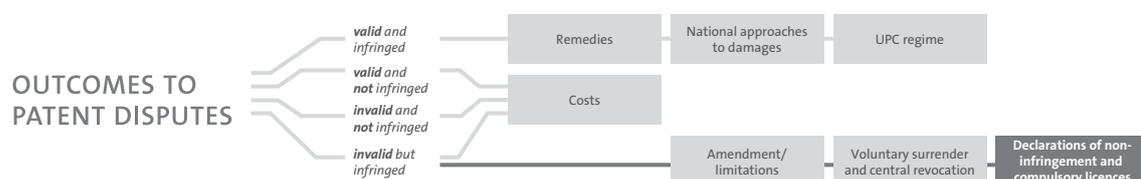


# Declarations of non-infringement and compulsory licences

## Essentials



## Declarations of non-infringement

### Introduction

A patent permits its holder, the patentee, to exclude third parties, for a limited time and upon disclosure of the invention to the public, from doing certain acts without his consent.

This right to exclude may be regarded by third parties acting in good faith as a threat to the continuity of their business. A third party may therefore benefit from a declaration by a court that a given product or process does not amount to an infringement of the patent.

Consequently, some countries have enacted in their patent and/or procedural law provisions which allow a third party to seek declaratory relief from a national court, whereby the court will state whether or not a given embodiment is outside the scope of a given patent.

Such declaratory relief and declaratory procedures are usually referred to as involving a declaration of non-infringement.

### Definition

A declaration of non-infringement is a legally binding adjudication by which a third party involved in or anticipating a possible or actual

infringement dispute may ask a court to rule on its freedom to perform acts which might otherwise be at risk of being considered infringements.

A third party will typically provide a written description of a specific embodiment of a product or process and request that the court hold such embodiment as not falling within the claims of a patent of another party.

The effect of such declaratory relief is to allow the third party seeking the relief to gain legal certainty so that it may freely operate without fear of an infringement action.

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### Legal basis

There is no international treaty or arrangement dealing with declarations of non-infringement and there are no European Union directives or regulations harmonising this specific right of action.

Such provisions exist in national law.

Some countries have relevant **statutory provisions** in their patent law. This is the case in France, where the declaration of non-infringement was introduced by Law No. 84-500 of 27 June 1984, now codified in **Article L. 615-9 of the *Code de la propriété intellectuelle*** (French Intellectual Property Code).

**Statutory provisions**  
→ see below

Some countries have civil procedure rules allowing declaratory actions or negative actions for declaratory judgment, thus enabling declaratory actions of non-infringement to be made. This is the case in Germany (**Section 256 *Zivilprozessordnung*** – German Code of Civil Procedure), Italy (**Article 100 *Codice di Procedura Civile*** – Italian Code of Civil Procedure) and the Netherlands (**Article 3:302 *Nederlands Burgerlijk Wetboek*** – Netherlands Civil Code).

Some common law jurisdictions, such as the UK, have relevant statutory provisions (**Section 71 of the Patents Act 1977**). A court<sup>20</sup> may also (separately) grant such a negative declaration under its inherent equitable jurisdiction.

#### Article L.615-9 *Code de la propriété intellectuelle* (French Intellectual Property Code)

Any person who proves exploiting industrially on the territory of a Member State of the European Economic Community, or real and effective preparations to that effect, may invite the owner of a patent to take position on the opposability of his title against such industrial exploitation, the description of which shall be communicated to him.

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<sup>20</sup> The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ markedly from those in the other jurisdictions.

If such person disputes the reply that is given to him or if the owner of the patent has not taken position within a period of three months, he may bring the owner of the patent before the Court for a decision on whether the patent constitutes an obstacle to the industrial exploitation in question, without prejudice to any proceedings for the nullity of the patent or subsequent infringement proceedings if the working is not carried out in accordance with the conditions specified in the description referred to in the above paragraph.

#### **Section 256 *Zivilprozessordnung* (Code of Civil Procedure)**

- (1) A complaint may be filed to establish the existence or non-existence of a legal relationship, to recognize a deed or to establish that it is false, if the claimant has a legitimate interest in having the legal relationship, or the authenticity or falsity of the deed, established by a judicial ruling at the court's earliest convenience.
- (2) Until the closure of the hearing subsequent to which the judgment will be handed down, the claimant may petition, by extending the claim, and the defendant may petition, by bringing counter-claims, that a legal relationship that has become a matter of dispute in the course of the court proceedings be acknowledged by judicial ruling if the decision on the legal dispute depends, either wholly or in part, on such legal relationship existing or not existing.

