reversing denial of injunctive relief), *vacated*, 126 S. Ct. 1837 (2006). eBay appealed the denial of its motions for judgment as a matter of law and a new trial for both patents. *Id.* The court affirmed the holding of validity and infringement for U.S. Patent 5,845,265. *Id.* It held, however, that U.S. Patent 6,085,176 was invalid for anticipation and reversed the judgment in part. *Id.* MercExchange cross-appealed the denial of its motion for injunctive relief and made other post trial motions not discussed herein. *See id.*

66. *Id.* at 1338-40 (rejecting district court's reasoning in denying injunctive relief). The Federal Circuit criticized the district court's reasoning on several grounds. *Id.* It noted that a general concern regarding issuance and enforcement of business-method patents does not rise to the level of important public need that is required to deny injunctive relief. *Id.* at 1339. It further explained that injunctive relief is not limited to patent owners who practice their patents. *Id.* Finally, the court stated that the failure to seek a preliminary injunction—relief that is characterized as distinct and extraordinary in its own right—does not preclude a

“Because the ‘right to exclude recognized in a patent is but the essence of the concept of property,’ the general rule is that a permanent injunction will issue once infringement and validity have been adjudged.”<sup>67</sup> The court acknowledged that injunctive relief to date was only denied in rare instances to protect the public interest.<sup>68</sup> It further emphasized that a patent owner’s willingness to license its patent should not be dispositive of a patent owner’s right to an injunction.<sup>69</sup> The Federal Circuit stated that the statutory right to exclude is equally available to patent owners who practice their invention as well as to those who choose to license their invention.<sup>70</sup>

The Supreme Court granted certiorari to determine the appropriateness of the Federal Circuit’s per se general rule that, absent exceptional circumstances, courts should issue a permanent injunction upon a finding of patent infringement and validity.<sup>71</sup> The Supreme Court concluded that neither the district court nor the Federal Circuit correctly applied the four-factor test governing injunctive relief.<sup>72</sup> The Supreme Court explained that the district court erred by adopting a categorical rule in which a patentee’s willingness to license its patents is sufficient to establish that the patentee will not suffer irreparable harm.<sup>73</sup> The Supreme Court criticized the district court’s decision for its inconsistency with equity principles and with the Court’s holding in *Continental Paper Bag*.<sup>74</sup> The Court also emphasized the Federal Circuit’s error in providing a categorical grant of injunctive relief.<sup>75</sup> Accordingly, the Supreme Court held that there is no categorical rule for granting or denying a permanent injunction in patent infringement cases.<sup>76</sup> The Court further cautioned that a court must base its decision to grant or deny injunctive relief on traditional principles of equity.<sup>77</sup>

---

plaintiff from seeking a permanent injunction. *Id.*

67. *Id.* at 1338 (citing *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246-47 (Fed. Cir. 1989)).

68. *Id.*; see, e.g., *supra* notes 45-49 and accompanying text (describing circumstances when courts denied injunctive relief).

69. *MercExchange*, 401 F.3d at 1339 (expounding patent owner’s statutory right to exclude under patent).

70. *Id.* (stressing equal right to exclude for all patent owners). The court further concluded that any additional leverage that a patent owner may attribute to an injunction in negotiating a license is a natural consequence of the right to exclude. *Id.*

71. See *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839 (2006) (explaining grant of certiorari based on general rule articulated by Federal Circuit).

72. *Id.* at 1840-41 (exposing errors of both lower courts in applying four-factor test).

73. *Id.* at 1840 (explaining errors in district court’s reasoning).

74. *Id.* at 1840-41 (exposing district court’s flawed analysis). The Court concluded that the district court’s justification for denying injunctive relief based on a patent owner’s willingness to license was broad and did not consider the needs and rights of certain patent owners. *Id.* The Court further concluded that under the jurisprudence of *Continental Paper Bag*, a court may grant relief to a patent owner who declines to use the patented invention. *Id.* at 1840.

75. *eBay*, 126 S. Ct. at 1841 (explaining errors in Federal Circuit’s reasoning).

76. *Id.* (holding no general rule for granting permanent injunctions in patent infringement cases).

77. See *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1841 (2006) (discussing nature of injunctive relief). District courts have discretion to grant injunctive relief consistent with the principles of equity. *Id.* The equitable standards that apply to patent cases are identical to the standards that apply in all

In its unanimous decision, the Court went to great lengths to explain that a patent owner's willingness to license its patent is insufficient to deny an injunction.<sup>78</sup> The Court described circumstances under which certain patent owners, such as university researchers or self-made inventors, may not have the resources to bring their inventions to market.<sup>79</sup> These patent owners may prefer to license their patents.<sup>80</sup> The Court observed that there is no reason to categorically deny these inventors equitable consideration through the four-factor test.<sup>81</sup>

Legal practitioners have faulted *eBay* for rooting its decision in the use of the four-factor test, yet not providing guidance for determining courts to apply the factors.<sup>82</sup> The two concurring opinions, however, offer trial courts some guidance on how to apply the traditional four-factor test.<sup>83</sup> Chief Justice Roberts's concurrence focuses on the "long tradition of equity practice," but states that there is no general rule entitling a patentee to a permanent injunction.<sup>84</sup> Thus, a trial court following Chief Justice Roberts's concurrence will likely use an approach very similar to pre-*eBay* decisions, being careful to justify its decision with the four equitable factors.<sup>85</sup> Justice Kennedy's concurrence, however, states that even though deference to past decisions may be instructive in applying the four-factor test, trial courts must now consider new issues that arise regarding "the nature of the patent being enforced and the economic function of the patent holder."<sup>86</sup> Justice Kennedy further states that legal damages may suffice for firms using patents only as a basis for obtaining licensing fees.<sup>87</sup> Therefore, a trial court following Justice Kennedy's

---

equity courts. *Id.*

78. *See id.* at 1840-41 (explaining errors in district court's analysis); *see* Stockwell, *supra* note 3, at 753 (observing willingness to license insufficient).

79. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1840 (2006) (highlighting certain patentees who may not commercialize their inventions).

80. *Id.* (describing patentees seeking non-exploitative licensing opportunities).

81. *Id.* at 1840-41 (emphasizing danger of categorical rules).

82. *See* Diner et al., *supra* note 11 (stating judges will be applying four-factor test "without significant guidance"). *See generally* Stockwell, *supra* note 3 (discussing challenges facing trial and reviewing courts following Supreme Court decision).

83. *See eBay*, 126 S. Ct. at 1841-43 (citing concurring opinions). The Court's decision was unanimous, but it offered three different opinions on the factors that district courts should consider in granting injunctive relief. *See id.*; Diner et al., *supra* note 11 (stating concurring opinions offer guidance on how to apply four-factor test). One concurring opinion is by Chief Justice Roberts, who was joined by Justices Scalia and Ginsberg; the second concurring opinion is by Justice Kennedy, who was joined by Justices Stevens, Souter, and Breyer. *eBay*, 126 S. Ct. at 1841-43.

84. *eBay*, 126 S. Ct. at 1841 (Roberts, C.J., concurring) (focusing on history of injunctive relief in patent infringement cases).

85. *See* Castanias & Gerber, *supra* note 7 (noting courts may appropriately apply four-factor test similar to earlier cases); Diner et al., *supra*, note 11 (acknowledging importance of "long tradition of equity" when applying equitable factors).

86. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring) (exploring new issues facing trial courts in patent litigation).

87. *Id.* (describing behavior associated with patent trolls).

concurrency will likely consider the type of patent in question and the patent owner's purpose in initiating litigation as part of its equitable considerations.<sup>88</sup>

The *eBay* decision has ended the era when courts automatically granted permanent injunctions following findings of infringement and validity in patent infringement cases.<sup>89</sup> Where subsequent courts have applied *eBay*, at least ten out of thirty-five denied permanent injunctions.<sup>90</sup> Further, while compulsory licenses were extremely rare before *eBay*, at least three courts have granted compulsory licenses since the *eBay* decision.<sup>91</sup> In two of the cases denying a

---

88. See Stockwell, *supra* note 3, at 752-55 (exploring how trial courts may apply Kennedy's concurrence in weighing equitable factors); see also Diner et al., *supra* note 11 (commenting Kennedy's concurrence provides trial courts with greater discretion when considering injunctive relief).

89. See Diner et al., *supra* note 11 (describing Court's holding as fundamental change in U.S. patent law); see also Stockwell, *supra* note 3, at 747 (stating Court's decision changes patent litigation landscape). *But see* Castanias & Gerber, *supra* note 7 (questioning whether *eBay* changes current patent law).

