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PREFACE

Intellectual property is taking a more and more central position in the global economy, and this is true not only in highly developed economies, but also in emerging ones. China and India, to take just two examples, are moving rapidly up the value chain and now have world-class technology companies for which intellectual property protection is crucial.

As the significance of intellectual property grows, so too does the relationship between intellectual property and antitrust law. Antitrust law constrains the exercise of intellectual property rights in certain circumstances, and both owners and users of intellectual property rights need to know how the two bodies of law interact and where antitrust draws lines for intellectual property. Intellectual property practitioners need to look beyond intellectual property laws themselves to understand the antitrust limits on the free exercise of rights.

The task of this book is, with respect to key jurisdictions globally, to provide an annual concrete and practical overview of developments on the relationship between antitrust and intellectual property. This fifth edition provides an update on recent developments, as well as an overview of the overall existing lay of the land regarding the relationship between the two bodies of law.

Key topics covered in this and future editions include the constraints imposed by antitrust on licensing, the circumstances under which a refusal to license intellectual property rights can be unlawful, the imposition of antitrust obligations on owners of standard-essential patents, the application of antitrust law to cross-border e-commerce, the growing importance of intellectual property issues in merger cases and the intense disputes regarding the application of antitrust law to patent settlements in the pharmaceutical industry.

As intellectual property continues to gain importance in the world economy, and as the number, resources and sophistication of antitrust authorities grows across the globe, new battles will be fought over the circumstances in which antitrust constrains intellectual property. Existing differences in the application of antitrust to intellectual property – already significant, and perhaps even greater than in intellectual property laws themselves – may grow, perhaps especially as more net intellectual property-consuming countries devote resources to antitrust enforcement. Future editions of this book will analyse these developments, and we hope the reader will find this to be a useful compilation and oft-consulted guide.

Finally, I would like to thank my team at Clifford Chance for their important contributions to this fifth edition of The Intellectual Property and Antitrust Review.

Thomas Vinje
Clifford Chance LLP
Brussels
June 2020
I INTRODUCTION

Intellectual property rights (IPR) in Argentina are protected under the Federal Constitution, which states that ‘every author or inventor is the exclusive owner of its work, invention or discovery, for the term provided under the law’.

Competition is equally protected. The Federal Constitution establishes that the authorities will provide for ‘the defence of competition against any method of market distortion, and the control of natural and legal monopolies’.

In spite of the potential tensions between these two areas, up to the present they have largely developed independently from one another.

Law No. 27,442 of 2018 (the Competition Law) applies to individuals, corporations and other legal entities engaged in economic activities either in Argentina or outside the country, to the extent that their activities have effects in Argentina. It prohibits conduct related to the manufacture and sale of goods and services that have the object or effect of limiting, restricting or distorting competition or entry into a market, or that constitute an abuse of a dominant position, only if such conduct may harm the general economic interest, a concept associated to economic efficiency and consumer welfare. Hardcore cartels are considered per se illegal, while all other conduct is subject to a rule of reason analysis.

The Competition Law is regulated by Decree No. 480/2018, as well as by certain guidelines (notably, those related to abuse of exclusionary dominance and the control of economic concentrations).

IPRs are locally protected by the following regulations:

- a the Federal Constitution, in the terms mentioned above;
- b the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (WTO TRIPS Agreement), incorporated through Law No. 24,425 of 1995;
- c the Berne Convention, incorporated through Law No. 25,140 of 1999;
- d the Paris Convention incorporated through Laws Nos. 17,011 and 22,195; and
- e various provisions in the Civil and Commercial Code.

In addition, specific laws regulate different areas, as follows:

- a patents and utility models are regulated by Law No. 24,481 and amendments thereof, as consolidated by Decree No. 260/1996 of 1996 (the Patent Law);
specific to the agricultural sector, Law No. 20,247 of 1973 regulates seeds and
phytogenetic creations;

copyright is regulated by Law No. 11,723 of 1933 and complementary regulations
passed by Decrees Nos. 41,233 of 1934, 746 of 1973 and 124 of 2009, and amendments thereto (the Copyright Law);

software protection is regulated by Decree No. 165/1994 of 1994;

trademarks and trade names are regulated by Law No. 22,362 of 1980 (the Trademark Law) and its Regulatory Decree No. 242/2019; and

trade secrets are regulated by Law No. 24,766 of 1996.

Law No. 22,426 of 1981 (the Transfer of Technology Law) applies to all transfer, assignment
or licensing of foreign technology or trademark agreements signed between a licensor domiciled abroad and a licensee domiciled in Argentina, which have effects in Argentina. These agreements must be filed with the National Institute of Industrial Property (INPI) for information purposes only. There are no specific limitations concerning, for example, the amount of royalties, terms of duration, level of exports or excluding the licensor’s product liability, and submission to foreign jurisdiction. However, terms and conditions of the agreements between related parties (mainly between controlling and controlled companies) should be in accordance with the arm’s-length principle.

The INPI is the agency responsible for the enforcement of the Patent Law, the Trademark Law and the Transfer of Technology Law.

In addition, Decree No. 274/2019 as regulated by Resolution 248/2019 (Fair Trade) prohibits conducts such as acts of confusion, which may also amount to a trademark infringement, and regulates comparative advertising.

IPRs are not subject to any tailored exemption under antitrust regulations.

II YEAR IN REVIEW

On 22 April 2019, Decree No. 274/2019 modifying the fair trade regime entered into effect. Among other issues, the Decree supplements the provisions of the Competition law with a legal framework that penalises those behaviours affecting the functioning of the market in itself, or the competitive position of a given market player, without necessarily taking into account the consumer protection goals that characterise antitrust regulations or requiring that the infringer has a dominant position. In addition, the antitrust agency, the National Commission for the Defence of Competition (CNDC),2 issued guidelines on matters such as market studies and exclusionary abuse of dominance, and drafted guidelines on leniency.

Few cases have been resolved under the Competition Law in the past 12 months. In June 2019, the Secretariat of Domestic Trade (the Secretariat) rejected a complaint filed against the textile company Alpargatas, claiming that the defendant’s opposition to the registration of the plaintiff’s trademark constituted an exclusionary conduct. The opposition was found as a legitimate exercise of legal rights, protected under the Noerr Pennington doctrine.

On the judicial front, one significant case is Millennium Pharmaceuticals, in which this company, along with a co-plaintiff, filed a lawsuit against a rival company – Tuteur –

2 Until the formation of the antitrust agency created by the Competition Law (the National Competition Authority), the CNDC acted as an advisory agency to the Secretariat of Domestic Trade, which adjudicates decisions on antitrust matters.
requesting it to cease using a patent owned by the plaintiff and to pay compensation for damages. The defendant replied and counterclaimed for damages caused by the plaintiff’s ‘anticompetitive actions and abuse of rights and intellectual property’, infringements which were the subject of a separate complaint before the CNDC.

In addition, a notable court case decided in the same period but under the former competition law – Law No. 25,156 of 1999 – is Sadaic, where the Appeal Court revoked the fine imposed by the Secretariat to a collective rights organisation, concluding that the tariff variations established by it for the granting of authorisations for the broadcasting of musical and audiovisual works were not disproportionate, abusive or discriminatory.

On the merger control front, the CNDC analysed two important mergers in the agricultural sector (Dow-DuPont and Bayer-Monsanto) that were approved without undertakings.

Lastly, the CNDC carried out a market investigation into the pharmaceutical sector, which resulted in a lengthy report³ that stated that certain structural aspects and practices of the sector were deemed as potentially affecting competition, for which purpose the report concluded that the pharmaceutical sector will continue to be under the CNDC’s scrutiny.

### III LICENSING AND ANTITRUST

#### i Anticompetitive restraints

Generally, the terms of a licence agreement are within the scope of the IPRs owner’s exclusive rights.

Consistent with Section 40(1) and (2) of the WTO TRIPS Agreement, the Patent Law provides that licensing agreements may not contain restrictive commercial clauses that:

\[ 
\begin{align*}
\text{a} & \quad \text{affect production, commercialisation or the technological development of the licensee;} \\
\text{b} & \quad \text{restrict competition;} \\
\text{c} & \quad \text{require exclusive grant-back conditions or mandatory joint licensing; or} \\
\text{d} & \quad \text{prohibit challenges to the validity of the licence or any other conduct contemplated under the Competition Law.} 
\end{align*} 
\]

In addition, the Patent Law provides for the possibility of granting compulsory licences on antitrust grounds.⁵

From an antitrust perspective, anticompetitive restraints imposed on licensing agreements will generally be considered as unilateral conducts, and as such, subject to a rule of reason analysis.

Some of the debatable clauses are discussed below.

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⁴ Patent Law, Section 38 (referencing Law No. 22,262, now replaced by the Competition Law).

⁵ id., Section 44.
**Downstream products restrictions**

The use of price limitations (in particular, the establishment of minimum resale prices) regarding a licence could be considered an anticompetitive practice under Section 3(a) of the Competition Law.\(^6\) In certain cases, maximum price restrictions are imposed as a consequence of a merger filing; see, for example, the *Grupo Clarín* case, in which the parties capped the nationwide retail price at the same price charged in the city of Buenos Aires and its metropolitan area, where they faced increased competition.\(^7\)

Other types of restrictions, such as contractual quantity limitations and field-of-use restrictions, may have an anticompetitive effect to the extent they are deemed to limit output (particularly if they are combined with territorial restrictions). Territorial and customer restrictions generally do not raise antitrust concerns, as long as they do not involve a horizontal division of territories, markets or clients (e.g., as in a cross-licensing between effective or potential competitors), or the existence of any other anticompetitive goal or effect.\(^8\)

**Non-assertion restrictions and no-challenge clauses**

The inclusion of non-assertion restrictions in licence agreements may lead to the imposition of sanctions under the Competition Law, depending on their impact on the market.\(^9\)

No-challenge clauses are considered restrictive clauses under the Patent Law.

**Restrictions on research and development**

In an illustrative list of conduct patterns that may be considered anticompetitive, Section 3(e) of the Competition Law addresses potential restrictions on the market through agreements to control or limit research and technological development. Similar conduct patterns affecting licensees are forbidden under Section 38 of the Patent Law.

Research and development (R&D) agreements, generally of an extended duration, may take the form of a cooperation joint venture (ACE) under the Civil and Commercial Code. Agreements creating ACEs must be registered with the Public Registry of Commerce and reported before the antitrust agency, which may examine these under the merger control provisions or as a horizontal cooperation agreement.

Owing to the covid-19 outbreak, several countries have clarified that certain types of horizontal cooperation agreements are temporarily acceptable, although no such rules have been issued by the CNDC, Secretariat or INPI.

**Grant-back or feedback provisions**

Section 38 of the Patent Law specifically states that these types of clauses shall not be included in licence agreements. Even though they are not particularly addressed in the Competition Law, they could be analysed as a restriction to R&D, considering that they may eliminate the licensee’s incentives to develop technology.

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9. Patent Law, Section 44; see also footnote 7, pp. 303, 327 and 328.
Tying arrangements, package licensing and bundling

Section 3(f) of the Competition Law prohibits tying the sale of a good or service to the acquisition or use of another good or service, if the general assumptions provided for in Section 1 (restriction to competition and injury to the general economic interest) are met. The scope of the provision is broad enough to include not only tying agreements, but also package licensing of patents and copyrights. Furthermore, Sections 38 and 44 of the Patent Law prohibit clauses that include compulsory package licensing.

Local case law includes a number of cases concerning broadcasting rights to specific football matches that were sold in combination with other football matches or sports events.

In *Servicios de Radio y Televisión de la Universidad Nacional de Córdoba v. Durford Commercial Corporation*, the defendant was the exclusive licensee of TV rights for pre-World Cup football matches, and was allegedly charging excessive prices for those events to a free-to-air (FTA) channel and tying them to the sale of different matches, selling them in a package format only.10

The CNDC concluded that the licensor had a dominant position, as substitutability of rights to such football events was quite low. Nevertheless, the CNDC approved the packaged licences, concluding that its prices could not be considered excessive, given that it had to pay substantial sums to purchase the rights from the sports leagues and that the defendant could make a reasonable return on its investment by licensing the events to cable companies (which were willing to buy the entire package, and at a price much higher than that offered by FTA systems). Thus, the CNDC held that the defendant’s refusal to license individual matches to the complainant was reasonable.

In addition, in *In re MSO Supercanal and others v. Telered Imagen SA and others*, the National Commercial Appeal Court confirmed the lower court’s decision that stated that the defendants (programmers) abused their dominant position by tying unwanted events to football events (over which they had broadcasting rights) and ordered the unbundling of the programmes and required the licence fee to be set based on the football events alone.11

Similarly, in *Fox Sports Latin America* 12, the plaintiff obtained an injunction aimed at suspending the termination of the contract for the supply of a sports channel for 90 days, which presumably had been tied with another new, unwanted channel, in order to allow the parties to reach a negotiated result. The case was eventually closed in 2016 on lack of merits.

In the *Maxiconsumo* case 13, the plaintiff – a major food producer – argued that the defendant – a wholesale supermarket – had tied edible oil sales with the purchase of pasta and other products manufactured by the defendant and sold in its own stores. The CNDC dismissed the case partly because it did not consider the tying practice duly proved, but mainly because the defendant had no dominant position in the narrowest possible relevant market.

---

Tying is also sometimes raised as a concern in merger cases, such as in Quilmes/Elaboradora Argentina de Cereales,\textsuperscript{14} where the buyer – a leading soft drinks bottler – self-compromised to avoid such practices.

\textbf{ii Refusals to license}

Companies have the right to freely choose with whom and under what conditions to market their products, and thus, refusing to sell a certain good or service (or to grant a licence) to a certain customer is not usually a practice that will be considered a violation of the Competition Law.\textsuperscript{15} Nevertheless, if the refusal is unjustified or implies an abuse of said right and restricts competition, affecting the general economic interest, it will be prohibited. Unjustified refusal to satisfy particular licensing requests is specifically considered under Section 3(i) of the Competition Law and under Section 42 of the Patent Law.

In light of the above, the INPI may authorise the use of a patent without a licence if the potential user has unsuccessfully attempted to obtain a licence from its owner under reasonable commercial terms for 150 consecutive days. The INPI must notify the situation to the CNDC. It is debated whether this disposition applies only to those situations in which the refusal constitutes an abuse by the patent owner, or any time the latter refuses to deal. Even when a literal interpretation of the Section would suggest the latter alternative, legal scholars support the former option, as it is the one in accordance with the TRIPS Agreement and the Competition Law. A patent in and of itself does not necessarily create market power because substitutes for the patented products may well exist.

If the adjudicatory agency of the Competition Law determines that the patentee has engaged in anticompetitive practices, it shall inform the INPI, which then publishes a notice in the Official Gazette, informing third parties that they can make an offer for a licence. The INPI will then consider the offers and decide whether or not to grant a compulsory licence.

Several cases considered under former competition laws examined the issue of refusals to license in an IPR context. For example, in Pramer SCA, a programming company was ordered to continue its commercial relationship with a local cable-TV operator.\textsuperscript{16} The defendant (who provided approximately one-third of the programming offered in the relevant market), had terminated the contracts due to the plaintiff's failure to pay. The plaintiff filed a claim with the CNDC, alleging that the refusal to license was directed at benefiting an affiliate of the defendant, who was the plaintiff's main competitor in the cable-TV market. The CNDC granted an injunction in favour of the plaintiff, and the parties ultimately reached a commercial agreement.

In order to prevent refusals to license similar to that described above, in some merger cases (e.g., that of Grupo Clarín), the parties were instructed not to refuse the licensing of programming of their affiliates (under normal commercial conditions) to competitors in the pay-TV market.

\textsuperscript{14} Cervecería y Maltería Quilmes S.A.I.C.A. y Elaboradora Argentina de Cereales S.A. (Productos Gatorade – c. 364) for notification Article. 8 of Law No. 25.156, Secretariat of Competition, Deregulation and Consumer Defence, Resolution No. 3 (11 March 2002).


In the particular case of football events, Law No. 25,342 of 2000 establishes the obligation of football associations and owners of broadcasting rights to matches involving the national team to sell rights to those matches so as to guarantee they will be broadcast nationwide.

Exclusive licensing of sought-after products has been disfavoured by the CNDC. For example, in *HBO Ole Partners*, the CNDC ordered a programming company to continue supplying its channels to a cable company pending a commercial dispute between the companies, to prevent potential massive transfers of consumers to a rival of the latter.17

In several cases, prospective buyers have argued that the requested price was so high as to amount to a refusal to deal. For example, in *MSO Supercanal SA and Supercanal Holding SA v. Dayco Holdings Ltd*,18 the defendant held exclusive broadcasting rights to certain football matches of the Argentinian team during the 2002 World Cup. The plaintiff, a broadcasting company, filed a claim with the CNDC arguing that the defendant had refused to accept its offer for the purchase of a non-exclusive broadcasting licence for one particular match. Additionally, the plaintiff requested injunctive relief that would have required the defendant to permit the broadcasting, at market prices, of that match as well as subsequent ones in which the Argentinian team participated.

The CNDC ordered the rights holder to license on 'non-discriminatory terms'. This order was insufficient from the plaintiff’s perspective because the parties could not reach an agreement on price. No sanction was ultimately imposed because the court found that the refusal was based on the existence of unpaid debt of the cable company to the programmer rather than any abuse of dominance.

Finally, in *Arte Radiotelevisivo Argentino*, the plaintiff – an IPTV distributor – filed a complaint against a number of open-air and pay-TV channels, arguing that the defendants’ conditions for the sale of their respective channels amounted to a refusal to deal. The case is still under review by the CNDC.19

### iii Unfair and discriminatory licensing

A behaviour that directly exploits customers or suppliers, as, for example, through excessively high prices or price discrimination, may be found abusive if performed by a party with a dominant position. This conduct was the subject matter of the *SADAIC* case.20 SADAIC is a collective rights association that has a legal monopoly to collect royalties from the broadcasting of musical and audiovisual works. The plaintiff, an entity grouping all hotels and restaurants in Argentina, accused SADAIC of arbitrarily increasing the royalties charged to the plaintiff’s members for the reproduction of musical works in hotels. The complaint also alleged that SADAIC had discriminated between the hotels, as, in some cases, agreements including substantial discounts had been entered into with some establishments.

20 *Federación Empresaria Hotelería Gastronómica de la República Argentina* for request for intervention of the CNDC (Case No. 1302), Secretary of Trade, Resolution No. 371, 26 June 2018, available at www.argentina.gob.ar/sites/default/files/resolucion_371-2018_0.pdf.
SADAIC was ultimately imposed a fine of over 42 million Argentine pesos, representing 10 per cent of its total turnover for secondary reproduction of musical works during the period from 2009 to 2014.

In its final decision, the competition agency recommended the Executive Power to establish a new royalty system based on reasonableness, non-discrimination, transparency and equity criteria. It also recommended a further review of royalty tables or regulations applicable to users carrying out public execution of works and related rights, especially in cases where the same user, category or group of users must pay duties to more than one collective rights association, and the disparity of royalties or their associated formula, or their accumulation, may have an unreasonable impact on economic activity.

Dissatisfied with the Secretariat’s decision, SADAIC appealed the resolution before Chamber III of the Federal Civil and Commercial Court of Appeals, which revoked the fine imposed to the association as it concluded that the tariff variations established by the defendant were not disproportionate, abusive or discriminatory because they were well below the thresholds provided by the regulation, and the defendant’s tariff structure regarding hotels aimed at compensating tariffs for establishments that share similar characteristics.21 The Court of Appeal was particularly strict when listing the requirements that are to be met by a penalty for ‘excessive prices’, stating that

In effect, fines for excessive pricing require that competition agencies must be in a position to determine production costs -a stumbling block that increases with intangible assets such as copyrights-, profit margins or reasonable profits -with the problem of considering improvements in efficiency processes-, return rates, an ideal comparison pattern (i.e., a standard objective linked to the specific market, in the absence of a competitive price and the need to avoid purely theoretical comparison values), the percentage above which the hypothetical price would constitute unfair or excessive, the behavior that the defendant could have adopted if there had been a competitive market, etc. Such obstacles, which seem overwhelming in situations such as those analyzed herein, in addition to the inability to develop remedies that solve the future (beyond fines, which punish with a view to the past) generate the risk that, with the idea of preventing an abuse, competition authorities end up regulating prices and distorting the market they are responsible for protecting.

The defendant’s win, however, may prove to be short-lived because shortly after the court reversal, and following the recommendation of the CNDC, the federal government issued a new regulation effectively capping tariffs that are to be charged by collective rights associations.

iv Patent pooling

Generally, cross-licensing and patent pools will not infringe the Competition Law. They might even enhance competition, as patent pools may increase the number of competitors with the right to use particular inventions. Certain terms cannot be imposed, however, as provided for in Section 38 of the Patent Law. Furthermore, depending on market circumstances, on whether the patents complement or compete with one another, and on the manner in which such conditions are implemented, such arrangements may run afoul of the Competition Law in particular cases.

v Software and trademark licensing

We are not aware of relevant case law involving antitrust issues in software or trademark licensing in Argentina, other than the previously mentioned pay-TV licensing cases, including trademarks.22

IV STANDARD-ESSENTIAL PATENTS

i Dominance

We are not aware of regulations addressing standard-essential patents in Argentina. Notwithstanding this, if a dominant position was identified due to an essential patent holding, a rule of reason approach would be followed by the authority.

Conduct encompassing both exclusionary and exploitative dominant position is under the scope of the Competition Law and, as anticipated, both cases are analysed by the rule of reason approach. Some authors are of the view that the type of exclusionary abuse produced in these cases could be examined under the ‘essential facility doctrine’.23

Additionally, under Section 44, the Patent Law lists conduct that, if verified, can lead to the issuance of mandatory licences by the adjudicatory authority.

Decree No. 1474/94 establishes a National System of Quality Standards and Certification, structured in a National Council of Standards, Quality and Certification with two technical bodies under the auspices of the Secretary of Industry: (1) the standardisation body (IRAM), which centralises the analysis and approval of the standards applicable in Argentina; and (2) the certification body (OAA). Notwithstanding this, at present, IRAM has no specific disposition addressing the relationship between the normalisation system created by Decree No. 1474/94 and the IPR system.

A case worth mentioning involving standards is Quilmes, where a brewing company accused its largest competitor of exclusionary abuse of dominance after said company decided to launch a new proprietary returnable bottle to the market. The plaintiff claimed the existence of a de facto industry standard for 970cm³ glass bottles, which were freely interchangeable among brewers, and that the launching of a new format by the dominant player increased the costs to consumers to switch to competing brands (consumers obtained a cash credit by redeeming empty glass bottles of the existing industry standard variety). The CNDC ultimately approved a complex settlement between the parties, whereby, inter alia, both companies agreed to: (1) launch their own proprietary bottles; (2) not transfer the cost of separating and exchanging containers to the sale price; (3) prioritise the interchangeability of standardised containers; and (4) educate and inform retailers.24

ii Injunctions

Under Section 44 of the Competition Law, the National Competition Authority (ANAC) has the power to adopt injunctions at any stage of an investigation. Similar measures can be issued by a court at the request of the agency.

---

iii Licensing under FRAND terms

Fair, reasonable and non-discriminatory (FRAND) terms are not specifically established in any regulation. However, these terms can be deduced from Section 44 of the Patent Law. Also, several cases, especially those related to vertical mergers, include FRAND-type provisions in the form of behavioural undertakings.

iv Anticompetitive or exclusionary royalties

There are no specific provisions regulating anticompetitive royalties in the standard-essential patent context. Section 44 of the Patent Law, however, expressly considers excessive or discriminatory royalties as anticompetitive acts leading to compulsory licensing. Such royalties may also be considered in violation of the Competition Law as a type of exploitative or exclusionary abuse of dominance.

V INTELLECTUAL PROPERTY AND Mergers

i Transfer of IP rights constituting a merger

Mergers and acquisitions must be mandatorily reported for review and approval where the enterprises involved in the transaction (the target company, the acquiring company and companies with a relationship of control with it) have a turnover in excess of 100 million ‘mobile units’ (each unit currently has a value of 40.61 pesos) in Argentina, unless a specific exemption applies.

In particular, the CNDC has been of the view that the transfer of a trademark constitutes an economic concentration (as long the other requirements established by the Competition Law are fulfilled) when the same is being used at the time of the transfer – as it is associated with a certain turnover25 – or, even if the brand is not active by the time of the transfer, if it is deemed to have a market value.26

ii Remedies involving divestitures of intellectual property

The Merger Control Guidelines (approved by Resolution No. 208/2018 of the Secretariat of Trade) establish that, for the purpose of determining market power, the authority will mainly analyse competition through prices; however, it also leaves space for the analysis of other non-price variables, such as product variety, innovation, additional services or quality of the product or service.

Sometimes, the approval of a merger involves the transfer of IPRs. This was the case in the Bayer/Aventis transaction, where the CNDC recommended that the parties transfer and license IPRs over certain active ingredients and brands, on top of the divestment obligations imposed in other jurisdictions.27

A more recent case, involving the merger of Anheuser Bush Inbev (ABI) and SabMiller, was approved upon ABI entering into an agreement with its main competitor in Argentina, which had opposed the merger, whereby ABI would transfer to said competitor all SabMiller

25 Advisory Opinion No. 10.
26 Advisory Opinion No. 84, 10 January 2001.
brands plus some of ABI’s own brands, in exchange for the payment of cash and the early termination of a pre-existing manufacturing and licensing agreement between ABI and said competitor regarding Budweiser, one of ABI’s flagship brands.28

Similarly, in the acquisition of the dry pasta business of Mondelez Argentina and Intercontinental Brands by Molinos, comprising four brands and two production plants, the acquirer was ordered to sell one of the brands, which it did, to a viable competitor.29

In this regard, two international mergers – Bayer / Monsanto30 and Dow / DuPont31 – were approved without specific undertakings being imposed in Argentina, in view of the existence of global divestment packages that have had effects within the country.

VI OTHER ABUSES

i Sham or vexatious IP litigation

Even when there is no specific provision addressing sham or vexatious IP litigation as an antitrust infringement, this practice can be considered anticompetitive as a type of exclusionary abuse (Section 3(d)) of the Competition Law).

One case dealing with this conduct in IP litigation is Productos Roche.32 The complaint was brought by a competitor who claimed that Roche, presumably dominant, had deployed a strategy of administrative, judicial and commercial harassment, with the objective of preventing the access and permanence of the plaintiff’s competing drug in the market.

In its defence, Roche submitted that it had justified claims on the plaintiff’s drug safety, as it had not undergone clinical trials before obtaining the relevant regulatory approval. Given the fact that both the plaintiff’s and the defendant’s drugs were substitutes, and that doctors might prescribe the drug by identifying its active ingredient and not its trade name, in the event of a harm caused to a patient from the indistinct administration of any of the two products, it would be impossible to determine which drug caused the harm and, therefore, Roche could be subject to potential claims that might also jeopardise its image and prestige.

In its review, the CNDC stated that what characterises sham litigation is the way the exclusionary conduct is carried out; namely, resorting to judicial or governmental mechanisms without a legitimate interest. Furthermore, it stated that, for a conduct to constitute sham

30 Bayer Aktiengesellschaft, Kwa Investment Co. and Monsanto Company for notification of Article 8 of Law No. 25,156 (Case No. 1438), Secretariat of Domestic Trade, Resolution No. 7, 1 February 2019, available at http://cndc.produccion.gob.ar/sites/default/files/cndcfiles/CONC%201438.pdf.
31 The Dow Chemical Company and E.I. DuPont de Nemours and Company for notification of Article 8 of Law No. 25,156 (Case No. 1509), Secretariat of Domestic Trade, Resolution No. 8/2020, 20 January 2020.
litigation, there is no need for the commencement of multiple proceedings given that is the anticompetitive intention, and the claimant’s knowledge of the illegitimacy of its claim is what characterises this conduct.

The CNDC suggested that, when the conduct implies the commencement of only one proceeding, the criteria used by US courts could be used; namely:

a. the claim should lack basis, meaning that no reasonable claimant could expect to succeed considering the substance of the matter; and

b. the claim should reflect the subjective intention of using the proceeding as an anticompetitive weapon.

The first requirement would not be configured if there is at least a probable cause to litigate. Only when the probable cause is not present, the claimant’s intention should be analysed.

The CNDC understood that the legitimacy of Roche’s claim was based on potential economic or reputational damage, in addition to the fact that there have not been clinical trials performed on Novex. Therefore, the CNDC concluded that Roche’s resort to the administrative and judicial proceedings was not abusive, given that it was trying to protect not only its assets and image but also the health of potential patients.

Another interesting case in this area was brought by the CNDC as a consequence of an ex officio investigation against Monsanto, wherein, due to a refusal of a validation of a patent in Argentina over which the soy producers ceased paying the royalties related to the use of this technology, the company filed lawsuits in certain EU jurisdictions aiming to obtain samples of different soy and soy by-product shipments from Argentina in order to determine whether the crop effectively contained the RR gene. Consequently, the respective product fell under the scope of Monsanto’s European patents, and was therefore subject to the payment of royalties.

The CNDC initiated an investigation of Monsanto’s conduct under the Competition Law, as it deemed Monsanto’s judicial claims to be potential anticompetitive practices consisting of sham litigation.\(^33\)

The Federal Civil and Commercial Court of Appeals of the city of Buenos Aires reversed the CNDC decisions. The Court pointed out the existence of a dilemma between the legitimate constitutional right to petition the government put forward by Monsanto and the constitutional duty of the authorities to protect competition against all forms of market distortion, and decided that there were no grounds to conclude, even on a prima facie basis, that Monsanto’s filing of lawsuits was, in fact, conduct that could be deemed as anticompetitive under the Competition Law.\(^34\)

The Appeal Court’s holding in Monsanto was reproduced in the Alpargatas case mentioned above,\(^35\) where the CNDC and Secretariat were of the view that the defendant’s opposition to the registration of the plaintiff’s trademark, even though it had been argued that the plaintiff had been placed in financial hardship, was constitutionally protected.

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Misuse of the patent process

In this regard, some authors highlight the evergreening strategy commonly used in the pharmaceutical industry in order to avoid or delay the competition of generic products, and thus artificially extending the term of the patent protection by submitting patent requests over certain derivatives or polymorphs of pharmaceutical products that are often the result of generic, routine activities and not inventive ones, as required by the Patent Law.\(^{36}\)

This was the issue discussed in *Eli Lilly and Company v. Laboratorios Beta SA*, where the plaintiff filed proceedings for patent infringement against the defendant, who reconvened for invalidity of the patent. While the first instance court ordered the defendant to refrain from importing, manufacturing and commercialising the products protected by the patents, the Federal Civil and Commercial Court of Appeals overruled the decision. The Court considered that the patent was already disclosed in the United States, and thus lacked the novelty requirement; and did not have substantial differences with another patent previously obtained by the plaintiff, and therefore did not justify legal protection.\(^{37}\)

Furthermore, the possession of a ‘sleeping patent’\(^\text{38}\) could also be considered a ‘misuse’ and an anticompetitive conduct under the terms of the Competition Law. Section 42 of the Patent Law specifically provides for the exploitation of the patent, and thus the lack or restrictive use of a patent, when the objective is solely to impede the commercialisation of the patented product by other parties, will be considered an infringement of the Competition Law.

Additionally, under Section 46 of the Patent Law, where, in the absence of force majeure, three years from the grant of a patent or four years from the patent application have elapsed, and the invention has not been exploited, no serious and real steps have been taken to exploit it, or the exploitation of the invention is discontinued for more than one year, any person may ask the INPI to use the invention without the owner’s authorisation. The INPI is required to set a reasonable royalty for such a licence, taking into account the average royalties paid in the specific market area.

Some of the above issues may have been discussed in *Millennium Pharmaceuticals and Janssen Cilag Farmacéutica*,\(^\text{39}\) where the plaintiffs filed a lawsuit requesting the defendant to cease using a patent owned by one of the plaintiffs and to compensate them for damages, which was subsequently limited to the latter claim due to the expiration of the aforementioned patent. The defendant replied and counterclaimed for damages caused by the plaintiffs’ ‘anticompetitive action and abuse of rights and intellectual property’, which was the subject of a separate complaint to the CNDC. While the antitrust case has not yet been decided and is not public, the aforementioned court case provides some hints of its content. According to

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38 In *Ipesa SA v. Ishihara Sangyo Kaisha Ltd*, the Federal Civil and Commercial Court of Appeals, 13 March 2009, affirmed that the legislator has not provided for a patent to be exempt from exploitation if the patent holder does not use it.

the complainant, the defendants would not be exploiting the patent and would be engaging in a series of exclusionary acts, such as threatening the plaintiff’s clients to commence litigation, should those clients sell the plaintiff’s allegedly infringing products.

iii  Anticompetitive settlements of IP disputes

There are no specific provisions regarding settlement of IP disputes, and therefore, any such settlements must comply with the provisions of the Competition Law and not include any of the specific restrictive clauses identified in Section 38 of the Patent Law.

In addition, under Section 29 of the Competition Law, a settlement agreement of IP disputes between competitors might be notified for voluntary approval before the ANAC. However, the procedure for such notifications has not yet been regulated.

VII  OUTLOOK AND CONCLUSIONS

While the Patent Law includes several provisions regulating IPRs and antitrust, there are virtually no relevant cases under the Competition Law (and its predecessors) involving patents, probably because those cases are discussed in jurisdictions with tradition for innovation40 and protection of IPRs from the perspective of the patent owner. The situation is somewhat different as to trademarks.

Such lack of case law also explains why the local authorities are neither focusing on nor prioritising the preparation of guidelines that could assist in the interpretation of overlap between IP and antitrust, something which would nonetheless be welcome in the patent setting, especially in view of the existence of antitrust provisions in the Patent Law and potentially conflicting opinions from the patent and antitrust agencies in a particular case (e.g., Section 82 of the Competition Law provides that no agency other than the ANAC may apply competition law provisions).

40  In this regard, it is worth noting that Argentina ranked 73 in the WIPO’s 2019 Global Innovation Index. The index is available at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2019.pdf.
Chapter 2

AUSTRALIA

Thomas Jones, Jane Owen and Tom Macken

I  INTRODUCTION

Intellectual property (IP) and competition (antitrust) in Australia are governed by federal laws. In the case of competition, they are principally found in Part IV of the Competition and Consumer Act 2010 (Cth) (CCA). The laws relating to IP are found in the Trade Marks Act 1995 (Cth), the Patents Act 1990 (Cth), the Copyright Act 1968 (Cth), the Designs Act 2003 (Cth), the Plant Breeders Rights Act 1994 (Cth) and the Circuit Layouts Act 1989 (Cth).

There is very little legislative crossover between competition and IP laws. Until September 2019, Section 51(3) of the CCA provided an exemption from certain provisions of Part IV of the CCA (other than Section 46 and 46A (misuse of market power) and Section 48 (resale price maintenance)), for the imposing, or giving effect to, a condition of a licence granted by the owner or licensee of a patent, registered design, copyright or circuit layout right or by an applicant for registration of a patent or design; or an assignment of any of these rights. That is no longer the case.

The Section 51(3) exception was repealed by the Treasury Laws Amendment (2018 Measures No. 5) Act 2019 (Cth) and ceased to have effect on 13 September 2019. The repeal of Section 51(3) has now made it clear that arrangements involving the assignment or licensing of IP no longer enjoy special protections under Australian competition law and are viewed in the same light as other commercial arrangements. This brought Australia into line with other jurisdictions, including the United States and Canada.

On 21 June 2019, the Australian Competition and Consumer Commission (ACCC), which is the regulatory body that oversees the CCA, released a set of draft guidelines on the application of Part IV of the CCA to IP. The guidelines set out how the ACCC planned to interpret and enforce this part of the CCA. During its consultation, the ACCC received submissions from a range of domestic and international stakeholders, which resulted in the inclusion of additional detail regarding the operation of the cartel prohibitions and the ACCC’s approach to exclusive licensing arrangements. These were contained in the final guidelines released on 31 August 2019. These guidelines are discussed in more detail in the next section.

On 26 July 2019, in another significant move for the regulator, the ACCC released its final report on its Digital Platforms Inquiry, which had been undertaken by the ACCC in order to consider the impact of digital platforms (such as Google and Facebook) on competition in the media and advertising services markets. Although the Digital Platforms
Inquiry did not involve a detailed consideration, or review, of Australia’s intellectual property laws, a number of the ACCC’s recommendations will have implications for intellectual property rights and transactions involving those rights. These recommendations are discussed in more detail in the following section.

II YEAR IN REVIEW

The release of the ACCC’s guidelines on the repeal of Section 51(3) of the CCA in August 2019 was a significant development. It provided businesses and intellectual property rights-holders with greater clarity regarding the ACCC’s approach to its interpretation and enforcement of the CCA, particularly with respect to conduct involving the assignment or licensing of intellectual property rights. The guidelines set out a number of key principles that will guide the ACCC’s approach to its enforcement of the cartel prohibitions and Sections 45 (anticompetitive arrangements) and 47 (exclusive dealing) of the CCA, and also outline the types of previously exempt conduct that may now fall within the ambit of these provisions of the CCA. As well as principles, the guidelines provide a number of examples of conduct (e.g., price, output, time, grant-back and territorial restrictions) that the ACCC considers are likely, or unlikely, to contravene the CCA. Whilst these guidelines cannot, and do not, predict how an Australian court will ultimately interpret these provisions of the CCA, they do provide useful guidance for businesses, particularly those with detailed licensing arrangements (e.g., health and pharmaceuticals).

In terms of cases concerning the interplay between IP and competition laws, the court proceeding between Motorola Solutions Inc and Hytera Communications Corporation Ltd concerning allegations of infringement of three standard-essential patents (SEPs) that was issued in the Federal Court in mid-2017 is still pending. The case was widened to include copyright infringement claims and was set to be heard in mid-2020 but has now been adjourned to a later date in light of the covid-19 crisis. At the time of writing, it is unclear when the rescheduled hearing will occur.

Another significant event of the past year is the release of the ACCC’s final report on its Digital Platforms Inquiry. One of the key reforms included in the final report was a recommendation that a mandatory take-down code be introduced to assist copyright enforcement on digital platforms, including, in particular, content belonging to Australian news media businesses and smaller rights-holders. In its response to the ACCC’s final report, the Australian Government stated that it would not be supporting this recommendation, instead indicating that it would review options for preventing online copyright infringement at the end of 2020. The ACCC also recommended that Australia’s merger laws in Section 50 of the CCA, which form part of Australia’s merger control regime, be amended to include two additional merger factors, one of which included the ‘nature and significance of assets, including data and technology being acquired’ [in the transaction]. These ‘assets’ may include intellectual property rights. The significance of this proposed amendment to Section 50 of the CCA is that assets being acquired as part of a merger or transaction in which such assets are an important factor, including intellectual property rights, would need to be considered by the merger parties and the courts in assessing whether the relevant merger or acquisition is likely

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2 NSD 1283/2017.
to substantially lessen competition. The Australian government has expressed preliminary support for this proposal, indicating that it would commence a public consultation on the ACCC’s proposed amendments in 2020.

III LICENSING AND ANTITRUST

i Anticompetitive restraints

The imposition of terms of IP licences that restrict the ability of the licensee to compete with the owner or rights holder or restrict or limit the scope of the licence in terms of pricing, territory or customers may be a breach of the following provisions of the CCA:

a the prohibition on the making or giving effect to agreements, arrangements or understandings, or engaging with one or more persons in a concerted practice, that have the purpose, effect or likely effect of substantially lessening competition in a market (Section 45 of the CCA);

b the prohibition on exclusive dealing in Section 47 of the CCA (by, for example, the holder of an IP right making the licensing of the right conditional on the acquirer accepting a restriction on its rights to deal with competitors); or

c the prohibition on misuse of market power in Section 46 of the CCA.

While previously, arrangements of this type may have been subject to the exemption in Section 51(3), they are no longer exempt from these provisions of the CCA and are subject to the same laws as other commercial arrangements. The ACCC’s guidelines on the application of Part IV of the CCA (referred to above) also indicate that provisions which contain territorial, pricing or output restrictions may, in some circumstances, pose a risk of breaching the cartel conduct provisions in Section 45AD of the CCA.

The maximum penalty per contravention of these provisions for corporations is significant, being the greater of:

a A$10 million;

b three times the value of the benefit received from the contravening conduct; or

c where the benefit cannot be calculated, 10 per cent of the company’s annual turnover in the 12 months prior to when the conduct occurred.

The maximum civil penalty for a contravention by an individual is A$500,000. Criminal penalties of up to 10 years’ imprisonment can apply for a contravention of the cartel conduct provisions.

ii Refusals to license

Australian competition law does not oblige a party to license its IP rights. A refusal to license by a party that has a substantial degree of market power does not mean that a breach of Section 46 has occurred. For Section 46 to be engaged, the refusal must be for the purpose or have the effect or likely effect of substantially lessening competition in a relevant market. Under the former Section 46 of the CCA, which required a ‘use’ or ‘taking advantage’ of market power but not an anti-competitive effect, the Australian High Court in Melway Publishing Pty Ltd v. Robert Hicks Pty Ltd3 recognised that, where a party is otherwise entitled to refuse

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to licence its IP rights without contravention of the CCA, it is not the purpose of Section 46 to dictate how that party should choose its licensees. Whether this reasoning will continue to be relevant under the current Section 46, which replaced the former anticompetitive purpose test with a test of having the purpose, effect or likely effect of substantially lessening competition in a market, remains to be seen.

iii Unfair and discriminatory licensing

Engaging in unfair and discriminatory licensing may breach the following provisions of the CCA:

a. the prohibition on misuse of market power in Section 46 of the CCA, if conduct engaged in by a company with a substantial degree of market power has the purpose, or has or is likely to have the effect, of substantially lessening competition in a relevant market;

b. the prohibition on unconscionable conduct contained in Section 21 of the Australian Consumer Law, which is Schedule 2 to the CCA, particularly where the party imposing the unfair and discriminatory licensing is in a stronger bargaining position than the licensee or where undue influence or pressure is brought to bear; and

c. the prohibition on unfair contract terms in standard form consumer contracts or small business contracts contained in Section 25 of the Australian Consumer Law.

Where the conduct involves requiring the licensee to sell goods, manufactured using the licensed IP, at a particular price, this may amount to resale price maintenance, which is prohibited by Section 48 of the CCA.

Penalties under the Australian Consumer Law, including for unconscionable conduct, are also significant and were increased in August 2018 to align with those for competition law contraventions.

iv Patent pooling

The aggregation of patent rights that is then offered as a joint package and portfolio cross-licensing of patents has been recognised by the ACCC as having the potential to give rise to competition concerns; a view that was affirmed in the ACCC’s draft guidelines on the application of Part IV of the CCA to IP (discussed above). These concerns include cartel conduct, through facilitation of price-fixing, coordinated output restrictions among competitors; substantial lessening of competition, where there is foreclosure of innovation; and the enabling of the exercise of market power. Notwithstanding the identification of these concerns, no case has been brought before the Australian courts in which allegations of breach of competition laws arising from patent pooling and cross-licensing have been determined.

However, the repeal of Section 51(3) may cause licensees of patent pools to consider whether patent pool licensing is a contravention of Section 47, in circumstances where the patentor insists upon a licence to a pool of patents for one royalty rate, without reference to which patents are applicable to the licensee’s activities. In this regard, the decision in Regency

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4 ibid. at [17].
Media Pty Ltd v. MPEG LA, LLC, in which the Full Federal Court affirmed that a licensee could not exercise a statutory right to terminate a patent pool licence under Section 145 of the Patents Act 1990 where one or more of the licensed patents had expired (but other licensed patents had not), may also focus attention on the antitrust remedies.

v Software licensing
Australian competition law does not contain any provisions that are specific to software licensing. However, in ACCC v. Valve Corporation (No. 3), the Federal Court held that licence agreements under which consumers access certain software constituted a supply of goods for the purposes of the Australian Consumer Law, meaning that software licences are subject to the consumer guarantee provisions of the Australian Consumer Law.

vi Trademark licensing
As is the case with software licensing, Australian competition law does not contain any provisions that are specific to trademark licensing.

IV STANDARD-ESSENTIAL PATENTS
To date, Australian courts have not delivered any decisions in which SEPs have been enforced. Similarly, no Australian court has yet delivered judgment on the question of whether conduct involving SEPs amounts to a breach of the Australian competition laws. Rather, there has been one case in respect of SEPs declared essential in respect of certain 3GPP standards, which was commenced and then settled within 18 months of issue, and the long-running Apple v. Samsung dispute, which was settled after the completion of an unprecedented number of trial-hearing days over an 11-month period, hours before the judgment was due to be handed down by the Federal Court. Some judicial guidance on SEPs may be forthcoming in due course with Motorola Solutions Inc bringing proceedings against Hytera Communications Corporation Ltd in mid-2017. As noted above, this matter was set to be heard in mid-2020, but the hearing has now been adjourned due to administrative difficulties arising as a consequence of the covid-19 crisis. If not settled before the matter comes to trial, this case could provide seminal Australian jurisprudence on when a patent might be regarded as essential, the role of standard-making bodies and the applicability of fair, reasonable, and non-discriminatory (FRAND) terms.

Until Australian courts deliver a judgment in this area, it remains only conjecture as to whether the reasoning of the European Commission in Huawei as to enforcement of SEPs and appropriateness of remedies in such proceedings would be applicable in the Australian courts.

As to the legal force of SEPs in general, it is to be expected that Australian courts would be persuaded by the reasoning of the UK courts as to the legal effect a declaration of essentiality and the FRAND terms undertaking of a patentee. In this regard, the 2017 decision of Birss J

7 [2016] FCA 196.
8 Vringo Infrastructure Inc v. ZTE (Australia) NSD 1010/2013.
10 Huawei Technologies Co Ltd v. ZTE Corp ECLI:EU:C:2015:477.

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of the High Court of Justice in Unwired Planet11 provides a sound prediction of the approach of Australian courts: ‘As a matter of French Law, the FRAND undertaking to ETSI is a legally enforceable obligation which any implementer can rely on against the patentee. FRAND is justiciable in an English court and enforceable in that court.’12

However, as to the remainder of the reasoning applied in Unwired Planet, it is uncertain that it would apply given the differences between Australian and European laws.

i Dominance

Section 46 of the CCA regulates anti-competitive conduct by businesses with substantial market power. The prohibition was amended in November 2017, and this replaced the anticompetitive purpose test with a new purpose and effects test and removed the requirement for a ‘use’ of market power. The new provision prohibits a company with a substantial degree of market power from engaging in conduct that has the purpose, effect or likely effect of substantially lessening competition in a market in Australia.

While there has been no decision of any Australian court on the question, the role of SEPs and their relationship with the old Section 46 was considered in the Apple v. Samsung case. In that case, Apple claimed that Samsung’s commencement of proceedings for injunctive relief against it, alleging infringement of three of its SEPs and its making of a non-FRAND licensing offer constituted a misuse of market power in breach of the former Section 46 of the CCA. Unfortunately (for jurisprudence in the area, at least), the case was settled before judgment was delivered and no indication has been given of the court’s likely attitude to the claim.

Notwithstanding the lack of judicial pronouncement on the issue, and the fact that the High Court in the Melway Publishing case held that the fact that a company possesses a substantial degree of market power arising from its IP rights does not, of itself, mean that the company will misuse that power merely by enforcing those rights, because it could, and probably would, have enforced those rights in the same way if it did not have a substantial degree of market power, the prospect of conduct involving SEPs giving rise to a claim of misuse of market power in breach of Section 46 of the CCA remains a real one, particularly given the recent amendments to the test.

Where SEPs are truly essential to a relevant standard and allow the holder to act in a manner unconstrained by its competitors,13 it is likely that an Australian court would conclude the holder of the SEP had the requisite substantial degree of market power to attract the prohibition in Section 46 of the CCA. It would then fall to be determined whether the holder had exercised that power for the purpose, effect or likely effect of substantially lessening competition.

ii Injunctions

As the Australian courts have not had to decide whether an injunction is an available remedy in relation to the assertion of an SEP, guidance can be gleaned from the application of general principles of Australian patent law.

12 ibid. at [806].
13 E.g., Melway Publishing, footnote 6 at [67].
In this respect, a patentee is granted exclusive rights to exploit the patent. The Australian courts have invariably ordered that conduct infringing a patent be restrained by issuing an injunction. In two recent cases in the pharmaceutical area, judges of the Federal Court have expressed, obiter dicta, support for a view that the scope of an injunction may not be absolute in all circumstances of a finding of patent infringement. This was on the basis of some uses of alleged infringing products constituting infringing conduct or not: ‘It seems to us that, all other things being equal, the more difficult it is for the patentee to establish that there is a likelihood of widespread infringing use, the more difficult it should be for the patentee to obtain injunctive relief in the broad terms restraining any supply of the relevant product.’

Given this position, Australian courts would start with the position that the patentee is entitled to injunctive relief on the infringement finding and the only question for consideration may be scope of the injunction.

It remains to be seen whether an Australian court would be persuaded to follow the Huawei approach to determining if a misuse of market power has occurred in the course of seeking injunctions by way of enforcement of SEPs. Currently, the mere enforcement of an SEP and the seeking of an injunction would not of itself give rise to a claim of misuse of market power unless it was found to be undertaken for the purpose, or has the effect or likely effect, of substantially lessening competition in a relevant market. Thus, if a patentee who has sought and failed to negotiate a licence under FRAND terms subsequently seeks damages and injunctive relief in the course of an enforcement action, the action is not likely to be found to be a misuse of market power in breach of Section 46. However, the result may be different where the patentee has not offered FRAND terms and does so for the purpose of substantially lessening competition, or where there is an effect or likely effect of substantially lessening competition in a relevant market.

### Licensing under FRAND terms

The question of whether an offer to license SEPs on non-FRAND terms was a breach of the former Section 46 of the CCA was raised, but not determined, in the Apple v. Samsung case. Indeed, Australian courts have not been faced with determination of issues related to licensing on FRAND terms, generally. While not binding, judicial determination in other jurisdictions as to the determination of FRAND terms is likely to be persuasive in Australian courts.

However, offers to license on non-FRAND terms may give rise to a number of potential breaches of Australian competition law including Section 46 (discussed above), unconscionable conduct and the prohibition on the making and giving effect to agreements that substantially lessen competition. In its November 2015 submission to the Productivity Commission Inquiry into Intellectual Property Arrangements in Australia, the ACCC recognised the potential for such offers to be anticompetitive, stating: ‘if there are inadequate avenues to access patents on reasonable terms and conditions, then this has the potential to seriously undermine sequential innovation and thus reduce dynamic efficiency’.

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14 Section 13, Patents Act 1990 (Cth).
15 E.g., Otsuka Pharmaceutical Co, Ltd v. Generic Health Pty Ltd (No. 4) [2015] FCA 634 (29 June 2015) at [247].
17 Footnote 8 at p. 11.
Anticompetitive or exclusionary royalties

The imposition of royalty payments that are anticompetitive or exclusionary may breach:

a. the prohibition on misuse of market power in Section 46 of the CCA, if engaged in by a company with a substantial degree of market power for the purpose of substantially lessening competition in a relevant market or where the conduct has or is likely to have that effect;

b. the prohibition on unconscionable conduct contained in Section 21 of the Australian Consumer Law, which is Schedule 2 to the CCA, particularly where the party imposing the royalties is in a stronger bargaining position than the payee or where undue influence or pressure is brought to bear; and

c. the prohibition on unfair contract terms in standard form consumer contracts or small business contracts contained in Section 25 of the Australian Consumer Law.

V INTELLECTUAL PROPERTY AND Mergers

i Transfer of IP rights constituting a merger

Section 50 of the CCA prohibits the acquisition of shares or assets of a company where the acquisition would have the effect, or be likely to have the effect of substantially lessening competition in any market. An acquisition involving the transfer of IP rights, whether alone or in conjunction with other assets may, therefore, amount to a ‘merger’ and trigger Section 50, requiring an assessment of the impact of the transfer on competition in the relevant Australian market or markets. This will almost certainly be the case if the ACCC’s proposed changes to Section 50(3) – in other words, the inclusion of the additional merger factors, such as the ‘nature and significance of assets, including data and technology, being acquired’ – are ultimately enacted into legislation.

There is no mandatory notification requirement for mergers in Australia. Where parties are concerned that the acquisition of shares or assets, including the transfer of IP rights, may trigger Section 50, they have the option of seeking authorisation or informal clearance from the ACCC. Authorisation, which until November 2017 was sought from the Australian Competition Tribunal but is now sought from the ACCC, has rarely been used, with the vast majority of parties using the informal clearance process. The ACCC has issued Informal Merger Review Process Guidelines18 and Merger Authorisation Guidelines,19 which set out the administrative steps relevant to an informal merger clearance review and merger authorisations respectively, and Merger Guidelines,20 which set out the steps the ACCC takes to analyse a merger.

ii Remedies involving divestitures of intellectual property

The ACCC has power to give its informal clearance to a merger where it is satisfied that the merger will not result in a substantial lessening of competition in any market, or, to authorise a merger where the merger will not result in a substantial lessening of competition in any market or the likely benefit from the proposed acquisition outweighs the likely public detriment. On occasions this requires the parties to agree to divest certain assets including,
but not limited to, IP. The agreement to do so usually takes the form of the provision of a court enforceable undertaking to the ACCC pursuant to Section 87B of the CCA. Two significant merger clearances that have involved the divestiture of IP include:

a. Asahi’s proposed acquisition of Carlton & United Breweries - in this matter, the ACCC raised concerns that the proposed acquisition by Asahi would substantially lessen competition in the supply of both beer and cider products in Australia. In order to address the ACCC’s concerns, Asahi undertook to divest two of its beer brands and three of its cider brands, including, relevantly, all intellectual property rights in those brands;21 and

b. DowDuPont Inc’s proposed acquisition of EI du Pont de Nemours and Company and The Dow Chemical Company; in this matter, the ACCC raised concerns that ‘a potential effect of a merger between two originators (such as Dow and DuPont) is to reduce the rate of innovation by lessening competition between originator companies’,22 but concluded that DowDuPont Inc’s divestiture commitments to the European Commission, which included divestiture of certain businesses including IP, would address any competition concerns in Australia.23

VI OTHER ABUSES

i. Sham or vexatious IP litigation

There are a number of legislative mechanisms in Australia to deter the issue of sham or vexatious litigation. The introduction of the Civil Dispute Resolution Act 2011 (Cth) was one such measure, specifically requiring legal practitioners to file upon commencement of proceedings a statement of genuine steps undertaken to resolve a dispute prior to the issue of proceedings. Failure to undertake such genuine steps, by a client or a lawyer, may result in unfavourable costs orders being made against clients or personally against lawyers.24

In the particular context of IP disputes, the availability of remedies for unjustified threats of infringement is a useful foil for sham or vexatious litigation by a patentee (or copyright owner). In 2016, the Australian Federal Court delivered a decision that reinforces its willingness to find that a patentee who does not establish patent infringement and has undertaken a course of correspondence with the putative infringer’s customers may have engaged in unjustified threats of infringement contrary to Section 128 of the Patents Act.25

However, the force of the CQMS decision has been watered down by the subsequent decision of the Full Court in Darmagold Pty Ltd v. Blindware Pty Ltd,26 in which the Court held that the mere fact that a finding of infringement was not ultimately sustained does not render threats made by letter unjustified.

22 ACCC Statement of Issues, dated 3 November 2016, on the proposed merger of Dow Chemical Company and EI du Pont de Nemours and Company.
23 http://registers.accc.gov.au/content/index.phtml/itemId/1202487/fromItemId/751046.
24 Sections 11 and 12, Civil Dispute Resolution Act 2011 (Cth).
26 [2017] FCA 1552.
Nonetheless, the mere commencement and prosecution of patent infringement proceedings subsequent to the issue of a threat does not render earlier threats of infringement justifiable. 27 This is in contradistinction to the defence arising for unjustified threats of trademark infringement by the commencement of infringement proceedings. 28

ii  Misuse of the patent process
The ACCC has recognised that ‘patents can be used to impose large costs on businesses that need access to licences or filed defensively to stall or exclude the entry of competitors or products. They can also impose costs on society by providing supernormal returns for patent holders, particularly if they are excessively long in duration’, and that ‘if patent protections extend too broadly, and if there are inadequate avenues to access patents on reasonable terms and conditions, then this has the potential to seriously undermine sequential innovation and thus reduce dynamic efficiency.’ 29

iii  Anticompetitive settlements of IP disputes
Australian courts have not adjudicated any disputes concerning anticompetitive settlement of IP disputes.

The closest decision to determination of the anticompetitive effects of ‘pay-for-delay’ launch of generic pharmaceuticals is the 2015 decision in the action brought by the ACCC against Pfizer for its commencement of an exclusive supply arrangement with pharmacies in relation to Lipitor, prior to expiry of its atorvastatin patent in 2012. 30 The court found that this pre-patent expiry tie-up of pharmacies, together with the making of bundled offers and a special rebate fund available to pharmacists who entered into the exclusive arrangement was not a misuse of market power, as the conduct had been engaged in to improve the chances of pharmacies continuing to deal with Pfizer and its atorvastatin products rather than returning immediately to their usual generic supplier. The court’s finding was that this was not conduct pursued by Pfizer for the purpose of deterring or preventing a person from engaging in competitive conduct, but for the purpose of Pfizer remaining competitive. 31 However, it remains to be seen whether such conduct would now fall foul of the new Section 46 of the CCA.

In its report on its inquiry into IP arrangements in Australia, 32 the Productivity Commission raised pay-for-delay settlements as a potential issue in Australia and recommended introducing a new reporting and monitoring regime (administered by the ACCC) for pay-for-delay settlements. The introduction of such a regime would require pharmaceutical companies and the originator to lodge patent settlement agreements with the ACCC, giving the ACCC greater visibility of the extent to which pay-for-delay agreements are being entered into in Australia, and the details of those agreements, without having to rely or utilise its investigative powers to seek that information.

27 Footnote 28 at [177].
28 Section 129(5), Trade Marks Act 1995 (Cth).
29 Footnote 8 at p. 11.
30 See footnote 5.
31 Footnote 5 at [464].
32 See footnote 2.
VII OUTLOOK AND CONCLUSIONS

The repeal of Section 51(3) of the CCA means that arrangements involving the assignment or licensing of IP rights are now treated like any other commercial arrangements and no longer enjoy special protections from Australian competition laws. Whilst the ACCC’s guidelines on the application of Part IV of the CCA provide a useful source of guidance to businesses and intellectual property rights-holders in better understanding how the ACCC plans to interpret and enforce this part of the CCA, it remains to be seen how these provisions will be interpreted by Australian courts. In the meantime, licensors and licensees should ensure that any new licensing arrangements or existing licensing arrangements that have been in place since 13 September 2019 are in compliance with the relevant provisions of the CCA. Separately, the amended prohibition on misuse of market power in Section 46 of the CCA no doubt broadens the scope of the prohibition, but whether this amendment results in increased cases in which holders of IP rights are held to have acted anti-competitively remains to be seen. Finally, any changes to Australia’s merger control regime, including Section 50(3) of the CCA, which are brought into effect to reflect the ACCC’s recommendations in the Digital Platforms Inquiry are likely to require the parties to positively address the significance of any data and technology assets, which may include intellectual property rights, being acquired as part of a merger or acquisition.
I INTRODUCTION

Stimulating innovation through protecting intellectual property rights (IPRs) and safeguarding competition through implementing antitrust law are both important policies for the development of a modern economy. Overall, both policies share common goals, namely to promote competition and innovation, improve economic efficiency and safeguard the interests of consumers and the public. However, the paths to achieve these goals are different. The protection of IPRs requires the protection of exclusive rights of IPR holders to encourage innovation, promote industrial upgrading and enhance consumer welfare and social efficiency. On the other hand, antitrust calls for a clear-cut objection against monopolistic behaviour to protect competition, including competition among different technologies, to promote technological progress and to protect consumer interests and social welfare.

Merely holding IPRs and legitimately exercising them would not violate antitrust law by themselves. However, the exercise of IPRs may, under certain circumstances, trump technological innovation and the fair competition environment, and may even result in unfavourable consequences for competition. It would not only defeat the basic purpose of the IPR system to encourage innovation, but also raise the concern of IPR abuse, which eliminates and restricts competition.

As with many other jurisdictions, the interaction between antitrust and IPR has been noted and addressed by Chinese legislation. The Anti-Monopoly Law (AML) enacted in 2008, the main legislation regulating antitrust violations in China, also sets out broadly in Article 55 that ‘this Law is applicable to undertakings’ conduct that eliminates or restricts market competition by abusing their IPRs’. In other words, the rules set forth in the AML regarding reaching monopoly agreements, abuses of dominant market position and merger control also apply in the intellectual property (IP) field. In practice, the AML enforcement authority promulgates related regulations and guidelines, and the Supreme People’s Court issues judicial interpretations, on specific issues in the application of the AML. These regulations, guidelines and judicial interpretations constitute part of the antitrust law regime in China. This chapter focuses on the latest interdisciplinary developments of IP law and antitrust law in China during 2019 and early 2020.

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1 Zhaoqi Cen is a partner at Zhong Lun Law Firm. Special thanks go to Huiyang Guo, Xiaoyu Xu, Yue Zhang, Chuang Zhang and Aoying Cen for their valuable assistance in preparing this chapter.
II YEAR IN REVIEW

i Legislative development in IP and antitrust fields

Anti-Monopoly Law revision

On 2 January 2020, the State Administration for Market Regulation (SAMR) released the Revised Draft of the Anti-monopoly Law (Draft for Comments) (Revised Draft) for public comments. The most prominent feature of the Revised Draft is that it aggravates the legal liabilities for violations of the AML, such as the upper limit of fines imposed on undertakings who fail to notify the law enforcement agency of the concentration goes from 500 thousand yuan to 10 per cent of the undertaking’s turnover. Moreover, the Revised Draft leaves room for the introduction of criminal liabilities for violations of the AML. In addition, ‘strengthen the fundamental position of competition policies’ and ‘fair competition review system’ are included in the AML, with the aim of regulating government behaviours and preventing the introduction of policies that may eliminate or restrict competition. With respect to the field of IPRs, the provisions in the Revised Draft remain unchanged as the current AML; that is, the AML shall not apply to the acts of undertakings exercising their IPRs according to relevant IPR laws and regulations, but shall apply to the abuse of IPRs where the market competition is eliminated or restricted.

This is the first time that a revised draft of the AML has been published since the AML came into effect. The Revised Draft focuses on solving some urgent issues encountered in the law enforcement practice and reflects the law enforcement experience accumulated during the past 12 years. With the release of the Revised Draft, the first amendment to the AML can be expected soon.

Release of three department regulations

On 26 June 2019, approximately six months after the release of the corresponding drafts for comments, the SAMR officially published the Interim Provision on the Prohibition of Abuse of Dominant Market Position (Provision on Dominance Abuse), the Interim Provision on the Prohibition of Monopoly Agreements, and the Interim Provision on Prohibiting Acts of Abuse of Administrative Authority to Eliminate or Restrict Competition, three regulations that integrate and consolidate the relevant provisions from the State Administration for Industry and Commerce (SAIC) and the National Development and Reform Commission (NDRC). In contrast to the previous regulations that provide substantive and procedural rules in separate regulations, the three regulations adopt the structure of combining substantive and procedural rules in each regulation.

Summarising law enforcement experiences at home and abroad, the three regulations provide for more detailed reference to determine the prohibited behaviours set forth in the AML. Specifically, in addition to the detailed explanation of factors to be considered in determining market dominance as stipulated in the AML, the Provision on Dominance Abuse defines the specific factors to be considered when determining the market dominance of an undertaking in the IP sectors, which includes the substitutability of IPRs, reliance of the downstream market on the commodity using the IPRs, and the counterpart’s ability to counter the undertaking in business transactions. The Provision on Dominance Abuse also, for the first time, explicitly provides in Article 17 that ‘necessary for the protection of IPR’ can be a justifiable reason for exclusive dealing behaviours.
Interim Provision on the Review of Concentration of Undertakings

On 7 January 2020, the SAMR released Interim Provision on the Review of Concentration of Undertakings for public comments (Draft Provision on Merger Review). The Draft Provision on Merger Review is composed of six chapters and 90 articles. In addition to the general provisions and supplementary provisions, the main chapters are ‘Declaration of Concentration of Undertakings’, ‘Review of Concentration of Undertakings’, ‘Supervision and Implementation of Restrictive Conditions’ and ‘Investigation of Illegally Implemented Concentration of Undertakings’. Without major amendments, the Draft Provision on Merger Review mainly consolidates the existing rules and regulations concerning concentration of undertakings, including Draft Measures for the Review of Concentration of Undertakings released by the Ministry of Commerce (MOFCOM) in 2017. The restrictive conditions might be imposed to reduce the adverse effects of concentrations on competition that remain largely unchanged as current rules, namely, (1) structural conditions including divestiture of tangible assets, IPRs and other intangible assets or corresponding rights and interests; (2) behavioural conditions including granting access to such infrastructures as network or platform, licensing of key technologies (including patents, proprietary techniques or other IPRs), and termination of exclusive agreements; and (3) hybrid conditions that combine structural conditions and behavioural conditions. Once adopted, the new provisions are expected to replace the previous regulations and serve as the main guidance concerning the review of concentration of undertakings.

Major cases and investigations in 2019 and early 2020

Hytera v. Motorola

On 12 December 2019, Beijing Intellectual Property Court ruled in favour of Motorola against Hytera over the issue of Motorola’s abuse of its dominant position in metro-specific wireless communication equipment market and dismissed all of Hytera’s claims.

The court considered two main issues in this case. The first issue was whether Motorola had a dominant position in the market and whether Motorola abused its dominance by restricting metro company to deal only with itself; the other issue was whether Motorola abused its dominance by refusing to open up its API interface of the completed TETRA system with other product operators. As to the first issue, the court held that the wireless communication equipment for metro network, the product concerned, was traded through bidding process. Because each bidding had its corresponding requirements, which shall determine the range of business operators that can participate in this specific competition, every bidding event created a separate market. Specifically, in the bidding of Chengdu metro lines 2, 3 and 4, it was a mandatory requirement that the new metro lines be interconnected to the existing metro lines. Owing to the fact that only switches of the same undertaking could be interconnected, this meant that Motorola, the winning bidder for the existing lines, would be the only competitor qualified for the new bidding, and thus was deemed to hold dominant position in the relevant market. But there was no clear evidence of Motorola restricting Chengdu Metro to trade only with itself. Therefore, Motorola’s behaviours in question did not constitute exclusive dealing under the AML.

For the second issue, the court was of the view that the existing evidence on record could not prove that the API interconnection method had been used for direct interconnections between different manufacturers’ equipment in metro lines, and the ISI method, terminal
interconnection method and gateway interconnection method were all technically feasible and could serve as alternatives to the API solution. Therefore, the relevant accused behaviour did not constitute refusal to deal under the AML.

This is the first time that the definition of relevant market under a bidding model and the essential facility principle have been discussed in an anti-monopoly civil litigation in China. Although not much information has been revealed until now regarding the court’s theory on the essential facility principle or the balance of IPR protection and regulation of refusal to deal, this case did give a clear opinion on the definition of relevant market where a bidding is concerned, and is of pioneering significance in this regard for future cases.

**Xiaomi/Oppo v. Sisvel**

After failed licensing negotiation and being sued by Sisvel for patent infringement in Europe in April 2019, Xiaomi and Oppo pressed charges against Sisvel in Beijing Intellectual Property Court and Guangzhou Intellectual Property Court separately, seeking fair, reasonable and non-discriminatory (FRAND) rates on all the standard-essential patents (SEPs) concerning wireless technology that Sisvel held in China and requesting Sisvel to cease its acts of monopoly infringement.

Xiaomi and Oppo are Chinese mobile phone manufacturers, and Sisvel is a company specialised in patent management and profits from patent licensing. Although rare in judicial practice in China, this is not the first case in which Chinese mobile phone manufacturers seek for the court to determine FRAND rates on SEPs. In *Huawei v. IDC*, IDC’s SEP royalty rate was determined as 0.019 per cent of the product price by Guangdong High People’s Court, and in *Huawei v. Conversant*, Nanjing Intermediate People’s Court defined the licensing conditions including royal rates for all Conversant’s 2G, 3G and 4G China SEPs implemented by Huawei, with royal rate of single-mole 4G mobile terminal product being 0.00225 per cent and multi-mode 2G/3G/4G mobile terminal product being 0.0018 per cent.

The outcome of the case will definitely have an impact on future negotiations between major mobile phone manufacturers and Sisvel, and may also help to enrich the judicial practice in the field of SEP licensing and shed more light on unfairly high royalty rate that violates FRAND principles.

**Investigation against Ericsson**

According to several public resources, the SAMR dawn-raided Ericsson’s Beijing office on 14 April 2019, which indicates the SAMR formally initiating an investigation. Since 2018, many phone manufacturers in China have complained and litigated about Ericsson’s potential abusive behaviour in the relevant markets of some SEPs. Given that Ericsson possessed approximately 49,000 patents by the end of 2018, most of which were SEPs, it is reasonable to presume that the SAMR is investigating Ericsson’s violation of the AML in the SEP licensing market. Until now, the SAMR has not made any public announcement.

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regarding this dawn raid. This is the second anti-monopoly investigation initiated by the antitrust law enforcement agency in the SEP market, with the first being the Qualcomm case\(^4\) in 2015.

**Investigation against Tencent Music Entertainment Group**

In August 2019, it was reported that Tencent Music Entertainment Group (TME) was under antitrust investigation by the SAMR over potentially anticompetitive exclusive-licensing agreements with Universal Music Group, Sony Music Entertainment and Warner Music Group. The SAMR suspected that TME’s long-term possession of exclusive copyrights of the three top music groups and other music companies had jeopardised competition by restricting competitors such as NetEase Cloud Music, Alibaba’s Xiami Music and China Mobile’s Migu Music from accessing the world’s most popular and valuable music resources, and may damage the market competition.

This is the first time that the antitrust law enforcement agency launched a formal investigation involving non-price vertical agreements since the AML took effect in 2008. Although it was reported in February 2020 that the SAMR had suspended the investigation without imposing any conditions, this investigation represents the concern of law enforcement agency on the exclusive licensing mode of digital music, and may contribute to the improvement of relevant legal systems in the intersection field of antitrust and copyright.

