

# INTELLECTUAL PROPERTY & ANTITRUST 2022

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Arnold & Porter Kaye Scholer LLP

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Lexology Getting The Deal Through is delighted to publish the sixteenth edition of *Intellectual Property & Antitrust*, which is available in print and online at [www.lexology.com/gtdt](http://www.lexology.com/gtdt).

Lexology Getting The Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique Lexology Getting The Deal Through format, the same key questions are answered by leading practitioners in each of the jurisdictions featured. Our coverage this year includes a new chapter on Portugal and the United States.

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Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Lexology Getting The Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We also extend special thanks to the contributing editor, Matthew A Tabas of Arnold & Porter Kaye Scholer LLP, for his continued assistance with this volume.

 LEXOLOGY  
**Getting the Deal Through**

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November 2021

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# Global overview

**Matthew A Tabas**

**Arnold & Porter Kaye Scholer LLP**

## **Antitrust and Intellectual Property**

Once again this year, the issue of industry standards is an important focus at the intersection of antitrust and intellectual property law. Competition authorities recognise that such standards frequently create efficiencies, but remain concerned about potential risks. In particular, there has been a focus on standard essential patents (SEPs) and 'patent hold-up' (ie, the prospect of an SEP holder successfully demanding higher royalty rates or other more favourable terms after a standard is adopted than it could have demanded credibly before a standard is adopted). Standard-setting organisations (SSOs) routinely attempt to mitigate such risks by requiring that SEP holders agree to license those patents on fair, reasonable and non-discriminatory (FRAND) terms. Failure to meet that obligation has sometimes been deemed a violation of antitrust laws. Courts and antitrust authorities have also expressed concern that those FRAND commitments may create a risk of 'patent hold-out' (ie, where licensees refuse to pay reasonable rates for an SEP, forcing a patent holder to accept less than market value for patents and denying the patent holder fair compensation for the effort and investment made to develop the technology). How and who is entitled to define FRAND, how to assess whether particular licensing terms comply with a FRAND obligation, whether and in what circumstances a FRAND violation may be an antitrust violation, as well as the risks generally associated with SEP licensing, remain the focus of competition authorities and courts around the world.

## **United States**

The US antitrust authorities in the Biden administration are expected to stake out different positions from their most recent predecessors on the role of antitrust law in enforcing FRAND licensing commitments made by SEP holders to SSOs. This change is likely to be most notable at the US Department of Justice's Antitrust Division (DOJ), where former DOJ Assistant Attorney General (AAG) Makan Delrahim had implemented his 'New Madison' approach to antitrust law. AAG Delrahim described the 'New Madison' approach as an effort to 'achieve a greater degree of symmetry between the dueling concerns of 'hold up' by patent holders and 'hold out' by patent implementers', and to advance the view that antitrust law should not be used to enforce FRAND licensing commitments made by SEP holders to SSOs, 'even if a patent holder is alleged to have misled or deceived [an SSO] with respect to its licensing intentions'.

For example, one of the last actions of the DOJ in the Trump administration was to take the 'extraordinary step' to issue a supplement and update to the 2 February 2015 Business Review Letter to the Institute of Electrical and Electronics Engineers, Incorporated (IEEE). The 2015 IEEE Business Review Letter approved a prohibition against SEP holders seeking injunctions against willing licensees and recommended that FRAND licensing rates utilise a smallest saleable patent practicing unit (SSPPU) method. In its 10 September 2020 supplement, the DOJ addressed 'concerns raised publicly by industry, lawmakers, and former department and other federal government officials that the 2015 letter has been misinterpreted, and cited frequently and incorrectly, as an

endorsement of the IEEE's Patent Policy'. Notably, the 2020 supplement acknowledged a SEP holder's right to seek injunctive relief 'to obtain the appropriate value for its invention.' Further, the 2020 supplement rejected the requirement that a FRAND rate be based on the SSPPU and instead notes that 'there is no single correct way to calculate a reasonable royalty in the FRAND context.' The supplement also noted the DOJ's views on the danger of 'hold out' by patent implementers.

However, shortly after taking over, the new leadership of the DOJ in the Biden administration moved the 2020 supplement from the business review letter section of the DOJ's website to a section reserved for comments and advocacy to states and other organisations. This move indicates that the DOJ leadership does not view the 2020 supplement as formal guidance. Acting AAG Richard Powers referred to the move as 'a return to previous practice that is consistent with existing [DOJ] regulations' and suggested that observers should not be surprised to see 'some changes from' the DOJ in the near future.

