Switzerland

Legal basis

The legal basis for compulsory licences in Switzerland is Arts. 36-40e of the Federal Act on Patents for Inventions (hereinafter Patents Act).

These provisions are intended to implement Arts. 30 and 31bis TRIPS. Even though Switzerland has no obligation to implement EU Directives, Switzerland has also implemented the Biotech Directive, including Art. 12.

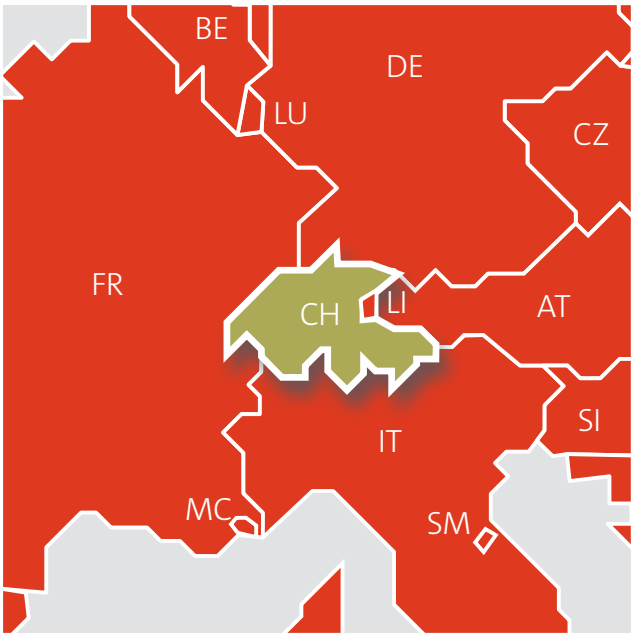
Grounds for applying for a licence

According to Art. 40e of the Patents Act, a compulsory licence may only be granted if efforts by the applicant to obtain a contractual licence on appropriate market terms within a reasonable period of time have been unsuccessful. In the case of a compulsory licence in accordance with Art. 40d (i.e. a compulsory licence for the manufacture and export of pharmaceutical products to countries with insufficient production capacities), a period of 30 working days is regarded as reasonable. Moreover, such efforts are not required in situations of national emergency or other circumstances of extreme urgency or in cases of public non-commercial use.

The court may only grant a non-exclusive licence as a compulsory licence.

Arts. 36 to 40d of the Patents Act provide for various types of compulsory licences. In addition to the general criteria according to Art. 40e of the Patents Act, the following specific criteria apply:

- Pursuant to Art. 36 Patents Act, a compulsory licence may be granted in the case of a dependent invention, i.e. if a patented invention cannot be used without infringing a prior patent. However, the proprietor of the later patent is only entitled to a compulsory licence to the extent required to use his invention, and only provided that the invention represents an important technical advance of considerable economic significance in relation to the invention that is the subject matter of the prior patent[1]. The proprietor of the prior patent may make the grant of a compulsory licence conditional on the proprietor of the later patent granting him a compulsory licence to use his invention in return;
- According to Art. 37 Patents Act, a compulsory licence may also be granted if the proprietor of the patent has not sufficiently exploited the patented invention in Switzerland within three years from the date of the grant of the patent or at the earliest four years after the filing of the patent application unless the patentee can justify the failure to exploit the patented invention. Importation also qualifies as exploitation of the invention for the purpose of Art. 37 Patents Act[2].
- Pursuant to Art. 40 Patents Act, a compulsory licence may also be granted in the event that public interest renders it necessary.
- For inventions in the field of semiconductor technology, a compulsory licence may also be granted to remedy a practice held to be anti-competitive in court proceedings or in administrative proceedings before the competition authorities (Federal Competition Commission and Federal Administrative Tribunal), according to Art. 40a Patents Act. The same applies in cases of inventions concerning a diagnostic product or procedure for humans (Art. 40c Patents Act). A practice is held to be anti-competitive if it involves unlawful agreements that significantly restrict or even eliminate effective competition (including, among others, agreements to fix prices, limit quantities of goods or services and/or allocate markets geographically or according to trading



1 Art. 36 Patents Act does not apply to plant variety rights. However, the Plant Variety Protection Act provides for an analogous compulsory licence in the event a later plant variety right cannot be used without infringing a prior plant variety right.
2 This clarification was adopted as a result of Art. 27 TRIPS Agreement according to which importation also qualifies as use of the invention.

Contributor: Dr Thierry Calame, Lenz & Staehelin (Zurich), www.lenzstaehelin.com

partners) or unlawful practices by dominant undertakings (including, among others, refusals to supply, discrimination against trading partners and/or imposition of unfair prices).
- Equally, any person who intends to use a patented biotechnological invention as an instrument or means for research is also entitled to a compulsory licence, according to Art. 40b Patents Act.
- Finally, in accordance with Art. 40d Patents Act, a compulsory licence may be granted for the manufacture and export of patent-protected pharmaceutical products to a country that has insufficient or no production capacity of its own in the pharmaceutical sector, and which requires these products to combat public health problems, in particular those related to HIV/AIDS, tuberculosis, malaria and other epidemics.

General procedure

According to Art. 40e(6) Patents Act and Art. 26(1)(a) Federal Act on the Federal Patent Court ("Patent Court Act"), the Federal Patent Court is competent to grant a compulsory licence.