### III LICENSING AND ANTITRUST

#### i Anticompetitive restraints

**Exclusive transaction**

The AML provides in general terms that restricting trading counterparties to trading only with the undertaking with dominant market position, or its designated undertaking, without justifiable reasons constitutes an abuse of dominant market position. Provisions on the Prohibition of the Abuse of Intellectual Property Rights to Eliminate or Restrict Competition released by the SAIC (SAIC Regulations) also provide in Article 8 that when exercising IPRs, undertakings with a dominant market position are prohibited from requiring trading counterparties to make transactions exclusively with themselves or with the undertakings designated by them without justifiable reasons if the transactions eliminate or restrict competition.

According to Article 11 of the Anti-Monopoly Guidelines on the Abuse of Intellectual Property Rights (Exposure Draft) (the IP Guidelines) released in early 2017, restricting undertakings from using or providing competitive technologies or products in the licensing of IPRs may be considered infringement of the AML if it results in the exclusion of competition or restrictive effect on the relevant market. Article 17 of the IP Guidelines stipulates that forcing transaction counterparties to trade with third parties, or prohibiting them from doing so, or restricting the conditions for transaction counterparties to trade with third parties, may also be considered an infringement of the AML if it causes a negative impact on competition.

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\(^4\) NDRC Administrative Penalty Decision No. 1, 2015.
**Tying**

The SAIC Regulations stipulate that when exercising IPRs, undertakings with a dominant market position are prohibited from tying that is inconsistent with trade practices or consumption habits, or ignores the product function and enables the extension of the undertaking’s dominant position in the tying product market to the tied product market.\(^5\)

Article 16 of the IP Guidelines is consistent with the SAIC Regulations, and it explicitly states that a package of IPR licences may also be a form of tying. The factors generally considered in the analysis of tying involving other products shall also be considered when analysing whether tying involving IPRs constitutes an abuse of a dominant market position.

Article 31 of Working Guidelines of the Guangdong High People's Court on the Trial of Standard-Essential Patent Disputes (Trial Implementation) (the SEP Guidelines), release in April 2018, further elaborates on this point that, the court shall analyse three factors to determine the existence of tying: whether the SEP holder's licence package is compulsory, the reasonableness and necessity of relevant patent portfolios, and whether the SEP holder’s behaviours eliminate or restrict competition.

In the *Qualcomm* case,\(^6\) the NDRC determined that Qualcomm conducted tying of SEPs and non-SEPs. The NDRC held that non-SEPs and SEPs are different and that licensing them separately would not interfere with the application or value of them. Qualcomm’s method of ‘settling a single licence fee and licensing as a single portfolio’ constituted an extension of its market dominance in the SEP market to the non-SEP market without justification.

**Restricting use of competing products or IPRs after licence expiry**

According to the SAIC Regulations, when exercising IPRs, undertakings with a dominant market position are prohibited from restricting transaction counterparties from utilising competing products or technologies upon the expired licensing agreements, even in the event of non-infringement of IPRs.\(^7\)

Article 17 of the IP Guidelines also prohibits undertakings with a dominant market position from attaching to transactions conditions that restrict transaction counterparties from claiming over expired or invalid IPRs, and the factors generally considered in analysing the attachment of unreasonable conditions shall also be considered when analysing whether such behaviour of undertakings constitutes an abuse of a dominant market position.\(^8\)

**ii Refusals to license**

To comply with the SAIC Regulations, when exercising IPRs, undertakings with a dominant market position are prohibited from refusing to license the IPRs if the IPRs constitute essential facilities for production and business activities.\(^9\) The SAIC Regulations also provide three factors to identify IPRs that might constitute essential facilities: the availability of a reasonable substitute, the adverse impact of refusal on competition or innovation, and unreasonable harm caused to IPR holders.

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5 Article 9 of the SAIC Regulations.
6 NDRC Administrative Penalty Decision No. 1, 2015.
7 Article 10.3 of the SAIC Regulations.
8 Article 17 of the IP Guidelines.
9 Article 7 of the SAIC Regulations.
The IP Guidelines confirm in Article 15 that refusal to license IPRs is a way an undertaking exercises its IPRs. However, if an undertaking with dominant market position unjustifiably refuses to license IPRs, especially when its IPRs constitute essential facilities of production and operating activities, such behaviour may constitute an abuse of dominant market position to eliminate or restrict competition. To make the determination, the following factors may be considered: (1) the commitments made by the undertaking as to the licensing of IPRs; (2) whether it is necessary for other undertakings to obtain the licensing of the IPRs for entry into the relevant market; (3) the impact of refusal to license IPRs and degree thereof on innovation by the undertaking; (4) whether the refused party lacks willingness and capability to pay reasonable licence fees; and (5) whether the refusal to license IPRs will damage the interests of consumers or the public.10

iii Unfair and discriminatory licensing

Unfairly high pricing

Generally speaking, according to Article 14 of the Provision on Dominance Abuse, to determine whether a price shall be deemed an ‘unfairly high price’, the following factors shall be considered: (1) whether the selling price of a commodity is remarkably higher than the price of same kind of commodities offered by other undertakings under the same or similar market conditions; (2) whether the selling or purchasing price is significantly higher or lower than the price of the goods sold or bought by a same operator in other regions with the same or similar market conditions; (3) whether the increase in sale price of a commodity exceeds the normal range when the cost is basically stable; (4) whether the increase in sale price of a commodity remarkably exceeds the increase of its costs; and (5) any other relevant factor to be considered.

To give more clarification on this problem, Article 14 of the IP Guidelines provides that when analysing whether an undertaking has licensed IPRs at an unfairly high price, the calculation method for licensing fees, the contribution made by IPRs to the value of goods, the commitments made by the undertaking as to the licensing of IPRs and the record of previous licensing of IPRs need to be considered by enforcement agencies. With regard to SEPs, the overall licence fees borne by the products in line with the relevant standard and the impact on the normal development of related industries may also be considered.11

The Guangdong High People’s Court points out in Article 30 of the SEP Guidelines that the court should analyse whether the SEP holder’s behaviour of requesting an unfairly high royalty fee would lead to the effect of eliminating or restricting competition. In a case-by-case analysis method, the court may consider several factors, including, but not limited to, the past licence contracts signed by the SEP holder, the status of royalty fee deviating from the normal market prices and the relevant negotiation processes.

In *Huawei v. IDC*,12 the court compared the royalty rate IDC offered to Huawei with those IDC offered to other companies (Apple, Samsung, RIM, etc.) and found that the former was dramatically higher than the latter (the royalty rate for Huawei was 19 times the rate for Apple, and seven to nine times that for Samsung and RIM). The court ruled that the royalty rate for Huawei constituted an unfairly high price.

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10 Article 15 of the IP Guidelines.
11 Article 14 of the IP Guidelines.
In the Qualcomm case, the NDRC determined that Qualcomm charged unfairly high royalties because it charged for expired patents, required royalty-free grant-backs, tied SEPs and non-SEPs, and based its royalties on the net sales price of the entire device as opposed to a percentage of the price of a smaller component part.

**Differentiating treatment of trading counterparties with similar conditions**

Article 18 of the IP Guidelines defines how, in transactions involving IPRs, undertakings with a dominant market position may impose, without justifiable reasons, different licensing conditions on transaction counterparts with substantially identical conditions, thus constituting discriminatory treatment. It also explains how to analyse such behaviour, including the transaction counterparts’ conditions, the terms of the licensing agreement and the discriminatory treatment.

**Grant-back**

Notably, grant-back is covered in the AML Guidelines for the first time. According to Article 8 of the IP Guidelines, grant-back is where the licensee agrees to grant the original licensor a licence for any improvement based on the licensed IPRs or on new outcomes obtained through the application of the licensed IPRs. If only the licensor or a third party designated by it is entitled to implement the improvement or new outcomes granted back by the licensee, the grant-back is exclusive. Generally, there is a high probability that an exclusive grant-back arrangement will have the effect of eliminating or restricting competition in the relevant market.

Similarly, if the licensor requires the licensee to transfer the above-mentioned improvement or new outcomes to the licensor or a third party designated by it, the same factors mentioned above shall be taken into account in the analysis of whether this behaviour has the effect of eliminating or restricting competition.

**Prohibiting challenges on the validity of IPRs**

Prohibiting challenges on the validity of IPRs is also regulated in the IP Guidelines. Article 9 of the IP Guidelines provides that a ‘no-challenge clause’ refers to a clause in an agreement concerning the licensing of IPRs whereby the licensor requires the licensee not to raise challenges to the validity of the licensor’s IPRs. The following factors may be considered in the analysis of the competition exclusion or restriction effect of a no-challenge clause on the relevant market: (1) whether the licensor requires all licensees not to challenge the validity of its IPRs; (2) whether the licensing of IPRs affected by the no-challenge clause is paid licensing; (3) whether the IPRs affected by the no-challenge clause may constitute an entry barrier for downstream market; (4) whether the IPRs affected by the no-challenge clause obstruct the implementation of other competitive IPRs; (5) whether the licensing of IPRs affected by the no-challenge clause is exclusive licensing; and (6) whether the licensee may suffer material losses if it challenges the validity of the IPRs of the licensor.

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13 NDRC Administrative Penalty Decision No. 1, 2015.
14 Article 18 of the IP Guidelines.
15 Article 10 of the IP Guidelines.
Continuing to exercise IPRs whose protection period has expired or that are found to be invalid

According to the IP Guidelines, Article 17 prohibits undertakings with a dominant market position from attaching to transactions conditions that restrict transaction counterparties from claiming over expired or invalid IPRs. The enforcement practice is also consistent with this standpoint.

In the Qualcomm case, the NDRC found that while patents would inevitably expire over time, because the list of patents included in the licence was not disclosed, the licensees were unable to assess the changes in fair market value of the licence at a given time. The NDRC held that it was unreasonable for Qualcomm to charge royalties for expired patents and that Qualcomm should give the licensees fair opportunities to negotiate to avoid paying royalties for expired patents.

Cross-licensing

The IP Guidelines define cross-licensing as the mutual licensing between undertakings of their own IPRs. Moreover, the following factors may be considered in the analysis of the exclusionary or restrictive effect of cross-licensing on competition in the relevant market: (1) whether the cross-licensing is exclusive licensing; (2) whether the cross-licensing constitutes a barrier to entry into the relevant market for third parties; and (3) whether the cross-licensing eliminates or restricts competition in the relevant downstream market.

In Huawei v. IDC, the courts noted that IDC required Huawei to license back all of its global patents on a royalty-free basis (as at 31 December 2010, Huawei owned 31,869 Chinese patents, 8,892 Patent Cooperation Treaty international patent applications and 8,279 overseas patents). This appeared to be much harsher than a grant-back requirement, and the courts took the view that this was contrary to the FRAND principles.

iv Patent pooling

The SAIC Regulations define patent pooling in the context of China’s antitrust regime as ‘agreement-based arrangements under which two or more patentees jointly license their respective patents to third parties through an equity joint venture established specifically for this purpose, or by entrusting management to a particular member of the patent pool or an independent third party’.

The IP Guidelines hold the view that a patent pool can generally reduce transaction costs, improve licensing efficiency and promote competition. However, a patent pool may also eliminate or restrict competition. The IP Guidelines enumerate several factors that may be considered in the specific analysis of a patent pool, including:

a  the undertakings’ share in the relevant market and their control over the market;

b  whether the patents in a patent pool involve substitutable technologies;

c  whether members of the pool are restricted from independently licensing patents or researching and developing technologies out of the pool;

16 NDRC Administrative Penalty Decision No. 1, 2015.
18 Article 12 of the SAIC Regulations.
whether undertakings exchange prices, output and other information on goods through the pool; and
whether undertakings reject substitutable technologies through the pool, to prevent other undertakings from entering the relevant market.

IV STANDARD-ESSENTIAL PATENTS

i Dominance

The SAIC Regulations confirm that determination of a dominant market position shall follow the rules in the AML, and they specifically clarify that undertakings would not be presumed to have a dominant market position in the relevant market merely because of the ownership of IPRs. The Provision on Dominance Abuse complements this with several specific factors to be considered when it comes to the IP field, including the substitutability of IPRs, reliance of the downstream market on the commodity using the IPR, and the counterpart’s ability to counter the undertaking in business transactions.

In combination with the characteristics of IPR, the IP Guidelines specify that the following factors may be considered: (1) the possibility of transaction counterparties switching to alternative IPRs or goods and the switching costs; (2) the dependency of the downstream market on the products provided by applying IPRs; and (3) the capability of the transaction counterparty to restrict and balance the undertaking.

To identify whether an undertaking that owns an SEP has a dominant market position, the following factors may be further considered: (1) the market value and the scope and degree of application of the standard; (2) whether there exists a substitutable standard, including the possibility to use a substitutable standard and the switching cost; (3) the dependency of the industry on the relevant standard; (4) the evolution and compatibility of the relevant standard; and (5) the possibility of substitution of the related technology that has been incorporated into the standard.

In the Qualcomm case, the NDRC found that Qualcomm had dominant market positions in a set of separate relevant product markets for the licensing of each wireless SEP it held. When determining market position, the NDRC mainly focused on factors including Qualcomm’s market share in each separate wireless SEP licence market, its control over the relevant market, downstream customers’ reliance on its technology and barriers to enter the relevant market.

ii Injunctions

The issue of whether SEP holders may seek injunctions has been heavily discussed in recent years. According to Article 24 of the Interpretations of the Supreme People’s Court on Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases (II), as to those patents that have been disclosed as essential for the implementation of recommended national, industrial or local standards, the court shall not, in general, uphold injunctions sought by holders of such patents encumbered with FRAND commitments when: the patentee intentionally violated the FRAND obligations when negotiating with the accused infringer for licensing terms such that no agreement was reached; and the accused infringer was patently not at fault during the negotiations.

19 NDRC Administrative Penalty Decision No. 1, 2015.
Guidelines of the High People's Court of Beijing Municipality for Judging Patent Infringements (the Patent Infringement Guidelines), released on 20 April 2017, further elaborate on the point that, where there is no evidence that the patentee wilfully violates its obligation for licensing on FRAND terms, where the accused party has no apparent fault in negotiation of licence, if the accused party provides the royalty claimed in a timely manner or a guarantee that is not less than its alleged royalty, the court should generally refuse the patentee’s request for ceasing infringement. Where the patentee has not fulfilled its obligation for licensing on FRAND terms, and the accused party has serious fault in the negotiation, a people’s court shall determine whether the patentee’s request for ceasing infringement of an SEP should be supported, after analysing the degree of fault between the parties and assessment of which party is primarily responsible for the breakdown of the negotiation.

In the *IWNCOMM v. Sony* case, the Beijing High People’s Court followed the Patent Infringement Guidelines and granted IWNCOMM an injunction against Sony on the ground that Sony had wilfully delayed the negotiation for approximately six years. Specifically, the court reasoned as follows:

A SEPs holder who has made a FRAND commitment shall perform relevant obligations under the statement, and an infringer who requests a patentee to grant permission on a FRAND basis shall also negotiate in good faith. When determining which party is responsible for the deadlock of the negotiations, the court shall take into account the negotiation process and substantive licensing conditions. An injunction request should be denied where a SEPs owner intentionally violates FRAND obligations that result in the breakdown of the negotiation, but not the alleged infringer. Conversely, when the patentee acts in good faith and the accused infringer has apparent faults in the negotiation, the injunction claim of the patentee should generally be supported. If both parties have a certain degree of fault, the court should assess which party bears the main responsibility, and should then determine whether to grant injunctive relief.

In *Huawei v. Samsung*, the court held that Huawei and Samsung had been negotiating for over six years since July 2011. Huawei proposed its offer under the FRAND principle and did not have apparent faults in the negotiation process. However, Samsung committed obvious violations of its FRAND obligations in both procedure and substance. Therefore, the court elected to grant an SEP injunction against Samsung’s future infringement. Following the *Huawei v. Samsung* case, the Guangdong High People’s Court also adopts the same framework in analysing the issue of injunctions in the SEP Guidelines.

However, abuse of injunctions may constitute an abuse of dominant market position and a violation of the AML. The IP Guidelines state that:

> Injunctive reliefs are remedies to which the standard-essential patent owners are entitled according to law to safeguard their legitimate rights. However, if the standard-essential patent owners of a dominant position apply for injunctive reliefs for the purpose of forcing the licensee to accept unfairly high license fee or other unreasonable licensing conditions, it may eliminate or restrict competition.

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In *Huawei v. IDC*, the court held that, in the negotiation process, IDC initiated a suit and sought an injunction against Huawei in the United States, which did not constitute a refusal to deal in nature, but constituted a measure aimed at compelling Huawei to accept excessive pricing.

### Licensing under FRAND Terms

The Patent Infringement Guidelines for the first time provide comprehensive guidance for the interpretation of the FRAND obligations in Articles 152 and 153. In the following scenarios, the patentee may be considered in voluntary breach of the FRAND obligations if the patentee: (1) fails to notify the infringer of the infringement of the patent right in writing, and fails to specify the scope and ways of infringement; (2) fails to provide the patent information or provide specific licensing conditions in writing in accordance with business practices and trading practice, after the accused infringer has consented to negotiations; (3) fails to offer a reply period in accordance with business practice and trade practice; (4) obstructs or interrupts the licensing negotiation without reasonable justification; and (5) proposes unreasonable licensing conditions in the course of the negotiation, which result in the failure to reach a patent licensing agreement and other conditions. If any of the following acts are committed, it may be found that the accused infringer has a clear fault in the necessary patent licensing consultation process: (1) failing to diligently respond within reasonable time after receiving written notification of infringement from the patentee; (2) failing to diligently respond within reasonable time on whether to accept licence conditions of the patentee; or refusing to accept specific conditions proposed by the patentee but failing to propose new conditions, after receiving specific conditions of licence from the patentee; (3) obstructing, delaying or refusing to participate in the licence negotiation without adequate reasons; (4) proposing an apparently unreasonable condition during negotiation that results in failure to reach a licence agreement; and (5) the accused infringer has any other serious faults in the negotiation.

The SEP Guidelines share a similar framework in analysing the good faith of the parties in the negotiation process. In comparison with the Patent Infringement Guidelines, the SEP Guidelines further elaborate on two scenarios where the implementer shall be deemed to be at obvious fault: refusing to enter into the non-disclosure agreement without justifiable reasons, resulting in the discontinuation of the negotiation; and failing to give a substantive reply, within a reasonable period of time, regarding the patent information, such as the sample patent list and the claim charts provided by the patentee of the SEP.

In *Huawei v. Samsung*, the court found that Samsung employed delay tactics in the cross-licence negotiation and violated its FRAND obligations both in procedure and in substance. From the procedural perspective, Samsung: (1) insisted on bundling together both the SEPs and non-SEPs, which delayed the procedures; (2) did not respond to claim charts provided by Huawei in a timely way and thus delayed the technical discussion; (3) was passive in licence offering and delayed counter offer; (4) rejected Huawei’s proposal to submit

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23 Article 152 of the Patent Infringement Guidelines.


the licensing dispute to a natural arbitration without justified reasons; and (5) deliberately postponed the court-organised mediation by not submitting a substantial solution proposal. From the substantive perspective, the rate proposed by Samsung was not reasonable and was in violation of the FRAND principles.

iv Anticompetitive or exclusionary royalties

In the Qualcomm case, the issue of whether it was appropriate for Qualcomm to charge royalties based on the net sale price of whole devices was discussed. The NDRC mentioned in its decision that ‘[Qualcomm] has insisted on using a relatively high royalty rate, at the same time that it has charged royalties on the basis of entire devices in excess of the coverage of its wireless SEPs, which is manifestly unfair and has resulted in excessive royalties’. It seems that the NDRC did not conclude whether it was appropriate for Qualcomm to use the net sale price of whole devices as the royalty base, but only regarded the royalty base as one of the factors in determining Qualcomm’s unfairly high pricing.

V INTELLECTUAL PROPERTY AND MERGERS

Mergers involving transfers of IPRs may enhance the market power of undertakings and make it more difficult for competitors to enter into the relevant markets. The IP Guidelines stipulate in Chapter Four that the concentration of undertakings dealing with IPRs has a unique character; this unique character is mainly reflected in aspects such as the circumstances that constitute the concentration of undertakings, considerations for review and additional restrictive conditions. Article 19 lists three considerations in analysing whether undertakings may obtain control over other undertakings or whether undertakings may impose a decisive impact on other undertakings by the transfer and exclusive licensing of IPRs: (1) whether the IPRs constitute an independent business; (2) whether the IPRs produce turnover that can be calculated independently in the previous fiscal year; and (3) the duration of the exclusive licensing of IPRs.

Furthermore, according to the Provisions of the Ministry of Commerce on Imposing Additional Restrictive Conditions on the Concentration of Undertakings, the enforcement agency can impose the following additional restrictive conditions on mergers to alleviate the adverse impact of the transfer of IPRs on competition: (1) structural conditions requiring the divestiture of IPRs; (2) behavioural conditions requiring undertakings to license key technologies (including patents, proprietary technologies or other IPRs); and (3) comprehensive conditions in combination of structural conditions and behavioural conditions.

Articles 22 to 24 of the IP Guidelines give a specific interpretation of restrictive conditions involving IPRs, which includes structural conditions, behavioural conditions and comprehensive conditions. Generally, undertakings may propose structural restrictive conditions, such as divesting IPRs or businesses involving IPRs, to address concerns of the enforcement agency. Undertakings also need to ensure that the licensees of IPRs have the necessary resources, capabilities and willingness to participate in market competition by exercising the divested IPRs or engaging in the business involved. The divesture should be made in an effective, feasible and timely manner, to avoid the competition in the relevant market.

26 NDRC Administrative Penalty Decision No. 1, 2015.
being affected. Behavioural conditions in relation to IPRs are determined on an individual case-by-case analysis. Suggestions on restrictive conditions may involve the following content: (1) the licensing of IPRs – the licensing usually is exclusive, and does not include the use area or geographic restrictions; (2) keeping independent operation of the businesses relating to IPRs, and the businesses should be able to participate in effective competition in a certain period; (3) fulfilling the FRAND obligations – undertakings usually ensure that they fulfil the obligations through specific arrangements; and (4) charging reasonable licence fees – undertakings shall generally specify in detail the calculation method and payment terms of licence fees, as well as fair negotiation conditions and opportunities and other matters. In addition, undertakings may combine structural conditions and behavioural conditions, and put forward suggestions on comprehensive restrictive conditions involving IPRs.

In the Nokia/Alcatel case, the MOFCOM approved the acquisition of Alcatel by Nokia with the condition that Nokia honoured the following commitments under supervision of the MOFCOM: (1) Nokia shall not seek injunctions on SEPs unless it has provided licensing conditions in accordance with the FRAND principles, and the potential licensee did not intend to sign the licensing agreement conforming to the FRAND principles or abide by these licence terms in good faith; (2) the licensees are entitled to notification of Nokia’s SEP transfers to third parties, as well as negotiation and renegotiation with Nokia on royalty rates during or after the transfers; and (3) when Nokia transfers its SEPs to a new owner in the future, Nokia shall make the transfer on the condition that the new owner agrees to be subject itself to the FRAND principles.

In the Bayer/Monsanto case, the MOFCOM finally approved this acquisition with remedies involving structural divestitures of IP. Specifically, the MOFCOM requires Bayer to globally divest its vegetable seed business, non-selective herbicide business (glyphosate business) and its corn, soybean, cotton and canola traits business. The divestiture includes relevant facilities, personnel, IP (including patents, know-how and trademarks) and other tangible and intangible assets. In addition, behavioural conditions concerning the IPR are imposed in this case (i.e., based on FRAND terms, allowing all Chinese developers of agricultural applications to connect to the newly merged digital agricultural platform and allowing all Chinese users to register and use this platform within five years of the date the digital agriculture products of all the parties involved entered the Chinese market).

VI OTHER ABUSES

Regarding anticompetitive settlements of IPR disputes, China’s AML enforcement agency, learning from EU and US experience, has paid attention to the ‘pay-for-delay’ agreements between pharmaceutical companies whereby manufacturers of brand-name drugs might buy off or settle with manufacturers of generics so that the former can continue to enjoy monopolistic pricing after their patents have expired. Such conduct may be regarded as reaching horizontal monopoly agreements that ‘split the market’ or ‘restrain development of new products’ under the AML.29

27 MOFCOM Decision No. 44, 2015.
28 MOFCOM Decision No. 31, 2018.
29 Articles 13.2 and 13.4 of the AML.
VII OUTLOOK AND CONCLUSIONS

Overall, the interplay of the AML and IPR is still at an early stage and has a long way to go. In recent years, the AML enforcement agency has been paying closer attention to enterprises’ abusive behaviour in relation to IPR. With the amendment of the AML and formal release of relevant guidelines, many of the AML’s IPR-related issues are expected to gain greater clarity and certainty, and IPR-abusive behaviour will be subject to more stringent regulation. Predictably, we may see a better balance between promoting domestic innovation and protecting IPR holders’ interests.
I

INTRODUCTION

According to the European Commission (EC):

"[t]he fact that intellectual property laws grant exclusive rights of exploitation does not imply that intellectual property rights are immune from competition law intervention. Nor does it imply that there is an inherent conflict between intellectual property rights and the [EU] competition rules. Indeed, both bodies of law share the same basic objective of promoting consumer welfare and efficient allocation of resources."2

This reflects the current global consensus that the overall goals of antitrust rules and intellectual property rights (IPRs) are consistent and that the two bodies of law are generally complementary. Nevertheless, circumstances do arise where exercises of IPRs conflict with antitrust laws and antitrust is deemed to prevail.

The EU competition rules on anticompetitive agreements, abuse of dominant position and merger control may be relevant to conduct involving IPRs. The most fundamental EU rules on competition are found in the Treaty on the Functioning of the European Union (TFEU), but secondary EU legislation and EC guidelines are also highly relevant.

Article 101 of the TFEU prohibits agreements and concerted practices that ‘have as their object or effect the prevention, restriction or distortion of competition’.3 Several pieces of EU secondary legislation and EC guidelines must be taken into account in applying Article 101 of the TFEU to IPR-related agreements. They include:

a Commission Regulation (EU) No. 316/2014 on the application of Article 101(3) of the TFEU to categories of technology transfer agreements (the Technology Transfer Block Exemption Regulation (TTBER)) and the accompanying Technology Transfer Guidelines;

b Commission Regulation (EU) No. 1217/2010 on the application of Article 101(3) of the TFEU to certain categories of research and development agreements (the R&D Block Exemption Regulation); and

1 Thomas Vinje is a partner at Clifford Chance LLP. Special thanks go to Jonathan Blondeel, Stavroula Vryna, Aleksander Tombiński, Carmen Puscas, Aidan Forde, and Deirdre Ryan for their valuable assistance in preparing this chapter.

2 EC Guidelines on the application of Article 101 of the TFEU to technology transfer agreements 2014, Paragraph 7.

3 Article 101 of the TFEU.
Article 102 of the TFEU prohibits the abuse of a dominant position. The EC’s Guidance on its enforcement priorities in applying Article 102 of the TFEU to abusive exclusionary conduct by dominant undertakings (the Guidance in applying Article 102 of the TFEU) addresses conduct involving IPRs, in particular in relation to refusals to license IPRs.

The basic regulation on EU merger control is Council Regulation (EC) No. 139/2004 on the control of concentrations between undertakings (the EU Merger Regulation (EUMR)). Under the EUMR, the acquisition of IPRs may constitute a concentration triggering EU merger control. Full-function joint ventures to which IP (and potentially other) assets are contributed may similarly require notification pursuant to the EUMR. To the extent the EC identifies competition concerns regarding a concentration, the parties may seek to offer relevant remedies, including divestiture or licensing of IPRs.

II YEAR IN REVIEW

i Standard-essential patents

In recent years, the EC has looked into several competition cases involving alleged abuses of dominant positions by holders of standard-essential patents (SEPs). Originating from the ‘patent wars’, the EC’s decisions in the Motorola and Samsung cases4 were major steps towards bringing legal certainty to SEP owners and implementers. In 2015, the Court of Justice of the European Union (CJEU) delivered its seminal judgment in Huawei Technologies Co Ltd v. ZTE Corp5 dealing directly with the application of Article 102 of the TFEU to the exercise of SEPs, as described in Section IV. However, in October 2019, the UK Court of Appeal concluded that Huawei is merely a framework against which to consider the behaviour of both parties in an abuse of dominance allegation, rather than a set of mandatory conditions to be followed, and the national courts have jurisdiction on the issue of setting a FRAND royalty rate.6 The UK Supreme Court judgment on this is expected in 2020.

While recourse to injunctions is generally considered to be a legitimate remedy for patent infringements, seeking injunctions for infringement of SEPs may be considered contrary to Article 102 of the TFEU where a potential licensee is willing to negotiate a licence on fair, reasonable and non-discriminatory (FRAND) terms.

As the internet of things advances, so does connectivity-dependent technology (across every economic sector), and the standards that enable interoperability are becoming increasingly important. Indeed, recently there has been a rise in SEP disputes in areas other than in the telecommunications sector; principally, in the automotive industry, with the emergence of connectivity technology used in connected cars and autonomous vehicles.

5 Case C-170/13, Huawei Technologies [2015].
6 Unwired Planet v. Huawei and Conversant v. Huawei and ZTE. For further details see Section IV,iii.
ii Pay-for-delay patent settlement agreements

The pharmaceutical sector has been one of the EC’s principal areas of focus when it comes to antitrust investigations over the past decade, largely in response to the Council and the European Parliament’s concerns that anticompetitive practices risk endangering patients’ access to cutting-edge and affordable essential medicines. This was the driving motivation behind the EC’s inquiry into the pharmaceutical sector in 2009 (PSI) and more recently the EC’s Report to the Council and the European Parliament on ‘Competition Enforcement in the Pharmaceutical Sector (2009–2017)’, published on 28 January 2019.

In January 2020, the CJEU ruled for the first time on pay-for-delay patent settlements in the pharmaceutical sector.7 This preliminary ruling followed the GC’s 2018 and 2016 landmark judgments on Servier v. Commission8 and Lundbeck v. Commission, respectively.9 Although this ruling appears to confirm to a large extent the GC’s reasoning in Lundbeck and Servier – making it increasingly difficult for pharmaceutical companies to justify such agreements – it remains to be seen how the CJEU will rule on appeal in those cases.10

III LICENSING AND ANTITRUST

i Anticompetitive restraints

Article 101(1) of the TFEU prohibits anticompetitive restraints in agreements between undertakings – including in licensing agreements – unless they are justified under Article 101(3) of the TFEU. Depending on the relationship between the parties and subject matter of the agreement, licensing agreements may be governed by a variety of EU regulations and EC guidelines in addition to the TFEU itself. These include the EC’s Horizontal Cooperation Guidelines, the TTBER and the related TTBER Guidelines, the R&D Block Exemption Regulation, the Vertical Block Exemption Regulation and related Guidelines, and the EC’s Subcontracting Notice. Each of these instruments applies the principles contained in Article 101 of the TFEU to a particular type of agreement.

Many restraints qualified as anticompetitive by these instruments – such as restrictions on a buyer’s freedom to determine its own resale price, or provisions restricting to whom or into which EEA territory the buyer may sell under a vertical agreement – are not specific (but apply equally) to agreements containing licences to IPRs. However, EU competition law also provides for rules on restraints specific to agreements dealing with IPRs, such as technology transfer agreements, research and development agreements, and specialisation agreements. Compared to vertical or horizontal agreements that are not intellectual property agreements, the above instruments generally provide IPR holders with additional leeway to impose certain restraints on licensees to preserve incentives to innovate. At the same time, restrictions on a licensee’s ability independently to engage in research and development are generally considered anticompetitive.

It is beyond the scope of this chapter to provide an exhaustive overview of which restraints are and which are not considered anticompetitive in licence agreements, and most of the relevant rules have not changed in recent years. However, a number of rules specific

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7 Case C-307/18, Generics (UK) Ltd and Others v Competition and Markets Authority, ECLI:EU:C:2020:52.
10 See discussion in Section VI.iii.
to licensing agreements are worth highlighting here. First, we discuss territorial restrictions in copyright licences. Second, we discuss two changes introduced by the 2014 adoption of a new TTBER – both of which limit the scope of restraints that licensors could previously impose on licensees under the old TTBER.

**Territorial restrictions and exhaustion**

Some IPRs, such as copyright, are inherently national in scope – notwithstanding a substantial degree of uniformity resulting from international treaties and EU Directives – as they remain nationally defined rights. Right holders are, therefore, normally permitted to license their relevant rights on a national basis, and to prohibit licensees from marketing the licensed subject matter outside the licensed territory. However, the CJEU has adopted a strict approach to any restraints going beyond limitations based purely on the geographical scope of the underlying IPR. Thus, in *Premier League*, the CJEU ruled on a preliminary reference from a UK court in relation (inter alia) to contractual restrictions contained in licences granted by the UK’s Premier League, which holds copyrights in broadcasts of relevant UK football matches. The Premier League had not only territorially limited the scope of its licences, but had also prohibited its licensees from selling decoder cards, which could be used to access the licensee’s broadcasts from anywhere in the EEA, outside the licensed territory. The CJEU held that the latter restriction on sales of decoder cards amounted to a restriction by object pursuant to Article 101 of the TFEU.

The exhaustion doctrine limits right holders’ ability to control circulation of a good incorporating their intellectual property after the first sale of each copy within the EEA: once a product incorporating the right holder’s IPR has first been sold in the EEA with the right holder’s consent, the right to authorise distribution of that product is exhausted, such that the right holder may not prevent the subsequent resale of that product into another Member State (parallel import). Insofar as copyright law is concerned, the exhaustion doctrine was long believed to apply only to physical products incorporating copyrights, such as books and DVDs; however, its scope was extended by the CJEU in *Oracle/UsedSoft* to cover software distributed in digital form.

**Grant-back obligations**

Exclusive ‘grant-back’ obligations – pursuant to which a licensee is required to license or grant back to the licensor on an exclusive basis any technology derived from or improving on that of the licensor – are now excluded entirely from the scope of the TTBER. While these are not considered hardcore restrictions, their compatibility with competition law will need to be assessed on an individual basis. Licensors may alternatively negotiate a grant-back provision on a non-exclusive basis.

**No-challenge clauses**

The new TTBER furthermore provides for a stricter regime on clauses limiting the licensee’s ability to challenge the validity of the licensor’s IPRs. The old TTBER did not exempt clauses prohibiting validity challenges, but did exempt clauses providing for termination of the licence agreement upon the licensee challenging validity. The new TTBER no longer exempts such ‘termination on challenge’ clauses unless the licence agreement is exclusive; thus, clauses limiting a non-exclusive licensee’s ability to challenge the validity of the licensor’s IPRs will need to be assessed on an individual basis.
ii Refusals to license

The law on refusals to license IPRs by dominant companies has been established in a series of judgments by the CJEU. In short, refusals to license will be deemed lawful in most circumstances. However, a refusal to license may infringe Article 102 of the TFEU in certain ‘exceptional’ circumstances – in particular where, without an objective justification, a dominant firm refuses a licence that proves indispensable for rivals seeking to innovate or introduce new products, such that the refusal risks eliminating effective competition in the same or an adjacent market. The case law applies both to outright refusals to license and to constructive refusals to license (i.e., licensing on terms that are prohibitive for rivals effectively to gain access to the licensed subject matter).

In Microsoft, the GC upheld a 2004 EC decision finding that Microsoft had abusively refused to license to rival developers of workgroup (or network) server operating systems the interoperability information required for such operating systems to interoperate with Microsoft’s dominant Windows operating system found on more than 90 per cent of PCs. Microsoft claimed that its interoperability information was protected by IPRs. The GC (and the EC) carried out their analysis on the basis that Microsoft’s IPRs were presumptively valid and that unlicensed implementations of the interoperability information would infringe those rights.

Evidence assessed by the EC and the GC demonstrated that Windows’ interoperability information was indispensable for rival developers to compete with Microsoft, and that there were no viable alternatives for this information. Upholding the EC’s decision, the GC found that denying competing developers access to the interoperability information risked eliminating effective competition in the workgroup server operating system market, and indeed some rivals had already been marginalised. Moreover, Microsoft’s refusal to license thereby prevented the emergence of innovative competing products that these rivals sought to introduce.

The GC rejected Microsoft’s claim that its refusal to license was objectively justified. First, the GC found that it was industry practice for non-dominant companies to license the type of interoperability information at issue. Second, the GC found that Microsoft itself had in fact licensed its own interoperability information before it came to occupy a dominant position.

Nonetheless, the GC’s judgment appeared to leave some leeway for dominant firms to demonstrate that a refusal to license is objectively justified, in particular by showing that imposing a duty to license would undermine the firm’s incentives to innovate. The type of evidence required to show this is not entirely clear. The GC dismissed Microsoft’s argument that its incentives to innovate would be diminished merely because the subject matter to which rivals sought access was protected by IPRs.

iii Unfair and discriminatory licensing

Certain licensing terms imposed by dominant firms may be deemed unfair or discriminatory and as such could infringe Article 102(a) of the TFEU. A number of cases have in particular dealt with alleged excessive pricing by dominant right holders. Nonetheless, excessive pricing cases remain relatively rare due in part to the difficulty of establishing an appropriate counterfactual royalty in a but-for competitive market. Lucazeau is a 1989 CJEU judgment finding that a French copyright collecting society charged excessive licensing fees compared to those charged by collecting societies in other Member States. More recently, the EC pursued S&P’s for alleged excessive royalties for securities identification numbers; however, the EC
also preliminarily rejected S&P’s claims of copyright protection of these numbers. In 2007, the EC opened an investigation into a complaint alleging that Qualcomm charged excessive royalty fees for a portfolio of patents, including SEPs, pertaining to telecommunications technology and standards. The EC ultimately closed its investigation without a finding of infringement after the rivals settled with Qualcomm in parallel US patent litigation proceedings. In the pharmaceutical industry, several national competition authorities have applied national and EU competition law to alleged excessive pricing conduct by originator pharmaceutical companies, in particular following significant price increases. The EC, however, has not yet pursued similar claims.

Discriminatory licensing practices may be found where a dominant licensor unjustifiably applies different terms to equal circumstances. Thus, for example, a dominant trademark licensor was found to have committed an abuse by charging licensees a higher licensing fee when they sourced their trademark-bearing products from a rival of the dominant company rather than from the dominant company itself. However, the reverse also applies: it may be abusive for a dominant right holder to apply equal terms to different circumstances. For example, charging royalties on all of a licensee’s products regardless of whether or not the products actually implement the dominant licensor’s IPRs can constitute an abuse.

iv Patent pooling
A patent pool is a combination of complementary patents from multiple right holders licensed to third parties. Pooling patents and making them available under a single licence can significantly reduce transaction costs, while the licence fee for the pool may well be lower than what a licensee would cumulatively pay by having to negotiate licences with each of the right holders contributing to the pool. Patent pools are governed principally by the TTBER and accompanying guidelines. The guidelines accompanying the new TTBER provide for an explicit safe harbour exempting certain patent pool arrangements from antitrust scrutiny irrespective of the parties’ market shares. The safe harbour applies to patent pools that, inter alia, pool only essential technologies and ensure that technologies that later prove non-essential are removed from the pool. Essential technologies are technologies that are necessary (as opposed to merely optional) to implement the technology to which the pool pertains, and for which no substitutes exist inside the pool. Furthermore, the patent pooling arrangement must provide for FRAND licensing terms, leave contributors free to license their technologies independently and preserve their freedom to develop competing technologies, leave parties free to challenge validity and infringement, and safeguard against the exchange of strategic information between contributors. Patent pools that do not meet the criteria of the safe harbour must be assessed individually based on the factors set out in the TTBER Guidelines.

v Software licensing
Software may be protected by different IPRs, including patents and trade secret rights; however, the most common form of IP protection for software is copyright law, and many software licences, therefore, take the form of a copyright licence. While copyright laws within the EU are principally governed by national legislation, the EU Software Directive has harmonised many aspects of copyright law as applied to software across Member States. Among other things, the Directive prescribes mandatory copyright exceptions pursuant to which licensees can reverse-engineer a computer program in the interest of establishing interoperability. These exceptions were adopted in large part because of competition concerns that could arise
were right holders able to prevent rivals from interoperating with their computer programs or from interoperating with other programs in the same way as the reverse-engineered program does (see Section III.ii).

Software licences between undertakings may be subject to Article 101 of the TFEU, in which case the above-mentioned rules on anticompetitive restraints would generally apply. The TTBER covers a subset of software licences, namely those agreements pursuant to which software is licensed to enable the licensee to produce goods or services, including through incorporation of the software into contract products.11 The TTBER exempts covered licence agreements from antitrust scrutiny provided that (1) the parties’ market shares do not exceed the market share thresholds in the TTBER, and (2) the agreement does not contain any hardcore restrictions as defined in the TTBER.

The vast majority of software licences, however – including notably distribution licences and end-user licence agreements in contexts other than production – are not covered by the TTBER. Indeed, the TTBER does not apply to agreements ‘the purpose of which is the mere reproduction and distribution of software copyright-protected products as such agreements do not concern the licensing of a technology to produce but are more akin to distribution agreements’.12 Such agreements are governed by the Vertical Block Exemption Regulation and the accompanying Guidelines on Vertical Restraints.

vi Trademark licensing

Competition issues in trademark licensing arise frequently because of the natural desire of licensors to control the exploitation of their marks by third parties and ensure such use does not conflict with the licensor’s own business. Thus, trademark licence terms must be carefully drafted so as not to risk contravening Article 101 of the TFEU.

The following provisions are examples of terms that may occur in trademark licences and that may raise competition concerns in the EEA:

a restricting a licensee who is licensed for only part of the EEA from supplying in response to unsolicited orders from EEA territories that are outside the licence territory, as opposed to merely restricting active marketing elsewhere in the EEA. While restrictions on passive sales are unlawful whether or not the agreement authorises use of a trademark, passive sales restrictions are particularly likely to be found in agreements containing trademark licences;

b absolute restrictions on the licensee’s ability to challenge the validity of the licensed rights. In the case of an exclusive licence only, the risk can be reduced by changing a no-challenge restriction to a right for the licensor to terminate if a challenge is made; and

c where a licensor and a licensee are competitors in the relevant market, information-sharing provisions that may be included in trademark licences in the context of the licensor’s exercise of quality control. This will require detailed analysis. Completely separating the team that manages the licence relationship from the licensor’s own product team may be a partial solution.

Coexistence agreements, which could be considered as a type of licensing agreement, are agreements between unrelated owners of similar brands regulating each party’s use and

11 Technology Transfer Guidelines: Paragraph 63.
12 See recital 7 to the TTBER.
registration of its marks in a manner that the parties consider will avoid confusion. Although coexistence agreements are relatively common, early case law on enforceability of such agreements\(^\text{13}\) indicates there could be concerns if it is not likely that either party could have effectively enforced its rights against the other, or if the agreed restrictions far outweigh the scope of the parties’ rights, such that the restrictions imposed are not balanced out by the benefits of avoiding conflict and confusion.

Coexistence agreements can often be without limit of time. Accordingly, restrictions on challenging rights require careful consideration, especially with respect to challenges to rights based on non-use. Additionally, consider building in procedures for periodical review of the scope of the restrictions, in light of changing market circumstances.

IV STANDARD-ESSENTIAL PATENTS

An SEP is a patent that has been declared essential for implementing a technical standard adopted by a standard-setting organisation (SSO). SSOs generally require members in good faith to disclose patents that are or may be essential to the standard under development. To the extent a member has disclosed ownership of SEPs, the SSO will generally request the patent holder to commit to license these SEPs on FRAND terms before adopting a standard reading on such SEPs. The EC’s Horizontal Guidelines explain FRAND commitments as a means of ensuring that IPR holders do not hinder the implementation of a standard ‘by refusing to license or by requesting unfair or unreasonable fees after the industry has been locked-in to the standard or by charging discriminatory royalty fees’.\(^\text{14}\) The FRAND commitment aims to offset potential anticompetitive effects of standardisation agreements, which are the result of a decision-making process among competitors to choose one technology over others. This type of agreement between competitors would generally not be tolerated under EU competition law, but the EC guidance recognises an exception where, among other criteria, FRAND commitments are required for essential IPRs to be incorporated into the standard.\(^\text{15}\)

Moreover, it is commonly accepted that standards are beneficial for the economy, facilitating interoperability and cross-border trade and fostering innovation;\(^\text{16}\) standard-setting allows for a common technological specification to be established, enabling multiple devices and systems to be compatible regardless of manufacturer or the platform on which those devices or systems are being used. However, uncertainty as to how to apply EU competition law to the exercise of SEPs has led to a fierce debate in Europe.

Enforcement in the EU has centred on the issue of whether and in which circumstances seeking an injunction for an SEP against an alleged patent infringer constitutes an abuse of dominant position pursuant to Article 102 of the TFEU. The EC has considered this issue in its fully reasoned Article 7 infringement decision in \textit{Motorola}, and made preliminary findings on this issue in its \textit{Samsung} Article 9 commitments decision. The issue is also the subject of the CJEU’s judgment in \textit{Huawei Technologies Co Ltd v. ZTE Corp}, now the leading EU

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\(^{15}\) id., Section 7.

precedent on this subject.\textsuperscript{17} The EC decisions and the CJEU ruling in \textit{Huawei} have shed light on the theory of ‘patent hold-up’ through the threat or enforcement of injunctions. Other EU enforcement has sought to address questions as to how EU competition rules on excessive pricing and patent ambush apply to the SEP context (see Sections IV.iii and IV.iv). However, this body of cases by no means lays all questions to rest as to when exclusion on the basis of SEPs raises competition concerns.

\section{Market definition and dominance}

The conduct of an SEP holder will only be found to infringe Article 102 of the TFEU if the SEP holder enjoys a dominant position on the relevant market. In practice, the EC’s approach to assessing dominance in SEP cases indicates that SEP holders will generally be found dominant where the SEP relates to widely used standards.

The approach to market definition taken by the EC is that each SEP is deemed a relevant market. In \textit{Google/MMI},\textsuperscript{18} the EC held that because each SEP needs to be implemented to comply with a standard and, therefore, cannot be circumvented or substituted, each SEP constitutes a separate relevant technology market on its own.\textsuperscript{19} In the EC’s view, the lack of substitutability between SEPs reading on the same standard and thus the narrow market definition is warranted in particular where the standard on which the SEP reads cannot be substituted by other standards.\textsuperscript{20}

This approach to market definition leads to each SEP holder having a 100 per cent market share of a narrowly defined market. Therefore, SEP holders face the challenge of demonstrating that they face competitive constraints that prevent them from exercising market power notwithstanding their 100 per cent market share. The EC did not accept Motorola’s argument that its market power was constrained by the countervailing buyer power of Apple – the potential licensee in that case – by virtue of Apple’s own portfolio of SEPs and non-SEPs. The EC took the view that it was impossible for Apple to find an alternative supplier of that particular essential technology, if Apple were to comply with the standard on which Motorola’s patent reads.

Thus, although EC Guidance states that there is no presumption of dominance for SEP holders, in practice SEP holders with patents reading on widely used standards – for which alternatives are limited or non-existent – will likely face a finding of dominance.

\textsuperscript{17} Case C-170/13, \textit{Huawei Technologies} [2015].
\textsuperscript{18} Case COMP/M.6381, \textit{Google/MMI} is an EC merger decision in which the EC cleared the merger but made broad \textit{obiter dictum} about the possibility that SEPs confer dominance and about the potential competition concerns raised by the exercise of SEPs.
\textsuperscript{19} Case COMP/M.6381, \textit{Google/MMI}, Paragraph 54.
\textsuperscript{20} In \textit{Motorola}, the EC found that the GPRS standard, to which Motorola’s patent was essential, could not be substituted by any other mobile standards, and, given that GPRS is the most basic technology in use in mobile networks, on top of which 3G and 4G operate – GPRS (also referred to as 2G) backwards compatibility was essential even where 3G and 4G networks were also available. This reasoning in relation to market definition is consistent with the EC’s preliminary findings in its \textit{Samsung} commitments decision, though in relation to a different standard (the UMTS (3G) standard).
Injunctions

The CJEU judgment in *Huawei* is the leading EU case setting out the circumstances in which the seeking and enforcing of injunctions for FRAND-encumbered SEPs against an alleged infringer will be deemed contrary to Article 102 of the TFEU. The judgment was handed down following a request for a preliminary ruling from a German court. The court sought guidance from the CJEU as to whether and in what circumstances a dominant SEP holder infringes Article 102 of the TFEU by seeking an injunction against a potential licensee.

The CJEU held that it is in principle possible for an SEP holder to infringe Article 102 of the TFEU by seeking an injunction for FRAND-encumbered SEPs. The CJEU considered the balance between 'maintaining free competition' pursuant to Article 102 of the TFEU and protecting the fundamental rights to property (including IP) and access to effective judicial remedy, guaranteed by Articles 17(2) and 47 of the Charter of Fundamental Rights of the EU. The CJEU noted that patent implementers require licences and that the act of seeking injunctive relief, as a manifestation of the right to exclude by opposing infringement, falls within the scope of IP rights. However, the CJEU noted that the exercise of exclusive IP rights has been found to involve abusive conduct in exceptional circumstances. The CJEU thus considered that the standard-setting context, which renders SEPs indispensable, and the irrevocable FRAND commitment as a condition on which the patent holder’s patent became incorporated into the standard, qualified as exceptional circumstances within the meaning of the well-established case law. Moreover, the CJEU found that the FRAND commitment created legitimate expectations by third parties that a licence would be available to them, which made a refusal to license and (by extension) the seeking of an injunction a potential abuse of a dominant position.

The CJEU defined the circumstances in which an injunction for SEPs would be permissible, and in doing so sought to balance two opposing interests: (1) that of a potential licensee with the legitimate expectation created by the FRAND commitment that the SEP holder would provide a licence, against (2) that of the SEP holder to obtain FRAND remuneration for the use of the SEP holder’s patents. The Court held that an SEP holder does not abuse its dominant position by seeking injunctive relief as long as the following conditions have been complied with:

21 *Huawei* held patents essential to the long-term evolution (LTE) wireless communication standard and had given a FRAND commitment in connection with these SEPs. ZTE’s products implemented the LTE standard on which Huawei’s SEP read, and the parties had sought to negotiate a licence agreement on FRAND terms. After the breakdown of the negotiations, Huawei brought an infringement action before the Landgericht Düsseldorf seeking to obtain an injunction, the recall of ZTE products implementing Huawei’s SEPs and an assessment of damages. ZTE raised in defence that the action for an injunction and for the recall of ZTE products infringed Article 102 of the TFEU.


23 Ibid., Paragraph 42 et seq.

24 Ibid., Paragraph 58 and 59.


26 Footnote 4, Paragraphs 50–52. See also, AG Wathelet’s Opinion, Paragraph 70 et seq.

27 Footnote 4, Paragraphs 53 and 54.

28 Ibid., Paragraphs 54 and 55.
The SEP holder must provide notice to the alleged infringer, ‘specifying the way in which [the SEP] has been infringed’;\(^{29}\)

b the alleged infringer must be willing to conclude a FRAND licence and a written FRAND offer (specifying the royalty and royalty calculation method) must be forthcoming from the SEP holder;\(^{30}\)

c the alleged infringer must ‘respond to [the SEP holder’s] offer, in accordance with recognised commercial practices in the field and in good faith, a point which must be established on the basis of objective factors and which implies, in particular, that there are no delaying tactics’.\(^{31}\) When the alleged infringer is using the teachings of the SEP prior to concluding an agreement, it should, ‘from the point at which its counter-offer is rejected, provide appropriate security, in accordance with recognised commercial practices in the field, for example, by providing a bank guarantee or by placing the amounts necessary on deposit’;\(^{32}\) and

d ‘an alleged infringer cannot be criticised either for challenging, in parallel to the negotiations relating to the grant of licences, the validity of those patents and/or the essential nature of those patents to the standard in which they are included and/or their actual use, or for reserving the right to do so in the future’.\(^{33}\)

The CJEU furthermore held that the parties may agree to a third-party FRAND determination in the event of lack of agreement on licence terms following initial offer and counter-offer.\(^{34}\)

The CJEU judgment provides a procedural framework for SEP holders to follow, which builds on a theory of harm and general approach similar to that in the EC’s decisions in Samsung and Motorola. Although the reasoning of the CJEU ruling is not explicitly framed in terms of the willingness of the potential licensee, the CJEU judgment imposes a number of requirements on the potential licensee as well as on the SEP holder, recognising that the conduct of the potential licensee has a direct bearing on the outcome of the competition assessment of the SEP holder’s conduct.

As noted above, on 29 November 2017, the EC published a Communication entitled ‘Setting out the EU approach to Standard Essential Patents’.\(^{35}\) In this Communication, the EC provides additional guidance in the form of behavioural criteria used to assess whether an SEP licensee can be considered willing to enter into a licence on FRAND terms. The guidance, which is derived from national courts’ application of Huawei, states that:

a an SEP licensee must receive ‘sufficiently detailed and relevant information to determine the relevance’ of an SEP portfolio and compliance with FRAND in order to assess a FRAND offer. This includes clear explanations regarding the portfolio patents’ essentiality for a standard, the allegedly infringing products of the SEP implementer, the proposed royalty calculation and the non-discrimination element of FRAND;

b counter-offers should be concrete and specific. They should also contain ‘information on the exact use of the standard in the specific product’; and

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\(^{29}\) id., Paragraph 61.
\(^{30}\) id., Paragraph 63.
\(^{31}\) id., Paragraph 65.
\(^{32}\) id., Paragraph 67.
\(^{33}\) id., Paragraph 69.
\(^{34}\) id., Paragraph 68.
\(^{35}\) ‘Setting out the EU approach to Standard Essential Patents’ is available at https://ec.europa.eu/docsroom/documents/26583.
there is a probable trade-off between the time considered as reasonable for responding to an offer and the detail and quality of the information provided in an SEP holder’s initial offer.

While the guidance provided helpful clarifications, there remains substantial uncertainty around the definition of FRAND. Some of the questions left unanswered include whether an SEP holder can refuse to license to certain levels in the value chain (e.g., refuse to license to component makers while licensing only makers of finished products) and whether an SEP holder can charge a royalty based on the full value of a finished end-product, even if the SEP holder’s patent pertains only to a single component incorporated in that end-product.

iii Licensing on FRAND terms

While the CJEU judgment in Huawei clearly defined the point at which SEP patent litigation risks violate Article 102 of the TFEU, it is for national patent courts to rule on issues of FRAND where a number of issues are yet to be determined.

This is illustrated by the appeals in FRAND cases Unwired Planet v. Huawei and Conversant v. Huawei and ZTE, which reached the UK’s highest court in October 2019. The UK’s High Court and Court of Appeal concluded that the CJEU's Huawei framework is just that – a framework against which to consider the behaviour of both parties in the context of abuse of dominance allegations, rather than a set of mandatory conditions to be followed. The UK courts went on to conclude that they have the jurisdiction to go so far as to set a FRAND royalty rate, and have posited that FRAND may require a global licence to a patent portfolio.

The questions surrounding national courts’ jurisdiction to entertain global FRAND claims, in light of the territoriality of patent rights – even where standards, supply chains, and licensing discussions are increasingly global – is yet to be finally determined. The UK Supreme Court’s judgment is expected in 2020.

iv Choice of licensing level in the supply chain

To date, the EC appears reluctant to decide on pure pricing disputes in relation to SEPs under Article 102 of the TFEU. Indeed, this is appropriate where the focus of Article 102(a) of the TFEU enforcement has been to condemn unfair or excessive pricing, which should mean that, for a royalty rate to be condemned as abusive, it must be substantially more than FRAND, and must meet the hallmark test that the price charged ‘has no reasonable relation to the economic value of the product supplied.’

Pricing disputes in relation to licensing of SEPs appear to stem from disputes as to the ability of an SEP holder that has given a FRAND undertaking to adopt a single-point-of-licensing model, and to request royalties determined, for example, by reference to the end user product.

Some implementers argue that a FRAND commitment requires a license-to-all approach (i.e., licensing SEPs piece-by-piece to any suppliers in a supply chain who request a licence), pointing to language in the EC’s Horizontal Guidelines, which states that: ‘In order

to ensure effective access to the standard, the IPR policy would need to require participants wishing to have their IPR included in the standard to provide an irrevocable commitment in writing to offer to license their essential IPR to all third parties on fair, reasonable and non-discriminatory terms (‘FRAND commitment’). 38

However, the Horizontal Guidelines also emphasise that SEP holders must ensure that implementers have access to essential technology incorporated in a standard: ‘FRAND commitments are designed to ensure that essential IPR protected technology incorporated in a standard is accessible to the users of that standard on [FRAND] terms and conditions. In particular, FRAND commitments can prevent IPR holders from making the implementation of a standard difficult by refusing to license or by requesting unfair or unreasonable fees (in other words excessive fees) after the industry has been locked-in to the standard or by charging discriminatory royalty fees’. 39 This interpretation – that access to essential technology is required – is closer to the reality of patent licensing, where consent to use a technology may manifest itself in various forms, not limited to concluding a direct license with a given party.

The EC is currently reviewing its Horizontal Guidelines. It is hoped that the EC will provide further clarity on SEP holders’ licensing obligations, particularly as to the interplay between a FRAND commitments and whether the choice of a single-point licensing model may, in certain circumstances, be considered as a refusal to license that exposes an SEP holder to EC intervention under Article 102 of the TFEU.

In any event, the question of the appropriate royalty for FRAND-licences must not be confused with the question of who is entitled to obtain a licence to SEPs subject to a FRAND-commitment. In other words, no conclusions about the appropriateness of the level of an SEP holder’s proposed royalty rates can be drawn from the mere fact that the SEP holder chooses to license end-product makers. This was confirmed, for example, in Unwired Planet International v. Huawei, where the economic experts on both sides agreed that FRAND principles do not preclude SEP holders from appropriating some of the value associated with the inclusion of its technology into the standard and the value of the products that are using those standards. 40

v  Patent ambush

A patent ambush occurs when an SEP holder deliberately hides the fact that it holds essential IPRs and it starts asserting these essential IPRs only after the standard has been agreed upon. Since other undertakings are ‘locked in’ to use the standard once it is adopted, the patent holder will be able to extract higher royalties than would otherwise have been possible, allowing it to gain market power ex post. However, the EC’s Horizontal Guidelines require ‘good faith disclosure’ of IPRs that might be essential for the implementation of a standard under development. 41

Thus far, there have not been any prohibition decisions in which the EC conclusively found patent ambush to amount to an abuse of dominance. However, the commitment decision in Rambus suggests that such behaviour could constitute an abuse. 42 The EC posited

38 Horizontal Guidelines, Paragraph 285.
39 Horizontal Guidelines, Paragraph 287.
41 Horizontal Guidelines, Paragraph 286.
42 Case COMP/38.636, Rambus.
that Rambus’ deliberate and strategic failure to disclose its SEPs undermined the confidence in the standard-setting process and, more importantly, resulted in supra-competitive royalties. Therefore, the EC preliminarily construed the patent ambush as excessive pricing in violation of Article 102 of the TFEU. Accordingly, the EC’s theory of harm did not include any reference to the exclusionary object or effect of Rambus’ conduct.\(^\text{43}\) The EC did not establish that Rambus had indeed abused a dominant position but instead made legally binding commitments offered by Rambus pursuant to which it offered to negotiate five-year licences and introduced a maximum royalty rate.\(^\text{44}\)

To minimise the risk of patent ambush, the European SSOs – in collaboration with the EC\(^\text{45}\) – have all adopted IPR policies that impose, inter alia, an obligation on SEP holders to disclose their SEPs.

\[\text{vi} \quad \text{Excessive pricing of SEPs}\]

An SEP holder may also engage in abusive conduct by licensing its essential patents on supra-FRAND terms. Such excessive pricing amounts to a breach of the SEP holder’s FRAND commitment and could be considered an abuse of dominance under Article 102 of the TFEU.

However, by closing its investigation in \textit{Qualcomm},\(^\text{46}\) the EC passed up the only opportunity thus far to decide whether ‘mere’ supra-FRAND pricing of SEPs can constitute an abuse of dominance. Instead, it noted that the case had raised ‘complex’ issues and that regulators should be ‘careful about overturning commercial agreements’.\(^\text{47}\)

\textit{Qualcomm} demonstrates the difficulty of pursuing supra-FRAND pricing as a purely exploitative abuse. Indeed, despite the EC’s Horizontal Guidelines providing some guidance on potential methods of determining FRAND royalties for SEPs,\(^\text{48}\) it remains difficult to establish what constitutes a FRAND rate, in particular if one accepts that not all technologies covered by SEPs contribute the same added value to a given standard. It remains an open question as to how the EC would determine that royalties actually charged were significantly above FRAND.

By requiring potential licensees to pay excessive royalty fees under the threat of an injunction, SEP holders could prevent effective access to the adopted standard.\(^\text{49}\) Therefore, the threat or act of seeking injunctions has been considered by the EC as having the potential

\(^{43}\) Under EU competition law, a dominant undertaking that imposes excessive prices infringes Article 102 of the TFEU.

\(^{44}\) Case COMP/38.636, Rambus, Paragraph 71.

\(^{45}\) For example, the European Telecommunications Standardisation Institute changed its standard-setting rules to strengthen the requirement for early disclosure of essential IPRs, after the EC had expressed concerns that these rules did not sufficiently protect against the risk of patent ambush (Press Release 12 December 2005, IP/05/1565, http://europa.eu/rapid/press-release_IP-05-1565_en.htm?locale=en).

\(^{46}\) Case COMP/39.247, Texas Instruments/Qualcomm.


\(^{48}\) Horizontal Guidelines, Paragraphs 289 and 290.

\(^{49}\) Horizontal Guidelines, Paragraphs 269 and 287.
to anticompetitively exclude, as well as exploit (through eliciting supra-FRAND royalty rates) potential licensees. At this point, it is not clear how the EC would deal with a pure excessive pricing complaint relating to SEPs.

V INTELLECTUAL PROPERTY AND MERGERS

Under the EUMR, the EC assesses whether a notified concentration would lead to a significant impediment to effective competition, including through creating or strengthening a dominant position in the EEA.

Pursuant to Article 3(1) of the EUMR, a concentration arises ‘where a change of control on a lasting basis results from: (a) the merger of two or more previously independent undertakings or parts of undertakings, or (b) the acquisition, by one or more persons already controlling at least one undertaking, or by one or more undertakings . . . of direct or indirect control of the whole or parts of one or more other undertakings.’

Below we focus on: (1) when the change of control of IP assets, such as patents, know-how, trademarks and copyrights may trigger or contribute to triggering EU merger control; and (2) when the parties may be required to modify a proposed transaction and, in particular, when IPRs may be subject to divestment or licensing by the parties for the transaction to be cleared.

i Transfer of IP rights constituting a merger

The acquisition of intangible assets such as brands, patents or copyrights may be considered a concentration within the meaning of the EUMR if the assets constitute a business with a market turnover. In the case of a transfer of licences for brands, patents or copyrights, without additional assets, such licences are exclusive ‘at least in a certain territory’ and transfer the turnover-generating activity. Furthermore, the granting of licences and the transfer of licences must be effected on a lasting basis (i.e., it must be capable of resulting in a structural change in the market). However, ‘lasting’ need not mean the transfer is permanent or of indefinite duration.

The EC confirmed this approach in Microsoft/Yahoo! Search Business, finding that Microsoft’s proposed acquisition of a 10-year exclusive licence to Yahoo!’s core search technologies amounted, together with the transfer of employees and customers to Microsoft, to the acquisition of the whole or a part of a business to which market turnover can be attributed.

51 EU Merger Regulation, Article 2(2).
52 EU Merger Regulation, Article 3(1). In this chapter, the term ‘merger’ will be construed broadly to encompass any concentration falling within the EU Merger Regulation.
54 Case No. COMP/M.5727, Microsoft / Yahoo! Search Business, decision of 18 February 2010, Paragraphs 5 and 14–19. Similarly, in a decision falling within the scope of the previously applicable Council Regulation (EEC) No. 4064/89 of 21 December 1989 on the control of concentrations between undertakings, the EC found that the acquisition of assets, including a reputable brand name, constituted a concentration within the meaning of the applicable Regulation: see Case No. IV/M.890, Blokker/Toys ’R’ Us (II), decision of 26 June 1997, Paragraphs 12–16.
The transfer of IPRs may also amount to a concentration in the case of the creation of a full-function joint venture that performs, on a lasting basis, ‘all the functions of an autonomous economic entity’. \(^{55}\) In such circumstances, the joint venture must have sufficient resources, including intangible assets such as IPRs, to operate independently in a market. \(^{56}\) Furthermore, the extension of the scope of an existing joint venture through the significant addition of IPRs may be considered a new concentration within the meaning of the EUMR if the assets constitute a business generating a market turnover. \(^{57}\)

On 16 June 2015, in PRSfM/STIM/GEMA/JV, the EC approved the proposed creation of a joint venture for cross-border online music licensing and copyright administration services by three UK, Swedish and German music collecting societies. \(^{58}\) The parties provided the joint venture with sufficient resources to operate independently as a business, including all IPRs held by them. The EC concluded that the transaction fulfilled the requirements of a full-function joint venture and, therefore, constituted a concentration within the meaning of the EUMR.

\section*{ii Remedies involving divestitures of intellectual property}

If the EC concludes that a notified concentration raises serious doubts as to its compatibility with the internal market, the parties may seek to resolve the EC’s concerns by offering commitments (or remedies), and thereby seek to obtain regulatory clearance of their concentration. \(^{59}\) Following the modification of the concentration, the EC may declare the concentration compatible with the internal market and may attach certain conditions and obligations to its decision to ensure the parties’ compliance. \(^{60}\)

The EC draws a distinction between two types of remedies that may involve IP divestitures or exclusive licensing; and granting access to IPRs to third parties on a non-discriminatory basis.

\subsection*{Divestiture or exclusive licensing of IPRs}

The EC’s decisional practice confirms its preference for divestiture commitments as a suitable remedy, as such remedies eliminate the possibility of an ongoing relationship between the parties and their competitors. \(^{61}\) IPRs are often included in the remedy package that the merging parties offer to divest to secure a merger control clearance. For instance, in Assa Abloy/Agta Record, the parties offered to divest Agta Record’s automatic pedestrian doors business in specific countries to a competitor, including a licence to market Agta Record’s automatic pedestrian door products or use of Agta Record’s brands in identified territories, or both, and an overall licence to access and use Agta Record’s technology in connection with their products.

\(^{55}\) EU Merger Regulation, Article 3(4).
\(^{56}\) Consolidated Jurisdictional Notice, Paragraph 94.
\(^{57}\) Consolidated Jurisdictional Notice, Paragraphs 106–108.
\(^{58}\) Case No. COMP/M.6800, PRSfM/STIM/GEMA/JV, decision of 16 June 2015.
\(^{59}\) EU Merger Regulation, Articles 6(2) and 8(2).
\(^{60}\) EU Merger Regulation, Recital 30, Articles 6(2) and 8(2).
\(^{61}\) Case No. COMP/M.7737, Honeywell/Elster, decision of 21 December 2015; Case No. COMP/M.7585, NXP Semiconductors/Freescale Semiconductor, decision of 17 September 2015; Case No. COMP/M.7559, Pfizer/Hospira, decision of 4 August 2015; Case No. COMP/M.7499, Altec/PT Portugal, decision of 20 April 2015; Case No. COMP/M.7420, ZF/TRW, decision of 12 March 2015. See also EC notice on remedies acceptable under Council Regulation (EC) No. 139/2004 and under Regulation (EC) No. 802/2004 (the Remedies Notice), Section III,i, and Paragraph 38.
with the manufacturing of automatic pedestrian doors. Similarly, in GlaxoSmithKline/Pfizer Consumer Healthcare Business, the divestment business consisted not only of a range of products and the dedicated manufacturing facility, but also of ‘all intellectual property rights relating to existing and legacy products […] and R&D or pipeline projects’ relevant to the divested product range, which included trademarks, design rights, copyrights, patents and rights to domain names.

Licensing arrangements may be deemed a suitable alternative in certain cases in which a divestiture of IPRs would not be feasible – for example, because of the characteristics of the technology or rights concerned, or where it would obstruct ongoing research. In GlaxoSmithKline/Novartis Vaccines Business (excl. Influenza)/Novartis Consumer Health Business, the EC accepted the granting of an exclusive and perpetual trademark licence for the Nimenrix vaccine to the purchaser as opposed to a full trademark divestiture, given the importance of the IPRs to the merged entity’s retained business. The EC has stated that licensing remedies should be as effective as divestitures in enabling the licensee to compete with the merged entity.

Finally, the EC reaffirmed the acceptability of the scarcely used rebranding commitments in Merck/Sigma-Aldrich. Such commitments entail the granting of an exclusive, time-limited licence to use a brand. During the time of the exclusive licence the licensee is expected to develop its own new brand. The idea is that the temporary licence will enable the licensee to capture the licensor’s market share and maintain it via re-branding or substitution by another trademark. For example, in GlaxoSmithKline/Pfizer Consumer Healthcare Business, GlaxoSmithKline granted the purchaser of the divestment business a temporary licence to certain trademarks to allow the purchaser to meet the regulatory requirements for marketing the products under its own trademarks. The non-exclusive nature of the licence was presumably due to the trademarks concerned, which included the ‘Pfizer’ trademark. Licences for rebranding purposes may also be granted as part of commitments in the other direction, where the purchaser of the divestment business is granted a full licence, with a temporary licence back to the seller of the business for the purpose of rebranding products that were not being divested.

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63 Case No. COMP/M.9274, GlaxoSmithKline/Pfizer Consumer Healthcare Business, decision of 10 July 2019, Schedule 1 of the Commitments.
64 Remedies Notice, Paragraph 38.
67 Remedies Notice, Paragraph 38.
68 Case No. COMP/M.7435, Merck/Sigma-Aldrich, decision of 15 June 2015.
69 Remedies Notice, Paragraphs 39–42.
70 Case No. COMP/M.9274, GlaxoSmithKline/Pfizer Consumer Healthcare Business, decision of 10 July 2019, Schedule 1 of the Commitments.
71 Case No. COMP/M.7737, Honeywell/Elster, decision of 21 December 2015, Paragraphs 265–269; Case No. COMP/M.7292, DEMB/Mondelez/Charger OpCo, decision of 5 May 2015, Paragraphs 702–706, in which the EC additionally stresses the importance of ensuring the proportionality of remedies to the relevant competition concern identified by the EC.
Access to IPRs

The EC’s competition concerns may also be resolved if the parties commit to grant, on a non-discriminatory and transparent basis, access to IPRs, to third parties who may depend on the IPRs for their activities in a downstream market. Such an alternative remedy must have effects at least equivalent to a divestiture of the IPRs.

