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Comments of Public Citizen for the 2020 Special 301 Review

Re: Identification of Countries Under Section 182 of the Trade Act of 1974: Request for Public Comment and Announcement of Public Hearing

January 28, 2021

Public Citizen submits the following comments in response to the request by the Office of the United States Trade Representative (USTR) for “written comments that identify acts, policies, or practices that may form the basis of a country’s identification as a Priority Foreign Country or placement on the Priority Watch List or Watch List.” Public Citizen is a nonprofit consumer advocacy organization with 500,000 members and supporters. Public Citizen’s Access to Medicines Program works with partners across the United States and around the world to make medicines available for all through tools in policy and law.

The submission draws on our experience providing technical assistance to public agencies, particularly in developing countries, on patent, copyright and other intellectual property (IP) rules to protect access to medicines and knowledge. First, we discuss the challenges of the COVID-19 pandemic and treatment rationing, as well as principles we believe should inform the Special 301 process. Then we analyze provisions of the World Trade Organization’s (WTO) Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), including flexibilities we believe are sometimes overlooked. Finally, we discuss the TRIPS-compliant public interest policies of several specific countries.

The Covid-19 Pandemic

The coronavirus pandemic is the worst health crisis of our lifetimes. We are in the throes of a global vaccine apartheid, in which billions of people in developing countries may wait several years before vaccination provides a path out of the pandemic. During that time, a great many people will die, and vulnerable communities will suffer enduring economic hardship, with tens of millions pushed newly into poverty. The consequences will be felt in the daily lives of many, perhaps most people worldwide for a generation. The scarcity is appalling. But it can be mitigated.

Every successful and promising COVID-19 vaccine coming online today is a product of significant public investment, from early-stage vaccine platform technologies developed fifteen years ago to the extraordinary manufacturing investments of governments this past year. By comparison, paltry pre-pandemic industry investments in coronaviruses indicated a clear [blind spot](#), despite the advance warnings of SARS and MERS.

It is possible, indeed necessary, to establish regional manufacturing hubs to produce the most effective vaccines at scale as quickly as possible. This cannot be done without effective technology transfer, including of patents and know-how among many other inputs. The U.S. government can decide whether to lead these initiatives, stand aside, or make them more difficult. The latter course could become a moral stain on the country’s record.

The 2020 Special 301 Report was published on April 30, 2020. There was no mention of the COVID-19 pandemic, or even of the novel coronavirus, in that report, although we and others discussed the coming supply challenges in our pre- and post-hearing comments and testimony.

Also in April of 2020, more than 250 civil society organizations released the [COVID-19 Principles for Global Access, Innovation and Cooperation](#), calling for action from governments, international agencies, manufacturers, donors and development partners. The principles promoted open science, ramped-up manufacturing, fair pricing and sharing of technology, among other actions, to reduce the loss of life during the pandemic. The principles proved prescient:

COVID-19: Principles for Global Access, Innovation and Cooperation

COVID-19 has no nation and no ethnicity. If the pandemic goes unattended in one country, it will accelerate beyond that country's borders, potentially overwhelming the world's ability to respond.

Nationalistic responses to COVID-19 are ineffective. Countries must urgently work together to ramp up the production of all medical countermeasures, from masks and ventilators to tests, treatments, and vaccines, and ensure that everyone receives the medical attention they need. We must tend not only to COVID-19 and its symptoms, but to people's ongoing and underlying health needs, which will become more acute as the pandemic runs its course.

There is real danger that access to medical breakthroughs addressing COVID-19 will be restricted by nation, by price, by limited production and fragmented supply lines, and by exclusivity and commercial confidentiality. We must prevent this – and help change medical innovation, health and nationalism – by moving corporations, health agencies and governments to share medical technology, invest in public manufacturing capacity and promote access for all.

We are concerned that powerful countries may favor their drug corporations and hoard medical tools at the expense of global cooperation. We are concerned that privileged individuals who receive tests, treatments and vaccines first may not be those who need them most. We stand in solidarity with those disproportionately affected by factors such as health status, geography, age, gender or race.

We call on governments, agencies, manufacturers, donors and development partners to commit to:

Innovation for all: Monopoly-based drug development is failing the world. Governments should support open science and research practices for COVID-19 related health needs that align innovation and timely access. Technology owners should commit patents, trade secrets, know-how, cell lines, copyright, software, data, and all other relevant intellectual property to the public domain. Access and affordability should be integral requirements of the entire research and development (R&D) and manufacturing process.

Access for all: Medical tools urgently needed to diagnose, treat, mitigate and prevent COVID-19 should be accessible and available to all without delay, with necessary priority given to healthcare workers and vulnerable populations. Governments must ensure that diagnostics, treatments, devices, vaccines, and personal protective equipment are priced fairly and affordably to

healthcare payers and are free to the public at the point of care in all countries. Corporations and other intellectual property holders must suspend enforcement of exclusivities.

Solidarity and global cooperation: Governments, technology owners and researchers should urgently coordinate with the World Health Organization to organize platforms for the public sharing of R&D outcomes, data, know-how and intellectual property to accelerate innovation, quickly scale-up production and mitigate shortages and supply chain vulnerability. Medical tools must be manufactured for the public in robust supply to meet unprecedented global need and promptly distributed across borders.

Good governance and transparency: Governments and international organizations should promote transparency and meaningful civil society participation in critical decision-making processes. Funders and technology developers should ensure that costs related to R&D and manufacturing as well as pricing, regulatory status and intellectual property claims all are published transparently.

Health is a human right. Medical knowledge is a public good. No one should be left behind.

The WTO/TRIPS WAIVER Proposal

Almost a year into the Covid-19 pandemic, intellectual property barriers continue to obstruct research, development, manufacturing, and distribution of Covid-19 health technologies that could end the pandemic and support global economic recovery. Vaccine nationalism looms large. A small group of high-income countries have already bought up almost all of the supply of leading COVID-19 vaccines.

The proposal presented by India and South Africa on October 2, 2020 to waive certain TRIPS obligations for the prevention, treatment and containment of COVID-19 can contribute to a just resolution of this public health crisis. More than 100 countries support this proposal. The United States opposes it. That opposition places the U.S. reputation for moral global leadership at risk.

We saw unprecedented collaboration amongst researchers in the race to develop a Covid-19 vaccine. As we turn our attention to manufacturing and distribution, the WTO has a similar responsibility to remove intellectual property barriers and ensure a legal system is in place for accelerated technology transfer and equitable access to Covid-19 diagnostics, treatments, and vaccines.

This crisis has revealed the urgent and enduring need for international coordination, cooperation, and solidarity. No country can end the pandemic alone. USTR should support India and South Africa's proposal in the upcoming General Council meeting on March 1-2, 2021 and ensure equitable and affordable access to all Covid-19 health technologies.

Drug Pricing

High prescription drug prices are a grave global concern.¹ Treatment rationing due to high prices is a daily reality throughout the world. It costs people their health and far too often their lives. Most governments

¹ See e.g., KFF, US Public's Perspective on Prescription Drug Costs (2019), [tinyurl.com/2gzpato9](https://www.kff.org/coronavirus/covid-19/poll-finding-that-79-of-adults-in-the-us-consider-cost-of-prescription-drugs-unreasonable-and-3-in-10-americans-did-not-take-prescribed/) (finding that 79% of adults in the US consider cost of prescription drugs unreasonable and 3 in 10 Americans did not take prescribed

recognize that expansive patent monopolies facilitate manufacturers' high prices. Many are currently reexamining how to protect public health under their intellectual property regimes.² Unfortunately, challenging lower prices abroad³ will not help people in the United States. Instead, U.S. pressure puts people's health at risk while alienating U.S. trading partners.

Recent Special 301 reports have seemed to follow an increasingly aggressive approach of expressly criticizing practices designed to make medicines affordable.⁴ Recent reports have included new sections dedicated to defending prescription drug corporation interests related to pharmaceutical reimbursement programs, local working patent requirements, marketing exclusivity, patent linkage and patent-eligible subject matter restrictions. According to the 2020 Report, Special 301 "provides an opportunity to call out foreign countries and expose the laws, policies, and practices that fail to provide adequate and effective IP protection and enforcement for U.S. inventors, creators, brands, manufacturers, and service providers."⁵

There is no logical reason, let alone evidence, to think that people in the United States will pay less for medicine if the U.S. government works to compel other countries to pay more. Prescription drug corporations price to maximize revenue in each market, just like corporations in other sectors.⁶ The Department of Health & Human Services (HHS) found that drugmakers set prices based not on R&D spending, but rather profit maximization.⁷ There is no evidence to suggest that high prices are rooted in high research and development (R&D) costs that the rest of the world does not sufficiently support. One study found that prescription drug corporations receive 176 percent of global R&D costs from the excess profits they make charging high prices in the United States alone.⁸ What does make pharmaceutical pricing different from some other sectors is that the patent-based industry operates without typical competitive constraints and, in the United States, without even government negotiating power as a check on price.

medications due to the cost); KFF, Public Opinion on Prescription Drugs and Their Prices (2018), <https://tinyurl.com/ydbsaj2e> (noting that 24 percent of Americans reported that they or a family member had not filled a prescription, cut pills in half, or skipped doses due to cost); World Health Organization, Pricing of Cancer Medicines and its Impacts (2019) (noting that high prices for cancer medicines are "impairing the capacity of health care systems to provide affordable, population wide access") and Joe Biden Manifesto, Health Care, tinyurl.com/tycrkf76 (indicating Biden's view that "prescription drug corporations are profiteering off of the pocketbooks of sick individuals).

² See Human Rights Watch, Urgently Waive Intellectual Property Rules for Vaccine (2020), tinyurl.com/4ndn9jt6 (noting that about 100 countries have supported a waiver of intellectual property obligations to scale up access to vaccines and other life-saving medical products).

³ See e.g., Council of Economic Advisers, Reforming Biopharmaceutical Pricing at Home and Abroad (2018), available at ("Meaningful reforms would address the root of the problem: foreign, developed nations, that can afford to pay for novel drugs, free-ride by setting drug prices at unfairly low levels, leaving American patients to pay for the innovation that foreign patients enjoy").