90. Compare *Acumed, L.L.C. v. Stryker Corp.*, 483 F.3d 800, 811 (Fed. Cir. 2007) (vacating permanent injunction), *Monsanto Co. v. Scruggs*, 459 F.3d 1328, 1342 (Fed. Cir. 2006) (vacating permanent injunction), *cert. denied*, 127 S. Ct. 2062 (2007), *Praxair, Inc. v. ATMI, Inc.*, No. 03-1158-SLR, 2007 U.S. Dist. LEXIS 21589, at \*9-10 (D. Del. Mar. 27, 2007) (holding patentee did not meet burden under *eBay* for injunctive relief), *IMX, Inc. v. Lendingtree, L.L.C.*, 469 F. Supp. 2d 203, 225 (D. Del. 2007) (finding patentee did not establish irreparable harm), *Sundance, Inc. v. DeMonte Fabricating Ltd.*, No. 02-73543, 2007 U.S. Dist. LEXIS 158, at \*6-9 (E.D. Mich. Jan. 4, 2007) (finding four-factor test did not weigh in patentee's favor), *Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2006 U.S. Dist. LEXIS 63623, at \*18 (W.D. Okla. Sept. 5, 2006) (denying injunction because patentee failed to establish "irreparable injury" or inadequate monetary damages), *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at \*13-15 (E.D. Tex. Aug. 16, 2006) (denying permanent injunction because patentee failed to meet burden of four-factor test), *vacated in part*, No. 2006-1610, 2007 U.S. App. LEXIS 24357 (Fed. Cir. Oct. 18, 2007), *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 76380, at \*4-5 (E.D. Tex. July 7, 2006) (denying permanent injunction), *z4 Tech., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006) (denying injunction because z4 failed to establish irreparable harm in absence of injunctive relief), *and Keg Tech., Inc. v. Laimer*, 436 F. Supp. 2d 1364, 1371 (N.D. Ga. 2006) (denying injunctive relief), *with Commonwealth Sci. & Indus. Research Org. v. Buffalo Tech. Inc.*, 492 F. Supp. 2d 600, 607-08 (E.D. Tex. 2007) (granting permanent injunction to non-practicing patentee), *Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp.*, No. H-03-2910, 2006 U.S. Dist. LEXIS 93408, at \*26 (S.D. Tex. Dec. 26, 2006) (granting permanent injunction because four equitable factors weigh in patentee's favor), *Visto Corp. v. Seven Networks, Inc.*, No. 2:03-CV-333-TJW, 2006 U.S. Dist. LEXIS 91453, at \*12-14 (E.D. Tex. Dec. 19, 2006) (granting permanent injunction after applying four-factor test), *Smith & Nephew, Inc. v. Synthes*, No. 02-2873 Ma/A, 2006 U.S. Dist. LEXIS 91851, at \*14-15 (W.D. Tenn. Sept. 28, 2006) (granting permanent injunction following balancing of four equitable factors), *Tivo Inc. v. EchoStar Comm. Corp.*, 446 F. Supp. 2d 664, 669-70 (E.D. Tex. 2006) (granting permanent injunction because infringer direct competitor of patentee), *and Telequip Corp. v. Change Exchange*, No. 5:01-CV-1748, 2006 U.S. Dist. LEXIS 61469, at \*6 (N.D.N.Y. Aug. 15, 2006) (granting permanent injunction following finding plaintiff satisfied four-factor test). See generally Andrei Iancu & W. Joss Nichols, *Balancing the Four Factors in Permanent Injunction Decisions: A Review of post-eBay Case Law*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 395 (2007) (reviewing post-*eBay* cases issuing compulsory licenses); Joseph Miller, *Injunction Cases*, <http://www.thefireofgenius.com/injunctions> (last visited Oct. 18, 2007) (listing post-*eBay* patent cases using four-factor test for determining injunctive relief). The numbers provided in the accompanying text reflect decided cases as of October 18, 2007.

91. *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*19-20 (granting patentee ongoing royalty for future infringement); *Finisar*, 2006 U.S. Dist. LEXIS 76380, at \*4-5 (granting compulsory license for remaining life of patent); *z4 Tech.*, 434 F. Supp. 2d at 444 (ordering post verdict accounting of defendant's infringing sales following denial of injunctive relief). On appeal, the Federal Circuit vacated the district court's order of an ongoing royalty in *Paice* to determine whether the lower court "abused its discretion." *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2006-1610, 2007 U.S. App. LEXIS 24357, at \*43 (Fed. Cir. Oct. 18, 2007). On remand, the

permanent injunction, the court remanded for reconsideration, and in another two cases, the court allowed an opportunity to present additional evidence in light of the *eBay* decision.<sup>92</sup> In each of these cases, the court may decide to grant a compulsory license.<sup>93</sup>

Each of the courts denying a permanent injunction following a finding of patent infringement and validity anchored its decision in the four-factor test articulated in *eBay*.<sup>94</sup> In particular, each district court concluded that the patentee failed to establish that it would suffer irreparable harm in the absence of an injunction.<sup>95</sup> Factors that the courts considered in determining whether the patentee met the burden of proving irreparable harm included the patentee's loss of market share, unsuccessful efforts to license the patented invention, and inability to commercialize the patented invention as a result of the infringing product.<sup>96</sup> In addition, many of the courts concluded that the patentee failed to demonstrate the inadequacy of monetary damages.<sup>97</sup> It is also noteworthy that four of the patentees in these cases were non-practicing entities.<sup>98</sup>

---

district court must consider the appropriateness of the imposed royalty rate. *Id.* at \*51.

92. See *Acumed*, 483 F.3d at 811-12 (remanding case for court to consider four-factor test); *Monsanto*, 459 F.3d at 1342 (remanding case for reconsideration in light of *eBay*); *IMX*, 469 F. Supp. 2d at 226 (allowing plaintiff to provide additional evidence to support grant of injunctive relief); *Keg Tech.*, 436 F. Supp. 2d at 1371 (ordering taking of additional evidence to determine availability of equitable remedies).

93. See *supra* note 92 and accompanying text (noting opinions ordering reconsideration in light of *eBay*).

94. See, e.g., *Praxair*, 2007 U.S. Dist. LEXIS 21589, at \*9-10 (stating patentee must meet burden of four-factor test under *eBay*); *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*4 (citing four-factor test as standard for granting injunctive relief); *z4 Tech.*, 434 F. Supp. 2d at 439 (noting traditional four-factor test for determining injunctive relief).

95. See, e.g., *Sundance*, 2007 U.S. Dist. LEXIS 158, at \*7-8 (finding no irreparable harm); *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*12 (finding no irreparable harm absent injunction); *z4 Tech.*, 434 F. Supp. 2d at 440-41 (holding patentee will not suffer irreparable harm absent an injunction).

96. *Sundance, Inc. v. DeMonte Fabricating Ltd.*, No. 02-73543, 2007 U.S. Dist. LEXIS 158, at \*7-8 (E.D. Mich. Jan. 4, 2007) (finding licensee's lost sales not expressly a result of infringing sales); *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at \*12 (E.D. Tex. Aug. 16, 2006) (stating patentee did not demonstrate unsuccessful licensing efforts in absence of injunction), *vacated in part*, No. 2006-1610, 2007 U.S. App. LEXIS 24357 (Fed. Cir. Oct. 18, 2007); *z4 Tech., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006) (finding plaintiff did not lose market share or ability to commercialize patented invention).

97. *Praxair, Inc. v. ATMI, Inc.*, No. 03-1158-SLR, 2007 U.S. Dist. LEXIS 21589, at \*11 (D. Del. Mar. 27, 2007) (stating patentee must offer specific reasons why monetary damages inadequate); *Sundance*, 2007 U.S. Dist. LEXIS 158, at \*8-9 (finding willingness to license demonstrates adequacy of monetary damages); *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*15 n.3 (noting power of injunctions as bargaining tool does not replace four-factor test); *z4 Tech.*, 434 F. Supp. 2d at 441 (concluding monetary damages adequate when component infringes patent).

98. See *Sundance*, 2007 U.S. Dist. LEXIS 158, at \*8-9 (noting patentee licensed invention to companies that compete with infringer); *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*7-8 (noting patentee does not manufacture patented product); *z4 Tech.*, 434 F. Supp. 2d at 441 (acknowledging patentee does not create patented product); Transcript of Hearing Before Honorable Judge Ron Clark United States District Judge at 125, *Finisar Corp. v. DirecTV Group*, No. 1:05-Cv-264, 2006 WL 2709206 (E.D. Tex. Sept. 1, 2006), available at [http://www.fr.com/news/finisar-v-directv\\_transcript2.pdf](http://www.fr.com/news/finisar-v-directv_transcript2.pdf) (acknowledging patentee does not have means to practice patent). *But see* *Commonwealth Sci. & Indus. Research Org. v. Buffalo Tech. Inc.*, 492 F. Supp. 2d 600, 603-05 (E.D. Tex. 2007) (finding irreparable harm for non-practicing patentee).

In the short time following *eBay*, it is clear that district courts are willing to adopt compulsory licensing as an alternate remedy in patent infringement cases.<sup>99</sup> However, legal practitioners and scholars have not considered the potential international impact of this decision.<sup>100</sup> In particular, it is questionable whether the adoption of a compulsory licensing scheme is at odds with the United States's obligations under the international Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).<sup>101</sup>

#### V. AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS: THE OTHER SIDE OF THE COIN

Beginning in the late 1970s, the United States and the European community recognized that pirating and counterfeiting copyrighted and trademarked products significantly impacted trade revenues.<sup>102</sup> To reduce trading of counterfeit goods, the United States, the European community, and other industrialized nations discussed a draft of anti-counterfeiting regulations in preparation for the 1986 General Agreement on Tariffs and Trade (GATT) Round in Uruguay.<sup>103</sup> The United States proposed that the participants of the Uruguay GATT Round consider all types of intellectual property rights in international trade.<sup>104</sup> In 1987, the Uruguay Round introduced a negotiating framework, entitled "Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods."<sup>105</sup> The participants at the Uruguay Round, however, did not adopt an agreement incorporating intellectual property rights in international trade until the Round's conclusion in 1994.<sup>106</sup> The

99. See *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 76380, at \*4-5 (E.D. Tex. July 7, 2006) (granting compulsory license); *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*19-20 (granting patentee ongoing royalty); *z4 Tech.*, 434 F. Supp. 2d at 444 (ordering post verdict accounting of defendant's infringing sales following denial of injunctive relief). Although the Federal Circuit vacated and remanded the district court's order of an ongoing royalty in *Paice* to determine the appropriateness of the royalty rate, it noted that "[u]nder some circumstances, awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate." *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2006-1610, 2007 U.S. App. LEXIS 24357, at \*49, \*51 (Fed. Cir. Oct. 18, 2007).