This type of remedy may, for instance, require parties to commit to the disclosure of certain necessary information, such as information required for the interoperability of different systems or equipment, or to the granting of non-exclusive licences to their competitors on terms that would not distort competition. For instance, the EC considered in Dentsply/Sirona that the parties’ commitments adequately addressed its competition concerns following the parties’ offer to extend Sirona’s existing licensing agreements with its competitors on the same conditions as prior to the concentration by 10 years, as well as to provide the necessary know-how to these suppliers for the same length of time. More recently, the EC cleared the acquisition of Bonnier Broadcasting by Telia subject to the commitment that post-transaction Telia would license to third parties TV channels and ancillary rights, network video recorder rights, and over-the-top (OTT) rights on FRAND terms.

VI OTHER ABUSES

While these types of conduct can potentially emerge in any industry that relies on IP rights, we will focus on the pharmaceutical sector, which has generated the vast majority of precedents. Indeed, the EC 2009 report on its PSI identified the below types of conduct as part of the ‘toolbox’ that originator pharmaceutical companies (i.e., pharmaceutical companies marketing patented branded products) may use to delay or restrict the entry of generic medicines (i.e., non-branded medicines, which are identical (bioequivalent) to a branded drug in dosage, safety, strength, etc.).

i Sham or vexatious IP litigation

Under Article 102 of the TFEU, in specific circumstances, dominant companies may be deprived of the right to adopt a course of conduct that is not in itself abusive and that would even be unobjectionable if adopted by non-dominant companies.

This can include fundamental rights, such as the right of access to a court. Under exceptional circumstances, instigating litigation, can amount to an abuse of dominance.

72 Remedies Notice, Paragraphs 62 and 65. Recent examples include: Case No. COMP/M.7873, Wordline/Equens/Paysquare, decision of 20 April 2016; Case No. COMP/M.7822, Dentsply/Sirona, decision of 25 February 2016.

73 Remedies Notice, Paragraph 61.

74 Case No. COMP/M.7822, Dentsply/Sirona, decision of 25 February 2016.

75 EC press release is available at https://ec.europa.eu/commission/presscorner/detail/en/IP_19_6271. For an example of the EC’s analysis of the licensing of TV rights that did not give rise to competition concerns see Case No. COMP/M.9416, Bolloré Group/M7 Group, decision of 5 September 2019.

76 EC Communication, Executive Summary of the Pharmaceutical Sector Inquiry Report (8 July 2009), 3.2.1 ff.


78 See Article 47 of the Charter of Fundamental Rights of the EU.
In its 1998 ITT Promedia ruling, which it upheld in Protégé International,79 the GC confirmed the exceptional nature of ‘predatory litigation’ and established that bringing legal proceedings may be abusive under the following two cumulative conditions:

a. legal proceedings brought cannot reasonably be considered as an attempt to assert rights of the undertaking concerned and can, therefore, only serve to harass the other party; and

b. the action in question is conceived in the framework of a plan whose goal is to eliminate competition.

According to the GC, the actual validity or existence of the rights asserted is irrelevant in determining whether the court action is abusive. Instead, the GC inquires whether the legal action was intended to assert what the undertaking could, at that point in time, reasonably consider to be its rights.

The GC further ruled that a claim for the performance of a contractual obligation can be abusive if it ‘exceeds what the parties could reasonably expect under the contract or if the circumstances applicable at the time of the conclusion of the contract have changed in the meantime.’80

The CJEU’s ruling in Genentech Inc v. Hoechst GmbH81 provided insight into the circumstances under which EU competition law precludes parties from enforcing patent licensing agreements, and requiring royalties, even after the invalidation of the patent. An agreement to pay a licence fee, nevertheless, remains payable in the case of invalidity, revocation or non-infringement provided that the licensee remains free to terminate the agreement by giving reasonable notice.

ii Misuse of the patent process

The EU courts have recognised that patent holders, including dominant ones, are generally free to obtain and exercise patent rights save in exceptional circumstances. However, in situations where a dominant firm seeks fraudulently to obtain patent protection, or where it seeks artificially to expand the effective scope or term of patent protection, Article 102 of the TFEU may apply.

The key EU precedent remains the CJEU’s AstraZeneca judgment,82 which upheld a GC judgment and EC decision finding that AstraZeneca had abused its dominance in two ways:

a. making false representations to patent authorities in various EEA Member States fraudulently to obtain or maintain supplementary protection certificates (SPCs) for its anti-ulcer medicine, Losec; and

81 Case C-567/14, Genentech Inc v. Hoechst GmbH, judgment of 7 July 2016, ECLI:EU:C:2016:526. This case was brought as a request for a preliminary ruling by the Paris Court of Appeal.
submitting requests to deregister the marketing authorisation for Losec capsules in Denmark, Norway and Sweden in combination with the withdrawal of Losec capsules from the market and the launch of ‘new-generation’ Losec tablets, thereby preventing generic competitors from relying on that marketing authorisation to enter the market.

SPCs effectively extend patent protection for the active substance in a drug to compensate for the time the right holder originally loses during mandatory marketing authorisation processes. In applying for SPCs, AstraZeneca had provided misleading information about the timing of obtaining its first marketing authorisation in the EU, which could result in the relevant authority granting longer SPC protection.

The CJEU held that where it is established that behaviour is objectively of such a nature as to restrict competition, the question of whether it is abusive in nature cannot depend on the contingencies of the reactions of third parties. Therefore, the fact that certain public authorities were not misled by AstraZeneca’s false representations did not negate the abusive nature of AstraZeneca’s conduct.84

AstraZeneca’s second abuse marked the first time the EC dealt with ‘evergreening’ or ‘product-hopping’ practices.85 These practices involve incremental reformulations of first-generation drugs to shield them from generic competition. Such incremental reformulations are presented as innovations to preserve patent protection, typically through the launch of a second-generation product to which sales are shifted before generic medicines competing with the originator’s first-generation product enter the market.

AstraZeneca’s attempt to deregister Losec capsules was found to affect generic entry in two ways. First, suppliers of generic alternatives could no longer use Losec capsules as a reference product to benefit from the abridged marketing authorisation process.86 The abridged market authorisation process allows manufacturers of generics to refer to the results of the originator’s pharmacological and toxicological tests and clinical trials, thus avoiding repetition of tests, saving resources and expediting market entry. Although owners of original proprietary medicines typically enjoy a right of exclusive use of the test results for a limited period (usually six to 10 years from the grant of the first market authorisation in the EU), this period had already lapsed in AstraZeneca’s case. Second, demand was shifted away from generics and towards the new (patent-protected) Losec tablets before generics could enter the market, thus reducing their viability upon entrance.

The CJEU ultimately found that deregistering Losec’s market authorisation did not qualify as competition on the merits or protection of AstraZeneca’s legitimate commercial interests. AstraZeneca had failed to show that its deregistrations of Losec marketing authorisations were commercially necessary (or even useful).87

85 These practices were also identified in the EC’s Pharmaceutical Sector Inquiry. See EC Communication, Executive Summary of the Pharmaceutical Sector Inquiry Report (8 July 2009), 3.2.6.
With regard to both abuses, the GC confirmed that while abuse of dominance is an objective concept, intention to cause harm nonetheless remains a ‘relevant factor which may . . . be taken into consideration’\(^{88}\) in establishing an abuse.

AstraZeneca makes clear that the manner in which an undertaking acquires IP protection can amount to a competition law violation.\(^{89}\) The exploitation of ‘loopholes’ in the regulatory system may entail a significant antitrust risk even in the absence of intent to affect competition on the market.

iii Anticompetitive settlements of IP disputes

Settlements between patent holders and firms challenging patent validity are common and generally recognised as efficient tools to resolve patent disputes: they are cost-effective and provide legal certainty to the parties.\(^{90}\)

Nonetheless, competition concerns can arise where the defendant’s claims challenging validity or infringement of the defendant’s patent, or both, are sufficiently strong not to warrant concessions from the plaintiff in relation to the timing and scale of market entry.

Patent settlements between originator companies and would-be generic entrants have come under scrutiny in the pharmaceutical sector. In a typical patent settlement scenario, a generic pharmaceutical company seeks to enter a market still protected by an originator company’s patent. The generic company challenges the validity and infringement of the originator’s patent, with both challenges having an uncertain outcome. The originator and the generic supplier settle their dispute, as part of a broader strategy to hinder generic competition, with the generic supplier agreeing not to enter before a specific date – typically earlier than the date of patent expiry. The settlement usually involves some form of payment by the originator to the generic company. Such settlements are known as ‘reverse payment patent settlements’ or ‘pay-for-delay settlements’. Such settlements benefit the originator, who reaps additional profits from prolonged market exclusivity, while it compensates the generic company.

Prior to the 2009 PSI Report, the compatibility of reverse payment patent settlements with EU competition law was considered a ‘legal grey area’.\(^{91}\) While the EC did not provide substantial guidance in its PSI report, it nevertheless identified patent settlements that limit generic entry, and cumulatively involve value transfers from originators to generic companies as warranting particular antitrust scrutiny.\(^{92}\)

\(^{88}\) id., Paragraph 359. See also Paragraph 813.

\(^{89}\) Case COMP/A. 37.507/F3, AstraZeneca, decision of 15 June 2005, Paragraphs 742 and 743.


\(^{91}\) According to a 28 January 2004 press release by the Danish Competition Authority, which at the time, together with the EC, was investigating a series of settlement agreements between Lundbeck and generic companies. The press release is available at www.kfst.dk/afgoerelser-ruling/konkurrenceomraadet/styrelsesafgoerelser/2004/undersoegelse-af-lundbeck/.

Contrary to cases involving misuse of the patent process, the EU courts have been reticent in expressing their views on pay-for-delay cases. However, European case law on this subject has developed significantly in the past years, including a first CJEU ruling in 2020.

In *Lundbeck*, the EC provided its first analysis of pay-for-delay agreements. The EC found that six (relatively short-term) patent settlements between originator Lundbeck and various companies intending to market generic versions of citalopram had as their object the restriction of competition in violation of Article 101 of the TFEU.

Pursuant to these settlement agreements, Lundbeck agreed to make cash payments to the generic companies, or guarantee certain profits for them under distribution agreements or purchase their citalopram stock (to take it out of circulation), or a combination of these. The EC alleged that, in return, the generic companies agreed to delay their entry in the EEA.

The EC based its finding on three key elements:

- at the time of the settlements, Lundbeck and the generic companies were at least potential competitors in the EEA as the validity and infringement of Lundbeck’s challenged patents were highly uncertain;
- considerable value was transferred from Lundbeck to the generic companies, substantially reducing their incentive to continue independent efforts to enter the market and to challenge the validity of the patents; and
- there was a link between the value transfer and the generic companies’ decision to limit efforts for independent entry.

The GC dismissed the appeals of Lundbeck and others in its ruling, confirming the EC’s decision and the fines imposed.

Notably, the GC confirmed the EC’s view that agreements such as those that Lundbeck signed with the potential generic entrants can constitute by-object infringements of competition law if combined with a series of factors, principal among which are reverse payments to the potential generic entrants. This is because these agreements replace the

93 See Section VI.ii.
94 Case C-307/18, *Generics (UK) Ltd and Others v. Competition and Markets Authority*, ECLI:EU:C:2020:52. This case is set out in more detail below.
96 id.
97 Following up on the PSI, the EC has been closely monitoring patent settlement activity in the pharmaceutical sector. The latest Report on the Monitoring of Patent Settlements covers the year 2016, was published in March 2018 and is available at: [https://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/patent_settlements_report8_en.pdf](https://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/patent_settlements_report8_en.pdf).
98 Case COMP/AT.39226, *Lundbeck*, decision of 19 June 2013, Paragraph 661. A series of other important factors also taken into account by the EC were: the fact that value transferred by Lundbeck took into consideration the turnover or the profit the generic company expected had it successfully entered the market; the fact that Lundbeck could not have obtained the limitations on entry through enforcement of its process patents, the obligations on the generic undertaking in the agreement going beyond the rights granted to holders of process patents; and the fact that the agreement contained no commitment from Lundbeck to refrain from infringement proceedings if the generic undertaking entered the market with generic citalopram after expiry of the agreement.
100 Again, a by-object infringement concerns conduct that is, by its very nature, harmful to the functioning of competition without the need to demonstrate (actual or potential) anticompetitive effects.
uncertainty of litigation over the validity and infringement of Lundbeck’s patent with the certainty that the generic companies will not enter the market. To reach this conclusion, the GC relied on various factors, including an analysis of whether the generic companies could be considered Lundbeck’s potential competitors and under what circumstances a reverse payment is compatible with competition law. The GC analogised Lundbeck’s agreements to market exclusion agreements.

The GC also ruled that the restrictions contained in Lundbeck’s agreements were not objectively necessary to protect Lundbeck’s IP rights (which would justify these restrictions under the ancillary restrictions test).101

Finally, the GC gave useful guidance on the legal test for determining under which circumstances the generic drug manufacturers with which Lundbeck concluded patent settlements could be considered ‘potential competitors’ of Lundbeck’s patented or branded drug. As noted above, the existence of potential competition between the generic drug manufacturers and the patented or branded drug manufacturer is one of the conditions for a reverse patent settlement to be found anticompetitive. The GC ruled that a generic company can be considered a potential competitor if it has real, concrete possibilities of entering the market. The GC noted that the fact that the branded drug has an existing patent (which is presumed valid) does not necessarily mean that generic companies are not potential competitors. As long as generic companies can objectively launch generic versions of the branded drug, even ‘at risk’ of infringing the branded drug’s patent, they are considered potential competitors of the branded drug. In short, even the possibility of an at-risk launch of a generic drug is considered by the GC as an expression of potential competition.102

In addition, contrary to the classic test for potential competition, which requires entry within a short period, the GC in Lundbeck accepted that potential competition could already exist several years before the expiry of the patent (at the time when the generic company begins development efforts for a generic version of the patented drug). The GC’s judgment has received criticism on this point, as it could result in generics that are more than five years away from entry being considered potential competitors of the branded drug.

The parties raised various arguments in defence of the reverse patent settlements. In particular, the generic companies argued that other reasons prevented them from entering the market, such as the fact that some of them had not obtained a marketing authorisation. The GC did not consider these arguments credible and instead noted that Lundbeck’s willingness to enter into patent settlements indicated that it saw the generic manufacturers as a potential competitive threat.103 The parties also argued that the settlements could lead to efficiency gains. The GC held however that the efficiency gains were not proven by the parties to the required standard of proof. In relation to the imposition and level of the fine, the GC held that it was not unforeseeable by the parties that the agreements were anticompetitive at the time of conclusion, and so the imposition of a fine was warranted. The fact that the EC in

101 A contractual restriction can escape the Article 101(1) of the TFEU prohibition if it is ancillary to a main agreement that is itself not anticompetitive in nature and the main agreement would be impossible to carry out without the existence of the restriction in question. The fact that the main agreement would simply be rendered more difficult to implement/less profitable without the restriction in question is not sufficient to make the restriction lawful (see Case C-382/12, MasterCard and Others v. Commission, EU:C:2014:2201, Paragraph 91).


103 id., Paragraph 168 et seq.
2005 had expressed doubts as to whether the agreements were in fact anticompetitive did not make a difference in this respect, as this was merely a preliminary assessment, and significant emphasis was placed on the size of the reverse payment as a relevant factor.

Lundbeck has appealed the GC’s judgment to the CJEU. An oral hearing was conducted by the CJEU in January 2019 and a final judgment is expected in 2020.

In July 2014, the EC fined originator Servier and five generic companies for having concluded patent settlements aimed at delaying entry of generic versions of the cardiovascular medicine perindopril. As in Lundbeck, the EC found that Servier’s settlements violated Article 101 of the TFEU by object. However, unlike Lundbeck, the EC based its infringement decision against Servier also on Article 102 of the TFEU: the EC found that Servier had not only induced the settlements, but had also acquired (scarce) technology essential to generic entry.

On appeal, the GC confirmed the EC’s ruling that most of Servier’s practices violated Article 101 of the TFEU, as they stifled the market entry of, and consumer access to, more affordable generic drugs. While the GC emphasised that settlement agreements in patent lawsuits are not necessarily contrary to competition law and should generally be encouraged, when the generic company is granted benefits inducing it to refrain from entering the market or raising challenges against the originator’s patent, such inducement is a restriction of competition. Therefore, the GC upheld the EC’s decision that most of the settlement agreements between Servier and the generic companies infringed Article 101 of the TFEU. With respect to the settlement agreement between Servier and one of the generic companies, Krka, the GC rejected the EC’s finding of an Article 101 violation, disagreeing with the argument that Servier’s arrangement with Krka induced the latter to withdraw from the market.

The GC also signalled a change in approach towards the application of Article 102 of the TFEU. According to the GC, the EC manifestly erred in its overly narrow assessment of market definition, and reversed the EC’s finding of an abuse of dominance.

On 17 July 2017, the EC issued a statement of objections to Teva and Cephalon for entering into a reverse patent settlement in 2005 regarding the sleeping disorder drug modafinil. The EC’s final decision remains pending.

On 30 January 2020, the CJEU clarified for the first time, by means of a preliminary ruling, the conditions under which a patent settlement agreement can be found to infringe Articles 101 and 102 of the TFEU. The case was referred to the CJEU by the UK Competition Appeal Tribunal (CAT), which had been called to rule on whether the UK

104 Case COMP/AT.39612, Perindopril (Servier), decision of 9 July 2014.
105 Case T-691/14, Servier SAS and Others v. Commission.
106 This is because IPRs are protected by both the Charter of Fundamental Rights and the presumption of IPR validity.
107 This reversal amounts to a rare intervention of the traditionally deferential GC in the EC’s review of market definition.
109 Case C-307/18, Generics (UK) Ltd and Others v. Competition and Markets Authority, ECLI:EU:C:2020:52.
Competition and Markets Authority had lawfully fined various manufacturers of generic medicines and GlaxoSmithKline around £45 million for delaying the entry of generic versions of paroxetine through patent settlement agreements.110

The CAT referred to the CJEU questions on the circumstances under which a generic company and an originator can be considered potential competitors, as well as the criteria that need to be met for a settlement agreement to qualify as a ‘restriction by object’ and a ‘restriction by effect’ under Article 101 of the TFEU; and an abuse of dominance under Article 102 of the TFEU.111

Adopting a similar reasoning as the GC in Lundbeck, the CJEU ruled that a generic company and an originator are potential competitors where ‘it is established that the manufacturer of generic medicines has in fact a firm intention and an inherent ability to enter the market, and that market entry does not meet barriers to entry that are insurmountable …’112 It needs to be determined whether, at the time when the agreement was entered into, the generic company had taken sufficient preparatory steps to enable it to enter the market within such a period of time as would impose competitive pressure on the originator.113 The CJEU added that the existence of a patent cannot, as such, be regarded as an insurmountable barrier to entry, because it does not prevent a generic company from challenging the validity of that patent and from launching its generic medicine ‘at risk’;114 and in the pharmaceutical sector, potential competition may be exerted before the expiry of the originator’s patent because generic companies want to be ready to enter the market as soon as that patent expires.115

In the same judgment, the CJEU found that while a patent settlement agreement cannot be considered a restriction by object in all cases,116 such characterisation must be adopted where the transfers of value contained in such agreement – whether pecuniary or non-pecuniary – can have no explanation other than the commercial interest of the parties

110 Case CE-9531/11, Paroxetine, CMA decision of 12 February 2016. In particular, these agreements led to (1) a commitment by the generic companies not to enter the market and not to manufacture or import, or both, the generic medicines under the patent at issue, as well as not to persist in their challenge of that patent for the duration of the agreements; (2) the conclusion of a distribution agreement enabling the generic companies to enter the market with a limited quantity of generic paroxetine manufactured by GSK; and (3) the payment by GSK to the generic companies of sums of money in various forms.


112 id., Paragraph 58.

113 id., Paragraph 43. Such steps may include measures taken to obtain the required administrative authorisations for the marketing of the generic medicine or to build up an adequate stock of the generic medicine. They may also include all legal steps undertaken by the generic company to challenge the originator’s patent.

114 Case C-307/18, Generics (UK) Ltd and Others v. Competition and Markets Authority, ECLI:EU:C:2020:52, Paragraph 46.

115 id., Paragraph 51.

116 Moreover, the CJEU recognised that transfers of value included in settlement agreements may be justified, in particular, where (1) the payments correspond to compensation for the costs of or disruption caused by the litigation between the generic company and the originator; (2) the payments correspond to remuneration for the actual supply of goods or services to the originator; or (3) the generic company discharges financial undertakings given by the patent holder, such as a cross-undertaking in damages (id., Paragraph 86).
to that agreement not to engage in competition on the merits.117 To that end, it must be determined whether the net gain from the transfers of value is sufficiently large to encourage the generic companies not to enter the market.118 The fact that the settlement agreement does not exceed the scope and the remaining period of validity of the patent or that there is uncertainty as to the validity of the patent (e.g., due to court proceedings) cannot exclude a restriction by object characterisation.119 More importantly, the CJEU ruled that any pro-competitive effects arising from the agreement must be taken into account, provided that those effects are demonstrated, relevant, and specifically related to the agreement at issue. However, the CJEU immediately stressed that the consideration of pro-competitive effects is merely intended to determine whether such effects are capable of giving rise to a reasonable doubt that the settlement agreement causes a sufficient degree of harm to competition.120

The CJEU furthermore observed that if the referring court were to find that the patent settlement agreements at issue do not constitute a restriction by object, it would be necessary to determine how the market would operate and be structured in the absence of the agreements in order to establish a ‘restriction by effect’. However, pursuant to the CJEU’s ruling, such characterisation does not require demonstrating that in the absence of the agreements at issue, either the generic company would have been successful in patent proceedings, or the parties to the agreement would have concluded a less restrictive agreement.121

Finally, the CJEU confirmed that settlement agreements may amount to an abuse of dominance and therefore violate Article 102 of the TFEU. More specifically, the CJEU held that such agreements constitute an abuse of dominance where, taking into account possible cumulative effects, the conclusion of such agreements is part of an overall contract-oriented strategy capable of having exclusionary effects (i.e., by reserving the market directly or indirectly to the originator and thus depriving consumers of the benefits of generic entry), going beyond the specific anti-competitive effects of each of the agreements that form part of that strategy.122

Patent settlements are driven by the parties’ commercial considerations and thus come in many forms. Attempting to delineate some overarching rules, the EC stated in Lundbeck that ‘settlements which are based purely on each party’s assessment of the strength of the patent’123 are, in principle, safe from prosecution, while limitations on the generic company’s commercial autonomy achieved through ‘inducements from the originator . . . aligning previously competing interests’ may give rise to a by object restriction of competition.124

Determining whether generic suppliers present at least potential competition opens the door for the EC to tread dangerously close to assessing patent validity.125 Potential competition is established when it is ‘based on realistic grounds’ while ‘the mere theoretical

117 id., Paragraphs 84–90.
118 id., Paragraphs 91–93.
119 id., Paragraphs 96–102.
120 Case C-307/18, Generics (UK) Ltd and Others v. Competition and Markets Authority, ECLI:EU:C:2020:52, Paragraphs 103–110.
121 id., Paragraphs 120–122.
122 Case C-307/18, Generics (UK) Ltd and Others v. Competition and Markets Authority, ECLI:EU:C:2020:52, Paragraphs 157 and 172.
123 Case COMP/AT 39226, Lundbeck, decision of 19 June 2013, Paragraph 659.
124 ibid. This approach is similar to the EC’s approach to ‘coexistence agreements’ between trademark owners; see Section III.vi.
125 See, for instance, the EC’s analysis in Lundbeck, ibid, Paragraphs 667–671.
possibility to enter a market is not sufficient’.

*Lundbeck* confirms that the possibility of invalidity of the originator’s patent can be included in these ‘realistic grounds’. According to the EC, this is reconcilable with the presumption of patent validity as reiterated by the CJEU in *AstraZeneca*.127

The EC and the courts have interpreted the notions of ‘limiting entry’ and ‘value transfer’ broadly.128 ‘Limiting entry of generic competition’ could range from an absolute restriction on entry to limited forms of non-immediate or non-independent entry.129 Similarly, ‘value transfers’ are not limited to direct monetary payments, but can also include more covert transfers of value.130 A value transfer that cannot be adequately explained by or that considerably exceeds the value of the generic company’s counter-performance will be, therefore, less easily defensible.131

**VII OUTLOOK AND CONCLUSIONS**

The EC and the CJEU are continuing to monitor the enforcement of EU competition laws involving IPRs, most notably in relation to disputes over the possible infringement of SEPs and potentially anticompetitive pay-for-delay arrangements in the pharmaceutical sector, but also in relation to EU merger control. There seems to be a continuing trend whereby competition laws override IPRs where their exercise threatens the technical development of products and stifles innovation.

The 2015 *Huawei* judgment evokes new questions and has left many issues unsolved including: (1) the exact meaning of FRAND terms and, particularly, as to what ‘reasonable’ means with respect to royalties; (2) whether the judgment applies to portfolio licensing or cross-licensing; and (3) whether an SEP confers a dominant position on an SEP holder. While the 2017 policy paper published by the EC provides behavioural criteria that can be used to assess whether a licensee can be considered willing to enter into a licence on FRAND terms, there remains substantial uncertainty around the definition of FRAND.

The GC’s first ruling on the legality of reverse patent settlements confirmed that under specific circumstances these can constitute by-object infringements of competition law. The CJEU held an oral hearing on Lundbeck’s appeal in January 2019, and the CJEU’s final decision is expected in 2020.

As part of the Digital Single Market Strategy and having published the final report of the e-commerce sector inquiry, the EC intends to use the findings to target enforcement of

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129 For instance, entry as an exclusive distributor of the originator.
130 In *Servier*, the EC found a value transfer to have occurred because Servier granted a licence to a generic company for specific EU Member States, which, in return, agreed to cease efforts to launch its generic perindopril in all other EU national markets.
EU competition law at the most widespread, potentially infringing business practices that have emerged or evolved as a result of the growth of e-commerce. Geo-blocking in particular is relevant in the context of the intersection of competition law and IPRs.
Chapter 5

FRANCE

David Por and Florence Ninane

I INTRODUCTION

French competition law is codified in Book IV of the French Commercial Code (FCC). It is largely similar in substance to EU competition law, which directly applies in cases that may affect trade between EU Member States. The most important French antitrust provisions are Articles L420-1 and L420-2 of the FCC, which are the domestic equivalents of Articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU) respectively. There is no domestic legal or statutory provision dealing specifically with the interplay between intellectual property (IP) law and competition law. As a result, the rules applicable in this domain are largely based on European and French case law.

II YEAR IN REVIEW

Over recent years, the main developments affecting the interplay between IP and antitrust laws have occurred at the European level, with the General Court’s first rulings on ‘pay-for-delay’ agreements. After the expiry of its patent for a medical molecule used in antidepressant medicines, Lundbeck concluded agreements with different companies active in the sale of generic medicinal products. Under these agreements, the generic companies would stay out of the market, in exchange for different kinds of monetary and commercial consideration. The Commission considered these agreements as restrictive by their object and sanctioned both Lundbeck and the generic companies. Lundbeck and the generic companies lodged a total of six appeals against the Commission decision. The General Court endorsed the Commission’s view that Lundbeck and the generic companies were potential competitors when the agreements were concluded. It therefore ruled that the Commission was entitled to find that the agreements were restrictive by their object. Appeals are still pending before the Court of Justice of the European Union (CJEU). More recently, in a similar case, the General Court confirmed the Commission’s decision to impose fines on the French pharmaceutical company Servier and a number of producers of generic medicines for concluding a series of deals aimed at protecting Servier’s best-selling blood pressure medicine from competition by

1 David Por and Florence Ninane are partners at Allen & Overy LLP.
3 Commission Decision C(2013) 3803 final of 19 June 2013 relating to a proceeding under Article 101 of the TFEU and Article 53 of the EEA Agreement (Case AT.39226, Lundbeck).
4 Commission Decision C(2014) 4955 final of 9 July 2014 relating to a proceeding under Article 101 and Article 102 of the TFEU (Case AT 39612, Perindopril Servier).
generics in the European Union. The General Court approved the Commission’s view that the generic companies were potential competitors of Servier at the time of the agreements and that the patent settlement agreements concluded between Servier and those companies constituted market exclusion agreements restrictive of competition by object.5

Past years have also seen a significant uptake in litigation involving standard-essential patents (SEPs). These cases have been brought in the wake of the Huawei v. ZTE decision of the CJEU, which laid down a road map for SEP owners and implementers of standards.6 French courts, similar to others, have at times been hesitant about directly ruling on whether specific offered terms are in fact FRAND, or what constitute FRAND terms in a specific setting. Very recently, they have however re-opened the door for such determinations.

III LICENSING AND ANTITRUST

i Anticompetitive restraints
Under French law, anticompetitive restraints imposed in the context of licensing agreements fall under either Article L420-1 or Article L420-2 of the FCC or under the corresponding EU provisions, respectively Article 101 and Article 102 of the TFEU. This includes, inter alia, non-compete obligations, resale price maintenance, market and customer allocation. In addition, Regulations No. 330/2010 (block exemption regulation applicable to vertical restraints), No. 316/2014 (technology transfer block exemption), No. 1218/2010 (specialisation agreements) and No. 1217/2010 (research and development agreements) are directly enforceable where EU competition law applies, and the positions taken in the set of guidelines7 published by the European Commission may be relied on by the French Competition Authority (FCA) and the courts in their assessment.

Anticompetitive restraints in the context of licensing agreements may take several forms, such as abusive tying. In the audiovisual broadcasting rights sector, the FCA has found that Canal Plus, a provider of pay-TV services, abused its dominant position by subjecting its pre-purchase of exclusive broadcasting rights for French films to the producers’ commitment not to transfer the broadcasting rights for pay-per-view during Canal Plus’s exclusivity period.8 The French Supreme Court upheld this decision.9

5 General Court, 12 December 2018, T-679/14, Biogaran v. European Commission; T-679/14, Tesa UK and others v. European Commission; T-680/14, Lupin v. European Commission; T-682/14, Mylan Laboratories and Mylan v. European Commission; T-701/14, Niche Generics v. European Commission; T-705/14, Unichem Laboratories v. European Commission; and T-691/14, Servier and others v. European Commission. However, the General Court annulled the fine imposed by the Commission on Servier on the grounds of Article 102 of the TFEU as it considered that the Commission made a series of errors in defining the relevant market. In T-684/14, Krka v. European Commission, the General Court considered that the existence of an inducement by Servier in exchange for Krka’s withdrawal from the market was not established and therefore annulled the fine imposed on Servier and Krka in respect of that agreement.
6 CJEU, 15 July 2015, C-170/13, Huawei v. ZTE.
7 These guidelines include, for example, the Guidelines on Vertical Restraints (OJ C130/01 of 19 May 2010) and the Guidelines on the application of Article 101(3) TFEU (OJ C101 of 27 April 2004).
8 FCA, Decision 98-D-70 of 23 November 1998 concerning a complaint filed by Multivision and Télévision Par Satellite in the audiovisual broadcasting rights sector.
9 French Supreme Court, judgment of 30 May 2000, No. 00-17.038.

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Furthermore, resale price maintenance is prohibited by Article L420-1 of the FCC and its EU equivalent, Article 101 of the TFEU. This rule applies to distribution agreements involving products or services protected by IP rights.

ii Refusals to license

Although French law does not make any specific provision on the refusal to license, it may be considered an abuse of dominant position under Article L420-2 of the FCC and its EU equivalent, Article 102 of the TFEU.

In an opinion\(^\text{10}\) relying on *Magill*,\(^\text{11}\) the FCA considered that an IP right could be considered an essential facility. The FCA went on to find that software could be an essential facility. This would not be the case, however, where (1) the undertaking requesting to be granted access operates without the software, or (2) if equivalent software could be developed under reasonable economic conditions. The FCA\(^\text{12}\) and the Paris Court of Appeal\(^\text{13}\) consider that the price at which access is granted to the essential facility must be oriented towards costs, regardless of whether the essential facility is protected by IP rights.

In the sector of supply of teaching materials to driving schools, the FCA found that an undertaking owning IP rights on certain materials, for which it was the exclusive provider to the government, abused its dominant position by using these IP rights on a commercial basis while refusing to license them to its competitors.\(^\text{14}\)

More recently, the FCA accepted commitments from Nespresso to remove certain barriers to entry to the market for coffee capsules. The FCA found that Nespresso engaged in technical curtailing of the interoperability between its coffee machines and its competitors' coffee capsules, and that it gave customers legal and commercial incentives to use Nespresso coffee capsules exclusively.\(^\text{15}\) This decision was handed down against the background of ongoing patent litigation between Nespresso and manufacturers of compatible capsules, and the behaviour at stake involved both technical aspects (redesigns of the coffee machines that had the effect of making the entry of competing capsules more difficult) and patent strategies.

iii Unfair and discriminatory licensing

Unfair or discriminatory licensing may fall under either Article L420-1 or L420-2 of the FCC and their EU equivalents, Articles 101 and 102 of the TFEU. The FCA recently held that ongoing IP litigation with regard to certain rights cannot justify abusive discrimination on the part of a dominant undertaking. As a result, the FCA considered that a dominant undertaking abused its position by refusing to license its leading database to laboratories using the software manufactured by a specific company, while it simultaneously agreed to

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\(^{10}\) FCA, Opinion 02-A-08 of 22 May 2002, concerning the request lodged by the Association for the Promotion of Press Distribution.


\(^{12}\) FCA, Decision 04-D-34 of 22 July 2004, concerning the execution of Article 1(1) of decision 03-MC-04 of 22 December 2003.

\(^{13}\) Paris Court of Appeal, judgment of 29 June 1999, No. 1999/01269.

\(^{14}\) FCA, Decision 04-D-09 of 31 March 2004 concerning certain practices by Codes Rousseau in the sector of teaching material for driving schools.

\(^{15}\) FCA, Decision 14-D-09 of 4 September 2014 concerning practices engaged in by Nestlé, Nestec, Nestlé Nespresso, Nespresso France and Nestlé Entreprise in the espresso coffee machines sector.
license the database to laboratories using the software manufactured by competitors. This decision was upheld by the Paris Court of Appeal as well as by the French Supreme Court. It is noteworthy, however, that the Supreme Court found that the abuse was established because the refusals to license were part of a broader policy and did not only concern the company with which an IP dispute was ongoing; it left open the possibility that the existence of such an IP dispute could justify a refusal to license in a specific case, as it may constitute, depending on the circumstances, ‘a legitimate defence [of the IP right owner’s] rights’.

In addition, it established FCA practice to consider that premium TV broadcasting rights for certain sports are likely to generate many subscriptions. Commercialisation of these rights must comply with FRAND terms, and be of a limited duration. The FCA recently held that broadcasting rights for the Top 14 rugby competition qualified as premium. It then ordered the French National Rugby League and Canal Plus to suspend an agreement granting Canal Plus exclusive broadcasting rights for the Top 14 games for a period of five years. The FCA also ordered the National Rugby League to reattribute TV rights on FRAND terms. This decision was essentially upheld by the Paris Court of Appeal. However, the FCA does not easily concede the unfair nature of the attribution of TV rights. It recently rejected a complaint by Ma Chaîne Sport, which argued that the attribution of certain allegedly semi-premium TV rights by the National Rugby League to certain entities was the result of an anticompetitive agreement, and that the attribution process was discriminatory. The FCA considered that the evidence brought forward by the applicant was insufficient to establish that the defendant’s conduct was anticompetitive.

Furthermore, in an opinion, the FCA took the view that an undertaking could not use an IP right to justify engaging in a margin squeeze that would result in private operators not being able to market, at an economically reasonable price, specific products for which a demand exists.

Finally, in a decision on 9 April 2020, the French Competition Authority ordered interim measures against Google, considering that Google’s free licensing policy with press publishers and agencies may constitute a circumvention of the law of 24 July 2019, which transposed into French law the Directive of the European Parliament, and of the Council of 17 April 2019 on copyright and related rights, as well as unfair trading practices and a possible discrimination between press publishers. The purpose of these interim measures is to allow news agencies and press publishers that wish to enter into good faith negotiations with Google to discuss the terms and conditions of the re-use and display of their content, as well as the remuneration that may be associated with it. These interim measures will remain in

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16 FCA, Decision 14-D-06 of 8 July 2014 regarding certain practices by Cegedim in the medical information databases sector.
18 FCA, Decision 14-MC-01 of 30 July 2014, concerning beIN Sports France’s request for interim measures in the pay-TV sector.
20 FCA, Decision 16-D-04 of 23 March 2016 concerning certain practices in the context of the commercialisation of audiovisual rights for the Pro D2 French rugby championship.
21 FCA, Opinion 01-A-18 of 28 December 2001 concerning certain practices by INSEE in relation to the conditions of commercialisation of information from the SIRENE database.
force until the adoption by the French Competition Authority of its decision on the merits of the case. The decision is, however, not yet final but only interim; the case remains to be investigated on the merits.

iv Patent pooling

Patent pooling may have as its object or effect the restriction of competition, and may therefore fall under Article L420-1 of the FCC or Article 101 of the TFEU, or both. In a thematic study published in 2004, the FCA recognised that cross-licensing between competitors gives the undertakings concerned an opportunity to collude by partitioning the market between them or by engaging in price-fixing. However, the FCA has also considered that such agreements may be pro-competitive under certain conditions, which include, for instance, situations where the cross-licensed technologies are complementary.23 Although this position is not binding and should not be construed as a statement of the law applicable to patent pooling, it nonetheless provides guidance on how the FCA could approach the issue in a dispute.

v Software licensing

As highlighted in Section III.ii, concerning refusal to license, software may be considered an essential facility by the FCA or by French courts. This question was addressed extensively in a series of judgments and decisions involving the Nouvelles Messageries de Presse Parisienne (NMPP). The FCA ordered NMPP to set up a connection between its software and Messageries Lyonnaises de Presse’s (MLP) on two grounds: there were doubts as to whether the software could be reproduced, and the lack of access to the software could jeopardise MLP’s activities.24 The Paris Court of Appeal dismissed the appeal,25 but its judgment was overturned by the French Supreme Court. The Supreme Court held that the Court of Appeal failed to establish whether alternative and economically reasonable solutions, even less advantageous than those of NMPP, could be used by MLP.26 The case was remanded back to the Paris Court of Appeal, which rejected the request for interim measures. The Court of Appeal found that, in the absence of the connection between the software, the data contained in NMPP’s software could be manually entered into MLP’s software. In addition, NMPP’s software could be reproduced at a not-unreasonable cost, and MLP could set up its own distribution network.27 The French Supreme Court dismissed the appeal filed against that judgment.28 The case nonetheless continued on its merits, and the FCA eventually accepted commitments from NMPP, which granted MLP the requested access in exchange for its contribution to the development, exploitation and access costs.29

24 FCA, Decision 03-MC-04 of 22 December 2003 concerning MLP’s request for interim measures.
28 French Supreme Court, judgment of 20 February 2007, No. 06-12.424.
29 FCA, Decision 08-D-04 of 25 February 2008 concerning certain practices by NMPP.
More recently, the FCA found that conduct by Oracle could amount to an abuse of dominance. This conduct consisted of refusing to develop new versions of its relational database management system on certain Intel processors and, as a result, on certain Hewlett-Packard servers.\(^30\)

vi Trademark licensing

With regard to import control, Article L713-4 of the French Code of Intellectual Property provides that "the right conferred by a mark shall not entitle an owner to prohibit its use in relation to goods which have been put on the [single] market . . . under that mark by the proprietor or with his consent. However, the owner shall continue to have the faculty of opposing any further act of marketing if he can show legitimate reasons, especially where the condition of the goods has been subsequently changed or impaired". In this context, the French Supreme Court held that the grey-market commercialisation of products, usually distributed through a selective distribution network, does not constitute a legitimate reason to oppose acts of marketing.\(^31\)

IV STANDARD-ESSENTIAL PATENTS

i Dominance

To the best of our knowledge there is no domestic case law explicitly addressing the issue of whether SEPs confer a dominant position on their owner. However, in first instance PI proceedings, the president of the Paris First Instance Court accepted that the owner of a number of SEPs must be bound by the FRAND undertaking given to the standard-setting organisation.\(^32\) The reasoning of the Court does not appear to be based on contract law but instead on public policy considerations; arguably, thus, despite the issue not being explicitly decided, the court appears to have assumed the existence of a dominant position.

Recently, the Paris Court of Appeal held that the counterclaims for antitrust violations, raised by the defendant against whom alleged SEPs were asserted, fail in the absence of a dominant position because none of the asserted patents were, in fact, essential; therefore, there is no dominance.\(^33\) It does not seem to have been argued, however, that the mere assertion of a patent as an SEP would, until such time when it is found not to be essential, in itself confer a dominant position; whether a court would entertain such a theory remains open.

In the catalogue publishing sector, for stamp-collection valuation, the FCA considered that a company that had been active on the market for more than a century was so well known that its numbering system amounted to a de facto standard for the valuation and trade of stamps. In particular, the ‘standard-like’ character of the company’s numbering system was considered a significant element of Yvert’s supremacy on the market. As a result, its refusal to...

\(^30\) FCA, Decision 12-D-01 of 10 January 2012 concerning a request for interim measures in relation to certain practices by Oracle Corporation and Oracle France.

\(^31\) French Supreme Court, judgment of 23 March 2010, No. 09-66522.

\(^32\) Paris First Instance Court (PI proceedings), judgment of 8 December 2011, Samsung v. Apple, No. 11/58301.

\(^33\) Paris Court of Appeal, 16 April 2019, Conversant v. LG.
license its numbering system to competitors could amount to an abuse of dominant position. Indeed, the refusal prevented the development of certain new products for which a demand potentially existed, as well as the competitive development of new valuation catalogues.\textsuperscript{34}

ii Injunctions

Before the CJEU \textit{Huawei v. ZTE} decision, there had been a string of decisions by French courts issuing injunctions against implementers of SEPs.

There are two precedents where the court, ruling on the merits, issued such injunctions.\textsuperscript{35} In both cases, the court explicitly noted that licences, which seem to have been on standard terms, were made available by the patentee. In another case, an injunction was sought and was refused merely because the patent had expired during the course of the litigation.\textsuperscript{36} While there are also precedents for the Court dismissing the request for an injunction, those refusals were not related to the FRAND obligation. Instead, the decisions resulted from findings of non-infringement\textsuperscript{37} or of invalidity.\textsuperscript{38} In one case, an injunction was sought, but it was not granted although the Court confirmed the infringement by the former SEP licensee whose licence had been terminated for non-compliance with its obligations. In this case, the claim for injunction was dismissed because the infringer was being wound up in the framework of insolvency proceedings, such that it could not trade any more, which made, in the opinion of the Court, the claims for injunction moot.\textsuperscript{39}

With respect to the MPEG Audio patents licensed by Sisvel, there were a number of preliminary injunctions issued against a wide range of importers and resellers of products;\textsuperscript{40} some of those preliminary injunctions were confirmed on appeal, and one of them was even upheld by the French Supreme Court.\textsuperscript{41}

\begin{thebibliography}{99}
\item FCA, Decision 05-D-25 of 31 May 2005 concerning certain practices by Yvert et Tellier on the market for stamp-valuation catalogues.
\item Paris Court of Appeal, \textit{LUPA Finances v. Motorola, Nokia and Ericsson}, 14 April 1999 and 23 October 2002.
\item Paris First Instance Court, \textit{Melco & MMCE v. CP8}, 9 March 2007.
\item President of the Paris First Instance Court, \textit{Koninklijke Philips Electronics NV v. Maitre Anny H ès qualités de liquidateur de la Société Manufacturing Advanced Media Europe}, 14 September 2007.
\item Court of Cassation, Commercial Chamber, 21 October 2014, No. 13-15.435.
\end{thebibliography}
This long string of cases therefore confirms that injunctions were available in France on the basis of SEPs before the CJEU *Huawei v. ZTE* ruling, at least in the specific context of a licensing programme that had been very successful, with more than 1,000 companies having accepted publicly available licensing terms, such that their FRAND nature had, arguably, been extensively confirmed by the market.

In contrast, in *Samsung v. Apple*, the president of the Paris First Instance Court found that, in the circumstances of the matter, the seeking of a preliminary injunction was ‘disproportionate’: she further considered that the determination of FRAND terms was too complex for preliminary injunction proceedings, thus suggesting that any case implying such a determination would need to be brought in main proceedings. Courts have also highlighted that the issuance of a PI would disturb the FRAND negotiations and give one of the parties too much of an advantage. This has culminated in the very recent decisions in *IPCom v. Lenovo and Xiaomi*, where the court found that it needs to take into account the irreparable harm that would result from the issuance or refusal of the PI for each of the claimant and defendant; on that basis, the court refused to issue PIs, although the patent was about to expire, and had already been successfully litigated in several countries. Although the court’s findings remain fact-specific, the criteria that it developed and the way in which these criteria were applied to the cases presented, strongly suggest that PIs would only be available in very specific cases, whose circumstances set them aside from habitual disputes in the field.

### Licensing under FRAND terms

There has been very little French case law addressing the substance of what FRAND terms are. However, in *Samsung v. Apple*, the judge referred to the fact that the determination of a FRAND rate would imply (1) some degree of patent counting to assess the importance of the patentee’s portfolio against the standard overall, and (2) taking into account the overall stack of royalties payable for all standards implemented by the particular product.

In the same decision, the judge also appeared to consider that FRAND licences must be truly irrevocable, and – in a provisional assessment given that the case was brought in preliminary injunction proceedings – that defensive termination clauses may not be permissible.

In a recent case, the Paris Court of Appeal was asked by both the patentee – Conversant, formerly Core Wireless – and the standard implementer – LG Electronics – to set FRAND terms for the patentee’s portfolio. At first instance, the Court had found that none of the five asserted patents was, in fact, essential, and dismissed both parties’ claims for a FRAND determination, ruling that claim moot in the absence of an actual essential patent. On appeal, the Court essentially confirmed that finding, despite both parties’ explicit request for a FRAND determination even if none of the actually asserted patents is essential. A further

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43 For example, because the terms offered have not gained wide market acceptance.
44 President of the Paris First Instance Court, *Ericsson v. TCL*, 29 November 2013
45 President of the Paris First Instance Court, *IPCom v. Xiaomi and IPCom v. Lenovo*, 20 January 2020
46 See footnote 41.
47 Paris Court of Appeal, 16 April 2019, *Conversant v. LG*.
48 Paris First Instance Court, 17 April 2015, *Core Wireless v. LG*.

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appeal to the Supreme Court remains possible. In addition, the Court's decision might have been different if the implementer had accepted that it needs to pay something, which the implementer refused to do in this case.\(^{49}\)

More recently, the Paris First Instance Court had to decide whether it had the jurisdiction to hear a FRAND determination brought by TCL against Philips and ETSI.\(^{50}\) In that case, which was brought by TCL well after Philips had initiated proceedings in the UK, TCL was seeking inter alia an order that Philips must grant TCL a FRAND licence, and that ETSI must facilitate the conclusion of that licence. The Court allowed the French FRAND declaration action to proceed despite the patentee's objections and despite proceedings having been started beforehand elsewhere in Europe on certain patents of the portfolio. The decision therefore opens an avenue to parties who would like to have FRAND terms determined by French courts.

In the same *Conversant v. LG* dispute, the defendant made repeated pretrial requests for the production of previous licences that the patentee had entered into. That request was initially dismissed by the Court of Appeal, which found that these documents may or may not become relevant 'depending on the methodology for calculating the [FRAND] rate, which is disputed by the parties and will have to be determined by the Court'.\(^{51}\) However, a later order, rendered after French law was changed to allow for confidentiality measures, decided that prior agreements entered into by the patentee need to be provided if the lawsuit is about the setting of FRAND terms; on the other hand, the court also decided that prior licence agreements of the implementer, concerning other patent portfolios pertaining to the same standard, are not relevant for the FRAND determination and need not be provided.\(^{52}\)

iv Anticompetitive or exclusionary royalties

In one case,\(^{53}\) the Paris First Instance Court, ruling in summary proceedings, accepted that a change of licensing terms, which made them more onerous to the licensee, could possibly amount to an abuse of a dominant position. The possibility that such an abuse might exist led the Court to refuse to issue an injunction. The Court noted that:

*The refusal to supply the [music] catalogue unless the terms of Universal Music France were accepted, terms which are different from the terms included in the previous agreements and so in breach of the commitments taken during the agreement of January 2011, constitutes on its own an abuse of a dominant position since the refusal covers a product which is objectively necessary to exercise an efficient competition on the market; that the refusal is susceptible to lead to the elimination of an efficient competition on the market; and finally the refusal is susceptible to harm the consumer. . . .*

\(^{49}\) LG was seeking the determination of a rate per patent family that is actually essential, valid and not exhausted, without accepting that there is any such family. The Court, having found that there was no proof of such a family existing, could arguably conclude therefrom that the claim was moot.

\(^{50}\) Paris First Instance Court, Judge in Charge of the Proceedings, *TCL v. Philips and ETSI*, 6 February 2020

\(^{51}\) Paris Court of Appeal, 17 January 2017, *Core Wireless v. LG*.

\(^{52}\) Paris Court of Appeal, pretrial order of 9 October 2018, *Conversant v. LG*.

\(^{53}\) President of the Paris First Instance Court, *Universal v. Blogmusik*, 5 September 2011.
As a consequence, Blogmusik has sufficiently established in summary proceedings the possibility that Universal Music France might have committed an abuse of a dominant position which results in preventing it from claiming injunction measures based on an alleged copyright since no obvious unlawful harm can be alleged any more.

V INTELLECTUAL PROPERTY AND MERGERS

i Transfer of IP rights constituting a merger
Under French merger control law, acquisition of control over IP rights may constitute a merger provided that the rights ‘constitute an activity that results in a presence on a market, to which a turnover can unambiguously be attached’.\(^{54}\) Such was the case, for instance, when the FCA reviewed the acquisition by Sara Lee of certain brands and industrial equipment from Benckiser.\(^{55}\)

ii Remedies involving divestitures of intellectual property
The FCA has already accepted remedies involving divestiture of IP. In 2012, in the context of the acquisition of certain television channels, Groupe Canal Plus had to commit to divest its free-to-air broadcasting rights for important sporting events.\(^{56}\) This decision was later set aside for unrelated reasons, and the transaction had to be notified again. However, this commitment remained unchanged.\(^{57}\) More recently, the FCA authorised the acquisition of Alsa by Dr Oetker (Ancel) by approving a commitment that addressed competition issues in advance (‘fix-it-first’ commitment), by granting a credible market player a licence for the Ancel brand.\(^{58}\)

VI OTHER ABUSES

i Sham or vexatious IP litigation
As a rule, sham of vexatious IP litigation is sanctioned through an award of legal costs and, possibly, by civil damages for abusive litigation.\(^{59}\) It is, however, worth mentioning a decision of the Paris First Instance Court of 26 January 2005,\(^{60}\) in which the alleged infringer counterclaimed for nullity of the asserted patent, for abuse of proceedings, but also for abuse of a dominant position. Each of these counterclaims was dealt with separately by the Court, which declared the asserted patents invalid and ordered the patent holder to pay the defendant

\(^{54}\) FCA's Merger Control Guidelines, Paragraph 19.
\(^{55}\) FCA, Opinion 00-A-07 of 28 March 2000 concerning the acquisition by Sara Lee group of certain assets belonging to the Benckiser group.
\(^{56}\) FCA, Decision 12-DCC-101 of 23 July 2012 concerning the acquisition by Vivendi and Groupe Canal Plus of sole control over Direct 8, Direct Star, Direct Productions, Direct Digital and Bolloré Intermédia.
\(^{57}\) FCA, Decision 14-DCC-50 of 2 April 2014 concerning the acquisition by Vivendi and Groupe Canal Plus of sole control over Direct 8, Direct Star, Direct Productions, Direct Digital and Bolloré Intermédia. See also the letter from the Minister for Economic Affairs, Finance and Industry of 30 August 2006, to Vivendi Universal's counsel concerning a merger in the pay-TV sector (Case C2006-02).
\(^{58}\) FCA, Decision 19-DCC-15 of 29 January 2019 concerning the acquisition by Dr Oetker of sole control over Alsa France SAS.
\(^{59}\) Abusive litigation constitutes a civil tort in general.
\(^{60}\) Paris First Instance Court, \textit{Luk Lamellen v. Valéo}, 26 January 2005, Docket No. 00/16758.
€750,000 as damages for abuse of proceedings. The Court held that ‘launching actions on the basis of “illusions of claims” against a competitor is to be seen as an abuse of the right to sue. In the present case, the abuse is compounded by the fact that Luk Lamellen relies, against Valéo, on claims that have been modified to reflect Valéo’s new technology and to paralyse the development of such technology’. The Court did not stop there and, after reviewing the counterclaim for abuse of a dominant position, which was based on the allegation that the plaintiff had implemented an abusive strategy of patent filing, of systematic disparagement of competitors and of abusive litigation, referred the matter to the FCA for it to investigate the issues. The FCA rendered an opinion finding the patentee to be in a dominant position, but it seems that the litigation stopped there.

ii  Misuse of the patent process

In the Luk Lamellen v. Valéo case referred to above, one of the concerns of the Court with the patentee’s behaviour resulted from the change in the wording of the claims of the asserted patents so as to make them match the products of the defendant. However, while that was found to be a possible element of an abuse in the particular circumstances of the case, those circumstances – lack of merit of the patent assertions, invalidity of the patents – played a very significant role in the finding of the Court. In many other cases, similar behaviour was not found problematic.

It is also noteworthy that the Nespresso case partly involved a sophisticated patent acquisition strategy, which formed part of the behaviour scrutinised by the FCA.

iii  Anticompetitive settlements of IP disputes

IP dispute-settlement agreements may be found anticompetitive under Article L420-1, or Article L420-2 of the FCC or under EU law, or both, if they have an anticompetitive object or are liable to have anticompetitive effects. In an opinion published in 2013, the FCA discussed the enforcement actions carried out in this domain at the European level and in the United States. The FCA noted that the ‘rule of reason’ approach adopted in this context by the US Supreme Court is based, among other things, on a regulatory context very different from what exists in Europe and in France. Although this should not be construed as an official statement of the law applicable to pay-for-delay agreements, it could suggest that the FCA would adopt the same position as the European Commission and the General Court, which both considered that these agreements have a restrictive object.

61 FCA, Opinion 05-A-20 of 9 November 2005 concerning a request by the Paris First Instance Court concerning a dispute between Luk Lamellen and Valéo.
62 See footnote 56.
63 See footnote 15.
VII OUTLOOK AND CONCLUSIONS

Many questions that have been addressed at the European level or in other Member States have yet to be tackled under domestic law. It would not be unreasonable to expect the FCA and the French jurisdictions to draw inspiration from the recent findings made by the European Commission and the European courts, in particular, in the pharmaceutical sector. Certain high-profile cases are still pending in French jurisdictions. In addition, a number of cases involving SEPs are currently pending, and some of these will require French courts to opine on the principles underpinning the determination of FRAND terms; the recent case law in that respect could make French courts an alternative forum for parties to FRAND licensing disputes.
Chapter 6

GERMANY

Jörg Witting

I INTRODUCTION

In Germany, the legal framework for intellectual property rights most importantly consists of the German Patent Act and the German Trade Mark Act. National competition (antitrust) law is codified in the German Act against Restraints of Competition (ARC). The ARC has been widely aligned to EU competition law, which directly applies in cases with cross-border effects. The essential provisions are Section 1 of the ARC, which corresponds with Article 101 of the Treaty on the Functioning of the European Union (TFEU) (prohibition of agreements restricting competition), and Sections 19 and 20 of the ARC, which mainly correspond with Article 102 of the TFEU (abuse of a market dominant position).

Regarding the interface between intellectual property rights and competition law, there are no practically relevant specific statutory provisions. Rather, extensive case law has been developed with a view either to applying the cartel prohibition on certain types of agreements and restrictions, or to capturing certain types of behaviours as abusive. The core aspect of this IP-related competition law application is to comprehensively consider and duly respect the substance and scope of any exclusive right legitimately awarded to the IP owner.

For the sake of completeness, it should be noted that some IP-related statutory provisions, at least in appearance, have some similarity to competition law aspects; however, in substance they have a different, IP-related background. For example, Section 24 of the Patent Act provides for a compulsory licence based on public interest considerations. The German Federal Supreme Court has clarified already in its Standard-Spundfass judgment in 2004 with a view to competition law-based compulsory licences that ‘these two legal institutions have different goals and different preconditions’ and may thus be applied independently from each other. In addition, Section 23 of the Patent Act sounds familiar in the context of standard-essential patents (SEPs), a topic currently at the very forefront of IP-related competition law, as it provides for the possibility of a declaration by the patent holder in relation to the German Patent Office that every interested third party is entitled to use the invention in return for equitable remuneration. The main purpose of this provision, however, is merely to reduce the annual renewal fees.

1 Jörg Witting is a partner at Bird & Bird LLP.
2 Federal Supreme Court, judgment of 13 July 2004, KZR 40/02, Standard-Spundfass. On the differences between a compulsory licence based on Section 24 of the Patent Act and a competition law-based compulsory licence, see also BPatG, judgment of 31 August 2016, 3 LiQ 1/16 (EP), Isentress.
II YEAR IN REVIEW

During the past year, IP-related competition law in Germany continued to be marked by court decisions dealing with the assertion of SEPs, and thereby implementing and specifying the criteria for enforcing such patents, following the *Huawei v. ZTE* decision handed down by the Court of Justice of the European Union (CJEU), on 16 July 2015. This decision, rendered in preliminary proceedings based on a set of questions referred to the CJEU by the Regional Court of Düsseldorf in 2013, developed a set of criteria under which the proprietor of an SEP can legitimately, without violating Article 102 of the TFEU, seek an injunction based on such a patent (and claim for recall and destruction).

The latest decisions, in particular, confirmed positions which have been taken by different German courts in the past. Regarding the time until the patent owner and plaintiff has to fulfil its fair, reasonable and non-discriminatory (FRAND) obligations, the Higher Regional Court of Karlsruhe confirmed in its decision of 30 October 2019 that, according to German procedural law, it could also be possible to accept fulfilling FRAND obligations after proceedings have begun, if the patent holder re-establishes a pressure-free negotiation situation by suspending the process. Furthermore, the Court also dealt with the issue of disclosure requirements by the patent owner in order to demonstrate its FRAND licence offer. In particular, it clarified that the patent holder is obliged to disclose and explain agreements with third parties, including diverging terms in a comprehensible manner to enable willing licensees to discern the reasons as to why they are offered different conditions.

In a further noteworthy decision, the Higher Regional Court of Düsseldorf had to decide whether FRAND terms and conditions must be defined in cases where patents have been transferred. In particular, it analyses the question whether a legal successor is bound to its predecessor’s FRAND declaration to a standardisation organisation and it found the FRAND commitment of the predecessor is connected to the patent right as a quasi ‘right in rem’. Insofar as the court’s opinion, the predecessor’s licensing practice would have to be considered in the new patent holder’s future licensing practice.

With regard to cross-border IP disputes, the Higher Regional Court of Munich was recently the first German higher court to confirm, as the appealing instance, an ‘anti-anti-suit-injunction’. It decided that an ‘anti-suit-injunction’, which is admissible under US law and is filed to prohibit a patent holder to bring on patent infringement suits outside the USA, constitutes an illegal attack on the patent holder property rights so that an injunction against an ‘anti-suit-injunction’ under US law is an appropriate measure to protect the patent holders property rights.

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4 Regional Court of Düsseldorf, decision of 21 March 2013, 4b O 104/12, *LTE-Standard*.
5 Higher Regional Court of Karlsruhe, decision of 30 October 2019, 6 U 183/16.
6 Regional Court of Mannheim, decision of 28 September 2018, 7 O 165/16.
7 Higher Regional Court of Düsseldorf, decision of 22 March 2019.
8 Higher Regional Court of Munich, decision of 12 December 2019, 6 U 5042/19.
III LICENSING AND ANTITRUST

i Anticompetitive restraints

In German law, anticompetitive restraints in licensing agreements fall under Section 1 of the ARC and Article 101(1) of the TFEU. This includes, inter alia, market and customer sharing, pricing, output limitations or non-compete clauses. In this context, the Horizontal Guidelines of the Commission (2011/C 11/01) and Commission Regulation (EU) No. 316/2014 on technology transfer agreements (TTBER), which is applicable in German law according to Section 2(2) of the ARC, are of particular importance. Based on the TTBER, in particular, hardcore restrictions are of crucial relevance, such as the restriction of a party’s ability to determine its prices when selling products to third parties, limitation of output, allocation of markets or customers, and restriction of the licensee’s ability to exploit its own technology rights.

One additional IP-related highlight was the decision of the Higher Regional Court of Düsseldorf on the marketing of football media rights. The Court dismissed the appeal brought by one of the various third-party interveners, Sky, against the decision of the German Federal Cartel Office (FCO) of April 2016 on the centralised marketing of media rights for the first and second German Federal Football League (Bundesliga). The FCO had considered the centralised marketing by the German Federal Football League to fall under Section 1 of the ARC and Article 101(1) of the TFEU, and had cleared it on the basis of a commitment decision pursuant to Section 32b of the ARC. The commitments, inter alia, referred to how the media rights in question are to be structured in various ‘rights packages’ and included specific provisions on the tender proceedings, most importantly a ‘no-single-buyer rule’. This rule aims to ensure, by way of a certain two-step approach, that no single undertaking would have a chance to acquire all rights for live broadcasting.

One of the joined parties of the FCO proceedings, Sky, which had acquired practically all live media rights in the previous tender, appealed against the FCO’s decision, mainly attacking the ‘imposition’ of the no-single-buyer rule by the FCO on the German Football League (by way of accepting a corresponding commitment) as being an unnecessary and excessive restriction severely harming Sky in its rights and commercial interests.

The Higher Regional Court of Düsseldorf dismissed the complaint in its decision of 3 May 2017, holding the complaint to be inadmissible.

The Court denied that the FCO’s decision infringed any of Sky’s rights as the decision itself had no legal effect on Sky since the decision’s effects materialise only upon its implementation by a private third party – the German Federal Football League offering the media rights. However, even if one were to take these effects into consideration, the decision did not infringe Sky’s rights as the no-single-buyer rule was obviously pro-competition, aiming to open up markets and increase competition – an objective clearly consistent with the legal framework and thus obviously not capable of infringing Sky in any of its rights whatsoever. In addition, the claimant was considered not to be affected sufficiently in its commercial interests. The Court already denied Sky’s commercial interests in this context to be legitimate, inter alia, stressing that the no-single-buyer rule aims to avoid a monopoly-like

10 FCO, decision of 11 April 2016, B6-32/15.
11 Higher Regional Court of Düsseldorf, decision of 3 May 2017, VI Kart 6/16.
situation in the relevant end-consumer market, and that Sky’s interest in a tender without this rule thus consists in avoiding competition. Furthermore, the Court raised doubts as to whether the claimant’s interests were ‘directly’ affected and stressed that Sky, in any case, would not be ‘individually’ affected since the no-single-buyer rule would apply equally to all potential bidders for the media rights concerned, in a similar way. The fact that the FCO in its decision explicitly referred to Sky when explaining its concerns was seen merely as a consequence of Sky having secured nearly all live broadcasting rights in the previous tender. Whether this past success might trigger the need for Sky to modify its business strategy now, in the light of a no-single-buyer rule, was not considered relevant by the Court. The Court stressed that media rights, from the outset, are only offered for a limited period, after which all market participants have to adjust their behaviour equally to the new tender proceedings, and the Court did not see any indication why claimant Sky would have been affected by the no-single-buyer rule in an appreciably stronger or structurally different way than its competitors. Subsequently, the no-single-buyer rule has again been adopted for the next German Football League’s media rights offering.12

ii Refusals to license

There are no specific statutory provisions regarding the refusal to license. Abuse of a market dominant position pursuant to Section 19(1) of the ARC is interpreted closely along the lines of its EU counterpart, Article 102 of the TFEU. In particular the conditions under which a refusal to license is deemed abusive derive from the case law of the CJEU, which has mainly been formed by the leading judgments in \textit{Magill}13 and \textit{IMS Health}.14,15 Accordingly, a refusal to license may be abusive and a claim for a compulsory licence successful where (1) using the intellectual property right in question is indispensable for carrying out business on a neighbouring or downstream market; (2) the refusal to grant a licence prevents a new product for which there is a potential consumer demand; or (3) the refusal is not objectively justified and would exclude competition. According to the Higher Regional Court of Düsseldorf, a product is ‘new’ in this sense where, from a demand-side perspective, there is no substitutability between the product of the licence-seeking undertaking on the one side and the intellectual property right owner’s existing product on the other side.16

As regards patents that have already been licensed out by the patent owner, a refusal to license may be abusive and thus lead to a compulsory licence if the licensing practice of the patent owner is discriminatory or exploitative under Sections 19 and 20 of the ARC or Article 102 of the TFEU.17

This principle was also applied in relation to a design right infringement dispute between manufacturers of automotive spare parts, namely of taillights and headlights by the Higher Regional Court of Düsseldorf.18 The court decided in its decision of 3 April 2019

14 CJEU, judgment of 29 April 2004, C-418/01, \textit{IMS Health}.
18 Higher Regional Court of Düsseldorf, judgment of 3 April 2019, 6 U 6/18.
that a refusal to license out design rights is not abusive under competition law owing to the fact that the design holder and the plaintiff did not grant design licences to third parties. In this regard, the defendant who bore the burden of proof did not sufficiently demonstrate that design licences were granted to other spare part producing companies. Refusal to license regarding SEPs is discussed in Section IV.

iii Unfair and discriminatory licensing

Unfair or discriminatory licensing practices can fall under Sections 19 and 20 of the ARC and Article 102 of the TFEU and may be considered as an abusive (discriminatory) behaviour by a market-dominant intellectual property right owner (see Section III.ii).

iv Patent pooling

In practice, the rules established at EU level apply.

v Software licensing

With regard to a market dominant software provider, the Higher Regional Court of Munich\(^{19}\) ruled in its decision of 23 November 2017 that, regardless of its market dominant position, an undertaking must be free to operate its sales and distribution system at its own discretion, which also includes the possibility to set different licence conditions for different customer groups. In the specific case, the defendant software provider ceased to supply the plaintiff with software solutions at special price conditions (i.e., at conditions applied to research and teaching institutions, such as universities). The defendant, thereby, refused to offer the special conditions to the plaintiff after finding that the plaintiff did not fulfil the defendant’s internal criteria under which special conditions for research and teaching institutions should be applied. The court held that refusing those research and teaching institution price conditions to the plaintiff did not violate German cartel law although the defendant software provider in the past had not consequently applied its own criteria with regard to the plaintiff.

vi Trademark licensing

In general, restrictions of competition in trademark licensing agreements are compatible with the cartel prohibition of Section 1 of the ARC and Article 101(1) of the TFEU, if they are necessary to protect the continued existence of the trademark and legitimate reasons for the restriction are given.\(^{20}\) Agreements on territorial protection, prohibition or restrictions on exercising, restrictions in quantity, reservation of customer groups, non-assertion and non-compete agreements are principally deemed to be infringing Section 1 of the ARC and Article 101(1) of the TFEU.\(^{21}\)

In practice, delimitation agreements are of particular importance at the interface with competition law, as these agreements typically aim to settle disputes between the parties. Further details are provided in Section VI.iii.

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\(^{19}\) Regional Court of Munich, decision of 23 November, 29 U 142/17.


In a trademark infringement case, the Higher Regional Court of Frankfurt – as appealing court – in its decision of 30 January 2020, dismissed the trademark owner’s and the plaintiff’s antitrust objection, claiming that the licence agreement was invalid due to its long duration of 57 years, which in the plaintiff’s opinion restrained competition. The court argued that the raised objection of an antitrust infringement in the appeal instance was precluded according to German civil proceeding law decision. If possible, relevant facts must be presented during the first instance and in particular, they must be submitted up until the end of the first-instance oral hearing. In this regard, the court noted that a restriction of competition also depends on factual conditions; in other words, there must be an appreciable restriction of competition in the relevant product and geographic market, which must be factually demonstrated by the party claiming that the agreement restricted competition. However, a late submission of the factual basis constitutes a new plea in the appellate body (see §§ 296a, 531 (2) German Code of Civil Procedure), which, in general, cannot be taken into account by the appeal court.

IV STANDARD-ESSENTIAL PATENTS

As mentioned above, in the recent past, the application of IP-related competition law in Germany has remained dominated by the German courts’ implementation and concretisation of the decision of the CJEU in the Huawei v. ZTE case on the question of the circumstances under which the assertion of SEPs constitutes an abuse of a market dominant position in the sense of Article 102 of the TFEU, and of the safeguards under which such an assertion constitutes the legitimate use of a granted exclusionary right.23

i Dominance

The question of dominance linked to owning SEPs was not the subject matter of the questions referred to the CJEU by the Regional Court of Düsseldorf. Nevertheless, Advocate General Wathelet briefly commented on the issue by stressing that owning an SEP does ‘not necessarily’ mean that the patent owner holds a dominant position. The Advocate General went on to argue in a way that might be understood as him favouring a rebuttable presumption for market dominance as a result of owning an SEP; in any case, he stressed the importance for the national court to determine market dominance on a case-by-case basis.24 The CJEU did not deal with market dominance and confined its assessment explicitly to the criterion of an abuse in the sense of Article 102 of the TFEU.

