

COMMISSION IMPLEMENTING DECISION (EU) 2015/636**of 22 April 2015****terminating the examination procedure concerning the measures imposed by the separate customs territory of Taiwan, Penghu, Kinmen and Matsu ('Chinese Taipei') affecting patent protection in respect of recordable compact disks**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EC) No 3286/94 of 22 December 1994 laying down Community procedures in the field of the common commercial policy in order to ensure the exercise of the Community's rights under international trade rules, in particular those established under the auspices of the World Trade Organisation ⁽¹⁾, and in particular Article 11(1) thereof,

Whereas:

A. PROCEDURAL BACKGROUND

- (1) On 15 January 2007, Koninklijke Philips Electronics NV ('Philips' or 'the complainant') lodged a complaint under Article 4 of Regulation (EC) No 3286/94 (the Trade Barriers Regulation ('the TBR')).
- (2) The complaint alleged that the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu ('Chinese Taipei') had:
 - (a) infringed Article 28 of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPS Agreement') by granting 'compulsory licences' in respect of five patents in Compact Recordable Disc ('CD-R') technology owned by the complainant, to a company established in Chinese Taipei called Gigastorage Corporation ('Gigastorage'), and that the infringement of Article 28 was not justified under Article 31 of the TRIPS Agreement;
 - (b) infringed the procedural requirements of Article 31 of the TRIPS Agreement.
- (3) The complainant alleged that these violations constituted obstacles to trade in the sense of Article 2(1) of the TBR and that these obstacles to trade caused adverse trade effects within the meaning of Article 2(4) of the TBR. The complainant also alleged that it was in the Community interest to protect the patent rights at issue.
- (4) The Commission decided therefore, after consultation of the Advisory Committee established by the Regulation, that there was sufficient evidence to justify initiating an examination procedure for the purpose of considering the legal and factual issues involved. Consequently, an examination procedure was initiated on 1 March 2007.

B. FINDINGS OF THE EXAMINATION PROCEDURE

- (5) In January 2008 the examination concluded that the compulsory licence provisions of the Patent Act of Chinese Taipei, Articles 76 and 77, were in violation of Article 28 of the TRIPS Agreement and raised issues of general concern for the protection of intellectual property rights. Article 76 of the Patent Act of Chinese Taipei was concluded to be inconsistent with the TRIPS Agreement's protection of the exclusive rights granted by a patent under Article 28, as it permitted the granting of a compulsory licence in circumstances where there had been no more than a failure to agree terms and conditions in a reasonable period of time. The Commission concluded that the infringement of Article 28 was not justified by Article 31 of the TRIPS Agreement. The Commission also concluded that Article 31(b)(c) and (f) of the TRIPS Agreement were not respected. It was concluded the Chinese Taipei authorities misinterpreted 'reasonable commercial terms and conditions' from the TRIPS Agreement and the Patent Act of Chinese Taipei, and so the decisions of the Chinese Taipei Authorities were in violation of Article 31(b) of the TRIPS Agreement. It was also concluded that Chinese Taipei infringed Article 31(c) of the TRIPS Agreement by failing to put in place any limits to the use of compulsory licences. The investigation also

⁽¹⁾ OJ L 349, 31.12.1994, p. 71.

found a violation of Article 31(f) of the TRIPS Agreement as the condition that the licences be used predominantly for the supply of the domestic market was not respected; Gigastorage predominantly supplied the export market.

- (6) These measures were found to constitute an obstacle to trade in the sense of Article 2(1) of the TBR. The Commission found these obstacles to trade caused adverse trade effects to the complainant and threatened to cause adverse trade effects which would apply to any EU operator seeking patent protection in Chinese Taipei. The Commission therefore considered that the Chinese Taipei authorities' decisions based on the Patent Act of Chinese Taipei caused adverse trade effects within the meaning of Article 2(4) of the TBR. The Commission also concluded there was Community interest in challenging the measures at issue.
- (7) The Commission therefore determined that the authorities of Chinese Taipei should amend the Patent Act of Chinese Taipei and ensure the precedential effects of the measures were limited, including by ensuring that the compulsory licences were revoked in their entirety.

C. DEVELOPMENTS AFTER THE END OF THE INVESTIGATION

- (8) Following the examination, the authorities of Chinese Taipei worked on a number of amendments to their national Patent Act and implementing provisions which took effect on 1 January 2013 when a new Patent Act entered into force. Regarding the revocation of compulsory licences, the specific problems encountered by the complainant were resolved to mutual satisfaction in 2007. These commitments are considered satisfactory by the complainant.

D. CONCLUSION AND RECOMMENDATIONS

- (9) In view of the above analysis, it is considered that the examination procedure has led to a satisfactory situation with regard to the obstacles that faced trade as alleged in the complaint lodged by Philips. The examination procedure should therefore be terminated in accordance with Article 11(1) of the TBR.
- (10) The measures provided for in this Decision are in accordance with the opinion of the Trade Barriers Committee,

HAS ADOPTED THIS DECISION:

Article 1

The examination procedure concerning the measures imposed by Chinese Taipei affecting patent protection in respect of recordable compact disks is hereby terminated.

Article 2

This Decision shall enter into force on the 20th day following that of its publication in the *Official Journal of the European Union*.

Done at Brussels, 22 April 2015.

For the Commission
Cecilia MALMSTRÖM
Member of the Commission