⁴ Recent reports include a new passage expressly challenging countries that "unfairly issue, threaten to issue or encourage others to issue" compulsory licenses. But patent licensing saves lives by authorizing affordable generic competition with expensive medications. Licensing is a standard and essential part of any patent system, intended to protect the public interest and defend against abuse. It is necessary to respond to HIV/AIDS, cancer, hepatitis and other serious diseases. This marks a shameful departure in U.S. health and trade policy that places people's lives at risk.

⁵ USTR, 2020 Special 301 Report, 4.

⁷ HHS, Prescription Drugs: Innovation, Spending and Patient Access (2016), available at <http://apps.who.int/medicinedocs/documents/s23128en/s23128en.pdf>

⁸ Nancy Yu et al., *R&D Costs For Pharmaceutical Companies Do Not Explain Elevated US Drug Prices*, Health Affairs Blog (2017), available at <https://tinyurl.com/ybt5fan4>

As a result, three-in-ten Americans report having rationed their own treatment due to cost.⁹ Extraordinary prescription drug prices are forcing families to choose between treatment and groceries and forcing public programs to limit the health services they can provide.

Accordingly, the politics of drug pricing and patents are changing quickly. American voters consistently rank lowering drug prices among their top priorities for Congress. Large majorities favor reducing and even stripping patent monopoly powers when drugmakers abuse their privileges and sell at too high a price.¹⁰ In 2019, Congress passed the CREATES Act, to stop patent holders' interference in generics firms' access to product samples and to promote cheaper generic drugs. Bipartisan legislation to limit patent evergreening and expand generic competition proliferate in both chambers. ¹¹ Bills with broad support in the House and Senate would claim hundreds of billions in savings for consumers from the pharmaceutical industry.

Foreign practices criticized in recent Special 301 reports are increasingly under active consideration in the United States. As presidential candidates, now-Vice President Kamala Harris and now-Secretary of Transportation nominee Pete Buttigieg included the compulsory licensing of patents to make medicine affordable in their healthcare plans, as did several of their competitors for the nomination (Senators Cory Booker, Elizabeth Warren and Bernie Sanders). A majority of House Democrats in the last congressional session supported a bill to use compulsory licensing as leverage in Medicare price negotiations.¹² State and municipal officials, most acutely confronted by the gap between limited budgets and immense need, have issued similar calls.¹³ Louisiana requested the federal government consider compulsory licensing for hepatitis C cures.¹⁴ The governor of Kentucky called on 3M to license its N95 respirator patents so that Kentucky could meet its health needs in the early days of the coronavirus pandemic.¹⁵ California intends to establish its own generic drug label. The Baltimore City Department of Health requested the federal government use compulsory licensing to increase access to naloxone, the rescue therapy for opioid overdoses.¹⁶ Compulsory licensing and, indeed, local working would be useful in the United States not only to make medicine affordable, but also for reasons of health security. It is sensible, for example, that the United States reserve its right to manufacture supplies of patented coronavirus vaccines.

⁹ Kaiser Family Foundation Health Tracking Poll – February 2019: Prescription Drugs, *available at*: <https://www.kff.org/health-costs/poll-finding/kff-health-tracking-poll-february-2019-prescription-drugs/>

¹⁰ See e.g. Hart Research Associates and Lake Research Partners polling *available at*: https://craftmediabucket.s3.amazonaws.com/uploads/AV-Summary-of-Polling-Project_052119_FINAL.pdf and <http://www.lakeresearch.com/images/share/LRP.PublicOpiniononPrescriptionDrugPricing.pdf>

¹¹ See Lower Health Care Costs Act (S.1895), *available at*: [tinyurl.com/1x0b0k98](https://www.tinyurl.com/1x0b0k98); Prescription Drug Pricing Reduction Act of 2019 (S.2543), *available at*: [tinyurl.com/5dzmbtew](https://www.tinyurl.com/5dzmbtew)

¹² The Medicare Negotiation and Competitive Licensing Act of 2019.

¹³ Letters from 29 state and local officials to Secretary Alex Azar, July 9, 2020, *available at*: <https://www.citizen.org/article/letters-from-state-officials-to-secretary-azar/?eType=EmailBlastContent&eld=ce9fa1f5-1abc-487b-ace5-7cbec780d090>.

¹⁴ Kaiser Health News, Louisiana Proposes Tapping A Federal Law To Slash Hepatitis C Drug Prices (2017), *available at* <https://www.tinyurl.com/y8bx9ljt>; Drug Pricing Lab, Louisiana Budget Allocator (2018), <https://drugpricinglab.org/tools/louisiana-budget-allocator/> (showing the trade-offs faced by States seeking to increase access to high-priced treatment).

¹⁵ Morgan Watkins, Kentucky Gov. Andy Beshear calls on 3M to Release Patent for N95 Respirator Amid Pandemic (2020), [tinyurl.com/16zvm90y](https://www.tinyurl.com/16zvm90y).

¹⁶ Letter from Baltimore City Health Department & Public Citizen to Trump Administration Requesting Use of 1498 to Increase Access to Naloxone, *available at* <https://www.tinyurl.com/yb83sp3j>.

There is a serious chance, not at all certain but not unrealistic either, that the United States in coming years will adopt policies it has criticized under Special 301. This recommends caution in the Special 301 Review today. We believe it is in the interest of the United States to begin muting criticism of trading partners' access to medicine policies.¹⁷ This way, our government lessens the risk of charges of hypocrisy and more importantly keeps step with the country and its needs.

Principles

We believe the Special 301 Report should be discontinued, absent a major shift in its expressed values. Nevertheless the balance of our comments addresses specific Special 301 practices that can and should be improved, to mitigate its negative impact. Taken together, the following principles should guide the review process:

1. The Special 301 Report should omit reference, whether express or implied, to countries' TRIPS-compliant policies that advance a public interest.
2. The Special 301 Report should not list countries for adopting COVID-19 emergency measures to facilitate access to protective equipment, vaccines or other medical technologies.
3. The Special 301 Report should not list countries for declining to adopt U.S. policy preferences, if those countries have no bilateral or international treaty obligation to do so.¹⁸
4. The Special 301 Report should not criticize countries for a lack of transparency or due process, unless such criticism clearly articulates the alleged violation of a TRIPS standard.¹⁹
5. The Special 301 Report should not address ancillary policies such as pharmaceutical pricing unless those policies are specifically alleged to be discriminatory.
6. The Special 301 Report should treat public policy disagreement as a matter of clearly lower priority than criminal activity.²⁰
7. At a bare minimum, the Special 301 Report should not repudiate country practices that the U.S. is considering using to lower prescription drug prices or make available needed medical supplies during the pandemic. And even if the Special 301 Report subjects wealthy countries to criticism for TRIPS-compliant public interest policies, developing countries should be given greater leeway.
8. Criticism in the Special 301 Report should be accompanied by express and clearly articulated criteria.²¹

¹⁷ Past Special 301 Reports have criticized countries for considering or issuing TRIPS-compliant pharmaceutical compulsory licenses. In some cases the criticism is direct. In others, the references are oblique or come in the form of pledges to monitor the situation. In each case, the mere reference is consequential; a form of sanction and an inappropriate warning against countries exercising established rights to promote public health. Public Citizen believes this is inconsistent with the Special 301 Report's stated commitments and with United States commitments under WTO rules.

¹⁸ Even if the Special 301 Report continues to cite countries for TRIPS-compliant policies, Special 301 should not list a country for the absence of a policy that the country is not bound to uphold. For example, a country should not be criticized for declining to adopt a policy analogous to data exclusivity or patent linkage if that country does not have an agreement with the U.S. expressly and specifically requiring the same.

¹⁹ The TRIPS Agreement provides not only substantive standards, but also standards for transparency and due process. It is clearly inappropriate to list (and thereby sanction) a country for an allegedly non-transparent practice, if the criteria for the listing is itself nontransparent and not articulated.

²⁰ If, in spite of the principles above, the Special 301 Report nevertheless cites countries for their TRIPS-compliant public policies, such country choices are clearly less objectionable than the prevalence of criminal activity, such as alleged trade secret theft. The 301 Report should clearly reflect this ordering of priorities. Pharmaceutical or other public policy disagreements should never land a country on the Priority Watch List.

²¹ If a critique is too vague to be disproven, as we would argue has been the case in past Special 301 Reports, then it is manifestly unfair.

301 Mandate

The 2020 Special 301 Report notes that “USTR has been engaging with trading partners to ensure that U.S. owners of IP have a full and fair opportunity to use and profit from their IP, including by promoting transparent and fair pricing and reimbursement systems.”²²

The Trade Act 1974 provides no clear mandate for USTR to discuss non-discriminatory pharmaceutical pricing in the Special 301 Report. The Act covers non-intellectual property policies only if they “deny fair and equitable market access to United States persons that rely upon intellectual property protection.” The statute clarifies:

A foreign country denies fair and equitable market access if the foreign country effectively denies access to a market for a product protected by a copyright or related right, patent, trademark, mask work, trade secret, or plant breeder’s right, through the use of laws, procedures, practices, or regulations which—

(A) violate provisions of international law or international agreements to which both the United States and the foreign country are parties, or

(B) constitute discriminatory nontariff trade barriers. (emphasis added)

As Professor Sean Flynn at American University has noted, if pricing policies neither discriminate against American firms nor violate an international agreement, it is inappropriate to include them in Special 301.²³

Appropriate Scope for Special 301

In past years, in response to concerns articulated by public interest groups about the Special 301 process, the Special 301 committee has asked what issues, then, are appropriate for Special 301 attention. Our answer to this question is willful trademark counterfeiting and copyright piracy on a commercial scale.

The World Trade Organization’s Agreement on TRIPS helpfully distinguishes between civil and criminal intellectual property infringements. We believe the latter to be much more appropriate for Special 301 attention. While national courts are available to litigate civil disputes, criminal activity such as counterfeiting and piracy seeks to avoid legal process. When Special 301 focuses on civil cases or national intellectual property policy, it is calling into question countries’ judicial branches and sovereign decisions regarding how best to balance the various public interests at stake. By contrast, when Special 301 critiques criminal counterfeiting and piracy, it is merely drawing attention to inadequate enforcement of that country’s laws. This should prove less controversial, and more in keeping with principles of public interest.