#### **Article 100 *Codice di Procedura Civile* (Italian Code of Civil Procedure)**

In order to state a claim or to oppose the same, the claimant and the opponent must have a legitimate interest.

#### **Article 3:302 *Nederlands Burgerlijk Wetboek* (Netherlands Civil Code)**

Upon the demand of a person directly involved in a juridical relationship the court shall render a declaratory decision in respect of such juridical relationship.

#### **Article 3:303 *Nederlands Burgerlijk Wetboek* (Netherlands Civil Code)**

A person has no right of action where he lacks sufficient interest.

#### **Section 71 UK Patent Act 1977**

- (1) Without prejudice to the court's jurisdiction to make a declaration or declarator apart from this section, a declaration or declarator that an act does not, or a proposed act would not, constitute an infringement of a patent may be made by the court or the comptroller in proceedings between the person doing or proposing to do the act and the proprietor of the patent, notwithstanding that no assertion to the contrary has been made by the proprietor, if it is shown -
  - (a) that that person has applied in writing to the proprietor for a written acknowledgment to the effect of the declaration or declarator claimed, and has furnished him with full particulars in writing of the act in question; and
  - (b) that the proprietor has refused or failed to give any such acknowledgment.
- (2) Subject to section 72(5) below, a declaration made by the comptroller under this section shall have the same effect as a declaration or declarator by the court.

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## **Procedure**

### **Formal requirements**

In France (and under the statutory provisions in the UK), the third party must first write to the patentee, describing its product or process and asking whether the patentee intends to oppose the product/process on the basis of claims in a specific patent or patents.

The product or process described thus becomes the subject-matter of the discussion and of possible future proceedings between the parties.

In the UK, at the time of making the request for acknowledgement of non-infringement, the third party must provide “full particulars” of the product or process concerned. In order to invoke the UK court's inherent jurisdiction, it is usually necessary for infringement proceedings to be ongoing or threatened.

In Germany and Italy, it is understood that the third party should receive a warning or cease and desist letter from the patentee before it can move to apply in court for a declaration of non-infringement.

### **Timeline**

In France and the UK, before initiating court proceedings seeking a declaration of non-infringement, third parties must first go through a preliminary phase by writing to the patentee and furnishing particulars. If the patentee makes it clear that the product or process described is not free of risk of infringement, then the third party has standing to apply for a declaration of non-infringement.

In France, if the patentee does not answer within three months, the third party may apply in court for the declaratory relief it seeks. In the UK, no such minimum time is set, and the third party may apply to the courts if the patentee has failed to give the acknowledgement sought. In practice, the court will expect a reasonable period to have elapsed to allow the patentee to consider the request.

In other countries, such as Germany, Italy and the Netherlands, there does not appear to be any time limit set by courts between the time when a third party receives a warning letter or cease and desist letter from a patentee and the time when it may apply for a declaratory action of non-infringement.

### **Substantive requirements**

In France, it is necessary for the third party to provide evidence of relevant industrial exploitation, or at least effective and serious preparation to that effect, in the European Union. Courts consider that the term “industrial exploitation” must be understood as manufacturing, and that mere commercialisation or importation of a product or process does not meet the requirement of industrial exploitation.

No such requirement seems to exist under Italian law or under the UK statutory provision. The UK court has a broad discretion as to whether to accept jurisdiction to hear a claim under its inherent jurisdiction. Nevertheless, the third party should be able to demonstrate a “real interest” to the court in order to justify the negative declaratory relief sought. In the Netherlands, said party should show a “sufficient interest”.

In Germany, the third party has at least to be at risk of an “*Erstbegehungsgefahr*” (first violation) of German law before it can initiate an action for declaration of non-infringement.

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## Compulsory licences

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### Introduction

Patents are generally understood to be an incentive for further innovation. It is agreed that whilst a right to exclude is inherent in the exercise of a patent, such right should not be the source of less industrial or commercial activity on the market for operators acting in good faith.

It was the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) signed in Marrakesh on 15 April 1994, which, at **Article 31**, introduced at the international level a possible authorisation, on a case-by-case basis, of the use by a third party of a patented subject-matter.

Article 31 TRIPS  
→ see below

Within the framework of these international provisions, most European countries enacted in their domestic patent law provisions allowing a third party to judicially request a compulsory licence to work a patent which they need or wish to put into practice.

