

PARKE, DAVIS & COMPANY, PETITIONER, VS. DOCTORS' PHARMACEUTICAL, INC., ET AL., RESPONDENTS.*G.R. No. L-22221. August 31, 1965*

Ponente: BAUTISTA ANGELO, J.

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Parke, Davis & Company, petitioner herein, is a foreign corporation organized and existing under the laws of the State of Michigan, U.S.A., with principal office in the City of Detroit, and as such is the owner of a patent entitled "Process for the Manufacturing of Antibiotics" (Letters Patent No. 50) which was issued by the Philippine Patent Office on February 9, 1950. The patent relates to a chemical compound represented by a formula commonly called chloramphenicol. The patent contains ten claims, nine of which are process claims, and the other is a product claim to the chemical substance chloramphenicol.

Respondent Doctors' Pharmaceuticals, Inc., on the other hand, is a domestic corporation duly organized under our Corporation Law with principal office situated in Caloocan City. On October 9, 1959, its general manager wrote a letter to Parke, Davis & Company requesting that it be granted a voluntary license "to manufacture and produce our own brand of medicine, containing chloramphenicol, and to use, sell, distribute, or otherwise dispose of the same in the Philippines under such terms and conditions as may be deemed reasonable and mutually satisfactory", to which Parke, Davis & Company replied requesting information concerning the facilities and plans for the manufacture of chloramphenicol of Doctors' Pharmaceuticals, Inc. The latter answered saying that it did not intend to manufacture chloramphenicol itself but its purpose was merely to use it in its own brand of medicinal preparations, emphasizing that its request for license was based on an express provision of the Philippine law which has reference to patents that had been in existence for more than three years from their dates of issue. Hence, it reiterated its request that said license be granted under such terms and conditions as may be reasonable and mutually satisfactory.

As apparently Parke, Davis & Company was not inclined to grant the request for a voluntary license, Doctors' Pharmaceuticals, Inc. filed on March 11, 1960 a petition with the Director of Patents, which was later amended, praying that it be granted a compulsory license under Letters Patent No. 50 granted to Parke, Davis & Company based on the following grounds: (1) the patented invention relates to medicine and is necessary for public health and safety; (2) Parke, Davis & Company is unwilling to grant petitioner a voluntary license under said patent by reason of which the production and manufacture of needed medicine containing chloramphenicol has been unduly restrained to a certain extent that it is becoming a monopoly; (3) the demand for medicine containing chloramphenicol is not being met to an adequate extent and on reasonable prices; and (4) the patented invention is not being worked in the Philippines on a commercial scale. In its petition, Doctors' Pharmaceuticals, Inc. prayed that it be authorized to manufacture, use, and sell its own products containing chloramphenicol as well as choose its own brand of trademark.

Parke, Davis & Company filed a written opposition setting up the following affirmative defenses: (1) a compulsory license may only be issued to one who will work the patent and respondent does not intend to work it

itself but merely to import the patented product; (2) respondent has not requested any license to work the patented invention in the Philippines; (3) respondent is not competent to work the patented invention; (4) to grant respondent the requested license would be against public interest and would only serve its monetary interest; and (5) the patented invention is not necessary for public health and safety.

At the hearing held on November 14, 1962, respondent abandoned the second, third and fourth grounds of its Petition and confined itself merely to the first ground, to wit; that the patented invention relates to medicines and is necessary for public health and safety. Then, after the parties had presented oral and documentary evidence and submitted memoranda in support of their contentions, the Director of Patents rendered on November 15, 1963 his decision granting to respondent the license prayed for. The following is the dispositive part of the decision:

"WHEREFORE, the Respondent-Patentee is hereby ordered to grant the Petitioner a license under Letters Patent No. 50. The parties hereto are hereby ordered to submit to me, within thirty (30) days from their receipt of a copy of this Decision, a licensing agreement, and in default thereof, they may submit within the same period their respective proposals. It must be shown that negotiations as to the terms and conditions thereof have been made between the parties, and if there are points of disagreement I shall fix such terms and conditions.

"If, within the said period, no licensing agreement is filed or no negotiations therefor transpires between the parties, I shall issue the licensing agreement in such terms and conditions as may be just and reasonable under the circumstances."

In due time, Parke, Davis & Company interposed the present petition for review. In this appeal, Parke, Davis & Company imputes to the Director of Patents eleven errors which may be briefly stated as follows:

1. Respondent has not proven the ground relied upon by it in its petition;
2. Respondent Doctors' Pharmaceuticals, Inc. has no intention to work the patent but merely to import the patented article chloramphenicol;
3. Petitioner's invention is being worked in the Philippines;
4. Respondent is not competent to work petitioner's patented invention, that is, to manufacture chloramphenicol and sell the same in the Philippines;
5. The grant of the license is against public interest;
6. The license requested by respondent will not serve any legitimate purpose;
7. Respondent is not competent to use the license requested;
8. The theory that a compulsory license under a patented invention, after the expiration of three years after the grant of the letters patent, may be granted to one who petitions for a license, is erroneous;
9. Respondent Director of Patents cannot issue an in personam order against petitioner to grant the license;
10. Respondent Director of Patents erred in not considering the defenses interposed by petitioner to the application for license; and
11. Respondent Director of Patents erred in rendering his decision ordering petitioner to grant a compulsory license to correspondent Doctors' Pharmaceuticals, Inc.

