

Compulsory Licensing in Light of the Patent Misuse Doctrine: A Comparative Study between Iran and the United States

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Abstract.

In the complex landscape of modern innovation, excessive and unchecked patent monopolies can become serious barriers to healthy competition and equitable access to technology. Accordingly, this research—using a comparative analytical method and examining judicial precedents—explores the doctrine of *patent misuse* in U.S. law, the mechanism of *compulsory licensing* under the TRIPS Agreement, and their compatibility with Iran’s legal framework. The findings indicate that in the U.S. system, the possibility of temporarily suspending the enforcement of patent rights after establishing misuse serves as both an effective deterrent and a flexible remedy, enabling restoration of the patentee’s rights once the violation has been cured. Meanwhile, the international compulsory licensing mechanism, through requirements such as prior negotiation, payment of fair compensation, and limitations on duration and scope of use, provides an appropriate control mechanism against unjustified refusals to grant licenses. A review of Iranian regulations, however, reveals a limited and fragmented set of tools—such as compulsory licensing—lacking provisions for temporary suspension of rights or a coherent theoretical structure. As a result, the Iranian framework does not provide sufficient efficiency for preventing or remedying misuse. Therefore, it is recommended that an independent legal provision addressing patent misuse be introduced, along with recognition of temporary suspension of patent enforcement and formulation of relevant judicial guidelines. Such reforms would help align Iran’s legal system with international standards and strengthen the balance between monopoly and competition.

Keywords : Patent misuse doctrine, compulsory licensing, competition law, patent rights, abuse of rights.

Extended Abstract

In the rapidly evolving landscape of modern innovation, where technological advancement shapes economic, scientific, and industrial development, the protection of intellectual property—particularly patent rights—plays a crucial role in fostering creativity, investment, and scientific progress. Patents grant inventors exclusive rights that allow them to commercialize their innovations, recoup research and development costs, and secure competitive advantages in the marketplace. Yet the same exclusivity that drives innovation can, if exercised without restraint, become a powerful tool for restricting market competition, inflating prices, hindering access to essential technologies, and ultimately obstructing social welfare. This tension between exclusivity and public interest has been a central concern in legal systems worldwide, especially where patent holders engage in conduct that extends the scope of their monopoly beyond the limits intended by

law. Against this backdrop, the doctrine of patent misuse and the mechanism of compulsory licensing have emerged as critical tools to restore balance between private rights and public needs. The present study examines these mechanisms in depth by comparing their treatment in the United States legal system, the TRIPS Agreement, and Iranian law, highlighting structural strengths, conceptual gaps, and the need for reform in the Iranian framework.

The doctrine of patent misuse, which originated in the jurisprudence of the United States, aims to prevent patent holders from leveraging their exclusive rights in ways that unlawfully expand the scope of the patent, undermine competition, or impose anti-competitive conditions. Historically, this doctrine developed in response to practices such as tying arrangements, coercive licensing, restrictive conditions on use, and attempts to monopolize markets unrelated to the patented invention. One of the earliest and most influential cases, *Motion Picture Patents Co. v. Universal Film Manufacturing Co.* (1917), set the foundational principle that a patent holder cannot impose restrictions that extend the lawful monopoly to unpatented products or unrelated markets. Following this, the landmark decision in *Morton Salt Co. v. G.S. Suppiger Co.* (1942) reinforced that even if conduct does not independently violate antitrust law, it may still constitute patent misuse when it improperly extends the patent's scope, thus invalidating the right to enforce the patent until the misuse is rectified. These cases collectively articulated a doctrine rooted not solely in competition law but in the inherent limitations of patent law itself.

Legislative intervention in the United States Patent Act of 1952 attempted to refine and confine the doctrine, providing clearer statutory boundaries. Although these legislative efforts narrowed certain applications of the doctrine, the judicial system continued to recognize misuse when patentees sought to impose licensing terms that extended beyond the life of the patent or when they employed the patent as a tool to manipulate markets rather than to encourage innovation. The Supreme Court's decision in *Kimble v. Marvel Entertainment* (2015) further affirmed that royalty agreements extending beyond the patent term remain unenforceable. The ruling reiterated that patent law embodies a deliberate policy choice: inventors are granted temporary exclusivity, after which the invention enters the public domain for societal benefit. Attempts to collect royalties indefinitely were deemed incompatible with that policy.