100. See BIO Brief, *supra* note 29, at 19 (noting compulsory licensing frustrates United States efforts to stop compulsory licensing in other countries); Stockwell, *supra* note 3, at 756 (describing potential problems if compulsory licensing adopted by courts); Wegner, *supra* note 9, at 166-67 (questioning whether compulsory licensing runs afoul to United States's obligations under TRIPS); Castanias & Gerber, *supra* note 7 (noting compulsory licensing may cause problems with United States's international obligations). "Compulsory licensing is squarely at odds with remedial provisions Congress has provided for an aggrieved patentee." Stockwell, *supra* note 3, at 756. Statutory provisions do not authorize compulsory licensing. *Id.* Further, the United States aggressively opposed compulsory licensing in international intellectual property treaties. *Id.*

101. See *infra*, Parts V-VI (highlighting potential problems related to international treaties).

102. MICHAEL BLAKENEY, TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS: A CONCISE GUIDE TO THE TRIPS AGREEMENT 1 (1996) (summarizing evolution and history of TRIPS Agreement).

103. See *id.* at 1-3 (describing initial efforts of industrialized nations to combat counterfeiting of trademarked products).

104. See *id.* at 2-3 (describing United States initiative for GATT Round negotiations).

105. See *id.* at 3 (summarizing history of TRIPS).

106. See BLAKENEY, *supra* note 102, at 2-7 (detailing negotiations leading to TRIPS Agreement); J.H.

TRIPS Agreement was the first comprehensive international treaty on intellectual property rights.<sup>107</sup> It sets forth minimum standards for worldwide intellectual property regulations.<sup>108</sup>

The TRIPS Agreement requires that all World Trade Organization (WTO) member states provide strong intellectual property rights.<sup>109</sup> Specifically, member states must pass and enforce seven categories of intellectual property laws: copyrights, patents, trademarks, geographical indications, trade secrets, industrial designs, and integrated circuit designs.<sup>110</sup> Enforcement procedures in the TRIPS Agreement require member states to take action against any infringement of intellectual property rights.<sup>111</sup> Member states must also provide remedies to protect a party's intellectual property when those rights are violated.<sup>112</sup> Further, member states must provide dispute settlement mechanisms for resolving disputes between member states.<sup>113</sup> While the scope of intellectual property protection granted under the TRIPS Agreement is extensive, this Note focuses solely on patent rights and protections.<sup>114</sup>

Under the TRIPS Agreement, "patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application."<sup>115</sup>

---

Reichman, *The TRIPS Agreement Comes of Age: Conflict or Cooperation with the Developing Countries?*, 32 CASE W. RES. J. INT'L L. 441, 442-43 (2000) (summarizing evolution of TRIPS Agreement); Allison Cychosz, Case Comment, *The Effectiveness of International Enforcement of Intellectual Property Rights*, 37 J. MARSHALL L. REV. 985, 991-95 (2004) (summarizing history of international patent law).

107. See Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, 33 I.L.M. 81 (1994) [hereinafter TRIPS Agreement]; see also JAYASHREE WATAL, INTELLECTUAL PROPERTY RIGHTS IN THE WTO AND DEVELOPING COUNTRIES 2-3 (2001) (commenting on breadth of TRIPS Agreement); Reichman, *supra* note 106, at 442 (referring to TRIPS Agreement as "a revolution in international intellectual property law"). "TRIPS is . . . the most wide-ranging and far reaching international treaty on the subject of intellectual property to date . . ." WATAL, *supra*, at 2.

108. See BLAKENEY, *supra* note 102, at 39 (noting TRIPS provides minimum standards of intellectual property protection).

109. See TRIPS Agreement, *supra* note 107, at pt. II, §§ 1-7 (detailing availability, scope, and use of intellectual property rights). Nations seeking membership in the WTO must ratify the TRIPS Agreement prior to becoming a WTO member. See Frequently Asked Questions about TRIPS in the WTO, [http://www.wto.org/english/tratop\\_e/trips\\_e/tripfq\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/tripfq_e.htm) (last visited Feb. 10, 2007) [hereinafter Questions on TRIPS] (noting acceptance of TRIPS Agreement by all WTO members).

110. See TRIPS Agreement, *supra* note 107, at pt. II (providing scope of intellectual property rights); Reichman, *supra* note 106, at 443 (listing types of intellectual property included in TRIPS).

111. See TRIPS Agreement, *supra* note 107, at pts. III-IV (providing standards for enforcement and maintenance of rights); BLAKENEY, *supra* note 102, at 123-39 (detailing enforcement procedures).

112. See TRIPS Agreement, *supra* note 107, at pt. III, § 2 (providing remedies for violation of intellectual property rights); BLAKENEY, *supra* note 102, at 127-31 (describing available remedies). The civil remedies available, following a finding of infringement, include injunctive relief and monetary damages. BLAKENEY, *supra* note 102, at 127-31.

113. See TRIPS Agreement, *supra* note 107, at pt. V (providing standards for dispute prevention and settlement).

114. See *infra* pts. V-VI.

115. See TRIPS Agreement, *supra* note 107, at art. 27, § 1 (defining patentable subject matter). The breadth of Article 27, § 1, including products and processes in all fields of technology, was a major achievement for developed nations and a significant concession for developing nations because it protects

Despite listing general criteria for patentability, the TRIPS Agreement does not define specific patentability standards.<sup>116</sup> Instead, member states can define patentability standards.<sup>117</sup> TRIPS does provide some common exceptions to patentability including inventions based on plants and animals other than microorganisms, methods of treating humans and animals, and any invention considered necessary to protect public order and welfare.<sup>118</sup> Under the TRIPS Agreement, a patent owner is entitled to an exclusive right, for a limited time, to exclude third parties from making, using, offering for sale, selling, or importing the patented invention.<sup>119</sup>

A patentee's right to exclude others, however, is not absolute under the TRIPS Agreement.<sup>120</sup> Article 31 of the Agreement, entitled "Other Use Without Authorization of the Right Holder," provides for compulsory licensing of patented inventions.<sup>121</sup> Under TRIPS, compulsory licensing is defined as the

---

biotechnological inventions. See WATAL, *supra* note 107, at 87, 132.

116. TRIPS Agreement, *supra* note 107, at art. 27 (lacking standards for patentability); see also WATAL, *supra* note 107, at 90-96 (acknowledging lack of harmonization in applying patentability criteria among member states).

117. See WATAL, *supra* note 107, at 90 (recognizing member states free to interpret patentability standards under TRIPS).

118. See TRIPS Agreement, *supra* note 107, at art. 27, § 2-3 (describing subject matter member states may exclude from patentability); WATAL, *supra* note 107, at 96-104 (detailing non-patentable subject matter). The non-patentable exceptions under the TRIPS Agreement arise from a consensus of subject matter excluded from pre-TRIPS patent laws of member states. See WATAL, *supra* note 107, at 96.

119. See TRIPS Agreement, *supra* note 107, at art. 28, § 1-2 (stating rights conferred by patent). The patent rights granted under TRIPS are identical to United States patent rights. Compare TRIPS Agreement, *supra* note 107, at art. 28, with 35 U.S.C. § 154(a)(1) (2000).

120. See TRIPS Agreement, *supra* note 107, at art. 30-31 (allowing member states to include exceptions to exclusive rights conferred by patent). Article 30 provides exceptions to a patentee's exclusive right including private, non-commercial use, experimental, and research use. WATAL, *supra* note 107, at 314-15. Article 31 provides for compulsory licensing of patented inventions by member states. BLAKENEY, *supra* note 102, at 89-92. In addition, the TRIPS Agreement incorporates the Paris Convention, which provides for compulsory licensing when a patentee does not work or practice the patented invention. TRIPS Agreement, *supra* note 107, at art. 2 (incorporating obligations of the Paris Convention); Paris Convention for the Protection of Industrial Property, art. 5, Mar. 20, 1883, as revised in Stockholm July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention], available at [http://www.wipo.int/treaties/en/ip/paris/pdf/trtdocs\\_wo020.pdf](http://www.wipo.int/treaties/en/ip/paris/pdf/trtdocs_wo020.pdf) (allowing compulsory licensing when patentee fails to work invention); BLAKENEY, *supra* note 102, at 40 (acknowledging incorporation of earlier intellectual property treaties into TRIPS); Wegner, *supra* note 9, at 164-65 (explaining compulsory licensing provisions under the Paris Convention). A crucial distinction for compulsory licenses under the Paris Convention is that a potential infringer cannot seek a compulsory license until three years after the patent grant. Wegner, *supra* note 9, at 164-65.