As may be gleaned from the errors above pointed out, the principal issue raised by petitioner boils down to whether or not the Director of Patents gravely abused his discretion in ordering the grant of compulsory license to respondent under Section 34 (d) of Republic Act No. 165 for the manufacture of preparations containing

chloramphenicol under Letters Patent No. 50 issued to petitioner despite the written objection interposed against it by the latter based on the grounds therein enumerated.

The pertinent statutory provisions that govern the issues raised herein are found in Chapter VIII of Republic Act No. 165, as amended, which for ready reference are hereunder quoted:

"CHAPTER VIII.—Compulsory Licensing

"SEC. 34. Grounds for compulsory license.—Any person may apply to the Director for the grant of a license under a particular patent at any time after the expiration of three years from the date of the grant of the patent, under any of the following circumstances:

"(a) If the patented invention is not being worked within the Philippines on a commercial scale, although capable of being so worked, without satisfactory reason;

"(b) If the demand for the patented article in the Philippines is not being met to an adequate extent and on reasonable terms, without satisfactory reason;

"(c) If by reason of the refusal of the patentee to grant a license or licenses on reasonable terms, or by reason of the conditions attached by the patentee to licenses or to the purchase, lease or use of the patented article or working of the patented process or machine of production the establishment of any new trade or industry in the Philippines is prevented, for the trade of industry therein is unduly restrained; or

"(d) If the patented invention relates to food or medicine or is necessary for public health or public safety.

"The term 'worked' or 'working' as used in this section means the manufacture and sale of a patented article, or the carrying on of a patented process or the use of a patented machine for production, in or by means of a definite and substantial establishment or organization in the Philippines and on a scale which is adequate and reasonable under the circumstances.

"SEC. 35. Notice and hearing.—Upon the filing of a petition under section thirty-four hereof, notice shall be given in the same manner and form as that provided in section thirty-one, Chapter VII hereof.

"SEC. 36. Grant of license.—If the Director finds that a case for the grant of a license under section thirty-four hereof has been made out, he may order the grant of an appropriate license and in default of an agreement among the parties as to the terms and conditions of the license he shall fix the terms and conditions of the license in the order.

"The order of the Director granting a license under this Chapter, when final, shall operate as a deed granting a license executed by the patentee and the other parties in interest."

A cursory reading of the provisions above quoted will reveal that any person may apply for the grant of a license under any of the circumstances stated in Section 34(a), (b), (c) or (d), which are in the disjunctive, showing that any of the circumstances thus enumerated would be sufficient to support the grant, as evidenced by the use of the particle "or" between paragraphs (c) and (d). As may be noted, each of these circumstances stands alone and is independent of the others. And from them we can see that in order that any person may be granted a license under a particular patented invention relating to medicine under Section 34 (d), it is sufficient that the application be made after the expiration of three years from the date of the grant of the patent and that the Director should find that a case for granting such license has been made out. Since in the instant case it is admitted by petitioner that the chemical substance chloramphenicol is a medicine, while Letters Patent No. 50 covering said substance were granted to Parke, Davis & Company on February 9, 1950, and the instant application for license under said patent was only filed in 1960, verily the period that had elapsed since then is more than three years, and so the conditions for the grant of the license had been fulfilled. We find, therefore, no error in the decision of the Director of Patents

on this aspect of the controversy.

The claim that respondent has not proven the ground it relies upon in its petition to the effect that chloramphenicol is not only a medicine but is indispensable to public health and safety is not quite correct, for the main reliance of respondent is on the fact that chloramphenicol is an invention that is related to medicine and as such it comes under Section 34 (d) of Republic Act 165. Respondent does not predicate its claim on the fact that invention is necessary for public health as valid in itself for the grant of a license under said Section 34 (d). Indeed, it is sufficient that the invention be related to medicines. It is not required that it be at the same time necessary for public health or public safety. Moreover, the claim of petitioner that the word "necessary" means "indispensable" does not hold water, for necessity admits of many degrees, as it is clearly explained in Bouvier's Law Dictionary.[1]

But, even if we assume that the patented invention is not only related to medicine but to one that is also indispensable or necessary to public health and public safety, here we can say that both conditions are present, since according to Dr. Leon V. Picache, who testified in this case, the substance chloramphenicol is one that constitutes an effective cure for gastro-enteritis diseases, while the inventor's own specifications attest that chloramphenicol is a "therapeutic agent notably in the case of shigella pradysestria. Chloramphenicol is much more active than streptomycin" and "is the first antibiotic exhibiting as high degree of activity against gram negative bacteria which is therapeutically effective upon oral administration" (Exhibit 6). Again, Dr. Quebral-Greaga in the June, 1961 issue of the Scientific Digest, a publication of the Manila Medical Society, affirmed that antibiotics like chloramphenicol have played a very important role in the control of diarrhea-enteritis which is the third most rampant killer of infants in this country.