The primary question regarding challenging counterfeiting and piracy is one of resource allocation. What resources should the United States and its trading partners allocate to prevent and prosecute counterfeiting and piracy, given scarce law enforcement resources and other pressing national priorities? This is an important and fair question. Yet even where parties or observers disagree, at least they can agree on the underlying laws and the belief that laws should be enforced. The United States is in a stronger position to insist that countries prosecute criminal activity than it is to insist countries change policy to U.S. preferences. Indeed, U.S. insistence on controversial policy changes that many people believe could harm access to medicines taints parallel efforts to challenge counterfeiting and piracy.

²² USTR, 2020 Special 301 Report, 13.

²³ See Sean Flynn, Special 301 Post-Hearing Submission, Responding to Questions from the Committee, available at <http://infojustice.org/archives/35820>.

Piracy and counterfeiting sometimes constitute mass responses to market failures (for example, a lack of content available at a price people can afford). But neither constitutes a policy response to these failures. It is sensible that the U.S. government insist its trading partners enforce the laws to which all have agreed.

Below, we describe the flexibilities available under TRIPS to protect public interests. Then, we apply these principles to analyze intellectual property issues in several countries.

The TRIPS Agreement

The WTO's TRIPS agreement reserves to signatory nations certain sovereign rights and flexibilities. The TRIPS Agreement allows for diversity in the methods of implementing its provisions.²⁴ Members are not obliged to adopt standards that are more extensive or onerous than the ones articulated in the TRIPS Agreement. The Agreement leaves countries room to adopt national policies that favor public interest, competition, foreign direct investment, technology transfer, and local innovation.

The "objectives" introduced by TRIPS Article 7 as well as the "principles" within Article 8 provide the guiding rules necessary to interpret the agreement. These provisions are as effective as the other provisions of the TRIPS Agreement. Article 7 explicitly references "the promotion of technological innovation and the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge" as an objective of the agreement.

Article 8.1 notes that "Members may ... adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development." The principles enumerated in Article 8 must be borne in mind during the national law legitimization process. Article 8 facilitates specific actions taken by the members regarding policy issues such as protecting public health or adopting measures against abuse of IP. Therefore, it is regarded as a tool that can potentially provide a basis for broader exceptions than Article 7.

Attempts by the U.S. to block TRIPS-compliant measures to increase access to AIDS medicines at the peak of the epidemic in South Africa brought shame upon our government.²⁵ WTO members including the U.S. subsequently unanimously agreed upon a Declaration on the TRIPS Agreement and Public Health. The Doha Declaration states:

We agree that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health and, in particular, to promote access to medicines for all.²⁶

²⁴ TRIPS, Article 1 ("Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.")

²⁵ SECTION27 and TAC, Standing Up For Our Lives: A History of the South African Access To Medicines Movement (2018), available at <https://standingupforourlives.section27.org.za/> (documenting how US and pharmaceutical industry sought to block efforts to increase access to medicines by claiming they were inconsistent with TRIPS).

²⁶ Paragraph 4, Doha Declaration, Adopted November 14, 2001, available at: http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_trips_e.htm.

The flexibilities in the TRIPS Agreement enable governments to mitigate—through the enactment of appropriate legislation and regulations—the negative impact that intellectual property rules may have on public health.

Patent-Eligible Subject Matter and Patentability Criteria

Article 27.1 of the TRIPS Agreement employs a substantive notion of “invention.” It notes that “subject to the provisions of paragraphs 2 and 3 [exclusions from patentability], patents shall be available for any inventions.” TRIPS does not define the term “invention.” One crucial TRIPS flexibility thus is the ability of a WTO member to determine for itself what constitutes an “invention.” The United States itself uses this flexibility to exclude certain subject matter from its definition of invention. For example, the U.S. Supreme Court has ruled that isolated DNA is not patent-eligible subject matter.²⁷

If the subject matter of a patent claim does not constitute an invention, i.e., not patent-eligible, then, by definition, it may not be patented, even if the subject matter claimed otherwise satisfies the criteria of novelty, inventive step, and capacity for industrial application. The subject matter eligibility analysis precedes the analysis of whether a claimed invention satisfies other patentability criteria.

According to Article 1.1, WTO members may determine substantive requirements in accordance with their own local systems and practices. Article 27.1 does not provide definitions for “novelty,” “inventive step,” or “capable of industrial application.” WTO members are free to define these three patentability criteria. The article clarifies in a footnote that the term “industrial application” is meant to be synonymous with “useful.” However, countries are still free to determine what the term means. Nothing prevents WTO members from applying rigorous patentability criteria to ensure high-quality patents.

Compulsory Licenses

The Doha Declaration states that “each member has the right to grant compulsory licenses and the freedom to determine the grounds upon which such licenses are granted.”²⁸ Procedurally, countries are not obligated to engage in prior negotiation with patent holders if licenses are designated for public non-commercial use (also known as government use).

Data Protection

TRIPS Article 39 covers the “protection of undisclosed information,” which relates broadly to what are sometimes called trade secrets. It does not require “data exclusivity,” which prevents regulators from relying on a pharmaceutical company’s data to evaluate competing products. Instead, Article 39.3 requires only “protection of undisclosed test data on new chemical entities, (the collection of which involved considerable effort) against disclosure unless steps are taken to ensure that the data is protected against ‘unfair commercial use.’” In other words, it provides protection against data disclosure, not against data use, and is not designed to confer government-protected monopoly marketing periods.

The North American Free Trade Agreement (NAFTA) includes a similar passage, but also a paragraph specifically preventing regulators from relying on an originator’s data for a reasonable period. The U.S. sought the inclusion of a provision in TRIPS based on this NAFTA paragraph. This proposed provision was

²⁷ *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (U.S. 2013).

²⁸ Doha Declaration, Paragraph 5(b).

excised from the TRIPS Dunkel Draft in 1991 and never restored to the Final TRIPS Act of 1994. The refusal of TRIPS drafters to adopt the NAFTA provision is one of several factors demonstrating their intention to provide for data protection, not data exclusivity, in TRIPS.

Technology Transfer

The 2020 Special 301 Report identifies several non-IP-related practices that may affect U.S. companies, which are either strategic industrial and R&D policies or regulatory practices, including some designed to support technology transfer. The Report suggests that these are not consistent with international practice and may raise concerns regarding consistency with international obligations. The Report does not spell out those international obligations and their enforceability as a matter of WTO law.

Various provisions in WTO agreements state the need for technology transfer.

During the TRIPS negotiations, technology transfer was considered part of the “grand bargain” between developed and developing countries. Article 7 of TRIPS explicitly states that the protection and enforcement of intellectual property “should contribute to the promotion of technological innovation and to the transfer of and dissemination of technology.”

Article 66.2 of TRIPS requires developed country members to provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfers to least-developed country (LDCs) members, to enable them to create a sound and viable technological base in their respective economies. However, there is no clarity around how such a transfer can be carried out and if specific WTO measures need to be undertaken to encourage such flows of technology. The lack of implementation of this provision continues to be an outstanding issue in the TRIPS Council. Developed country members should take steps to improve the implementation of Article 66.2.

In the meantime, developing countries have been experimenting with policy incentives and initiatives for technology acquisition, technology transfer and knowledge accumulation. Technology transfer remains important for innovation that drives economic development and the advancement of new technologies in developing countries. A significant element of the 2020 Special 301 comments on technology transfer appears to be complaints of U.S. multinational companies that they should not be deprived of access to the large and growing emerging markets based on those countries’ regulatory policies and practices. We believe that invoking the power of the United States to monitor another country’s legitimate policies and regulatory practices at the suggestion of private interests damages our global standing. In some cases, it may harm people.

Country Recommendations

ARGENTINA

Argentina remained on the Special 301 Priority Watch List in 2020. USTR notes that “Argentina continues to present long-standing and well-known challenges to intellectual property (IP)-intensive industries, including those from the United States. A key deficiency in the legal framework for patents is the unduly broad limitations on patent-eligible subject matter.”

USTR asserts that “Pursuant to a highly problematic 2012 Joint Resolution establishing guidelines for the examination of patents, Argentina rejects patent applications for categories of pharmaceutical inventions that are eligible for patentability in other jurisdictions, including in the United States.”

USTR also says: “To be patentable, Argentina requires that processes for the manufacture of active compounds disclosed in a specification be reproducible and applicable on an industrial scale. Stakeholders

assert that Resolution 283/2015, introduced in September 2015, also limits the ability to patent biotechnological innovations based on living matter and natural substances. These measures have interfered with the ability of companies investing in Argentina to protect their IP and may be inconsistent with international norms.”

USTR identifies “inadequate protection against the unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approval for pharmaceutical or agricultural chemical products” as an ongoing challenge to the innovative agricultural chemical and pharmaceutical sectors.

Patent Examination Guidelines

Patents are territorial rights, so protection in one country does not extend to other countries. Patent applicants need to obtain patents from each country or territory to protect their inventions. Whether or not a particular invention can be granted a patent depends on jurisprudences and practices under national patent laws. Countries have sovereign rights to adopt various standards on patentability while nonetheless maintaining baseline compliance with the imprecise but minimum standards set forth in the TRIPS Agreement.

In 2012, Argentina adopted guidelines for examining patent applications related to pharmaceutical products and processes (Joint Regulation Nos. 118/2012, 546/2012, and 107/2012, issued on May 2, 2012 by the Argentine Patent Office together with the Ministries of Industry and of Health; published in the Official Gazette on May 8, 2012). The guidelines advise patent examiners how to assess the patentability requirements of applications relating to pharmaceutical products and processes, as well as the use of pharmaceutical products. Pharmaceutical patent applications for polymorphs, salts, and formulations—secondary patents—do not contribute to innovation, and they restrict access to affordable medicines. A proper and TRIPS-compliant application of patentability standards would prevent the grant of the “poor quality” secondary patents, and it would promote the objectives introduced by Article 7, as well as the principles within Article 8 of the TRIPS Agreement.