121. See TRIPS Agreement, *supra* note 107, at art. 31 (permitting but regulating member states in granting unauthorized patent use); BLAKENEY, *supra* note 102, at 89-90 (stating Article 31 establishes regulatory regime for granting license without patent owner's authorization); Cychosz, *supra* note 106, at 994 (referring to authorization under Article 31 as compulsory licensing); Sara M. Ford, Note, *Compulsory Licensing Provisions Under the TRIPS Agreement: Balancing Pills and Patents*, 15 AM. U. INT'L. L. REV. 941, 949 (2000) (noting TRIPS Agreement does not explicitly mention term "compulsory license"); see also Thomas A. Haag, *TRIPS Since Doha: How Far Will the WTO Go Toward Modifying the Terms for Compulsory Licensing?*, 84 J. PAT. & TRADEMARK OFF. SOC'Y 945, 952-53 (2002) (acknowledging Article 30 as an alternate mechanism for seeking compulsory license). The phrase "other use" in Article 31 refers to uses other than the exceptions to the patent right provided under Article 30, including non-commercial, experimental, and research use.

unauthorized use of a patented invention under a government granted license to the member state or to a third party.<sup>122</sup> Article 31 places no restrictions on the grounds that a member state may use in order to authorize a compulsory license.<sup>123</sup>

Article 31, however, places specific conditions on a member state's authority to grant a compulsory license.<sup>124</sup> First, a member state must consider the authorization to use a patented invention on the individual merits of the proposed use.<sup>125</sup> Second, a user of the patented invention must try to obtain a voluntary license from the patent owner on reasonable terms before seeking a compulsory license.<sup>126</sup> Third, the user must pay the patent owner an adequate remuneration for use of the patented invention under a compulsory license.<sup>127</sup> Further, the license must have a scope and duration of use that is limited to the authorized purpose.<sup>128</sup> The use under the license is non-exclusive and non-assignable.<sup>129</sup> Also, the use must be predominantly for the domestic market of the member state authorizing the license.<sup>130</sup> Finally, a member state may terminate the compulsory license if its reason for granting the license ceases to exist.<sup>131</sup>

Compulsory licensing under Article 31 was one of the most intensely negotiated and controversial provisions of the TRIPS Agreement.<sup>132</sup>

---

BLAKENEY, *supra* note 102, at 90.

122. See Cychosz, *supra* note 106, at 994 (defining compulsory license as government issued license for domestic use of patent invention); Ford, *supra* note 121, at 945 (defining compulsory license as government issued license to use patented invention without patent owner's permission).

123. See WATAL, *supra* note 107, at 320 (describing no restrictions for granting compulsory license in final text of agreement). The adoption of Article 31 in its final form was a victory for developing nations because the U.S. strongly opposed all provisions related to compulsory licensing. *Id.* The United States insisted that compulsory licenses could only be granted on two grounds—anti-competitive practices and national emergencies. *Id.* Various provisions of the TRIPS Agreement refer to specific circumstances where compulsory licenses may be granted, including national emergencies, anti-competitive practices, dependent patents, and public non-commercial use; however, these circumstances are not intended to be limiting. See TRIPS Agreement, *supra* note 107, at arts. 7, 8, 31 (referring to specific grounds for granting compulsory licenses).

124. See TRIPS Agreement, *supra* note 107, at art. 31(a)-(l) (detailing requirements for granting compulsory license).

125. TRIPS Agreement, *supra* note 107, at art. 31(a) (requiring individual consideration for granting a compulsory license).

126. TRIPS Agreement, *supra* note 107, at art. 31(b) (requiring efforts to obtain license from patentee before seeking compulsory license). The Agreement allows a member state to waive this condition in circumstances of national emergencies or other urgent situations. See BLAKENEY, *supra* note 102, at 91.

127. TRIPS Agreement, *supra* note 107, at art. 31(h) (requiring payment to patentee).

128. TRIPS Agreement, *supra* note 107, at art. 31(c) (limiting scope and duration of use of patented invention under compulsory license).

129. TRIPS Agreement, *supra* note 107, at art. 31(d)-(e) (limiting exclusivity and assignability).

130. TRIPS Agreement, *supra* note 107, at art. 31(f) (requiring domestic use of patented invention under a compulsory license).

131. TRIPS Agreement, *supra* note 107, at art. 31(g) (providing for termination of license when circumstances for granting license cease to exist).

132. See BLAKENEY, *supra* note 102, at 89-90 (characterizing compulsory licensing negotiations as tense);

Developed nations, including the United States, strongly opposed compulsory licensing provisions under the Agreement.<sup>133</sup> The thrust of the compulsory licensing debate centered on the licensing of pharmaceutical products to treat public health epidemics in developing nations.<sup>134</sup> Both the United States and the pharmaceutical industry, fearing uncontrolled and uncompensated production of patented drugs, argued that compulsory licensing would lead to a decline in research and development of new drugs.<sup>135</sup> Thus, the United States advocated for a very narrow reading of compulsory licensing provisions under Article 31.<sup>136</sup> To this day, the United States, largely through the voice and efforts of the pharmaceutical industry, has complained that compulsory licensing violates the TRIPS Agreement.<sup>137</sup>

On the other side, developing nations advocated for a very broad reading of compulsory licensing terms under the TRIPS Agreement.<sup>138</sup> Developing nations faced with national medical crises argued that moral exceptions should allow the broad use of compulsory licensing.<sup>139</sup> In particular, developing nations sought clarification with respect to Article 31(f), which provides that a compulsory license “shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use.”<sup>140</sup> Ironically, the

---

WATAL, *supra* note 107, at 317-329 (summarizing tension and intensity of Article 31 negotiations). During negotiations, the United States argued that the Agreement should not include any exceptions to patent rights. WATAL, *supra* note 107, at 314.

133. See WATAL, *supra* note 107, at 320-21 (summarizing United States’s position on compulsory licensing provisions in TRIPS Agreement); Ford, *supra* note 121, at 946 (noting developed nations want narrow restrictions on compulsory licensing under TRIPS). Developed nations generally desire harsh restrictions on compulsory licensing to protect their domestic industries. Ford, *supra* note 121, at 946. The fight for narrow restrictions is most intensely observed by pharmaceutical companies. *Id.*

134. See Ford, *supra* note 121, at 946 (articulating issues central to compulsory licensing debate).

135. See Haag, *supra* note 121, at 948-49 (summarizing concerns of pharmaceutical companies). The pharmaceutical industry did not deny the tragedies occurring in certain places of the world as a result of epidemic disease. *Id.* However, the industry asserted that without strong patent protection, there would be no incentive to invest the approximately \$800 million needed to research, develop, and market a single new drug. *Id.*; see also Ford, *supra* note 121, at 966 (summarizing concerns of developed nations). Developed nations are worried that developing nations will treat all health risks as urgent, resulting in a significant number of compulsory licenses that could adversely impact the pharmaceutical industry and its ability to generate new drugs. Ford, *supra* note 121, at 966.

136. See Ford, *supra* note 121, at 953-54 (summarizing United States’s position on compulsory licensing).

137. See Ford, *supra* note 121, at 946-47 (acknowledging United States’s position influenced by pharmaceutical industry). The United States pharmaceutical lobby closely monitored the discussions surrounding the TRIPS agreement, protesting provisions and language that did not reinforce its interests. *Id.* “[T]he most consistent complaint by the United States is that compulsory licenses violate international intellectual property law proscribed in the [TRIPS] agreement.” *Id.* at 953 (pointing out extent of United States opposition to compulsory licensing under TRIPS).

138. See Ford, *supra* note 121, at 964 (describing developing nations’ position on compulsory licensing).

139. See Ford, *supra* note 121, at 964 (citing developing nations’ reliance on moral exceptions for issuing compulsory licenses). Article 27(2) provides the so-called moral exception because it provides that member nations may exclude certain inventions from patentability in order to protect the public or morality. *Id.* at 965.

140. See TRIPS Agreement, *supra* note 107, at art. 31(f) (limiting unauthorized use for predominantly domestic supply and use of patented invention); Cychosz, *supra* note 106, at 994-96 (explaining impact of Article 31(f)). Article 31 does not restrict use only to the domestic market, but rather “predominantly” restricts

member states seeking compulsory licensing of drugs to treat epidemics did not have the infrastructure to manufacture these drugs, yet on its face, Article 31(f) prohibited these same member states from importing the drugs from a foreign nation.<sup>141</sup> Further, developing nations sought clarification on whether a member state must declare a national emergency prior to granting a compulsory license.<sup>142</sup>

The Doha Ministerial Declaration on the TRIPS Agreement and Public Health (Doha Declaration), adopted by the WTO in 2001 attempted to clarify ambiguities in the TRIPS Agreement related to public health concerns in developing nations.<sup>143</sup> The Doha Declaration affirmed that “the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health.”<sup>144</sup> The Doha Declaration further affirmed that “[e]ach Member has the right to grant compulsory licences and the freedom to determine the grounds upon which such licences are granted.”<sup>145</sup> Finally, the Doha Declaration clarified that a member state did not need to declare a national emergency prior to granting a compulsory license.<sup>146</sup>

---

such use to the domestic market. *See* Cychosz, *supra* note 106, at 994.

141. *See* Haag, *supra* note 121, at 951 (addressing issues facing developing nations under Article 31(f)). Article 31(f) states “any use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use.” TRIPS Agreement, *supra* note 107, at art. 31(f). Article 31 contains an ambiguity whether a country seeking a compulsory license to a drug can import the desired drugs despite this language. *See* Haag, *supra* note 121, at 951. If it can, then the question remains how much can be imported before there is a violation of the agreement. *See id.*

142. *See* CARLOS M. CORREA, IMPLICATIONS OF THE DOHA DECLARATION ON THE TRIPS AGREEMENT AND PUBLIC HEALTH 14-17 (2002), available at [http://www.who.int/medicines/areas/policy/WHO\\_EDM\\_PAR\\_2002.3.pdf](http://www.who.int/medicines/areas/policy/WHO_EDM_PAR_2002.3.pdf) (identifying developing nations’ objectives in seeking clarification on TRIPS provisions).

143. *See* World Trade Organization, Ministerial Declaration of 14 November 2001, WT/MIN(01)/DEC/1, 41 I.L.M. 755 (2002) [hereinafter Doha Declaration] (affirming interpretation of TRIPS Agreement to promote public health). The Doha Declaration was in response to particular concerns raised by developing nations, namely the AIDS/HIV, malaria, and tuberculosis epidemics in these nations. CORREA, *supra* note 142, at 5 (articulating purpose of Doha Ministerial Conference and Declaration).