The first of these changes came in September 2021, when DOJ Economics Director of Enforcement Dr Jeffrey Wilder delivered a speech in which he explicitly stated that 'antitrust can and should play a role when the standards-setting process is used to thwart competition and harm consumers'. The DOJ plans to investigate and 'bring enforcement actions when anticompetitive conduct – by SEP holders or any other participants in the standards development process – harms competition'; however, Dr Wilder also noted that the agency intends to provide guidance for parties on SEP licensing negotiations and 'will strive to be transparent' about its enforcement priorities and policies so that both licensors and licensees are aware of what conduct is viewed as an antitrust violation under the current administration.

Further, on 9 July 2021, President Biden issued an executive order establishing a government-wide policy to promote competition 'to promote the interests of American workers, businesses, and consumers' across the economy. Among a number of initiatives, the executive order calls on the US Attorney General and Secretary of Commerce to 'consider whether to revise their position on the intersection of the intellectual property and antitrust laws, including by considering whether to revise the Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary FRAND Commitments issued jointly by the Department of Justice, the United States Patent and Trademark Office, and the National Institute of Standards and Technology on December 19, 2019'. According to the executive order, the goal of this re-evaluation is to reduce 'the potential for anticompetitive extension of market power beyond the scope of granted patents, and to protect standard-setting processes from abuse'.

Despite this apparent change in position by the DOJ, US antitrust authorities may continue to face challenges asserting antitrust claims against SEP holders accused of violating their FRAND obligations. Following the 11 August 2020 decision by the US Court of Appeals for the Ninth Circuit rejecting the US Federal Trade Commission's (FTC) allegations that Qualcomm illegally attempted to maintain its monopoly

in the sale of baseband processors (ie, modem chips) for mobile handsets by refusing to license its handsets on FRAND terms to all market participants, the former Acting Chairwoman of the FTC, Rebecca Kelly Slaughter, announced on 29 March 2021 that the FTC would not petition the US Supreme Court for review of the case, citing 'significant headwinds'.

### European Union and the United Kingdom

In recent years, several actions have focused on the interpretation the European Court of Justice's July 2015 decision in *Huawei Technologies Co Ltd v ZTE Corp and ZTE Deutschland GmbH*, which laid out criteria for when a SEP holder is entitled to seek an injunction against a potential licensee (without violating competition laws). Notably, the German Federal Court of Justice and the UK Supreme Court issued decisions in 2020 interpreting the *Huawei* case.

On 5 May 2020, the German Federal Court of Justice issued a decision in *Sisvel International SA v Haier Deutschland GmbH*, overturning a lower court's determination that Sisvel's failure to offer Haier comparable licensing terms to Hisense for its communication SEPs violated Sisvel's FRAND obligations, and that Sisvel's patent infringement action for injunctive relief constituted an abuse of dominance. Instead, the Federal Court of Justice found that Haier's failure to engage in good-faith negotiations did not qualify it as a willing licensee under *Huawei v ZTE*. The court also held that that a SEP holder can make different FRAND offers to different licensees without violating its FRAND commitment (but noted that the SEP holder must provide an objective reason for the differing treatment).

On 26 August 2020, the Supreme Court of the United Kingdom ruled in *Unwired Planet International Ltd v Huawei Technologies (UK) Co Ltd and Huawei Technologies Co Ltd v Conversant Wireless Licensing SARL* that a SEP holder may seek an injunction without abusing its dominance as long as it demonstrates that it is a willing licensor on FRAND terms, even in cases where the SEP holder only agrees to be bound by FRAND terms set by a court (rather than offer FRAND terms itself in the first instance). *Huawei v ZTE* did not set out a mandatory set of steps or protocols that must be followed prior to seeking an injunction, but held that whether or not a FRAND offer is reasonable will depend on the facts of the case. Further, the non-discriminatory prong of that FRAND offer does not need to be a single 'most favoured' rate for all licensees. Finally, the court held that English courts have both the power to enjoin an SEP implementer (unless it enters into global FRAND licence of a portfolio that includes foreign patents) and to determine royalty rates and terms of such a licence.