The claim that a compulsory license cannot be granted to respondent because the latter does not intend to work the patented invention itself but merely to import it has also no legal nor factual basis. In the first place, Section 34 of Republic Act No. 165 does not require the petitioner of a license to work the patented invention if the invention refers to medicine, for the term "worked" or "working" used in said section does not apply to the circumstance mentioned in subsection (d), which relates to medicine or to one necessary for public health and public safety. Indeed, the Director of Patents has already correctly stated in previous cases that, in its strict sense, the term "worked" or "working" mentioned in the last paragraph of Section 34 of the Patent Law "has no applicability to these cited patented matters and the qualification of the petitioner to work the invention is immaterial, it being not a condition precedent before any person may apply for the grant of the license." In the second place, it is not the intention of respondent to work or manufacture the patented invention itself but merely to manufacture its brand of medicinal preparations containing such substance. And even if it be required that respondent should work itself the invention that it intends to use in the manufacture of its own brand of medicinal preparations said respondent would not be found wanting for it is staffed with adequate and competent personnel and technicians; it has several laboratories where medicines are prepared for safety and quality; it is equipped with machines for subdividing antibiotics; and it has capsule filling machines and an adequate personnel and facilities to test the quality of chloramphenicol.

Finally, we may add that it is not a valid ground to refuse the license applied for the fact that the patentee is working the invention and as such has the exclusive right to the invention for a term of 17 years (Sections 20 & 21, Republic Act 165) as claimed in the third assignment of error, the reason for it being that the provision permitting the grant of compulsory license is intended not only to give a chance to others to supply the public with the quantity of the patented article but especially to prevent the building up of patent monopolies.[2]

The point is raised that the grant of the license is against public interest for it would force Parke, Davis & Company to close or stop manufacturing the patented invention which would thereby adversely affect local

employment and prejudice technology and chemical manufacturing and cut off the local supply of medicinal products. It should be noted, however, that respondent does not intend to compete with petitioner in the manufacture of chloramphenicol for it would either obtain the same from petitioner or would import whatever it may need in the manufacture of its own brand of medicinal preparations. But even assuming that the consequence the petitioner has envisioned may come true if the license is granted, still that should not stand on the way of the grant for that is in line with an express provision of our law. The grant of such license may work disadvantage on petitioner but the law must be observed until modified or repealed. On the other hand, there is the advantage that the importation of chloramphenicol might redound to the benefit of the public in general as it will increase the supply of medicines in our country containing chloramphenicol thereby reducing substantially the price of this drug.

We find no merit in the contention that the Director of Patents erred in ordering the grant of the patent to respondent for the simple reason that the application does not automatically entitle the person applying to such a grant as was done by said Director. Though in substance such is the effect of the grant, it cannot however be said that the Director of Patents automatically ordered the grant of the license for it was only after hearing and a careful consideration of the evidence that he ordered the grant. In fact, the decision states that the Director has carefully weighed the evidence of the parties and the arguments in support of their contentions and that it was only after analyzing the same that he became convinced of the right of respondent to the compulsory license he prayed for.

Finally, with regard to the contention that petitioner is entitled to the exclusive use of the invention for a term which under the law extends to 17 years, suffice it for us to quote what the Director of Patents says on this point:

"The right to exclude (others from the manufacturing, using, or vending an invention relating to food or medicine should be conditioned to allowing any person to manufacture, use, or vend the same after a period of three years from the date of the grant of the letters patent. After all, the patentee is not entirely deprived of any proprietary right. In fact, he has been given the period of three years of complete monopoly over the patent. Compulsory licensing of a patent on food or medicine without regard to the other conditions imposed in Section 34 is not an undue deprivation of proprietary interests over a patent right because the law sees to it that even after three years of complete monopoly something is awarded to the inventor in the form of a bilateral and workable licensing agreement and a reasonable royalty to be agreed upon by the parties and in default of such agreement, the Director of Patent may fix the terms and conditions of the license. (See Sec 36, Rep. Act No. 165)."

Wherefore, the decision appealed from is affirmed, with costs against petitioner.

Bengzon, C. J., Concepcion, Reyes, J. B. L., Dizon, Regala, Makalintal, Bengzon, J. P., and Zaldivar, JJ., concur.

[1] "NECESSARY. Reasonably convenient. Alabama & Ry. Co. vs. Odeneal, 73 Miss. 34, 19 South, 202. This word has great flexibility of meaning. It is used to express mere convenience, or that which is indispensable to the accomplishment of a purpose, St. Louis, J & C.R. Co. vs. Trustee, 43 Ill. 307. It frequently imports no more than that one thing is convenient, or useful or essential to another, McCulloch vs. Maryland, 4 Wheat (U.S.) 414, 4 L. Ed. 579."

[2] Explanatory note of Bill No. 1156 which became Republic Act 165, Congressional Record, House of Representatives, May 12, 1957, p. 998.

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