144. *See* Doha Declaration, *supra* note 143, at ¶ 4 (declaring TRIPS Agreement does not prevent measures to protect public health); CORREA, *supra* note 142, at 9-12 (analyzing language adopted in paragraph four of Doha Declaration). The Doha Declaration reaffirms that the TRIPS Agreement is a flexible agreement. *See* CORREA, *supra* note 142, at 13 (stressing flexibility in TRIPS Agreement).

145. *See* Doha Declaration, *supra* note 143, at ¶ 5(b) (asserting right to compulsory licences); CORREA, *supra* note 142, at 15 (stressing grounds for granting compulsory licenses under Article 31 not limited). The TRIPS Agreement and the Doha Declaration specifically refer to situations of national emergency and anti-competitive practices as permissible grounds for granting a compulsory license; the Doha Declaration, however, affirms that members have the freedom to determine the grounds upon which compulsory licenses are granted. *See* World Health Organization, The Doha Declaration on the TRIPS Agreement and Public Health, [http://www.who.int/medicines/areas/policy/doha\\_declaration/en/print.html](http://www.who.int/medicines/areas/policy/doha_declaration/en/print.html) (last visited on Sept. 27, 2007) (summarizing compulsory licensing terms in TRIPS Agreement). A broad interpretation of Article 31 allows compulsory licenses related to “non-working of patents, public health, or public interest.” *See id.*

146. *See* Doha Declaration, *supra* note 143, at ¶ 5(c) (stating members free to determine national emergency). The Doha Declaration confirmed that “[e]ach Member has the right to determine what constitutes a national emergency or other circumstances of extreme urgency . . . including those related to HIV/AIDS, tuberculosis, malaria and other epidemics, can represent a national emergency or other circumstances of

The Doha Declaration, however, did not settle the issue of Article 31(f).<sup>147</sup> Rather, the TRIPS General Council resolved the issue in August 2003 when it waived the provision requiring that compulsory licenses predominantly supply the domestic market, thereby allowing members to export products made under a compulsory license to countries lacking production capabilities.<sup>148</sup> Thus, under the amended agreement, a member state may grant a compulsory license for domestic use as well as for exportation to eligible member states.<sup>149</sup>

Beyond the controversy stemming from Article 31(f) and public health concerns of developing nations, the compulsory licensing terms provided in Article 31 are widely criticized as vague and ambiguous.<sup>150</sup> For example, Article 31(b) requires that parties seeking a compulsory license must first try to negotiate a voluntary license with the patent owner on commercially reasonable terms.<sup>151</sup> Article 31(b), however, provides no guidance for determining the lengths to which a potential licensee must go in attempting to negotiate a license before seeking a compulsory license.<sup>152</sup> It also provides no guidance for determining if the terms are commercially reasonable.<sup>153</sup> In addition, Article 31(b) states that under a national emergency, potential infringers do not need to negotiate with the patent owner, but once again sets forth no criteria for establishing what scenarios rise to a national emergency trumping all rights of the patent owner.<sup>154</sup> Yet, another ambiguity under Article 31 is how adequate remuneration for a compulsory license should be determined.<sup>155</sup>

---

extreme urgency.” *Id.*; see also World Trade Organization, Compulsory Licensing of Pharmaceuticals and TRIPS, [http://www.wto.org/english/tratop\\_e/trips\\_e/public\\_health\\_faq\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/public_health_faq_e.htm) (last visited Feb. 10, 2007) [hereinafter Questions on Compulsory Licensing] (acknowledging common misunderstanding requiring an emergency prior to granting compulsory license). *But see* Robert Shapiro, Note, *Patent Infringement During a Time of National Emergency: Are Canadian, American and Mexican Governments Permitted to Do So Under Their Domestic Law, NAFTA, and TRIPS; If So at what Cost?*, 18 WINDSOR REV. LEGAL & SOC. ISSUES 37, 51 (2004) (questioning whether governments must declare national emergency prior to granting compulsory license).

147. See Doha Declaration, *supra* note 143, at ¶ 6 (recognizing problems with Article 31(f)). Paragraph six of the Doha Declaration instructs the TRIPS Council to find a solution that will help countries with insufficient or nonexistent pharmaceutical manufacturing capabilities to comply with Article 31. *Id.*

148. General Council, *Amendment of the TRIPS Agreement*, WT/L/641 (Dec. 8, 2005), available at [http://www.wto.org/english/tratop\\_e/trips\\_e/wtl641\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/wtl641_e.htm) (detailing amendments made to TRIPS Agreement). The amendments were adopted by the General Council and submitted to member states for acceptance by December 1, 2007. *See id.*

149. See Questions on Compulsory Licensing, *supra* note 146 (explaining compulsory licenses for domestic use and exportation).

150. See Cychosz, *supra* note 106, at 994 (citing vague terms as source of controversy); Ford, *supra* note 121, at 960-63 (summarizing ambiguous terms in Article 31).

151. See Cychosz, *supra* note 106, at 994 (expounding ambiguities in Article 31(b)); Ford, *supra* note 121, at 960-61 (noting terms “circumstance” and “purpose” in Article 31 likely cause of debate).

152. See Cychosz, *supra* note 106, at 994 (questioning reasonableness in negotiation attempts).

153. See Cychosz, *supra* note 106, at 994 (listing valid questions arising from vague provisions).

154. See Cychosz, *supra* note 106, at 994 (acknowledging patent owners may lose all rights during national emergencies under this provision).

155. See Ford, *supra* note 121, at 960 (questioning value determinations for compulsory licenses). Determining the economic value of a patent under Article 31(h) is extremely controversial. *Id.* The value

In sum, the TRIPS Agreement requires that all WTO member states, including the United States, promote strong intellectual property rights with respect to international trade.<sup>156</sup> The United States must therefore follow the prescribed obligations as set forth for all member states.<sup>157</sup> Each member state may impose stricter regulations for protecting intellectual property rights, so long as those regulations do not interfere with the standards set forth in the Agreement.<sup>158</sup> This means that a member state may grant a compulsory license in accordance with the TRIPS Agreement only when the requirements of Article 31 are met.<sup>159</sup> The United States, therefore, will have to reconcile its obligations under the TRIPS Agreement with its judiciary's adoption of compulsory licensing as an alternate remedy in patent infringement cases.<sup>160</sup>

## VI. ANALYSIS

The United States must carefully weigh its obligations under the TRIPS Agreement with the implementation of a compulsory licensing scheme following *eBay*.<sup>161</sup> This section will first consider whether post-*eBay* compulsory licensing schemes are counter to the United States patent statute.<sup>162</sup> It will then analyze if a broadly employed compulsory licensing scheme will violate the United States's obligations under the TRIPS Agreement and frustrate United States efforts in international treaties.<sup>163</sup>

---

determination requires that the government granting the compulsory license balance the rights of the patent owner against the needs and economic capabilities of its citizens. *Id.*

156. See WATAL, *supra* note 107, at 2-4 (summarizing regulations promoting international intellectual property rights).

157. See Wegner, *supra* note 9, at 166 (noting United States must comply with TRIPS standards). As a member of the WTO, the United States must comply with the minimum standards provided in the TRIPS Agreement. *Id.*

158. See BLAKENEY, *supra* note 102, at 39 (clarifying standards set forth in TRIPS are minimum standards). Member states are not obliged to implement more extensive protections than required by the minimum standards. *Id.*

159. See BLAKENEY, *supra* note 102, at 90-92 (outlining conditions for granting compulsory licenses under TRIPS).

160. See Wegner, *supra* note 9, at 166-67 (exposing potential issues related to TRIPS). The United States, as a WTO member state, agreed to comply with the intellectual property right standards set forth in the TRIPS Agreement adopted in April 1994. See World Trade Organization, Members and Observers, [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/org6\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm) (last visited Feb. 25, 2007) (listing WTO member states and dates of membership). Following a transition period, the TRIPS Agreement came into force on January 1, 1996, for developed nations. See Questions on TRIPS, *supra* note 109 (explaining dates TRIPS Agreement came into force). The Agreement provided an extended transition period for developing nations until January 1, 2000, and for least developed nations, until January 1, 2006. *Id.* The Doha Declaration granted least developed nations a further extension to comply with pharmaceutical patents until January 1, 2016. *Id.*

161. See *supra* Parts II-IV (explaining compulsory licensing under *eBay* and TRIPS Agreement).

162. See *infra* Part V.A (analyzing compulsory licensing against United States Patent Act).

163. See *infra* Part V.B (analyzing compulsory licensing against United States's obligations under TRIPS Agreement).

### A. Compulsory Licensing and the United States Patent System

In general, compulsory licensing contradicts congressional intent under the patent statute.<sup>164</sup> While Congress has authorized the government to use or authorize the use of a patent without permission from the patentee under 28 U.S.C. § 1498(a), Congress has provided for compulsory licenses only in limited circumstances related to protecting public health, ensuring national security, or remedying anti-competitive practices.<sup>165</sup> Absent one of these circumstances, district courts have no explicit statutory authority to grant a compulsory license.<sup>166</sup>

Before *eBay*, the court's grant of injunctive relief following a finding of validity and infringement was consistent with Congress's intent under the Patent Act.<sup>167</sup> A presumption of irreparable harm evolved on the grounds that a patentee would be irreparably harmed if the court did not grant a permanent injunction following a finding of patent validity and infringement.<sup>168</sup> The Federal Circuit's use of an automatic rule granting a permanent injunction following a finding of patent validity and infringement reinforced the notion that the right to exclude under a patent was more or less absolute.<sup>169</sup>

In contrast, in the post-*eBay* era, the property right granted under a patent seems far from absolute.<sup>170</sup> Since *eBay*, an increasing number of courts have granted or considered granting compulsory licenses as a possible remedy in patent infringement cases.<sup>171</sup> District courts issuing compulsory licenses have based their decisions, in part, on the discretion provided by 35 U.S.C. § 283.<sup>172</sup>

---

164. See 35 U.S.C. § 154(a) (2000) (announcing right to exclude central to patent right); Klar, *supra* note 4, at 994 (stating compulsory license on any patent "should be viewed as unconstitutional"); Stockwell, *supra* note 3, at 756 (stating Congress repeatedly rejected compulsory licensing provisions); Shapiro, *supra* note 146, at 42 (stating compulsory licensing inconsistent with law imposing no duty to use or license patent).

