

Title: Barry John Price et al. vs. United Laboratories
Facts: The petitioners Barry John Price, John Watson Clitheroe, and John Bradshaw, assignors to Allen & Hanburys, Ltd., are the owners-assignees of Philippine Patent No. 13540 which was granted on June 26, 1980, for a pharmaceutical compound known as “aminoalkyl furan derivatives.” Respondent United Laboratories, Inc. (UNILAB) filed a petition on October 1, 1982, at the Philippine Patent Office for the issuance of a compulsory license to use the patented compound for its medicines, alleging that the patent relates to medicine and that it has the capability for its utilization. After a hearing, the Patent Office granted UNILAB a compulsory license subject to conditions, including a 2.5% royalty on net sales.

Petitioners appealed to the Court of Appeals, which dismissed the appeal, upholding the Patent Office’s decision. They then sought a review by the Supreme Court, raising issues regarding the process of determining terms and conditions of the compulsory license, UNILAB’s alleged lack of capability, the award’s scope covering the entire patent and not just one contested claim, and the timing of UNILAB’s acquisition of the capability to use the compound.

Issues: The Supreme Court was tasked with assessing:

1. Whether the Director of Patents had the authority to unilaterally determine the terms and conditions of the compulsory license without negotiation between parties.
2. Whether UNILAB genuinely possessed the required capability to make use of the petitioner’s patented compound.
3. Whether it was correct to award a license over the entire patent rather than solely on the contested claim.
4. Whether evidence of UNILAB’s capability to utilize the compound was relevant if it was acquired after the filing of the petition for compulsory licensing.

Court’s Decision: The Supreme Court affirmed the Court of Appeals decision, asserting that the Director of Patents had the authority to fix terms and conditions in the absence of an agreement between parties, as per Section 36 of Republic Act No. 165. The Court found the determination of a 2.5% royalty reasonable and within the discretion given to the Director of Patents. They also affirmed that UNILAB’s capability to use the patented substance, being a factual finding supported by substantial evidence, did not err even if such capability was acquired after filing for compulsory licensing. On the issue of coverage, the Court clarified that the patent’s scope, which covers a compound critical to public health, justifies the granting of a license for the entire invention. Therefore, the Supreme Court denied the petition on all grounds, citing lack of merit.

Doctrine: The Director of Patents has the authority to fix the terms and conditions of a compulsory license in the absence of an agreement between the involved parties, particularly when it concerns medicines vital for public health.

Historical Background: The case occurred during a period when the Philippines was building its domestic pharmaceutical industry and seeking to ensure access to essential medicines for public health. The compulsory licensing mechanism allowed for the local production of medicines even if the patents were held by entities other than domestic manufacturers, thus striking a balance between the protection of intellectual property rights and public health requirements. This facilitated the availability of important medical compounds within the country while still providing compensation to patent holders. The Philippine jurisprudence with this case continued to shape the economy's approach to pharmaceutical patents and compulsory licensing, setting a precedent for future cases involving the intersection of intellectual property rights and public health policy.