German courts have not yet relied on a presumption of market dominance. In its decision of 26 March 2015 (i.e., prior to the CJEU’s decision in Huawei v. ZTE of July 2015), the Regional Court of Düsseldorf25 rejected the alleged infringers’ antitrust objection, or ‘FRAND defence’, because it concluded that the plaintiff and patent owner could not be considered to hold a dominant market position. The Court stressed that there is no legal presumption linking SEP ownership and market dominance;26 rather, the existence of

22 Higher Regional Court of Frankfurt, judgment of 30 January 2020, 6 U 94/18.
23 CJEU, judgment of 16 July 2015, C-170/13, Huawei Technologies v. ZTE.
25 Regional Court of Düsseldorf, judgment of 26 March 2015, 4b O 140/13.
26 See also LG Düsseldorf, judgment of 13 July 2017, 4a O 154/15.
market dominance should be assessed on basis of the scope of the patent in suit and its actual significance in the relevant product markets. The court specified that an SEP leads to market dominance where the use of the patent is mandatory to enter the relevant downstream product market or where it is at least necessary to compete effectively in the market. Accordingly, the Higher Regional Court of Düsseldorf stated in its decision of 3 March 2017 that a dominant market position of the patent owner has to be determined by the court, with the defendant having to bear the burden of evidence. Following this decision practice, the Regional Court of Düsseldorf recently recognised a patent holder who jointly licenses its patents with other patent holders via a patent pool administrative entity to be market dominant.

In cases where the CJEU’s criteria are considered to be fulfilled (i.e., where an abuse by the plaintiff and patent owner is denied), there is a tendency not to address the patent owner’s market position and leave it open as to whether the patent owner actually is market dominant.

### ii Injunctions

The question of whether or not an SEP holder acts abusively within the meaning of Section 19 of the ARC and Article 102 of the TFEU by bringing an action of injunction against an alleged infringer has been dealt with by German courts for years. This case law has most importantly been framed by the Federal Supreme Court’s decision of 2009 in the Orange-Book-Standard case and a large number of subsequent cases of the instance courts.

Differing significantly from this German case law, the CJEU set forth specific requirements under which claiming for injunctive relieve (or recall or destruction) is not abusive under Article 102 of the TFEU:

- **First**, prior to bringing an action, the SEP holder must alert the alleged infringer of the infringement complained about by designating the SEP and specifying the way in which it has been infringed.
- **Second**, the SEP holder is obliged to provide an offer for a licence on FRAND terms after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms. This offer must also be submitted to the alleged infringer prior to bringing an action. It has to be stressed that the CJEU corrected the wording of the reasoning after it adopted the judgment, because of different interpretations on this point.
- **If** the infringer does not accept the offer, he or she is obliged to make, promptly and in writing, a specific counter-offer that corresponds to FRAND terms and, if the counter-offer is rejected, from that point on to provide appropriate security, in accordance with recognised commercial practices.
- **Finally**, where no agreement is reached on the details of the FRAND terms following the counter-offer by the alleged infringer, ‘the parties may, by common agreement request that the amount of the royalty be determined by an independent third party’.

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27 Higher Regional Court of Düsseldorf, decision of 3 March 2017, I-15 U 66/15; Regional Court of Düsseldorf, decision of 28.03.2019, 4b O 144/16.  
28 Regional Court of Düsseldorf, decision of 8 January 2019, 4c O 12/17.  
29 See, for example, Regional Court of Mannheim, judgment of 8 January 2016, 7 O 96/14.  
31 CJEU, judgment of 16 July 2015, C-170/13, Paragraph 60 et seq, Huawei Technologies v. ZTE.  
After the *Huawei v. ZTE* judgment was handed down, the German case law was initially focused on the question of whether some sort of ‘transitional law’ had to be applied to cases that were pending prior to the CJEU’s judgment. In its judgment in May 2016, the Regional Court of Mannheim argued in favour of such a ‘transitional law’, and considered the plaintiff and patent owner in this case not to have acted abusively even though he did not entirely fulfil the CJEU’s criteria as to the pretrial obligations; namely, the obligation to alert the standard user about the infringement by designating the SEP and specifying the way in which it has been infringed. The Regional Court of Mannheim mainly stressed that the patent owner, by bringing the action, had acted in good faith by applying the then existing German case law. The Court also interpreted the *Huawei v. ZTE* judgment as allowing the national courts to consider some of the CJEU’s requirements not to be relevant, and based this interpretation, inter alia, on Paragraph 70 of the CJEU’s decision, according to which ‘it is for the referring court to determine whether the above-mentioned criteria are satisfied in the present case, in so far as they are relevant, in the circumstances, for the purpose of resolving the dispute in the main proceedings’. Nevertheless, in a later corresponding enforcement protection proceeding, the Higher Regional Court of Karlsruhe handed down a decision that criticised the first instance approach as such, but indicated that it is necessary to differentiate between a potential abuse in bringing action on the one hand and asserting the patent abusively up until the end of court proceedings on the other hand.

Comparable to the approach of the Regional Court of Mannheim, the Regional Court of Düsseldorf also decided in favour of a ‘transitional period’ in cases where the pretrial obligations set in the *Huawei v. ZTE* decision were fulfilled after bringing the action.

In a later decision, the Higher Regional Court of Düsseldorf even stressed the possibility to fulfil the pretrial obligations after bringing the action also in cases filed after the CJEU decision. In this regard, the Higher Regional Court of Düsseldorf (and also the Regional Court of Düsseldorf) generally accepts that the patent owner can still make a FRAND offer after proceedings have begun, if German procedural rules on delay are not violated.

On the other hand, the Regional Court of Mannheim, which in the past has excluded the possibility of fulfilling pretrial obligations after bringing an action, explicitly considered changing its decision practice and allowing the patent owner to fulfil its FRAND obligations; in particular, revealing the calculation of the licence fee, after bringing an action. However, the Court stressed that this should not be seen as complete relativisation of the pretrial obligations and that certain conditions have to be met. In particular, in the Court’s view, a patent owner who seeks to fulfil its pretrial obligations after bringing an action is obliged to re-establish a pressure-free negotiation situation (i.e., by suspending the proceeding temporarily) (according to Section 251 of the German Code of Civil Procedure) for the purpose of (settlement) negotiations. Against this background, the Regional Court of Mannheim dealt with the question, under which conditions a pressure-free negotiation situation is given, in a later decision. It decided that a pressure-free negotiation situation

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33 Regional Court of Mannheim, judgment of 4 March 2016, 7 O 96/14.
34 Higher Regional Court of Karlsruhe, decision of 31 May 2016, 6 U 55/16.
35 Regional Court of Düsseldorf, judgment of 3 November 2015, 4a O 93/14.
36 Regional Court of Düsseldorf, judgment of 13 July 2017, 4a O 154/15.
38 Regional Court of Mannheim, judgment of 10 November 2017, 7 O 28/16.
39 Regional Court of Mannheim, decision of 28 September 2018, 7 O 165/16.
is granted only if a reasonable time period to assess the plaintiff’s licence offer as FRAND was granted to the alleged patent infringer before continuing the trial. Subsequently, the Higher Regional Court of Karlsruhe issued a decision that reflected the view of the Regional Court, in terms of the possibility for the patent owner to fulfil the FRAND obligations after bringing action, and it provided the definition of a pressure free negotiation situation.40

One other major issue is the question of whether the Huawei v. ZTE criteria must be fulfilled ‘step by step’ or whether a more general approach, weighing each party’s activities, is appropriate. Both, the Regional Court of Düsseldorf41 and the Regional Court of Mannheim42 initially applied a more flexible approach. They did not assess the FRAND character of the plaintiff’s and patent owner’s licence offer in each and every detail. Following a more general assessment, the courts finally left it open whether the plaintiff’s licence offer actually was FRAND and considered the relevant defendants not to have acted diligently by failing to swiftly provide a FRAND counter-offer. The competent Higher Regional Courts of Düsseldorf43 and Karlsruhe44 respectively overturned this approach (in enforcement protection proceedings) and ruled in favour of a step-by-step approach, according to which a plaintiff’s and patent owner’s licence offer has to be scrutinised in detail as to whether it is FRAND; only upon such a FRAND offer are standard users and defendants then obliged to make a FRAND counter-offer.45

In its recent decision of 8 January 2019, the Regional Court of Düsseldorf46 also dealt with the question of whether the patent holder is obliged to provide a licence offer in cases where information about the patent holder’s licence agreements or standard licence agreements are publicly available (e.g., on the patent holder’s website). The patent holder and plaintiff argued that an obligation to provide a licence offer does not exist in the case of public availability of existing licence agreements or standard licence agreements. The plaintiff, thereby, referred to the Orange-Book-Standard decision of the Federal Supreme Court, which, in the plaintiff’s opinion, continued to apply. In particular, the plaintiff held that the requirements set by the CJEU in its Huawei v. ZTE judgment should only apply in cases of information asymmetries between the patent holder and the alleged patent infringer in relation to closed licence agreements and applied licence fees. Nevertheless, the Regional Court of Düsseldorf refused to apply the criteria set in the Orange-Book-Standard case, confirming the infringer’s obligation to provide a licence offer under FRAND terms regardless of the existence of publicly available information related to existing licence agreements. In this regard, the Court stressed that the Orange-Book-Standard decision took place long before the CJEU’s Huawei v. ZTE judgment in which generally applicable criteria were set, and that there was no indication in the CJEU’s judgment that the set criteria shall only apply in cases of information asymmetries between patent holder and alleged infringer. Furthermore, in the

40 Higher Regional Court of Karlsruhe, decision of 30 October 2019, 6 U 183/16.
41 Regional Court of Düsseldorf, judgment of 3 November 2015, 4a O 144/14.
42 Regional Court of Mannheim, judgment of 4 March 2016, 7 O 96/14.
43 Higher Regional Court of Düsseldorf, decision of 9 May 2016, 15 U 35/16; see also, judgment of 30 March 2017, I-15 U 66/15.
44 Higher Regional Court of Karlsruhe, decision of 31 May 2016, 6 U 55/16.
45 See Regional Court of Düsseldorf, judgment of 31 March 2016, 4a O 126/14.
46 Regional Court of Düsseldorf, decision of 8 January 2019, 4c O 12/17, according to its decision of 9 November 2018, 4a O 16/17.
Regional Court’s view, the patent holder’s obligation to provide a FRAND offer, as set in the CJEU’s decision, follows from the fact that holders of SEPs have committed themselves to license every willing licensee under FRAND conditions.

In a recent decision, the Higher Regional Court of Karlsruhe further discussed the issue of disclosure requirements by the patent owner of licence agreements with third parties. It stated that if a SEP holder’s licence offer corresponds to a standard licence programme for the relevant patent and the standard licence programme is uniformly used by the SEP holder for the purpose of licensing the patent, then the SEP holder is only obligated to refer to the conformity of the licence offer with the standard licence programme. Conversely, if a SEP holder has entered into licence agreements with third parties with diverging terms and conditions, then the SEP holder is obliged to disclose and explain the major content of these agreements in a reliable manner to allow licensees to discern if and where it is applicable, and why different terms and conditions are being offered to them. Furthermore, if legitimate interests are shown to be affected by this kind of disclosure, a confidentiality agreement between the parties can be agreed to in order to allow necessary disclosures by the SEP holder. However, the Court stresses that a complete disclosure of third-party licence agreements is not necessary and therefore not required.

With regard to the SEP holder’s obligation to alert the alleged infringer of a patent infringement, the Regional Court of Düsseldorf decided that the infringement alert does not require a detailed (technical or legal) explanation of the infringement. In the Regional Court’s view and, in particular, in contrast to the decision practice of the Regional Court of Mannheim, the patent holder and plaintiff shall not be required to point out the patent’s standard essentiality or to provide a claim chart to the alleged infringer. In the same decision, the Regional Court of Düsseldorf also stated that the requirement of an infringement alert is even fulfilled if it comes from another group entity; in particular, from the patent holder’s parent company. Consequently, the obligation is also fulfilled in cases in which the infringement alert is sent to the alleged infringer’s parent company. Furthermore, the Regional Court pointed out that the infringement alert may also be sent to the alleged patent infringer or its respective parent entity simultaneously with the licence offer. In this context, the Court also stated that the infringement alert must not necessarily be transmitted before any claim is filed (e.g., damage claims) but, in any case, must be brought before bringing an action for injunction.

In a more fundamental decision of 12 December 2019 on a FRAND-related cross-border dispute, a German higher court – the Higher Regional Court of Munich – upheld an interim injunction against an ‘anti-suit-injunction’ under US law for the first time, confirming the previous first-instance decision of 30 August 2019 of the Regional Court of Munich. The Regional court had issued an interim injunction upon submission of a patent holding company to prevent an US subsidiary of a patent infringing company filing an ‘anti-suit-injunction’ against the patent holder in the USA. By way of such an ‘anti-suit injunction’, the patent holder should be prohibited from bringing suits outside the USA.

47 Higher Regional Court of Karlsruhe, decision of 30 October 2019, 6 U 183/16.
48 Regional Court of Düsseldorf, decision of 11 July 2018, 4c O 72/17; also Higher Regional Court of Karlsruhe, decision of 30 October 2019.
49 Regional Court of Mannheim, decision of 29 January 2016, O 66/15.
50 Higher Regional Court of Munich, decision of 12 December 2019, 6 U 5042/19.
51 Regional Court of Munich, decision of 30 August 2019, 21 O 9512/19.
before a final decision of the US court regarding a worldwide FRAND-licence sought by the patent infringer. The Regional Court as well as the Higher Regional Court found that an ‘anti-suit-injunction’ filed under US law, in order to prevent a patent holder from claiming for injunctive relief to protect its patent rights, constitutes an illegal attack on the patent holder’s property-like legal position related to its patent. A patent holder must therefore be free to defend its property interest by suing a potential patent infringer whereas the latter has the possibility to defend its patent usage by way of claiming a FRAND-objection within an infringement process.

### Licensing under FRAND terms

A major issue in the field of SEP is the question of defining FRAND terms and conditions. Although a large number of German court cases have dealt with the FRAND defence so far, the exact determination of FRAND criteria remains open to discussion. One important aspect in considering the FRAND character of an offer is the established licensing practice of the licensor or of other market participants. Accordingly, the Higher Regional Court of Düsseldorf defined the term ‘non-discriminatory’ to the effect that the patent owner has to offer the willing licensee a licence on conditions similar to those offered to other licensees or that the patent owner comprehensibly shows reasonable grounds for an unequal treatment. In this regard, the Regional Court of Düsseldorf considered a patent holder’s licence offer as not being FRAND (i.e., being discriminatory from the outset due to the fact that the patent holder enforced its patent rights selectively). In particular, the Court objected to legal action being brought against the alleged patent infringer when no legal action was brought against the defendant’s competitors that used the disputed patent without the respective licence. The Court considered such conduct as de facto granting of free licences to some competitors while demanding remunerated licences from others.

Concerning the fairness of the offered conditions, the Court also pointed out that a FRAND offer must, in any case, cover all relevant (legal) business activities of the licence seeker. Carving certain business activities out of the licence offer would be exploitative and, therefore, would not comply with the established FRAND criteria from the Court’s point of view.

The Higher Regional Court of Düsseldorf stated further that a judicial finding regarding a ‘non-discriminatory’ offer requires – especially with regard to the amount of the licence fees – specific submission of facts by the patent owner with respect to licence agreements with third licensees. In the Court’s opinion, this would include specific statements to conditions agreed with other licensees as well as their importance on the relevant markets. Thus, the patent owner may not assert that a non-disclosure agreement with third licensees excludes a specific submission of facts. Furthermore, the Higher Regional Court of Düsseldorf stated in its judgment of 30 March 2017 that the higher the discount the patent

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53 See Regional Court of Düsseldorf, judgment of 31 March 2016, 4a O 73/14.

54 Regional Court of Düsseldorf, decision of 11 July 2018, 4 c O 72/17; see also Kühnen, Handbuch der Patentverletzung, 11th Edition, 2018, Chapter E, Paragraph 332.

55 See Regional Court of Düsseldorf, judgment of 31 March 2016, 4a O 73/14.

56 Higher Regional Court of Düsseldorf, decision of 17 November 2016, I-15 U 66/15.
owner grants to the licensee is, the higher the requirements to justify an unequal treatment of different licensees are.\textsuperscript{57} The Court considered several factors as relevant for determining the amount of the licence fee, such as quick acceptance of the licence and whether the licensee is the ‘first mover’. However, in its decision of 17 November 2018, the Higher Regional Court of Düsseldorf stressed that there is no requirement for a mathematically precise derivation of FRAND-compliant licensing fees. Rather, what is required is an approximate decision reliant on estimates and valuations. Thus, the Court confirmed that comparable licensing agreements can constitute an important indicator for the reasonability of the proposed licensing terms and conditions.\textsuperscript{58} In its decision of 22 March 2019, the Higher Regional Court of Düsseldorf also dealt with the question of how FRAND terms and conditions must be defined in cases where patents previously included in a (split) patent pool have been transferred to different acquirers and, in particular, to what extent a patent acquirer is bound to the disposing patent holder’s FRAND commitment made to the standardisation body. In doing so, the court also had to clarify the preliminary question on whether the patent was transferred to the plaintiff’s patent acquirer at all. In this respect, the defendant and patent infringer claimed the invalidity of the patent transfer because the underlying transfer agreement did not provide the obligation for the patent acquiring party to take over the disposing patent holder’s FRAND declaration; that is, the obligation to offer the patent licences only under FRAND conditions to willing licensees. The defendant considered this to be an abuse of a dominant market position because, in its view, the lack of such an obligation was intended to enable the patent acquirer to demand higher royalties than would have been possible under FRAND conditions. In this regard, however, the court dismissed the defendant’s objection of invalidity, arguing that once a FRAND commitment is declared by a patent holder, it is not then possible to transfer the patent independently so that the FRAND commitment is connected to the patent as a quasi ‘right in rem’. Furthermore, the court found that patent acquirers are not only bound by their predecessor’s FRAND commitment ‘on the merits’, but are also bound to the extent that, as it concerns the future FRAND licensing of the acquired patent, they have to also consider the terms and conditions of all of their predecessor’s existing licences, into which patent acquirers, in any case, enter automatically under German patent law (Section 15 paragraph 3 Patent Act). According to the court, the future licensing of the patent acquirer must, therefore, be in line with the patent disposer’s previous licensing practice. The acquirer, in particular, may not rely on difficulties related to the previous disposing and splitting of the patent pool, which may complicate the calculation of a non-discriminatory licence. In this regard, there is already an obligation of the disposing patent holder, resulting out of his FRAND commitment, to provide the patent acquirer with the necessary information to ensure a non-discriminatory licensing. Furthermore, the court stated that, in determining a non-discriminatory licence fee, the proportionate licence fee of the predecessor’s entire portfolio attributable to the acquired part of the portfolio had to be taken into account.

\textsuperscript{57} Higher Regional Court of Düsseldorf, judgment of 30 March 2017.
\textsuperscript{58} Regional Court of Düsseldorf, judgment of 9 November 2018, 4a O 16/17.
V  INTELLECTUAL PROPERTY AND Mergers

i  Transfer of IP rights constituting a merger

Under German competition law, the transfer of intellectual property rights can constitute a merger by way of an acquisition of control within the meaning of Section 37(1), No. 2(a) of the ARC, if the acquisition involves a substantial part of the assets.59

ii  Remedies involving divestitures of intellectual property

In a clearance decision, the FCO60 decided on ancillary provisions, inter alia, with regard to intellectual property rights: the Funke Media Group intended to acquire assets of TV programme guides. The FCO found that the acquisition would have led to the strengthening of a collective dominant position of the acquirer. Therefore, the acquirer was obliged to sell intangible assets regarding TV programme guides.

VI  OTHER ABuses

An example of an exploitative abuse within the meaning of Section 19 of the ARC is the investigation of the FCO regarding Google. The FCO had to decide on Google's practice of displaying snippets of search results regarding news publishers.61 Google refused to pay a fee for the displayed content and did not purchase any licences for the content. As a reaction to this unauthorised use of the content, several news publishers filed a complaint to the FCO with regard to their respective ancillary copyrights. After examining the complaint, the FCO held that it was highly likely that Google's behaviour was objectively justified, and therefore did not constitute abusive conduct within the meaning of Section 19 of the ARC and Article 102 of the TFEU.

i  Sham or vexatious IP litigation

In line with EU law, it is accepted under German law that the alleged infringer can raise the objection that the patent holder’s claim is abusive within the meaning of Section 19 of the ARC and Article 102 of the TFEU because of a ‘patent ambush’.62 This means a situation where the patent holder does not disclose the existence of a patent application during the standard-setting process, and subsequently asserts that a patent is infringed.

In a civil case before the Regional Court of Düsseldorf,63 a holder of design rights regarding wheel rims claimed for injunctive relief regarding the use of design rights without a licence. The defendant argued that the assertion of design rights would be abusive in the sense of Article 102 of the TFEU because he had to produce parts that matched the car and would otherwise not be purchased (‘must match’ part). The court rejected this argument. With reference to the case law of the CJEU (Magill64 and Volvo/Veng65), the Court stated that

59  See Federal Supreme Court, decision of 10 October 2006, KVR 32/05, National Geographic I.
60  FCO, decision of 25 April 2014, B6-98/13.
62  See, e.g., Regional Court of Mannheim, judgment of 10 March 2015, 2 O 103/14.
63  Regional Court of Düsseldorf, judgment of 10 March 2016, 14c O 58/15.
65  CJEU, judgment of 5 October 1988, 238/87, Volvo/Veng.
the assertion of design rights can only be considered abusive in exceptional circumstances. The concrete design of the wheel rims is not technically necessary. It is possible, rather, for the defendant to produce wheel rims of similar quality, but with a different design. Beyond that, the Court held that it is acceptable for a customer to purchase a wheel rim of the claimant or a complete set of wheel rims of other producers.

Furthermore, in a case regarding the infringement of an SEP, the Regional Court of Düsseldorf stated that a patent ambush with the intention of demanding excessive royalties does not necessarily lead to the patent owner’s loss of a patent law claim to a cease-and-desist order. Rather, the legal consequence would be the patent owner’s obligation to provide an offer for a licence on FRAND terms to the alleged infringer. The Higher Regional Court supported the Regional Court’s view in its decision of 9 May 2016.

Another example for a possible abuse of intellectual property rights litigation is the BMW-Emblem case of the Federal Supreme Court. The claimant, BMW, filed an action against a producer of spare parts that, inter alia, produces and supplies BMW emblems without a licence. The court rejected the defendants and held that the action was founded. Additionally, in an obiter dictum, the Court stated that a manufacturer of spare parts for BMW that are visible (e.g., front or rear parts) could, under certain circumstances, be entitled to supply original BMW emblems from the intellectual property rights holder or at least grant the retrofitting by customers or by workshops on the customer’s order under competition law.

ii  Misuse of the patent process
In accordance with EU law, under the German provisions, the strategic misuse of the patent process can be deemed to be abusive (Sections 19 and 20 of the ARC and Article 102 of the TFEU).

iii  Anticompetitive settlements of IP disputes
Settlements of intellectual property disputes between competitors may, under certain conditions, constitute an infringement within the meaning of Section 1 of the ARC and Article 101(1) of the TFEU. In line with EU law, under German antitrust law, patent settlements are generally accepted as a compromise to a bona fide legal disagreement. If there are serious objective indications for the settled right and the restrictions remain within the frame of objective uncertainties, the antitrust prohibition does not apply.

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Agreements between undertakings that aim to prevent the access of substitutes to the market, such as pay-for-delay or reverse-payment agreements, especially the delay of generic drugs’ entry into the market, also fall under Section 1 of the ARC and Article 101(1) of the TFEU.72

With regard to trademarks, undertakings also settle disputes on conflicting similar trademarks by ‘delimitation agreements’. The compatibility of such agreements can constitute an infringement of Section 1 of the ARC and Article 101(1) of the TFEU. As a general rule, delimitation agreements regarding trademarks constitute cartel infringements, if market sharing or other restrictions of competition are intended.73 In its decision in Winn & Coales v. DENSO, the Higher Regional Court of Düsseldorf stated that a delimitation agreement does not restrict competition, if it is neutral (i.e., if it only specifies the existing intellectual property rights).74

In a further decision, the Federal Supreme Court stressed that a trademark delimitation agreement does not necessarily include a prohibition against advertising in the other party’s business district.75 Thereby, it contradicted the decision of the Court of Appeal, which held the relevant clause to be an unlimited delimitation agreement also prohibiting advertising with clarifying additional wording in the other party’s business district, and therefore inadmissible under antitrust law. In contrast, the Federal Supreme Court’s interpretation of the relevant clause was that it had not been intended by the parties to prohibit advertising with additional distinguishing wording in the other’s district.

VII OUTLOOK AND CONCLUSIONS

The development at the interface between intellectual property and antitrust law remains highly dynamic in Germany. It can be expected that the specific interface between patent and antitrust law, mainly with regard to SEPs, will remain of crucial importance and will probably also have some influence on similar cases in other Member States of the European Union.
I   INTRODUCTION

In the past few years, the debate on the interplay between competition law and intellectual property (IP) rights in India has continued to draw attention. In addition to dealing with questions of jurisdiction and addressing disputes dealing with fair, reasonable and non-discriminatory (FRAND) terms, the Competition Commission of India (CCI) has increasingly focused its attention on issues such as the impact of standard-setting on competition; and the use (or abuse) of IP-related judicial processes by dominant enterprises to stifle competition.

The general prohibition on anticompetitive agreements and abuse of dominance under the (Indian) Competition Act, 2002 (the Competition Act) applies equally to IP-related business practices as it would to non-IP-related conduct. The only reference to IP in the Competition Act is by way of an express carve-out that recognises the right of any person to impose reasonable and necessary conditions for protecting IP, specifically conferred under certain identified Indian IP statutes in the context of anti-competitive agreements. This carve-out does not, however, extend to unilateral conduct, thereby exposing IP holders to a comparatively greater risk of scrutiny under the abuse-of-dominance provision (Section 4) of the Competition Act.

In this chapter, we provide (1) a brief overview of Indian jurisprudence on IP and antitrust; (2) issues surrounding antitrust and licensing in India; (3) the international debate surrounding the standard-selection process and the manner in which the CCI (and where applicable, the appellate tribunal) has interpreted competition claims arising out of standards while issuing prima facie orders; (4) the circumstances under which transfer of

1   Hemangini Dadwal is a partner and Nitin Nair and Karan Sood are associates at AZB & Partners.
2   Contained in Section 3 of the Competition Act.
3   Contained in Section 4 of the Competition Act.
4   Section 3(1) of the Competition Act prohibits enterprises from entering into agreements that cause or are likely to cause an appreciable adverse effect on competition (AAEC) within India. Section 3(5) of the Competition Act provides that the prohibition on enterprises from entering into agreements that cause an AAEC does not extend to the right of any person to restrain any infringement of, or to impose reasonable conditions as may be necessary for protecting, any of his or her rights that have been or may be conferred upon him or her under (1) the Copyright Act 1957; (2) the Patents Act 1970 (Patents Act); (3) the Trade and Merchandise Marks Act 1958 or the Trade Marks Act 1999; (4) the Geographical Indications of Goods (Registration and Protection) Act 1999; (5) the Designs Act 2002; and (6) the Semiconductor Integrated Circuits Layout-Design Act 2000.
5   Section 26(1) of the Competition Act authorises the CCI to issue orders directing the Director General (DG) to investigate a matter, where the CCI is of the prima facie view, upon receipt of information or
IP could be viewed as a transfer of assets under the merger control provisions (Section 5) of the Competition Act;6 and (5) the emerging jurisprudence involving IP-related vexatious litigation leading to abuse-of-dominance claims before the CCI.

II YEAR IN REVIEW

Earlier this year, the Indian government released its draft amendments to the Competition Act (Draft Amendment). Significant among these, is the proposal to exempt ‘dominant’ IP owners from charges of abuse of dominance, where the restrictions are both ‘reasonable’ and ‘necessary’ to protect registered IP. At present, this carve-out may only be asserted as an exemption against charges of anti-competitive conduct but not abuse of dominance.

This proposal, if effected, would be consistent with antitrust jurisprudence in more mature jurisdictions like the European Union (EU) and the United States. Although the CCI has recently been adopting an ‘effects-based’ approach for examining abuse of dominance allegations, which involves a consideration of objective reasons for the impugned conduct, the Draft Amendment would nevertheless afford IP owners an additional line of defence in respect of licensing or distribution restrictions. In that regard, the CCI has in the past been careful in granting the benefit of this carve-out, clarifying that its assertion is not absolute.7 Recent decisional practice of the CCI appears to affirm this view, including in the context of restrictions on online sales,8 where the CCI notes that owning IP does not, in and of itself, justify the imposition of exclusivity restrictions. On the other hand, non-compete restrictions on a distributor, with a view to ‘stop the leakage of IP’ to a limited set of manufacturer’s competitors who are familiar with Vivo’s technology, was considered reasonable.9 The proposed amendment is particularly relevant in light of the Delhi High Court’s (DHC) recent decision. It was argued that as patents holders are permitted to impose restrictions under the Patents Act, to then examine whether the conditions further to the exercise of IP is ‘necessary’ and ‘reasonable’ would raise a conflict of jurisdiction. The DHC disagreed and held that the objectives of the Patents Act and the Competition Act are distinct. The Competition Act seeks to promote a free market because of which the functions and remedies implementable by the CCI are different from a specialised regulator under the Patents Act.10 As a result, a review of anti-competitive conduct that may emanate from the exercise of IP is within the CCI’s jurisdiction. The Draft Amendment gains significance

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6 Section 5 of the Competition Act includes an acquisition of asset where the acquirer enterprise or group and the target enterprise exceed the prescribed jurisdictional thresholds.
7 In FICCI – Multiplex Association of India Federation House v. United Producers/ Distributors Forum (Case No. 1 of 2009, 25 May 2011) (FICCI Multiplex Case), the CCI noted that: (1) intellectual property laws do not have any absolute overriding effect on the competition law; and (2) the extent of the non obstante clause in section 3(5) of the Competition Act is not absolute and it exempts the IP holder from the rigours of competition law only to protect his IP from infringement.
9 Tamil Nadu Consumer Products Distributors Association v. Vivo Communication Technology Company (VIVO Communications Case), Case No. 15 of 2018, 4 October 2018.
India

further to the DHC’s decision, as dominant IP owners will be able to assert any restrictions further to the exercise of their IP as necessary to protect their rights. This will likely empower the CCI to strike a balance between maintaining competitive market conditions while protecting the IP of an IP owner.

The past year also appears to have witnessed increased enforcement when reviewing licensing terms. At the end of 2019, the CCI directed investigation into GMR Hyderabad International Airport Limited (GMR) for its refusal to renew Air Works India Engineering Private Limited’s (Air Works) licence agreement (in favour of its wholly owned line operating services entity), disabling the latter from carrying out line maintenance services. The CCI noted that the licensing arrangement to Air Works was a ‘necessary input’ for providing line maintenance services, without which Air Works was unable to compete in the relevant market ‘for provision of access to airport facilities/premises at the Rajiv Gandhi International Airport’ (RGIA) operated by GMR. Acknowledging that every ‘refusal to deal’ does not qualify as anti-competitive, the CCI identified three conditions, upon the satisfaction of which, a refusal to deal would qualify as anti-competitive: (1) where refused input is indispensable for an entity to compete in the downstream market; (2) would likely eliminate competition in the downstream market; and (3) damage consumers.

Similarly, in November 2018, the CCI also directed investigation into Intel Corporation (Intel) for its refusal to provide access to its reference design files to the complainant. These files were allegedly required to manufacture server-boards that had been built on Intel’s designs. In its investigation order, the CCI noted that despite the complainant having entered into a licensing agreement with Intel, Intel was unable to provide a reasonable explanation for not providing access to its design files to the Informant, whilst granting access to other manufacturers of server boards.

The intersection of IP and antitrust in India is further examined below.

III LICENSING AND ANTITRUST

While the CCI appears to be scrutinizing licensing terms closely, as examined below, it has also equally sought to balance IP with public interest.

i Anticompetitive restraints

Restrictive terms in licensing arrangements may be examined as vertical restraints under Section 3(4) of the Competition Act. In the absence of a specific dispensation under the Competition Act for examining licensing arrangements, restrictions in licensing arrangements are treated within the same conceptual framework that applies to the sale of goods or provision of services under the Competition Act. Simply put, restrictions accompanying IP licensing arrangements are prohibited if they can result in an appreciable adverse effect on competition (AAEC). The CCI is unlikely to reach a finding of AAEC unless the IP licensor

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11 Air Works India (Engineering) Private Limited v. GMR & Ors. (Case No. 30 of 2019, 3 October 2019) (Air Works-GMR Case).
12 In Re: Velankani Electronics Private Limited and Intel Corporation (Case No. 16 of 2018, 9 November 2018) (Intel Case).
India

enjoys significant market power. For instance, any attempt by an IP licensor to determine pricing decisions (for the licensed IP) of the IP licensee would be scrutinised as a potential ‘resale price maintenance’ arrangement.

Similarly, territorial or customer-specific restrictions imposed by IP licensors as part of a licensing arrangement (e.g., a restriction from broadcasting licensed content beyond a certain territory or to a specified group of viewers) may be scrutinised as an anticompetitive ‘exclusive distribution’ or ‘refusal to deal’ arrangement.

An IP licensor may also restrict its licensees from dealing with a competing licensor, a restriction that would be examined as a potentially anticompetitive ‘exclusive supply’ arrangement. Any attempt by a licensor to make the grant of its licence conditional on the licensee purchasing other products or services of the licensor, may be examined as a potentially anticompetitive ‘tie-in’ arrangement.

As discussed earlier, the Competition Act provides a limited carve-out allowing IP owners to impose restrictions, including restrictions accompanying their licensing arrangements, that are both, reasonable and necessary, to prevent the infringement of their existing IP. This statutory exemption may be legitimately invoked when the restriction imposed is: (1) necessary to protect the domestically registered and recognised IP; and (2) reasonable, that is, the restriction is the least restrictive way of asserting the relevant IP. The CCI has recognised the legitimate exercise of this carve-out sparingly. In a majority of its decisions, the CCI has found that the restriction in question that was challenged as an anti-competitive restraint was either not necessary or unreasonable for protecting the owners’ IP.

The CCI, however, has granted the benefit of this carve-out in cases where it found that the IP holder had legitimate reasons to impose such restrictions in order to protect the IP. For example, in K Sera Sera Digital Cinema Private Limited v. Pen India Limited & Ors the CCI dismissed a complaint initiated by a digital cinema service provider against two movie producers and digital cinema service providers for refusing to provide the content of a movie to the informant. Referring to the carve-out, the CCI held that the producers appeared to have valid reasons to refuse to exhibit their movie through the informant’s digital

14 Pursuant to Explanation (e) to Section 3(4) of the Competition Act, an IP licensor may impose a price ceiling (i.e., a maximum resale price) but not a price floor (i.e., a minimum resale price).
15 Pursuant to Explanation (c) to Section 3(4) of the Competition Act, ‘exclusive distribution agreements’ include ‘any agreement to limit, restrict or withhold the output or supply of any goods or allocate any area or market for the disposal or sale of the goods are identified under the Competition Act as a vertical restraint and is prohibited if it results in an AAEC’.
16 Pursuant to Explanation (d) to Section 3(4) of the Competition Act, ‘refusal to deal’ includes ‘any agreement which restricts, or is likely to restrict, by any method the persons or classes of persons to whom goods are sold or from whom goods are bought’.
17 Pursuant to Explanation (b) to Section 3(4) of the Competition Act, ‘exclusive supply agreements’ include ‘any agreement restricting in any manner the purchaser in the course of his trade from acquiring or otherwise dealing in any goods other than those of the seller or any other person’.
18 Pursuant to Explanation (a) to Section 3(4) of the Competition Act, a ‘tie-in’ arrangement includes ‘any agreement requiring a purchaser of goods, as a condition of such purchase, to purchase some other goods’.
20 FICCI Multiplex case.
21 (Case No. 97 of 2016, 21 June 2017).
service owing to piracy concerns raised by other producers. The producers were legitimately exercising precautionary steps to prevent losses on account of piracy and therefore benefitted from the IP carve-out under the Competition Act.

CCI’s decisional practice therefore appears to suggest that the assertion of this carve-out in respect of restrictions arising from IP rights will be examined carefully by the CCI to satisfy the elements of ‘reasonable’ and ‘necessary’.

ii Refusals to license

A refusal to license can equally be scrutinised as an abuse of dominance under Section 4 of the Competition Act if it results in a denial of market access, restricts the production of goods or services, or restricts the technical or scientific development relating to goods or services. Recently, in the *Air Works-GMR* case, the CCI initiated investigation against GMR for allegedly refusing to renew Air Works’ licence for setting up, operating and maintaining the Airline Engineering Maintenance Office at the RGIA. While the CCI noted that every refusal to deal would not contravene the Competition Act, a refusal to deal, where (1) refused input is indispensable or substitutable for an entity to compete in the downstream market; (2) refusal eliminated competition in the downstream market; and (3) refusal is likely to damage consumers, would likely qualify as an abuse of dominance. Applying these principles in this case, the CCI observed that access to airport facilities qualified as an essential facility for Air Works to provide third party services such as Line Maintenance Services (i.e., the downstream market), which was controlled by GMR. The CCI observed that Air Works’ exclusion from the downstream market, in favour of its own subsidiary, distorted the level playing field. The CCI preliminarily concluded that the refused input (access to space at the RGIA for providing maintenance services) is essential for downstream entities to be able to compete, and it directed the DG to conduct an investigation against GMR.

The CCI reached a similar finding in the *Auto Parts* case, where it found each Original Equipment Manufacturer (OEM) dominant in the after-market for the sale of their respective brand of spare parts. The OEM’s refusal to license their diagnostic tools to independent repairers and workshops was held as an abuse of dominance.

In *Justickets Private Limited v. Big Tree Entertainment & Vista Entertainment* (*Big Tree-Vista* case), conversely, the CCI dismissed allegations against BookMyShow (BMS) alleging anti-competitive conduct for denying, and then, delaying access to Application Programming Interface (API) necessary to facilitate booking movie tickets across movie

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22 Section 4(2)(c) of the Competition Act.
23 Section 4(2)(b)(i) of the Competition Act.
24 Since the CCI has held that for a vertical restriction to qualify as an anticompetitive vertical arrangement, market power is necessary, vertical restrictions may equally be examined as unilateral conduct (where the entity imposing the restriction is a dominant entity).
25 *Air Works-GMR* case (Ibid).
26 The doctrine of essential facility requires the following conditions: (1) the dominant entity to control access to an essential facility; (2) the facility cannot reasonably be duplicated by the competitor; (3) the dominant entity denies access to the competitor; (4) there should be no alternative means of entering the relevant market at a reasonable cost without having access to the essential facility; and (5) there must be spare capacity on the facility in question.
27 Provision of Line Maintenance Services necessarily requires physical presence of the service provider and its infrastructural facility at the airport premises.
28 (Case No. 8 of 2016).
theaters. BMS, the informant’s competitor, was the exclusive distributor of Vista’s API. The CCI (by way of a majority decision) held that requiring the informant to execute a Non-Disclosure Agreement (NDA) before accessing Vista’s API was legitimate, as the informant had also provided competing ticketing software. Accordingly, the CCI found the need for Vista to protect against the possibility of the informant reverse engineering the API, as well as accessing proprietary information of Vista or other movie ticket vendors, legitimate. The CCI accordingly held that a justifiable delay in licensing (here, protecting IP and not compromising competitive dynamics) may not qualify as a denial of market access. Each entity has a right to protect its own commercial interests.

The CCI’s recent decisional practice appears to suggest that it is looking to strike a balance between the legitimate exercise of IP with consumer interest. Where there appear to be reasonable justifications for withholding a licence, the CCI will examine those carefully in its antitrust analysis.

iii Unfair and discriminatory licensing

An IP licensor may be in a dominant position on account of its IP being indispensable for a segment of the market. In such a case, the terms of its licensing arrangements may be scrutinised for being potentially ‘unfair’ or ‘discriminatory’ and thus, abusive. For example, charging excessive royalty rates or charging different royalty rates to similarly placed customers may be viewed as an imposition of unfair or discriminatory prices and thus, an abuse of dominance.29

In 2018, the CCI directed an investigation into Intel30 for refusing to license its design files to a manufacturer of server boards, Velankani Electronics Private Limited (VEPL). VEPL needed access to these design files to manufacture server boards that were created based on Intel’s design. Intel contended that it’s licensing arrangements with well-established Original Design Manufacturers (ODMs) or OEMs that manufacture and design customised servers and server-boards cannot be compared with the likes of VEPL. Intel also argued that it had provided VEPL with requisite documentation, materials and dedicated technical support per its agreement with VEPL, and was not obligated to treat VEPL at par with well-established ODMs or OEMs or share its reference designs for server boards. The CCI disagreed and held that in absence of a published threshold set by Intel or the industry identifying additional criteria that VEPL was required to satisfy, Intel’s discriminatory conduct was not justified.

Similarly, the CCI initiated an investigation into Monsanto Inc., United States (MIU)31 for imposing termination clauses in its agreements with its sub-licensees, which enabled it to terminate the licence agreement if the sub-licensee undertook the development of hybrid cotton planting seeds based on a trait obtained from a competitor of MIU. The CCI found that Monsanto discriminated between its associated companies and third party seed manufacturers, where the former was not subject to the same stringent sub-licence terms as other seed manufacturers.

More recently, the appellate tribunal (NCLAT) dismissed Verifone India Sales Private Limited’s (Verifone) appeal32 against a CCI penalty order that found Verifone, a manufacturer

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29 Section 4(2)(a)(ii) of the Competition Act.
30 Intel case (Ibid).
31 Reference Case No. 2 of 2015 and Case No. 107 of 2015, 10 February 2016; Case Nos. 37, 38 and 39 of 2016, 9 June 2016.
32 TA (AT) (Competition) No. 1 of 2017.
of point of sale (POS) terminals, to have imposed ‘unfair and discriminatory conditions’ in its licensing agreements with Atos Wordline India Pvt. Ltd (Atos). Before the NCLAT, Verifone contended that these terms were under negotiation at the time of the complaint and could therefore not form the basis of an investigation. NCLAT disagreed, observing that the language of the impugned licence agreement demonstrated that Verifone compelled Atos to sign the agreement. This, per the NCLAT, amounted to an abuse of dominant position by Verifone. The NCLAT also noted that (1) the agreement was not as per prevailing industry standards, and (2) Verifone’s agreements for supplying software developments kits was non-negotiable, and the intent of Verifone (based on email evidence) was to exploit the market for value added services (VAS) by restricting VAS providers from using any third party to develop or assist in developing any software using the licensed software, without obtaining prior permission from Verifone and thereafter disclosing confidential information, including the names of its customers.

The CCI’s approach towards ‘unfair’ licensing claims has been largely consistent with its approach on unfair pricing. The CCI adopts a cost-plus approach for determining whether the ‘price charged’ has a reasonable relation to the economic value of the product supplied.\textsuperscript{33} For instance, the CCI’s investigation into MIU examines allegations for charging ‘unfair’ royalty rates to Indian seed companies in the supply of BT Cotton hybrid technology. The amount recovered by MIU on account of royalty charges and trait value was found to be much greater than the expenses MIU incurred in developing BT Cotton hybrid technology. Accordingly, the CCI did not find any basis for MIU charging high trait values.

IV STANDARD-ESSENTIAL PATENTS

i Standard-selection process and antitrust

Industry standards are widely acknowledged to be one of the fundamental drivers of modern economy. Standard setting through stakeholder collaboration usually results in significant efficiencies; for instance, the interoperability of standards, consumer safety, technological innovation and the introduction of performance standards in the market. While antitrust authorities have recognised the pro-competitive benefits of standardisation, the standard-selection process itself involves deliberation and communication between competitors that may raise potential antitrust concerns. For instance, coordination in a standard-selection process may lead not only to minimum price-fixing, but also to a buyers’ cartel in which the licensees (voting members of the standard-setting organisation) coerce patent holders to accept lower royalties in exchange for having their patents incorporated into a standard.\textsuperscript{34}

Apart from the coordination concerns involved in a standard-selection process, the adoption of industry standards involving IP may result in the creation of a Standard Essential Patent (SEP). Once a patent is included in a standard and is widely adopted, it grants absolute

\textsuperscript{33} The CCI, when investigating excessive pricing allegations (see \textit{Auto Parts} case), has relied on the approach in \textit{United Brands Company and United Brands Continental BV v. Commission} [1978] ECR 207, where the European Court of Justice held that ‘charging a price which is excessive because it has no reasonable relation to the economic value of the product supplied’ could constitute an abuse of dominant position.

\textsuperscript{34} \textit{Sony Electronics v. Soundview Technologies Inc.}, 157 F.Supp. 2d 180 (D.Conn. 2001).
monopoly power to the SEP holder. The SEP holder is under an obligation to license on a FRAND basis and a failure to do so may qualify as an abuse of dominance. The task of an antitrust regulator is therefore not limited to adjudicating violation of FRAND commitments by SEP holders, but also extends to claims involving abuse of the standard-setting process. Globally, much of the antitrust litigation and controversy in relation to standard-selection processes has revolved around SEPs, and specifically patent hold-ups.

In India, the antitrust concerns surrounding standard-selection processes have also followed this trend. In Ericsson v. Micromax, Ericsson sued Micromax, claiming damages worth approximately 1 billion rupees (~USD 15.2 million), alleging that Micromax had refused to enter into a licensing agreement covering Ericsson’s patented innovations across several wireless technology standards after three years of negotiations failed to yield a licensing agreement. Micromax contested the claims arguing that Ericsson was not licensing its SEPs on FRAND terms. Noting that the practices adopted by Ericsson were discriminatory and contrary to FRAND terms, the CCI directed the DG to investigate Ericsson for any potential violation of the provisions of the Competition Act. This order of the CCI was challenged by Ericsson before the DHC, asserting that the CCI lacked jurisdiction to investigate. As the dispute was related to a claim of royalty by a patent-owner, the dispute fell squarely within the scope of the Patents Act. The DHC dismissed Ericsson’s challenge. It did not find any conflict between the antitrust and patent statutes. Instead, it found that remedies provided under the Patents Act (e.g. compulsory licensing) are distinguishable and not mutually exclusive with that under the Competition Act (empowers the CCI to impose penalties for anti-competitive conduct). The DHC also observed that the legislature intended the Competition Act to apply in addition to other statutes.

Although it is now somewhat settled that the CCI has the jurisdiction to examine allegations of anti-competitive conduct arising from ‘unfair or discriminatory’ licensing terms, it is yet to be determined whether competition authorities are best placed to determine what constitutes a ‘fair’ royalty, usually the remedy sought by the ‘exploited’ licensees. Remedies (arbitration proceedings under the Patents Act to fix FRAND rates and terms) and an elaborate recourse mechanism are available under the IP regime by the Controller of Patents, Trademark Registry, Intellectual Property Board and Appellate Board. Moreover, Section 83(f) of the Patents Act restrains a patentee from ‘abusing’ its patent right and engaging in practices that unreasonably restrain trade. The Controller of Patents is empowered to direct ‘compulsory licensing’ where the patent holder refuses to grant licences inter alia on reasonable terms. It may therefore be worth considering whether antitrust regulators are appropriately placed to investigate if an appropriate remedy lies within the realm of relevant IPR laws.

35 A standard, by definition, eliminates alternative technologies. When a patented technology is incorporated in a standard, adoption of the standard eliminates alternatives to patented technology. The value of a patent becomes significantly enhanced after the patent is incorporated in a standard.

36 Broadcom Corp. v. Qualcomm Inc., 501 F.3d 297, 314 (3d Cir. 2007).

37 Patent hold-up refers to a situation where participants chose not to make a complete disclosure of their patents during the standard-selection process, and once the standards were widely adopted, demanded unreasonable royalty. Also see In re Rambus Inc., Dkt. No. 9302 (FTC 2002), In re Union Oil Co. of Cal., Dkt. No. 9305 (FTC 2003), In the matter of Dell Computer Corp. 121 F.T.C. 616 (1996).

38 Telefonaktiebolaget LM Ericsson v. CCI (Writ Petition (Civil) No. 464 of 2014, 30 March 2016).
V  INTELLECTUAL PROPERTY AND MERGERS

The Indian merger control regime requires the mandatory notification of all mergers and acquisitions that meet certain jurisdictional thresholds; these thresholds are assessed on the basis of the sum of the acquirer and target company’s assets and turnover collectively. However, the question of whether the licensing of IPs constitutes the ‘acquisition’ or ‘transfer’ of assets (and consequently requires notification) has been the subject of some debate. Because IPs can be transferred through many methods, including through their assignment, exclusive licensing, non-exclusive licensing, sub-assignable licensing, for a limited duration or perpetually, the CCI has been called upon to identify situations where such licensing might require merger notification. The CCI has now clarified\(^39\) through its decisional practice that the licensing of an IP will not in itself constitute a transfer or acquisition if the licence is demonstrably non-exclusive – both as a matter of law (\textit{de jure}) and as a matter of fact (\textit{de facto}). The licensor has to, among other things, establish that it itself continues to use the IP, or indeed license out the IP to others for wider use; and that the licence is not exclusive, irrespective of terminology used in the licence agreements. As a corollary, IP licences that do not meet this test, either \textit{de jure} or \textit{de facto}, will be treated as asset acquisitions that trigger merger notification to the CCI if no statutory exemption is available.

VI  OTHER ABUSES (SHAM OR VEXATIOUS LITIGATION – IP AND ANTITRUST)

Sham or vexatious litigation as a tool to exclude competition is one of the important issues in IP and antitrust, since it involves the strategic use of IP infringement actions before courts with the ultimate objective of excluding a rival from the market. Antitrust regulators across jurisdictions have examined vexatious litigation as a strategy involving denial of market to a competitor. In the European Union and the United States, courts have laid down two broad principles that need to be satisfied when resolving an antitrust claim based on vexatious litigation: first, the lawsuit must be objectively baseless to the extent that no reasonable litigant could except success on the merits; and second, the IP holder’s utilisation of the court system must be conceived in the framework of a plan to eliminate competition.\(^40\)

In nearly 11 years of antitrust enforcement, the CCI has received three complaints regarding sham litigation as a potential abuse of dominance. The first case involved a complaint against JCB India Ltd (JCB), where the complainant – Bull Machines Private Limited – alleged that JCB, as a patent holder, procured an \textit{ex parte} infringement injunction from a High Court to strategically delay the launch of its competing product. The withdrawal of the patent infringement suit by JCB soon after the product launch had been successfully delayed, formed the basis of the CCI’s investigation into whether JCB had engaged in sham or vexatious litigation.\(^41\)

\(^{39}\) Combination Registration No. C-2016/11/456, \textit{AT&T and Time Warner Inc.}\n

\(^{41}\) \textit{M/s Bull Machines Pvt. Ltd. v. M/s JCB India Ltd. \\& Ors.} (Case No. 105 of 2013, 11 March 2014); Further to allegations of procedural violations by the DG’s office while conducting a dawn raid against JCB, the DG’s investigation has been stayed.
In *Biocon Limited & Ors. v. F. Hoffman La Roche AG*, however, the CCI appeared reluctant to view as abusive conduct, the use of court proceedings to enforce legitimate IP. In its order directing investigation against Roche, the CCI noted that recourse to legal proceedings is a right of every party and, as a general principle, cannot be viewed as being sham litigation except under exceptional circumstances. Recently, in *InPhase Power Technologies Private Limited v. ABB India Limited*, the CCI did not analyse allegations of vexatious litigation against ABB. The CCI held that there was no reason to investigate ‘abuse’ of dominance if ABB lacked dominance in the relevant market.

The jurisprudence on the point of vexatious litigation under the Competition Act has so far developed on the basis of the preliminary order of the CCI. Because the CCI’s preliminary orders are not determinative of their final findings, the CCI’s determinative approach to vexatious litigation allegations remains uncertain.

**VII OUTLOOK AND CONCLUSIONS**

The introduction of the Draft Amendment denotes a shift towards recognising the legitimate exercise of IP by bringing parity between anti-competitive agreements and abuse of dominant position. The introduction of the carve-out for IP holders in the abuse of dominance cases appears to recognise the right of an IP holder to safeguard their intellectual property. This is consistent with recent CCI jurisprudence that increasingly appears to recognise the right of IP holders and to strike a balance between the legitimate exercise of IP with balancing consumer interest (*OPPO Mobile* case; *VIVO Communications* case; *Big Tree-Vista* case).

The CCI has adopted a largely balanced and progressive approach in ensuring that the enforcement of competition law is not at odds with the preservation of IP. In doing so, it has relied on decisional practice in other jurisdictions, while developing its own (albeit limited) jurisprudence on antitrust issues emanating from the exercise of UP rights, be it sham litigation, licensing restrictions or FRAND disputes. While much of the CCI’s existing jurisprudence has been developed on the basis of its preliminary orders, a more determinative approach will be determined in appellate review, with the Indian Supreme Court making the final decision. As with many other issues, the enforcement of antitrust law on questions involving IP is likely to continue to evolve in the coming years.

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42 Case No. 68 of 2016, 21 April 2017; While the CCI disagreed with the allegations on unfair pricing, it preliminary found that Roche had abused its dominance for unfairly attempting to influence Indian regulatory authorities to restrain Biocon’s and Mylan’s entry into the market for the relevant biological drugs (including its biosimilars) in violation of Section 4(2)(c) of the Competition Act.


44 The CCI’s prima facie orders are essentially directions to the DG to initiate an investigation into the complaint.
I INTRODUCTION

Intellectual property laws[^2] in Indonesia grant exclusive rights to intellectual property owners to exploit their intellectual property or to grant licences to other parties to exploit them. The licensing provisions of the intellectual property laws do not specifically regulate circumstances when the implementation of intellectual property can conflict with antitrust laws and regulations. The intellectual property laws in Indonesia only provide general provisions that licence agreements should not contain provisions that are directly or indirectly detrimental to the Indonesian economy, hinder the ability of Indonesian people to master and develop technology in general, or contradict Indonesian laws and regulations, morality or public order.

The Anti-Monopoly Law[^3] of Indonesia generally covers the same ground as the competition law of other jurisdictions. It contains prohibitions against the usual forms of cartel behaviour, horizontal collusion and conspiracy, and also vertical restraints of trade and unilateral conduct (such as abuses of dominant position). The Anti-Monopoly Law is applicable to all businesses established in Indonesia or operating in Indonesia, whether or not they are legal entities.

In Indonesia, intellectual property cases are tried by the commercial courts. The commercial courts’ decisions may be subject to further appeal (by way of cassation) to the Supreme Court. Meanwhile, antitrust cases are tried by the Business Competition Supervisory Commission (KPPU), and the district courts and the Supreme Court are mandated to accept and try appeals against KPPU decisions. KPPU, which is the main enforcement body for the Anti-Monopoly Law, is an autonomous body, independent of the executive and judiciary legislative bodies, but its members are appointed by the president. KPPU is authorised to examine allegations of violations of the Anti-Monopoly Law, issue guidelines for implementation of the law and apply administrative sanctions, subject to court control.

Article 50(b) of the Anti-Monopoly Law exempts agreements related to intellectual property (e.g., the licensing of intellectual property), trade secrets and franchising. The text

[^1]: Daru Lukiantono is a partner and Mochamad Fachri and Wiku Anindito are associate partners at Hadiputranto, Hadinoto & Partners.
of this Article does not include any qualification to this exemption. However, in its Guideline No. 2 of 2009 on the Exemption of Intellectual Property Agreements (the KPPU Guideline on the Exemption of Intellectual Property Agreements), KPPU has taken the position that this exemption is not absolute and that intellectual property licences are still subject to scrutiny under the Anti-Monopoly Law. KPPU assesses licence agreements under the rule of reason and will only exempt licences that do not cause monopolistic practices or unfair competition. In practice, when parties accused of violating the Anti-Monopoly Law try to invoke Article 50(b) in their defence, KPPU generally disagrees and does not accept that the exemption under this Article applies.

Intellectual property licences are likely to become subject to increased competition law scrutiny as there is a draft revision to the Anti-Monopoly Law (the Draft Anti-Monopoly Law) that proposes eliminating the intellectual property licensing and franchising exemptions provided by Article 50(b). This draft is still being discussed by the Indonesian House of Representatives. At the time of writing, having failed to pass this draft into law in 2019, the House is resuming its consideration of this draft but it is not clear that it can be passed in 2020.

However, there is a draft Omnibus Law on Job Creation, the purpose of which is to reform many laws for the purpose of making business easier, thus boosting employment growth. This draft also contains proposals for a more limited amendments to the Anti-Monopoly Law. In particular, it proposes to raise the maximum administrative fine that KPPU may impose from the current 25 billion rupiah per violation to 100 billion rupiah; a four-fold increase.

Moreover, in October 2020 the KPPU issued a regulation (KPPU Regulation No. 3 of 2019) whereby it asserts that it has the authority to review transfers of assets (including intellectual property) that passed certain thresholds. Formations of joint ventures (including those that include contributions or the use of intellectual property) are currently not subject to merger review. If the Omnibus Law is passed, then failure to file merger filing for acquisition of intellectual property or conclusion of an intellectual property acquisition that causes unfair competition would be subject to higher maximum penalty under this future law.

Therefore, in this year, a greater interface between competition law and intellectual property has become a reality. The stakes may also get higher.

II YEAR IN REVIEW

No notable intellectual property-related cases have been tried by KPPU in the past year. As Indonesia is not a jurisprudence-based jurisdiction, prior court decisions do not need to be followed by panels of judges in similar cases.

The most significant development on antitrust aspects of intellectual property in Indonesia in the past year has been the Issuance of KPPU Regulation No. 3 of 2019 on the Review of Merger or Consolidations or Share Acquisitions of Companies which May Cause Monopolistic Practices or Unfair Competition (KPPU Regulation No. 3 of 2019), or both. Under this regulation all qualifying acquisition of assets are subject to KPPU review and must be notified to KPPU within 30 working days after the closing date of the transaction. Details of these new requirements can be found in Section V, below.
According to the KPPU Guideline on the Exemption of Intellectual Property Agreements, the exemption provided by KPPU would only be applicable if the licence agreement was made in line with the intellectual property laws. According to intellectual property laws in Indonesia, intellectual property licence agreements must be recorded at the relevant intellectual property office to bind third parties. However, intellectual property owners have only been able to file recordal requests since the issuance of Minister of Law and Human Rights Regulation No. 8 of 2016 on Requirements and Procedures for the Recordal of Intellectual Property Licence Agreements and Government Regulation No. 36 of 2016 on IP Licence Recordal. In addition to this, license recordal is also regulated under Government Regulation No. 36 of 2018 on IP License Recordal.

The purpose of the requirement to record intellectual property licence agreements is to bind third parties. From the perspective of third parties, recordal automatically serves as notification that there is an intellectual property licence arrangement in place between the intellectual property owner as the licensor and the licensee in Indonesia – which would be important if the intellectual property owner needed to show proof of use of its intellectual property in Indonesia. However, as yet there have been no notable cases before the commercial courts where a licence agreement was overruled because of non-recordal issues. Moreover, KPPU has not issued any notable decisions in which it considered an intellectual property licence agreement as anticompetitive on the basis of non-recordal issues.

Although the following discussion is based on the KPPU Guideline on the Exemption of Intellectual Property Agreements, in practice, KPPU guidelines do not restrain KPPU from adopting a different approach to particular cases if deemed necessary. Therefore, the views expressed in the Guideline might not reflect how KPPU will act in a particular case.

KPPU is in the process of reviewing and revising all of its guidelines. A revision of the KPPU Guideline on the Exemption of Intellectual Property Agreements may be issued later in 2020.

### Anticompetitive restraints

As stated previously, the Anti-Monopoly Law exempts agreements related to intellectual property, but KPPU regards such exemptions as not being absolute, as a licence agreement would still be subject to the application of the Anti-Monopoly Law if it were to cause conditions of actual monopolistic practices or unfair business competition. As regards the Anti-Monopoly Law, business actors should not prevent other competitors from carrying out business activities in the same relevant market, or from carrying out development of technology, or prevent consumers from engaging in business relationships with competitors, as such conduct may lead to monopolistic practices or unfair business competition.

According to the KPPU Guideline on the Exemption of Intellectual Property Agreements, intellectual property licence agreements may be subject to the application of the Anti-Monopoly Law if the intellectual property is deemed as an essential facility and the owner refuses to license it, or the licence agreement leads to exclusive dealing.

The KPPU Guideline on the Exemption of Intellectual Property Agreements provides some examples where licence agreements may lead to exclusive dealing, such as pooling licensing and cross-licensing, tying arrangements, material supply limitation, production and marketing limitation and grant-back licensing. According to this Guideline, it should
be identified whether the licensed intellectual property is deemed as an essential facility. An essential facility in general is a facility that is required to run a business and not economical to duplicate.

Specifically in relation to franchise agreements, according to KPPU Guideline No. 2 of 2009 on Exemption of Franchise Agreements (the KPPU Franchise Guideline), a franchise agreement cannot be exempted from the application of the Anti-Monopoly Law if it consists of provisions relating to purchase obligations or unrelated to the intellectual property that is the essence of the franchise business or that cause entry barriers for other suppliers.

**Exclusive dealing**

The Anti-Monopoly Law also prohibits exclusive dealing. This is, for example, an agreement where any of the following apply:

- a the recipient of any product or service may only resupply or may not resupply the product or service to certain parties or in certain places;
- b the recipient of any product or service must agree to purchase other products or services from the supplier (tying-in agreements); and
- c the recipient of any product or service will get certain prices or discounts, but in return it is required to purchase other products or services from the supplier or the recipient is prohibited to purchase the same type of products or services from the supplier's competitors.

Article 15 of the Anti-Monopoly Law provides that a prohibition on exclusive dealing is illegal *per se*, but the KPPU guidelines indicate that this should be subject to the ‘rule of reason’, specifically prohibiting the practice if it has caused or might cause monopolistic practices or unfair competition.

**Grant-back licences**

The intellectual property laws do not specifically regulate grant-back licences. Nevertheless, according to the KPPU Guideline on the Exemption of Intellectual Property Agreements, each party should consider the fact that a grant-back licence may hinder the licensee from advancing the technology. The grant-back licence may also be unfair, as it allows the licensor to own intellectual property that it has not created itself. Therefore, this provision could be seen as anticompetitive and, hence, it may be further examined for potential violation of the Anti-Monopoly Law, with consideration given to the background, purpose and reasons for the inclusion of the grant-back provision in the licence agreement.

**ii Refusals to license**

From the intellectual property law perspective, refusals to license are not considered as prohibited practices. However, in terms of the Anti-Monopoly Law, this could be seen as a form of abuse of dominant position if the licensor has a market share of 50 per cent or more of a certain product or service, or where the licensor and one or two other business actors collectively control market share of 75 per cent or more of a certain product or service.\(^4\) Moreover, a business actor could also be deemed dominant if it no longer has any significant

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\(^4\) Article 25(2) of the Anti-Monopoly Law.
competitors in the relevant market in terms of the market share controlled, and has a higher position than all of its competitors in terms of financial capability, access to supply or sales, and capability to adjust the supply or demand for certain products or services.\(^5\)

As explained earlier, that assessment should also consider whether the licensed intellectual property is deemed as an essential facility. In general, if the intellectual property is not deemed as an essential facility, the exemption could be applicable.

The Patent Law does not provide specific measures that could be taken by third parties if patent holders refuse to grant a licence. Nevertheless, according to the Patent Law, a third party who can show that he or she has the capability to fully exploit a patent and has his or her own facilities for doing so can file an application for compulsory license of a patent within 36 months of the patent being issued.\(^6\) A compulsory licence could be given based on the Minister of Law and Human Rights’ decision in any of the following circumstances:

- The patent holder does not implement an obligation to create a product or use a process in Indonesia within 36 months of the patent being granted;
- A patent has been implemented by the patent holder or its licensee in a form or way that harms the public interest; and
- A patent resulting from a development of a previous patent cannot be implemented without using a third-party patent that is still under protection.

To obtain the compulsory licence, the applicant (or its proxy) should also provide evidence that it has taken action within 12 months of the first action to obtain a licence from the patent holder based on proper requirements and conditions, but that it was not successful. The Minister of Law and Human Rights can only grant a compulsory licence if the Minister is of the opinion that the aforementioned patent can be implemented in Indonesia on a ‘proper economic scale’ and can benefit society.\(^7\) ‘Proper economic scale’ is regarded as circumstances in which the products manufactured using the patent could be sold at an affordable price to the public while still taking the rights of the patent holder into consideration.

### iii Unfair and discriminatory licensing

As stated earlier, the refusal of a dominant business actor in a relevant market to license intellectual property could constitute a prohibited relative monopolistic practice.

The Anti-Monopoly Law provides the following criminal and civil liabilities for dominant business actors who impose terms of trade with the intention of preventing or obstructing consumers from acquiring competitive products, restrict the market and the development of technology, or obstruct potential competitors from entering the market:

- **criminal liability:** criminal fine of between 25 billion rupiah and 100 billion rupiah, or imprisonment for a maximum period of six months; and
- **civil liability:** subject to an order to cease the abuse of the dominant position and fines of between 1 billion rupiah and 25 billion rupiah, and damages.

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\(^{5}\) Article 1(4) of the Anti-Monopoly Law.
\(^{6}\) Article 84(1)(a) of the Patent Law.
\(^{7}\) Article 84(1)(c) of the Patent Law.
iv  Patent pooling
Patent pooling takes the form of an agreement between multiple patent holders to license their patent to a third party. In general, the Patent Law does not specifically regulate patent pooling issues. Nevertheless, from the perspective of the KPPU Guideline on the Exemption of Intellectual Property Agreements, the Anti-Monopoly Law could still be applicable to patent pooling arrangements, subject to the rule of reason. Specifically, the Guideline provides that if the pooling of a licence consists of provisions allowing manufacturing or marketing activities of a product dominantly owned by one business entity such that other business entities could not compete effectively, those provisions could be seen as anticompetitive. For example, these kinds of monopolistic practices could be applied by setting discriminatory pricing for other business actors outside the patent pool and limiting the grant of licences to those outside the pool.

v  Software licensing
In practice, software may be protected by different forms of intellectual property, such as patents and trade secret rights, although the common form of intellectual property protection for software is copyright. The Copyright Law does not specifically regulate software licences (or software distribution and end-user licence agreements). However, as a general rule, the Copyright Law provides that copyright licensing should not extend beyond the validity and protection period of the licensed copyright work,\(^8\) and that the licensor is entitled to receive royalties from the licensee (unless agreed otherwise).\(^9\) Moreover, a copyright licence agreement should not be used as an avenue to diminish or take over all the author’s rights in relation to its copyright.\(^10\)

vi  Trademark licensing
With regard to trademark licensing, the licensors’ perspective is usually that it would be essential for them to control the use and commercial exploitation of their marks by licensees, and ensure that this use does not conflict with the licensors’ business and interests. For example, in a franchise business, the licensors may request the licensees to purchase materials from a certain supplier. According to the KPPU Franchise Guideline, such an arrangement could be exempted from the application of the Anti-Monopoly Law as long as it is related to the intellectual property that is the essence of the franchise business or would not cause entry barriers for other suppliers.

In some jurisdictions, competition issues relating to trademark licensing may also arise in the form of coexistence agreements when both the licensor and licensee decide to regulate each party’s use and registration of its marks to avoid confusion among consumers. In general, the Trademark Law and also the Indonesian Trademark Office’s practice do not acknowledge coexistence agreements. Therefore, while coexistence agreements may be considered binding between parties from a contractual perspective, coexistence agreements may not be used to overcome possible rejections of trademark by the Indonesian Trademark Office. The Anti-Competition Law also does not specifically regulate the coexistence-agreement issue.

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8 Article 80(2) of the Copyright Law.
9 Article 80(3) of the Copyright Law.
10 Article 82(3) of the Copyright Law.
a general rule, however, coexistence agreements should not limit competitors’ ability to carry out their business activities in the same relevant market or prevent consumers from doing business with competitors, as such terms may be monopolistic and anticompetitive.

IV STANDARD-ESSENTIAL PATENTS

i Dominance

In general, the patent for an invention that is integral to standards that are important for functionality or for relevant commercial items is known as a standard-essential patent (SEP). This is mostly relevant in the information and communication technologies sector, where creation and protection of new communication standards through patents could constitute a competitive advantage that allows an SEP holder to control input and hinder the entry of potential competitors or innovation in the market.

The Patent Law does not specifically define or regulate SEPs, although it provides a mechanism for third parties to seek a compulsory licence for implementing a patent resulting from a development of a previous third party’s patent that is still under protection, as stated above. Moreover, under the Patent Law and the Anti-Monopoly Law, holding an SEP has not been found to directly yield dominance in the patent-related market. Furthermore, there have been no KPPU decisions issued in recent years finding refusal to license an SEP as being anticompetitive.

ii Injunctions

There have been no KPPU decisions analysing injunctions sought by patent holders from the antitrust perspective, as there is currently no measure for injunctions under the Anti-Monopoly Law. As a general rule, the Patent Law provides a mechanism for the owner of a patent registration to file a request for an injunction (in the form of a temporary court order) to prevent: (1) the entry to the market of products resulting from patent infringement; (2) the removal of the evidence of patent infringement from the infringer’s premises; and (3) further damage being suffered by the patent owner. The mechanisms to initiate a temporary court order are stipulated in Supreme Court Regulation No. 5 of 2012 on Temporary Court Orders (Regulation 5/2012). According to Regulation 5/2012, the court order request should be lodged together with the payment of a deposit or warranty in an amount equal to the value of the suspended goods.

With regard to the process, within two days of the court order request being lodged, the commercial court should decide whether to grant or reject the request. If the request is granted, the bailiffs will go to the defendant’s premises to initiate the order. Within 30 days of the implementation of the court order, the panel of judges should review the case (hearing arguments from both parties) and accordingly decide either to confirm or cancel the order. If the panel of judges confirms the order, the plaintiff should proceed with filing an infringement claim as a follow-up. If the panel of judges cancels the order, the deposit or warranty will be given to the defendant.

According to Regulation 5/2012, the amount of the deposit for the temporary court order should be equivalent to the value of the goods detailed and the costs that will be

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11 Article 155 of the Patent Law.
incurred as a result of the implementation of the court order.\(^\text{12}\) Unfortunately, at the time of writing, the implementation of this measure is yet to be tested, as there is no further guideline available for the commercial courts to calculate the deposits or warranties for temporary court orders; hence, there have been no court orders requested for patent infringement cases so far.

iii  Licensing under FRAND terms

The Patent Law does not include any provisions that require an SEP holder to grant patent licences to other parties under FRAND licensing terms. There have been no notable court cases in Indonesia in relation to the application of FRAND licensing terms, particularly those cases where patent licence agreements are overruled or deemed invalid because of failure to comply with FRAND licensing terms.

iv  Anticompetitive or exclusionary royalties

There are no specific provisions in the Patent Law prohibiting issues such as exploitative prices and practices, or exclusionary practices. Moreover, there has been no notable intellectual property or antitrust case where royalty rates in an intellectual property licence agreement are deemed as abusive or excessive.