Argentinian guidelines do not intend to modify the standards of patentability established by the Argentinian patent law (Law No. 24,481 modified by Law No. 24,572, Decree 260/96), or to introduce additional standards. Instead, they aim to ensure the correct application of those standards in view of the specific nature of the claimed subject matter and the public health relevance of the decisions: “Patents are granted or denied on the basis of the consideration for each application of the conditions for patentability contained in patent legislation: novelty, inventive step and industrial applicability, as well as the rules pertaining to what are considered to be inventions and which inventions are excluded from patentability in accordance with that legislation.”²⁹

Patent examination guidelines are key to ensuring thorough implementation of patentability criteria. International Centre for Trade and Sustainable Development (ICTSD), World Health Organization (WHO) and United Nations Conference on Trade and Development (UNCTAD) published draft guidelines to contribute to the improvement of examination of pharmaceutical inventions, particularly in developing countries.

The WHO Commission on Intellectual Property Rights, Innovation and Public Health has stated that:

²⁹ Arias Eduardo, PPT on “Guidelines for the examination of patentability of chemical-pharmaceutical inventions,” INPI, Argentina, 2014

[t]he TRIPS Agreement allows countries a considerable degree of freedom in how they implement their patent laws, subject to meeting its minimum standards, including the criteria for patentability laid down in TRIPS. Since the benefits and costs of patents are unevenly distributed across countries, according to their level of development and scientific and technological capacity, countries may devise their patent systems to seek the best balance, in their own circumstances, between benefits and costs. Thus, developing countries may determine in their own ways the definition of an invention, the criteria for judging patentability, the rights conferred on patent owners and what exceptions to patentability are permitted, provided these are consistent with the relevant articles of TRIPS (for WTO members).³⁰

The Special 301 Report should not cite Argentina for its TRIPS-compliant patent examination guidelines.

Data Protection

USTR asks Argentina to provide far greater protection to data than is required by the TRIPS Agreement. Argentina is not part of any regional or bilateral treaty that requires exclusivity over clinical trial data. Argentina is obligated only to protect undisclosed clinical trial data against unfair commercial use and disclosure under Article 39.3 of the TRIPS Agreement. Protection of clinical test data is available under Argentina's "Confidentiality Law" (Decree 24,766).

According to Section 4 of the Confidentiality Law, information proving the efficacy and safety of the product submitted to the local regulatory authority is protected against any dishonest commercial use, provided that the requirements of Section 1 and Article 39.2 of the TRIPS Agreement are met (i.e., secrecy, commercial value because of the secrecy, and the adoption of reasonable steps to keep the information secret). Generic competitors do not have access to the confidential information submitted by the applicant.

In the event that third parties gain access to the information in a manner that is contrary to honest commercial practices, the information holder has the right to request preliminary proceedings to prevent the disclosure of such information or to prevent it from being acquired or used by any third party, and to claim compensation for the damages caused (Sections 11 and 12).

In 2000, the U.S. requested WTO consultations with Argentina concerning Argentina's legal rules on data protection in Law 24,766 and Regulation 440/98. The dispute was settled by mutual consent without any change in Argentine legislation.³¹

The Special 301 Report should not cite Argentina for its TRIPS-compliant protection of undisclosed test data.

BRAZIL

Brazil remained on the 2020 Special 301 Watch List. USTR "recognizes positive developments at Brazil's National Institute of Industrial Property (INPI), which streamlined procedures for certain review processes and implemented measures to increase examiner productivity for patent and trademark decisions".

³⁰ WHO Commission on Intellectual Property Rights, Innovation and Public Health, Report, 2006, p. 21, available at: www.who.int/intellectualproperty/documents/thereport/ENPublicHealthReport.pdf?ua=1.

³¹ See, Argentina – Certain Measures on the Protection of Patents and Test Data (WT/DS196)

USTR welcomed “limits on the role of Brazil’s National Sanitary Regulatory Agency (ANVISA) on issues relating to the patentability of new biopharmaceutical inventions but continues to monitor the situation in light of longstanding concerns about duplicative reviews by ANVISA of pharmaceutical applications.”

USTR also states that “(...) although Brazilian law and regulations provide for protection against unfair commercial use, as well as unauthorized disclosure, of undisclosed test and other data generated to obtain marketing approval for veterinary and agricultural chemical products, they do not provide similar protection for pharmaceutical products.”

USTR concludes that “strong IP protection, available to both domestic and foreign right holders, provides a critical incentive for businesses to invest in future innovation in Brazil, and the United States looks forward to engaging constructively with Brazil to build a strong IP environment and to address remaining concerns.”

Transparency

Article 1.1 of the TRIPS Agreement provides that “[m]embers shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.” Members of the WTO are allowed to use principles and rules of their domestic legal systems for implementing their TRIPS obligations. This option has also been made available in several other provisions such as Article 16.1, Article 41.4, and Article 44.2. The members can introduce practices and change existing ones, provided that the new practices comply with the principles and provisions of the Agreement. Brazil created new practices aimed at implementing its TRIPS obligations to examine pharmaceutical patents.³²

After a request for examination is filed, patent applications that are filed for pharmaceutical products or processes are forwarded from the INPI directly to ANVISA for examination based on public health issues.

On May 13, 2013, ANVISA published an internal Orientation Guide detailing how pharmaceutical product and process patent applications are screened by its examiners. According to the Orientation Guide, a patent application falling within any of the therapeutic categories in Ordinance 1284/2010 will be subject to substantive examination on the merits by an ANVISA patent examiner.

ANVISA may deny “prior consent” for patent applications that are contrary to public health. ANVISA, prior to the Patent Office, analyzes patent applications involving pharmaceutical/chemical (i) products that have previously been rejected by the Agency, and thus present health risks; and (ii) compounds that are of interest to support Brazil's National Health System’s access to medicines policy or a pharmaceutical care program, and that may not meet the patentability requirements set forth by the Patent Act (see Article 3, amending Patent Act Art. 229-C, and Article 5, amending Article 7 of Law No. 9782 of 26 January 1999). If a pharmaceutical product comprises or if a pharmaceutical process results in a substance prohibited for use in Brazil, then the application will be deemed to present a health risk.

In April 2017, the INPI and ANVISA reached an agreement on the “prior consent” procedure. The new procedure provides greater transparency and predictability and clarifies uncertainties around the double examination of pharmaceutical patent applications. The Resolution No.168/2017 established that ANVISA’s assessment would be limited to public health issues, and an application would be considered to be contrary to public health if it involves a health risk; i.e., if it refers to a substance whose use has been prohibited in the country.

³² Nuno Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs*, Kluwer Law International, pp. 79-81

According to the Resolution, the applicant should be notified if ANVISA issues either a preliminary opinion against the grant of a patent application or any other request. The applicant then has 60 days to file any arguments or documents to support the approval. The Resolution also established an appeal process for the ANVISA's decisions before ANVISA's Board of Directors. Upon the receipt of ANVISA's final health risk assessment, the INPI would make its final decision on the patent application. ANVISA's decision is not binding on the INPI and is considered a third-party observation. If the INPI unreasonably delays the examination of a patent application for more than a period of 10 years, the term of the patent is 10 years from its grant. The INPI and the ANVISA created an Interinstitutional Articulation Group (IAG) to share technical information and harmonize their understanding on pharmaceutical patents in certain fields, e.g. Markush claiming, selection inventions, the patentability of new uses, salt polymorphs and antibodies. The IAG's board is composed of three members from each public body. Researchers and public officials, as well as IP practitioners and representatives of pharmaceutical companies, can be invited to participate in the meetings to share their knowledge and experience.

The observants argued that ANIVISA's examination "has improved substantially for the better. It is fair to say that much of its interference in pharma patent applications over the last 18 years has reduced substantially".³³

The AIG is an important step to overcome a pharmaceutical patent backlog. The Brazilian Government has been putting its best efforts to eliminate backlog problem by introducing fast-track measures such as signing multiple Patent Prosecution Highway (PPH) Agreements with patent offices around the world, increasing number of patent examiners, optimizing internal procedures, and implementing the "pre-examination office action program"³⁴. The Brazilian patent system has evolved considerably to become more transparent, efficient, and convergent with international standards.

The Special 301 Report should recognize Brazil's efforts and not cite Brazil for its TRIPS-compliant patent examination standards.

Data Protection

The USTR is asking Brazil to provide far greater protection to data than is required by the TRIPS Agreement. Brazil is not part of any regional or bilateral treaty that requires exclusivity over clinical trial data. Brazil is obligated only to protect undisclosed clinical trial data against unfair commercial use and disclosure under Article 39.3 of the TRIPS Agreement. Protection of clinical test data is available under Brazilian law.

The protection of undisclosed pharmaceutical test data in Brazil prevents unfair commercial use and unauthorized disclosure, but permits "use, by government bodies of test results or other undisclosed data, for market approval of products equivalent to the product for which they were initially presented," as allowed by Article 39.3 of the TRIPS Agreement.

The use of undisclosed data by ANVISA is in accordance with the social functions of property (art. 5°, XXIII, CF/88) which impose limits on the procedures through which the owner can exercise his right of property. Accordingly, ANVISA can analyze the undisclosed data to ensure the sanitary security, efficacy, and quality of products. Unless it is necessary to protect the public, ANVISA keeps the data submitted by the originator company confidential and protects it against unfair competition (Article 195, § 2°, Law 9.279/96).

The Special 301 Report should not cite Brazil for its TRIPS-compliant protection of undisclosed test data.

³³ Brazil: Patents 2020, available at <https://iclg.com/practice-areas/patents-laws-and-regulations/brazil>

³⁴ Farewell Brazilian Backlog: Brazilian PTO Introduces Standardized Office Action Program, available at <https://www.ipwatchdog.com/2019/07/29/farewell-brazilian-backlog-standardized-office-action-program/id=111686/>

CHILE

Chile remained on the 2020 Special 301 Priority Watch List.

Even though USTR recognized positive movement by Chile with regard to the implementation of certain IP obligations, USTR continued to have concerns “regarding a number of long-standing implementation issues with a number of other IP provisions of the United States-Chile Free Trade Agreement (Chile FTA).”

USTR urged Chile “to make effective its system for addressing patent issues expeditiously in connection with applications to market pharmaceutical products and to provide adequate protection against unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approval for pharmaceutical products.”