165. See 28 U.S.C. § 1498(a) (2000) (providing for compulsory licensing); *supra* note 51 and accompanying text (discussing statutory exceptions for compulsory licensing).

166. See Stockwell, *supra* note 3, at 756 (commenting no statutory authority for compulsory licensing); Diner et al., *supra* note 11 (citing precedents for compulsory licenses).

167. See *supra* notes 30-40, 44 and accompanying text (summarizing consistent use of injunctive relief in patent infringement cases).

168. See Klar, *supra* note 4, at 989-90 (explaining presumption of irreparable harm). Courts prefer granting injunctive relief following a finding of validity and infringement, because denying a patentee the right to exclude is contrary to the laws of property. *Id.* at 990.

169. See *supra* note 44 and accompanying text (noting established practice of issuing permanent injunction as guarantee of right to exclude).

170. See Diner et al., *supra* note 11 (questioning continued availability of injunctive relief as patentee's core remedy).

171. See *supra* notes 91-98 and accompanying text (discussing courts granting compulsory licenses following *eBay*).

172. See 35 U.S.C. § 283 (2000) (granting courts discretion to grant injunctive relief in accordance with equity principles); Paice, L.L.C. v. Toyota Motor Corp., No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at \*3 (E.D. Tex. Aug. 16, 2006) (citing equitable relief not mandatory in patent infringement cases), *vacated in part*, No. 2006-1610, 2007 U.S. App. LEXIS 24357 (Fed. Cir. Oct. 18, 2007); Finisar Corp. v. DirecTV Group, Inc., No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 76380, at \*4-5 (E.D. Tex. July 7, 2006) (using discretion to deny injunctive relief and issue compulsory license); *z4 Tech., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437,

Section 283 of the Patent Act gives district courts the discretion to grant a permanent injunction when a party violates a right secured by a patent.<sup>173</sup> In *eBay*, the Supreme Court affirmed that the right to an injunction following infringement of a patent is not absolute or guaranteed.<sup>174</sup> Thus, on one hand, it appears that the language of Section 283 and *eBay* contradicts the seminal holding in *Continental Paper Bag* that a patentee's right to exclude is the essence of patent ownership.<sup>175</sup> The countervailing view, articulated by the Supreme Court in *eBay*, maintains that the patent statute clearly grants a right to exclude, but that the right is not absolute.<sup>176</sup>

The Supreme Court's decision in *eBay* is also noteworthy for upholding the long-standing proposition of United States patent law that a patentee's practice of the patented invention does not determine the patentee's right to exclude.<sup>177</sup> While several members of the Court voiced concerns that the nature of patents as business tools is changing, the Court acknowledged that some inventors must rely on licensing to commercialize their inventions.<sup>178</sup> Interestingly, despite the majority view championing the rights of small inventors, the Court appears divided with respect to the significance of a patentee's failure to practice the invention in determining whether to grant injunctive relief.<sup>179</sup>

Although the Patent Act provides no guidance as to when courts should issue a compulsory license rather than injunctive relief, the Supreme Court in *eBay* called for strict adherence to the traditional four-factor test for

---

439 (E.D. Tex. 2006) (stating decision to grant injunctive relief rests within discretion of district court); *Keg Tech., Inc. v. Laimer*, 436 F. Supp. 2d 1364, 1371 (N.D. Ga. 2006) (applying discretion by ordering taking of additional evidence with respect to equitable remedies).

173. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839 (2006) (affirming injunctive relief under Patent Act as discretionary); *see also* Eddings, *supra* note 12, at 505 & n.17 (discussing language in section 283 as central to *eBay* dispute). *But see* Paice, L.L.C. v. Toyota Motor Corp., No. 2006-1610, 2007 U.S. App. LEXIS 24357, at \*49 (Fed. Cir. Oct. 18, 2007) (questioning whether allowing use of patented invention under royalty prevents rights violation secured by patent).

174. *eBay*, 126 S. Ct. at 1840-41 (holding no automatic grant of injunctive relief following patent infringement).

175. *Compare* 35 U.S.C. § 283 (emphasizing courts have discretion in granting injunctive relief), *with* *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 429 (1908) (stressing right to exclude essential to patent right).

176. *Compare* 35 U.S.C. § 154(a) (defining patent right as right to exclude), *with id.* § 283 (allowing for discretion in granting injunctive relief), *and eBay*, 126 S. Ct. at 1840-41 (denying automatic grant of injunctive relief in patent infringement cases).

177. *See eBay*, 126 S. Ct. at 1840 (highlighting certain patentees may prefer licensing their patented inventions).

178. *Compare eBay*, 126 S. Ct. at 1840 (recognizing some inventors require licensing to bring invention to market), *with id.* at 1842 (Kennedy, J., concurring) (cautioning current patent cases may not be similar to earlier cases).

179. *Compare eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1840 (2006) (upholding rights of small inventors in denial of categorical rule), *with id.* at 1842 (Kennedy, J., concurring) (questioning patentee's use of patented invention in determining injunctive relief). In particular, Justice Kennedy raised concerns that patents may be used to extort exorbitant fees. *Id.* at 1842 (Kennedy, J., concurring).

determining when to grant injunctive relief.<sup>180</sup> Thus far, all district courts issuing compulsory licenses have anchored their decisions on the four-factor test announced in *eBay*.<sup>181</sup> Each court issuing a compulsory license explained how the four-factors balanced against one another.<sup>182</sup> Similarly, courts granting permanent injunctions also closely followed the four-factor test.<sup>183</sup>

To date, courts are granting compulsory licenses only on patents directed to information technology or component patents.<sup>184</sup> In each case, courts closely track the language of Justice Kennedy's concurrence, finding "the patented invention is but a small component of the product the companies seek to produce."<sup>185</sup> Each court concludes that legal damages are a more appropriate remedy than an injunction.<sup>186</sup>

In sum, the Patent Act provides a patentee with a right to exclude others for a limited time from making, using, offering for sale, selling, or importing the patented invention; a reasonable royalty when the patented invention is infringed; and a limited use of compulsory licensing.<sup>187</sup> However, since *eBay*,

---

180. See *id.* at 1841 (concluding four-factor test governs award of injunctive relief).

181. See, e.g., *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at \*4 (E.D. Tex. Aug. 16, 2006) (finding no irreparable harm and adequacy of damages), *vacated in part*, No. 2006-1610, 2007 U.S. App. LEXIS 24357 (Fed. Cir. Oct. 18, 2007); *z4 Tech., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006) (finding balance of factors weighed in defendant's favor); *Keg Tech., Inc. v. Laimer*, 436 F. Supp. 2d 1364, 1371 (N.D. Ga. 2006) (requesting additional evidence to weigh equitable factors).

182. See, e.g., *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*12-18 (explaining plaintiff could receive compensation by damages); *z4 Tech.*, 434 F. Supp. 2d at 444 (concluding damages can remedy harm to patentee); *Keg Tech.*, 436 F. Supp. 2d at 1371 (declining to rule before four-factors are considered).

183. See, e.g., *Visto Corp. v. Seven Networks, Inc.*, No. 2:03-CV-333-TJW, 2006 U.S. Dist. LEXIS 91453, at \*13-14 (E.D. Tex. Dec. 19, 2006) (concluding patentee will suffer irreparable harm and injunction proper relief); *Smith & Nephew, Inc. v. Synthes*, No. 02-2873 Ma/A, 2006 U.S. Dist. LEXIS 91851, at \*14 (W.D. Tenn. Sept. 28, 2006) (determining four equitable factors support granting injunction); *Tivo, Inc. v. Echostar Comm. Corp.*, 446 F. Supp. 2d 664, 669-70 (E.D. Tex. 2006) (concluding balance of hardships weighs in patentee's favor).

184. See *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 70300, at \*4-5 (E.D. Tex. Sept. 1, 2006) (relating to information transfer from database to subscribers through satellite transmission); *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*15 (patenting component of a hybrid car); *z4 Tech.*, 434 F. Supp. 2d at 444 (describing methods limiting the unauthorized use of computer software); *Keg Tech.*, 436 F. Supp. 2d at 1371 (describing hydrodynamic tools for cleaning pipes and channels).

185. See *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1842 (Kennedy, J., concurring) (commenting on component patents); see also, e.g., *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*15 (concluding infringed hybrid transmissions are only a "small aspect" of the total vehicle); *z4 Tech.*, 434 F. Supp. 2d at 442 (citing to Justice Kennedy's concurrence in *eBay* on component patents); *Keg Tech.*, 436 F. Supp. 2d at 1371 (pointing to nozzle as the infringing component).

186. See *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring) (commenting on component patents and sufficiency of monetary damages); see also, e.g., *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*16 (finding monetary damages adequate remedy); *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 76380, at \*4-5 (E.D. Tex. July 7, 2006) (setting royalty rate for remainder of patent term); *z4 Tech.*, 434 F. Supp. 2d at 441 (holding monetary damages sufficient to compensate future infringement).