As best practice, any applicable industry-specific guideline should also be taken into consideration when determining royalty rates. For example, in the music industry, the Minister of Law and Human Rights has issued Decree No. HKI.2.OT.03.01-02 of 2016 to regulate the benchmark for royalties for the use of music by various users or premises in Indonesia.

V  INTELLECTUAL PROPERTY AND MERGERS

i  Transfer of IP rights constituting a merger

The following criteria must be fulfilled in order for the acquisition of assets (including intellectual property) to be notifiable to KPPU under KPPU Regulation No. 3 of 2019:

\(a\)  The acquisition is concluded between non-affiliated parties.

\(b\)  The acquisition fulfils the financial thresholds for notification:

- the combined value of (1) the worldwide assets of the acquirer and its group companies and (2) the assets of acquirer and its subsidiaries exceeds 2.5 trillion rupiah. In the case of financial institutions (banks) the assets threshold is 20 trillion rupiah. This worldwide calculation method is an unwritten KPPU policy that may be superseded by a written policy as KPPU has promised that a technical guidance will be issued to further elaborate the provisions of KPPU Regulation No. 3 of 2019;

- the combined value of the Indonesian sales or turnover of (1) the acquirer and its group companies and (2) the target and its group companies exceeds 5 trillion rupiah;

- there are also qualitative criteria that the acquisition of assets would increase the acquirer’s ability to control the relevant market. These criteria are not clearly

\(^{12}\) Article 2 of Regulation 5/2012.
spelt out and there is currently no further guidance on these criteria although generally KPPU’s stated intention is that their primary interest is in acquisition of productive assets.

Failure to file within the required timeline is subject to administrative penalty. In theory the penalty is 1 billion rupiah per day of late filing up to the maximum of 25 billion rupiah. As noted above, if the current version of the Omnibus Bill is passed, the maximum penalty would be raised to 100 billion rupiah.

ii Remedies involving divestitures of intellectual property

In relation to the post-completion notification as elaborated above, if KPPU determines that a transaction may cause monopolistic practices or unfair competition, KPPU will require remedies. In practice, the remedy required is usually in the form of behavioural remedies relating to intellectual property. Behavioural remedies include if KPPU accepts the proposed remedies, it will issue a conditional opinion of no risk of monopolistic practices or unfair competition. If KPPU rejects the proposed remedies, it will issue an opinion that the transaction risks causing monopolistic practices or unfair business competition. An ultimate penalty of divestment and imposition of administrative fines may be imposed on transactions that the KPPU objects to, but in theory this has not happened.

To date there has not been any precedent of mergers where KPPU has imposed remedies involving the transfer of intellectual property to prevent a business entity achieving a dominant position by such means.

VI OTHER ABUSES

i Sham or vexatious IP litigation

This concept is not commonly known in Indonesia, as there have been no notable cases analysing the antitrust implications of sham or vexatious IP litigation. While ‘pay for delay’ has been a hot issue in other jurisdictions, there have been no notable patent-related cases before the commercial courts where pay for delay was one of the measures to settle the court dispute. In general, the number of patent infringement cases in Indonesia is not significant, compared with other intellectual property infringement cases, such as trademark or copyright infringement.

The Patent Law does not specifically define ‘sham litigation’, but it is normal in Indonesian court practice that infringers respond to infringement claims by saying that the civil claim was groundless or unclear. This defence is usually raised together with the arguments that the intellectual property being used by the infringer is not the same as the one owned by the plaintiff; hence, the commercial use is non-infringing.

ii Misuse of the patent process

In some jurisdictions, this topic may lead to ‘evergreening’ issues in the pharmaceutical and healthcare industry, which is considered a life-cycle strategy initiated by patent holders to extend products that are about to expire to retain patent royalties. This is not a concept normally regulated under the Patent Law, and in general there have been no notable cases where KPPI considered evergreening or life-cycle management measures initiated by patent holders as anticompetitive.
Moreover, at the time of writing, there have been no patent infringement cases before the commercial courts where the panel of judges highlighted misuse of the patent process. On a related note, the Patent Law provides five years (two years under the previous law) for third parties to use a patented invention for the purpose of carrying out tests, preparing for production and seeking regulatory or marketing approval before the patent expires (widely known as the Bolar provision).

### iii Anticompetitive settlements of IP disputes

So far, there have been no notable cases where KPPU reviewed the settlements of intellectual property disputes from antitrust perspectives.

### VII OUTLOOK AND CONCLUSIONS

The development at the interface between intellectual property and antitrust law is starting to become more dynamic due to the introduction of assets acquisitions review in 2019. As KPPU begins to issue its opinion on intellectual property will be subject to KPPU review transactions, we should expect even greater dynamism in 2020, hopefully greater clarity on how KPPU would apply its standards on intellectual property matters.
I INTRODUCTION

In Japan, the Anti-Monopoly Act (AMA) sets forth the interaction between antitrust and intellectual property (IP) law. Specifically, Article 21 of the AMA sets forth that ‘The provisions of this Act shall not apply to such acts recognisable as the exercise of rights under the Copyright Act, the Patent Act, the Utility Model Act, the Design Act, or the Trademark Act.’ Based on such a provision, the Japan Fair Trade Commission (JFTC) has published the Guidelines for the Use of Intellectual Property under the Antimonopoly Act (the IP Guidelines) to deal with various issues involving such an interaction (see Section III). The JFTC has also issued the Guidelines on Standardisation and Patent Pool Arrangements (the Standardisation Guidelines) on antitrust issues in relation to standardisation (see Sections III and IV).

II YEAR IN REVIEW

i Revocation of the JFTC’s Administrative Order against Qualcomm

On 13 March 2019, the JFTC made a decision to revoke its cease-and-desist order, which was issued against Qualcomm Inc. (Qualcomm) in September 2009.

The 2009 order found Qualcomm to be in violation of Article 19 of the AMA (falling within Paragraph 13 (Trading on Restrictive Terms) of the Designation of Unfair Trade Practices prior to its amendment made in 2009) for the following reasons:

a With regard to the grant of intellectual property rights (IPR) licences relating to CDMA Wireless Telecommunications, Qualcomm had coerced the Japanese manufacturers to conclude a licensing agreement (the Licence Agreement), which, even though Qualcomm had expressed beforehand that it would grant (under reasonable terms and conditions) a non-exclusive and non-discriminatory licence, included the following provisions (the Provisions at Issue):

- royalty free licence of IPR of the Japanese manufacturers to Qualcomm;
- the Japanese manufacturers’ non-assertion obligation against Qualcomm; and

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1 Takamitsu Shigetomi, Toshiya Furusho and Takashi Hirose are partners of Oh-Ebashi LPC & Partners.
• the Japanese manufacturers’ non-assertion obligation against Qualcomm’s licensees.

Owing to the Licence Agreement, the Japanese manufacturers were prevented from asserting their IPR. This led to a reduction in Japanese manufacturers’ incentive to engage in research and development pertaining to technologies related to CDMA subscriber units, as well as CDMA base stations and semiconductor integrated circuits used therein, and further strengthened Qualcomm’s influential position in the market pertaining to the technologies, thereby impeding fair competition in the technology market.

Qualcomm appealed against the 2009 order. In the administrative appeal hearings, the JFTC asserted that its 2009 order should be upheld because the Provisions at Issue were unreasonable enough to lead to the conclusion that such provisions would impede Japanese manufacturers’ incentive to engage in research and development considering: (1) the scope of the Provisions at Issue above was broad; (2) the Provisions at Issue had the nature of a royalty free licence; and (3) the Provisions at Issue were imbalanced between Qualcomm and the Japanese manufacturers.

As a result of the administrative appeal hearings, which included 37 separate hearing dates, the 2009 order was eventually revoked. In the JFTC’s hearing, the hearing examiners found that the Licence Agreement had the nature of a cross-licensing between Qualcomm and the Japanese manufacturers in which Qualcomm grants its IPR to the Japanese manufacturers, and in exchange the Japanese manufacturers grant their IPR to Qualcomm. Because a cross-licence agreement itself does not generally have the tendency to hamper fair competition, in order for the Licence Agreement to have had a likely adverse influence on fair competition, the JFTC should establish that, on the grounds of the evidence, the Licence Agreement impeded the Japanese manufacturers’ incentive to engage in research and development. The hearing examiners finally held that they did not find sufficient evidence to demonstrate that the Licence Agreement with the Provisions at Issue had impeded fair competition.

ii The JFTC’s Report on Survey of Abuse of Dominant Bargaining Position regarding Manufacturers’ Know-how and Intellectual Property

Introduction of the JFTC’s report

On 14 June 2019, the JFTC released its report titled ‘Report on Survey of Abuse of Dominant Bargaining Position regarding Manufacturers’ Know-how and Intellectual Property’ (the Report). This survey was conducted in writing with 30,000 manufacturers (including 26,300 small and medium-sized manufacturers and 3,700 large manufacturers) and 122 hearings with manufacturers, trade associations and experts. The JFTC received 15,875 responses from manufacturers and 726 reports on individual cases.

This survey revealed a variety of cases where the abuse of a dominant bargaining position may be in question, in such cases where:

a a manufacturer is forced to disclose its know-how to its business partner;

b a manufacturer is forced to conduct nominal joint research with its business partner;

c a manufacturer’s patent application is interfered with by its business partner; and

d a manufacturer is forced to assign or transfer its intellectual property without any compensation to its business partner.
Examples of reference cases

The Report provides 30 reference cases from this survey, which may fall under Article 2(9)(v)(a) or (b) of the AMA. Such reference cases, which are extracted from the manufacturers’ responses to the JFTC’s survey, include the following:

a transaction without NDA or with unilateral NDA: a manufacturer is forced to enter into a transaction with its business partner either without a non-disclosure agreement (NDA) or with a NDA in which a manufacturer is involuntarily subjected to a unilateral and strict non-disclosure obligation regarding its business partner’s information;

b involuntary disclosure of know-how: a manufacturer is forced to disclose its trade secret, such as a manufacturing process or other technical information of a product, to its business partner even though such disclosure is not included in the terms and conditions of the transaction. In addition, there is a case where a manufacturer is imposed with an obligation to disclose its trade secret as a condition for a supply agreement;

c beating down of prices: in a transaction for a mould, a purchaser demands a mould manufacturer to deliver not only a mould but also its drawings in which a mould manufacturer’s know-how is contained. A purchaser, however, does not pay any compensation for such drawings;

d involuntary technical assistance to competitors: in a case where a purchaser changes an order for a product from a Japanese manufacturer to a foreign one, the Japanese manufacturer is forced to provide technical assistance, without any compensation, to the foreign manufacturer that operates a competing manufacturing business;

e nominal joint research: even though joint research to develop improved technology is mostly conducted by a manufacture using its own technical information and costs and expenses, the technical results obtained under such research is owned solely by its business partners despite the degree of contribution in developing such technical results;

f interference with patent application: a manufacturer is obliged to disclose its patent application to its business partner and to modify such application in accordance with the direction from such partner, even if the invention is irreverent to any transaction between such manufacturer and its partner. In addition, a manufacturer is sometimes imposed by its business partner with an obligation to file a joint patent application even for an invention for which such partner made no contribution;

g free assignment or transfer of intellectual property: a manufacturer is forced to enter into an agreement with its business partner to assign and transfer such manufacture’s IPR generated in the transaction between the parties without any compensation.

The JFTC announced that it will disseminate the result of this survey including reference cases (as described above) and strictly deal with acts that fall within the abuse of a dominant bargaining position.
III  LICENSING AND ANTITRUST

In considering the area of licensing and antitrust, consulting and complying with the AMA and IP Guidelines are important.5

Article 21 of the AMA states that ‘The provisions of this Act shall not apply to such acts recognisable as the exercise of rights under the Copyright Act, the Patent Act, the Utility Model Act, the Design Act, or the Trademark Act’. This means that the AMA applies to restrictions that are not considered to be an exercise of rights. In addition, the AMA applies to an act that seems to be an exercise of rights prima facie if such act is considered as deviating from the intent and objectives of the intellectual property systems. The IP Guidelines analyse and explain antitrust issues in relation to IP from the viewpoints of private monopolisation,6 unreasonable restraint of trade7 and unfair trade practice.8 This means, for instance, that there are some cases where an act is evaluated not only from the viewpoint of private monopolisation, but also from the viewpoint of unfair trade practice. Thus, it is of particular note that these categories of viewpoints do not perfectly fit the following itemisation of this chapter in Sections III.i, III.ii and III.iii, even though important content9 of the IP Guidelines has been categorised into each of the items mentioned above.10

One of the important points of the IP Guidelines is that it includes a section titled ‘Basic Principles on Application’ of the AMA.11 This section contains the ‘Principles in identifying a market’12 and ‘Method of analysing the effect in reducing competition’.13 The ‘Principles in identifying a market’ section explains that identifying a market is necessary even when evaluation is made from the viewpoint of unfair trade practice. This section also explains a method of identifying the market where the technology is traded (technology market) and a way of identifying the market where any product incorporating the technology is traded (a product market).

The section on the ‘Method of analysing the effect in reducing competition’ explains that the following factors should be considered comprehensively to determine whether restrictions regarding the use of technology reduce competition in each identified market:

the nature of the restrictions, how they are imposed, the use of the technology in the business activity and its influence on it, whether or not the parties pertaining to the restrictions are competitors in the

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5 The IP Guidelines apply to intellectual properties relating to technology, which includes technologies protected under the Patent Act, the Utility Model Act, the Act Concerning the Circuit Layout of a Semiconductor Integrated Circuit, the Plant Variety Protection and Seed Act, the Copyright Act and the Design Act and to any technology protected as know-how. Part 1 (2)(i) of the IP Guidelines. Technology protected as computer programming under the Copyright Act and technology protected as design in the form of an article under the Design Act are also included. Note 2 of the IP Guidelines.

6 Part 3(1) of the IP Guidelines.

7 Part 3(2) of the IP Guidelines.

8 Part 4 of the IP Guidelines.

9 The focus herein is on some of the most important content of the IP Guidelines, and thus an extensive explanation of the IP Guidelines has not been given.

10 This means that different ways of sorting out the contents of the IP Guidelines herein would also be possible.

11 Part 2 of the IP Guidelines.

12 Part 2(2) of the IP Guidelines.

13 Part 2(3) of the IP Guidelines.
In addition, the IP Guidelines stress that restrictions on the use of technology among competitors and restrictions on the use of technology that is influential would be considered to have a greater effect on competition than non-influential technology. Moreover, the IP Guidelines also explain safe harbour standards, within which the effect on the competition in the market is considered to be minor. With regards to a product market, the safe harbour standard is 20 per cent product share or less; with regards to a technology market, the safe harbour standard is 20 per cent product share or less, or the existence of four parties owning an alternative technology.

i Anticompetitive restraints

Restrictions that are considered, in principle, to constitute unfair trade practices

Obligations to assign improved technology or to grant exclusive licences for improved technology

Under the IP Guidelines, imposing on a licensee an obligation to hand over to the licensor the rights for improved technology developed by the licensee or to grant an exclusive licence for it is, in principle, considered to constitute an unfair trade practice. In addition, an obligation that causes a licensee to co-own the rights for improved technology with the licensor would also constitute an unfair trade practice if the obligation has the tendency to impede fair competition.

Conversely, if the improved technology created by a licensee is one that cannot be used without the licensed technology, an obligation on the licensee to hand over its rights for the improved technology, in exchange for fair consideration, would generally be considered as having no tendency to impede fair competition.

Restrictions on research and development activities

Prohibiting licensees from independently, or jointly with any third party, conducting research and development activities regarding the licensed technology (or any technology that competes with it) is considered, in principle, as having the tendency to impede fair competition and as an unfair trade practice.

Conversely, in cases when the licensed technology is treated and protected as know-how, restricting licensees’ research and development activities with a third party, to the extent necessary for preventing disclosure of the know-how or unauthorised use, does not constitute an unfair trade practice.

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14 Part 2(4) of the IP Guidelines.
15 Part 2(5) of the IP Guidelines.
16 This is not applicable to the conduct of restricting selling prices, sales quantity, market share, sales territories or customers for the product or to the conduct of restricting research and development activities, or obliging entrepreneurs to assign rights or grant exclusive licences for improved technology.
17 Part 4(5)(viii) of the IP Guidelines.
18 Part 4(5)(vii) of the IP Guidelines.
Restrictions on selling and resale prices

Imposing a restriction on licensees on the sale or resale price of products incorporating the licensed technology limits the fundamental means of competition and reduces competition. This, in principle, constitutes an unfair trade practice.

Restrictions that might constitute unfair trade practices

Obligations of the non-assertion of rights

Imposing an obligation on licensees to refrain from exercising the rights owned or to be obtained by them against the licensor is considered as constituting an unfair trade practice if it tends to impede fair competition.

Conversely, if the licensees are merely obliged to grant a non-exclusive license for improved technology developed by them to the licensor, it does not constitute an unfair trade practice in principle.

Restrictions after the extinction of rights

Imposing a restriction on licensees on the use of a technology or an obligation to pay royalties even after the extinction of rights to the technology licensed (expiration of patent right) would constitute an unfair trade practice if it tends to impede fair competition. However, reasonable installment or deferred payment of royalty might be allowed.

No-contest obligation

Imposing an obligation on licensees not to contest the validity of rights for licensed technology is less likely to reduce competition directly. However, there are some cases where such an obligation preserves rights that should have been invalidated, restricts the use of the technology and has a tendency to impede fair competition. Then, in such a case, it might constitute an unfair trade practice.

In addition, giving a licensor a right to terminate the licence agreement when a licensee challenges the validity of the licensed rights is not considered as constituting an unfair trade practice.

Restrictions on raw materials and components

There are some cases where a limitation on licensees regarding the quality or supply of raw materials and components for licensed products might be necessary to ensure the proper function and effect of the technology, the maintenance of safety and the prevention of the disclosure of confidential information.

However, such limitations would constitute an unfair trade practice if they exceed the necessary scope and tend to impede fair competition.

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19 Part 4(4)(iii) of the IP Guidelines.
20 When deciding whether the restrictions constitute an unfair trade practice or not needs to be carried out on a case by case basis.
21 Part 4(5)(vi) of the IP Guidelines.
22 This also includes any entrepreneurs designated by the licensor.
23 Part 4(5)(iii) of the IP Guidelines.
24 Part 4(4)(vii) of the IP Guidelines.
Package licensing

Imposing an obligation to obtain a package licence that covers technologies other than the technology licensees wish to use is examined based on the same viewpoints as restrictions on raw materials and components.

If such an obligation is not essential to ensure the proper function of the licensed technology or forces licensees to obtain a licence beyond the necessary scope, it would constitute an unfair trade practice if it tends to impede fair competition.

Other restrictions that might constitute unfair trade practice

In the IP Guidelines, it is considered that there are some cases where the following limitations or restrictions would constitute an unfair trade practice:

a inhibiting the use of technology (see Section III.ii);
b setting a maximum quantity of products (Part 4(3)(ii)(b));
c restrictions on the manufacture and sale of competing products or on transactions with competitors (Part 4(4)(iv));
d termination provisions that are unilaterally disadvantageous to licensees (Part 4(5)(i));
e obligations to export via any entrepreneur designated by the licensor (Part 4(3)(iii)(d));
f establishment of royalties without relation to the use of technology (Part 4(5)(ii)); and
g limitation on the counterparties of the sales of licensed products (Part 4(4)(ii)(b)).

Restrictions that are, in principle, considered as not being unfair trade practices

Obligations to grant non-exclusive licences for improved technology

Imposing an obligation on a licensee to grant the licensor non-exclusive licences for improved technology made by the licensee, in principle, would not constitute an unfair trade practice if the licensee can use the improved technology without restriction.

However, even under the said non-exclusive licence scheme, if the licensor also imposes on the licensee a limit on, for instance, the type of parties to which the licensee can grant a licence to use the improved technology, it would constitute an unfair trade practice if it has the tendency to impede fair competition.

Obligations to report obtained knowledge and experience

Imposing an obligation on licensees to report obtained knowledge and experience during the use of the licensed technology does not, in principle, constitute an unfair trade practice, except for cases where imposing such an obligation substantially leads to forcing licensees to give the licensor a licence to use such obtained knowledge (Part 4(5)(x)).

Other restrictions

In the IP Guidelines, the following conduct, in principle, is not considered as constituting an unfair trade practice:

a function-specific licensing (Part 4(3)(i)(a));
b limiting the licence period (Part 4(3)(i)(b));
c limiting the field where the technology may be used (Part 4(3)(i)(c));

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26 Part 4(5)(iv) of the IP Guidelines.
27 Part 4(5)(ix) of the IP Guidelines.
limiting the area in which manufacturing is allowed (Part 4(3)(ii)(a));
limiting the area in which sales of the product are allowed (Part 4(4)(ii)(a));
setting the minimum quantity of products that licensees must manufacture (Part 4(3)
(ii)(b));
limiting the exportation of the product (Part 4(3)(iii)(a));
limiting areas to which licensees may export products (Part 4(3)(iii)(b));
limiting parties to which licensees may grant a sublicense (Part 4(3)(iv));
imposing obligations to use the best possible efforts in the use of the licensed technology
(Part 4(4)(v)); and
imposing obligations to protect the confidentiality of know-how (Part 4(4)(vi)).

Refusals to license

In the IP Guidelines, both the section on ‘Viewpoints from private monopolisation’28 and
the section on ‘Viewpoints from unfair trade practices’29 deal with ‘inhibiting the use of
technology’.

Viewpoints from private monopolisation30

In general, a right-holder not granting a licence for the use of technology is considered as
an exercise of rights and normally does not cause a problem. However, in the IP Guidelines,
some cases are provided where the following acts would be considered as not being an exercise
of rights and as constituting private monopolisation if they substantially restrain competition
in a particular field of trade:
in a case where entrepreneurs are participating in a patent pool, the entrepreneurs
refuse to grant a licence to new entrants without any reasonable grounds;
in a case where a technology is influential in a particular market and numerous
entrepreneurs use it, an entrepreneur obtains the rights to the technology from the
right-holder and refuses to license the technology to others;
an entrepreneur conducting business in a particular market comprehensively collects
the rights to a technology that can be used by competitors, does not use the technology
and does refuse to license the technology to the competitors;
in a case where a product standard has been jointly established by entrepreneurs, an
entrepreneur has its own technology adapted as the product standard by using deceptive
means and then refuses to license the technology to the other entrepreneurs; and
a patent holder making a fair, reasonable and non-discriminatory (FRAND)
declaration refuses to license the rights of standard-essential patents or brings an action
for injunction against a party who is willing to take a licence under FRAND conditions
or the parent holder withdraws the FRAND declaration.31

28 Part 3(1)(i) of the IP Guidelines.
29 Part 4(2) of the IP Guidelines.
30 Part 3(1)(i) of the IP Guidelines.
31 With regards to, for example, the details of standard-essential patents and FRAND, further details can be
found in Section IV Standard-Essential Patent herein.
Viewpoints from unfair trade practices

The following acts would be considered as not being an exercise of rights, and would therefore cause a legal issue from the viewpoint of unfair trade practices if they degrade the competitive ability of the competitors and tend to impede fair competition:

a in a case where an entrepreneur obtains the rights to a technology from the right-holder, and knowing the fact that competitors use the technology and the said competitors would have difficulty in obtaining an alternative technology, the entrepreneur refuses to grant a licence to use the technology;

b in a case where a right-holder of a technology has other entrepreneurs use the technology by unjustifiable means and after the said entrepreneurs face difficulty in replacing the technology with an alternative technology, the right-holder refuses to grant a licence to use the technology to the said entrepreneurs;

c in a case where a technology provides the basis for business activities in a particular product market and many entrepreneurs in the market actually receive a licence for the technology, the right-holder of the technology discriminately refuses to grant a licence to a specific entrepreneur without reasonable grounds;

d the same as for Section III.i.(e) under ‘Viewpoints from private monopolisation’ above (even if the act does not constitute private monopolisation).

iii Unfair and discriminatory licensing

Many items given in Section III.i and III.ii above would also count for this section in the sense that they would constitute unfair licensing.

In addition, regarding the discriminatory aspect of conduct, Note 12 of the IP Guidelines supplementing the case given in Section III.ii.(c) (‘Viewpoints from unfair trade practices’) above stresses that in a case where restrictive conduct is taken in a discriminatory manner, the restrictive conduct is examined not only from the viewpoint of the impact it has on competition, but also from the viewpoint of the impact on the competition derived from its discriminatory nature.

Furthermore, Note 12 states that this applies to acts stated under the sections ‘Limiting the Scope of the Use of Technology’,33 ‘Imposing Restrictions in relation to the Use of Technology’34 and ‘Imposing Other Restrictions’35 of the IP Guidelines if the acts are taken in a discriminatory manner.

iv Patent pooling

An introduction will be given here on the content of the section on ‘Analysis of constraints on licensees in a licence agreement through a patent pool’36 in the Standardisation Guidelines published by the JFTC.

The Standardisation Guidelines emphasise the idea that it is necessary to assess the impact on competition carefully because licensing through a pool of specifications has an

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32 Part 4(2) of the IP Guidelines.
33 Part 4(3) of the IP Guidelines.
34 Part 4(4) of the IP Guidelines.
35 Part 4(5) of the IP Guidelines.
36 Part 3,3 of the Standardisation Guidelines.
enormous influence on the business activities of licensees that adopt a specification, and this influence will reach many licensees in a uniform and extensive way. From these viewpoints, the Standardisation Guidelines particularly explain the following five categories.

**Setting different licensing conditions**\(^{37}\)

Licensing with different conditions does not necessarily cause a legal issue under the AMA, including different conditions such as the scope of authorised use and different licensing royalties. However, imposing different conditions on specific businesses without due cause, such as refusing to license the patents or requiring extremely high licensing fees, is considered to be potentially violating the AMA when there is a direct and serious impact on the competitive ability of licensees.

**Restricting research and development activities**\(^{38}\)

When licensing patents for specifications through a pool, any restriction on a licensee’s research and development of the technologies for the specifications or competing technologies could cause difficulty in developing them, and could potentially result in restricting competition.

Conversely, there may be some cases where such restriction is considered reasonably necessary if a small number of competitors confidentially develop core technologies for the specifications in a joint research and development. However, this would not apply once the specifications have been developed.

**Obligation to grant a licence for patents on improvements or developments of the technologies for the specifications through a pool (grant back)**\(^{39}\)

When licensing patents through a pool and requiring licensees to add any improvements or developments of the technologies to that pool, there is a concern that this may cause a restriction on competition in the technology market. Conversely, in the case where a licensee adds a patent (i.e., an improvement) and that constitutes a part of the essential patents group and the licensee is required to grant a non-exclusive licence only, without other restrictions on the use and with non-discriminatory treatment in, for instance, the distribution of licensing fees, then it is generally considered as not causing a legal issue under the AMA.

**Measures against filing a petition for invalidation of patents**\(^{40}\)

Imposing a non-challenge clause, on licensees, that leads to a circumstance where licensing agreements with the licensee for all patents in the pool is terminated might cause a legal issue under the AMA.

Conversely, when the measure taken is to terminate licensing agreements between the licensee and the patent holder whose patent is subject to the invalidation claim, it is generally considered as not causing a legal issue under the AMA.

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37 Part 3,3(1) of the Standardisation Guidelines.
38 Part 3,3(2) of the Standardisation Guidelines.
39 Part 3,3(3) of the Standardisation Guidelines.
40 Part 3,3(4) of the Standardisation Guidelines.
Non-assertion of patent rights against patent holders and other licensees

Imposing a non-assertion obligation on licensees and prohibiting the exercise of patent rights that the licensees obtain against the patent holders, might cause a substantial restriction on competition in the technology market by accumulating many patents in the pool of specifications.

Conversely, when a patent that is subject to a non-assertion obligation is one that constitutes a part of the essential patent group, and the restriction is only to require the licensee to grant a non-exclusive license without other restrictions on the use and with non-discriminatory treatment in, for instance, the distribution of licensing fees, then it is generally considered as not causing a legal issue under the AMA.

v   Software licensing

Under Japanese law, software can generally be protected by the Copyright Act and the Patent Act under certain conditions. The AMA does not apply to acts recognisable as the exercise of rights under the Copyright Act or the Patent Act. In addition, the IP Guidelines, in principle, apply to software licensing.

Regarding software licensing, there is specific content in a note in the IP Guidelines that states that a prohibition on modifications to computer programs is considered an exercise of rights under the Copyright Act; however, a restriction on modifying licensed software to use it more effectively is not considered to be an exercise of rights under the Copyright Act. In addition, the IP Guidelines have an illustrative example regarding packaging licensing in terms of software licensing.

vi  Trademark licensing

Trademark licensing is covered by Article 21 of the AMA, meaning that the AMA does not apply to acts recognisable as the exercise of rights under the Trademark Act.

In addition, the IP Guidelines state that with regards to ‘restrictions on sales’ of products incorporating licensed technology, a licensor imposing an obligation on a licensee to use a specific trademark does not, in principle, constitute an unfair trade practice.

IV   STANDARD-ESSENTIAL PATENTS

i   Dominance

As to the dominance issue, the JFTC has published two guidelines: the Standardisation Guidelines and the IP Guidelines.

According to the Standardisation Guidelines, the standardisation of specifications by competitors is not assumed to pose a legal issue under the AMA. However, if the activity restricts competition in related markets or threatens to impede fair competition with restrictions, it poses a legal issue under the AMA. Examples of such restrictions are: restriction of prices of

41 Part 3,3(5) of the Standardisation Guidelines.
42 Note 18 of the IP Guidelines.
43 Article 20, paragraph (2), item (iii) and Article 47-2 of the Copyright Act.
44 Part 4(5)(iv) of the IP Guidelines.
45 Part 4(4)(ii) of the IP Guidelines.
46 Part 2(2) of the Standardisation Guidelines.
new products with specifications; restriction of development of alternative specifications; unreasonable extension of the scope of specifications; unreasonable exclusion of technical proposals from competitors; exclusion of competitors from standardisation activities.

The IP Guidelines specifically deal with the dominance issues of enforcing Standard-Essential Patents (SEP). According to the IP Guidelines, refusal to license to, or bringing an action for injunction against, a party that is willing to take a licence by a FRAND-encumbered Standard-Essential Patent holder (Patent Holder), or refusal to license to, or bringing an action for injunction against, a party who is willing to take a licence by the Patent Holder after the withdrawal of the FRAND Declaration for such SEP may constitute the exclusion of business activities of other entrepreneurs by making it difficult to research and develop, produce or sell the products adopting the standards. Whether a party is a ‘willing licensee’ (in other words, a licensee who is willing to take a licence on FRAND terms) or not should be judged based on the situation of each case, for example, in light of the behaviour of both parties in the licensing negotiations (e.g., whether, and how, the parties show that the particular SEP is infringed, whether the parties offer licence terms and conditions with a reasonable basis, whether the other party promptly makes its counter-offer, and whether the parties undertake licensing negotiations in good faith in light of normal business practices). Even if a party that intends to license challenges the validity, essential nature or non-infringement of the SEP, that fact itself should not be considered as grounds to deny that the party is a ‘willing licensee’ as long as the party undertakes licensing negotiations in good faith in view of normal business practices.

ii Injunctions

As stated in Section IV.i above, the JFTC mentions the case in which bringing an action for injunction may fall under the exclusion of business activities of other entrepreneurs.

As regards case law, the Intellectual Property High Court in Japan (IP High Court) rendered a significant decision in the Apple vs. Samsung case on 16 May 2014. The IP High Court made a decision on whether and in what circumstances seeking an injunction for SEP is found to be an abuse of a patent right as follows:

a The exercise of the right to seek an injunction based on SEP by Samsung as the patent holder who made the FRAND Declaration would constitute an abuse of right (Article 1, paragraph (3) of the Civil Code) and therefore is not allowed, if Apple as the opponent successfully alleges and proves the fact of (1) Samsung having made the FRAND Declaration and (2) Apple’s intention to receive a FRAND licence. Whether or not Apple had the intention to receive a FRAND licence would be rigidly scrutinised and determined.

b Apple can be considered as a party that has the intention to receive a FRAND licence because Apple Inc. had made specific royalty rate proposals with a calculation basis several times, and had held several conferences with Samsung to conduct intensive licensing negotiations.

47 Part 3(1)(i)(e) of the IP Guidelines.
iii Licensing under FRAND terms

Although there are no specific antitrust regulations on imposing licensing obligations, as stated in Section IV.i above, the JFTC may issue an exclusion order against the refusal of a licence, which may lead to licensing.

As regards case law, as stated in Section IV.ii above, the IP High Court held that, in certain circumstances, a patent holder’s action to seek an injunction constitutes an abuse of right although no legal theory used to impose licensing obligations was mentioned.

Regarding licensing under FRAND terms, the IP High Court in the *Apple vs. Samsung* case 49 found that the amount of damages that corresponds to the royalty amount to be calculated based on FRAND terms is as follows:

\[
\text{The amount of the FRAND royalty should be calculated in the following way: (1) multiplying the sales turnover of the applicable products, which practice Samsung’s SEP enforced in this case, by the contribution ratio of the compliance with the Standard by such products, (2) multiplying the amount obtained in (1) by the royalty rate cap, which is applied from the standpoint of preventing the aggregate amount of royalty from being unreasonably high; and (3) dividing the amount obtained in (2) by the number of essential patents for the Standard.}
\]

The Japan Patent Office published the Guide ‘Licensing Negotiations Involving Standard-Essential Patents’ (SEP Guide) on 5 June 2018. 50 The SEP Guide aims to enhance transparency and predictability, and facilitate negotiations to quickly resolve issues concerning licensing terms (FRAND terms) of SEP. Although the SEP Guide does not specifically describe particular instructions on FRAND terms, it introduces various royalty calculation methods such as reasonable royalties, non-discriminatory royalties and other types of royalties such as fixed rate and fixed amount, lump-sum payment and running royalty payments.

iv Anticompetitive or exclusionary royalties

In Japan, there is no specific guidance under the JFTC’s guidelines that mention anticompetitive or exclusionary royalties.

In the *Apple vs. Samsung* case, the IP High Court held that a claim for damages asserted by the patent holder exceeding the amount of the FRAND royalty should not be allowed, unless special circumstances existed, such as the prospective licensee has no intention of receiving a FRAND licence.

V INTELLECTUAL PROPERTY AND Mergers

i Transfer of IP rights constituting a merger

The IP Guidelines do not provide any specific statements directly focusing on transfer of intellectual property in relation to merger.

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The AMA\textsuperscript{51} and the Guidelines to the Application of the Antimonopoly Act Concerning Review of Business Combination\textsuperscript{52} (Guidelines for Review of Business Combination) provide general guidance for mergers\textsuperscript{53} from the viewpoint of the effect of restraint on competition. The Guidelines for Review of Business Combination explain how to define a particular field of trade\textsuperscript{54} and how to evaluate whether a business combination in issue has a substantial effect on restraining competition regarding three categories: horizontal business combination,\textsuperscript{55} vertical business combination\textsuperscript{56} and conglomerate business combination.\textsuperscript{57} For instance, with regards to a horizontal business combination, the Guidelines for Review of Business Combination explain that factors\textsuperscript{58} such as the position of parties in the business combination, competitive pressure from imports and market entry, and improvements in efficiency are taken into consideration when deciding whether a horizontal business combination has a substantial effect on restraining competition in a particular field of trade. At the same time, the Guidelines for Review of Business Combination provide safe harbour standards\textsuperscript{59} within which a horizontal business combination is basically considered as not having a substantial effect on restraining competition. In principle, the Guidelines for Review of Business Combination do not set out different analytical methods to evaluate the effect of business combinations just because a business combination in issue is related to intellectual property. However, considering, for example, the importance of potential competitiveness derived from data or intellectual properties, in December 2019, some parts of the Guidelines for Review of Business Combination were amended and, for instance, Note 5 was added to it. Note 5 states that even regarding a case that meets one of the safe harbour standards, there might be some cases where it is necessary to consider the above mentioned factors to determine whether the effect of the business combination does substantially restrain competition, if one of the parties ‘has potential competitiveness that is not reflected in’ market share because it ‘has for instance, certain important assets for competition purposes such as data or intellectual

\textsuperscript{51} For instance, according to Article 16 (1) (i) of the AMA, if acquiring the whole or a substantial part of the business of another corporation is substantially to restrain competition in any particular field of trade, then such an act is prohibited. In addition, according to Article 16 (1) (ii) of the AMA, if acquiring the whole or a substantial part of the fixed assets is substantially to restrain competition in any particular field of trade, then such an act is also prohibited. ‘The fixed assets’ would include intellectual properties. Further, according to Article 16 (2) of the AMA, under certain conditions, acquiring the business of another corporation and acquiring the fixed assets should be reported beforehand to JFTC. This reporting obligation does not necessarily have to do with whether or not the effect of the act in issue is substantially to restrain competition in a field of trade in reality.

\textsuperscript{52} The latest version was published on 17 December 2019. English translation (unofficial) is available at https://www.jftc.go.jp/en/legislation_gls/imonopoly_guidelines_files/191217GL.pdf.

\textsuperscript{53} This includes acquiring the fixed assets. Part I.6 (1) of the Guidelines for Review of Business Combination.

\textsuperscript{54} Part II of the Guidelines for Review of Business Combination.

\textsuperscript{55} Part IV of the Guidelines for Review of Business Combination.

\textsuperscript{56} Part V of the Guidelines for Review of Business Combination.

\textsuperscript{57} Part VI of the Guidelines for Review of Business Combination.

\textsuperscript{58} Part IV.2 of the Guidelines for Review of Business Combination. This analyses a horizontal business combination from the viewpoint of unilateral conducts. In addition, Part IV.3 of the Guidelines for Review of Business Combination analyses a horizontal business combination from the viewpoint of coordinated conduct.

\textsuperscript{59} Part IV.1(3) of the Guidelines for Review of Business Combination.
property rights’. With regards to the analysis of the effect of a vertical business combination or a conglomerate business combination, amendments from the viewpoint of the importance of data and intellectual property were also made.\(^6\)

In addition, regarding the section ‘Method of analysing the effect in reducing competition’ mentioned in Section III, above – although it is not directly related to the context of a merger, it can be useful to evaluate the effect of conduct from the viewpoint of restrictions pertaining to the use of technology in general.

ii Remedies involving divestitures of intellectual property

The IP Guidelines do not provide any specific statements on divestitures of intellectual property as a remedy for substantial restraint of competition by a business combination. In principle, general guidance for the remedy of substantial restraint of competition by a business combination should be given by the AMA and the Guidelines for Review of Business Combination. The Guidelines for Review of Business Combination has stated that the most effective measures to solve issues of substantial restraint of competition by a business combination are to establish new independent competitors, or to strengthen existing competitors. Such measures include a transfer of all or part of the business of the company group (to such competitor).\(^6\) Transfers of intellectual properties could be included in part of the said business transfer.

In addition, the Guidelines for Review of Business Combination explain measures to promote imports and market entry as remedies to solve the problems of the substantial restraint of competition caused by a business combination.\(^6\) It includes granting licences for the company group’s patents rights under appropriate conditions to competitors or to new market entrants.

VI OTHER ABUSES

i Sham or vexatious IP litigation

In Japan, filing a lawsuit may theoretically constitute tort or abuse of rights in extremely limited situations, although Article 32 of the Constitution of Japan provides that no person shall be denied the right of access to the courts. However, in Japan, there has been no case of sham or vexatious IP litigation thus far.

ii Misuse of the patent process

There is no Supreme Court or IP High Court case in which the misuse of the patent process in Japan has been recognised.

iii Anticompetitive settlements of IP disputes

There are no cases where the courts or the JFTC has found any settlements of IP disputes to be anticompetitive.

\(^{60}\) For instance, Note 12 and Note 18 of the Guidelines for Review of Business Combination.

\(^{61}\) Part VII.2.(1) of the Guidelines for Review of Business Combination.

\(^{62}\) Part VII.2.(2) of the Guidelines for Review of Business Combination.
VII OUTLOOK AND CONCLUSIONS
As in Sections II.ii, III and IV, the JFTC has tried to check the IP holder’s abuse of its right or dominant bargaining position, or both. An IP holder should keep a careful watch on the JFTC’s attitudes and trends in enforcing antitrust law and guidelines. In particular, digital-platforms should be cautious regarding their trade practice (including the exercise of their IPR) because the JFTC, as well as the Japanese government, is trying to establish a new bill called the ‘Law Improving Transparency and Fairness of Specified Digital Platforms’ to restrict the business conduct of digital-platforms.
I INTRODUCTION

The subject of the interaction between the protection of intellectual property rights and the protection of a sound competition environment for commerce is of the utmost importance in Mexico, as it is worldwide. This subject has acquired particular significance as a result of the development of sophisticated inventions and processes, primarily associated with technology and telecommunication industries.

As a member of the World Trade Organization (WTO) since 1 January 1995, Mexico has enacted laws and regulations that protect intellectual property (IP) consistent with the principles, guidance and best practices applicable to the members of the WTO. Mexico is also a party to various international treaties that seek to protect intellectual property rights (the Paris Convention for the Protection of Industrial Property, the Convention establishing the World Intellectual Property Organization and the Patent Cooperation Treaty, among many others) and has adhered to the principles of the TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights).

The Mexican Federal Constitution (the Mexican Constitution) generally prohibits monopolies, antitrust practices and other activities that hinder competition among market participants. However, the Mexican Constitution includes a specific exclusion, providing that privileges granted to authors and artists in the production of their works and other privileges granted to the creators of inventions shall not constitute monopolies.

Consistent with the constitutional mandate, the Mexican Congress enacted the current Industrial Property Law on 27 June 1991 (as amended, the IP Law). The matters subject to the IP Law are further governed by additional enabling regulations issued by the Ministry of Economy.

From an antitrust perspective, Mexico enacted its first antitrust law on 24 December 1992, as part of the agreements and consequences of entering into the North American Free Trade Agreement. This first antitrust law created the Federal Competition Commission (as of 2013, the Federal Economic Competition Commission (COFECE)), which was originally an autonomous administrative entity of the Ministry of Economy (part of the executive branch) but has been constitutionally autonomous since 2013.

Most importantly, on 11 June 2013, a constitutional reform was enacted on the subjects of antitrust and telecommunications (the Constitutional Reform). As a result of the Constitutional Reform, the Mexican Congress enacted a new Federal Economic Competition Law (FECL), which became effective on 7 July 2014.
This Constitutional Reform is considered one of the structural reforms submitted by former President Enrique Peña Nieto, in an effort to incentivise the Mexican economy, and set a new standard of competitiveness in a country where, despite the existence of competition and antitrust statutes and regulation, monopolies continue to exist in various areas of the economy.

While the Constitutional Reform is relevant on many levels, for the purposes of this chapter, there are three major reforms that have already started to show their impact on market dynamics, regulatory policy and judicial precedents:

a. the creation of two constitutionally autonomous agencies with powers in competition and antitrust matters: the Federal Institute of Telecommunications (IFETEL), with exclusive jurisdiction to resolve on telecommunications and broadcasting antitrust and competition matters; and COFECE, with jurisdiction on antitrust and competition matters in all other areas of the economy;

b. the creation of specialised courts for the judicial review – through *amparo* trials – of antitrust and telecommunications matters. Under the Constitutional Reform and the FECL, the *amparo* trial is now the only judicial means available to contest the resolutions of IFETEL and COFECE. This reform was introduced with the purpose of preventing the involvement of any other judge or court in these specialised processes; and

c. the introduction of a constitutional prohibition on specialised courts granting injunctions in *amparo* trials against resolutions issued by IFETEL and COFECE, which in practice permits these agencies to enforce a monetary sanction or even effect a divestiture of the plaintiff during the *amparo* trial.

The Constitutional Reform constitutes a substantive turnaround in antitrust public policy and its relationship with IP (particularly related to the telecommunications industry), among others, because with the existing constitutional and legal framework, autonomous agencies and specialist courts are in charge of resolving and establishing precedents on those particular matters.

In addition, Andrés Manuel López Obrador (AMLO) has held the presidential office since 1 December 2018. Currently, what public policy will follow regarding the antitrust and telecommunications issues remains unclear because although the public positions against the reforms of Peña Nieto are especially aggressive in labour and energy, the antitrust ad telecommunications reforms of 2013 have few mentions in the new government agenda.

Nevertheless, the new government has a strong position against the autonomy of the COFETEL and IFETEL, with the idea of a centralist government, and thus in the next few years some changes are foreseeable in the Constitution and the law to limit the powers of both autonomous entities.

2 IFETEL is a newly created agency, while COFECE replaced the former Federal Competition Commission, which was an agency of the Ministry of Economy. The purpose of granting constitutional autonomy to these agencies is to ensure the independence and technical authority of their decisions. From a practical perspective, there are several markets where it is still unclear whether IFETEL or COFECE has jurisdiction. The ultimate decision on the applicable jurisdiction of these agencies lies with the newly created specialised courts. For example, in a recent merger control matter where the affiliates of Nokia and Alcatel-Lucent in Mexico submitted an antitrust application for merger authorisation, both IFETEL and COFECE claimed authority. Ultimately, a specialised court determined that jurisdiction in this matter lay with IFETEL. To the best of our knowledge, this has only happened on two occasions.
II YEAR IN REVIEW

The following constitute decisions in which the new antitrust framework related with Intellectual property has been put into practice in the telecommunications sector:

In a case involving a public-access television concessionaire as plaintiff against a restricted television concessionaire, a local commercial judge with jurisdiction in Mexico City issued an injunction, ordering IFETEL to refrain from issuing the ‘must carry and must offer’ guidelines governing the obligations of public-access television concessionaires to grant, on a no-fee basis, their audio-visual content to restricted television concessionaires, as required under the Constitutional Reform.3

This case resulted in a constitutional controversy between IFETEL and the local commercial judge, which was ultimately resolved by the Supreme Court. The Supreme Court resolved in favour of protecting IFETEL’s authority to issue the implementing antitrust rules applicable in the telecommunications industry, and further resolved that the local judge lacked jurisdiction to order IFETEL to perform a specific act.

In a separate but related dispute, a specialist court resolved in favour of the constitutionality of the obligation of public-access television concessionaires to rebroadcast (on a no-fee basis) audio-visual content under the new ‘must-carry must-offer’ guidelines, alleging that, pursuant to the Constitutional Reform, the competition process is more relevant in this particular case than the protection of any legitimate potential IP rights over the audio-visual contents.4

In summary, the main precedents where the Constitutional Reform has had an impact have shown the priority granted from a public policy standpoint to the competitive process in the telecommunications industry (an industry where competition has typically been very limited in Mexico), even if the defence and establishment of competition conditions result in the obstruction of dominant public-access television concessionaires’ IP rights.

III LICENSING AND ANTITRUST

i Anticompetitive restraints

Consistent with the Mexican Constitution prohibition on monopolies, the FECL prohibits both absolute monopolistic practices (horizontal conduct) and relative monopolistic practices (vertical conduct).

Generally, absolute monopolistic practices constitute contracts, agreements, arrangements or combinations of the same among competing economic agents, whose purpose or effect is, generally: (1) to fix prices of goods or services offered in the market; (2) to restrict supply (obligation to produce, process, distribute, sell or render only a limited or restricted amount of goods or services); (3) to create market segmentation (division,

3 These Guidelines constitute enabling regulation establishing the obligation of public-access television concessionaires to permit the rebroadcast of their proprietary contents – subject to copyright laws – to restricted television concessionaires that are not declared to have a dominant position, on a no-fee basis. The main argument raised by the public-access television concessionaire plaintiff in the litigation was precisely that this provision violated its IP right over its content required to be freely broadcast.

4 Judicial precedent reference: ‘Lineamientos sobre Must Carry y Must Offer emitidos por el Pleno del Instituto Federal de Telecomunicaciones. Los concesionarios de televisión restringida terrenal carecen de interés para reclamar en amparo la restricción que, aducen, aquellos imponen a los titulares de los derechos de autor, consistente en entregar gratuitamente el contenido que les pertenece.’
distribution, allocation or imposition of portions or segments of a current or potential market of goods and services, whether by clients, suppliers, seasons or spaces; or (4) to create private agreements in public bids or auctions.

Absolute monopolistic practices are considered per se violations; in other words, the conduct is prohibited regardless of the market power of the economic agents involved or of other circumstances.

On the other hand, relative monopolistic practices include a list of various acts or behaviours between economic agents that participate in the commercial chain (manufacturers, distributors, merchandisers, and ultimately, final costumers). Whereas absolute monopolistic practices are sanctioned per se, relative monopolistic practices are penalised only if carried out by an economic agent considered by COFECE to be dominant in the relevant market.

ii Refusals to license
The IP Law governs patents, trademarks, industrial designs and other IP rights. By their nature, IP rights grant an exclusive right to their holders, who are also granted the right to license them under a contractual agreement.

Neither the IP Law nor the FECL includes specific provisions governing the terms under which an IP right shall be licensed. Thus, the Mexican legal framework does not include a particular statute or guideline in connection with what contractual arrangements in a licence agreement could specifically constitute violations or impediments to a free competition environment.

Considering the above, and in the absence of a particular statute or set of guidelines in this regard, the general prohibitions of monopolistic practices under the FECL are applicable to the licensing of IP rights. The analysis of whether a particular act or behaviour in connection with licensing, or a particular contractual arrangement is contrary to antitrust provisions should be made in the light of the specific circumstances, including among others, the market position of the licensor and licensee, the relevant market, the type of IP right subject to the licence, and the ability of the licensee to alternate options to access the specific technology, invention or right being licensed.

The FECL includes among the prohibited relative monopolistic practices the ‘unilateral action consisting in refusing to sell, commercialise or provide to specific persons goods or services available and regularly offered to third parties’.

As mentioned above, the FECL does not include a particular prohibition in connection with the refusal to license IP rights as an antitrust infringement. However, conduct of this nature by a dominant participant in the market could probably be categorised as one of the relative monopolistic practices described in the paragraph above. It is clear from the statute that the prohibited conduct only includes an active ‘refusal’ to deal, and not a constructive refusal. Therefore, the imposition on the licensee of prohibitive royalty fees or other excessive obligations would not necessarily qualify as this type of monopolistic practice.

Conduct also characterised as a relative monopolistic practice is ‘the establishment of different prices or sale or purchase conditions for different purchasers or sellers under equivalent conditions.’ While this prohibition does not make specific reference to the licensing of IP rights, in certain circumstances, it is possible that conduct consisting in the imposition of an excessive licence fee (when a lower licence fee was granted to a different party) could be categorised within this prohibited relative monopolistic practice.
In any case, the prohibited conduct makes reference only to ‘different prices’ or ‘conditions’, without any reference to excessive, prohibitive or other qualifications that could automatically render the imposition of an extremely burdensome contractual condition as a vertical monopolistic practice.

Particularly with respect to patents, the IP Law governs the legal framework applicable to this type of IP right, by granting an exclusive right to exploit the patent for a term of 20 years. After the 20-year term, the patent shall become available for public use. A patent holder is entitled – as with any other IP right – to license its use to one or more third parties. As discussed above, the IP Law does not include any particular rule in connection with the terms and conditions under which such licences should be granted.

As a particular legal framework for patents, the IP Law provides for ‘mandatory patent licences’. These mandatory licences may be granted to applicants by the Mexican Institute of Industrial Property (IMPI) if, after three years of the grant of a patent, the owner has not exploited it. An applicant for the mandatory patent licence must show the IMPI that it has the technical and economic skills to efficiently exploit the patent. If the IMPI decides to grant the mandatory patent licence to the applicant, the IMPI will determine the term, conditions, scope and amount of royalties applicable to this licence.

No similar mandatory licensing exists for IP rights other than patents. This mandatory patent licence framework appears to be a response to the existing tension between two competing rights: on the one hand, the exclusive right of the patent holder to exploit its protected invention, and on the other hand, the principle that the use of inventions in the industry is in the public interest – as a means to foster innovation, and grant consumers access to the newest technologies and discoveries – and, therefore, failure of a patent holder to exploit that invention for the benefit of the industry during a certain period entitles willing third parties to do so under the mandatory patent licence regime.

### iii Unfair and discriminatory licensing

As discussed above, conduct by a dominant player in a relevant market consisting in refusing to license an IP right, or in the imposition of licensing conditions that are ‘different’ – while not necessarily excessive or prohibitive – compared with those offered to different parties, could constitute a prohibited relative monopolistic practice.

Conduct such as this may result in the imposition of monetary sanctions under the FECL, up to 8 per cent of the economic agent’s revenues, in addition to potential damages directly related to the performance of the prohibited behaviour.

As discussed above, the imposition of such sanctions may only be challenged by the alleged violator through an amparo trial.

### iv Patent pooling

Patent pooling can be defined as ‘an agreement between two or more patent owners to license one or more of their patents to one another or to third parties’.5

Mexican law does not include any specific regulation governing patent pooling. However, the IP Law generally provides for the right of a patent-holder to license the

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patent to one or various licensees, therefore leaving the possibility open for a patent pooling arrangement. Thus, a patent-pooling arrangement in Mexico would not be anticompetitive or illegal per se.

However, as a potential agreement among competitors, patent pooling arrangements should be subject to strict scrutiny, as they could eventually lead to the commission of absolute monopolistic practices; for example, if the arrangement involves price-fixing between the patent holders or other prohibited conduct categorised as an absolute monopolistic practice (see Section III.i). As discussed above, absolute monopolistic practices are considered unlawful per se.

v Software licensing
Software is considered a copyright protected by the Federal Copyright Law (the Copyright Law). Under the Copyright Law, the economic rights over copyright (including software) may be licensed by its owner to third parties.

From an antitrust perspective, software licensing is not subject to any particular regulation under the IP Law, the Copyright Law or the FECL, different from the general regulation applicable to licensing of IP rights. Therefore, the restrictions described in Sections III.i to III.iii, above, are similarly applicable to software licensing for the purpose of determining the potential commission of a prohibited relative monopolistic practice.

vi Trademark licensing
Trademarks are protected under the IP Law and the various international treaties entered into by Mexico. Under the IP Law, the owner of a trademark may validly license its rights to the trademark to third parties, and the licensee shall be required to pay a licence fee to the licensor. Trademark licences must be registered with the IMPI.

From an antitrust perspective, the terms and conditions of trademark licensing are not subject to any particular regulation under the IP Law or the FECL. Therefore, the restrictions described in Sections III.i to III.iii, above, are similarly applicable to trademark licensing for the purpose of determining the potential commission of a prohibited relative monopolistic practice.

In any case, trademarks do not grant an exclusive right over a specific product or a specific market, but rather grant their holders the exclusive right to use those trademarks as a distinction of their products or services. Given that any market participant in any industry is able to create and develop its own trademark, and that the use of trademarks per se does not restrict access to other potential entrants to a particular market, the use and licensing of trademarks appears to pose a lesser concern from an antitrust perspective.

It is interesting to mention that the IP Law enables the IMPI to declare the mandatory use of a trademark on any product or service, or even to prohibit or regulate the use of trademarks (registered or not), among others, when the use of the trademark has been associated with monopolistic practices that cause serious distortions to the manufacturing, distribution or merchandising of specific products or services.
IV STANDARD-ESSENTIAL PATENTS

i Dominance

COFECE and IFETEL (if the matter is of a telecommunications or broadcasting nature) may determine that an economic agent is a dominant participant in the market. For these purposes, the relevant agency shall generally consider the following elements: the ability of the agent to fix prices or restrict the offer in the relevant market, where competitors are unable to impede this activity; the existence of entry barriers in the relevant market; the existence and power of competitors; and the conditions of access of the relevant agent and other competitors to input sources.

As discussed above, patents are protected under the Mexican Constitution, the IP Law and the international treaties to which Mexico is a party.

Pursuant to the applicable law in Mexico, the following are protected through patents: inventions for industrial application; technical improvements and the transfer of technological knowledge for manufacturing purposes; and generally, all inventions that foster a higher quality of goods and services in the industry.

Standard-essential patents (SEPs) are inventions or improvements subject to protection where standards are essential for functionality of the relevant commercial items or merchandise. SEPs are particularly relevant in information and communication technologies (ICT) because mobile telecommunications companies are required to comply with standards to allow intercommunication with telecommunications networks and terminal devices, either through communication protocols, or through standards for operation of devices within specific frequencies of the radio spectrum.

Thus, the creation and protection of new communications standards (or their improvements) through patents could constitute a competitive advantage in the market, allowing an SEP holder potentially to control this essential input, inhibit the entry of new competitors, inhibit innovation and unduly displace existing competitors, given that harmonising standards for ICT development is essential to allow interaction between these companies; this is particularly relevant considering that, in many cases, there are no substitutes for these technologies.6

The potential outcome of the above is the SEP holder gaining a dominant position, which may itself act as an incentive, but with the result that it engages in a prohibited monopolistic practice.

In this context, around the world, various companies that develop mobile devices have through the protection of their SEPs used strategic litigation and injunctions as a means of strengthening their market position.

To our knowledge, there is no antitrust issue or litigation in Mexico in connection with the holding of SEPs. This may be because the antitrust disputes raised by SEP-holding manufacturers have primarily been filed in other jurisdictions, and have focused primarily on the United States, Germany, Japan, the United Kingdom and South Korea.7

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6 All regulatory agencies in the world establish standards for devices (mostly privileging the neutrality of the technology). In Mexico, the regulation is issued through enabling administrative regulation issued by IFETEL (following the recommendations of the International Telecommunication Union) and other enabling administrative regulation issued by other administrative government agencies.

7 For example, Case AT39895 resolved by the European Commission related to the Motorola Mobility Inc v. Apple Inc case, where Motorola sued Apple in Germany for an alleged violation of an SEP registered by Motorola regarding the ‘GPRS’ or 2G standard. Motorola sought an injunction to prohibit Apple from
Mexico

Mexico is in a particular situation regarding the final-consumer smartphone market because of the existence of an economic agent (América Móvil) with substantial market power in the relevant market. América Móvil currently has approximately 72 million clients, which in practice grants it high leverage in negotiations with other market participants, including developers of mobile devices intending to distribute their devices to final consumers.

Given its dominant market position, América Móvil was subject to various stringent antitrust measures by the antitrust authorities in 2014 because it had used contractual exclusivities with developers, for periods of up to six months, for the distribution of smartphones to final consumers.

Additionally, until 2015, final consumers had to mandatorily remain with their telephone and mobile phone companies for at least 12 months; mobile phones were blocked when delivered to final consumers, therefore the mobile phone could only be used with the operator to which it was linked, which effectively inhibited competitors from selling smartphones independently of the mobile phone concessionaires.

This may explain the lack of IP disputes in Mexico in connection with these matters in comparison with other countries because developer companies may not have had sufficient incentive to file sham IP disputes.

**ii Injunctions**

Mexican commercial and IP law allow plaintiffs to seek injunctions from a court. Therefore, it is possible that an SEP holder may eventually abuse the protection granted by the law to seek an action similar to those filed in the *Motorola Mobility, Inc v. Apple Inc* and *Samsung Electronics v. Apple, Inc* cases.

Nonetheless, we are not aware of any public information in connection with the determination of an abuse of a dominant position in Mexico as a result of an SEP holder seeking injunctions.

**iii Licensing under FRAND terms**

FRAND stands for ‘fair, reasonable and non-discriminatory’ licensing terms in the context of an SEP. In the *Samsung* and *Motorola* cases, the European Commission clarified that, in the standardisation context, where the SEPs holders have committed to (1) license their SEPs, and (2) do so on FRAND terms, it is anticompetitive to seek to exclude competitors from the market by seeking injunctions on the basis of SEPs, if the licensee is willing to take a licence on FRAND terms.

Mexican law does not include any statute or regulation that requires an SEP holder to license its patent under FRAND terms. Additionally, we are not aware of any information regarding litigation or settlements in Mexico in connection with the application of FRAND selling iPhones and tablets during the term of the trial. Given Apple’s urgent need to sell its inventories in the German market – and given the dynamics of the smartphone industry and that inventories become rapidly dated – Apple had to compromise in various negotiations and enter into settlement agreements with Motorola that were disadvantageous to Apple. The European Commission resolved that this was anticompetitive conduct on Motorola’s part because Motorola abused its dominant position as an SEP holder, which allowed it to maintain a privileged position in the negotiation with its competitors in Germany, affecting the competition process and, ultimately, smartphone and tablet consumers; as a result, the European Commission obliged Motorola to enter into agreements that included fair, reasonable, and non-discriminatory (FRAND) clauses.
licensing terms. In any case, there is no provision in Mexican law that would prevent a Mexican court from taking the position that the licensing of an SEP in Mexico should be made under FRAND terms, consistent with international best practices.

The FRAND concept is an excellent tool to reach a ‘middle ground’, on the one hand incentivising technological innovation by developers and fostering fair and reasonable arrangements in the payment of royalties to SEP holders and, on the other hand, preventing free raiding by competitors and the imposition of excessive royalties or limitations on sales volumes, and preventing time delays for new entrants to the ‘pay-for-delay’ market, all of which constitute anticompetitive conduct that ultimately affects consumers.

iv Anticompetitive or exclusionary royalties
As explained above, while there is no particular statute in Mexico that governs the terms under which royalties should be paid to an SEP or non-SEP holder, the existing conditions in certain markets in Mexico allow certain players with substantial power to impose certain conditions on their competitors that could be viewed as abusive. However, the framework established through the Constitutional Reform and the new FECL is expected to prevent and sanction these types of practices.

V INTELLECTUAL PROPERTY AND Mergers
i Transfer of IP rights constituting a merger
Under the FECL, a merger is any concentration, control acquisition or any other act involving the concentration of companies, associations, shares, equity, trusts or assets in general, between competitors, suppliers, clients or any other economic agents.

This broad definition is designed to cover a wide range of transactions that involve the merger or concentration of any type of assets, thus covering both tangible and intangible property, such as trademarks and other IP rights.

Mergers that exceed certain thresholds set forth in the FECL shall only be effective if previously authorised by COFECE. The thresholds are established considering the amount of the transaction, the amount of assets or sales of the parties involved in the transaction.

Therefore, a transaction that involves the transfer of IP rights that exceeds the thresholds set forth in the FECL will necessarily have to be previously authorised by COFECE to be effective.

ii Remedies involving divestitures of intellectual property
Prior to the enactment of the new FECL, the most relevant case in Mexico involving the divestiture of IP rights was the Nestlé/Pfizer transaction in 2013. In 2013, Pfizer entered into a worldwide agreement with Nestlé, whereby Pfizer would sell its infant formula business to Nestlé. The transaction involved the sale of all business assets, including real estate industrial plants, inventories, regulatory registrations and IP rights. The transaction was subject to the authorisation of the antitrust authorities of the various jurisdictions where the transaction would be effective.

In Mexico, COFECE found that the transaction could have anticompetitive effects in Mexico given Nestlé’s position in the relevant market. After negotiations with COFECE, the transaction was ultimately approved, subject to Nestlé complying with the following remedies: (1) Nestlé would enter into a 10-year exclusive licence with a third party over Pfizer’s infant formula trademarks; and (2) Nestlé would be subject to a 20-year blackout.
period in which Nestlé would not be able to use those trademarks in Mexico, to allow the licensee to consolidate its market position by developing its own infant formula trademarks in Mexico. The terms and conditions of the exclusive licence were not determined by COFECE’s decision, and therefore the licence’s commercial terms (including royalty fees) were left to the commercial negotiations of the parties.

Under the new FECL, two recent precedents concerned remedies that, to our knowledge, involve IP rights.

The first one was in connection with the proposed sale by Sanofi of its consumer healthcare business to Boehringer. In December 2016, COFECE resolved not to authorise the sale, unless certain conditions were accepted by the parties. While the details of the resolution have not been made public, the conditions – among others – consisted in Sanofi refraining from acquiring certain trademarks then owned by Boehringer in Mexico (e.g., Bisolvon, Mucosolvan and Sekretovit), to maintain the existing pricing pressure in the chesty-cough over-the-counter market.

The second precedent concerned the proposed acquisition by ChemChina of assets by Sygenta, in the herbicide and fungicide markets in Mexico. COFECE considered that the full sale to ChemChina could result in that economic agent acquiring a substantial market position, and therefore conditioned the transaction upon the sale by Sygenta of five of its products to a third party pre-approved by COFECE. Again, the details of the resolution are not public, but arguably, the sale of these products would most likely also involve the divestiture of the IP rights associated with the products.

The above precedents, in addition to various other actions taken recently by COFECE on various fronts, show COFECE’s intention to fully enforce its powers and authority under the Constitutional Reform and the new FECL to fulfil its mandate to foster competition in Mexico.

VI OTHER ABUSES

i Sham or vexatious IP litigation

‘Sham litigation’ has been defined by the US Supreme Court through a two-tier definition:

a first, the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits. If an objective litigant could conclude that the suit is reasonably calculated to elicit a favourable outcome, the suit is immunised, and an antitrust claim premised on the sham exception must fail; and

b the second tier, to be reached ‘only if challenged litigation is objectively meritless’, is ‘whether the baseless lawsuit conceals an attempt to interfere directly with the business relationships of a competitor through the use of the governmental process – as opposed to the outcome of that process – as an anticompetitive weapon’.

Mexican courts have not provided for a similar definition of sham litigation in the context of antitrust proceedings.

However, it is a common practice worldwide to use strategic litigation to obtain competitive advantages; therefore, even though, to our knowledge, there is no current litigation on the subject of SEPs or other non-SEPs that could have had anticompetitive

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effects (as was the case in Germany with the *Motorola Mobility* case and in other jurisdictions in the Samsung Electronics case), Mexican commercial and IP laws provide for the tools that could eventually provide a potential plaintiff to unduly seek injunctions, abusing its dominant position.

In this respect, a challenge for the new antitrust specialised courts will be to be cautious of potential anticompetitive effects resulting from sham litigation or patent protection, artificially filed with the sole purpose of obtaining an unlawful competitive advantage in the market.

In the past, the Mexican courts have stated that no person may claim an IP right to maintain unlawful competition conditions. Although this court precedent was issued under a previous industrial property law not currently in force, it is reasonable to maintain that this principle is still valid under the current IP law, and potential sham litigation on the basis of an IP right (such as patent rights) with the purpose of availing oneself of or maintaining unlawful competition conditions should be analysed by the new antitrust specialised courts with regard to the above principle.9

### ii Misuse of the patent process

We have no knowledge of any particular recent patent process in Mexico that has been manipulated with the purpose of artificially extending the term or geographical scope of the patent protection, or for the enforcement of a patent obtained through fraud.

However, as discussed above, there could be incentives for patent holders in Mexico to use strategic litigation to unlawfully displace a competitor through the use of injunctions or other legal instruments available under Mexican law, with the purpose of hindering the competitor from entering the market, or by obliging the competitor to enter into a disadvantageous settlement agreement to be able to enter a particular market (as has been the case in other jurisdictions).

### iii Anticompetitive settlements of IP disputes

International experience has shown that the majority of settlement agreements that establish excessive royalty payments and other ‘hold-up’ sale clauses have anticompetitive effects. To our knowledge, there is no recent experience in Mexico of this type of settlement agreement.

However, with the right incentives, an agreement to settle patent litigation may be pro-competitive, and can also create synergies to implement technology improvements for the ultimate benefit of consumers. A recent international example is the agreement between Apple Inc and Ericsson to settle approximately 40 disputes in various jurisdictions, which will cause both companies to share technology and jointly develop a new 5G platform for mobile phones.10

### VII OUTLOOK AND CONCLUSIONS

As may be inferred from the discussion contained in this chapter, the interrelation between the exercise of IP rights and the enforcement of antitrust laws is a subject that is still to be fully developed and tested in Mexico. Mexican laws do not contain very specific or

9  Court precedent: ‘Marcas. Ley de Invenciones y Marcas. Competencia desleal. Que debe entenderse por.’
particular regulations with respect to the scope and terms under which IP rights may be licensed according to pro-competitive principles, and as the concept of SEPs and potentially monopolistic conduct of their holders is a subject that has not reached Mexican courts thus far, they have yet to provide more insight as to its legal implications in Mexico.

However, as Mexico is an active member of the international community and, particularly, a party to most of the primary international treaties on IP matters, whenever these issues reach the Mexican courts, it is expected that the courts will follow the principles and guidelines established by those international treaties and best international practices.

The exercise of exclusive IP rights (such as exploiting an SEP or non-SEP) is not by its nature anticompetitive. The exploitation of a patent on an exclusive basis is the very nature of this right and is protected by law, as well as the right of its holder to license it to third parties. However, particular circumstances may render the exercise of the exclusive right anticompetitive, taking into consideration various circumstances such as the market power of the licensor, the relevant market, the type and scope of the patent, among other things.

The establishment of FRAND terms to ensure the pro-competitive effects of patent licences is a proven efficient tool to protect the interests of both the patent holder and licensees. While Mexican law and practice have not yet tested the imposition of FRAND terms in this context, the principles and public policy contained in the Constitutional Reform should be followed, which most probably will respect such a practice already tested in other markets.

As a final note, the telecommunications and antitrust regulations derived from the Constitutional Reform are beginning to foster competition and growth in the Mexican economy. The creation of IFETEL and COFECE as separate constitutional agencies independent from the executive branch was certainly a step towards ensuring that the goals of the Constitutional Reform are reached. However, in practice, the delimitation of jurisdiction between both agencies in certain ICT-related matters is still a matter of debate, and its definitive limits will have to be determined by the specialised Mexican courts created through the Constitutional Reform.

Finally, it is important to consider the future actions of the new government in Mexico, due to this new federal government having a strong rhetoric against constitutional autonomous entities (tends to grant more powers to the president), notwithstanding there are no constitutional changes in the horizon in this regard.
I INTRODUCTION

In Portugal, the main legal framework regulating competition law matters is the Portuguese Competition Act (the Competition Act), which was last revised in 2012. The main legal instrument regulating Intellectual Property (IP) is the Industrial Property Code (IPC), which was last revised in December 2018.

This last revision of the IPC transposed into Portuguese law EU Directives No. 2015/2436 of 16 December as regards trademarks and No. 2016/943 of 8 June as regards trade secrets. It includes the main legal provisions regarding trade secrets (included with the last amendment), invention patents, utility models, registered designs and trademarks.