The doctrine is not confined to patent law. Its influence has extended to copyright law, as seen in *Lasercomb America Inc. v. Reynolds*, where the court condemned licensing conditions that imposed excessive restrictions unrelated to copyright's intended scope. This expansion reflects a broader judicial commitment to preventing the misuse of exclusive rights in any intellectual property field where monopolistic tendencies may become harmful.

Parallel to the judicial mechanism of patent misuse, compulsory licensing under the TRIPS Agreement provides an international regulatory framework to curb excessive monopolistic behavior, particularly when patent holders unjustifiably withhold licenses. Under TRIPS Article 31, compulsory licensing is permitted under specific circumstances, provided that certain safeguards—such as prior negotiation, fair compensation, and limitations on scope and duration—

are respected. These provisions ensure that while the patent holder receives equitable remuneration, public interests—particularly access to essential technologies, medicines, and innovations—are not compromised. TRIPS also emphasizes that such licenses must primarily serve the domestic market and that governments must justify their issuance based on necessity, such as public health emergencies or anti-competitive behavior.

In comparing these mechanisms, the present study highlights that the U.S. doctrine of patent misuse serves as a behavioral remedy: it suspends the enforcement of patent rights until the misuse ceases, thereby deterring monopolistic practices while allowing the patentee to regain the full enjoyment of rights once compliance is restored. Compulsory licensing under TRIPS, however, operates as a structural remedy that intervenes when refusal to license becomes socially or economically harmful. While both mechanisms seek to counterbalance monopoly power, their operation differs fundamentally: the former is primarily judicial and case-specific, while the latter is regulatory and policy-driven.

Turning to the Iranian legal system, the study reveals several limitations and structural gaps. Although Iranian law recognizes compulsory licensing under certain conditions—such as failure to exploit an invention or refusal to grant licenses on reasonable terms—the existing legal tools are fragmented and lack the comprehensive theoretical foundation seen in TRIPS or U.S. jurisprudence. Iran does not explicitly incorporate the doctrine of patent misuse, nor does it provide remedies that temporarily suspend enforcement in cases where patentees engage in abusive practices. The absence of such a doctrine reduces the judiciary's ability to intervene when patent holders impose anti-competitive licensing terms or attempt to improperly expand the scope of their monopoly. Additionally, procedural guidelines for evaluating abusive behavior, determining compensation levels, or regulating the scope of compulsory licenses are insufficiently developed, leading to uncertainty in enforcement.

The comparative analysis suggests that for Iran to align with international standards and improve its innovation ecosystem, it must adopt reforms that address these deficiencies. Establishing an independent legal provision specifically targeting patent misuse would empower courts to identify and rectify anti-competitive behavior based on the principles embedded in both U.S. case law and the TRIPS framework. Moreover, incorporating the possibility of temporary suspension of patent rights in cases of proven misuse would provide a flexible, proportional, and effective remedy—one that serves both as deterrence and as an opportunity for rehabilitation. Developing comprehensive judicial guidelines and administrative procedures to govern compulsory licensing would further enhance legal certainty, ensure fair compensation, and balance private rights with public needs.

Ultimately, the study concludes that an effective patent system should neither grant unchecked power to inventors nor undermine the incentives necessary for technological advancement. A balanced system maintains exclusivity where it fosters innovation but limits it where it harms competition, access, or societal welfare. The doctrine of patent misuse and the mechanism of compulsory licensing, when appropriately integrated, provide complementary tools for achieving such equilibrium. By adopting reforms that incorporate both behavioral and structural safeguards,

Iran can modernize its intellectual property regime, harmonize its laws with global standards, and ensure that patent protection serves both innovative progress and the broader public interest.

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35U.S. Code § 271 – Infringement of Patent. [in English]

TRIPS Agreement, Article 8(2): Preventing the abuse of intellectual property rights.

Definition of March-in Rights (Bayh–Dole Act, 35 U.S.C. § 203).

35U.S. Code § 203 – March-in Rights.

TRIPS Agreement Article 31(f) – Use predominantly for the domestic market.