USTR also continued to raise concerns about the Resolution 399, “which declared that there are public health reasons that justify issuing compulsory licenses on certain patent-protected drugs used to treat hepatitis C. While Chile has not issued a compulsory license, the resolution satisfies an initial legal requirement after which a third party may then make the request.”. The USTR urged Chile “to ensure transparency and due process in any actions related to compulsory licenses. To maintain the integrity and predictability of IP systems, Chile should use compulsory licenses only in extremely limited circumstances and after making every effort to obtain authorization from the patent owner on reasonable commercial terms and conditions.”

Data Exclusivity

The U.S.-Chile Free Trade Agreement (Chile FTA) provides at least five years of exclusive protection to undisclosed data concerning the safety and efficacy of a pharmaceutical product that utilizes a new chemical entity.³⁵ Chile enacted Law No. 19.996, which modified Chile’s Industrial Property Law³⁶ and Decree No. 107 from the Ministry of Health³⁷ in order to implement the obligations established in the U.S.-Chile FTA. Article 89 of the Industrial Property Law goes beyond the obligations of the U.S.-Chile FTA. It protects not only data related to the efficacy or safety of the pharmaceutical product from clinical and preclinical trials, but also any other data that is “required” by the authority.³⁸ The FTA requires exclusivity only for “undisclosed” data. The Chilean law goes beyond the FTA obligations by extending protection to the disclosed data if it “has been the object of reasonable measures to keep it” undisclosed.³⁹ Article 90 of Law 19.039 defines “a new chemical entity” broadly to cover any active ingredient that has not been previously included in health registrations or authorizations, or that has not been marketed in the national territory prior to the health registration or authorization application. Once again, going beyond its FTA obligations, the Chilean law provides data exclusivity for biologics as well, even though biologics are recognized to be distinct from new chemical entities and thus not subject to the same FTA obligations. Footnote 25 of the U.S.-Chile FTA allows parties to maintain their respective systems for protection of test data in cases of new uses or indications. Chile does not provide data exclusivity in such cases. Chile is in

³⁵ Article 17.10.01

³⁶ Articles 89 to 91 of the Industrial Property Law

³⁷ Adopted December 18 2008, and available at

http://www.ispch.cl/ley20285/t_activa/marco_normativo/7c/DS_MINSAL_107-2010.pdf

³⁸ *Cuando el Instituto de Salud Pública o el Servicio Agrícola y Ganadero requieran la presentación de datos de prueba u otros que tengan naturaleza de no divulgados, relativos a la seguridad y eficacia de un producto farmacéutico o químico-agrícola que utilice una nueva entidad química que no haya sido previamente aprobada por la autoridad competente, dichos datos tendrán el carácter de reservados, según la legislación vigente.*” Emphasis added.

³⁹ *“La naturaleza de no divulgada se entiende satisfecha si los datos han sido objeto de medidas razonables para mantenerlos en tal condición y no son generalmente conocidos ni fácilmente accesibles por personas pertenecientes a los círculos en que normalmente se utiliza el tipo de información en cuestión”.*

compliance with the terms of its U.S. FTA. It is unclear from the language of the 2020 Special 301 Report what further protection the U.S. government perceives Chile is obligated to apply.

The Special 301 Report should not cite Chile for its FTA-compliant interpretation of data exclusivity standards.

Compulsory Licenses

Compulsory licensing allows governments to authorize generic competition with patented medicines in exchange for royalty payments to patent holders. It is a flexibility included in the TRIPS, Article 31, “Other Use Without Authorization of the Right Holder.” It is a standard and long-standing and widely acknowledged flexibility in patent legislation. The United States, which has a very open government use statute, may be the world’s most frequent user of compulsory licensing across technology sectors.

In 2001, all members of the WTO, including the United States, unanimously reaffirmed that IP rules included in the TRIPS agreement “does not and should not prevent members from taking measures to protect public health”. The declaration clarifies the scope of several public health flexibilities laid out in the TRIPS agreement⁴⁰ that the members are entitled to use flexibility measures such as compulsory licenses to prevent or solve their public health crises.

High prices of hepatitis C drugs and their availability in Chile made wider distribution and consumption rather difficult. In 2017, the market price for Gilead’s Sofosbuvir was approximately \$36,000 USD per patient, while the Chilean GNI per capita was only \$14,000.⁴¹ There were only 350 patients on treatment.⁴² The Chilean congress overwhelmingly voted for a resolution first in 2017 and then in 2018 and requested the government to implement measures to combat high drug prices and shortages.

Resolution 399 was issued by the Ministry of Health on March 9, 2018. It is not a compulsory license. It only determines public health justifications for issuing compulsory licenses for public health purposes. The resolution explains that hep C has become an overwhelming public health problem for Chile. During the period between 1996-2017, 5422 patients were diagnosed. The actual number was predicted to be higher as hep C is not diagnosed until it is advanced, which could take up to 20 years.⁴³ The World Health Organization (WHO) estimates there are 4.1 million hepatitis C-infected individuals in Latin America and the Caribbean.

The government was motivated to make hep C treatment available to every citizen who needed it. But that could only be possible with a sufficiently low price to purchase the huge volume necessary. Given the Chilean government’s ongoing commitments to the World Health Organization (WHO) to achieve global

⁴⁰ The Doha Declaration on the TRIPS Agreement and Public Health.” World Health Organization. 2011.

http://www.who.int/medicines/areas/policy/doha_declaration/en/index.html

⁴¹Background FAQ on Chile compulsory licensing request for HCV and prostate cancer treatments, available at

<https://www.keionline.org/23660>

⁴² Inside News: New Health Ministry Of Chile Reaffirms Path To Compulsory License For Hepatitis C Drugs,

<https://www.ip-watch.org/2018/09/04/new-health-ministry-chile-reaffirms-path-compulsory-licence-hepatitis-c-drugs/>

⁴³ Hepatitis C: Resurgence of a Silent Epidemic, <https://www.drugtopics.com/hepatitis-c/hepatitis-c-resurgence-silent-epidemic>

elimination of the disease⁴⁴, the Ministry of Health declared that high disease burden and treatment cost constitute public health grounds under Article 51(2) of the Chilean Law of Industrial Property No.19.039.⁴⁵

Under the TRIPS Agreement, members have the right to issue licenses on grounds they determine appropriate, including to address diseases they believe important. It has now been over twenty-five years since the TRIPS Agreement entered into force. USTR should acknowledge that TRIPS flexibilities are integral to the TRIPS Agreement and that there is an urgent need for tangible progress in intellectual property-related public health measures in 2021.

The U.S. government should not criticize Chile for assessing its disease burden and considering compulsory licenses, both of which are consistent with Chile's international obligations in intellectual property and trade.

COLOMBIA

Colombia remained on the Watch List in 2020. Colombia was placed on the Watch List after an Out-of-Cycle Review in 2018 that focused on certain provisions of the United States-Colombia Trade Promotion Agreement (CTPA) and monitoring the implementation of Colombia's 2014-2018 National Development Plan (NDP).

USTR mentioned that "the United States continues to engage Colombia on patent-related matters and encourages it to incentivize innovation through strong IP systems."

Compulsory licenses

In Colombia, it is estimated that 400,000 people live with hepatitis C. As of 2015, only 996 people had received treatment.

In 2017, under the leadership of the Pan American Health Organization (PAHO) and the Colombian Ministry of Health, the country put into place the first strategic purchase of 1,225 hepatitis C treatments (250 sofosbuvir, 725 sofosbuvir/ledipasvir and 250 daclatasvir).

Colombia's health care system still cannot afford to pay for the drugs despite the negotiated discounted price. Facing a serious public health crisis, the Colombian ministry decided to assess the burden of hepatitis C treatment in the country and determine whether there was sufficient evidence to support a public health declaration on compulsory licenses. This created outrage among pharmaceutical companies, some of which sought to intimidate Colombia, including by threatening Colombia's Organization for Economic Co-operation and Development OECD accession. In their Special 301 2019 submissions, the Pharmaceutical Research and Manufacturers of America (PhRMA) and Biotechnology Innovation Organization (BIO) called for Colombia to be placed on the priority watch list and given an out-of-cycle review.

In fact, this was not the first time the pharmaceutical industry attacked Colombia. In 2016, protracted talks broke down with the Swiss company Novartis over the price of the cancer drug Glivec. It was priced in Colombia at nearly double the country's GDP per capita. The Colombian health minister subsequently

⁴⁴ WHA67.7, World Health Organization, https://apps.who.int/gb/ebwha/pdf_files/WHA67-REC1/A67_2014_REC1-en.pdf

⁴⁵ Article 51. A decision shall be taken on a non-voluntary license application in the following cases:
(2) Where, for reasons of public health, national security, non-commercial public use, or national emergency or others of extreme urgency, declared by the competent authority, the grant of said licenses is justified.

issued a declaration of public interest. Please note that this was only a declaration highlighting the need and public interest in the issues; Colombia did not issue a compulsory license.

Following the public health declaration, pharmaceutical companies put on pressure to derail Colombia's legal efforts to lower the price, including through threats to launch an investment dispute.

Leaked letters showed that after meeting with U.S. government officials, Colombian diplomats felt that U.S. financial assistance for the Paz Colombia peace initiative may be put at risk if they were to proceed with a compulsory license for Glivec. More than 50 years of war in Colombia has claimed 8 million victims and 220,000 deaths. Colombia should not have been forced to choose between support for peace and its people's health. Eventually, the government announced that it would reduce the price of Glivec but stopped short of issuing a compulsory license.

Colombia's exploration of compulsory licensing and better pricing policies for high-priced cancer and hepatitis C products has attracted heavy pressure from the patent-based industry, despite an absence of credible assertions that Colombia acts against any of its treaty obligations. These pressure tactics put lives at risk.

The U.S. government should not criticize Colombia for domestic drug pricing policies or for considering compulsory licenses, both of which are consistent with their international obligations. Nor does Colombia have an obligation to consult with the U.S. government regarding either policy option.

INDIA

India remained on the Priority Watch List of 2020.

USTR expressed concerns that "patent issues continue to be of particular concern in India as long-standing issues remain for innovative industries. The potential threat of compulsory licenses and patent revocations, and the narrow patentability criteria under the India Patents Act, burden companies across different sectors. Moreover, patent applicants continue to confront costly and time-consuming pre- and post-grant oppositions, long waiting periods to receive patent approval, and excessive reporting requirements.