Furthermore, the relevant EU regulations, including EU Regulations No. 330/2010 (the Vertical Block Exemption Regulation – VBER), No. 1217/2010 (the R&D agreements), No. 1218/2010 (the specialisation agreements) and No. 316/2014 (the technology transfer block exemption – TTBER), are directly applicable in Portugal. Additionally, the Portuguese Competition Authority (AdC) and national courts may also rely on approaches included in the European Commission (EC) guidelines, as well as in the case law and decision practice at the EU level.

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1 Tânia Luísa Faria is a counsel, Margot Lopes Martins is a junior associate and Manuel Franqueira Dias is a trainee lawyer at Uría Menéndez – Proença de Carvalho.
2 Law No. 19/2012, of 8 May 2012.
3 For the purpose of this chapter, and in accordance with the Portuguese legal framework, the area of intellectual property law and rights covers industrial property law, copyright and related rights.
There are no specific Portuguese statutes, regulations or guidelines directly regulating the interaction between IP and antitrust issues. However, there are inevitable points of intersection between these areas of law, and IP may fall under the general competition law prohibitions.

Indeed, under the Portuguese legislation, which is in accordance with European law, the conduct of holders of intellectual property rights (IPRs) is not exempt from the competition law rules. Therefore, the AdC is competent when, within the context of IPRs, an undertaking infringes the prohibition of bilateral or unilateral restrictive practices, respectively set forth in Articles 9 and 11 of the Competition Act, which mirror articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU). The AdC is also competent to assess merger transactions that meet the relevant notification thresholds that involve assets related to IPRs, and the existence of exclusive rights is one of the main aspects to be considered by this authority when assessing merger control cases, under Article 41 of the Competition Act.

In short, in line with the applicable EU framework, the Portuguese rules on anticompetitive agreements and concerted practices (Article 9), on abuse of a dominant position (Article 11) and on merger control (Articles 36 and seq.) are all relevant and potentially applicable to conducts involving IPRs.

II YEAR IN REVIEW

Over the recent years, the main legal developments affecting the relationship between IP and antitrust laws have mostly occurred at the European level, within the IT and pharmaceutical sectors, with the latest developments occurring within the ecommerce sector. In Portugal, the main competition cases involving IPRs are merger cases (mentioned below in Section V) and, to a more limited extent, restrictive practice investigations, typically in the pharmaceutical sector.

Importantly, a substantial recent change in the Portuguese legislation related to the patent litigation system in the pharmaceutical sector. In Portugal, patents are governed by the Industrial Property Code, and the Court of Intellectual Property has jurisdiction to hear cases concerning industrial property in all forms, including patent litigation. In the pharmaceutical sector, until the adoption of the new Industrial Property Code in December 2018, any disputes concerning IPRs that were related to reference medical products or to generic medicines were subject to mandatory arbitration. However, since January 2019, the law that establishes a specific legal system for the settlement of disputes arising from IPRs related to medicinal products and generic medicines was modified. The specificity of the pharmaceutical patent enforcement system was maintained but the nature of the arbitration changed and became voluntary. Therefore, any interested party who intends to invoke an IPR related issue must do so before the Intellectual Property Court or, in case of agreement between the parties, submit the dispute to voluntary arbitration.9 In this context, the AdC and the Portuguese Competition, Regulation and Supervision Court (the Competition Court) have jurisdiction only when the facts at stake fulfil the elements provided for in Articles 9, 11 and 12 of the Competition Act or in Articles 101 and 102 of the TFEU, or both. They are not competent to apply the rules contained in the Industrial Property Code.

Furthermore, in July 2019, the AdC also published a report on Digital Ecosystems, Big Data and Algorithms that highlighted that the issues related to digital markets and big data

go beyond the classical matters related to the access to essential infrastructures and classical IPRs.\(^\text{10}\) In this sense, the report highlights that assets that are neither covered by IPRs, in the classical sense, nor are objects of IPR licensing agreements, may have to be subject to a competition law reasoning based on the experience related to exclusive rights.

### III LICENSING AND ANTITRUST

\textbf{i Anticompetitive restraints}

As mentioned above, Portuguese law, both in the area of IPRs and antitrust, is largely based on European law. Within this context, under Portuguese law, anticompetitive restraints related to licensing agreements may fall under either the prohibition of agreements and concerted practices (Article 9), or the prohibition of abuse of dominant position (Article 11).

Article 9 prohibits anticompetitive restraints in agreements between undertakings, including licensing agreements, unless they are justified under Article 10 of the Competition Act,\(^\text{11}\) which corresponds to Article 101(3) of the TFEU. Consequently, competing companies under a licensing agreement shall not, directly or indirectly, determine as their object or effect, among others, to restrict the parties' ability to determine its prices,\(^\text{12}\) to restrict the licensee's ability to carry out R&D\(^\text{13}\) or to allocate markets or customers.\(^\text{14}\)

In addition, Article 11 of the Competition Act prohibits abuse of dominant position. Under this provision, several types of behaviours may be deemed unacceptable within the context of licensing agreements. Among others, two types of practices are expressly prohibited by Article 11(2):

\begin{itemize}
  \item[a] the application of ‘dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage’ (Article 11(2)(c)), including the granting of licences under discriminatory conditions, as referred in the \textit{GDA/MEO} case; and
  \item[b] to refuse ‘access for another undertaking to a network or other essential facilities that it controls when appropriate payment for such is available’ (Article 11(2)(e)), as further explained below, such prohibition covers the refusal of access or licensing of IPRs.
\end{itemize}

In Portugal, anticompetitive restraints in breach of Articles 9 and 11 are sanctioned with fines up to a maximum of 10 per cent of the offending undertaking’s turnover in the year preceding the decision.\(^\text{15}\) The Competition Act also provides for ancillary penalties, as the prohibition

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11 Article 10(1) of the Competition Act considers that agreements (and concerted practice or decisions) between competitors may be justified when they ‘contribute to improving production or distribution of goods or services or to promoting technical or economic progress if cumulatively they: a) allow the users of these goods or services an equitable part of the resulting benefit; b) do not impose on the undertakings concerned any restrictions which are not indispensable to the attainment of these objectives; c) do not afford such undertakings the possibility of eliminating competition from a substantial part of the market for the goods or services at issue’.

12 Article 9(1)(a), Competition Act.

13 Article 9(1)(b), Competition Act.

14 Article 9(1)(c), Competition Act.

15 Article 69, Competition Act.
up to two years on the right to take part in public tenders, as well as the publication of the infringement decision in the Portuguese Official Gazette and in national, regional or local newspapers.16

ii Refusals to license

The refusal to license may be considered an abuse of dominant position under Article 11 of the Competition Act. As in the EU, in Portugal the essential facilities doctrine (infraestruturas essenciais) sets out the obligation to ensure that competitors have access to essential infrastructure controlled by a dominant undertaking.

Unlike the TFEU, Article 11(2)(e) specifically prohibits a dominant undertaking to refuse ‘access for another undertaking to a network or other essential facilities that it controls when appropriate payment for such is available’, whenever this other undertaking cannot, as a consequence, compete with the dominant undertaking, unless it can demonstrate that such access cannot reasonably be provided.

It is recognised that the Article 11(2)(e) prohibition covers the refusal of access or licensing of IPRs, which may constitute an offence within the essential facilities doctrine. Under this framework, two types of practices may lead to abusive behaviour of a dominant undertaking: the refusal to license itself and the refusal to license under abusive conditions.

To this end, a refusal to license will be considered abusive if the information or product at stake is an essential resource for the exercise of a certain activity and the refusal, not objectively justified, is likely to exclude all effective competition within the relevant market or to limit, or both, or to prevent the development of a new product.17

As for the refusal to license under abusive conditions, this provision essentially covers situations of unfair or discriminatory conditions applied to the licensing of IPRs and may fall under Article 11(2)(c) or Article 11(2)(e) of the Competition Act, as described above. Such abuse may be constituted by attempts to license an IPR at higher prices or to engage in price discrimination.

iii Unfair and discriminatory licensing

Unfair and discriminatory licensing practices as an abusive behaviour from a licensor in a dominant position and owner of IPR undertaking may fall under Article 11 of the Competition Act, as well as under Article 102 of the TFEU.

Abusive discriminatory licensing may be found where a licensor in a dominant position applies different conditions and prices to licensees placed in similar situations.

A very relevant case regarding discriminatory licensing of copyright was decided in 2018 by the Competition Court, which followed the ECJ preliminary ruling decision, in the MEO/GDA case.18

The case began in 2014, when MEO, one of the major Portuguese telecom companies and the provider of paid television signal transmission service and television content, submitted a claim to the AdC. MEO claimed that GDA, the Portuguese Cooperative for the Management of the Rights of Performing Artists, which centralises the licensing rights of performing artists in Portugal, had abused its dominant position by applying dissimilar

16 Article 71, Competition Act.
18 Competition Court, 9 June 2018, Case No. 77/16.7YUSTR.
conditions relating to the referred licensing to MEO, in comparison to its direct competitor in the market for paid TV platforms NOS; that is, by charging MEO higher amounts of royalty that had arisen from the use of IPRs, which was in breach of Article 11(2)(c) of the Competition Act and Article 102(2)(c).\(^{19}\)

In March 2016, the AdC concluded that GDA’s behaviour did not distort competition, namely because the difference in tariffs did not place MEO at a competitive disadvantage, in particular because the fees represented a relatively low percentage of the total costs borne by MEO.\(^{20}\) Subsequently, MEO claimed that the AdCs had misinterpreted Article 102(2)(c) of the TFEU and had filed an appeal to the Portuguese Competition Court, which led the Competition Court, for the first time since its creation in 2013, to request a preliminary ruling to the ECJ related to the concept of competitive disadvantage.

In this context, in April 2018, the ECJ stated that discrimination by an undertaking is abusive only when it creates a distortion of competition between trading partners that are competitors. To this end, the mere occurrence of an immediate disadvantage that affects those companies to which higher prices have been applied does not mean that competition is distorted, but that all relevant circumstances must be analysed, including the relevance of the amounts at stake in MEO overall cost structure.\(^{21}\)

Based on the ECJ interpretation, the Portuguese Competition Court decided in June 2018 that given the relative weight of the IPRs’ licensing prices offered by GDA, such differentiation was unsusceptible of affecting MEO’s effective competitive position on the pay-TV platforms market. Indeed, according to the Competition Court’s decision, between 1 January 2010 and 31 December 2013, the amounts paid annually to GDA by MEO in the context of the wholesale services represented between 0.71 per cent and 2.34 per cent of the costs incurred by MEO for the provision of the retail access service to pay-TV signal, and between 0.03 per cent and 0.08 per cent of the revenues earned by MEO in the scope of the provision of such retail service.\(^{22}\)

In addition, the market share of MEO in the retail service of access to the pay-TV signal market increased during the period under analysis, from around 25 per cent to more than 40 per cent, while the respective market share of the NOS Group decreased in the same period from more than 60 per cent to less than 45 per cent.\(^{23}\) The AdC had also relied on this data in the case’s original decision.\(^{24}\)

The interpretation provided by the ECJ and the Competition Court’s decision seems to have opened the door for dominant undertakings that may justify differentiated pricing policies, considering that customers – for whom the provided products or services provided represent a less significant portion of their total costs – are able to assume higher fees, without this constituting a competitive disadvantage.

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19 See Tânia Luísa Faria, Gestão Coletiva de Direitos de Autor e Direito da Concorrência: O Ótimo é Inimigo do Bom ou Vice-Versa - Reflexões a Propósito do Caso CISAC, in Revista do Instituto do Direito Brasileiro, No. 11.
21 ECJ, 19 April 2018, C-525/16, MEO v Autoridade da Concorrência, Paragraph 34.
22 AdC, 3 March 2016, PRC-2015/07, Paragraph 67(ii); and Competition Court, 9 June 2018, Case No. 77/16.7YUSTR, Paragraph 26(x).
23 Competition Court, 9 June 2018, Case No. 77/16.7YUSTR, Paragraphs 26(y).
iv Patent pooling

Patent pooling agreements – as licensing agreements that provide a platform for the parties notably to fix prices, partition the market or reduce innovation – may fall under Article 9 of the Competition Act and Article 101(1) of the TFEU. In any case, according to the TTBER guidelines ‘patent pools can also play a beneficial role in the implementation of pro-competitive standards’, that is, patent pools can have anti- or pro-competitive effects. Although the EC guidelines are not binding, it is likely that the AdC and other national enforcers take into account the EC approach, as there is no specific provision under Portuguese law. According to this practice, these recommendations are likely to be followed by the AdC and to serve as guidance in patent pooling cases that may arise at a national level.

v Software licensing

Portuguese competition law does not provide specific provision regarding antitrust issues arising from software licensing. However, based on the above mentioned, as a licensing agreement, it must comply with general competition rules and may be analysed under the general prohibitions of anticompetitive restraints.

In 2015, in the National Association of Pharmacies (ANF) case, the AdC addressed a case related, even if incidentally, to the conditions of access to data obtained through a software licensed within the ANF Group, allowing an exclusive right of access to pharma data gathered by each pharmacy.

In fact, ANF, the largest association of pharmacies operating in Portugal, and three other undertakings of the same group, had allegedly abused their dominant position through margin squeezing in the market of commercial data of pharmacies, and in the markets of pharma market studies based on this data. In short, ANF made the access to pharmacy data to IMS Health, Lda difficult. IMS Health, Lda provides market studies in the health sector, and is an undertaking competing with HMR (a company created within the ANF Group to operate in the market for the production and sale of market research based on commercial pharmacy data). The AdC considered that the ANF Group’s practice was abusive and had led to upstream and downstream markets foreclosure, and an overall fine of €10.3 million was imposed. The Competition Court upheld the AdC’s decision while reducing the amount of the fine to €6.89 million due to the nature and size of the affected market. ANF appealed this decision and in June 2017, the fine was reduced a second time by the Lisbon Court of Appeal, on the grounds that the requirements to establish Farminveste’s parental liability were not met, thus revoking the fine of €6.08 million specifically imposed on Farminveste.

The Portuguese Court of Audits outlined the fundamental role played by competition within software licensing proceedings through public tenders. Indeed, in 2018, the Court denied a direct adjustment required by the Portuguese Tax and Customs Authority in relation to the acquisition of software licences, through a public tender, on the grounds that the tender procedure launched by the Tax Authority for the acquisition of such software

27 Competition Court, 20 October 2016, Case No. 36/16.QYUSTR - Associação Nacional das Farmácias.
28 Lisbon Court of Appeal, 14 June 2017, Case No. 36/16.QYUSTR.L1 - Associação Nacional das Farmácias.
licences infringed the principle of competition. The Court raised this issue mainly on the
grounds of a substantial difference between the financial terms of the Tax Authority and
the licensor’s contract and the corresponding terms of the Software Licensing and Related
Services Framework Agreement.

This software licensing procedure was subject to the general principles of public
procurement according to which ‘to public procurement the principles of transparency,
equality and competition shall apply in particular’.30 In this context, the Court considered
that the offer for the tender was formulated by the Tax Authority in a way that allegedly
excluded competitors, favouring Oracle, because the three companies that responded to the
tender are all part of the Timestamp group, the largest representative of the Oracle technology
in Portugal. Additionally, the Court mentioned that it was likely to lead to market foreclosure
because it restricted the access to the tender to a limited number of pre-qualified companies.

Although the Court of Audits is not competent to apply the Competition Act, it denied
the authorisation of authorising an expenditure related to software licensing, owing to the
restriction of competition induced by the respective procurement procedure. To this end,
the Court of Audits has also ordered that its decision be brought to the attention of the
Competition Authority.

vi  Trademark licensing

Similar to the other types of IPR licensing, trademark licensing is not explicitly provided
under the Portuguese Competition rules and this relationship is mainly governed by the EU
rules.

As for the general rules on trademarks, the Industrial Property Code contains specific
limitations on IPRs, derived from competition rules, such as the concept of exhaustion
of a trademark. According to Article 253 of the Industrial Property Code, the owner of a
trademark cannot prevent the use of its trademark for products sold within the European
Union with that same trademark, provided there was a previous authorisation by the owner
of the trademark.

Specifically in relation to franchise agreements, these agreements normally include a
combination of different vertical restraints, in particular selective distribution, non-compete
obligation and territorial exclusivity.

In principle, anticompetitive restraints, such as non-compete obligation, territorial
restrictions and price-fixing, are banned by Article 9 of the Competition Act. However, in
line with the EU law, the VBER is directly applicable and these restrictions provided in a
franchise agreement are not covered by Article 9, when the franchisor has a market share of
less than 30 per cent.

In any case, hardcore restrictions that may eliminate intra-brand competition, such as
price maintenance, restriction of cross-supplies between distributors or exclusivity, are not
allowed and cannot benefit from the Block Exemption.

In 2014, the AdC had identified a set of competition concerns allegedly related to
franchise agreements of the Portuguese supermarket chain Dia Portugal Supermercados.31 The
AdC found that information asymmetries may have induced the franchisees to understand
recommended and maximum prices as fixed prices. In this context, the AdC considered
that the absence of price competition between the franchisees of Dia Portugal was likely to

31 AdC, 9 June 2016, PRC-2014/03.
prevent more efficient retailers from entering the market or reaching a sufficient size through the practice of lower prices, as well as to facilitate the adoption of collusive behaviour. The AdC closed the case taking into account the commitments undertaken by the franchisor not to bind its franchisees as to the implementation of recommended or maximum prices.

As for the non-competition obligation in respect of goods or services purchased from the franchisee, it is not covered by Article 9 of the Competition Act, where such obligation is necessary to maintain the common identity and reputation of the franchised network, provided it does not exceed the duration and scope of the franchise agreement itself.

In this context, the Portuguese Supreme Court of Justice has already declared null and void a non-competition clause on the grounds that such a clause was invalid – in violation of competition law – because it did not underlie a transfer of know-how that justified such protection.32

In another case, the Supreme Court of Justice concluded that the non-compete clause was void by prohibiting post-term competition beyond the territorial limits indispensable to the protection of the franchisor's intellectual property, and accordingly ordered a reduction in the scope of the clause.33

IV STANDARD-ESSENTIAL PATENTS

In Portugal, no specific consideration has currently been given in statutes, regulation or case law to the antitrust implications of the adoption of proprietary technologies in industry standards.

In this context, the AdC and the Competition Court will most likely follow the EU approach to standard-essential patents (SEPs) and rely on the EC and ECJ decisions, in particular, on the decision in the Huawei v. ZTE case; notably on the question of the circumstances and limits under which the assertion of SEPs constitutes an abuse of a market dominant position under Article 102 of the TFEU.34

V INTELLECTUAL PROPERTY AND MERGERS

i Transfer of IP rights constituting a merger

Under Portuguese competition law, the transfer of IPRs may constitute a merger provided that it leads to a lasting ‘change of control in the whole or parts of one or more undertakings’. The Competition Act provides that such change of control may arise from the ‘acquisition of ownership rights, or rights to use the whole or a part of the assets of an undertaking’.35

Therefore, an acquisition of IPRs may constitute a merger where the IPRs are related to specific assets. In most cases, the relevant transaction will be an asset deal that includes IPRs, meaning that concentration will be constituted by the acquisition of the assets.

However, the acquisition of intangible assets, such as trademarks, patents and other IPRs, will only constitute a merger if the assets constitute an activity resulting in a presence in a market to which a turnover can be attached. The AdC already considered that a notified

32 Supreme Court of Justice, 5 October 2013, Case No. 191/10.2TVLSB.L1.S1.
33 Supreme Court of Justice, 5 February 2013, Case No. 3371/08.7TVLSB.L1.S1.
34 ECJ, 16 July 2015, C-170/13, Huawei Technologies v. ZTE.
35 Article 36(3)(b), Competition Act.
transaction did not constitute a concentration because the target assets were composed by a set of equipment and contracts that were not capable, on their own, of developing an activity through which any turnover can be achieved.36

The acquisition of IPRs in the pharmaceutical sector is the most frequent in Portugal. For example, within the most recent cases, there is the case of the acquisition of sole control over the assets necessary for the production and marketing of the orphan medicine Cystagon in every country, excluding the United States of America, Australia and Japan.37 Cystagon Assets represent the assets necessary for the production and marketing of the Cystagon orphan drug, including IPRs, such as trademarks; relevant marketing authorisations and business files related to customers and suppliers; and the rights and know-how necessary for the manufacture of Cystagon. In this case, the AdC authorised the operation and considered that it did not present any anticompetitive concerns based on three main grounds. First of all, the operation consisted in the mere vertical integration of the Cystagon Assets with its current exclusive distributor, Orphan Europe (having no impact on the structure of the offer of this medicine in Portugal). In addition, Cystagon was no longer protected by patent rights, which could prevent similar products from entering the Portuguese market. Finally, there was one medicine that could represent a potential competitor to Cystagon in Portugal: Procysbi. Despite not being marketed in Portugal, Procysbi held a marketing authorisation at the European level since 2013, and therefore could potentially enter into the Portuguese market.

In addition, in the case of the acquisition of Astellas Pharma's dermatological business by LEO Pharma, the target assets included trademarks, domain names, patents, marketing authorisations, cosmetic quality records, safety data, technology and marketing know-how and rights resulting from manufacturing contracts, supply, distribution contracts, in-licensing and out-licensing contracts. Each one of these assets was related to four prescription medicines: Protopic, Pimafucort, Locoid, Zineryt and a cosmetic product: Locobase Repair.38

In another case, the AdC assessed the acquisition of the assets related to the medicine Vesanoid in Portugal, constituted by trademarks, registrations, inventories, agreements relating to the production and marketing of Vesanoid in Portugal.39 Vesanoid as an orphan indication, with no generic version available, and the only existing treatment for Acute promyelocytic leukemia, had a market share of 100 per cent in Portugal. However, the AdC cleared the transaction, considering it to be constituted by a mere transfer of market share without any impact on the competitive structure of the relevant market.

The AdC also analysed the transfer of IP rights constituting a merger in other sectors, for instance in the Hartmann/Lindor Assets merger.40 The target business was composed of a set of assets, including all government licences and approvals that are exclusively owned or used by the Lindor Business, as well as all listed IPRs and trademarks, clientele associated with the trademarks and acquired IPRs.

In addition, the AdC recently approved the acquisition by Trinseo of some of Synthomer’s assets composed mostly of IPRs and related rights.41 Following the conditional approval of Omnova’s takeover by the EC on 15 January 2020, Synthomer plc had to sell

38 AdC, 10 March 2016, Case CCent. 6/2016 - LEO Pharma/Negócio de Dermatologia da Astellas Pharma.
39 AdC, 20 December, Case Ccent. 55/2012 - Cheplapharm/Ativos Vesanoid Portugal.
its vinyl pyridine latex (VP latex) operations to Trinseo SA. This operation is subject to approval from several national competition authorities, including the AdC. The transaction consisted of the acquisition of sole control over a number of assets including technology, know-how, intellectual property assets and trademark registrations, customer lists and related contracts as well as all business records relating to the Pyratex VP Latex business.

Furthermore, under the Competition Act, within merger control proceedings, a clearance decision from the AdC also covers restrictions directly related and necessary to the implementation of the merger, such as licensing agreements that allow the transitory access to certain brands, copyright and patents. Restrictions of competition that are considered directly related and necessary to the implementation of a concentration benefit from the effects of the clearance decision of the AdC. To this end, such agreements, when necessary for the preservation of the value of the transferred business, fall outside the scope of Article 9 of the Competition Act. However, the AdC may consider such restrictions to be competitively problematic, leaving their scope outside the scope of the clearance decision. In such cases, the AdC may subsequently investigate the respective agreements under the rules on restrictive practices.

ii Remedies involving divestitures of intellectual property

Under Portuguese law, the concept of remedies is enshrined in Article 51 of the Competition Act. To this end, the AdC issued guidelines on the adoption of remedies in merger transactions. In its guidelines, the AdC expressly recognises the possibility to present remedies in the form of divestment of assets including IPRs and licences; granting of access to patents, know-how or other IPRs; trademarks cession; and granting of access to technology covered by IPRs. However, the AdC specified that the divestiture of a business is preferred to the licensing of IPRs, considering that such a remedy requires a continuing relationship with the parties that may lead the licensor to influence the competitive behaviour of the licensee.

In past decisions, the AdC accepted remedies involving IPRs, mostly related to trademarks. For example, in the case of S.C. Johnson & Son/Sara Lee Insecticides and Repellents Business, the AdC only authorised the transaction through the divestment of all tangible and intangible assets, including IPRs over the DUM DUM brand, associated with the development, marketing and sale of Crawling Insect Killer, Flying Insect Killer and anti-moth products in Portugal.

In addition, in the case of Sumolis/Compal, the AdC cleared the transaction provided that the notifying party would divest the brand Sucol in Portugal and Spain, as well as the technical formulations in the composition of drinks used in Sucol, Sumol Néctar, Sumol Néclight and Sumol 100% Sumo. Additionally, Sumolis had to suspend the marketing, in Portugal, of the brands Sumol Néctar, Sumol Néclight and Sumol 100% Sumo, for three years.

42 EC, 15 January 2020, Case M.9502 - Synthomer/Omnova Solutions.
43 Article 41(5), Competition Act.
VI OTHER RESTRICTIONS

IP dispute-settlement agreements may be found anticompetitive under Article 9 of the Competition Act. To this end, the AdC has already clarified that agreements between companies to settle a patent litigation are, like any other agreement between undertakings, subject to the scrutiny of the competition rules. This means that although companies have the right to settle their patent disputes, they must do so while respecting the competition rules. In other words, the fact that these agreements are based on a patent dispute and consequent arbitration decision, does not exempt them from complying with the competition rules.47 Furthermore, agreements made between undertakings that aim to prevent the access of substitutes to the market, such as pay-for-delay, are also prohibited.

In 2014, in the AstraZeneca case, the AdC assessed for the first time a potential pay-for-delay infringement.48 At issue was an agreement that was concluded between Teva and its subsidiary Ratiopharm with the company AstraZeneca, through which Teva and Ratiopharm agreed to withdraw the product Rosuvastatin Ratiopharm, distributed by Ratiopharm, from the Portuguese market. In Portugal, AstraZeneca commercialises the medicines Crestor and Visacor, which are composed of the active substance rosuvastatin. The medicine Crestor was protected by a patent until 2012 and by a supplementary protection certificate until 2017 (valid at that time). However, Rosuvastatin Ratiopharm, a competing product, that was distributed by Ratiopharm, entered the market without any verification of the IPRs at stake. In this context, AstraZeneca filed a patent infringement proceeding and the parties settled the conflict through an agreement that covered the withdrawal from the Portuguese market of the product Rosuvastatin Ratiopharm.

In this regard, the AdC assessed the scope of such an agreement and found that the sole objective sought by the parties was to settle the dispute. In particular, no compensation of any kind had been received by any company of the Teva group, for the withdrawal of the medicine from the market.

Furthermore, the Industrial Property Code prohibits unfair competition practices, which are defined as any act contrary to the rules and honest practices of any type of activity conducted by any entity with the intention to cause damage to any competitor and to obtain an illegitimate gain. Under certain circumstances, unfair competition practices may fall under Articles 9, 11 or 12 of the Competition Act or Articles 101 and 102 of the TFEU. In such cases, the AdC is competent to investigate and sanction such behaviour on the grounds of any violation of prohibition of anticompetitive restraints. Otherwise, in cases of mere acts of unfair competition matters involving IPRs, or patent infringement or conflicts, because these come under the Intellectual Property Court’s jurisdiction, the AdC and the Competition Court thus have no jurisdiction.

VII OUTLOOK AND CONCLUSIONS

Portuguese law does not provide specific provisions regarding the relationship between IP law and antitrust, and relies on general competition prohibitions to assess the validity of IPRs related practices. The regulation of interplay between both areas is largely similar in substance.

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to the applicable EU rules. Because the main legal developments affecting IP and antitrust laws have occurred at the European level, many issues are yet to be addressed by the AdC and the national Competition Court.

However, the AdC’s decisions demonstrate a certain concern towards mitigating the eventual anticompetitive effect of IPRs, which allows for some expected developments at national level in this area. In any case, it is likely that the AdC and national courts will closely follow the EC and ECJ approach.

In addition, the report on Digital Issues, mentioned above, may pave the way for a new approach to intellectual property within the context of digital markets, or even the potential widening of an intellectual property approach to realities not originally covered by IPRs, such as access to big data.
I INTRODUCTION

The interaction between antitrust and intellectual property (IP) is widely discussed by the business community and the Russian competition authority, the Federal Anti-monopoly Service (FAS). In general, IP matters are mainly scrutinised by the FAS and its regional offices within the framework of unfair competition cases, as well as in situations where the anticompetitive effect arising from the exercise of IP rights is considered. Thus, antitrust issues are primarily governed by Federal Law No. 135-FZ dated 26 July 2006 on Protection of Competition (the Competition Law), while liability for violations of the anti-monopoly regulations is mainly established (in addition to the Competition Law) by the Code on Administrative Offences.

Currently, the Competition Law contains a limited number of provisions envisaged to address IP issues. Apart from the clauses on unfair competition and transactions with an IP element subject to merger control, IP rights are specifically mentioned in the following instances: further to Article 10(4) of the Competition Law the prohibitions on abuse of dominance do not apply to conduct associated with the exercise of exclusive rights to IP or equivalent means of individualisation of a company, products, works or services; and similarly, under Article 11(9) of the Competition Law, the prohibitions against anticompetitive agreements are not applicable to agreements on granting or transferring IP rights or equivalent means of individualisation of a company, products, works or services.

The FAS views the above immunities as obsolete and refers to the EU and US regulations; it seeks to exert control over unilateral conduct and contractual arrangements in the area of IP, and to look into existing practices in terms of their compliance with the Competition Law (in particular, in relation to the pharmaceutical industry and other markets of ‘social importance’). Likewise, the competition authority remains a proponent of compulsory licensing and liberalisation of parallel imports, claiming that such reforms can ensure a level playing field. Although these initiatives are criticised by certain practitioners and right holders, the FAS is adamant about seeing these changes implemented. Most recently, draft laws aimed at dealing with the digital economy and removing the IP-related exemptions, as well as dealing with parallel imports and compulsory licensing, have been elaborated.

The FAS is entrusted with monitoring compliance with Federal Law No. 38-FZ on Advertising dated 13 March 2006; its practice regarding violations of the relevant provisions also includes interaction with IP.

1 Maxim Boulba is a partner and Maria Ermolaeva is an associate at CMS Russia.
IP relations as such are dealt with in a comprehensive manner in Part IV of the Russian Civil Code, which includes an exhaustive list of IP rights and various legal methods for their protection. It stipulates some general requirements concerning their use and enforcement. Overall, the Russian legislation provides for civil, administrative and criminal liability for the infringement of IP rights.

Further, in line with the Competition Law provisions under Part IV of the Civil Code the protection of a trademark can, inter alia, be disputed or invalidated in full or in part if the actions of a right holder associated with granting protection to a trademark or to a different confusingly similar trademark are viewed as unfair competition.

Russia is a party to a number of the most important international treaties and conventions covering different IP aspects, including the Convention Establishing the World Intellectual Property Organization, the Paris Convention for the Protection of Industrial Property, the Madrid Agreement Concerning the International Registration of Marks and the Madrid Protocol, the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, and the Agreement on Trade-Related Aspects of Intellectual Property Rights. The Paris Convention in particular is often applied and referred to by the FAS in its decisions.

In addition to Part IV of the Civil Code, certain (mostly technical) IP issues are regulated by the orders of the Federal Service for Intellectual Property (Rospatent). Rospatent is the main body in the field of IP and is also responsible for the major registration formalities. In accordance with the Competition Law, the FAS’s decisions on violations of the Competition Law (unfair competition) are to be sent to Rospatent for the legal protection of trademarks.

The FAS and Rospatent cooperate on the basis of an agreement entered into in 2010 that defines the scope of interaction and information exchange between these bodies. For the most part Rospatent provides assistance and consultations to the FAS in the course of investigations involving IP. For example, as part of this cooperation FAS officials pointed out the need to review certain approaches to patenting to create opportunities for Russian generics to enter the market. According to Rospatent, however, the solution to this problem lies in the area of legislation on the circulation of medicines rather than patents. As to the key FAS legislative proposals (compulsory licensing in situations where the refusal to use certain IP rights results in violations of the Competition Law, as well as removal of IP exemptions from the Competition Law), Rospatent officials usually speak in favour of a more balanced approach, which would guarantee protection of IP rights and legitimate interests of right holders.

For completeness, the Russian Intellectual Property Court (the IP Court) was launched in 2013, which has led to an increase in professionalism and a sound legal approach with regard to judgments in IP cases, not only from the Court, but also across the Russian court system as a whole. To a certain extent, the practice of the IP court is related to the intersection of IP and antitrust; it considers appeals against the FAS’s decisions on unfair competition in cases relating to the acquisition of exclusive rights to the means of individualisation of a company, products, works or services.
II YEAR IN REVIEW

i Key legislative and policy developments

The correlation between IP and antitrust is definitely among the topical issues. The FAS always advocated the repeal of the exemption relating to IP (as mentioned above, IP matters are formally outside the scope of the Competition Law), but this idea was not eventually reflected in the Fourth Anti-monopoly Package that came into effect on 5 January 2016. Still, the competition authority is committed to changing the current regime so that the Competition Law would be fully applicable to IP relations and potentially right holders’ anticompetitive practices.

The FAS has prepared a set of amendments to the Competition Law with a view to streamlining the application of antitrust rules to the digital economy and IT companies (in light of its fairly recent investigations). The provisions that eliminate the existing IP immunities can be found in the draft law; many practitioners note that, in this case, an exhaustive list of anticompetitive and abusive practices should be drawn up to ensure the balance. As part of this initiative, the competition authority proposed to establish the status of internet platforms and aggregators enjoying market power (big data ownership is used as the basis), introduce an additional ground subjecting a transaction to merger clearance (transaction value) and introduce more detailed rules concerning the review of merger clearance notifications. IP-related remedies, involvement of trustees responsible for monitoring and facilitating compliance with a binding order issued as part of merger control review, which provides for the transfer of rights to IP and technology, and compulsory licensing issues are also under discussion. It remains unclear when and to what extent these initiatives are going to be enacted.

Still, for the time being, the legislative developments concerning the correlation between IP and antitrust were mainly in the area of unfair competition. The Competition Law contains a separate chapter devoted to this violation; it sets out seven instances that constitute unfair competition. The list is not exhaustive so other conduct and practices not expressly mentioned in the Competition Law may be considered as unfair competition. The rules on unfair competition became substantially more detailed and now contain some new provisions (for instance, provisions on disparaging statements and creating confusion with a competitor’s business or products). These developments were in line with the existing trend in the law enforcement and judicial practices, as well as the FAS’s general intention to look up to the best global practices (e.g., EU practices).

The FAS and its regional offices are actively looking into unfair competition practices, but the number of decisions establishing violation is lower than in previous years (before the 2016 amendments) owing to the fact that in certain instances (particular types of unfair competition violations), the FAS is required to issue a warning: a specific request to terminate anticompetitive behaviour. If an undertaking complies with the requirements contained therein within the timeline set forth in the warning, formal proceedings cannot be initiated. Similarly, in this case, a company cannot be held liable for an antitrust violation (i.e., no fines shall be imposed). This procedure allows the infringing party to deal with the antitrust risks in a relatively straightforward manner.

In the past, the practice of the FAS was not always consistent; as a result, its role was somewhat conflicting. The 2016 amendments gave additional leverage to the Russian competition authority in its fight against unfair competition. In parallel, Rospatent and the IP Court are creating a more uniform enforcement practice regarding the review of disputes associated with unfair competition practices related to trademark registration.
ii Recent case law

Recent cases support the FAS outlook on the interplay between IP and antitrust: as long as right holders can benefit from the existing exemptions provided for in the Competition Law, there is always room for abuse and anticompetitive conduct (i.e., according to the competition authority, IP rights should not create any benefits in terms of the circulation of the products in the market). Therefore, this practice suggests that antitrust restrictions can be applied to arrangements that are not directly related to agreements on granting IP rights.

In the highly publicised Google case, Google considered Google a dominant undertaking on the market of ‘pre-installed application stores on Android OS’ to be circulated in Russia. The non-Russian companies of the group (Google Inc and Google Ireland Limited), as the providers and right holders of Google mobile apps and services, were viewed as dominant undertakings.

Google provided the manufacturers of mobile devices with Google Play for pre-installation on Android OS mobile devices. In this respect, the following actions of Google were viewed by the FAS as abusive:

a mandatory and exclusive pre-installation of other Google apps and services together with Google Play;
b mandatory and exclusive pre-installation of Google’s search engine together with Google Play;
c mandatory placement of pre-installed apps on the screen of mobile devices (specific screen placement); and
d imposing a prohibition (or economic incentives) on the manufacturers, preventing them from dealing with Google’s competitors and pre-installing competing products on Android mobile devices.

Together with the decision, the FAS issued a binding order prescribing Google to complete actions aimed at terminating the violation and restoring competition in the market, including by way of modifying all existing contractual arrangements with Google’s partners and informing the customers (users of mobile devices) of the possibility of deactivating the pre-installed Google apps and search engine, and installing alternative competing apps as well as changing the placement of app icons on the screen.

The FAS’s decision was challenged by Google; however, after unsuccessful appeals, the company decided to enter into a settlement agreement with the authority, pay a significant fine and comply with the FAS requirements. The intersection of IP and antitrust was specifically considered and addressed in the FAS’s decision. In the course of both the FAS administrative proceedings and the court proceedings, Google claimed that the IP exemption provided for in Article 10 of the Competition Law should apply to the conduct in question, as it essentially relates to IP licences. The FAS looked into the agreements entered into by Google and, inter alia, came to the conclusion that the restrictions imposed by Google went beyond the exercise of exclusive rights to separate apps by Google (considering that Google Mobile Services cannot be viewed as a single IP object). All contractual issues other than the use of IP are out of the scope of a ‘pure’ licence agreement and are not covered by the exemption. The FAS also mentioned that some of the restrictions established by Google were not in any way related to IP (e.g., prohibition on installing competitors’ products on the same

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2 FAS Case No. 1-14-21/00-11-15, court Case No. A40-240628/2015.
terms as those distributed by Google). The courts (confirming the FAS’s conclusions) referred to the *Teva* case and stated that, in the case of ‘mixed’ agreements that contain both licensing and other terms, the ‘additional’ conditions must comply with the antitrust regulations.

Furthermore, in its landmark decision on parallel imports in the case of *PAG LLC*, the Russian Constitutional Court established that while the national principle of exhaustion of IP rights (the regional exhaustion rule within the Eurasian Economic Union) is in line with the Russian Constitution, right holders do not enjoy absolute protection against parallel imports. The antitrust aspects were not directly considered; nonetheless, the Constitutional Court pointed out that the IP immunity provided for in the Competition Law cannot be invoked and used to justify the abusive or unfair conduct of right holders.

According to the Constitutional Court, a right holder exercises its IP rights in bad faith if it restricts imports of certain goods into Russia, establishes unfair (inflated) prices in the Russian market or prevents imports in compliance with foreign sanctions imposed against Russia (that alone is a sign of bad faith). Russian courts may refuse to apply (in full or in part) legal remedies associated with parallel imports if, as a result of the bad faith practices of a right holder, their application poses a threat to life, health or public interest. The importation of counterfeit (fake) products and parallel imports (importation of original products without a right holder’s consent) shall be treated differently, so the actual circumstances of the case shall be considered by the courts. Ultimately, it is up to the federal lawmakers to amend the existing rules as to the legality of parallel imports and establish the differentiated liabilities and remedies for these instances. This decision encapsulates a new outlook on parallel imports, so further developments may be expected in court practice. More recently, the Plenum of the Russian Supreme Court has also provided additional comments based on the above position of the Constitutional Court.

Interestingly, in the same Resolution the Supreme Court commented on the use of trademarks in contextual advertising. Thus, if an advertiser uses trademarks as keywords when placing advertisements on the Internet, including search engines, such actions can be recognised as an act of unfair competition. The Plenum did not clarify whether such actions can be recognised as trademark infringement. There have been cases in court practice where such actions were recognised as an infringement, but this practice is not well established.

There have been some important changes in the court practice associated with compulsory licensing. For instance, in a 2018 case relating to Celgene’s patent for lenalidomide, a Russian court, for the first time, granted a claim for a compulsory licence (not associated with the antitrust concerns, however). Under Article 1362 of the Russian Civil Code, a holder of a patent for a dependent invention is entitled to seek a compulsory licence for an existing patent (where a holder of the original ‘first’ patent refuses to enter into a licence agreement on the terms that are in line with the established practice) through court proceedings. Such a claim may be granted if a holder of a patent for a dependent invention manages to prove that the invention can be viewed as an important technical achievement and has significant economic advantages over the invention or utility model of the holder of the ‘first’ patent. The court of first instance agreed with the arguments presented and granted a compulsory simple (non-exclusive) licence. Although the appeal proceedings ultimately

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3 FAS Case No. 1-10-279/00-18-13, court Case No. A40-42997/2014.
4 Ruling of the Constitutional Court No. 8-P dated 13 February 2018.
5 Resolution No. 10 dated 23 April 2019 on applying Part Four of the Russian Civil Code.
6 Court Case No. A40-71471/2017.
resulted in the parties entering into a settlement agreement and the decisions of lower courts being overturned, this decision may have a considerable impact on further court practice in the area.

In a way, the IP-related aspects of merger control were considered when the competition authority reviewed the notorious Bayer/Monsanto deal; the FAS eventually prescribed Bayer to transfer certain technologies (molecular selection of specific crops) to Russian recipients and provide non-discriminatory access to the digital farming platform following the commercial launch of products in Russia.

III LICENSING AND ANTITRUST

i Anticompetitive restraints

As mentioned above, the prohibitions of the Competition Law are not supposed to apply to the actions and agreements relating to providing, granting or disposing of IP rights (including trademarks and patents). An undertaking granting exclusive rights to use its IP is entitled to control and impose restrictions on the licensee.

The parties enjoy certain discretion when drafting licence agreements as the Civil Code provisions as to their contents are rather broad. Clearly, the licence agreements that cover IP issues only will benefit from this exemption; nonetheless, in many situations it is rather challenging to establish whether the immunity is available and can be relied on by the companies involved. By way of illustration, agreements on the exercise of IP rights may contain extensive requirements for the products to be distributed in a particular manner and in this way give rise to competition concerns. The prevailing position supported by the FAS is that the IP exemption does not apply to the conduct and arrangements concerning the circulation of goods manufactured with the use of IP rights; the antitrust regulations will apply in full.

It is noteworthy that duly formalised franchise agreements do not fall under the antitrust prohibitions (for vertical agreements) and are considered admissible (notwithstanding the market share held by the parties to such agreements). Although, pursuant to the Civil Code, they may contain a range of restrictive clauses, including non-compete obligations, it is still possible that the FAS will seek to invalidate such clauses if it comes to the conclusion that competition is affected (taking into consideration the market situation and the parties’ position).

ii Refusals to license

Formally, there are no restrictions on the right holder’s ‘monopoly’; as mentioned above, the concept of abuse of dominance is not supposed to apply to the exercise of IP rights because of the exemption provided by Article 10(4) of the Competition Law. Nonetheless, the competition authority pays particular attention to the matter and wishes to address the problems associated with unsubstantiated refusal to license.

Generally, under the Civil Code, compulsory licensing based on a court decision is available in relation to inventions, utility models, industrial designs and selection inventions. Still, it is rarely used and for the time being is not envisaged being used to address antitrust concerns. The right holders (patent owners) can be forced by a court decision to grant a compulsory licence if the IP is not used for a specific period or a different right holder cannot use its IP without infringing the rights in question. The applicable licensing terms are
determined by the court. However, the law does not elaborate on how such terms shall be defined, apart from the requirement that they are non-exclusive and that the licence fee shall not be lower than fees payable in comparable circumstances.

This is, however, a civil remedy that is not immediately connected with infringements of the Competition Law. FAS officials state that in the absence of legislative mechanisms, such licences have never been granted with a view to improving or restoring competition in the market. The competition authority is willing to change this situation (particularly, in respect of the pharmaceutical market) and has drafted a set of controversial amendments in this respect. Again, it is unclear if (and to what extent) this proposal is going to be enacted.

iii Unfair and discriminatory licensing

The antitrust implications of unfair pricing or royalty terms have been considered to a limited extent, also in light of the IP exemptions.

iv Patent pooling

Russian legislation does not deal directly with the creation of patent pools; at present the Competition Law does not cover matters concerning patent pooling. In many situations such arrangements may contain provisions that go beyond the scope of licensing (e.g., pricing policies).

Consequently, they will be assessed in terms of compliance with the general requirements of the Competition Law as to anticompetitive agreements and, for this reason, should not create anticompetitive restraints. Taking into account the recent practice of the competition authority and the initiative to expand the scope of antitrust regulations to include IP arrangements, further developments can be expected.

In situations where a ‘quasi-pooling’ project is structured as a joint venture or a series of deals with assets or shares, the merger control rules may need to be considered.

v Software licensing

As suggested, for example, by the Google case, the FAS has not elaborated any specific approach applicable to software licensing; the general Competition Law prohibitions and exemptions apply.

vi Trademark licensing

The FAS exercises the same approach as outlined above to the trademark licensing. One of the key priorities of the FAS in relation to trademarks is the problem of parallel imports as the Russian legislation remains controversial. The authority has always viewed parallel imports as an efficient way of removing possible restrictions of competition and has already tried to implement the relevant principles into its practice; for instance, even in 2017, it issued warnings to right holders (manufacturers of automotive parts and medical devices) that did not allow importation or ignored the request of a parallel importer. More importantly, the decision of the Constitutional Court on parallel imports has a direct impact on the FAS’s analysis and review of right holders’ conduct.
IV STANDARD-ESSENTIAL PATENTS

i Dominance
The Russian statutes, regulations and case law give very limited consideration to the adoption of proprietary technologies in industry standards and the associated antitrust implications, including potential dominance issues. There are no specific requirements that would provide for the availability of a proprietary technology to a market player that wishes to use the standard.

ii Injunctions
In light of the above, the issue of potential abuse of a dominant position in this particular context was not examined by the Russian competition authority.

iii Licensing under FRAND terms
Russian legislation does not provide for the concept of fair, reasonable and non-discriminatory (FRAND) licences granted by the owners of standard-essential patents under competition laws and the rules of standard-setting organisations. Therefore, such licensing practices cannot be used as a defence in Russia. The antitrust regulations are equally silent on the matter. The Civil Code provides a general principle in accordance with which civil rights cannot be used to restrict competition or to abuse a dominant position. However, in the absence of rules on FRAND, this provision can hardly be applied in relation to standard-essential patents.

iv Anticompetitive or exclusionary royalties
The Russian competition authority has not looked into the anticompetitive effect of royalties in this respect, and has never issued guidelines or clarifications on the impact of royalty provisions.

V INTELLECTUAL PROPERTY AND MERGERS

i Transfer of IP rights constituting a merger
The incorporation of a company can be caught by the Russian merger clearance requirements if its charter capital is paid up by the shares, participatory interests or fixed or intangible assets of another company (or a combination of participatory interests and assets); and a new company, as a result, acquires: more than 25 per cent of the voting shares in a Russian joint-stock company; more than one-third of the participatory interests in a Russian limited liability company; or fixed or intangible assets located in Russia that amount to more than 20 per cent of the total book value of the fixed and intangible assets of the transferor (or a combination of shares, interests and assets). Practically speaking, such transactions are highly uncommon.

Under Article 28(1)(7) of the Competition Law, the acquisition of the fixed assets (except for land plots and non-industrial buildings or premises) or intangible assets (e.g., trademarks) of a company (or a combination of fixed and intangible assets) by virtue of a transaction or a series of related transactions is subject to merger clearance if the book value of the acquired assets located in Russia exceeds 20 per cent of the total book value of the fixed and intangible assets of the transferor (for companies not operating in the financial markets). The available decisions of the competition authority suggest that the cleared transactions mainly involve the transfer of fixed assets (rather than IP alone).
In certain instances, the definition of the ‘location’ of intangible assets can be problematic; in the absence of any statutory provisions or guidelines in this respect it is generally assumed that the intangible assets are located in Russia if they are duly granted protection in Russia under Part IV of the Civil Code.

The following jurisdictional thresholds apply to the transactions involving the transfer of IP rights: the aggregate worldwide value of assets of the acquirer’s group and the target’s group of companies exceeds 7 billion roubles and the aggregate worldwide value of assets of the target’s group of companies exceeds 400 million roubles; or the aggregate worldwide turnover of the acquirer’s group and the target’s group of companies from the sale of goods, works and services during the most recent calendar year exceeds 10 billion roubles and the aggregate worldwide asset value of the target’s group of companies exceeds 400 million roubles.

Deals relating to IP rights are reviewed and assessed by the FAS in the same way as all other transactions subject to merger clearance. The FAS remains the sole authority responsible for the enforcement of the merger control rules, also in the area of IP. Regardless of whether the transaction covers the transfer of IP rights or not, the general substantive test is used by the FAS. The authorities have not issued any guidance as to the application of the test to IP-related mergers. The ‘restriction of competition’ criterion lies at the heart of the substantive analysis; as a general rule, the transactions are not to lead to the restriction of competition (including as a result of creation or strengthening of a dominant position).

Finally, competitors are required to obtain the prior approval of the FAS for conclusion of agreements on joint activities (irrespective of whether IP rights are included in the transaction scope or not) in Russia if the following turnover or asset-based thresholds are exceeded: the aggregate worldwide value of assets of the groups involved exceeds 7 billion roubles; or the aggregate worldwide revenue of the groups for the past year exceeds 10 billion roubles. The concept of agreement on joint activities, in particular, covers the establishment of joint ventures. The term ‘agreement on joint activities’ is rather broad so in principle it may catch not only joint ventures, but also other commercial arrangements aimed at establishing cooperation.

ii Remedies involving divestitures of intellectual property

The Competition Law does not provide for any remedies aimed at addressing antitrust concerns in the context of transactions with an IP element. By way of background, structural remedies are not widespread in the FAS’s practice because of a number of factors, including administrative barriers (practical application), which are often cited by FAS officials. Behavioural remedies are clearly preferred by the competition authority.

Although the remedy of divestiture of assets is available to the FAS, a corresponding practice has not developed. Examples of other remedies that may be used by the competition authority include conclusion, amendment or termination of agreements, granting access to assets or sharing certain industrial property rights, and performance of various business, technical or other requirements. IP-related remedies might be introduced into the Competition Law should the proposed draft law be enacted (notably, divestiture is being discussed).
VI OTHER ABUSES

i Sham or vexatious IP litigation
This concept is undeveloped in Russia; the antitrust implications of sham or vexatious IP litigation have not yet been analysed. The relevant matters are mainly considered from the general civil and procedural perspective as abuse of rights.

ii Misuse of the patent process
In certain instances, anticompetitive conduct associated with the manipulation of the patent process can be considered as unfair competition.

iii Anticompetitive settlements of IP disputes
By way of background, settlement agreements similar to those available in the United States or the European Union are not applied in Russia; as a consequence, their validity and enforceability as such are not obvious. In any case, the settlements of IP disputes have not yet been analysed by the FAS and the courts from an antitrust perspective.

Thus, should an arrangement of this kind (e.g., providing for exclusion payments to potential generic entrants in the pharmaceutical sector) be scrutinised by the competition authority, the general provisions of the Competition Law prohibiting abuse of dominance and anticompetitive agreements will be applied. Patent disputes involving generic manufacturers, in particular, are somewhat uncommon and are mainly resolved outside Russia. The competition authority is focused on other matters concerning the Russian generics market, such as interchangeability (primarily, in relation to the public procurement) and possible introduction of compulsory licensing.

VII OUTLOOK AND CONCLUSIONS

As suggested by various comments made by FAS officials and the available draft laws, additional amendments to the Competition Law can be reasonably expected and should, among other things, deal with more detailed rules in the area of merger control and the digital economy, as well as correlation between IP and antitrust regulations (abolition of the IP immunities and introduction of compulsory licensing, in particular in the context of merger control).

In addition, from an antitrust perspective, the concept of antimonopoly compliance has finally been introduced to the Competition Law. Implementing an antimonopoly compliance system is not compulsory. Companies can apply to FAS to get confirmation that their internal documents on antimonopoly compliance are in line with the legislation. The FAS believes that putting in place antimonopoly compliance will help prevent violations by companies, including dominant entities. At the same time, the new law is silent on whether liability can be mitigated or excluded in case of violations by companies that have implemented a compliance system cleared with the FAS.
Chapter 13

SPAIN

Rais Amils

I INTRODUCTION

In Spain, the main provisions regulating national intellectual property rights (IPRs) are the 24/2015 Patent Act, the 17/2001 Trademark Act and the 1/1996 Copyright Act.

For its part, Spanish antitrust law is regulated in the Antitrust Act 15/2007 (AA), which is aligned with European Union antitrust provisions. Article 1 of the AA prohibits agreements between companies that restrict or could restrict competition in a similar way to Article 101 of the Treaty on the Functioning of the European Union (TFEU), and Article 2 of the AA prohibits abuses of dominant position, as does Article 102 of the TFEU. As for merger control, although there are procedural differences between the Spanish and the European provisions, the principles behind merger control envisaged in the AA are also aligned with those of the Commission and of the Court of Justice of the European Union (CJEU).

The AA states that the prohibition of collusive conduct that may restrict or distort competition will not apply to those agreements that comply with the provisions set out in the Community Regulations on the application of the current Article 101(3) of the TFEU for certain categories of agreements, including when the corresponding conduct may not affect trade between EU Member States. When IPRs are involved, special mention should be made of Commission Regulation No. 316/2014 regarding Technology Transfer Agreements (TTBER), the Commission Guidelines developing it and Commission Regulation No. 1217/2010 regarding research and development agreements, which will also be of application in relation to agreements affecting only the Spanish market.

The interplay between IPRs and antitrust law has been expressly highlighted by the Spanish Antitrust Authority (the CNMC) on several occasions. The CNMC has expressly recognised that IPRs and antitrust law have a common goal of promoting competition and innovation to promote consumer welfare and an efficient allocation of resources. Notwithstanding that, as IPRs confer a monopoly to use a certain invention, trademark or copyright, it is necessary to strike a balance between the IPR holder’s right to be compensated for its contribution to the innovation and work, and the collective interest in promoting competition on the market and avoiding any restriction or abuse of it.

1 Rais Amils is a senior associate at Clifford Chance.
3 Guidelines on the application of Article 101 of the Treaty on the Functioning of the European Union to technology transfer agreements.
II YEAR IN REVIEW

Over the past year, there have been further developments in Spain regarding trademark exhaustion, as a result of applying the principles laid down by the CJEU judgment in the Schweppes case, which clarified the ownership doctrine developed in its judgments Hag II and Ideal Standard.

The past year has seen new decisions handed down on the licensing and distribution of software applications and on Community plant variety rights. Decisions have also been handed down on the management of rights over works in relation to unfair and discriminatory pricing.

III LICENSING AND ANTITRUST

i Anticompetitive restraints

Under Spanish law, anticompetitive restraints included in licensing agreements are subject to the prohibition stated in Article 1 of the AA and Article 101 of the TFEU. In accordance with these provisions, those agreements, collective decisions or recommendations, or concerted or consciously parallel practices, which have as their object or effect, the prevention, restriction or distortion of competition in all or part of the national market (in the case of Article 1 of the AA) or the EU market (in the case of Article 101 of the TFEU) are prohibited. Examples of these agreements include price-fixing, market share-out or limitation of production.

When analysing the compatibility of licensing agreements with antitrust laws, the Spanish antitrust authorities have considered the TTBER provisions. For instance, in the Haller case, what was then the former CNMC, the National Competition Commission (CNC), applied the former TTBERs of 1996 and 2004 to assess whether the licence agreements entered into by Haller with its distributors in Portugal and Spain were in accordance with antitrust law. The licence agreements included an absolute restriction on passive sales because the licensees were only authorised to produce and market the licensed equipment in the territories assigned to them. Although the companies held a small market share within the Spanish market and the TTBERs applicable at that time established a more benevolent treatment to passive sales restrictions to incentivise investment and efficiency, the CNC concluded that these clauses constituted a hardcore restriction and could not benefit from the TTBER exemption. However, this resolution was reversed by the National High Court by application of the de minimis rule, as Haller’s market share in Europe and in Spain was less than 4 per cent and 5 per cent, respectively, and, consequently, it was considered that its conduct was not sufficiently material to significantly restrict competition.

5 CJEU judgment, 20 December 2017, C-291/16, Schweppes.
6 CJEU judgment, 17 October 1990, C-10/89, Hag II.
7 CJEU judgment, 22 June 1994, C-9/93, Ideal Standard.
8 CNC decision, 22 July 2008, 634/07, MDC Ingenieria/Productos Haller.
10 National High Court judgment, 29 October 2009, SAN 4556/2009.
Passive sales restrictions were also analysed by the CNC in the Carpa Dorada\textsuperscript{11} case, which involved licences to exploit a Community plant variety right over a specific variety of mandarin named Nadorcott. The CNC analysed whether the passive sales restrictions included in the licensing agreements could be justified to form part of a selective distribution system in accordance with Commission Regulation (EU) No. 330/2010 on vertical restraints.\textsuperscript{12} The CNC concluded that the tracking system included in the granting of exploitation licences of this plant variety infringed Article 1 of the AA and Article 101 of the TFEU, as it allowed the control of the production and marketing of the Nadorcott mandarins. Moreover, this tracking system could not be justified as forming part of a ‘selective distribution system’ as it only affected the first level of the production chain (manufacturers and wholesalers) and did not continue through to retailer level.

The CNMC has reached a settlement with Adidas España that puts an end to the case brought by the CNMC for potential anticompetitive restraints on Adidas España’s franchisees.\textsuperscript{13} Among the commitments made by Adidas España were the removal of the post-contractual non-competition clause included in some of the franchise agreements, the clarification of the requirement to provide prior notice of the internet addresses (URLs) used by distributors, and the lifting of the ban on cross-sales between distributors in general, and between franchisees in particular.

\section*{ii Refusals to license}

Refusal to license could be considered an abuse of dominant position under Article 2 of the AA and Article 102 of the TFEU if the IPR holder has a dominant position in the market. This conduct has been the subject of the ongoing Oracle case involving Oracle’s decision to suspend the development of its software for Intel’s Itanium processor, which was used in Hewlett Packard’s Integrity servers.

The CNC,\textsuperscript{14} on the basis of the Commission’s principles on establishing when a refusal to supply can be considered abusive,\textsuperscript{15} concluded that there was no evidence to class Oracle’s conduct as an exclusionary abuse of dominant position and it closed the file. This decision was revoked by the National High Court,\textsuperscript{16} which considered that Oracle’s decision aimed at preventing the continuation of Hewlett Packard in the high-performance database servers market could not be justified by the fact that the Itanium processor was obsolete. This judgment was also revoked by the Supreme Court,\textsuperscript{17} which ruled that, although the National High Court was right in concluding that the CNC should not have closed the case without properly assessing the evidence before it, it was wrong in attempting to replace the CNMC and decide the case by itself, by declaring that Oracle’s conduct constituted an abuse of its dominant position. Consequently, the Supreme Court ordered that the case be referred back

\textsuperscript{11} CNC decision, 4 July 2013, S/0312/10, Carpa Dorada, confirmed by National High Court judgment, 18 June 2015 (SAN 2449/2015).


\textsuperscript{13} CNMC decision, 6 February 2020, S/DC/0631/18, Adidas España.

\textsuperscript{14} CNC decision, 26 February 2013, S/0354/11, Oracle.

\textsuperscript{15} Guidance on the Commission’s enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertaking (2009/C 45/02), Paragraph 81.

\textsuperscript{16} National High Court judgment, 24 September 2015, SAN 3126/2015.

\textsuperscript{17} Supreme Court judgment No. 583/2018, 10 April 2018, STS 1362/2018.
to the CNMC, which reopened the case. After reassessing all the evidence on file, the CNMC Council issued a new decision declaring that the Investigation Division failed to demonstrate that Oracle had breached Article 1 of the AA or Article 102 of the TFEU. Among other findings, the CNMC concluded that the classic refusal-to-supply theory of harm cannot be applied to products that still need to be developed, and that, in such cases, the test must be stricter and was not met in the case at hand.

In the *Arándonos* case, the CNMC also looked at a refusal to license, but considered that there was no abuse of dominant position. Rústicas del Guadalquivir (the exclusive licensee of the Community plant variety right protecting the Snowchaser blueberry variety) voluntarily opened collective proceedings to remedy the situation of cooperatives and farmers who were using the Snowchaser variety without a licence. The association that filed the complaint did not request formalisation within the established period and, when it finally did so, Rústicas del Guadalquivir denied the sub-licence due to the lack of transparency of the association regarding its activity, purpose, cultivated varieties, licences obtained and members of the association. The CNMC concluded that the reasons given to justify the refusal to licence could not be deemed abusive, let alone the fact that Rústicas del Guadalquivir could not be deemed to have a dominant position in the market. Moreover, the CNMC concluded that there was no discrimination or exclusionary purpose based on the establishment of unreasonable conditions or excessively high prices.

When a refusal to license is deemed an abuse of dominant position, the Spanish Patent Act envisages the possibility of granting a compulsory licence, in line with Articles 8(2), 31(k) and 40 of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights and with the CJEU case law stated in the *Magill*, *IMS* and *Microsoft* cases. According to this case law, in exceptional circumstances the IPR holder can be obliged to grant a licence to a third competitor if the refusal to grant constitutes an abuse of dominant position. The Spanish Patent Act establishes this possibility when the competent authority has handed down a final decision (i.e., a decision that cannot be further appealed) declaring the infringement of antitrust law by the patent holder.

### iii Unfair and discriminatory licensing

Unfair and discriminatory licensing could constitute an abuse of dominant position within the meaning of Article 2 of the AA or Article 102 of the TFEU. A good example of this is the Spanish Supreme Court judgment in the *Audiovisual Producers Rights Management Organisation* (EGEDA) case. EGEDA’s conduct consisted of determining the amount of the applicable tariffs based on the hotel category (i.e., deluxe and five-star hotels were subject to higher tariffs, whereas hotels of two or fewer stars were exempted from payment). By referring to the CJEU doctrine of the *Kanal 5* case, the Supreme Court concluded that EGEDA had committed an abuse of its dominant position as the tariffs imposed were discriminatory and

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18 CNMC decision, 20 February 2019, S/0354/11, Oracle.
22 CJEU judgment, 29 April 2004, C-418/01, IMS.
23 EGC judgment, 27 June 2012, T-167/08, Microsoft.
could not be justified because they were neither related to the nature of the economic value of the services of public communication of audiovisual productions rendered, nor to the effective use of these rights.

On 31 May 2019,\textsuperscript{26} the CNMC sanctioned another management society, the Spanish Society of Authors, Composers and Publishers (SGAE), for abuse of dominant position for, among other conducts, having fixed unfair and discriminatory tariffs for hotels and restaurants. When assessing whether the discriminatory prices applied by a dominant company may result in a ‘competitive disadvantage’ in the sense of Article 2(2)(d) of the AA and Article 102(c) of the TFEU, the CNMC has taken into account, among other precedents, the CJEU judgment in the MEO case.\textsuperscript{27}

The Supreme Court confirmed, by final judgment,\textsuperscript{28} the sanctions imposed by the CNMC on the SGAE for an abuse of the fee system for the public performance of musical works in concert.\textsuperscript{29} The CNMC concluded that the rates charged by the SGAE to concert promoters were excessive and, therefore, unfair and abusive. In analysing the case, the CNMC compared the rates charged by the SGAE (10 per cent of ticket sales after deduction of VAT; 9 per cent for venues with capacity for under 1,000 spectators) with the rates charged in 14 other European Union member states, which were far lower (in the United Kingdom the rates charged were 3 per cent of gross ticket sales). Based on the CNMC decision (now final), in the parallel civil proceedings brought by SGAE for non-payment of the disputed concert fees, the Barcelona Court of Appeal declared the agreement signed by the SGAE and Producciones RocknRock null and void.\textsuperscript{30} The Barcelona Court of Appeal declared that the fees charged were excessive and ordered that they be reduced to 3 per cent (as in the United Kingdom).

\textbf{iv Patent pooling}

Within the scope of a cartel investigation regarding paper envelopes, the CNC had to analyse whether the creation of a patent pool was compatible with antitrust laws.\textsuperscript{31} The investigated companies created the ‘Open System’ patent pool, which was formed by co-owned IPRs protecting a technology for easy-opening envelopes. The companies transferred their IPRs and limited technological innovations and agreed not to license their IPRs to companies outside the pool. The CNC concluded that these agreements to share their own technologies were similar to a price-fixing cartel, in application of the 2004 TTBER.\textsuperscript{32}

\textbf{v Software licensing}

Software licensing agreements will be treated as vertical agreements under the principles of the Vertical Block Exemption Regulation when the purpose of the agreement is the mere reproduction and distribution of software copyright protected products. This standard was

\begin{itemize}
  \item [26] CNMC decision, 31 May 2019, S/DC/0590/16, \textit{Dama v. SGAE}.
  \item [27] CJEU judgment, 19 April 2018, C-525/16, \textit{MEO}.
  \item [28] Supreme Court judgment No. 522/2019, 11 April 2019, STS 1263/2019.
  \item [29] CNC decision, 6 November 2014, S/0460/13, \textit{SGAE - Conciertos}.
  \item [31] CNC decision, 25 March 2013, S/0316/10, \textit{Sobres de papel}.
\end{itemize}
applied by the CNMC in the *Alquicarp* case\(^ {33}\) regarding the distribution and implementation of the software SAP Business One. However, in those cases where the technology to produce the software is also licensed, the software licensing agreement will fall within the scope of the 2014 TTBER (Recital 7).

As previously mentioned in discussing the *Oracle* case, depending on the particularities of the case, a refusal to license software could be considered a refusal to supply, constituting an abuse of dominant position.

### vi Trademark licensing

Trademark licensing and, in particular, exhaustion and territorial restrictions, have been in vogue in recent years in Spain as a result of the *Schweppes* case.

The *Schweppes* case arises from the fact that, since 1999, the Schweppes trademark was owned in Europe by two different corporate groups. The Coca-Cola group owned the Schweppes trademark in 11 Member States of the EU, including the United Kingdom; meanwhile, the Orangina Schweppes group owned the Schweppes trademark in the other EU Member States, including Spain. In 2013, the Spanish affiliate of the Orangina Schweppes group became aware that parallel importers were introducing Schweppes tonic water, mainly from the United Kingdom, into the Spanish market. As licensee of the Spanish Schweppes trademark, it brought several legal actions against these parallel importers on the basis that, as the tonic water imported had been manufactured by the Coca-Cola group (and not by the Orangina Schweppes group), the Schweppes trademark in Spain, owned by this latter group, was not exhausted.

As a result of these actions, several agreements were entered into with some of the parallel importers accused of infringing the Spanish trademark. These agreements were the subject matter of an investigation by the CNMC,\(^ {34}\) which considered that the rights over the Schweppes trademark were not exhausted on the basis of the control doctrine developed by the CJEU in the *Hag II* and *Ideal Standard* cases. According to such doctrine, each IPR holder should be entitled to oppose the import and marketing of products manufactured by the other holder provided that the products are designated by a similar trademark and that this could cause confusion within the market, as these products have not been manufactured under its control. On this basis, the CNMC analysed the agreements entered into by the Spanish affiliate and some parallel importers and accepted the undertaking to amend them to clarify that it only opposed the introduction of the Schweppes tonic water coming from the United Kingdom and manufactured by the Coca-Cola group into the Spanish market.

In parallel, Spanish courts have also handed down some decisions on this same case, mainly ruling in favour of Schweppes, SA.\(^ {35}\) However, the Barcelona Commercial Court No. 8\(^ {36}\) decided to refer some questions related to this *Schweppes* case to the CJEU, which clarified the ownership doctrine developed in the *Hag II* and *Ideal Standard* judgments in the sense

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\(^{33}\) CNMC decision, 9 January 2019, S/0634/18, *Alquicarp*.

\(^{34}\) CNMC decision, 29 June 2017, S/DC/0548/15, *Schweppes*.

\(^{35}\) For instance, the following judgments ruled in favour of Schweppes, SA: Valencia Provincial Court judgments, 17 June 2016, SAP V 2794/2016 and 28 February 2017, SAP V 1168/2017, Granada Provincial Court judgment, 13 July 2016, SAP GR 1054/2016, Vitoria-Gasteiz First Instance Court No. 7 judgment, 22 February 2017, SJPI 152/2017; and Santander Commercial Court No. 1 judgment, 21 March 2016, SJM S 300/2016.

\(^{36}\) Barcelona Commercial Court No. 8 ruling, 17 May 2016, AJM B 90/2016.
that the proprietor of a national trademark cannot oppose the import of identical goods bearing the same trademark originating in another Member State in which the trademark that initially belonged to that proprietor is now owned by a third party that has acquired the rights thereto by assignment, when, following that assignment, either of the following two circumstances takes place:

\( a \) the proprietor has actively and deliberately continued to promote the appearance or image of a single global trademark, thereby generating or increasing confusion as to the commercial origin of goods bearing that trademark; or

\( b \) there exist economic links between the proprietor and that third party, inasmuch as they coordinate their commercial policies or exercise joint control over the use of the trademark, so that it is possible for them to determine the goods to which the trademark is affixed and to control the quality of those goods.

On the basis of this CJEU judgment, Barcelona Commercial Court No. 8 issued a judgment\(^{37}\) in which it did not follow the same approach as the other Spanish courts dealing with similar matters. It concluded that there were sufficient indicia to deem that, after the fragmentation of the trademark in 1999, the trademark holder in Spain, alone or in coordination with the Coca-Cola group, has actively and deliberately promoted the image of Schweppes as a global and unique trademark, creating confusion among the public as to the corporate origin of the Schweppes products. This confusion undermined the essential function of the trademark and, consequently, on the basis of the CJEU judgment, the patent holder cannot oppose the parallel imports of identical products designated with the same trademark coming from a Member State in which the trademark is currently owned by the third party (i.e., the Coca-Cola group) with which it has been coordinating the exploitation strategy of the trademark within the European Economic Area. However, this first-instance decision was revoked by the Barcelona Court of Appeal, which considered that, based on the evidence provided in the proceedings, it could not be concluded that the two requirements set by the CJEU were fulfilled.\(^{38}\)

Trademark exhaustion within a selective distribution system in high-quality, but not luxury, goods has been analysed in detail by the Barcelona Court of Appeal in the Mustela case;\(^{39}\) on the basis of the principles laid down by the CJEU in the Parfums Christian Dior\(^{40}\) and Coty\(^{41}\) cases and by the Supreme Court in the L’Oreal case.\(^{42}\) It understands that the exception to the trademark exhaustion stated by this case law for luxury products can also apply to ‘quality’ products to preserve the prestige and image of their trademark.