187. See 35 U.S.C. § 154(a)(1) (2000) (providing patentees with exclusion rights); *id.* § 284 (providing no less than reasonable royalty following finding of infringement); *supra* note 51 and accompanying text (describing limited circumstances for granting compulsory licenses before *eBay*).

there has been a shift to increase the use of compulsory licenses.<sup>188</sup> Thus, despite the prevailing view that compulsory licensing is contrary to congressional intent, compulsory licensing arguably fits within the statutory framework.<sup>189</sup>

The impact of post-*eBay* compulsory licensing in the United States is unsettled, and the question whether courts will grant compulsory licenses outside of business method patents or component patents still remains.<sup>190</sup> Courts may grant compulsory licenses for pharmaceutical and biotechnology patents.<sup>191</sup> The possibility of compulsory licenses alone may impact the biopharmaceutical industry by making it harder for small biotech companies to leverage their patents for higher licensing fees with the pharmaceutical companies who will manufacture and sell the patented products.<sup>192</sup> In addition, the biopharmaceutical industry could potentially face compulsory licenses for patents to research tools and improved therapeutic drugs.<sup>193</sup> Thus, the pharmaceutical and biotechnology industries have incentive to continue their fight opposing potential compulsory licenses.<sup>194</sup>

#### B. *Compulsory Licensing and United States Obligations Under the TRIPS Agreement*

The rationale of the TRIPS Agreement was to provide strong intellectual property rights across national borders to reduce impediments to international trade.<sup>195</sup> As a leading proponent of the TRIPS Agreement, the United States maintains and enforces intellectual property laws more strictly than required under the Agreement's minimum standards.<sup>196</sup> The United States strongly opposes compulsory licensing provisions in international treaties.<sup>197</sup> An

---

188. See generally Iancu & Nichols, *supra* note 90 (discussing post-*eBay* cases issuing compulsory licenses).

189. See generally Yosick, *supra* note 13 (advancing arguments for and against compulsory licensing).

190. See Stockwell, *supra* note 3, at 747 (questioning factors for determining injunctive relief); Susser & Cohen, *supra* note 6 (raising questions related to discovery on post-verdict injunction issues); Castanias & Gerber, *supra* note 7 (discussing potential new role for courts in determining the value of patents); see also Diner et al., *supra* note 11 (discussing ramifications of compulsory licensing for biopharmaceutical industry).

191. See Diner et al., *supra* note 11 (predicting use of compulsory licenses may depend on patented invention and market affected).

192. See Diner et al., *supra* note 11 (discussing bargaining position of biotechnology companies).

193. See Diner et al., *supra* note 11 (speculating on potential for compulsory licenses within biopharmaceutical patents).

194. See BIO Brief, *supra* note 29, at 1 (asserting uncertainty of exclusive rights negatively impacts biotechnology industry and public health); PhARMA Brief, *supra* note 30, at 2 (declaring PhARMA members need strong patent protection to recoup investment costs).

195. See Shapiro, *supra* note 146, at 50 (stating uniformity in patent protection as rationale for creating TRIPS Agreement).

196. See Wegner, *supra* note 9, at 166 (noting TRIPS intended to raise foreign standards similar to United States's intellectual property rights standards).

197. Stockwell, *supra* note 3, at 756 (citing United States's policy to oppose compulsory licensing in international treaties); Ford, *supra* note 121, at 954 (discussing United States opposition to issuance of

analysis of whether post-*eBay* compulsory licensing is at odds with United States obligations under TRIPS focuses on two issues: whether a country violates TRIPS by not strengthening intellectual property rights; and whether a country violates TRIPS by not complying with the conditions set forth under Article 31.<sup>198</sup>

With respect to the first issue, Articles 30 and 31 of the TRIPS Agreement provide for compulsory licensing of patented inventions.<sup>199</sup> The Doha Declaration affirms that WTO member states have the freedom to stipulate any and all grounds under which a compulsory license may be granted.<sup>200</sup> Therefore, United States courts are free to determine the grounds on which a compulsory license may be granted.<sup>201</sup> For example, trial courts may issue a compulsory license after concluding that a patentee will not be irreparably harmed if the court denies injunctive relief.<sup>202</sup> Further, a court may issue a compulsory license following a finding that a patentee did not practice the patented invention.<sup>203</sup> Thus, the use of compulsory licenses by United States courts should not rise to a violation of the Agreement for failure to strengthen intellectual property laws.<sup>204</sup>

---

compulsory licenses); *see also* SPECIAL 301 REPORT, *supra* note 16, at 27, 30 (citing weakening in intellectual property rights protection in Thailand and Brazil). The United States Trade Representative (USTR) cited an increase in the use of compulsory licenses to pharmaceuticals in Thailand. SPECIAL 301 REPORT, *supra* note 16, at 27. The USTR also indicated that Brazil was considering compulsory licenses to patented pharmaceuticals. *Id.* at 30. The USTR emphasized that both countries must proceed with transparent discussion relevant to stakeholders in intellectual property rights. *Id.* at 27, 30.

198. *See* TRIPS Agreement, *supra* note 107, at art. 31 (outlining criteria for granting compulsory license); WATAL, *supra* note 107, at 2 (stating agreement calls for strong intellectual property rights).

199. *See* TRIPS Agreement, *supra* note 107, at art. 30-31 (setting forth stipulations for compulsory licensing of patented inventions).

200. *See* Doha Declaration, *supra* note 143, at ¶ 5(b) (affirming member states free to determine grounds for granting compulsory licenses).

201. *See* BLAKENEY, *supra* note 102, at 90 (stating “no limits” under Article 31 for granting compulsory licenses); WATAL, *supra* note 108, at 319-20 (emphasizing TRIPS does not contain restrictions for granting compulsory licenses).

202. *See* BLAKENEY, *supra* note 102, at 127-28 (observing TRIPS does not compel mandatory injunctions for infringing conduct); Diner et al., *supra* note 11 (acknowledging patentee must demonstrate irreparable harm for injunctive relief).

203. *See* Paris Convention, *supra* note 120, at art. 5 (authorizing compulsory licensing when patentee does not practice invention); Iancu & Nichols, *supra* note 90, at 397 (noting post-*eBay* cases denying injunctive relief involved patentees not practicing invention). *But see* *eBay, Inc., v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1840 (2006) (holding failure to practice patent does not categorically result in denying injunctive relief); BLAKENEY, *supra* note 102, at 90 (noting Article 31 does not require practice or working of patented invention). In contrast to the United States, foreign governments have historically granted compulsory licenses when patentees do not work patented inventions. Wegner, *supra* note 9, at 158-62 (outlining history of European commercial use requirements for patented inventions).

204. *Compare* *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at \*19 (E.D. Tex. Aug. 16, 2006) (granting compulsory license for remaining life of patent), *vacated in part*, No. 2006-1610, 2007 U.S. App. LEXIS 24357 (Fed. Cir. Oct. 18, 2007), and *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 73680, at \*4-5 (E.D. Tex. July 7, 2006) (issuing compulsory license for remainder of patent term), *with* TRIPS Agreement, *supra* note 107, art. 31 (allowing compulsory licensing of patented invention), and Doha Declaration, *supra* note 143, at ¶ 5(b) (stating member states free to

On the other hand, the United States is more likely to violate its obligations under TRIPS with respect to Article 31 compliance.<sup>205</sup> Courts may overlook the criteria that the compulsory licenses should be of limited scope and duration, non-exclusive, and non-assignable.<sup>206</sup> Another provision that courts may overlook is whether the licensed product or process will be used domestically or exported out of the country.<sup>207</sup>

United States courts will likely meet the other Article 31 provisions without difficulty.<sup>208</sup> For example, the very nature of patent litigation in the United States calls for trial courts to consider each compulsory license case on its individual merits.<sup>209</sup> Also, compulsory licensing is a court-ordered system according to *eBay*.<sup>210</sup> Thus, it is highly unlikely that courts will grant a blanket compulsory license covering an entire technological field.<sup>211</sup> Furthermore, upon issuing a compulsory license, trial courts appear to be carefully

---

determine grounds for issuing compulsory licenses).

205. See WATAL, *supra* note 107, at 320-21 (explaining role of Article 31 conditions). The introduction of compulsory licensing provisions in the TRIPS agreement was a significant concession for the United States's negotiating position. *Id.* The conditions listed in Article 31 sought to weaken the compulsory licensing provision and to provide strict grounds for the issuance of such licenses. *Id.* at 321.

206. See *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*19 (setting royalty rate for license for remainder of patent life); *Finisar*, 2006 U.S. Dist. LEXIS 76380, at \*4-5 (ordering payment of ongoing royalty for remainder of patent term). *But see Paice, L.L.C. v. Toyota Motor Corp.*, No. 2006-1610, 2007 U.S. App. LEXIS 24357, at \*47-48 (Fed. Cir. Oct. 18, 2007) (referring to district court order as an ongoing royalty not a compulsory license). The Federal Circuit in *Paice* commented that an ongoing royalty was distinct from a compulsory license because it is specific to the parties and provides no authority for other parties to use the patented invention. *Id.* at \*48. In a concurring opinion, Judge Rader comments that an ongoing royalty order by the court is a compulsory license. *Id.* at \*55 (Rader, J., concurring). Judge Rader, however, suggests that providing parties with a formal opportunity to determine an ongoing royalty rate following infringement would not be a compulsory license. *Id.*

207. See *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*12 (failing to consider use of patented invention for domestic use or export); *Finisar*, 2006 U.S. Dist. LEXIS 73680, at \*4-5 (failing to consider use of invention outside of United States); *z4 Tech., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006) (failing to consider potential export of invention).