USTR also stated: "In the pharmaceutical sector, Section 3(d) of the India Patents Act also remains problematic. One implication of its restriction on patent-eligible subject matter is the failure to incentivize innovation that would lead to the development of improvements with benefits for Indian patients. India still lacks an effective system for notifying interested parties of marketing approvals for follow-on pharmaceuticals, which would allow for the early resolution of potential patent disputes."

Patent-Eligible Subject Matter

Article 1.1 of TRIPS provides that "[m]embers shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice." TRIPS established several rules that were new to many WTO members. The WTO members can adopt practical options or solutions in view of the lack of explicit rules in TRIPS. The definition of "invention" under national law is recognized as a practice.⁴⁶

Section 3(d) falls under Chapter II of the Act, "Inventions Not Patentable," and Section 3, "What Are Not Inventions." Before patentability criteria are applied, India asks whether the subject matter of a patent

⁴⁶ De Carvalho, N.P. (2002) *The TRIPS Regime of Patent Rights*. Kluwer Law International, London, p.80

qualifies as an invention, per its right to define the term under Article 27 of the TRIPS Agreement (see “Antecedents,” above).⁴⁷ Section 3(d) does not have a “universal application⁴⁸” but rather it could permissibly prohibit any new form of a known substance to be patent eligible when it does not “result in the enhancement of the known efficacy of that [known] substance.”⁴⁹ Patent applicants have an opportunity to overcome this presumption.

The Supreme Court of India utilized the patent eligibility test under Section 3(d) in its 2013 decision about the anti-cancer drug Glivec. Novartis’ claim was required to demonstrate improvement over the known efficacy of imatinib mesylate in order to pass the subject matter eligibility threshold.⁵⁰ Both the Patent Office and the Supreme Court found that Novartis failed to fulfill its burden of proof in this respect.⁵¹

A thorough examination of Section 3(d) should consider all of the principles clarified in the Supreme Court of India’s ruling in this case. The Court upheld the refusal of a patent claim filed by Novartis on a crystalline form of imatinib mesylate on the grounds that imatinib mesylate was anticipated by U.S. Patent No. 5,521,184 and led to a non-inventive finding. The argument of pharmaceutical corporations that Indian patent offices are rejecting patent claims merely on the basis of Section 3(d) is misleading and deliberately intended to ignore the fact that the amendment was introduced to prevent the grant of poor-quality evergreening patents.

The definition of invention under Section 3 complies with the TRIPS Agreement. The Special 301 Report should not criticize India for its TRIPS-compliant interpretation of patent-eligible subject matter.

Compulsory Licensing

Both the Special 301 Reports in 2019 and 2020 talked about the “potential threat of compulsory licensing”. India has only ever issued one compulsory license and that was in 2012. India granted a compulsory license for sorafenib, a cancer medicine patented by Bayer (and marketed as Nexavar).

Article 31 of the TRIPS Agreement directly permits involuntary use of patents without authorization of the right holder (also known as compulsory licenses) and public non-commercial use (also known as government or crown use). Under Article 31, compulsory licenses can be issued on any grounds whatsoever as long as certain procedural requirements are followed. There are expedited procedures requiring no advance negotiations “in situations of national emergency or other circumstances of extreme urgency or in case of public non-commercial use”, or as a remedy for anti-competitive practices.

The TRIPS Agreement allows countries to grant compulsory licenses on grounds of their choosing. The WTO’s Doha Declaration clarified the ability of countries to define grounds for compulsory licenses, to

⁴⁷ See, Burcu Kilic & Luigi Palombi, “The Question of Patent Eligible Subject Matter and Evergreening Practices”, <http://infojustice.org/archives/30314#more-30314>

⁴⁸ <https://scholarship.law.tamu.edu/cgi/viewcontent.cgi?article=1808&context=facscholar>, page 7.

⁴⁹ The following are not inventions within the meaning of this Act:

“(d) the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant.”

Explanation.—For the purposes of this clause, salts, esters, ethers, polymorphs, metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations and other derivatives of known substance shall be considered to be the same substance, unless they differ significantly in properties with regard to efficacy;”

⁵⁰ *Ibid.*

⁵¹ Novartis AG v. Union of India and others, Civil appeal 2706-2716 of 2013, Supreme Court of India.

determine matters of emergency and extreme urgency, and to use compulsory licenses to advance public health and to ensure access to medicines for all.

Section 84 of India Patent Act incorporates compulsory licenses in Indian patent law. It is drafted much narrower than the globally accepted TRIPS standards for compulsory licensing. The Indian Act sets out three separate grounds. When the Indian Supreme Court issued the first compulsory license for sorafenib, cancer medicine patented by Bayer (and marketed as Nexavar), it ensured that all the three standards were met. Indian compulsory license was valid and TRIPS-compliant, leaving little room for criticism.

Since the 2012 ruling, pharmaceutical corporations have criticized India's patent law and lobbied for it to be changed. USTR's concern about "potential threat of compulsory licensing" is not based on strong grounds. India has deferred multiple compulsory license requests since 2012. In any case, compulsory licensing should not be considered as a threat, it is a TRIPS flexibility that facilitates the production or procurement of low-cost generic medicines to the benefit of public health.

The Special 301 Report should not cite India for its TRIPS-compliant compulsory licensing practices.

Patent litigation

India amended Patent Rules in 2016 to simplify patent procedures, streamline timelines for disposal of patent application, expedite examinations, introduce hearings through videoconferencing and restricted adjournment of hearings⁵². The IP administration in India has been substantially improved since then. During the period between 2017 and 2018, the number of patent applications examined increased by 108.2%, grant of patent increased by 32.5% and disposal of application increased by 57.6% as compared to the previous year⁵³. The pendency in patent examination is down to 54 months in 2018 compared to 72 months before⁵⁴.

Patent Linkage

USTR claims that India still lacks an effective system for notifying interested parties of marketing approvals for follow-on pharmaceuticals in a manner that would allow for the early resolution of potential patent disputes. Patent linkage, which is not part of Indian law, is a TRIPS-plus provision.⁵⁵ India is not part of any regional or bilateral treaty that requires links market approval of generic medicines to the patent status of the original reference product.

USTR is asking India to provide far greater protection than it is required by TRIPS. India has sovereign rights to adopt various standards on patents and pharmaceuticals while nonetheless maintaining baseline compliance with the imprecise, but minimum standards set forth in the TRIPS.

The Special 301 Report should not cite India for its TRIPS-compliant patent rules.

⁵² Annual Report 2017-18, Indian Intellectual Property Office, available at http://www.ipindia.nic.in/writereaddata/Portal/IPOAnnualReport/1_110_1_Annual_Report_2017-18_English.pdf. Pg 3

⁵³ Annual Report 2017-18, Indian Intellectual Property Office, available at http://www.ipindia.nic.in/writereaddata/Portal/IPOAnnualReport/1_110_1_Annual_Report_2017-18_English.pdf. Pg 4

⁵⁴ Annual Report 2017-18, Indian Intellectual Property Office, available at http://www.ipindia.nic.in/writereaddata/Portal/IPOAnnualReport/1_110_1_Annual_Report_2017-18_English.pdf. Pg 14

⁵⁵ Worrying Developments in Indo-US IP negotiations – Data Exclusivity and Patent Linkages, available at <https://spicyip.com/2015/02/worrying-developments-in-indo-us-ip-negotiations-data-exclusivity-and-patent-linkages.html>

INDONESIA

Indonesia remained on the 2020 Special 301 Priority Watch List.

USTR expresses concerns that “Indonesia also lacks an effective system for protecting against the unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approval for pharmaceutical and agricultural chemical products.”

USTR also says: “Indonesia’s 2016 Patent Law continues to raise concerns, including with respect to the patentability criteria for incremental innovations, the grounds and procedures for issuing compulsory licenses (...)”

Data Protection

Indonesia is not part of any regional or bilateral treaty requiring exclusivity over clinical trial data. Indonesia is obligated only to protect undisclosed clinical trial data against unfair commercial use and disclosure under Article 39.3 of the TRIPS Agreement. Protection of clinical test data is available under Indonesia’s “Law Concerning Prohibition of Monopolistic Practices and Unfair Business Competition.”⁵⁶

Therefore, since the Indonesian law on data protection is consistent with its existing international obligations, and the TRIPS Agreement allows for Indonesia to exercise flexibility in providing data protection, the Special 301 Report should not cite Indonesia for its TRIPS-compliant protection of undisclosed test data.

Local Working Requirement

USTR “welcomes Indonesia’s efforts to eliminate the 2016 Patent Law’s local working requirement, including by introducing an amendment to the law through the Job Creation omnibus bill. The United States urges the passage of this amendment and continues to urge Indonesia to undertake a more comprehensive amendment to the 2016 Patent Law to address remaining concerns. As Indonesia amends the Patent Law and develops implementing regulations, the United States urges Indonesia to provide affected stakeholders with meaningful opportunities for input.”

Indonesia's first patent law went into effect on August 1, 1991. The legislature revised the law in 2001 and 2016. Each iteration has retained the local working requirement. Article 20 of the amended patent law states that patent holders must “make or use” the patented process in Indonesia. The “use” of such patented processes should support technology transfers, increases in domestic investment or employment.

If the invention is not worked (i.e. the patent owner does not make products or use processes in Indonesia covered by the patent) within 36 months after the grant of a patent, a third party can file an application for a compulsory license (Article 82). The patent owner is not expected to regularly notify the patent office that the patent is being implemented. However, he is expected to prove that his invention has been implemented in the event that an application for a compulsory license is filed by a third party. The Ministry of Law will examine each application and decide whether or not to grant the compulsory license based on the facts of each case.

In July 2018, Indonesia introduced implementing regulations to provide more clarity on the working requirement. According to the Implementing Regulation No. 15 of 2018, a patent owner who fails to work

⁵⁶ Law n° 5 of 1999. UNCTAD “Development Dimensions of Intellectual Property in Indonesia: Access to Medicines, Transfer of Technology and Competition,” 2011, available at http://unctad.org/en/docs/diaepcb2011d6_en.pdf

or use his or her invention can file an application to delay the working requirement for up to five years. Further postponements (i.e., beyond the maximum period of five years) may be granted upon request.