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\(^{37}\) Barcelona Commercial Court No. 8 judgment, 9 April 2018, SJM B 3288/2018.
\(^{38}\) Barcelona Court of Appeal, Section 15, judgment, 22 July 2019, SAP B 9587/2019.
\(^{39}\) Barcelona Court of Appeal, Section 15, judgment, 5 April 2019, SAP B 3376/2019.
\(^{40}\) CJEU judgment, 4 November 1997, C 337/97, Parfums Christian Dior.
\(^{41}\) CJEU judgment, 6 December 2017, C 230/16, Coty.
\(^{42}\) Supreme Court judgment, 22 April 2016, STS 1669/2016.
IV STANDARD-ESSENTIAL PATENTS

i Dominance
To the best of our knowledge, there is no case law in Spain in which the antitrust authorities or the Spanish courts have expressly declared that a company holding an SEP has a dominant position in the market. However, it is likely that they will take this approach, in line with the considerations made by Advocate General Mr Wathelet in his conclusions on the *Huawei* case,\(^{43}\) in which he pointed out that there could be a rebuttable presumption that the owner of an SEP holds a dominant position.

ii Injunctions
When dealing with injunctions, Spanish courts will follow the *Huawei* doctrine,\(^{44}\) which has clarified when a request for an injunction based on an SEP could constitute an abuse of dominant position. This has been the case, for example, in the preliminary injunction applications brought before the Barcelona commercial courts specialising in patents within the scope of the MWC. Furthermore, these courts have also applied the *Huawei* principles in relation to patents that were not SEPs, but that protected a technology that held a predominant position in the market. The reasoning behind this is that the *Huawei* case law provides guidelines and interpretation criteria that allow the courts to conduct a reasonable and equitable assessment of the rights and interests existing between licensee and licensor when infringement actions are brought while the negotiation of the licensing terms are taking place.\(^{45}\)

As in previous years, on 15 November 2019, the Barcelona commercial courts, together with the European Union Trademark Court in Alicante, published the protocol for handling (without delay) any action brought (1) in relation to technological patents and industrial designs relating to products to be exhibited at the MWC; (2) in defence of any trademark and copyright that could be infringed; or (3) against unfair competition and unlawful advertising in relation to products and materials on display at the MWC. The purpose of this protocol was to avoid, to the extent possible, adopting interim injunctions on an *ex parte* basis and, at the same time, to ensure the adoption of effective measures to protect any affected IPRs. While the 2020 MWC was cancelled due to the covid-19 crisis, in previous years the protocol applied (similar to the last one approved) was shown to work very well in practice. For instance, during the 2019 MWC the aforementioned courts dealt with a total of 50 matters relating to protective writs, applications for the investigation of facts and *ex parte* interim injunctions.

iii Licensing under FRAND terms
In the past year, several patent disputes have arisen in the telecoms sector regarding SEP patents owing to disagreements on royalty fees. However, the most interesting cases were finally settled; therefore, there is no case law in Spain in this regard. Spanish courts have expressly recognised that the licensing of technologies protected by SEPs will be granted under fair, reasonable and non-discriminatory (FRAND) terms.\(^{46}\) However, there is no guidance on how

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\(^{43}\) Conclusions of General Advocate Mr Wathelet, 20 November 2014, C 170/13, *Huawei*.

\(^{44}\) CJEU judgment, 16 July 2015, C 170/13, *Huawei*.

\(^{45}\) Barcelona Commercial Court No. 5 ruling, 16 February 2018, AJM B 34/2018.

\(^{46}\) Barcelona Commercial Court No. 5 ruling, 22 February 2016, AJM B 22/2016.
to determine these FRAND terms, apart from that found in the Commission’s Horizontal Guidelines,\(^{47}\) which state that the royalty under FRAND terms should present a reasonable relationship to the economic value of the IPRs and suggest different methodologies to make this assessment.

\section*{iv Anticompetitive or exclusionary royalties}

To the best of our knowledge, there are no precedents in Spain dealing with anticompetitive or exclusionary royalties and whether they could constitute an abuse of dominant position. However, it cannot be ruled out that when the royalty to be paid for an SEP licence is not FRAND, but higher, this could be deemed an exclusionary abuse of dominant position that would fall under Article 2 of the AA and Article 102 of the TFEU.

\section*{V INTELLECTUAL PROPERTY AND MERGERS}

\section*{i Transfer of IP rights constituting a merger}

According to the AA, in line with the EC Merger Regulation,\(^{48}\) a concentration takes place when a change of control on a lasting basis results from, for example, the acquisition by an undertaking of all or part of one or more other undertakings. In this respect, the Commission Consolidated Jurisdictional Notice\(^{49}\) clarifies that when the transaction is confined to intangible assets (such as trademarks, patents or copyrights) it may also be a concentration if those assets constitute a business with a market turnover. It also states that the transfer of licences for trademarks, patents or copyrights, without additional assets, would only fulfil these criteria if the licences are exclusive at least in a certain territory and the transfer of such licences will transfer the turnover-generating activity. However, in the case of non-exclusive licences, it is stated that they may not on their own constitute a business to which a market turnover is attached.

Considering the similarities between the definitions of concentration in the EC Merger Regulation and the AA, we understand that the considerations made by the Commission in the Consolidated Jurisdictional Notice would also be considered by the Spanish antitrust authorities when analysing whether a transfer of certain IPRs constitutes a merger.

\section*{ii Remedies involving divestitures of intellectual property}

Divestiture of IPRs can be a remedy in merger control in Spain. A good example of this is the \textit{Bimbo/Panrico} case.\(^ {50}\) For many years, the Bimbo and Panrico trademarks have been competing trademarks in the packaged bread and bread substitutes and industrial cake businesses. The CNMC authorised the acquisition by the company Bimbo of part of its competitor Panrico’s business, including some of the well-known brands owned by Panrico, such as Donuts, provided that all those assets owned by Panrico regarding the packed bread and bread substitutes business and the trademarks related to this business (such as the Panrico

\footnotesize{\begin{itemize}
\item \(^{47}\) Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal cooperation agreements, Paragraph 289.
\item \(^{50}\) CNMC decision, 21 June 2016, C/0748/16, \textit{Bimbo/Panrico II}.  
\end{itemize}}
trademark) were previously transferred to a third party, namely Adam Foods. The result of the undertakings assumed by the parties is that the trademarks Bimbo and Panrico will continue competing in the packaged bread and bread substitutes market through Adam Foods.

VI OTHER ABUSES

i Sham or vexatious IP litigation

To assess whether IP litigation can be deemed as sham or vexatious, the *ITT Promedia* doctrine,51 confirmed by the *Protégé International* case,52 will be taken into account by Spanish authorities and courts. According to the case law of the General Court of the CJEU (EGC), access to the courts, including by an undertaking in a dominant position, is a fundamental right and a general principle ensuring the rule of law. Therefore, it is only in wholly exceptional circumstances that bringing a legal action, by an undertaking in a dominant position against its competitor, could constitute abuse of a dominant position. In particular, two cumulative conditions must be met:

- the action cannot reasonably be considered an attempt to establish the rights of the undertaking concerned and can, therefore, only serve to harass the opposing party; and
- the action must be conceived within the framework of a plan whose goal is to eliminate competition.

These two criteria must be interpreted and applied restrictively in a way that does not frustrate the general rule of access to the courts, and it is the situation existing when the action is brought that must be considered in order to determine whether that criterion is satisfied. In the *Protégé International* case, the EGC added that the action brought by the dominant company could not be deemed abusive even if in other jurisdictions other authorities had decided against the same arguments that the dominant company was raising in those proceedings.

Although not referring to an IP litigation, this case law was applied by the Madrid Court of Appeal53 within the scope of foreclosure proceedings in which the defendant alleged that the bank enforcing the loan was abusing its dominant position. We understand that the same principles should also be applicable in IP litigation. In fact, some years ago, the Supreme Court54 stated that the actions brought in defence of the Diesel trademark in that case were legitimate and in accordance with the antitrust laws, as it was contrary to competition to take unfair advantage of the reputation of a third-party trademark.

ii Misuse of the patent process

Misuse of the patent process could fall within the scope of the prohibition stated in Article 2 of the AA and Article 102 of the TFEU if the party holding the patent can be considered to have a dominant position.

The landmark case in Spain on misuse of the patent process is *Pfizer – Xalatan*, which related to Pfizer’s applications for a divisional patent, paediatric extension and a supplementary

51 Court of First Instance judgment, 17 July 1998, T-111/96, *ITT Promedia*.
protection certificate (SPC) extending its patent protection for its medicinal drug Xalatan. The CNMC\textsuperscript{55} agreed to discontinue its investigation after considering that there was no evidence of anticompetitive practices in Pfizer’s conduct in Spain. The CNMC concluded that Pfizer held a dominant position within the market, defined at the ATC4 level corresponding to the commercial category of S01EE (i.e., prostaglandin analogues). However, Pfizer’s conduct did not amount to an abuse of dominance because Pfizer had merely defended its legitimate interests within the limits of the patent system. This conclusion was essentially based, after verifying that there were significant differences between Pfizer’s conduct in Spain and that found in the AstraZeneca case,\textsuperscript{56} on the following:

\begin{itemize}
\item[a] no misleading information was submitted to the patent authorities;
\item[b] Pfizer was not able to apply for an SPC for the parent patent in Spain as the Spanish market authorisation for Xalatan was granted prior to the enforceability of the SPC Regulation in Spain and there were no transitional provisions applicable to Spain;
\item[c] the divisional patent was applied for in accordance with the relevant requirements and procedures; and
\item[d] Pfizer’s conduct in Spain showed a lack of exclusionary intent, as could be seen from the fact that generic manufacturers entered the Spanish market before the Xalatan patent expired.
\end{itemize}

This CNMC decision regarding Pfizer’s conduct in Spain differed from that of the Italian antitrust authorities in relation to similar conduct by Pfizer in Italy. In fact, in line with the latter’s decision revoking the decision handed down by the Administrative Court of Lazio, the Council of State concluded that Pfizer had committed an abuse of dominant position due to misuse of the patent system.

Although the resolutions adopted in Italy and Spain could apparently be contradictory, we understand that there were differences between the facts and the regulations applicable in both Member States that justified the CNMC not following the Italian antitrust authorities and discontinuing the investigation opened against Pfizer in Spain.

### iii Anticompetitive settlements of IP disputes

Settling an IP dispute is quite a common way of terminating a dispute for many reasons, such as costs and legal certainty. However, depending on the terms of these settlements, it cannot be ruled out that they are considered contrary to Article 1 of the AA and Article 101 of the TFEU. To the best of our knowledge, there are no precedents before the Spanish antitrust authorities dealing with this kind of agreements. However, we understand that the Spanish authorities would follow the EGC judgments on the Lundbeck\textsuperscript{57} and Servier\textsuperscript{58} cases and the CJEU judgment on the Paroxetine.\textsuperscript{59}

\textsuperscript{55} CNMC decision, 13 February 2014, S/0441/12, Pfizer.
\textsuperscript{56} Commission decision, 15 June 2005, COMP/A 37.507/F3, AstraZeneca.
\textsuperscript{57} EGC judgments, 8 September 2016, T-472/13, T-460/13, T-467/13, T-469/13, T-470/13 and T-471/13, Lundbeck, confirming the Commission decision, 19 June 2013, AT.39226.
\textsuperscript{59} CJEU judgment, 30 January 2020, C-307/18, Paroxetine.
VII  OUTLOOK AND CONCLUSIONS

The interplay between IP and antitrust is an open debate in relation to which there are not many precedents in Spain and is one that we can expect to have more prominence in the coming years. In this respect, any development taken at EU-level, whether by the Commission or the CJEU, in relation to this interplay will influence the approach that Spanish antitrust authorities and courts will take when dealing with this kind of matter.
Chapter 14

TURKEY

Gönenç Gürkaynak

I INTRODUCTION

As a result of the intensive work conducted throughout the years, a unified intellectual property law has finally been codified in Industrial Property Law No. 6769 (the IP Law), which entered into force on 10 January 2017 and collectively regulates in detail trademarks, geographical indications, designs and patents, in compliance with European Union regulations. Prior to the creation of the IP Law, the entirety of the intellectual property regime was implemented through separate statutory decrees. Competition in Turkey, on the other hand, is regulated by Law No. 4054 on the Protection of Competition (the Competition Law), published in the Official Gazette on 13 December 1994.

Following the introduction of the IP Law, the interaction between competition law and intellectual property law in Turkey still remains unregulated, and both regimes obey separate legislation. Turkish intellectual property law seeks to protect the owners’ exclusive control over their intellectual assets, and Turkish competition law aims to ensure effective competition in the marketplace and prevent anticompetitive actions, such as cartels and abuse of dominance.

Moreover, the recent Turkish IP Law and other existing legal regulations related to intellectual property rights (IP rights) confer exclusive rights on the right holders. The owner of intellectual property is entitled under the relevant legal regulations to exploit the subject of the right exclusively, to prevent illegal use of it by third parties and confer the right to use it by licensing it to third parties. The fact that legal regulations related to intellectual property grant exclusive rights of exploitation to right holders does not imply that IP rights are immune from the area of application of the competition law. Article 4 (restrictive agreements), Article 5 (individual exemption conditions) and Article 6 (dominance) of the Competition Law are also applicable to agreements whereby the holder of IP rights licenses another undertaking to exploit its IP rights. Overall, it would be prudent to consider intellectual property law and competition law as complementary rather than contradictory concepts.

As elaborated above, the main legislation for the competition law regime in Turkey is the Competition Law. The Turkish competition law regime consists of three main branches: restrictive agreements, concerted practices and cartels; dominance; and merger control. The national competition authority for enforcing competition law in Turkey is the Turkish Competition Authority. Under the current Turkish competition law regime, the general competition law enforcement structure is also applicable for IP rights.

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Within the framework of competition law, the secondary law that relates to the interaction between antitrust and intellectual property law is as follows:

a  Block Exemption Communiqué No. 2008/2 on Technology Transfer Agreements (Communiqué No. 2008/2), which provides a protective cloak for agreements involving the transfer of IP rights and in particular technology licensing agreements;

b  Block Exemption Communiqué No. 2016/5 on R&D Agreements, which provides a block exemption for research and development (R&D) agreements, including an exemption for R&D agreements that contain provisions relating to the assignment or licensing of IP rights to carry out joint R&D, paid-for R&D or joint exploitation, so long as those provisions are not the primary object of such agreements, but are instead directly related to and necessary for their implementation;

c  Block Exemption Communiqué No. 2002/2 on Vertical Agreements (Communiqué No. 2002/2) applies to standardisation, franchise and contract manufacturing agreements to the extent they satisfy the conditions set out in the relevant communiqué; and

d  Block Exemption Communiqué No. 2013/3 on Specialisation Agreements establishes the conditions for granting block exemptions to specialisation agreements between undertakings and extends this exemption to licensing or intellectual property transfer agreements that are directly related to, or necessary for, the functioning of the exempted specialisation agreements.

In terms of intellectual property law, there are a range of criminal, civil and administrative laws to protect IP rights that cover a range of fields, including copyrights, trademarks, patents and trade secrets. Turkey is a signatory or a party to various international and bilateral agreements, conventions and treaties, such as:

a  the Agreement on Trade-Related Aspects of Intellectual Property Rights;

b  the Paris Convention for the Protection of Industrial Property;

c  the Patent Cooperation Treaty;

d  the Strasbourg Agreement Concerning the International Patent Classification;

e  the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks;

f  the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of Registration of Marks;

g  the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks; and

h  the European Patent Convention.

II YEAR IN REVIEW

With respect to relevant legislative changes, the Turkish law regime has not witnessed any specific amendments that relate to both competition law and intellectual property law. Undoubtedly, the major and most recent change in terms of legislation has been the introduction of the IP Law, which consolidates all the separate regulations pertaining to intellectual property law. As for case law, the Turkish Competition Board (the Board) has dealt with a case that bears witness to the interaction between IP rights and competition law, and this is summarised below.
Most recently, in ISKID/DOSIDER, the Board evaluated the application made by the Association of Air Conditioning and Refrigeration Manufacturers (ISKID) and the Association of Natural Gas Appliances Industrialists (DOSIDER) to receive a negative clearance/individual exemption as provided under the Competition Law, regarding the public information ad that will be jointly produced by the applicants and published by the Turkish Ministry of Trade Department of Consumer Protection. The Board stated that the after-sales services for climatisation products are carried out by either private services or authorised services and that there is a vertical contractual relationship between the suppliers and the authorised services and thus, the authorised services are permitted to use the brand and logos of the suppliers. There is no contractual relationship between the suppliers and the private services, and therefore private services are not permitted to use the brand or logos of the suppliers, and operate independently in the sector. In its assessment, the Board observed that the application alleged that the trademarks, logos and the word ‘authorised’ were being used contrary to the IP Law, and that the independent services were therefore misleading the consumers. To that end, the Board stated that, even though new regulations could be introduced by regulatory bodies with respect to the unfair use of trademarks and logos, regardless of whether it constitutes unfair use as per the IP Law, a public information ad that will target all independent private services could not be granted a negative clearance, as this could create a negative perception about all private independent services, regardless of whether they had actually breached the law. Consequently, the Board examined whether the application for the public information ad could be granted an individual exemption under Article 5 of the Law No. 4054. The Board found that the primary and obvious effect of the public information ad would be to direct consumers away from independent private services and towards authorised services. Noting that there was no factual evidence that demonstrated that consumers were always harmed when they used independent private services, the Board decided to reject both the negative clearance and individual exemption applications submitted by ISKID and DOSIDER.

III LICENSING AND ANTITRUST

i Anticompetitive restraints

Article 4 of the Competition Law is akin to and closely modelled on Article 101(1) of the Treaty on the Functioning of the European Union. It prohibits all agreements between undertakings, decisions of associations of undertakings and concerted practices that have (or may have) as their object or effect the prevention, restriction or distortion of competition within a Turkish product or service market or a part thereof. Article 5 of the Competition Law (the ‘individual exemption mechanism’) provides that the prohibition contained in Article 4 may be declared inapplicable in the case of agreements between undertakings:

a that contribute to improving the production or distribution of products, or to promoting technical or economic progress;
b that allow consumers a fair share of the resulting benefits;
c that do not impose restrictions that are not indispensable to the attainment of these objectives; and

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2 4 April 2019, No. 19-14/186-84.
that do not afford the undertakings the possibility of eliminating competition in respect of a substantial part of the products concerned.

This individual exemption test is conducted on a case-by-case basis.

The general provisions of Turkish competition law regulating anticompetitive agreements apply in cases of obtaining, granting or transferring IP rights, to the extent they fail to meet the conditions of a block or individual exemption (namely, Block Exemption Communiqués No. 2002/2 and No. 2008/2). Such agreements are likely to be deemed anticompetitive where they contain resale price maintenance, regional restraints, quantitative restraints on production or sales, customer allocation and selective distribution systems.

ii Refusals to license

There is currently no specific provision under the Turkish competition regime regulating unilateral conduct or refusal to license in relation to IP rights. Under Article 6 of the Competition Law, all dominant undertakings are bound by the obligation not to abuse their dominant position. Therefore, the general provisions of Article 6 would also apply to refusal-to-license situations.

Refusal to license can be a form of abuse of dominance, as established by the landmark decision of Turkcell/Telsim. This decision sets out the basis of the criteria required to establish an abuse of dominance for refusal to supply in IP-related markets. The Board identified the following conditions that are necessary to establish an abusive refusal to supply:

a the access to IP rights is essential to the competitors for entry into the market;

b there exists sufficient capacity to supply the demand;

c the undertaking controlling the essential facility is no longer able to supply the demand on the market or it impedes competition on existing or potential services and products;

d the undertaking requesting access to the IP rights is ready to pay a reasonable and non-discriminatory indemnity for access; and

e there exists no reasonable justification for denial.

Although over a decade has passed since the Turkcell/Telsim case, the Board’s most recent decisions on this point reaffirm the position taken; see, for instance, the Board’s decisions in Türk Telekom, Krea İçerik Hizmetleri, Surat Basım/Zambak and Digital Platform. The Board also reviewed the abuse of dominance with respect to tying and bundling practices, where the licensing of IP rights was tied to the licensing of other IP rights (Logo Yazılım) or rebate systems in the sales of computer software (Microsoft). In these cases, the Board applied the general provisions of Article 6 and did not adapt a particular standpoint as regards IP rights.

3 9 June 2003, No. 03-40/432-186.
4 9 June 2016, No. 16-20/326-146.
5 9 September 2015, No. 15-36/544-176.
8 28 April 2011, No. 11-26/497-154.
9 13 June 2013, No. 13-36/481-211.
iii Unfair and discriminatory licensing

As with refusal to license, the general provisions of Article 6 of the Competition Law on the abuse of dominant position would also be applicable to unfair and discriminatory licensing, as there are currently no specific provisions under Turkish competition legislation regulating this area. An undertaking holding a dominant position would risk allegations of abuse of dominant position in the event of discrimination in connection with licensing fees, discrimination in providing the main IP rights required for a certain activity or through offering different terms to purchasers with equal status for the same and equal rights, obligations and acts. Similarly, refusal to license may be found to be abusive where it is discriminatory.

In any event, discriminatory conditions imposed by an undertaking holding a dominant position are governed under Article 6 of the Competition Law.

iv Patent pooling

Patent pooling has been referred to as ‘technology pooling’ in the Guidelines on Technology Transfer Agreements, which define technology pools as agreements between two or more parties who agree to assemble their technologies to create a pool and license them as a package. The concept of a technology pool also covers arrangements whereby two or more parties agree to license the package of technologies in question to a third party and empower that party to license the package. However, the Guidelines on Technology Transfer Agreements do not cover such arrangements, and therefore patent pools are subject to the general provisions of Article 4 of the Competition Law. If all the conditions of individual exemption are satisfied, patent pools may also benefit from the individual exemption under Article 5 of the Competition Law.

While there has been no prior case law dealing specifically with patent pooling or technology pooling arrangements, it can be said that the patent pooling arrangements would generally be viewed as creating pro-competitive efficiencies. That said, the patent pooling arrangements should not be used in an anticompetitive manner to fix prices, allocate markets or restrict output, which would be in violation of the Competition Law.

v Software licensing

Provided certain conditions are met, Communiqué No. 2008/2 provides for a protective cloak for agreements involving the transfer of IP rights and in particular technology licensing agreements. A technology transfer agreement is an agreement where a licensor authorises another party (licensee) to use its technology (patent, know-how, software licence) for the production of goods and services subject to the licence agreement. The exemption applies to sub-licensing as well, provided that they are granted to third parties by the licensee solely in relation to the licensed technology.

Communiqué No. 2008/2 is applicable only if certain market share thresholds are not exceeded: for licensing agreements between competing undertakings, the aggregate market share of the parties should not exceed 30 per cent in the affected technology market. The threshold is 40 per cent in the case of licensing agreements between non-competing undertakings. Hardcore restrictions, such as the restriction of a party’s ability to determine the prices it charges third parties (i.e., resale price maintenance), territory or customer restrictions, or both, and non-compete obligations are also listed in Article 6 of Communiqué No. 2008/2 as clauses that exclude the application of the block exemption.
vi Trademark licensing

The Guidelines on Technology Transfer Agreements provide that a licensor may authorise a licensee to use its trademark on the products incorporating the licensed technology, as this trademark allows consumers to make an immediate link between the product and the characteristics imputed to it by the licensed technology. However, if the value of the licensed technology is limited because the licensee already uses the same or similar technology and the main objective of the agreement is the trademark, then the licensing agreement will not benefit from the block exemption provided under Communiqué No. 2008/2. That said, under Article 6 of the Competition Law, all undertakings holding a dominant position are bound by the obligation not to abuse their dominant position. The abuse of dominant position can occur in cases of discrimination in connection with trademark licensing fees, discrimination in providing the trademark licence and offering different terms to purchasers with equal status for the same and equal rights, obligations and acts, and if found to be abusive, in cases of refusal to license the trademark. Therefore, the general provisions of Article 6 of the Competition Law would also apply to the licensing of trademarks.

In *Toshiba/Vestel*, the Board evaluated an exemption request regarding the ‘brand licence agreement’, which concerns the trademark-use licence granted to Vestel by Toshiba for the production and distribution of Toshiba-branded televisions. In its evaluation, the Board held that the relevant agreement was a production and distribution agreement concluded among competitors, which falls within the scope of Article 4 of the Competition Law. As Communiqué No. 2002/2 does not apply to such horizontal agreements, the Board proceeded to an individual exemption analysis under Article 5 of the Competition Law and decided to grant an individual exemption on the basis that the agreement contributed to the promotion of improvement of technical or economic progress with regard to consumers.

IV STANDARD-ESSENTIAL PATENTS

i Dominance

Standard-essential patents (SEPs) can provide substantial market power to their holders. Any abuse by an undertaking that is in a dominant position in a market for goods or services within the whole or part of Turkey is considered as abuse of dominant position under Article 6 of the Competition Law regardless of whether it is on the part of one or more undertakings, individually or through joint agreements.

The Board has not so far considered the issue of standardisation as far as its intersection with SEPs and any potential abuse of dominant position claims. Nevertheless, general competition law provisions in Turkey would be applicable to any related issues, such as patent ambush, hold-up and refusal to license. Hence, such arrangements and practices would be closely scrutinised under the relevant applicable provisions of Turkish laws.

10 24 November 2016, No. 16-41/666-299.
ii Injunctions

Pursuant to Article 389 of the Turkish Civil Procedure Law, in the event of a suspicion that it would be very difficult or totally impossible to earn a right because of a change in the existing circumstances, or that a drawback or severe losses may arise because of a delay, an injunction may be established in connection with the issue under dispute. Requests for injunctions may be addressed to the competent courts.

In addition, pursuant to Article 9(4) of the Competition Law, where the occurrence of serious and irreparable damage is likely until the final decision is taken, the Board may take interim measures that maintain the situation as it was before the infringement and that shall not exceed the scope of the final decision.

As to seeking an injunction on the basis of SEPs and any interplay with competition law, this issue has not been considered by the Board to date.

iii Licensing under FRAND terms

As standardisation generally occurs as a result of coordinated actions made by several undertakings, the issues would therefore fall within the scope of Article 4 of the Competition Law. As there is no specific legislation applicable to industrial standards as far as competition law is concerned, the Guidelines on Horizontal Cooperation Agreements would be relevant for determining the propriety of the industrial standards.

According to these Guidelines, fair, reasonable, and non-discriminatory (FRAND) commitments are designed to ensure that any essential technology under IP rights protection incorporated in a standard is accessible to the users of that standard on a FRAND basis. Furthermore, according to the Guidelines, these commitments can prevent IP rights holders from making the implementation of a standard difficult by refusing to license or by requesting unfair or unreasonable (excessive), or discriminatory, fees after the industry has been locked into a standard. The assessment of whether the agreement restricts competition must be based on the issue of access to the standard.

In Digiturk, where the Board assessed whether the agreement between the Turkish Football Federation and Digiturk satisfies the conditions for an individual exemption within the meaning of Article 5 of the Competition Law, the Board explicitly referred to FRAND terms for the first time. The Board provided that, in licensing agreements, the parties would need to comply with FRAND terms. Without proceeding to an assessment as to whether FRAND terms were satisfied in the case at hand, the Board decided to grant an individual exemption to the agreement on the grounds that it allows the licensees’ platforms to access several technical developments and provides a customer benefit.

As the Board has not yet considered the intersection of SEPs and competition law (or IP rights in the standardisation process in general), the Board’s approach on standardisation agreements may be considered by analogy. In Yonga Levha, the Board evaluated the application of a negative clearance in regard to a standardisation decision made by the Turkish Particle Board Industrialists Association concerning setting a standard for particle boards that are subject to numerous patents registered with the Turkish Patent Institute. The Board considered the agreement as a standardisation agreement and evaluated the application pursuant to Article 4 of the Competition Law. The Board decided to grant a

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11 10 February 2016, No. 16-04/82-36.
12 14 August 2003, No. 03-56/650-298.
negative clearance for the Association’s application. This decision can be considered as the first decision ever where the Board has evaluated the concept of standardisation under the Turkish competition law regime.

In *Turkish Pharmacists’ Association*, the Board evaluated, from a competition law perspective, the conformity certification, issued by the Turkish Pharmacists’ Association and granted to pharmacies, that regulates the formal standards that pharmacies’ sign boards should satisfy. The Board examined the conformity certification in view of its purposes and decided that it is proportionate under the Turkish competition law regime. Accordingly, the Board rejected the complaint petition.

As indicated above, there are only a few instances where the Board has evaluated standardisation agreements. It is fair to say that the application of standardisation is not as common in Turkey as it is in other jurisdictions, such as the EU.

iv Anticompetitive or exclusionary royalties

Under the Turkish competition regime, there is no regulation on the royalty rates or the calculation elements of the royalty calculation. Nevertheless, according to the Guidelines on Horizontal Cooperation Agreements, the assessment as to whether the fees charged for access to IP rights in the standard-setting context are unfair or unreasonable would be based on whether there is a reasonable relationship between these fees and the economic value of the IP rights. Licensing fees charged for the same IP rights within the context of similar standards may also be used as an indicator for FRAND licensing fees. However, the Guidelines do not include an exhaustive list of appropriate methods to assess whether licensing fees are excessive. Also, an independent expert analysis may be requested, stating that the relevant IP rights portfolio is objectively important and essential for the standard at issue. In certain cases, it may also be possible to refer to ex ante disclosures concerning licensing terms in relation to a specific standard-setting process.

In conclusion, where the royalty is so excessive as to be contrary to FRAND commitments, then this could raise an issue under Article 6 of the Competition Law.

V INTELLECTUAL PROPERTY AND MERGERS

i Transfer of IP rights constituting a merger

Concentrations that result in a permanent change of control (either sole or joint control) are subject to the Board’s approval, provided they exceed the applicable turnover thresholds.

A transaction that involves the acquisition of IP rights such as brands, patents, designs or copyrights would be deemed a merger or an acquisition within the meaning of the Turkish merger control regime so long as the relevant IP rights constitute a business with a market turnover. For instance, in *Mey/Anadolu Efes*, the transaction concerned the acquisition of a certain trademark in the beer sector. In this decision, the Board deemed the transaction as an acquisition within the scope of the merger control regime and approved it. More recently, in *Takedal/Acino* and *Zynga/Peak*, the Board separately evaluated the transactions concerning

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13 15 November 2007, No. 07-86/1088-422.
the acquisition of sole control over the undertakings, the scope of which also included the transfer of certain IP rights and other assets. The Board deemed the relevant transactions as acquisitions and granted them unconditional approvals. Similarly, in WME/Perform, the Board determined the licensing of football broadcasting rights to be a horizontally affected market and deemed the relevant transaction as an acquisition under the merger control regime. Consequently, the Board granted approval of the relevant transaction.

ii Remedies involving divestitures of intellectual property

The Board is likely to challenge concentrations that create or strengthen a dominant position, which would result in a significant lessening of competition in a market for goods or services within the whole or a part of Turkey. The acquisition of IP rights would not be an exception to this rule, and thus would be evaluated under the same test to assess whether the competitive problems arise from a market position gained as a result of the relevant IP rights.

In (exceptional) cases where competition problems arise from a market position based on the superiority of owning a certain technology or IP right, the divestiture of the said technology or IP right may be considered a suitable remedy. A divestiture package that includes only trademarks and relevant production or distribution assets may only be accepted as a suitable remedy if sufficient proof is adduced showing that at the hands of a suitable purchaser the said package would turn immediately into a competitive and viable asset. The Board is familiar with cases where the remedies partly involve divestiture of IP rights such as certain trademarks and brands (e.g., Mey İçki).

VI OTHER ABUSES

i Sham or vexatious IP litigation

While there has been no prior case law under the Turkish competition law practice dealing specifically with sham or vexatious IP litigation cases and competition law intersection, such arrangements and practices would be closely scrutinised under the applicable provisions of Turkish competition laws.

ii Misuse of the patent process

While there has been no prior case law under the Turkish competition law practice dealing specifically with a misuse of the patent process (e.g., misleading patent offices or misusing the patent system to gain a competitive advantage) and competition law intersection, such arrangements and practices would be closely scrutinised under the relevant applicable provisions of Turkish laws, especially under Article 6 of the Competition Law dealing with abuse of a dominant position.
iii Anticompetitive settlements of IP disputes

Turkish competition law is yet to witness the practice of manipulation of the patent process and its interaction with competition law, or other practices such as artificially extending the term or geographical scope of patent protection, or enforcing patents obtained through fraud or anticompetitive settlements of intellectual property disputes or pay-for-delay arrangements. Nevertheless, such arrangements and practices would be closely scrutinised under the relevant applicable provisions of Turkish laws.

VII OUTLOOK AND CONCLUSIONS

The Draft Competition Law, which was issued by the Turkish Competition Authority in 2013 and officially submitted to the Presidency of the Turkish Parliament on 23 January 2014, is null and void following the beginning of the new legislative year of the Turkish Parliament. At this stage, it remains unknown whether the Turkish Parliament or the government will renew the draft law. However, it could be anticipated that the main topics to be held in the discussions on the potential new draft competition legislation will not significantly differ from the changes that were introduced by the previous draft. Therefore, in this hypothetical scenario, the discussions are expected to mainly focus on:

a conformity with the EU competition law legislation;

b introduction of the EU’s significant impediment of effective competition test instead of the current dominance test;

c adoption of the term of ‘concentration’ as an umbrella term for mergers and acquisitions;

d elimination of the exemption of acquisition by inheritance;

e abandonment of the Phase II procedure;

f extension of the appraisal period for concentrations from the current 30 calendar-day period to 30 working days; and

g removal of the fixed turnover rates for certain procedural violations, including the failure to notify a concentration and hindering on-site inspections, and set upper limits for the monetary fines for these violations.

As for intellectual property law, the enactment of the IP Law is expected to bring a more solid framework for the application of the intellectual property rules. As the new IP Law does not regulate the intersection between the intellectual property rules and competition law, the Board’s case law will be of importance for further clarifications with respect to the competition law standards that apply to intellectual property matters.
I  INTRODUCTION

The United Kingdom’s substantive rules governing the application of competition law to intellectual property are contained generally within two national statutes: the Competition Act 1998 (the CA 1998) and the Enterprise Act 2002 (the EA 2002). The CA 1998 contains two main prohibitions, modelled on (and, by virtue of Section 60 of the CA 1998, still at present to be interpreted consistently with) the prohibitions contained in Articles 101 and 102 of the Treaty on the Functioning of the European Union (the TFEU).

The Chapter I prohibition (CA 1998, Section 2) prohibits any agreement or concerted practice that has the object or effect of restricting or distorting competition and that has or is capable of having an effect on trade within the United Kingdom, unless an exemption from the prohibition applies.

The Chapter II prohibition (CA 1998, Section 18) prohibits the abuse of a dominant market position that has or is capable of having an effect on trade within the United Kingdom.

Where there is additionally an effect on trade between EU Member States, the agreement or concerted practice or abusive conduct may also be prohibited by Article 101 or 102 of the TFEU, respectively, and constitute a breach of statutory duty under UK law. EU competition law (together with the jurisdiction of the EU Commission and EU Courts) continues to apply in the UK even during the Brexit ‘transition’ or ‘implementation’ period, which began when the UK left the EU on 31 January 2020, at 11pm. As from that date, the European Communities Act 1972 has now been formally repealed, but its effect (including as to the application of EU competition law in the UK) has been largely continued. The transition period is currently proposed to end on 31 December 2020.

EU block exemption regulations continue to apply ‘in parallel’ in UK competition law (CA 1998, Section 10), and the CA 1998 also provides for domestic block exemptions (there are none specifically applicable to intellectual property rights).

UK merger control rules are contained in Part 3 of the EA 2002, insofar as transactions are not covered by the exclusive jurisdiction of the European Commission pursuant to Regulation No. 139/2004, the EC Merger Regulation (again, still applicable during the transition period).

Further sources of law include judicial decisions (both of the European Court of Justice (ECJ) and the General Court and of national courts, including, in particular, the specialist

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1 James Flynn QC and Charlotte Thomas are barristers at Brick Court Chambers.
Competition Appeal Tribunal (CAT)), and principles derived from decisions of competition authorities (including the European Commission and the United Kingdom’s Competition and Markets Authority (CMA)) and guidelines issued by those authorities.

II YEAR IN REVIEW

UK case law from the past year has seen a continued blossoming of litigation concerning fair, reasonable and non-discriminatory (FRAND) licence terms (see Section IV), in particular in the context of jurisdictional challenges (see Section IV.iii). Supreme Court decisions in two important FRAND appeals (Unwired Planet and Conversant) are awaited. Meanwhile, the ECJ handed down its first ‘pay-for-delay’ decision in respect of the reference in the appeal of the CMA’s decision to fine GlaxoSmithKline plc (GSK) and two generic pharmaceutical companies for entering into patent settlements, providing important guidance on this topic (see Section VI.iii).

Most significantly, of course, on 31 January 2020, at 11pm, the UK formally left the EU (defined as ‘exit day’ in the legislation). It did so, however, with the benefit of a transition agreement, which in substance means that EU competition law and the jurisdiction of the EU Commission and the EU Courts continue to apply in the UK. The UK’s international law obligations are governed by the terms of the transition agreement with the EU. In domestic law, the continued application of EU competition law is achieved by the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020, which formally repeals the direct effect of EU law in the UK (under Section 1) but in substance continues its application (Section 1A).

The transition period is currently proposed to end on 31 December 2020 (defined as ‘IP completion day’, or ‘implementation period completion day’ in the legislation). The European Union (Withdrawal) Act 2018 currently provides that EU law – including the competition provisions – will be ‘retained’ even following the end of the transition period. ECJ judgments pre-dating IP completion day will continue to be binding in domestic law at least as to the meaning and effect of any retained EU law, save that the Supreme Court will be able to depart from the precedent set by them (in the same way as the Supreme Court may depart from the precedent set by its own judgments).

Before the transition agreement was concluded, Parliament also approved the Competition (Amendment etc.) (EU Exit) Regulations 2019 and the Competition (Amendment etc.) (EU Exit) (No 2) Regulations 2019, which have been drafted to operate in the event of a ‘no deal’ scenario. There is still a risk that such a scenario may occur if no agreement is reached at the end of the transition period. Pursuant to these statutory instruments, EU block exemption regulations, which are currently applied ‘in parallel’, will be continued in UK domestic law. They also provide for the revocation of Section 60 of the CA 1998, which obliges the CMA and UK courts to interpret UK competition law consistently with EU competition law (and to have regard to decisions of the European Commission); the possible new Section 60A instead only requires the CMA and UK courts to avoid inconsistency between their decisions and pre-exit EU case law, and further provides that they may depart from such pre-exit EU case law where it is considered appropriate in the light of particular circumstances. If this provision comes into force, it opens up the prospect of longer-term regulatory divergence. It is likely in any event that there will be a significant degree of continuing cooperation between the CMA and the EU Commission, although the precise contours of the future regulatory relationship still remain unclear.
In the short term, however, and even during the transition period, it remains ‘business as usual’ in terms of the application of EU competition law in the UK. UK courts can even continue to refer questions to the ECJ, which retains its jurisdiction. The UK has also continued to implement EU directives; for example, Directive 2014/104/EU on antitrust damages actions was implemented with effect from 9 March 2017. The remainder of this chapter sets out the law as it stands at the time of writing.

III LICENSING AND ANTITRUST

i Anticompetitive restraints

There are no UK-specific competition rules regarding technology licensing agreements. By the ‘parallel exemption’ route, the current EU Technology Transfer Block Exemption Regulation \(^3\) applies in a purely UK context in the same way as it does to agreements that may affect inter-state trade. The TTBER 2014 creates a ‘safe harbour’ for licensing agreements for patents, know-how or software copyright (or a mixture of these) concluded between no more than two companies with limited market power that respect certain conditions. Such agreements are deemed not to have an anticompetitive effect (or any such effect is deemed to be outweighed by their positive effects). The Commission Guidelines on the application of Article 101 of the TFEU to technology transfer agreements (2014) were released at the same time and contain guidance in respect of scenarios not covered by the TTBER 2014, including multilateral agreements.

The TTBER 2014 provides no protection where an agreement contains as its object (directly or indirectly and in whole or in part) a hardcore restriction: such restrictions preclude exemption. In the case of competing undertakings, hardcore restrictions include \(^4\) restrictions on a party’s ability to determine price in third-party sales, limitations of output (including disincentives to produce more) other than limitations imposed on the licensee in a non-reciprocal agreement or only one licence in a reciprocal agreement, \(^5\) allocation of markets or consumers, restrictions on the licensee exploiting its own technology rights, and restrictions on either party’s engagement in research and development unless the restriction is indispensable. Slightly different hardcore restrictions are identified in the case of non-competing undertakings. \(^6\) Certain individual obligations, such as an obligation not to challenge the validity of EU intellectual property rights, are also excluded from protection. \(^7\)

Notably, non-compete obligations are permitted under the TTBER 2014, as long as the Regulation’s other conditions are satisfied.

Of course, where the safe harbour of the TTBER 2014 is not available and Article 101(1) is engaged by a licence condition because it results in significant foreclosure of third-party technologies, individual assessment under Article 101(3) remains available.

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\(^2\) The Claims in respect of Loss or Damage arising from Competition Infringements (Competition Act 1998 and Other Enactments (Amendment)) Regulations 2017, SI 2017/385.

\(^3\) Regulation (EU) No. 316/2014 (the TTBER 2014).

\(^4\) TTBER 2014, Article 4(1).

\(^5\) Commission Guidelines on technology transfer agreements (2014), Paragraphs 103 and 104.

\(^6\) TTBER 2014, Article 4(2).

\(^7\) TTBER 2014, Article 5.
ii Refusals to license

A refusal by a dominant undertaking to license an intellectual property right or to supply information, products or services subject to an intellectual property right is not in principle an abuse of a dominant position: if it were, the right holder would be deprived of the very essence of the exclusive right. However, it can be abusive where certain criteria laid down in ECJ case law are satisfied:

- the refusal prevents others from using certain information or products subject to that right;
- the information or product is indispensable to the exercise of a particular activity on a neighbouring market (defined according to normal principles of market definition);
- the refusal excludes effective competition on the neighbouring market;
- the refusal prevents the appearance of a new product for which there is a potential consumer demand (a requirement unique to the intellectual property rights cases), or (in a more recent formulation) limits technical development to the detriment of consumers; and
- there is no objective justification for the refusal, in particular with reference to the dominant undertaking's incentive to innovate.

In principle, there is a 'refusal' only where there has been a request. A response to a request that fails to address the specific matters requested may amount to a refusal, as may an agreement to license but only subject to unreasonable conditions (constructive refusal).

iii Unfair and discriminatory licensing

Where an undertaking has a dominant position on the market, further limitations on its licensing practices may come into play; for example, as to exclusivity, and royalty and other terms (see Section IV).

iv Patent pooling

According to its recitals and according to the European Commission, the TTBER 2014 does not apply to agreements establishing and regulating patent pools or providing for the licensing of pooled technology to third parties, because they fail the Regulation's requirement in Article 1(1)(c) that the licence be for the purpose of production of contract goods by the licensee or its subcontractor. They are also generally multiparty arrangements.

Instead, the Commission provided detailed guidance for the assessment of technology pools in its 2014 Guidelines. The Commission recognises the benefits provided by technology pools.
pools (including reduction of transaction costs, setting a limit on cumulative royalties, and implementation of pro-competitive standards) but notes that there is a risk that they may amount to a price-fixing cartel or foreclose alternative technologies where they establish a *de facto* industry standard.\(^{14}\) Licences granted by pools are likely to be incompatible with Article 101 of the TFEU where they contain any hardcore restrictions listed in Article 4 of the TTBER 2014.\(^{15}\) Conversely, the creation and operation of the pool, including licensing out, will generally comply with Article 101(1) of the TFEU, irrespective of the parties’ market position, where participation in the pool is open to all, only essential technologies are pooled, the exchange of sensitive information is limited, pooled technologies are licensed in on a non-exclusive basis and licensed out on a FRAND basis, the participants in the pool are free to challenge the validity and essentiality of the pooled technologies, and the participants in the pool remain free to develop competing products and technology.\(^{16}\) Even where these conditions are not satisfied, it is possible to show that the pool is pro-competitive on a case-by-case basis.

v Software licensing

The TTBER 2014 applies to agreements for the licensing of software copyright for incorporation into contract products, but not to, for example, an agreement containing terms and conditions for downloading.\(^{17}\) Moreover, agreements for the reproduction and distribution of software copyright-protected products are expressly treated by recital 7 of the TTBER 2014 as falling into the category of distribution agreements. They must therefore be considered with reference to the Vertical Agreements Block Exemption Regulation\(^{18}\) and the Commission Guidelines on vertical restraints (2010).

vi Trademark licensing

The TTBER 2014 only applies to trademarks where the trademark is ancillary to a technology transfer agreement. The Commission has applied Article 101(1) to exclusive trademark licences; for example, in *Davide CampariMilano SpA Agreement* OJ [1978] L 70/69, Article 101(1) of the TFEU was engaged by a standard form agreement granting firms exclusive licences to use the Campari trademark within their own territory and requiring them not to pursue an active sales policy elsewhere, but the agreement was exempted following individual assessment under Article 101(3) of the TFEU.

IV STANDARD-ESSENTIAL PATENTS

The competition law treatment of licensing practices of holders of standard-essential patents (SEPs) has been controversial for some time, and has recently become the subject of case law. A trickle of cases has slowly begun to clarify these principles at EU and national level, including in the United Kingdom.

On 29 April 2014, the European Commission adopted an infringement decision under Article 102 in respect of Motorola, finding that it had abused its dominant position by

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14 id., Paragraphs 244–247.
15 id., Paragraph 267(d).
16 id., Paragraph 261.
17 id., Paragraphs 62 and 63.
seeking an injunction against Apple in relation to its SEP, but, unusually, in its discretion imposed no fine because of the divergent views of Member States and the absence of EU decisional practice and case law regarding whether an SEP holder abuses a dominant position when it seeks an injunction against a potential licensee who is not unwilling to enter into a licence agreement on FRAND terms.  

i  Dominance

In *Huawei Technologies co Ltd v. ZTE Corp & ZTE Deutschland GmbH*, AG Wathelet hinted in his Opinion of 20 November 2014 that there could be a presumption that an SEP holder was dominant, rebuttable by ‘specific, detailed evidence’ to the contrary. The German court had, however, referred no question on dominance and the ECJ took no view on the point in its Judgment of 16 July 2015. The position, therefore, continues to be that the assessment of dominance in SEP cases will turn on the facts of each case and is a matter for the national court or authority.

Birss J addressed the question of whether Unwired Planet possessed a dominant position at Paragraphs 630–670 of the main judgment in the *Unwired Planet* proceedings, discussed further in Sections IV. ii and IV. iii. He held, on the facts, that Unwired Planet’s status as an SEP owner gave it a 100 per cent market share and hence gave rise to the inference that it was dominant. The market was covered by a FRAND undertaking to the European Telecommunications Standards Institute (ETSI), the institute that issued the relevant standards, which meant that licensees did have a possibility of holding out and so it was possible that the SEP owner would not be dominant, but no economic analysis had been done that could justify that conclusion in the instant case. The Court of Appeal upheld that finding of dominance on appeal. The Court of Appeal’s decision is itself under appeal to the Supreme Court; the hearing took place in October 2019 and judgment is awaited.

On 24 January 2018, the European Commission issued a decision in which it found that Qualcomm was dominant in the market for LTE baseband chipsets and had abused that dominance by making significant payments to Apple on condition that it would not buy from its rivals. The European Commission fined Qualcomm €997 million for abuse of dominance. Apple brought a follow-on claim in the UK *Apple v. Qualcomm* proceedings arising out of this decision (see further Section IV. iii), but those proceedings have now settled.

ii  Injunctions

*Huawei v. ZTE (ECJ)*

It was also in *Huawei v. ZTE* that the ECJ set out the circumstances under which the holder of an SEP who has agreed to license it on FRAND terms can obtain an injunction against a party infringing the patent who is a willing licensee without breaching Article 102 of the
TFEU. Like AG Wathelet, the Court sought to strike a balance between excessive protection for the patentee (arguably evinced by the German approach) and excessive protection for the putative licensee (the Commission approach). There is now a protocol to follow, under which the SEP holder must make a written offer on FRAND terms to the willing licensee, who may then make a counter-offer. Both parties must act promptly and in good faith. In the absence of a good faith counter-offer on FRAND terms, no injunction will be granted.

The relationship between FRAND proposals and injunctions has further been considered by Birss J in each of the two significant recent cases on SEPs to have come before the English courts.

**Vringo v. ZTE (Birss J)**

In *Vringo Infrastructure Inc v. ZTE (UK) Ltd*, Vringo, the owner of a global patent portfolio of SEPs acquired from Nokia relating to wireless communications infrastructure, initially contended that its global portfolio offer was FRAND and it would be entitled to an injunction unless ZTE accepted it. Birss J suggested that he was ‘sceptical’ about this argument: even if the global portfolio licence offer was FRAND and it was not an abuse of a dominant position to make the offer, this did not appear to preclude ZTE from making a FRAND counter-offer for a licence in respect only of the SEP in question. Had Vringo itself made an offer of this type and ZTE refused to accept it, then an injunction might follow. Following the 24 April 2015 *Unwired Planet* decision outlined below, Vringo modified its position, stating that it was willing to offer a licence solely within the United Kingdom of the single patent at issue. Vringo maintained that it was not obliged to do so and that this offer was made voluntarily.

This concession meant that the main disagreement subsisting between the parties concerned the proper royalty rate payable for that licence (see Section IV.iii).

**Unwired Planet v. Huawei & Samsung (Birss J, Court of Appeal and Supreme Court forthcoming)**

The *Unwired Planet International Ltd & ors v. Huawei Technologies Co Ltd, Samsung Electronics Co Ltd & ors* litigation concerns patents transferred to Unwired Planet by Ericsson that have been declared essential to telecommunications standards developed by ETSI, which encourages members to give an irrevocable commitment to grant licences on FRAND terms to any of their patented technology that is adopted as part of the standard.

In 2014, Unwired Planet sued the defendants (who included Huawei and Samsung) for infringement of its patents, contending that they were both infringed and (so far as relevant) essential. It also made two open licensing proposals to the defendants: a worldwide licence under all its patents, or a worldwide licence under its SEPs only. The court has found that least two patents in the Unwired Planet portfolio are valid, infringed and essential to ETSI’s standards. One of the allegations made by the defendants against Unwired Planet was that in seeking an injunction it was acting contrary to Article 102 of the TFEU.

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25 Case C-170/13, ECLI:EU:C:2015:477, Paragraphs 59–73.
Birss J observed in the context of an application for summary judgment in this case\textsuperscript{28} (considered further at Section IV.iii) that ‘the question of whether any given licence terms are FRAND is not simply a freestanding issue. It is closely connected to the question of injunctions’\textsuperscript{29} In that decision, he explained\textsuperscript{30} that this is a developing area of law and practice and that there are three legally relevant ways of considering whether licence terms are FRAND:

\begin{itemize}
  \item[a] Are the terms compliant with competition law?
  \item[b] Are the terms compliant with the contractually enforceable obligation to ETSI?
  \item[c] Are the terms proposed by the claimant ‘equitably refusible’, such that an injunction would be granted if the defendant refused to accept them? Conversely, are the terms proposed by the defendant such that a claimant obliged to license on FRAND terms would be refused an injunction if it refused to accept them?
\end{itemize}

He explained that the third, injunction-related context is distinct ‘since it will also relate to the exercise of the court’s discretionary power to grant injunctive remedies. Even if a patentee is not contractually obliged to ETSI to accept FRAND terms offered by a defendant, perhaps a court might refuse to grant an injunction in such a case’.

As to the two proposals made by Unwired Planet, he thought the first ‘very likely to be equitably refusible’ because it bundled SEPs and non-SEPs together, and the second unlikely to determine the issue of whether Unwired Planet was entitled to an injunction because the defendants had made clear that they were willing to accept FRAND licences under any patents found valid and infringed and so the issue was likely to turn on patent-specific terms advanced by either party.\textsuperscript{31} He therefore gave directions that each party should be required to state whether it was willing to make an offer for a territorial licence of the five SEPs at issue on the assumption that they were valid and essential, and if so on what terms.\textsuperscript{32}

In consequence, in June 2015, Unwired Planet made offers for a worldwide SEP portfolio licence, a UK SEP portfolio licence, and per-patent licences for any SEPs the licensee chose (with each of the latter two licences claiming a higher royalty rate than the worldwide licence); Huawei proposed a per-patent licence limited to the UK SEPs in suit.\textsuperscript{33} On 1 August 2016, Unwired Planet made further offers on the same terms, but at lower rates, following its settlement of certain competition law issues with Samsung (see Section IV.iii). Shortly before trial commenced, Huawei made an offer in respect of the whole of Unwired Planet’s UK SEP portfolio, as well as an increased offer in respect of per-patent rates.\textsuperscript{34}

At trial,\textsuperscript{35} Birss J held that a patentee that refused to accept an offer made on FRAND terms would be in breach of its FRAND undertaking, and an English court would refuse to grant a patentee an injunction if it refused to accept FRAND terms; conversely, a defendant who has refused a FRAND offer will not be protected from injunctions.\textsuperscript{36}

\begin{itemize}
  \item[28] [2015] EWHC 1029 (Pat).
  \item[29] id., Paragraph 20.
  \item[30] id., Paragraph 29.
  \item[31] id., Paragraphs 75 and 76.
  \item[32] id., Paragraph 77.
  \item[33] [2017] EWHC 711 (Pat), Paragraphs 7 and 8.
  \item[34] id., Paragraphs 13 and 14.
  \item[35] [2017] EWHC 711 (Pat).
  \item[36] id., Paragraphs 166 and 167.
\end{itemize}
In the remedies judgment, he granted what he called a ‘FRAND injunction’, explaining: ‘A FRAND injunction should be in normal form to restrain infringement of the relevant patent(s) but ought to include a proviso that it will cease to have effect if the defendant enters into that FRAND licence.’ Where, as had been agreed by the parties in this case, the FRAND licence is for a limited time (shorter than the lifespan of the relevant patent), and in any event where the FRAND licence ceases to have effect for any other reason, there will be an express liberty to apply to return to the court to address the position at the termination of the FRAND licence. If the defendant has entered into the FRAND licence, there is no need for any injunction at all. The injunction was stayed pending Huawei’s appeal.

Birss J addressed the question of whether Unwired Planet had abused its dominant position by reason of its conduct relating to this dispute at Paragraphs 671–791 of the main judgment. One of the allegations made by Huawei was that the litigation was premature, because Unwired Planet had not followed the conditions set out in Huawei v. ZTE, and so Unwired Planet was not entitled to an injunction. Referring to Unwired Planet’s contact with Huawei prior to the issue of proceedings, to the fact that Huawei is a sophisticated organisation that could be expected to, and did, negotiate with Unwired Planet following the commencement of proceedings, and to the fact that Unwired Planet did provide the key terms of a licence offer to Huawei a few weeks after commencing proceedings, Birss J held that the litigation was not premature and Unwired Planet was not on this ground barred from seeking an injunction. He observed that this case differed from Huawei v. ZTE because the FRAND issue was separately justiciable (by reason of the undertakings given to ETSI) and Huawei did not need Article 102 of the TFEU to have a defence to the injunction claim. Even if he had concluded that Unwired Planet’s commencement of proceedings had been premature, it would not automatically have followed that an injunction should be refused, given the lapse of time since that date. Birss J granted permission to appeal on this point but the Court of Appeal upheld his judgment, and stated that, following the procedural steps set out by the ECJ in Huawei v. ZTE creates a ‘safe harbour’ that protects SEP holders, but failing to follow those steps does not necessarily mean that there has been an abuse of a dominant position. Huawei has been given permission to appeal to the Supreme Court; the hearing before the Supreme Court took place in October 2019 and judgment is awaited.

**TQ Delta v. Zyxel (Carr J)**

Following a decision of 11 March 2019 in which he held that one SEP, due to expire on 25 June 2019, was valid, essential and infringed, Carr J was asked at a hearing on 18 March 2019 to decide whether an injunction should be granted and if so on what terms. Despite the proximity of the date of patent expiry, Carr J granted the injunction, without

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37 [2017] EWHC 1304 (Pat).
38 id., Paragraph 20.
39 id., Paragraph 21.
40 [2017] EWHC 711 (Pat).
41 id., discussed at Paragraphs 674–755.
42 id., Paragraph 795.
43 [2017] EWHC 1304 (Pat), Paragraph 65.
45 [2019] EWHC 562 (Ch).
even any carve-out to permit Zyxel to supply certain orders. He found that Zyxel’s approach had been one of ‘hold-out’ and that they should not be permitted to benefit from this strategy. It follows that the courts consider that both sides have obligations in FRAND negotiations: the SEP holder must offer licences on FRAND terms, but the potential licensee must also negotiate and act as a willing licensee.

iii Licensing under FRAND terms

*Vringo v. ZTE (Birss J)*

The disagreement as to the proper royalty rate in the *Vringo v. ZTE* case considered in Section IV.ii was substantial. Birss J explained in a judgment following a case management conference in the proceedings on 8 June 2015, that ‘the difference between £3,000 and £2.40 per unit worth £120,000 characterises the difference between the parties in terms of the royalty rates’. Vringo’s position was that a FRAND royalty would be 2 per cent of the sale price of the unit. ZTE’s position was that a FRAND royalty should be calculated with reference to the smallest saleable compliant part of the product. The parties’ positions were therefore orders of magnitude apart and based on quite different principles of calculation. Guidance as to the appropriate starting point would have been welcome. However, the parties reached a global settlement at the end of 2015, under which ZTE received a perpetual non-exclusive licence of Vringo’s entire portfolio for a one-off payment of US$21.5 million.

*Unwired Planet v. Huawei & Samsung (Birss J, Court of Appeal and Supreme Court forthcoming)*

Guidance has now arrived from Birss J and the Court of Appeal in the form of the *Unwired Planet* judgments – though that guidance remains subject to Huawei’s pending appeal to the Supreme Court, in which judgment is awaited. However, in the course of those proceedings, Birss J had cause to give a series of preliminary rulings on the FRAND issue, one of which went to the Court of Appeal. In his judgment of 24 April 2015, he considered an application for strike-out and summary judgment by Huawei. Huawei argued that Unwired Planet’s proposals were not compliant with its FRAND obligation because it was obliged to offer single patent licences on request; a licence under all SEPs relevant to a particular standard only; and a licence under its SEPs relating to a particular territory. Birss J considered that these issues could not be resolved by summary judgment.

In his judgment of 21 July 2015, Birss J struck out a competition law defence raised by Samsung as disclosing no real prospect of success. Samsung had argued that the agreements under which the patents were transferred to Unwired Planet were prohibited by Article 101 of the TFEU and therefore void because they failed to fully transfer the FRAND undertaking given by Ericsson to ETSI. (Unwired Planet was not itself an ETSI member.) Birss J thought it was enough for Unwired Planet to make a FRAND declaration of its own. The Court of Appeal (Kitchin LJ, with whom Tomlinson LJ and Sir Timothy Lloyd agreed) overturned the judge’s conclusion on this point because of the failure to ensure that Unwired Planet

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49 [2015] EWHC 2097 (Pat).
50 [2016] EWCA Civ 489.
would respect the non-discrimination part of Ericsson’s FRAND obligation. Birss J and the Court of Appeal, recognising that this is a developing area of law that has received recent attention from the ECJ and the European Commission, both considered that Samsung had an arguable defence to the effect that it would be anticompetitive to enable Unwired Planet to charge royalties higher than those that Ericsson would have been able to charge, and that Ericsson had sought to circumvent its own FRAND obligation through strategic sale of part of its patent portfolio to a third party.

Samsung settled with Unwired Planet and Ericsson in the summer of 2016 and discontinued its competition law counterclaim. Pursuant to that settlement, certain provisions that Samsung had contended were anticompetitive, including a provision that arguably put a floor on the royalty rate that Unwired Planet could offer, were removed from the agreement between Ericsson and Unwired Planet. Following that settlement, on 1 August 2016, Unwired Planet made new offers on the same terms as its June 2015 offers, but at lower rates.

Birss J addressed the ‘what is FRAND’ issue at Paragraphs 83–626 of the main judgment in the Unwired Planet proceedings. He held that the FRAND undertaking to ETSI was legally enforceable between the parties as a matter of French law and so, in this case, it was not necessary to rely on competition law to enforce the FRAND undertaking. He further held that a royalty rate may be higher than the FRAND rate but still not contrary to competition law (i.e., not excessive pricing for the purposes of Article 102 of the TFEU). That is, ‘for competition law to be engaged, it will be necessary but not sufficient for a rate not to be the true FRAND rate’. In an advance on the possibility he considered in the Vringo judgment, he has now reached the view that, in fact, there can only be one FRAND rate and set of terms in any given case – but a contract entered into on non-FRAND terms is not necessarily unenforceable because it does not necessarily breach competition law. Moreover, the concept of FRAND applies not only to the licence terms, but to the process by which those terms are negotiated: taking an extreme or intransigent approach to negotiations would not be FRAND. However, making an offer that includes non-SEP patents, or otherwise not at the FRAND rate, is not in itself non-FRAND, as long as it does not prejudice or disrupt the negotiation. Birss J granted permission to appeal on the issue of whether only one FRAND rate exists in any given case. On this point, the Court of Appeal departed from his view, on the basis that concepts such as ‘fairness’ and ‘reasonableness’ do not sit well with such a rigid approach.

As to the exercise of working out what is and is not FRAND, Birss J held that determining what a willing licensor and willing licensee would have agreed on without holding out or holding up was likely to assist in deciding the question; evidence from the parties of negotiations in the industry, of comparable licences and of decisions of other courts would all be relevant. Considering comparable licences, which at least in this industry inevitably involved a degree of ‘patent counting’, aimed at assessing the value of relevant (as opposed to merely declared) SEPs, enabled a benchmark figure to be identified. Birss J examined in
detail the different patent counting methodologies proposed by the parties’ experts. This benchmark figure could then be ‘cross-checked’ using a ‘top-down’ approach looking at the total royalty burden.\textsuperscript{57} Birss J granted permission to appeal to Unwired Planet in respect of his treatment of the benchmark rate.\textsuperscript{58} The Court of Appeal, upholding Birss J’s approach, held that the non-discrimination limb of the FRAND undertaking requires the setting of a benchmark rate by reference to the overall value of the portfolio.\textsuperscript{59}

Birss J further held that the goal is to determine the FRAND rate by reference to the value of the patents being licensed, and so the rate does not vary depending on the identity of the licensee. However, there is no ‘hard-edged’ non-discrimination undertaking such that Unwired Planet was obliged to offer to Huawei the same rate it had offered to Samsung: the Samsung rate was relevant only in that it was a comparable licence.\textsuperscript{60} Birss J granted permission to appeal on this point.\textsuperscript{61} The Court of Appeal, dismissing the appeal, held that it was not necessary to set a rate equivalent to that offered to any other similarly situated licensee.\textsuperscript{62} Of course, if it could be shown additionally that the patentee was offering different rates in a manner that distorted competition, then the defendant in any event might rely on Article 102 of the TFEU in the usual way.

As to the territorial scope of the licence, Birss J held that a worldwide licence was FRAND and Unwired Planet was entitled to insist upon it.\textsuperscript{63} Unwired Planet’s portfolio was sufficiently large and had sufficiently wide geographical scope that a licensor and licensee acting reasonably and on a willing basis ‘would regard country-by-country licensing as madness’.\textsuperscript{64} Nonetheless, if the result would amount to unlawful bundling under competition law, then it would not be FRAND. In this case, however, given the prevalence of worldwide licensing and of assessment based on patent families, Birss J was not prepared to assume in the absence of analysis of actual effects that the tying of an SEP licence in one country to an SEP licence in another had by its nature a foreclosure effect.\textsuperscript{65} Birss J granted permission to appeal on this point.\textsuperscript{66} Birss J was plainly frustrated with Huawei’s failure to engage with Unwired Planet’s worldwide licence proposals, which required him to deal with the terms of the injunction at a separate hearing.\textsuperscript{67} The Court of Appeal upheld the judgment of Birss J, concluding that an SEP holder in the position of Unwired Planet can satisfy its FRAND obligations by offering a global licence to its patent portfolio, and an injunction restraining infringement in the UK may be available if a global licensing offer is rejected.\textsuperscript{68}

Finally, the FRAND licence would include a term providing for back royalties, from an effective date of 1 January 2013 (when the Huawei–Ericsson licence ended), to cover proven

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\textsuperscript{57} See [2017] EWHC 711 (Pat), Paragraphs 475 and 476.
\textsuperscript{58} [2017] EWHC 1304 (Pat), Paragraph 68.
\textsuperscript{59} [2018] EWCA Civ 2344, Paragraphs 130–176.
\textsuperscript{60} [2017] EWHC 711 (Pat), Paragraphs 481–521.
\textsuperscript{61} [2017] EWHC 1304 (Pat), Paragraph 64.
\textsuperscript{62} [2018] EWCA Civ 2344, Paragraphs 177–207.
\textsuperscript{63} [2017] EWHC 711 (Pat), Paragraphs 524–572.
\textsuperscript{64} id., Paragraph 543.
\textsuperscript{65} id., Paragraph 550.
\textsuperscript{66} [2017] EWHC 1304 (Pat), Paragraph 62.
\textsuperscript{67} [2017] EWHC 711 (Pat), Paragraphs 581 and 794, and [2017] EWHC 1304 (Pat), Paragraph 4.
\textsuperscript{68} [2018] EWCA Civ 2344, Paragraphs 30–129.

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infringements up to the date of the trial. Given Huawei’s failure to agree to a FRAND licence, Unwired Planet was entitled to damages, calculated on the compensatory principle (i.e., on the basis of the FRAND rate).

UK courts have also recently handed down other important decisions in respect of jurisdiction.

Conversant v. Huawei (Carr J, Court of Appeal and Supreme Court forthcoming)

In this case, Carr J, referring heavily to Birss J’s approach in Unwired Planet, retained jurisdiction in England and Wales over a claim for jurisdiction of UK patents seeking the determination of a global FRAND rate. The Court held that the forum conveniens for the claims was England, since the claims were for infringement of UK patents, which constituted property in the UK for the purposes of the relevant jurisdictional gateway, despite the fact that the Court might determine, in accordance with Unwired Planet, that the licence terms under which it would be FRAND for the parties to conclude would be on a global or portfolio-wide basis. Carr J observed that a requirement that the claimant should bring separate proceedings in each jurisdiction would be a ‘hold-out charter’. Permission was given to serve out of the jurisdiction. Carr J’s decision was upheld by the Court of Appeal, but Huawei has received permission to appeal this point to the Supreme Court, whose judgment is awaited.

Apple v. Qualcomm (Morgan J)

These proceedings also saw an initial jurisdictional ruling from Morgan J. On this occasion, the High Court declined to allow Apple to bring its case alleging breach of Qualcomm’s FRAND undertaking. Morgan J determined that: (1) affiliates of those who make declarations of essential patents to ETSI are not liable for breach of the terms of ETSI’s IPR Policy, as a matter of the proper construction of the relevant provisions by reference to French law; (2) a claim for a declaration as to the exhaustion of rights concerns a ‘claim form relating to a registered right’ that may be served on a foreign party without permission at a registered service address in the UK; and (3) Gateway 4A of Paragraph 3.1 of Practice Direction 6B is only available where another claim has in fact been served in reliance on one of the other stipulated gateways. The jurisdictional problem essentially arose from Apple’s reliance on UK subsidiaries of Qualcomm as ‘anchor’ defendants entitling them to bring proceedings in the UK, even though those subsidiaries did not own the relevant patents. The effect of Morgan J’s judgment was that Apple’s central FRAND claim was not allowed to proceed, although Apple’s follow-on claim was. Those proceedings have now settled.

TQ Delta v. Zyxel (Carr J, Birss J and Court of Appeal)

An unusually lengthy procedural judgment in this case, handed down on 19 February 2019, is also noteworthy: Carr J ordered the experts to meet in advance of trial to determine which patents were essential, rejected Zyxel’s ‘excessive’ estimate of trial length, and refusing to alter the trial date to take account of counsel availability. These steps enabled the trial date

69 [2017] EWHC 711 (Pat), Paragraph 593.
70 id., Paragraphs 796–802.
71 [2018] EWHC 808 (Pat).
72 [2019] EWCA Civ 38.
73 [2018] EWHC 1188 (Pat).
74 [2019] EWHC 353 (Pat).
of September 2019 to be kept. This robust approach is an indication that the English courts are determined to take steps to streamline the process of bringing FRAND cases to trial and prevent defendants from engaging in delaying tactics.

In the event, however, the September 2019 trial never went ahead. Zyxel reacted to Carr J's rulings described in Section IV.ii by stating that it irrevocably waived any rights to enforce TQ Delta's FRAND licence obligations in the UK and on that basis applied to strike out TQ Delta's claim to the extent that it related to entitlement to declaratory relief in respect of the terms of a FRAND licence. (It accepted that it was liable to pay damages in respect of patent infringement and offered the full sum claimed.) Birss J refused the strike out application, holding that there remained a seriously arguable case for declaratory relief, in particular because of the global nature of the licence obligation and because Zyxel's waiver could be characterised as 'just more hold-out'. However, the strike out application was granted by the Court of Appeal. The Court of Appeal (Floyd LJ giving the leading judgment) endorsed the approach that had previously been set out by the Court of Appeal in the Unwired Planet case (where Floyd LJ was also on the appeal panel). It agreed with Zyxel's submission that, on the facts of this case, its waiver meant that there was no real commercial dispute in the UK and therefore it would be an exercise in 'jurisdictional imperialism' for the UK court to give declaratory relief purporting to tie the hands of foreign courts. The Court of Appeal also observed that it remained open to the competition authorities to investigate Zyxel's conduct independently of the dispute over private rights.