208. See *infra* notes 209-213 and accompanying text (explaining how United States courts' compulsory license remedy complies with Article 31 of TRIPS Agreement). For example, in accordance with Article 31(a), (h), the courts consider claims for compulsory license on individual bases and grant appropriate license fees in line with economic value. See TRIPS Agreement, *supra* note 107, at art. 31 (a), (h) (requiring individual consideration and adequate compensation); *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*19-20 (considering compulsory license on individual merit and ordering payment of adequate consideration); *Finisar*, 2006 U.S. Dist. LEXIS 73680, at \*4-5 (considering compulsory license on individual basis and granting reasonable royalty for use).

209. CHISUM, *supra* note 6 (requiring an actual controversy between parties for litigation to proceed).

210. See *eBay, Inc., v. MercExchange*, 126 S. Ct. 1837, 1838-39 (2006) (holding lower courts must apply four-factor test to determine injunctive relief).

211. See *Paice*, 2007 U.S. App. LEXIS 24357, at \*48 n.13 (noting district court order is specific to parties); BLAKENEY, *supra* note 102, at 91 (suggesting rationale for requiring consideration of individual merits before imposing license). Courts must consider compulsory licenses on individual merits to prevent governments from imposing blanket compulsory licenses covering an entire technology field. BLAKENEY, *supra* note 102, at 91. *But see* 42 U.S.C. § 2183 (2000) (requiring compulsory licenses for all inventions falling within the Atomic Energy Act). The United States was careful to avoid the words in "each case" in Article 31(a) because it would not be able to comply with these terms. WATAL, *supra* note 107, at 322.

considering the royalty that an infringer should pay to the patentee.<sup>212</sup> Finally, in cases where the plaintiff is a non-practicing entity, it seems likely that the accused infringer would have made efforts to seek a license on reasonable terms before proceeding with the litigation.<sup>213</sup>

The emerging scenario is that most court-ordered compulsory licenses will comply with Article 31.<sup>214</sup> Nevertheless, other member states monitoring the increase in compulsory licensing in the United States will likely seek to take advantage of this major shift in United States patent law.<sup>215</sup> How the United States will fair in this context will depend on the extent of compulsory licensing use in this country.<sup>216</sup>

The greatest problem that the United States faces in implementing a compulsory licensing scheme following *eBay* is that such a scheme will likely frustrate and undermine the United States's long-standing opposition to compulsory licensing under TRIPS.<sup>217</sup> Developing nations seeking an expansion of compulsory licensing provisions will likely use any increase in compulsory licensing by developed nations, namely the United States, as an invitation to seek increased compulsory licensing opportunities.<sup>218</sup> Thus far, all United States cases granting compulsory licenses post-*eBay* are within the information technology sector and outside the realm of public health and pharmaceutical products.<sup>219</sup> Most developing nations are primarily concerned with patents covering pharmaceutical products; therefore, they will not be able

---

212. See *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at \*19-20 (E.D. Tex. Aug. 16, 2006) (setting ongoing royalty rate for remaining life of infringed patent), *vacated in part*, No. 2006-1610, 2007 U.S. App. LEXIS 24357 (Fed. Cir. Oct. 18, 2007); *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 73680, at \*4-5 (E.D. Tex. July 7, 2006) (ordering payment of ongoing royalty for remainder of patent life); *z4 Tech., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006) (deferring calculation of royalty rate). Some courts granting a compulsory license have considered that the parties may wish to agree to more comprehensive or convenient licensing terms. See *Paice*, 2006 U.S. Dist. LEXIS 61600, at \*20 (leaving open opportunities to supplement licensing terms); *Finisar*, 2006 U.S. Dist. LEXIS 73680, at \*5 (anticipating parties may desire more comprehensive licensing terms).

213. See *Grab*, *supra* note 9, at 85-86 (describing licensing tactics of patent trolls).

214. See *supra* notes 209-213 and accompanying text (assessing likelihood of courts complying with Article 31 provisions).

215. See *Wegner*, *supra* note 9, at 168-69 (predicting test case before dispute settlement panel to define breadth of compulsory licensing provisions).

216. See *Wegner*, *supra* note 9, at 170 (predicting dispute panel resolutions).

217. *Stockwell*, *supra* note 3, at 756 (acknowledging United States judicial grants of compulsory licenses will "undermine" United States's opposition to such practices).

218. *Wegner*, *supra* note 9, at 168-69 (predicting developing countries to take advantage of any liberalization in United States's compulsory licensing to their benefit).

219. See *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at \*15 (E.D. Tex. Aug. 16, 2006) (claiming component to hybrid vehicle transmissions), *vacated in part*, No. 2006-1610, 2007 U.S. App. LEXIS 24357 (Fed. Cir. Oct. 18, 2007); *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 76380, at \*4 (E.D. Tex. July 7, 2006) (covering information transfer using satellite transmission); *z4 Tech., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 441 (E.D. Tex. 2006) (claiming methods to limit unauthorized use of computer software).

to draw a direct parallel between the compulsory licenses granted in the United States and the licenses they may be seeking in their own countries.<sup>220</sup> If the United States or a United States based pharmaceutical manufacturer opposes a compulsory license for a patented drug following the declaration of a national emergency in any WTO member state, then that member state may have added ammunition to bring the United States before the dispute settlement board.<sup>221</sup> The dispute settlement board will then be free to determine whether it should take action against the United States on the grounds that the United States is interpreting its domestic laws inconsistently with its obligations under the TRIPS Agreement.<sup>222</sup>

Compulsory licensing will have a major impact on the pharmaceutical industry.<sup>223</sup> In the international context, United States pharmaceutical patents are among the most sought after intellectual property rights.<sup>224</sup> Most developing nations do not have the infrastructure to manufacture drugs, so it is advantageous for them to secure compulsory licenses for patented drugs.<sup>225</sup> Under a compulsory license, pharmaceutical manufacturers must produce and export patented drugs at reduced costs, forcing manufacturers to find other means for recouping their investment.<sup>226</sup> Manufacturers will likely seek recoupment through increasing prices for the domestic drug supply or minimizing drug research therapies.<sup>227</sup>

## VII. CONCLUSION

Following *eBay*, the increase of compulsory licensing will have far-reaching implications both in the United States and abroad. In the United States, adoption of a compulsory licensing scheme is contrary to the exclusionary right granted under a patent. Broad use of such licensing provisions will

---

220. See CORREA, *supra* note 142, at 5 (explaining importance of access to pharmaceutical patent in developing countries).

221. See Wegner, *supra* note 9, at 168-70 (noting United States could face WTO dispute settlement panel to resolve compulsory licensing issues).

222. See Wegner, *supra* note 9, at 168-70 (predicting TRIPS "boomerang" if United States domestic law inconsistent with Agreement). The TRIPS Agreement is not a self-executing treaty. *Id.* at 166. Therefore, the TRIPS Agreement is part of United States domestic law only to the extent that there is implementing legislation. *Id.*

223. See Wegner, *supra* note 9, at 169 (predicting pharmaceutical industry "will be the big loser" if compulsory licensing scheme employed); Diner et al., *supra* note 11 (acknowledging biotechnology companies may lose bargaining power under *eBay*).

224. See CORREA, *supra* note 142, at 1-2 (discussing importance of pharmaceutical patents and their effect on public health).

225. See CORREA, *supra* note 142, at 19-20 (discussing insufficient manufacturing capabilities of developing countries).

226. See BIO Brief, *supra* note 29, at 4-5 (stressing enormous costs for developing new drugs); PHARMA Brief, *supra* note 30, at 6 (explaining need for patent protection to recoup research and development costs).

227. See PHARMA Brief, *supra* note 30, at 7-8 (describing increased costs for developing new drugs if injunctive relief unavailable).

significantly alter the negotiation of patent rights. Courts, not patent owners and potential licensees, will be determining the value of the patented technology. For many defendants, court issued licenses may be desirable if the cost of a compulsory license is less than a negotiated licensing fee. Lower court-ordered licensing fees will represent a new strategy for potential licensees and create risk for parties entering into patent licensing agreements.

The broad use of compulsory licensing may devalue the United States patent system. The strength of the patent system is derived, in part, from the protection of patent rights regardless of whether a patentee practices the invention. While compulsory licensing may address the concerns of business method patents, licensing tactics of patent trolls, and high costs of patented pharmaceuticals, it weakens the patent system.

Congress and federal courts must carefully consider the impact of compulsory licensing with respect to the United States's obligations under the TRIPS Agreement. The TRIPS Agreement provides for the broad use of compulsory licensing. The addition of compulsory licensing provisions to TRIPS was a major concession by the United States. The provisions under Article 31, however, were included to limit the use of such licenses. Developing nations will welcome the increased use of compulsory licensing. They will also use any United States violation under Article 31 to gain further ground in obtaining compulsory licenses to patented drugs. Therefore, any ground that the United States gives up in international treaties will likely be impossible to regain.

The pharmaceutical and biotechnology industries have the most to lose if United States courts employ a broad compulsory licensing scheme. Larger pharmaceutical companies will likely fare better than smaller biotech companies at avoiding compulsory licensing agreements in the United States. Pharmaceutical companies, however, have significantly more to lose in the international arena. Thus, regardless of whether pharmaceutical companies can avoid compulsory licensing in the United States, the shift towards compulsory licensing in this country exposes pharmaceutical companies to potentially numerous compulsory licenses abroad.

*Charlene A. Stern-Dombal*