This long-standing requirement in Indonesian law has been subjected to fierce criticism from the U.S. government since the early years of TRIPS. This criticism is mostly based on misconceived claims by the U.S. pharmaceutical industry that the local working requirement is not consistent with the TRIPS Agreement and that the WTO Dispute Board ruled out the local working requirement.

The drafting history of the TRIPS Agreement demonstrates that country delegations explicitly excluded limitations on the ability of member states to address local working requirements in their patent laws from the final agreement.

During the TRIPS negotiations, U.S.-proposed language to prohibit local working requirements was soundly rejected by the other negotiating countries. Article 31 provides no limits on grounds for compulsory licensing—except with particular regard to semiconductors. If the drafters listed a specific limit on grounds for semiconductors, they also could have prohibited working failure grounds. They did not. *Expresio unius est exclusio alterius*: express inclusion of one thing (the semiconductor limit) implies exclusion of others (no prohibition of local working grounds). This is a standard canon of statutory interpretation.

The TRIPS Agreement explicitly incorporates by reference Article 5, Section A (2) of the Paris Convention of 1967, which specifically gives member states the right to legislate against “abuses which ... result from the exercise of the exclusive rights conferred by the patent” subject to the conditions found in Sections A (3) and A (4). The clause specifically cites ‘failure to work’ the patent as an example abuse.

Traditionally, “failure to work” is defined as the failure to industrially produce the product; sales or importation of the patented product do not rise to the level of “working” the patent. But the convention also says that member states may freely define “failure to work” to include the refusal to grant licenses on reasonable terms, insufficient supply of the national market, or excessive prices.

Independent of the convention and consistent with Article 8 and Article 2.1(2) of TRIPS, members may still legislate in the public interest, especially in matters of military security or public health. Further, the Doha Declaration on the TRIPS Agreement and Public Health has reaffirmed that the Agreement should be interpreted in a manner supportive of public health, and member states are free to determine both the grounds on which compulsory licenses are granted and what constitutes a “national emergency or other circumstances of extreme urgency.”

Working failure integrates human rights considerations into the patent law discourse. It prioritizes availability of patented technologies as a sensible requisite of exclusivity. Access to medicines in many middle- and low-income communities can be assisted by this consideration.

Given the TRIPS negotiating history and the ambiguity of the final TRIPS text, local working requirements are consistent with the flexibilities permitted within the TRIPS Agreement. Indonesia has a right to have local working requirements under international law. Further, TRIPS does not obligate Indonesia to provide postponement of the working requirement, as it does under the new implementing regulation. However, the postponement regime provides an additional safeguard to patent holders.

It is not easy to obtain a compulsory license in Indonesia. But the country reserves the right to grant licenses, as does the United States. Affected stakeholders have had meaningful opportunities for input and engagement through lobbying and bilateral pressure. Special 301 Report should not cite Indonesia for its TRIPS-compliant patent law and practice.

Patent-Eligible Subject Matter

Article 1.1 of the TRIPS Agreement provides that “[m]embers shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.” The TRIPS Agreement established several rules that were new to many WTO members. The WTO members can adopt practical options or solutions in view of the lack of explicit rules in the TRIPS Agreement. The definition of “invention” under national law is recognized as a practice.⁵⁷

Article 4(f) of Indonesian Patent Law falls under the definition of invention. Before patentability criteria are applied, Indonesia asks whether the subject matter of a patent qualifies as an invention, per its right to define the term (the TRIPS Agreement Article 27, *see* “Antecedents” above).⁵⁸ Article 4 (f) could have permissibly prohibited any new form of a known substance. Instead, Indonesia allows new forms to be patent-eligible where they “result in increased efficacy and significant differences related chemical structures of the compounds are already known.” Patent applicants have an opportunity to overcome this presumption.

The definition of invention under Article 4(f) complies with the TRIPS Agreement.

The Special 301 Report should not cite Indonesia for its TRIPS-compliant interpretation of patent-eligible subject matter.

MALAYSIA

Malaysia has not been on the Special 301 Watch List since 2012.

In 2018 and 2019, USTR conducted an Out-of-Cycle Review of Malaysia to “consider the extent to which Malaysia is providing adequate and effective IP protection and enforcement, including with respect to patents. During this review, the United States and Malaysia have held numerous consultations with a view to resolving outstanding issues. In 2020, USTR extended the Out-of-Cycle Review of Malaysia to press Malaysia to complete actions to fully resolve these concerns in the near term.”

Government use of a patent

The prevalence of HCV infection in Malaysia has been estimated at 2.5% of the adult population (as many as 500,000 people).⁵⁹ The disease burden is high and is projected to rise steeply over the coming decades due to limited levels of antiviral treatment and high treatment costs. Sofosbuvir (Sovaldi), when used with another drug, can virtually cure most cases of hepatitis C in 12 weeks with few side effects. The list price of Sovaldi set by the patent holder, Gilead Sciences, in the U.S. is \$84,000⁶⁰ per treatment and RM 300,000⁶¹ (\$71,300 USD) in Malaysia. The price was beyond the reach of many Malaysians, as the

⁵⁷ Carvalho, *supra* 19, p.80

⁵⁸ Kilic, *supra* 15

⁵⁹ Malaysian AIDS Council Press Statement, 2017, available at <http://www.mac.org.my/v3/malaysian-aids-council-welcomes-government-move-to-issue-compulsory-license-on-lifesaving-hepatitis-c-medicines/>

⁶⁰ How an \$84,000 drug got its price: ‘Let’s hold our position ... whatever the headlines’, The Washington Post, December 1, 2015 https://www.washingtonpost.com/news/wonk/wp/2015/12/01/how-an-84000-drug-got-its-price-lets-hold-our-position-whatever-the-headlines/?utm_term=.66492505a65c

⁶¹ Malaysian AIDS Council Press Statement, 2017, available at <http://www.mac.org.my/v3/malaysian-aids-council-welcomes-government-move-to-issue-compulsory-license-on-lifesaving-hepatitis-c-medicines/>

household income per capita is \$4,571.17.⁶² At that price, only 500-550 patients per year had received treatment.

In 2014, Gilead Sciences signed non-exclusive licensing agreements⁶³ with seven India-based generic pharmaceutical manufacturers to produce and sell Sofosbuvir in 91 least developed countries, where people cannot even afford malaria pills at \$1 per treatment.⁶⁴ Most of the middle-income countries where the vast majority of hepatitis C patients live were excluded from the licenses. Malaysia was one of those 41 middle-income countries. The Malaysian government engaged in negotiations with Gilead to be included in the licenses and reduce the price. Gilead was unwilling to reduce the price below \$12,000 for a complete course of 12-weeks treatment, and negotiations failed in 2016.

In July 2017, on World Hepatitis Day, the WHO called on countries to turn their commitment into action to tackle hepatitis C. At the time, only one out of ten people living with hepatitis C had access to treatment.⁶⁵

After almost a year of consultations with the relevant government bodies, the Malaysian parliament and other stakeholders, the Malaysian government authorized government use of hepatitis C treatment patents. The Health Ministry was aiming to import generics for RM1.000 (\$256.41 per patient).⁶⁶

Just before the Malaysian government authorization in September 2017, under public pressure to widen access to Sofosbuvir, Gilead announced on Twitter that the scope of licenses would be extended to cover Malaysia. There was no official announcement or notification to the Malaysian government.

Gilead's tweet seems to have been strategic – aimed to anticipate Malaysia's government use decision. By doing so, Gilead hoped to avoid reputational damage. However, governments do not act on tweets. The Cabinet decision to make use of an invention was taken long before Gilead's tweet. For two years during the price negotiations, Gilead neither reduced the price nor applied for regulatory approval of Sofosbuvir in Malaysia.

Under the TRIPS Agreement, governments can make use of patents to facilitate access to affordable medicines. In compliance with the TRIPS Agreement, Section 84 of the Malaysian Patents Act provides that

“in case of national emergency or public interest in particular, national security, nutrition, health or the development of other vital sectors of the national economy as determined by the Government (...)

the Minister may decide that, even without the agreement of the owner of the patent, a Government agency or a third person designated by the Minister may exploit a patented invention.”

⁶² Malaysia Household Income per Capita, available at <https://www.ceicdata.com/en/indicator/malaysia/annual-household-income-per-capita>

⁶³ Gilead Announces Generic Licensing Agreements to Increase Access to Hepatitis C Treatments in Developing Countries, 2014, available at <http://www.gilead.com/news/press-releases/2014/9/gilead-announces-generic-licensing-agreements-to-increase-access-to-hepatitis-c-treatments-in-developing-countries>

⁶⁴ Azzi Momenghalibaf, “License to Deceive? A Big Drug Company's Smokescreen on Hepatitis C”, 2014, available at <https://www.opensocietyfoundations.org/voices/license-deceive-big-drug-company-s-smokescreen-hepatitis-c>

⁶⁵ Dr Gottfried Hirschall, WHO's Director of the HIV Department and Global Hepatitis Programme, Eliminate hepatitis: WHO, 2017, available at <http://www.who.int/mediacentre/news/releases/2017/eliminate-hepatitis/en/>

⁶⁶ Health Minister Datuk Seri Dr S. Subra-maniam, Urgent action needed on Hepatitis C, 2017, available at <https://www.thestar.com.my/opinion/columnists/global-trends/2017/07/31/urgent-action-needed-on-hepatitis-c-its-not-acceptable-that-500000-msians-are-infected-with-the-dise/>

Under TRIPS, public non-commercial use of a patent does not require prior negotiation with the patent holder. A government agency or a third party (e.g. a generics company) can be authorized to import or manufacture a generic version of a patented drug limited to use in public programs and hospitals. Government use does not override a patent. Rather, the right reserved by the government to make use of an invention is embedded in the initial grant of every patent.

The Malaysian government use authorization covers only public hospitals and clinics. It is only for importation and not for local manufacturing. It does not override or nullify the patent rights of Gilead. Gilead is free to compete and sell Sovaldi and retains the exclusive privilege to do so in the private market.