Antitrust laws may be more suitable/effective than compulsory licensing provisions for dealing with patent implementation issues (e.g. if the patentee acts anti-competitively or could be said to be abusing a dominant position in the market).

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### Grounds

Two main grounds for being granted a compulsory licence, found in Germany, Italy, the United Kingdom, the Netherlands and France, are non-use of the patent and the dependency of one patent on another. Additionally, the Netherlands and France have specific provisions for public interest licences (public health, national defence). In Germany, public interest is one of the requirements for obtaining a compulsory licence.

As regards public health, the Doha Declaration (adopted by the WTO in 2001) led to the adoption of Article 31bis TRIPS, relating to the manufacture and sale of pharmaceutical products intended for export to WTO members with insufficient or no manufacturing capacities in the pharmaceutical sector. At European Union level, this resulted in Regulation (EC) No. 816/2006 of 17 May 2006.

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## Requirements

As regards the requirements for the grant of a compulsory licence, in most jurisdictions the potential infringer needs to approach the patentee to try to obtain a commercially realistic licence before making an application. Regarding compulsory licences for dependency, such a requirement does not exist in France and the Netherlands.

With the exception of Germany, a moratorium is set by law once the patentee has been approached and before the interested third party is allowed to apply for a compulsory licence.

In the case of an application for a compulsory licence on the grounds of dependency of a junior patent on a senior patent, in France, Germany, the UK and the Netherlands, the invention of the third party should include an important technical advance in comparison with the invention in the senior patent.

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## Procedure and order

In most jurisdictions, if the potential infringer made an application whilst infringement proceedings were taking place, the application may be either stayed pending the outcome or decided within the same proceedings. If the product was found to infringe, the granted licence would be valid from the date of the outcome of the application/proceedings and the infringer liable to pay damages for any infringing acts up to that point. In Italy, prior infringing acts may preclude the grant of a compulsory licence unless the infringer shows it committed such acts in good faith (i.e. on reasonable belief that it was not infringing the patent).

Upon grant of a compulsory licence by the court, the patentee will be entitled to receive royalties taking the commercial value of the compulsory licence into consideration.

The terms and conditions under which compulsory licences are granted are set by the authority granting the licence, which may be the national patent office. In most of the jurisdictions concerned, such conditions may be reviewed periodically by the authority, upon request by a party.

Compulsory licences are by their nature non-exclusive.

#### Article 31 TRIPS

Where the law of a Member allows for other use (7) of the subject matter of a patent without the authorisation of the right holder, including use by the government or third parties authorised by the government, the following provisions shall be respected:

- (a) authorisation of such use shall be considered on its individual merits;
- (b) such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorisation from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. This requirement may be waived by a Member in the case of a national emergency or other circumstances of extreme urgency or in cases of public non-commercial use. In situations of national emergency or other circumstances of extreme urgency, the right holder shall, nevertheless, be notified as soon as reasonably practicable. In the case of public non-commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly;
- (c) the scope and duration of such use shall be limited to the purpose for which it was authorised, and in the case of semi-conductor technology shall only be for public non-commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive;
- (d) such use shall be non-exclusive;
- (e) such use shall be non-assignable, except with that part of the enterprise or goodwill which enjoys such use;
- (f) any such use shall be authorised predominantly for the supply of the domestic market of the Member authorizing such use;
- (g) authorisation for such use shall be liable, subject to adequate protection of the legitimate interests of the persons so authorised, to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur. The competent authority shall have the authority to review, upon motivated request, the continued existence of these circumstances;
- (h) the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorisation;
- (i) the legal validity of any decision relating to the authorisation of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;
- (j) any decision relating to the remuneration provided in respect of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;
- (k) Members are not obliged to apply the conditions set forth in sub-paragraphs (b) and (f) where such use is permitted to remedy a practice determined after judicial or administrative process to be anti-competitive. The need to correct anti-competitive practices may be taken into account in determining the amount of remuneration in such cases. Competent authorities shall have the authority to refuse termination of authorisation if and when the conditions which led to such authorisation are likely to recur;
- (l) where such use is authorised to permit the exploitation of a patent ("the second patent") which cannot be exploited without infringing another patent ("the first patent"), the following additional conditions shall apply:
  - (i) the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent;
  - (ii) the owner of the first patent shall be entitled to a cross-licence on reasonable terms to use the invention claimed in the second patent; and
  - (iii) the use authorised in respect of the first patent shall be non-assignable except with the assignment of the second patent.