In the case of a compulsory licence in accordance with Art. 40d Patents Act (i.e. a compulsory licence for the manufacture and export of pharmaceutical products to countries with insufficient production capacities and public health problems), the President of the Federal Patent Court acting as a single judge (rather than a panel of judges) is competent to grant this compulsory licence (Art. 23(1)(e) Patent Court Act).

To initiate the procedure for granting a compulsory licence, the party seeking to obtain a compulsory licence ("applicant") files an action with the Federal Patent Court. The patentee then files a statement of defence. After this first exchange of briefs, the parties are summoned to a settlement hearing. If the parties are unable to settle the matter, there is a second exchange of briefs, possibly followed by the expert opinion of one of the technical judges. The parties can file observations on the expert opinion of the technical judge. Finally, the parties are summoned to an oral hearing for final pleadings. Following the hearing, the court issues the decision.

The court may also grant a compulsory licence by way of preliminary measures (i.e. without prejudice to the final judgment) providing that the applicant provides *prima facie* evidence that he has an interest in the immediate use of the invention and that he provides adequate security to the patentee. The patentee has to be given an opportunity to be heard beforehand. The President of the Federal Patent Court will likely summon the parties to an oral hearing following the filing of the action and issue the decision immediately afterwards. This preliminary decision has to be confirmed in the main proceedings.

In the case of a compulsory licence in accordance with Art. 40d Patents Act (i.e. a compulsory licence for the manufacture and export of pharmaceutical products to countries with insufficient production capacities and public health problems), a special procedure applies: the President of the Federal Patent Court has to issue a decision within one month from the filing of the action, and the rules pertaining to summary proceedings apply. As there is not enough time to order a (double) exchange of briefs, the President of the Federal Patent Court will likely summon the parties to an oral hearing following the filing of the action and issue the decision immediately afterwards.

The terms of the compulsory licence, including its scope and duration as well as the remuneration payable, are determined by the court based on the court's discretion.

The scope and term of the compulsory licence are limited to the purpose for which it has been granted. If the circumstances that led to the compulsory licence being granted no longer apply and it is not expected that they will arise again, the court shall revoke the compulsory licence on request.

The proprietor of the patent has the right to appropriate remuneration. In assessing the remuneration, the circumstances of the individual case and the economic value of the licence are taken into account. If the patent owner has previously granted licences or if there are other comparable contracts, these will equally be taken into account.

In the case of a licence under Art. 40d Patents Act, the remuneration is determined by taking into account the economic value of the licence in the importing country, its level of development and the urgency in public health and humanitarian terms.

Appeal/review

The decision can be appealed to the Federal Supreme Court.

Where a compulsory licence is granted under Art. 40d Patents Act, again special rules apply. The deadline for filing an appeal is 10 days rather than the usual 30 days. Moreover,

the appeal cannot be granted suspensive effect[3], and the Federal Supreme Court must issue its decision within one month.

Statistics and jurisprudence

Court of Justice of Geneva: Parke Davis v Lamar SA (21 October 1966)
In this patent infringement proceeding, Parke Davis sued Lamar SA for infringement of six patents relating to the production of the antibiotic chloramphenicol. Lamar SA filed a counterclaim for revocation and, by way of subsidiary motion, requested the grant of a compulsory licence based on Art. 36 Patents Act (alleging a dependent invention) as well as Art. 37 Patents Act (alleging that Parke Davis had not sufficiently exploited the patented inventions in Switzerland). The Court of Justice of Geneva rejected Lamar's claims for relief and found infringement. Lamar filed an appeal to the Federal Supreme Court reiterating its claims for relief, including the grant of a compulsory licence. The Supreme Court partially approved Lamar's appeal, found three patents invalid and found infringement with regard to the other three patents. A compulsory licence was not granted.

Court of Commerce of the Canton of Zurich: Kirin-Amgen v Company X (2 July 1996)
In this preliminary injunction proceeding, Kirin-Amgen sued company X for infringement of European Patent No. 148 605 relating to the production of erythropoietin. Company X invoked invalidity and non-infringement defences and sought the grant of a compulsory licence based on Art. 40 Patents Act (alleging a public interest). The Court of Commerce of the Canton of Zurich found infringement and refused to grant a compulsory licence, holding that there was no sufficient public interest for the purpose of granting a compulsory licence, and that company X had not made a proper request for the grant of a licence as a preliminary measure.

Court of Commerce of the Canton of Bern: Mägert Bautechnik AG v Company Y (6 July 2005)
In this patent infringement proceeding, Mägert Bautechnik AG sued company Y for infringement of Swiss Patent No. 687 471 relating to stop holders for making concrete formworks. Company Y filed a counterclaim for the grant of a compulsory licence based on Art. 36 Patents Act (alleging a dependent invention). The Court of Commerce of the Canton of Bern found infringement and rejected the counterclaim for the grant of a compulsory licence, holding that defendant's invention neither represented an important technical advance nor was it economically significant.

3 An appeal to the Supreme Court does not have automatic suspensive effect, but the Supreme Court may normally grant the appeal suspensive effect upon request of the appellant. This possibility is excluded in the case of a compulsory licence granted under Article 40d Patents Act.

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