Vestel v. HEVC Advance and Philips (HHJ Hacon)

This decision concerned an application for a declaration that the English court had no jurisdiction over a claim concerning alleged abuse of a dominant position. HEVC Advance, domiciled in Delaware, administers a large pool of patents essential to the standard for high definition broadcasts. Philips, domiciled in the Netherlands, holds patents in the pool. Vestel claimed that the licensing terms offered by HEVC Advance and Philips were abusive and contrary to Article 102 of the TFEU or the Chapter II prohibition under the CA 1998, or both.

Applying the EU jurisdictional rules in relation to Philips (Article 7 of Regulation (EU) 1215/2012, 'Brussels I Recast'), the High Court declined jurisdiction over the claim. There was no good arguable case that loss or damage would be suffered in the UK because it was to be assumed that any action for enforcement would be settled by a court or by the parties on FRAND terms, so that there would be no relevant losses.

Applying the English CPR jurisdictional rules in relation to HEVC Advance, the High Court again declined jurisdiction. There was no good arguable case that loss or damage would be suffered in the UK, for the same reasons, further, the claim was not wholly or principally

75 [2019] EWHC 1089 (Pat), Paragraph 43.
77 id., Paragraphs 46 and 52.
78 id., Paragraph 54.
80 id., Paragraphs 99–108.

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related to UK property because, although the pool did contain some UK-designated European patents, they were only a small percentage of those in the pool (either 2.43 per cent or 4.9 per cent).81

The judge also commented that he would not in any event have been willing to let the claim proceed in relation to the very broad declaratory relief that had been claimed, referring approvingly to the comments of the Court of Appeal in *TQ Delta* noting the need to avoid ‘jurisdictional imperialism’.82

iv  Anticompetitive or exclusionary royalties

In the main *Unwired Planet* judgment,83 Birss J rejected84 a suggestion that Unwired Planet had abused its dominant position under Article 102 of the TFEU by making offers that significantly exceeded the FRAND rate and constituted an attempt to impose an unfair selling price. Birss J held that a FRAND rate would not be abusive, but a rate can be higher than the FRAND rate without being abusive too. Further, even the making of offers significantly higher than the FRAND rate that would, if imposed, constitute excessive pricing was not abusive, since those offers ‘were obviously made as a step in negotiation and did not prejudice or disrupt it’.85 Similarly, it was not contrary to the law on tying and bundling to make a first offer that put SEPs and non-SEPs together, in the absence of evidence on the facts of the case that the patentee was trying to use the market power given by the SEPs to secure a licence under the non-SEPs.86 It may be noted that there was no disagreement between the parties on the royalty base, and so Birss J was not asked to rule on whether the FRAND rate should be calculated by reference to the smallest saleable unit, a live controversy in other jurisdictions that may feature in future UK cases.

V  INTELLECTUAL PROPERTY AND MERGERS

i  Transfer of IP rights constituting a merger

Under EU law, there may be a ‘concentration’ where only part of an undertaking is acquired, as long as that part constitutes a business with identifiable market turnover; that part can consist of the acquisition or exclusive licence (for a duration sufficient to effect a structural change in the market on a lasting basis) of intellectual property rights.87 UK regulatory guidance likewise acknowledges that intangible assets can in theory constitute an enterprise where it is possible to identify turnover directly related to the transferred intangible assets that will also transfer to the buyer.88 That concentration must then be assessed by asking whether it would significantly impede effective competition in the common market or a substantial part of it, in particular as a result of the creation or strengthening of a dominant position.89

81  id., Paragraphs 111–115.
82  id., Paragraph 123.
83  [2017] EWHC 711 (Pat).
84  id., at Paragraphs 756–784.
85  id., Paragraph 784.
86  id., Paragraphs 785–791.
87  See generally the Commission’s Consolidated Jurisdictional Notice (2007), Paragraph 24.
88  OFT1254, ‘Merger Assessment Guidelines’ (2010), Paragraph 3.2.4.
89  Merger Regulation, Articles 2(2) and 2(3).
For example, the combination of intellectual property assets in a concentration may make expansion or entry by (potential) competitors more difficult and thereby impede effective competition.90

ii Remedies involving divestitures of intellectual property

Under both EU and UK law, proposed concentrations that raise concerns may obtain clearance through the implementation of or the commitment to implement modifications or remedies addressing the concerns.

The policy objective is that any proposed divestiture remedy should be effective in that it sufficiently enhances the acquirer’s ability to compete with the merger parties and so addresses the substantial lessening in competition caused by the merger. The applicable guidance suggests that intellectual property remedies pose particular risks in this regard. There may be ongoing uncertainty where what is proposed is a licence of intellectual property rights, as opposed to an outright divestiture of intellectual property assets or of a business including intellectual property assets. Licensing may be accepted instead of divestiture where divestiture would be impossible or would impede ongoing research. However, the licensee must have the necessary resources such as sales networks to be able to use the licence to enable effective competition.91 Other intellectual property remedies include rebranding92 and, where it is at least as effective as divestiture or part of a package of other remedies, and where ongoing dispute resolution problems are adequately addressed, the grant of access to intellectual property rights (such as patents, interoperability information, or access to new releases or upgrades of technology) to competitors.93 Intellectual property remedies of this type, which may require ongoing monitoring, are more comparable to ongoing behavioural commitment remedies, which are generally regarded by the authorities as being riskier.94 Because of the risks posed by intellectual property remedies, the guidance suggests that outright divestiture of a business (including intellectual property assets and the resources needed to make use of those assets) is the preferred remedy where it is feasible.95

The UK regulator notes that international coordination with other competition authorities may be particularly important in the case of mergers critically dependent on intellectual property rights.96

90 OFT1254, ‘Merger Assessment Guidelines’ (2010), Paragraph 5.8.5.
92 Commission’s notice on remedies (2008), Paragraph 39.
93 id., Paragraphs 61–66 and 130.
94 CC8, ‘Merger Remedies: Competition Commission Guidelines (2008), Paragraphs 2.7 and 3.28.
95 id., Paragraph 3.30. However, for a recent example where the CMA ordered a lengthy (eight years, including a one-year ‘blackout’) exclusive licence of a brand including all associated intellectual property rights to allow the licensee to transition the existing brand to its own, see the CMA’s acceptance on 20 June 2016 of final undertakings from Reckitt Benckiser (the owner of the ‘Durex’ brand) in respect of its acquisition of the ‘K-Y’ brand of personal lubricants from Johnson & Johnson: accessible at www.gov.uk/cma-cases/-reckitt-benckiser-johnson-johnson.
96 CC8, ‘Merger Remedies: Competition Commission Guidelines (2008), Paragraphs 2.7 and 3.33.
VI OTHER ABUSES

i Sham or vexatious IP litigation

There remains very little case law in the area of vexatious litigation, and what case law there is sets a very high bar for what counts as abuse of a dominant position. In *ITT Promedia NV v. Commission*, both the Commission and the General Court considered that the mere act of entering into litigation could not constitute an abuse of a dominant position, unless a dominant firm brings an action that is ‘manifestly unfounded’ and brought with the aim of eliminating competition. Each of these criteria should be construed restrictively, since restraining a dominant firm from engaging in litigation constitutes a limit on its fundamental right of access to the courts.

The General Court further endorsed this approach in *Protégé International Ltd v. Commission*. Pernod Ricard had a trademark for a drink called Wild Turkey and brought proceedings against Protégé in respect of its application for registration of the Wild Geese trademark. The General Court held that this conduct was not abusive since there was a potential risk of confusion between the two brands and so Pernod’s case was not manifestly ill-founded.

It might be said that these rulings cast some doubt on the approach taken by the European Commission in its *Motorola* decision (see Section IV).

ii Misuse of the patent process

The *AstraZeneca AB v. Commission* case remains the leading case. The Commission had made an infringement decision against AstraZeneca, finding that it had breached Article 102 of the TFEU by: (1) obtaining supplementary protection certificates in respect of its omeprazole-based medicine (Losec) by submitting deliberately misleading information to the patent authorities; and (2) withdrawing its marketing authorisation for Losec in the form of capsules so that generic pharmaceutical companies could not commercialise their generic omeprazole capsule products. The General Court and then the ECJ substantially upheld the Commission’s findings. As to (1), the ECJ made it clear that a misleading statement will not suffice on its own, but the consistent conduct in this case did. As to (2), the ECJ explained that Article 102 functions as a constraint on dominant undertakings’ conduct even where they are otherwise acting within their rights under the regulations. The regulations underlying both (1) and (2) have now changed. However, this judgment does provide some guidance, even though it leaves the Article 102 concept of ‘competition on the merits’ elucidated.

The European Commission identified misuse of the patent process as an area of concern in its Pharmaceutical Sector Inquiry Report of 8 July 2009 and recommended the strengthening of competition law action.

100 id., Paragraphs 61–100.
101 id., Paragraphs 114–156.
102 For example, in Paragraphs 507–522.
103 Paragraphs 1,564–1,577.
iii Anticompetitive settlements of IP disputes

In common with other jurisdictions, there has in recent years been greater scrutiny in the United Kingdom of the potential for anticompetitive effects of the settlement of patent disputes, in particular where an originator company makes a ‘value transfer’ to a generic company to avoid or delay the entry of generics onto the market.

The European Commission has issued three significant pay-for-delay decisions. In 2013, it imposed fines of nearly €150 million on the Danish pharmaceutical company Lundbeck Ltd and several generic pharmaceutical producers in relation to what it found were deals to delay the market entry of cheaper generic versions of Lundbeck’s branded anti-depressant medicine citalopram, which imposed an unlawful restriction by object under Article 101 of the TFEU. Also in 2013, it fined the US pharmaceutical company, Johnson & Johnson, and the Swiss pharmaceutical company, Novartis, a combined total of €16.3 million in relation to a ‘co-promotion’ agreement concerning Johnson & Johnson’s fentanyl depot patch, whose Dutch patent had expired. The Commission found that under the co-promotion agreement Novartis’ Dutch subsidiary received payments in excess of the profits it could have hoped to earn from generic entry and that by entering into it the parties breached Article 101 of the TFEU by object. In 2014, it fined the French pharmaceutical company Servier SAS and five generic pharmaceutical companies a combined total of €427.7 million, finding that towards the end of the life of Servier’s patent protection for its bestselling blood pressure medicine, perindopril, Servier implemented a strategy to delay entry onto the market of generic versions of perindopril by purchasing technology that would have assisted generics producers and then by initiating and settling patent litigation with generics producers by making certain payments and other ‘value transfers’ to them. The Commission found that the agreements breached Article 101 of the TFEU (both as to their object and as to their effect) and that Servier’s conduct also breached Article 102 of the TFEU. The General Court upheld the Lundbeck decision in full. In relation to the Servier decision, the General Court upheld the Commission’s finding of infringement of Article 101 of the TFEU in relation to all but one of the agreements, but concluded that the Commission had failed to establish an infringement of Article 102 of the TFEU because it did not properly establish that the relevant product market was limited to perindopril. Decisions from the ECJ on appeal are awaited in each case.

On 12 February 2016, the CMA made its own infringement decision (Paroxetine) against GSK and two generic pharmaceutical companies, Generics (UK) Ltd (GUK) and Alpharma Ltd, in an alleged ‘value transfer’/pay-for-delay/reverse payment case. The companies were fined £45 million in total. The £37 million fine imposed on GSK was at the time the second-largest ever levied on a single company.

The decision related to conduct and agreements between 2001 and 2004 concerning GSK’s branded paroxetine-based anti-depressant medicine (Seroxat), which was at the time one of GSK’s bestselling medicines. During this period GSK held certain patents in relation to paroxetine. The CMA found that in 2001, various generic pharmaceutical companies, including Norton Healthcare Ltd (IVAX), GUK and Alpharma, were taking steps to enter

107 Accessible at https://assets.publishing.service.gov.uk/media/57aaf65be5274a0f6c000054/ce9531-11-paroxetine-decision.pdf.
the market with generic versions of paroxetine. GSK considered that its patents would be infringed if the generic companies brought their products to the market. It settled its differences with IVAX without commencing litigation and with GUK and Alpharma after litigation had commenced. The CMA found that these settlements involved payments and other ‘value transfers’ that induced the generic companies to delay their entry as competitors into the UK market for paroxetine, and that: (1) GSK and GUK thereby breached Article 101 of the TFEU and the Chapter I prohibition, by both object and effect; (2) GSK and Alpharma thereby breached the Chapter I prohibition, by both object and effect; (3) there was no breach of the Chapter I prohibition in respect of the settlement with IVAX because it was excluded by virtue of the then-applicable CA 1998 (Land and Vertical Agreements Exclusion Order) 2000, SI 2000/310; and (4) GSK thereby breached the Chapter II prohibition through its conduct in relation to all three settlement agreements.

GSK, GUK and Alpharma appealed to the CAT against this decision. Each disputed both liability and the size of the fine. The CAT handed down its judgment on 8 March 2018, indicating that it had decided to refer questions to the ECJ in respect of each of the central issues.\(^{108}\) It made its Order for a preliminary reference to the ECJ on 27 March 2018 (including a lengthy statement of facts).\(^{109}\) However, it dismissed the appellants’ arguments in relation to the exclusion order for vertical agreements, block exemption, individual exemption, breach of the rights of defence and attribution of liability.

In the reference, AG Kokott issued her AG Opinion on 22 January 2020,\(^{110}\) while the ECJ, no doubt with an eye on the official Brexit date of 31 January 2020, handed down its judgment only eight days later.\(^{111}\) The ECJ ruled as follows in relation to each of the central issues referred by the CAT:

\(a\) In relation to potential competition, the CAT had expressed the provisional view that the decision was correct to find that the generic companies were potential competitors of GSK, but it decided that it was necessary to refer a question to the ECJ on this point.\(^{112}\) The ECJ confirmed that the test is whether the generic company has a ‘real and concrete possibility’ of entering the market absent the settlement agreement, and that this test is to be applied having regard to the specific features of the pharmaceutical sector. While the presence of a patent may be part of the economic and legal context, it does not preclude the existence of potential competition. The question is whether, notwithstanding the patent (and without entering into any analysis of the merits of the patent litigation), the generic company has real and concrete possibilities of entry. Factors demonstrating that a generic company qualifies as a potential competitor include the genuineness of any patent litigation and the originator company’s own perception (which may be demonstrated by the size of the value transfer).\(^{113}\)

\(b\) In relation to infringement by object, the ECJ applied the modern case-law and made important observations of general application to the effect that agreements having ambivalent effects on competition should not be qualified as restrictions by object.
However, the existence of small pro-competitive effects does not prevent a finding of infringement by object. An agreement to settle patent litigation, which includes a value transfer, should not automatically be considered to be an infringement by object; however, where the generic company receives a significant value transfer, the sole consideration for which is the generic company’s undertaking not to enter the market, this indicates that it is the value transfer rather than the perception of patent strength that has induced it to refrain from entering. There can still be an infringement by object if the value transfer is smaller than the generic company’s expected profits from market entry and if the agreement is within the scope of the patent.114

In relation to infringement by effect, the CAT referred a relatively narrow question concerning whether it was necessary to find that the generic company had a greater than 50 per cent possibility of succeeding in any patent litigation or of concluding a less restrictive form of settlement.115 The ECJ held that it was not necessary to make such a finding in order to characterise an agreement as restrictive by effect.116

In relation to market definition, the CAT disagreed with the approach taken by the CMA in its decision, but expressed a provisional view that the decision could be supported on the alternative basis advanced by the CMA’s expert at the hearing, that the expected competitive constraint of generic entry can be taken into account once such entry becomes a realistic possibility, in circumstances where the alleged abuse was targeted at those generic companies. It recognised that this approach to market definition was ‘novel’ and, therefore, referred a question to the ECJ on this point.117 The ECJ held that it was necessary to apply the usual test of interchangeability. This depended on both therapeutic substitutability and on the generic company being able to enter the market within a short period ‘and with sufficient strength to constitute a serious counterbalance’, for example through having achieved a marketing authorisation or concluded contracts with third-party distributors. The existence of a process patent did not preclude the possibility of generic competition with the patented drug where the active ingredient was in the public domain.118

In relation to abuse, the ECJ held that a strategy consisting of the conclusion of a series of patent settlements could constitute an abuse of dominance under Article 102 of the TFEU where it had at least the effect of delaying generic entry, even if certain individual settlements did not by themselves breach Article 101 of the TFEU.119

The case now returns to the CAT for application of the ECJ’s ruling.

VII OUTLOOK AND CONCLUSIONS

The competition policy debate in the UK is likely to be dominated by Brexit for some time to come. Under the Withdrawal Agreement, any decision to extend the transition period should be taken by 11pm on 30 June 2020. As at the time of writing, the UK government’s

114 Case C-307/18, ECLI:EU:C:2020:52, Paragraphs 59–11.
116 Case C-307/18, ECLI:EU:C:2020:52, Paragraphs 112–122.
118 Case C-307/18, ECLI:EU:C:2020:52, Paragraphs 123–140.
119 Case C-307/18, ECLI:EU:C:2020:52, Paragraphs 141–172.
position remains that it will not seek any extension of the transition period. It remains to be seen whether any such extension will be sought, and in any event what the future UK–EU relationship will look like.

It seems likely that any post-transition relationship will lead at the very least to divergence in terms of procedure and enforcement, with the CMA gaining jurisdiction over matters previously exclusively reserved to the EU Commission, but able to enforce only UK competition law, and not EU competition law.

It is also possible that, in the long term, UK competition policy, no longer bound by the need to promote the EEA’s single market, will move in a different direction from EU competition policy, so that there will be divergence on substantive law. As at the time of writing, the UK government has indicated in its position paper regarding its approach to negotiating the future relationship with the EU that it intends that any agreement should ‘commit the parties to maintain effective competition laws’, but not provide for legal or regulatory alignment, opening up the prospect of divergence between the two jurisdictions in relation to substantive law as well as in relation to procedure and enforcement. The position paper does, however, suggest that the agreement should recognise the mutual importance of effective cooperation between the parties on competition law.120

Speculation as to the likely outcome of the future relationship negotiations is, however, beyond the scope of this chapter. The reader is referred to the valuable work that has been undertaken by various organisations and working groups in this regard,121 together with the guidance that has been published to assist stakeholders in the event of a no-deal Brexit, which continues to be relevant in relation to the risk that the transition period will be allowed to expire without a further agreement having been concluded.122

More concretely, there is the prospect in the coming year of additional judicial guidance, in particular in the important and hitherto relatively underdeveloped area of licensing under FRAND terms, with the forthcoming Supreme Court decisions on appeal in the Unwired Planet and Conversant proceedings. The Supreme Court chose to hear these cases together in October 2019, indicating that the Court may be hoping to give a comprehensive and


authoritative statement of the law raised by both appeals. Decisions from the CAT (applying the ECJ judgment in the Paroxetine appeal) and from the ECJ (in the Lundbeck and Servier appeals) are likely to shed further light on the topic of pay-for-delay patent settlements.
INTRODUCTION

In the United States, antitrust law and intellectual property (IP) law are two complementary bodies of law, each designed to promote innovation, market competition and consumer welfare. However, holders of intellectual property rights (IPRs) are not exempt from the application of US antitrust laws, and may not protect or enforce their rights in a manner that unfairly eliminates competition.

Antitrust law in the United States is primarily federal law, codified in three main statutes under Title 15 of the United States Code (USC), namely: the Sherman Act, the Clayton Act and the Federal Trade Commission Act (the FTC Act). The Sherman Act prohibits agreements in restraint of trade and bars unilateral conduct that monopolises or constitutes an attempt to monopolise a given market. The Clayton Act, which governs mergers and acquisitions, prohibits mergers and acquisitions that substantially lessen competition or tend to create a monopoly. Finally, the FTC Act broadly prohibits the use of any unfair methods of competition and any unfair or deceptive acts or practices that affect commerce. In the United States, the Department of Justice (DOJ) and the Federal Trade Commission (FTC) (together, the Agencies) share jurisdiction for enforcing federal antitrust law.

In addition to the antitrust statutes and the case law interpreting them, the DOJ and FTC have released the Antitrust Guidelines for the Licensing of Intellectual Property to help IPR holders comply with their antitrust obligations when licensing IP (the Guidelines). In January 2017, the Agencies released an update to their original Guidelines, published in 1995, which included recent precedent cases and incorporated certain sections of the 2010 Horizontal

1 Garrard Beeney and Renata Hesse are partners at Sullivan & Cromwell LLP. The authors wish to acknowledge the valuable contribution to this chapter by Franklin Liu, Thomas Leuba and Betsy Silverstein.
3 2017 Guidelines, Section 2.1.
5 Sherman Act, 15 USC Sections 1 and 2.
6 Clayton Act, 15 USC Section 18.
7 FTC Act, 15 USC Section 45.
Merger Guidelines. The 2017 Guidelines, like the original 1995 Guidelines, emphasise three main principles: (1) for antitrust purposes, the Agencies apply the same framework for analysing IP as they do for tangible property; (2) an IP right does not by itself confer market power on its recipient, within the meaning of antitrust law; and (3) licensing IP can enable firms to achieve more efficient production and is generally viewed as pro-competitive. However, the updated Guidelines do not address several important and controversial topics, such as the Agencies’ approach to patent assertion entities, standard-essential patents (SEPs) and the evaluation of fair, reasonable and non-discriminatory (FRAND) terms under the antitrust laws. In 2019, the DOJ, along with the USPTO and NIST, issued a new joint policy statement to clarify its position on SEPs. The 2019 policy statement explains that SEPs are to be treated no differently than other patents, and all remedies (including injunctions) should be available when SEPs are infringed, depending on the facts of the case.

The federal antitrust statutes, their associated case law and the Agencies’ Guidelines and policy statements are the primary resources with which practitioners who operate at the intersection of US antitrust and IP law should be familiar. This chapter provides a high-level overview of those authorities and highlights some of the key issues specific to the juncture of antitrust and IP law in the United States.

II YEAR IN REVIEW

The 2019 calendar year was a busy one for both the courts and the Agencies with respect to antitrust and IP matters.

In January 2017, shortly before President Trump’s inauguration, the FTC filed a complaint against Qualcomm alleging that the company, the world’s largest supplier of baseband processors for cellular devices, engaged in unfair competition in violation of the FTC Act by, among other things, requiring its customers to pay royalties under a licence agreement with Qualcomm before Qualcomm would agree to sell processors to handset manufacturers (known as the ‘no licence, no chips’ policy), refusing to license SEPs to its competitors and requiring Apple to agree that it would exclusively source processors from Qualcomm in exchange for reduced royalties. In June 2017, the court denied Qualcomm’s motion to dismiss the FTC’s complaint. In mid-2018, the court granted summary judgment to the FTC holding that Qualcomm had a duty, based on its contractual (FRAND) commitments to standard setting organisations, to license rival chipmakers contrary to its policy of licensing only handset makers. On 21 May 2019, following a bench trial beginning in late 2018, the court issued its findings of fact and conclusions of law, holding that Qualcomm’s licensing
policies violated both Section 1 and Section 2 of the Sherman Act. The court concluded that Qualcomm employed its monopolies in two modem chip markets to coerce mobile phone handset manufacturers to license its patents and pay ‘unreasonably high’ royalties and that Qualcomm violated an antitrust duty (in addition to its FRAND duty) to license its SEPs to rival modem chip manufacturers. The court enjoined Qualcomm from engaging in these practices going forward, and required it to renegotiate its prior licences.

Qualcomm appealed the district court decision to the Ninth Circuit. On appeal, Qualcomm asked the Ninth Circuit to reverse or vacate the district court’s injunction, arguing that (1) Qualcomm is not subject to an antitrust duty to deal requiring that it grant exclusive licences to its chip rivals; (2) royalties that original equipment manufacturers (OEMs) paid to Qualcomm were not an unreasonable surcharge; (3) Qualcomm’s chip discounting agreements with OEMs are not prohibited exclusive dealing arrangements; and (4) Qualcomm’s FRAND commitments to standard setting organisations were ambiguous and did not require it to grant licences to its chip rivals.14 In its answering brief, the FTC argued that the district court properly enjoined Qualcomm and correctly held that (1) Qualcomm harmed competition by imposing a surcharge on rivals’ chips; (2) Qualcomm’s breach of its commitments to license competitors was anticompetitive; and (3) Qualcomm engaged in anticompetitive exclusive dealing with Apple.15 The DOJ filed an amicus brief on behalf of the United States, arguing that (1) Qualcomm should not have been liable for antitrust violations because the required element of harm to competition was not met; (2) Qualcomm’s refusal to license its SEPs was not anticompetitive because it maximized its profits independent of any potential effect on competition; and (3) the district court’s expansive compulsory licensing remedy was too broad, potentially hindering innovation in 5G technologies and compromising national security.16 In February 2020, the Ninth Circuit heard oral arguments from Qualcomm, the FTC, and the DOJ. The district court’s decision, if it stands on appeal, may well upend the cellular industry just as 5G is being implemented.17

The year 2019 also saw continued policy changes regarding IP antitrust enforcement at the DOJ and FTC. Assistant Attorney General Delrahim, the head of the Antitrust Division at the DOJ, repeatedly stated that antitrust policy in the Agencies had swung too far in favour of technology implementers; that standard-setting behaviour by patent owners can be adequately addressed under contract and fraud principles and does not implicate antitrust law; and that antitrust enforcement policy must adequately protect innovation and the legitimate interests of patent owners. He also continued to promote a ‘New Madison’ approach for antitrust enforcement relating to SEPs that the patent owner has committed to license on FRAND terms, that he first announced in 2017, based on the following principles: (1) FRAND is not a compulsory licensing scheme; (2) unilateral refusals to license should be per se lawful; (3) patent ‘hold-out’ by implementers is a more serious problem than ‘holdup’ by patent owners; and (4) standards-setting organisation (SSO) rules that ‘skew the bargain in the direction of implementers warrant a close look to determine whether they are the

14 Brief of Appellant Qualcomm Incorporated, FTC v. Qualcomm, No. 19-16122 (9th Circuit 27 August 2019).
17 FTC v. Qualcomm Inc, 411 F. Supp. 3d 658 (N D Cal, 21 May 2019). The district court has since granted Qualcomm’s motion to stay the court’s decision pending the appeal to the Ninth Circuit.
product of collusive behaviour’. FTC chair, Joseph Simons, has indicated that he agrees at least in part with the DOJ’s new approach, saying in a September 2018 address that the FTC ‘agree[s] with the leadership of the Department of Justice Antitrust Division that a breach of a FRAND commitment, standing alone, is not sufficient to support a Sherman Act case, and the same is true even for a fraudulent promise to abide by a FRAND commitment’ and that the FTC also ‘agree[s] with the Division that hold-out in the standard-setting process can raise serious concerns under antitrust law when such hold-out is the result of collusion among potential adopters/licensees’. Simons’ views stand in contrast to those of former FTC Commissioner, Terrell McSweeney, who disapproved of the New Madison approach. In December 2019, the DOJ, USPTO, and NIST released a joint policy statement withdrawing a prior policy statement from 2013. The new policy statement rejects the use of a special set of legal rules limiting remedies for infringement of SEPs subject to FRAND commitments, arguing that such a stance is consistent with United States case law.

Courts also addressed other aspects of SEP licensing. In December 2017, a district court in California issued a decision determining worldwide FRAND royalty rates for a wireless SEP portfolio. The court used both a ‘top-down’ patent counting approach, and an analysis of the patent owner’s comparable licences, to determine FRAND royalty rates for its portfolio of more than 100 patent families essential to one or more of the 2G, 3G or 4G wireless standards. The top-down approach generally attempts to determine the value to the accused device of the universe of all SEPs and then asks what share of that total value the patent owner should obtain as a result of its numerical share of all SEPs. After determining the FRAND rate, the court held that while the patent owner’s prior offers to the potential licensee were not FRAND, it had not negotiated in bad faith, and the court refrained from ruling whether the patent owner had been obliged by its FRAND declarations to the relevant


SSO to offer a FRAND rate from the start of licence negotiations. In December 2019, the Federal Circuit vacated and remanded the California district court’s decision on the ground that the Seventh Amendment of the United States Constitution gives a SEP holder the right to a jury trial to determine compensation for past infringement of SEPs. In response to the Federal Circuit’s remand, the district judge in April 2020 ordered a jury trial.

Also in 2019, two district courts addressed and reached different conclusions on whether FRAND commitments require FRAND licences to be based on the smallest saleable patent practising unit (SSPPU) of cellular handsets. In Qualcomm, the court found that royalties should be based on SSPPU (modem chips), while in HTC the court concluded that, under French law, a FRAND commitment does not require the FRAND licence to be based on SSPPU. Notably, the final judgment in HTC was appealed to the Fifth Circuit, where the DOJ and USPTO filed an amicus brief in October 2019. In their brief, the DOJ and USPTO reject a SSPPU rule for SEP licences as contrary to sound innovation policy, arguing that market-based evidence can be used to ‘demonstrate that an offer is FRAND by showing what others have agreed to in comparable licenses’, and parties should be given the flexibility to enter into licenses that meet their business needs in different contexts.

Courts were asked to further define the contours of FRAND commitments and SEP licensing in Continental v. Avanci. On 10 May 2019, Continental sued Avanci, Nokia Corp. and other technology companies in a district court in California. Continental alleged that the technology companies (1) reneged on their FRAND commitments, (2) colluded with Avanci, a patent licensing company, to license SEPs on non-FRAND terms and only to manufacturers at the end of a supply chain, but not component suppliers, and (3) engaged in price fixing or illegal tying by bundling non-SEPs with true SEPs in collective licensing. On 11 December 2019, the case was transferred to a district court in Texas, where the case is still pending, on the basis that most of the alleged conspiracy occurred in that state.

Courts were also busy in 2018 and early 2019 with a number of decisions revamping the contours of US patent law with implications for cases also raising competition issues. The Supreme Court allowed exceptions to the bar against antitrust claims by indirect-purchasers in Apple Inc. v. Pepper, holding that, while app developers set the prices of their products sold...
through Apple’s App Store, purchasers bought the products directly from Apple, and were thus permissible antitrust plaintiffs.  

In another decision, the Court ruled that patent owners may recover foreign lost profits in certain circumstances, reversing long-standing doctrine. The Federal Circuit Court of Appeals, which is responsible for appeals from patent cases, ruled in 2018 that whether a patent may be held invalid for claiming unpatentable subject matter (such as abstract ideas or scientific principles) cannot generally be decided summarily, before fact issues have been resolved. That Court also held that its exclusive jurisdiction over patent cases does not extend to Walker Process antitrust claims, where the anticompetitive conduct is premised upon the attempted enforcement of a fraudulently obtained patent.

Courts also issued antitrust decisions regarding patent assertion entities, which may aggregate large portfolios of patents in order to license or enforce them through litigation. In Intellectual Ventures, the plaintiff alleged that Intellectual Ventures’ anticompetitive conduct included securing a large portfolio of banking patents, concealing the contents of that portfolio so that the banks could not determine if they needed a licence, and then serially litigating against banks to license the entire portfolio for high royalties. The district court refused to reject the plaintiff’s market definition, which claimed the entire portfolio as a relevant market, and expressed concern about Intellectual Ventures’ conduct, but dismissed the antitrust claims on First Amendment and collateral estoppel grounds. In Cascades, a patent assertion entity brought antitrust claims against companies that refused to license its patents. The court dismissed the claims after the patent was found not infringed, a decision upheld by the Ninth Circuit.

III LICENSING AND ANTITRUST

Licensing intellectual property can help lead to efficient combinations of inputs and thereby benefit both licensees and consumers, who gain access to new products and less costly goods and services. Notwithstanding its pro-competitive virtues, the process of licensing intellectual property can, however, also be exploited to harm competition; for instance, by eliminating actual or potential competitors who would have existed if not for a restrictive licensing arrangement. While the Agencies and courts have held that a firm’s unilateral refusal to license IP to a competitor is not by itself a violation of the antitrust laws (noting that such a rule could sharply diminish the incentives firms have to invest in ex ante research and development), IPR holders are not exempt from the application of the antitrust laws and thus must avoid engaging in conduct that may have anticompetitive effects.
As noted, the DOJ and FTC issued a modest refresh to their original Guidelines in early 2017 to reflect intervening developments in statutory and case law. The Guidelines emphasise that, in evaluating licensing agreements, the Agencies adopt an effects-based framework with a focus on the actual or likely effects the licence will have on competition. Since licensing is generally viewed as pro-competitive, most restrictions in licensing arrangements are evaluated under the ‘rule of reason’ (simplified, a balancing between the pro-competitive and anticompetitive effects of the alleged conduct), rather than the ‘per se’ rule (under which the conduct at issue is deemed anticompetitive without proof that the conduct had an adverse effect on competition). Perhaps the most notable change in the 2017 Guidelines was to reflect the Supreme Court’s June 2007 holding in Leegin Creative Leather Products v. PSKS that minimum resale price maintenance, the practice of setting a minimum price at which a good can be resold, is not per se illegal (as had been reflected in the 1995 Guidelines), but must instead be analysed under the rule of reason.

The 2017 Guidelines also clarified the parameters of the antitrust ‘safety zone’, a doctrine intended to aid business planning. The safety zone provides that, in the absence of ‘extraordinary circumstances’, the Agencies will not challenge a restraint contained in an IP licence provided that the restraint is not anticompetitive on its face (for instance, one that facilitates price-fixing or output restrictions), and that the licensor and the licensee’s combined shares for the relevant affected market is below 20 per cent. Practitioners should be aware that, while particular licence conditions or restraints may not necessarily run afoul of the antitrust laws, these licence provisions must also be evaluated under other doctrines such as the judicial doctrine (in the case of patents) or the statutory provisions (in the case of copyright) governing exhaustion.

IV STANDARD-ESSENTIAL PATENTS

Collaboratively setting standards for technologies is important to a variety of industries, as the practice facilitates the creation of follow-on inventions while promoting future innovation and interoperability of products. However, standard setting may also raise antitrust issues, such as when a patent gains additional market power when the patented technology becomes adopted as part of an industry standard and the patent becomes a SEP. In such an event, the

39 2017 Guidelines.
40 id. at Section 3.1.
41 id. at Section 3.4.
42 id. at Section 5.2; see Leegin Creative Leather Products, Inc v. PSKS, Inc, 551 US 877 (2007).
43 2017 Guidelines, Section 4.3.
patent’s value may increase because it can be used to block implementation of the standard, and the patent owner may attempt to exploit this newly acquired leverage by refusing to license the standard-essential technology unless licensees agree to excessively high royalties (a practice commonly referred to as ‘patent holdup’). In essence, the adoption of patented technology into a standard may confer market power on the patent holder that would otherwise not have existed, and that market power may then be abused if not constrained. If many holders of SEPs engage in patent holdup, the aggregate royalties for patents essential to a given standard may actually be greater than the value of the actual feature, or indeed the product incorporating the feature.

In response to these issues, and to minimise exploitative licensing, many SSOs ask that patent holders who wish to have their technology considered for incorporation into the industry standard voluntarily pledge to license their patents on FRAND terms. FRAND commitments serve several salutary purposes: linking patent holders with those who incorporate and implement patented technologies; ensuring royalties more closely reflect the actual value of the patent by minimising the surplus attributable solely to adoption of the patented technology into the standard; and incentivising patent holders to put forth their best technology to be standardised. Of course, SSO participation is voluntary and SSO FRAND principles address only the constraints on participating patentees. Other doctrines, including the fact that the patent statute allows for damages in an amount of a ‘reasonable’ royalty, have been used to curtail royalty demands based on factors other than the actual value of the patented technology to the allegedly infringing device.

SSOs typically do not ‘set’ a FRAND rate or other terms. In most cases, the SEP holder and licensee attempt to agree on what would constitute FRAND terms and then execute a licence agreement reflecting those terms after successful negotiations. However, the FRAND commitment to the SSO generally is considered a binding commitment that runs with the patent, and may be enforced by a prospective licensee as a third-party beneficiary of the SSO commitment. A breach of a commitment to license on FRAND terms may constitute grounds for an antitrust suit by one injured as a result of the breach. When it comes to policing compliance with FRAND commitments, US antitrust law operates more as a backstop than a primary check on SEP licensing, with the Agencies primarily acting as competition advocates that assist SSOs through a variety of Agency programmes to craft clear guidance for patent holders. Indeed, the Agencies generally refrain from intervention in private licence negotiations unless a patent holder’s failure to honour its FRAND commitment is deliberate and rises to the level of an antitrust violation under Section 2 of the Sherman Act. Indeed, former Assistant Attorney General Bill Baer in a September 2015 speech at the 19th Annual International Bar Association Competition Conference emphasised that the


46 Ericsson, Inc, 773 F 3d at 1209.

47 Broadcom Corp. v. Qualcomm, Inc, 501 F 3d 297 (Third Circuit 2007). However, in Amphastar Pharms, Inc v. Momenta Pharms, Inc, the First Circuit Court of Appeals reconfirmed that the Noerr-Pennington doctrine does not immunise conduct before an SSO from antitrust scrutiny. 850 F 3d 52, 56 (First Circuit 2017) (citing Allied Tube & Conduit Corp v. Indian Head, Inc, 486 US 492 (1988)).
Agencies, in line with their European counterparts, will not intervene in basic commercial disputes over royalty rates in the absence of bad conduct by the patent holder or improper use of market power.48

Exactly what ‘fair, reasonable and non-discriminatory’ means in the licensing context, however, remains sometimes controversial and largely unsettled. Although jurists and agencies in Europe have been more active in defining both what constitutes a FRAND rate and the process parties should engage in to get there,49 currently there is less guidance in the United States. While several district courts – most recently in the 201850 and 201951 TCL decisions and the 2019 Ericsson decision52 – and one appellate court53 have directly addressed the issue, determinations of FRAND terms are highly fact-specific and may vary widely depending on the patents, standards and products at issue.54 Thus, the Agencies have been mostly silent on what specifically constitutes FRAND licensing, and the courts have avoided applying bright-line tests. Instead, US courts defining FRAND have considered the rates in ‘comparable’ licences for similar technologies and patents, the rates for patent pools with respect to standards, the objective value of the patent to the standard, the availability of alternatives and their quality, whether the patent covers the core features of the standard, the possibility of royalty stacking, and the number of essential patents that may read on a particular standard.

In 2015, the US Court of Appeals for the Federal Circuit decided Commonwealth Science and Industry Research Organisation (CSIRO) v. Cisco Systems, a case involving certain technologies incorporated into the IEEE 802.11 Wi-Fi standard.55 The Federal Circuit held that, while the smallest saleable patent practising unit is one appropriate base for calculating damages, it is not the exclusive method for apportioning the value of a patent to the allegedly infringing product, especially if the record indicates that the parties actually negotiated a different base in reality.56 The CSIRO decision also emphasised that, in determining whether a given royalty is excessive, the actual cumulative royalty paid by the implementer must be proven and the implementer may not rely on abstract recitations alleging royalty stacking or

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48 See footnote 45.
50 2018 WL 4488286 (C D Cal, 14 September 2018), reversed in part and vacated in part by 943 F.3d 1360 (Fed Cir 2019).
51 Godo Kaisha IP Bridge 1 v. TCL Communication Tech Holdings Ltd, 2019 WL 1877189 (D Del, 26 April 2019) (leaving in place the jury’s determination of FRAND royalty rate).
52 HTC Corp v. Telefonaktiebolaget LM Ericsson, 407 F. Supp. 3d 631 (E D Tex, 23 May 2019) (finding that Ericsson’s offers to HTC were fair, reasonable and non-discriminatory).
54 In Qualcomm, the district court held that Qualcomm’s rates were ‘unreasonably high’ and thus not FRAND, but did not determine the FRAND rate Qualcomm should have charged. 411 F. Supp. 3d 658.
56 id. Assistant Attorney General Delrahim has stated that ‘[w]hile the so-called “smallest saleable component” rule may be a useful tool among many in determining patent infringement damages for multi-component products, its use as a requirement by a concerted agreement of implementers as the exclusive determinant of patent royalties may very well warrant antitrust scrutiny’. 2017 AAG Delrahim Speech; see footnote 18.
qualitative assertions of the value of inventions without some quantitative evidence. The CSIRO decision’s focus on actual quantitative evidence is thus consistent with the Federal Circuit’s 2014 decision in Ericsson v. D-Link. D-Link involved the adjudication of whether Ericsson had complied with its obligation to license a patent essential to the IEEE 802.11 Wi-Fi standard on FRAND terms, and held that in determining FRAND damages, concerns about patent holdup must be proven using specific facts from the case, rather than on the basis of theory or general probability. In January 2019, the US District Court for the Eastern District of Texas held that, as a matter of French law, the FRAND commitment does not require a FRAND licence to be based on the smallest saleable patent practising unit. The final judgment in this case is currently on appeal in the Fifth Circuit. In contrast, the FTC v. Qualcomm court granted the FTC’s motion for partial summary judgment in November 2018, holding that FRAND licensing obligations required Qualcomm to license its SEPs to competing modem chip suppliers. The same Court later found, in May 2019, that basing royalties on handset value, rather than on the value of modem chips, was contrary to the Federal Circuit’s approach to royalty apportionment and that modem chips were the smallest saleable patent practising unit in cellular handsets. This case is currently on appeal in the Ninth Circuit.

V INTELLECTUAL PROPERTY AND MERGERS

In the United States, all mergers and acquisitions, whether or not they involve transfers of IPRs, must comply with Section 7 of the Clayton Act, which prohibits mergers and acquisitions that substantially lessen competition or tend to create a monopoly. In addition, practitioners need to be aware that certain transactions that exceed a certain minimum dollar amount in value must be reported to the FTC and the Antitrust Division of the DOJ before consummation, pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act). The HSR Act establishes a waiting period before acquisitions that exceed the threshold may close to give the Agencies sufficient time to scrutinise more closely mergers of a certain size.

Furthermore, the 2017 Guidelines state the Agencies’ position that complete sales of IPRs and transfers of exclusive IP licences will be treated as analogous to mergers and thus are subject to the guidance contained in the 2010 Horizontal Merger Guidelines (another DOJ and FTC joint release). Importantly, such ‘mergers’ will not be eligible for treatment under the safety zone for licensing restraints set out in Section 4.3 of the 2017 Guidelines.

As for substantive evaluations of acquisitions, the 2017 Guidelines again emphasise that in evaluating conduct, the Agencies adopt an effects-based framework with a focus on the actual or likely effects on competition and not the potential harms to any individual competitor. For example, the Agencies have approved certain acquisitions subject to

58 Ericsson v. D-Link, 773 F 3d 1201, 1234 (Fed Cir 2014).
62 Clayton Act, 15 USC Section 18.
63 15 USC Section 18a.
64 2017 Guidelines, Section 5.7.
conditions aimed at restoring the competition eliminated as a result of the transaction, such as requiring the acquirer to agree to divest certain IPRs. In July 2016, the DOJ agreed to a settlement with Anheuser-Busch InBev (ABI) as part of ABI’s acquisition of SABMiller, requiring ABI to, among other things, divest itself of SABMiller’s US business and the worldwide brand rights to Miller beer.65 Similarly, in November 2019, the FTC agreed to a settlement with Bristol-Myers Squibb Company (BMS) in connection with BMS’ acquisition of Celgene Corporation, requiring BMS to divest Celgene’s Otezla business, including the Otezla trademark and other IP.66

VI OTHER ABUSES

Sham litigation and pay-for-delay cases in the pharmaceutical industry continued to gain the attention of the Agencies and courts in 2017. Given the different marketing approval processes for brand-name and generic drugs in the United States, brand-name drug manufacturers have a government-granted monopoly in the market for their drug until a generic competitor is eligible to receive Food and Drug Administration (FDA) approval and actually receives it. Both private parties and the Agencies have alleged that certain brand-name drug companies from time to time seek to limit the onset of generic competition; for example, by offering generic competitors payments to delay filing their Abbreviated New Drug Application for their generic (reverse payments) or by filing sham patent infringement lawsuits and citizen petitions in an effort to delay the onset of generic competition.67 As a general matter, any payments to generic drug manufacturers by brand-name producers are evaluated under the rule of reason because this conduct can have pro-competitive effects.68 While petitioning the government to enforce one’s patents is generally considered to be ‘speech’, protected by the US Constitution under the Noerr–Pennington doctrine, infringement litigation can lose this protection and become subject to antitrust scrutiny when the asserted patents are obtained by fraud, or the litigation claims are objectively baseless and asserted to protect a monopoly.69

In March 2016, the FTC filed a complaint against Endo Pharmaceuticals Inc and others, alleging the companies violated antitrust laws on a pay-for-delay theory, which had the effect

67 See Apotex Inc v. Acorda Therapeutics, Inc, 823 F 3d 51 (Second Circuit 2016). Former acting FTC chair Ohlhausen has reiterated the FTC’s commitment to policing pay-for-delay settlements. However, because the number of such settlements is declining, she suggested that the FTC may move resources into other potentially anticompetitive activities in the brand name/generic context, including abuse of the FDA’s regulatory and ANDA approval processes. Remarks at the American Bar Association’s Fall Forum, Maureen K Ohlhausen, reported in Law360, 16 November 2017, available at www.law360.com/articles/986119/ftc-s-ohlhausen-sees-light-at-end-of-pay-for-delay-tunnel.
of blocking consumers’ access to lower-cost generics. Specifically, the complaint alleges that Endo not only paid Impax Laboratories and Watson Laboratories – which market Opana ER and Lidoderm respectively – not to file for FDA approval of their generic equivalents, but also agreed as consideration not to market their own generic (known as an authorised generic (AG)) to compete with Opana and Lidoderm, once the generic versions finally did hit the market. The case was notable not only because Impax and Watson were the first generic companies to file for marketing approval, but also because it marked the first time the FTC has sought to challenge a ‘no-AG commitment’ as an anticompetitive reverse payment. In early 2017, the FTC settled the case against Endo with a consent judgment prohibiting Endo from engaging in similar conduct in the future, but it maintained the cases against Impax and Watson. Following trial against Impax, an administrative law judge dismissed the FTC’s claims, holding that (1) Impax likely would not have entered the market earlier; (2) the risk of harm from the settlement was ‘largely theoretical,’ even though it included a payment to prevent the risk of competition; and (3) the pro-competitive benefits of the settlement were substantial. In March 2019, the FTC reversed the administrative law judge’s initial decision following an appeal by complaint counsel, ruling that Impax engaged in an illegal pay-for-delay (or ‘reverse payment’) settlement blocking consumer access to lower-cost generics. In June 2019, Impax filed a petition for review, which is currently pending in the Fifth Circuit.

VII OUTLOOK AND CONCLUSIONS

As made evident by the 2019 joint policy statement and the DOJ’s involvement in various federal court cases, the regulatory pendulum has moved to a more favourable position than in previous administrations towards patent holders. The Qualcomm appeal, however, shows some discord among regulators in following this trend.

Globally, the trend in recent years towards harmonisation of competition laws as they are applied to IP has continued, with new focus on the meaning and consequences of the patent owner’s FRAND commitment by courts in the US, the UK, Germany, Japan and China.

In the year ahead, we look forward to continued development of the law at the intersection of antitrust and IP, either through agency guidance and litigation, private litigation or both.

71 id.
72 id.
Appendix 1

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Rais Amils joined Clifford Chance in 2001. She holds a degree in law from Pompeu Fabra University and was awarded the ‘Extraordinary Prize for Graduation in Law’ for the top-ranked student upon graduation in 2000. She specialised in industrial property and competition matters during her master’s degree in European studies at the College of Europe (Belgium, 2000–2001). In 2005, she obtained her diploma of advanced studies. She has experience in complex patent and trademark matters and litigations. She has also advised and represented clients in antitrust matters regarding commercial distribution and licensing agreements and the interplay between the enforcement of intellectual property rights and antitrust, and has been involved in damages claims for antitrust infringements. Rais has also dealt with unfair competition litigations, apart from more general commercial litigations. Rais lectures at several education centres like Instituto Superior de Derecho y Economía (ISDE) and the Barcelona Bar Association. She has also been invited to participate in several panels dealing with antitrust and intellectual property matters. On July 2019, she was elected Member of the Board of the Antitrust and Intellectual Property Commission of the Barcelona Bar Association. She has published various articles on a wide array of intellectual property and competition law topics. She has been featured in *The Legal 500* in the ‘Next generation lawyers’ category and in *Managing Intellectual Property* as an ‘IP Rising Star’.

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Garrard Beeney is co-head of the firm's intellectual property and technology group and a member of the firm's managing partners committee. Mr Beeney has been inducted as a Fellow of the American College of Trial Lawyers. He was counsel in the two major patent cases that were argued before the US Supreme Court in 2016.  
Mr Beeney has litigated intellectual property and licensing cases throughout the country in both federal and state courts. Mr Beeney also represents clients before US and European competition law authorities, particularly in the area of the intersection between intellectual property and competition laws.  
In addition to trying patent and antitrust cases, Mr Beeney has argued appellate cases in various courts, including in the US Supreme Court, the Federal Circuit and the Second Circuit Courts of Appeal, and the Supreme Court of Arkansas. He represents both plaintiffs and defendants in infringement actions, and advises plaintiffs on patent selection in pre-suit due diligence. Mr Beeney also frequently advises on licensing issues and IP monetisation, and has represented patent holders in the formation of licensing pools, including those related to the AVC, MPEG-2, MPEG-4, DVD, LTE, ATSC, VC-9, IEEE 1394 and other technologies.

MAXIM BOULBA  
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Maxim Boulba heads the competition group at CMS Russia and advises clients on competition law issues, such as merger control, as well as antitrust, behavioural and regulatory matters and IP issues. Maxim has been practising competition law since 2000.  
Maxim has handled a large number of difficult merger clearances in Russia and the other Commonwealth of Independent States (CIS) countries. As part of M&A transactions and corporate reorganisations, Maxim advises foreign investors on Russian merger control requirements and obtaining merger clearance in relation to the acquisition of companies and assets located in Russia and the CIS.  
He has also successfully represented corporate clients in various administrative proceedings, inspections and dawn raids by the antitrust authorities, and has worked on projects related to antitrust compliance.  
Maxim was chosen as one of the leading practitioners in Russia in the competition, antitrust and IP spheres according to *Best Lawyers*, *Global Competition Review 100* and *Client Choice*, and has been ranked by *Chambers and Partners* and *Legal 500* legal directories since 2012.

ANTONIO CÁRDENAS ARRIOLA  
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Antonio Cárdenas is a local partner at White & Case, SC (Mexico City). Mr Cárdenas joined the firm in 2008. His practice is primarily focused on TMT, antitrust and administrative and commercial litigation. He has served as an attorney in some of the main litigation in the telecommunications, antitrust and media broadcasting sectors in Mexico, the foremost being: (1) an *amparo* proceeding before the Mexican Supreme Court of Justice as to the jurisdiction of the defunct Federal Telecommunications Commission to determine mobile interconnection rates (MIR) (2008 to 2012); (2) third-party involvement in actions brought
against several strategic antitrust and telecommunications trials filed by América Móvil, Telmex and Telnor and several companies of the group (2010 to date); (3) various trials against extension for certain licensees of radio spectrum frequencies including the 2.5GHz band (2013 to 2015); and (4) complaints due to América Móvil’s breach of its licensing instruments and economic competition obligations, among others (2010 to date). In areas of antitrust other than the telecommunications and broadcasting sector, Mr Cárdenas has led the representation of various economic agents in defending their interests in the poultry industry, decorative painting, energy and the aeronautical and financial services sectors. Mr Cárdenas became a local partner at White & Case, SC in January 2017.

ZHAOQI CEN
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Zhaoqi Cen is a partner at Zhong Lun Law Firm, with in-depth experience in antitrust and anticompetitive conduct, intellectual property, import and export control, and dispute resolution practice. Mr Cen is well-seasoned in regulatory policies and procedures adopted by China’s administrative and judicial bodies. Mr Cen is attentive to antitrust rule updates and trends in China, in industry sectors such as automobiles, pharmaceuticals, energy and natural resources, and telecommunications, media and technology, which enables him to keep clients abreast of legal developments in a timely fashion. He has represented or provided legal counsel for several global Fortune 500 companies in dealing with legal affairs related to regulatory compliance, import and export control, and antitrust practice, such as government investigations, civil litigation and merger filings. Mr Cen is also an experienced litigator in antitrust civil cases, having been responsible for several monumental cases, including the Rainbow v. Johnson & Johnson antitrust litigation, and has provided legal counsel for leading companies in their IPR and antitrust-related disputes with other companies.

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Hemangini Dadwal is a partner at the competition practice at AZB & Partners, Bangalore office. She regularly advises on and has represented clients on complex anti-trust and merger control issues across several sectors, including pharmaceuticals, cement, automobiles, private equity funds, information technology, media, entertainment and airlines. Recent merger control assignments include representing Tata Steel in securing the first CCI approval under the Insolvency and Bankruptcy Code; GSK Consumer Healthcare in its merger with Unilever’s HUL; and Softbank’s acquisition of shares in Dehivery.

In court proceedings, Hemangini has represented a number of clients before the CCI and the appellate courts, including Lafarge SA and GSK Pharmaceuticals in cartel proceedings; and Google, Warner Brothers, Tata Motors and Honda Motorcycles in abuse-of-dominance proceedings.

Hemangini also regularly conducts compliance training sessions and contributes to reputed competition law journals, and has been involved in representing the firm in contributing towards the Competition Law Review Committee’s working group recommendation report on digital and new-age markets and anti-competitive agreements. She is a member of the Competition Law International Editorial Board of the IBA Antitrust Committee.
Hemangini graduated from Gujarat National Law University, Gandhinagar in 2010 with a BA LLB (Hons). She completed her LLM in Law, Science and Technology from Stanford Law School in 2017 with Honours in subjects such as Advanced Antitrust and Network.

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Marcelo A den Toom is the partner in charge of the competition, and antitrust and foreign trade departments, as well as a member of the mergers and acquisitions department.

His practice concentrates on the defence of merger transactions, acquisitions and joint ventures before the competition authorities, investigations into anticompetitive and anti-dumping practices, compliance, anticorruption rules, drafting and negotiating corporate acquisition contracts and related documents and advice on corporate and contractual matters.

Between 1998 and 1999, he worked as a foreign associate for Skadden, Arps, Slate, Meagher & Flom (New York) and Haynes & Boone (Houston). In 2000, he was admitted to the Bar of the state of New York.

As a specialist in competition law, he has frequently been recognised by publications such as Chambers Latin America, Best Lawyers, Practical Law, Guide to the World’s Leading Competition and Antitrust Lawyers, International Who’s Who of Competition Lawyers and Economists and Latin Lawyer.

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Manuel graduated with a Bachelor of Law degree from the Portuguese Catholic University, (School of Lisbon) and obtained an LLM in international business law from the Queen Mary University of London.

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Mochamad Fachri has almost 20 years’ experience in advising clients on competition law in Indonesia. He is experienced in the full range of antitrust law practice, both litigation and advisory. He has been advising clients on antitrust law and representing clients before the Business Competition Supervisory Commission (KPPU) since the Anti-Monopoly Law
came into force in 2000, including in landmark cases. He is also very active in advising clients on KPPU merger clearance. Fachri has been registered as an advocate with the Jakarta High Court since 2003. He is a member of the Indonesian Advocates Association, the Indonesian Bar Association and the Indonesian Competition Lawyers Association.

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Tânia Luísa Faria is a counsel and head of the Competition and European Union Area in the Lisbon office of Uría Menéndez – Proença de Carvalho. She graduated from the Faculty of Law of the University of Lisbon and pursued a master's degree and post-graduate studies at the same university.

Tânia joined the firm in 2004, having worked in both the Lisbon and Brussels offices. Her practice area is EU and Portuguese competition law, covering, in particular, merger control issues, cartels and abuses of dominant position. She acts for clients in various sectors, including financial institutions, telecommunications and media, air transport, energy, retail distribution and other industrial sectors, and regularly advises leading multinational companies in the pharmaceutical sector, including proceedings before the European Commission, the Portuguese competition authorities, the Court of Justice of the European Union and the Portuguese Competition, Regulation and Supervision Court.

Tânia is also a teaching assistant at the Faculty of Law of the University of Lisbon.

JAMES FLYNN QC

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James Flynn QC is a leading competition law litigator at the London Bar. His wide experience at the Bar builds on his years of practice at a magic circle law firm in London and Brussels, together with his work as a legal secretary at the European Court of Justice. Current high-profile cases in London include acting for GSK in the United Kingdom’s first reverse payment pharmaceutical patent settlement proceedings. He has considerable expertise concerning the interface between competition and intellectual property law, particularly on the licensing of standard-essential patents and FRAND terms (acting for Qualcomm, IP Com and Samsung). Significant Competition Appeal Tribunal appeals in recent years include acting for Sky in the long-running pay-TV litigation; for BMI in relation to the private healthcare market investigation; for Aer Lingus in its long-running dispute over Ryanair’s hostile shareholding; and for Asda in the successful appeals against the OFT’s tobacco decision. His considerable experience of competition damages cases embraces follow-on and stand-alone actions in the High Court, including acting for Cardiff Bus in the first follow-on damages action to come to trial and to lead to a damages award. He also appeared in the leading cases on the interaction between criminal law and competition law. Recent appearances in competition cases in Luxembourg include cartel appeals and the interchange fees litigation. Notable previous EU cases include the leading authority on legal privilege in competition proceedings (Akzo Nobel) and the landmark Microsoft appeal.
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Mr Furusho is a partner at Oh-Ebashi LPC & Partners, and practises law in Japan and in the state of New York, USA. His practice focuses on counselling, licensing and litigation in the intellectual property fields, including patent, trademark, industrial design and trade secret. He also has experience in various kinds of commercial dispute resolution, including unfair competition practice, contract disputes and tort claims.

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Mr Gönenc Gürkaynak is a founding partner of ELIG Gürkaynak Attorneys-at-Law, a leading law firm of 90 lawyers based in Istanbul, Turkey. Mr Gürkaynak graduated from Ankara University, Faculty of Law in 1997, and was called to the Istanbul Bar in 1998. Mr Gürkaynak received his LLM degree from Harvard Law School, and is qualified to practise in Istanbul, New York and Brussels, as well as in England and Wales, where he is currently a non-practising solicitor. Before founding ELIG Gürkaynak Attorneys-at-Law in 2005, Mr Gürkaynak worked as an attorney at the Istanbul, New York and Brussels offices of a global law firm for more than eight years.

Mr Gürkaynak heads the competition law and regulatory department of ELIG Gürkaynak Attorneys-at-Law, which currently consists of 45 lawyers. He has unparalleled experience in Turkish competition law counselling issues, with more than 20 years of competition law experience, starting with the establishment of the Turkish Competition Authority. Every year, Mr Gürkaynak represents multinational companies and large domestic clients in more than 35 written and oral defences in investigations of the Turkish Competition Authority, approximately 15 antitrust appeal cases in the high administrative court and over 85 merger clearances of the Turkish Competition Authority, in addition to coordinating various worldwide merger notifications, drafting non-compete agreements and clauses, and preparing hundreds of legal memoranda concerning a wide array of Turkish and EC competition law topics.

Mr Gürkaynak frequently speaks at conferences and symposia on competition law matters. He has published more than 200 articles in English and Turkish with various international and local publishers. Mr Gürkaynak also holds teaching positions at undergraduate and graduate levels at two universities and gives lectures in other universities in Turkey.

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Renata Hesse is a member of the firm’s litigation group. Her practice focuses on antitrust counselling, cartels and merger clearance. Ms Hesse is frequently recognised as a leading and influential antitrust lawyer, with a particular emphasis on the intersection of antitrust and intellectual property matters in high-tech industries. She is the incoming international officer of the American Bar Association Antitrust Section and is a frequent speaker at antitrust and legal forums.
Ms Hesse joined Sullivan & Cromwell following a distinguished career in government, including leading the Antitrust Division at the Department of Justice twice as Acting Assistant Attorney General and serving that division for more than 15 years. During her time at the Division, Ms Hesse worked on a number of high-profile transactions, as well as on other key initiatives related to the licensing and enforcement of standards-essential patents. She also had oversight of the criminal programme as the Principal Deputy Assistant Attorney General, where she was a decision-maker on a range of significant criminal matters. Ms Hesse was previously Chief of the Networks and Technology Section (now the Technology and Financial Services Section) and a trial attorney in two Division sections, and has worked extensively with antitrust and competition law enforcement agencies at the highest levels across Asia, Europe, Australia and Latin America.

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Mr Takashi Hirose is a partner at Oh-Ebashi LPC and belongs to its intellectual property practice group. Mr Hirose received an LLM degree from Harvard Law School in the USA. He has drafted and advised on intellectual property licensing, joint development agreements and other business contracts, including domestic and international M&A contracts.

Mr Hirose has also dealt with intellectual property litigations in several fields including pharmaceuticals, mechanical engineering and consumer products. In addition, he has also dealt with forensic investigations and numerous complex litigations, including high-profile product liability cases and corporate litigations.

Mr Hirose teaches a business law course (patent law and copyright law part) as a part-time lecturer at Tokyo University of Foreign Studies. Mr Hirose is a member of the Standing Committee on Commercialisation of IP of AIPPI.

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Thomas Jones is a partner at Bird & Bird in Sydney, Australia. Mr Jones has particular expertise in competition and commercial law, with deep expertise in telecommunications, regulatory and infrastructure access matters. Mr Jones provides clients with strategic advice on all aspects of regulatory regimes, including the design and implementation of new regimes, access agreements, revenue regulation and, where necessary, challenging decisions of the regulator to achieve the client’s desired outcome. He has been recognised as an Acritas Star since 2018, as well as being ranked in Chambers and Partners Asia-Pacific and Legal 500 for his telecommunications sector expertise and in Best Lawyers for his competition law and telecommunications expertise.

An active member of the Law Council’s Competition and Consumer Law Committee, Mr Jones is also the founder and director of the Sydney Lawyers Orchestra.

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Daru Lukiantono is the head of the intellectual property practice group at Hadiputranto, Hadinoto & Partners. Daru has more than 20 years’ experience behind him and leads the firm’s sizeable IP team. He advises domestic and international clients on the full range of
contentious and non-contentious intellectual property work, covering trademarks, patents, copyrights, industrial design, trade secrets, layout designs of integrated circuits, and plant varieties. He has robust skills in handling commercial intellectual property-related transactions, including licensing, intellectual property rights, acquisition, franchising, domain names and information technology issues, and intellectual property litigation, as well as dealing with a number of anti-counterfeiting projects in several major cities in Indonesia.

Daru is an intellectual property practitioner who has experience in complex intellectual property due diligence and management cases. Moreover, he possesses a range of experience in patent prosecution, patent portfolio management, commercial patent work and patent litigation.

**TOM MACKEN**

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Tom Macken is an associate at Bird & Bird in Sydney, Australia, where he is a member of the firm’s competition and commercial practice.

Mr Macken’s practice focuses mainly on advising clients in the communications and technology sector, as well as the sports and media sector, on a wide variety of legal issues, including commercial, regulatory and transactional matters.

Some of his more recent experience includes advising clients in the telecommunications and IT industry in relation to satellite and telecommunications regulatory issues, access regulation, trends and commercial opportunities. He has also recently advised clients in the sports and media sector in relation to media and marketing rights, sponsorship rights, sports governance issues and integrity matters.

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Carlos Mainero is a local partner at White & Case, SC (Mexico City). Mr Mainero joined the Mexico City office of the firm in 2003, and was promoted to junior associate in 2006. In 2009, Mr Mainero joined the New York office of the firm (2009–2010), participating primarily in capital markets deals involving Latin American issuers. Mr Mainero’s practice is primarily focused on capital markets, bank finance and M&A transactions, including advising Mexican and foreign issuers in the public offering of securities on the Mexican Stock Exchange, as well as 144A and Reg S private offerings by Mexican issuers. His practice also includes advising lenders and borrowers in syndicated loan agreements and the creation and perfection of collateral over assets located in Mexico. Mr Mainero has also participated in a number of M&A transactions, with a particular focus on the competition and antitrust aspects of those deals. Mr Mainero obtained his master’s degree in banking and financial law from Boston University in 2009, and his bachelor’s degree from the Panamerican University in 2006. Mr Mainero also obtained certification for his participation in the Antitrust Legal Workshop organised by the International Chamber of Commerce and the Ibero-American University (2013). Mr Mainero became a local partner at White & Case, SC in January 2017.
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Margot Lopes Martins is a junior associate in the Lisbon office of Uría Menéndez – Proença de Carvalho. She joined the firm in July 2019. Her practice area is EU and Portuguese competition law.

Margot graduated with a Bachelor of Law degree from the University of Nice (France) and earned an LLM joint degree in European Legal Practice Integrated Studies from the University of Lisbon (Portugal), the University of Rouen (France) and the University Mykolas Romeris of Vilnius (Lithuania). She also obtained a postgraduate degree in Competition Law and Regulation and a postgraduate degree in Tax Law, both from the Law Faculty of the University of Lisbon.

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Nitin Nair is an associate in the competition law team at AZB & Partners in New Delhi. Nitin has represented clients in various antitrust enquiries before the CCI, including successfully representing the India unit of Swiss technology firm ABB Group in an abuse of dominance proceeding. In addition, he has represented clients (such as Tata Motors and Warner Bros) in certain jurisdictional challenges before the Delhi High Court and the Supreme Court of India.

Nitin has also assisted in securing several successful merger control approvals before the CCI, including Visa’s acquisition of shares in BillDesk and Softbank’s acquisition of shares in Delhivery. He also advises leading Indian and multinational companies on competition law compliance and has contributed to both domestic and international law publications on competition law issues. He completed his BA, LLB (Hons) at the West Bengal National University of Juridical Sciences, Calcutta in 2017.

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Florence Ninane is a partner in Allen & Overy LLP’s competition department. Florence has significant experience in the areas of French and European competition law (mergers, antitrust and state-aid issues) and has developed a specific expertise in distribution law matters.

She regularly assists companies with their French, EU and multi-jurisdictional merger notifications. She has developed a specific expertise in the digital, energy and financial sectors, as well as in the consumer goods sectors, and has been advising various operators in these areas.

Florence also represents companies in competition law litigation before competition authorities and national courts (in cartel investigations and abuse-of-dominance, state aid and private enforcement matters).

JANE OWEN
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Jane Owen is a partner at Bird & Bird in Sydney, Australia, where she is the partner in charge of the intellectual property practice.
Ms Owen has over 25 years’ experience advising and representing clients on all aspects of intellectual property law. This includes portfolio establishment, IP strategisation, commercialisation, enforcement and contentious IP, patent litigation, complex patent infringement or revocation, trademarks and passing off, design infringement, disputes on ownership of IP and appeals from decisions of the Commissioner of Patents and the Registrar of Trade Marks.

Ms Owen regularly presents on IP issues at continuing professional development and industry-based events and is ranked in publications such as WTR 1000, The Legal 500 – Asia-Pacific and IAM Patent 1000 as a leading enforcement, litigation, prosecution and strategy lawyer. Ms Owen’s team was awarded IP Specialist Firm of the Year at the 2017 Australasian Law Awards.

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David Por is a partner in Allen & Overy’s intellectual property and litigation team. David is an experienced litigator specialised in all areas of intellectual property. His practice concentrates primarily on complex and cross-border intellectual property disputes, with a particular focus on patent cases, in which he also advises on validity and freedom-to-operate issues. David has notably represented leading actors in the patent wars in the telecommunications sector, as well as numerous pharmaceutical companies in proceedings against generics.

David has become a specialist in the interplay between intellectual property and competition law, notably in the field of standardised technologies. His expertise extends to complex litigation, including unfair competition and private enforcement matters.

David recently authored the sections of the training manual for Unified Patent Court judges on the patentability of pharmaceutical and biotechnological inventions and on Articles 123(2) and 123(3) of the European Patent Convention. He has also become a specialist in the interplay between intellectual property and competition law.

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Mr Shigetomi has prepared, tried and argued intellectual property cases in various technical fields including pharmaceuticals, biotechnology, chemistry, mechanical engineering, electric engineering and computer software. He has been lead counsel in major patent infringement litigations in IP courts in Japan.

Mr Shigetomi is a frequent author and lecturer on intellectual property practice topics, and teaches courses as an adjunct professor in universities. He is a member of the standing committee of ‘Standard and Patents’ of the International Association for the Protection of Intellectual Property. Mr Shigetomi has received many professional accolades such as Chambers Asia-Pacific, Who’s Who Legal Patents, Who’s Who Legal Japan - IP Litigation and Best Lawyers.
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Karan also advises leading Indian corporate businesses and multinational companies on competition law compliance. He completed his BBA, LLB (Hons) at Amity Law School, Noida in 2018.

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Thomas Vinje is partner and co-chair of the global antitrust group at Clifford Chance LLP, as well as the co-chair of the firm’s public policy practice and head of its global technology practice. He specialises in European Union antitrust and intellectual property law, especially in technology matters. Thomas graduated with high honours from Columbia University Law School in 1982. He is the author of numerous articles on intellectual property and competition issues, and lectures at the Universities of Amsterdam and Zurich. Thomas sits on the board of editors for Computer und Recht International and European Intellectual Property Review. He is also a frequent conference speaker and commentator in the press on competition and intellectual property matters. Thomas has been widely recognised as a leading competition expert by publications, including Chambers and Partners, The Legal 500 and Legal Media Group’s Expert Guide: Competition and Antitrust.
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Dr Jörg Witting specialises in German and European competition law, and heads Bird & Bird’s German EU and competition law practice.

His practice covers all aspects of EU and competition law, including EU state aid law and private enforcement. Jörg has particular expertise at the interface between IP law and competition law, where he represents well-known international and German corporate clients in court and before antitrust authorities, and advises on licensing and cooperation agreements.

He has represented a multitude of clients before the German Federal Cartel Office and the European Commission, as well as before German courts and the European Court of Justice.

Clients represented by Jörg include major international players in the mobile phone industry, the personal computer and digital entertainment products industry, the semiconductor industry, large pharmaceutical companies and public entities in the healthcare sector, as well as the German federal government.

Jörg was assistant lecturer with the Institute for German and European Business, Competition and Regulatory Law at the Free University of Berlin and publishes regularly. He is co-author of the renowned Munich Commentary on European and German Competition Law and the Cologne Commentary on Cartel Law and has published a handbook on cartel investigations and risk management for undertakings. Jörg is a member of Studienvereinigung Kartellrecht, the German association of leading competition law experts, and of GRUR, the German Association for the Protection of Intellectual Property, where he is active on the subcommittee on cartel law.

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