The government use authorization has resulted in significant cost savings for the Malaysian public health system and saved the lives of many patients. It brought the cost of the 3-month treatment (sofosbuvir + daclatasvir) down to less than RM1,200 (US\$300). It has enabled the government to roll out free treatment in 23 public hospitals, starting in March 2018. More than 1,500 patients have been treated so far. Access to affordable treatment has also strengthened the government's resolve to screen and treat thousands more patients. The low affordable price of HCV treatment secured by Malaysia has become the benchmark price for many other middle-income countries seeking access to affordable HCV treatment.

Had Malaysia acted on Gilead's tweet and stopped the government use procedure, it would have taken at least two years (and possibly many lives) for Malaysian patients to access the medicines (due to drug registration procedures). The price still would have been high – as seen in the case of other countries with voluntary licenses. The price for Sofosbuvir is US\$240 in Indonesia, US\$220 in Myanmar, and US\$570 in Vietnam for a month supply.⁶⁷

The U.S. government should not criticize Malaysia for making use of an invention to protect public health. It is consistent with Malaysia's international obligations and long-established U.S. policy.

THAILAND

Thailand remained on the Special 301 2020 Watch List.

USTR encouraged “Thailand to provide an effective system for protecting against the unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approval for pharmaceutical and agricultural chemical products.”

Data Protection

Thailand's Trade Secrets Act BE 2545,⁶⁸ creates a legal framework for the protection of trade secrets and other confidential information. It renders the unauthorized use and disclosure of such information to be an actionable offence, punishable by civil and criminal remedies. The Act recognizes that data required to obtain medicine market approval, in whole or in part, may amount to a trade secret in the form of a testing result, or other information regarding its preparation, discovery, or creation. The owner of data can request marketing approval authority to maintain the confidentiality of the data submitted.

⁶⁷ India is getting sofosbuvir at very low prices (US\$55) because of intense generic competition [http://www.worldhepatitissummit.org/docs/default-source/presentations/strategic-direction-2/generic-daas-\(giten-khwairakpam\).pdf?sfvrsn=2](http://www.worldhepatitissummit.org/docs/default-source/presentations/strategic-direction-2/generic-daas-(giten-khwairakpam).pdf?sfvrsn=2)

⁶⁸ Trade Secrets Act B.E. 2545 (2002) (as amended by Trade Secrets Act (No. 2) B.E. 2558 (2015))

On such request, the Food and Drug Administration (FDA) has "the duties to maintain the trade secrets from being disclosed, deprived of or used in unfair trading activities, in accordance with the regulations prescribed by the Minister."⁶⁹ According to the Public Health Ministerial Regulation regarding Trade Secrets (2007), upon such request, the FDA will keep such data confidential for five years from the date of notification.

The protection of undisclosed pharmaceutical test data in Thailand prevents unfair commercial use and unauthorized disclosure but permits FDA to rely on such data to assess and approve a subsequent generic application, as allowed by TRIPS Article 39.3.

The USTR is asking Thailand to provide far greater protection to data than is required by TRIPS. Thailand is not part of any regional or bilateral treaty that requires exclusivity over clinical trial data. Thailand is obligated only to protect undisclosed clinical trial data against unfair commercial use and disclosure under Article 39.3 of the TRIPS Agreement. Protection of clinical test data is available under Thai law.

The Special 301 Report should not cite Thailand for its TRIPS-compliant protection of undisclosed test data.

TURKEY

Turkey remained on the Special 301 2020 Watch List.

USTR stated that stakeholders "continue to raise concerns that Turkey does not adequately protect against the unfair commercial use, as well as unauthorized disclosure, of test or other data generated to obtain marketing approval for pharmaceutical products and has not done enough to reduce regulatory and administrative delays in granting marketing approvals for products."

USTR also noted that "stakeholders continue to have concerns about certain compulsory licensing provisions in the Industrial Property Law which may inappropriately expand the discretion to consider compulsory licenses."

The USTR also stated that "U.S. companies report that Turkey's national pricing and reimbursement policies for pharmaceutical products and medical devices suffer from a lack of transparency and procedural fairness."

Data Exclusivity

Turkey fulfills its obligations under Article 39.3 of the TRIPS Agreement to provide protection against unfair commercial use of clinical trial data and takes necessary steps not to disclose the contents of these submissions to unauthorized third parties. In addition to protection against unfair commercial use, the Turkish system provides data exclusivity over clinical trial data for six years. The USTR is asking Turkey to provide far greater protection to data than is required by the TRIPS Agreement.

The originator's data submitted to the licensing authority is protected for six years starting from the date of first registration of the product in the European Union–Turkey Customs Union (sub-paragraph of Article 9 of the Regulation on Licensing of Human Medicinal Products dated January 19, 2005, numbered 25705). During the exclusivity period, the manufacturers of similar products are prevented from relying on the data in their license applications.

Applications for new doses, formulations, and presentations of chemical entities do not include any new indications other than their known therapeutic indications, and thus the test data associated with them

⁶⁹ Section 15, Trade Secrets Act B.E. 2545 (2002)

are considered part of the initial authorization and are not granted an additional period of data exclusivity. However, a new medicinal product that offers therapeutic uses different from the known therapeutic uses of each of its components in its compound form may benefit from six years of data exclusivity protection.

It is important to recognize that Turkey provides six years of exclusivity for pharmaceutical products including biologics. Turkey is not part of any regional or bilateral U.S. treaty requiring exclusivity over clinical trial data. Turkey is obligated only to protect undisclosed clinical trial data against unfair commercial use and disclosure under Article 39.3 of the TRIPS Agreement.

Six years' data exclusivity is a regulatory policy that instructs the Ministry of Health not to approve generic drugs. It is widely used by brand-name pharmaceutical companies to bypass the balances and limitations of patent law. Thus, it should not outlast patent protection. To prevent longer monopoly protection for originator companies, Turkey ends the exclusivity period when the patent term ends.

Turkey has sovereign rights to adopt various standards on patents and pharmaceuticals while nonetheless maintaining baseline compliance with the imprecise, but minimum standards set forth in the TRIPS Agreement and the EU-Turkey Custom Union Agreement.

Neither the TRIPS Agreement, nor the EU-Turkey Custom Union Agreement requires patent term extensions for regulatory and administrative delays in granting marketing approvals for products. The USTR is asking Turkey to provide far greater protection than is required by the TRIPS Agreement and the EU-Turkey Custom Union Agreement. Turkey is not part of any regional or bilateral treaty that requires exclusivity over clinical trial data and not provide patent term extensions.

The Special 301 Report should not cite Turkey for its beyond-TRIPS-compliant law and practices.

Compulsory licensing

USTR's opaque standards and stakeholders' criticism could stymie the development of public interest policies to protect public health. Countries have sovereign rights to issue compulsory licenses on pharmaceutical patents. Compulsory licensing authorizes price-lowering generic competition with patented drugs in exchange for royalty payments to the patent holder. It's a key strategy for improving access to affordable medicines, especially in developing countries.

Article 31 of the TRIPS Agreement sets out the conditions governing both government use of patents and compulsory licenses. Under Article 31, compulsory licenses can be issued on any grounds whatsoever as long as certain procedural requirements are followed. They always existed in the TRIPS Agreement, ever since it took effect in January 1995.

The TRIPS Agreement allows countries to grant compulsory licenses on grounds of their choosing. The WTO's Doha Declaration clarified the ability of countries to define grounds for compulsory licenses, to determine matters of emergency and extreme urgency, and to use compulsory licenses to advance public health and to ensure access to medicines for all.

The U.S. government should not criticize Turkey for compulsory licensing provisions in the Industrial Property Law, or for the hypothetical possibility that the provisions may "inappropriately expand the discretion to consider making use of an invention to protect public health". These measures are consistent with Turkey's international obligations and long-established U.S. policy.

Pharmaceutical pricing

Some recent complaints have focused on Turkish pharmaceutical pricing policies. We note that these are

not intellectual property complaints, and unless they allege discrimination or violation of international agreements, they should be outside the scope of the Special 301 Report.

VIETNAM

Vietnam was placed on the Special 301 2020 Watch List. The Report states that Vietnam should clarify “[its] system for protecting against the unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approval for pharmaceutical products.”

Data protection

Consistent with the TRIPS Agreement, Vietnamese law allows health authorities to rely on disclosed data to register generic medicines. The TRIPS Agreement provides protection for undisclosed test data submitted to drug regulatory authorities for the purposes of obtaining marketing approval against unfair commercial use.

Data exclusivity is a separate rule not required by the TRIPS Agreement that provides exclusive rights over test data to the originator company and prevents regulatory authorities from relying on test data for approval of generic medicines.

Vietnamese law protects the undisclosed data and trade secrets that are products of “remarkable investments.” The regulatory agency is obligated to take necessary measures to ensure that submitted data is neither used for unfair commercial purposes nor disclosed, except where the disclosure is necessary to protect the public.⁷⁰ Within five years from the date that marketing approval is granted, a regulatory agency cannot approve subsequent applications in which the same secret data are used without consent of the original data submitter, unless the data are proved to be independently created.⁷¹ Neither Vietnamese law nor the U.S.-Vietnam Bilateral Trade Agreement (U.S.-Vietnam BTA)⁷² provides exclusive control over disclosed data.

It is clear that Vietnamese IP law is compliant with the TRIPS Agreement and the U.S.-Vietnam BTA. Vietnamese law protects against the unfair commercial use and authorized disclosure of undisclosed test data, but it does not protect disclosed data, for the purposes of obtaining marketing approval for pharmaceutical products.

The Special 301 Report should not cite Vietnam for its TRIPS-compliant interpretation of protection of undisclosed test data.

Conclusion

We appreciate this opportunity to comment. Public Citizen respectfully invites USTR and all agencies engaged in the Special 301 Report process to make meaningful U.S. commitments to protect public health by omitting references to countries’ public interest policies that comply with international obligations.

⁷⁰ See, Article 128(1) Intellectual Property Law of Vietnam 2005.

⁷¹ See, Article 128(1) Intellectual Property Law of Vietnam 2005

⁷² See, Article 9.5. US-Vietnam Bilateral Trade Agreement, Chapter II, Intellectual Property Rights “If a Party requires, as a condition for approving the marketing of pharmaceutical or agrochemical products, the submission of undisclosed test or other data, the origination of which involves a considerable effort, the Party shall protect such data against unfair commercial use. In addition, each Party shall protect such data against disclosure, except where necessary to protect the public.”

Thank you.