### China

In recent years, courts in China have issued SEP decisions affecting worldwide licensing to protect both Chinese intellectual property rights and Chinese licensees in China and abroad. Following that trend, China's Intellectual Property Tribunal of the Supreme People's Court issued a decision on 19 August 2021 setting global FRAND licensing rates for SEPs from China and other jurisdictions, including the United States, Germany and Japan. In *Sharp Corporation v OPPO et al*, the Supreme People's Court held that Chinese courts can set global FRAND licensing rates when the parties' negotiations indicate they are willing to enter into a worldwide licence and there is a close nexus to China. Here, Sharp and Oppo engaged in negotiations for a worldwide licence to Sharp's 3G, 4G, WiFi and HEVC SEPs prior to Sharp filing patent infringement actions against Oppo in several jurisdictions. On 25 March 2020, Oppo filed suit in China asserting that Sharp violated its FRAND obligation and that the Chinese court should set the global royalty rate for the SEPs. The Supreme People's Court considered the scope of the parties' licensing negotiations, the ratio of SEPs from China, the country of implementation, the location of negotiations and the location of the

implementors' assets available for enforcement by the parties. In each instance, the Court held that these factors favour a Chinese court determining the global licensing rate.

### Korea

On 13 August 2021, the Korea Fair Trade Commission (KFTC) issued a fine of 270 million won and ordered injunctive relief in connection with Dolby Laboratories, Inc's SEP licensing activities. According to the KFTC, Dolby holds SEPs for AC-3, a global standard digital audio coding technology used by set-top box suppliers, such as Kaon Media. In connection with the standard setting process, Dolby agreed to license these SEPs on FRAND terms. Following a disputed audit with Kaon Media, Dolby allegedly blocked Kaon Media from using its SEPs to force Kaon Media to agree to Dolby's audit results. The KFTC found that Dolby's conduct violated the Korean Monopoly Regulation and Fair Trade Act by unfairly taking advantage of its bargaining position.

### Other notable developments

#### Trademark infringement settlement agreements

On 11 June 2021, the US Court of Appeals for the Second Circuit overturned an FTC decision that 1-800 Contacts, the largest online seller of contact lenses in the US, violated section 5 of the FTC Act by entering into a series of trademark infringement settlement agreements that required its rivals to limit their internet search keyword bidding and advertising. In its 2018 decision, the FTC found that the settlement agreements harmed consumers and competition for the online sale of contact lenses by limiting the availability of truthful internet advertising in response to keyword searches, thus restricting the ability of consumers to price-comparison shop between competing suppliers of contact lenses. In reaching this decision, the FTC held that the settlement agreements were unlawful under either an 'inherently suspect' standard, which would not require direct evidence of harm, or following a full 'rule of reason' analysis because any procompetitive benefits of protecting trademarks or reducing litigation costs did not outweigh the direct evidence of harm to consumers. The FTC also identified less anti-competitive alternatives to the advertising restrictions in the settlement agreements.

Following an appeal by 1-800 Contacts, the US Court of Appeals for the Second Circuit vacated the FTC's decision and remanded the case with instructions to dismiss the complaint. Although the Second Circuit acknowledged that trademark litigation settlements are not immune from antitrust review, it held that the settlement agreements at issue should be evaluated under a 'rule of reason' analysis because the conduct has not been widely condemned as anticompetitive, and could be subject to a cognisable procompetitive justification. The Court rejected the FTC's contention that its evidence of harm to consumers was direct, instead calling it 'theoretical and anecdotal', and accepted 1-800 Contacts' assertion that reduced litigation costs and protecting 1-800 Contacts' trademark rights were valid procompetitive justifications. Indeed, the Court noted that its precedent instructs that it 'should presume' that trademark settlement agreements are procompetitive'. Finally, the Court raised questions about practical implications of the FTC's alternatives and concluded that the FTC had not shown the existence of less restrictive alternatives that could achieve the same procompetitive benefits as the challenged agreements.

#### DOJ approval of universities' patent pool

On 13 January 2021, the DOJ issued a business review letter noting that it has no present intention to challenge a joint patent licensing programme by the University Technology Licensing Program (UTLP), which 'seeks to aggregate certain complementary patents of Member universities and license them in packages exclusively through UTLP'. Unlike prior patent pools considered by the DOJ, the UTLP's programme

does not involve SEPs and requires members to exclusively license their patents to the programme. Nonetheless, the DOJ found that the proposed programme would result in procompetitive efficiencies, including a reduction of transaction costs for members and implementors, and would not harm competition because, among other things, it would:

- not exclude other non-profit entities that wished to join the programme as members;
- only include complementary patents (and avoid substitute or competitive patents); and
- allow implementors to license both individual patents in the pool and the entire bundle at a discount.

### Conclusion

The issues found at the intersection of antitrust law and intellectual property rights continue to be actively debated by competition authorities and courts worldwide. This latest edition of *Lexology Getting The Deal Through – Intellectual Property & Antitrust* summarises recent developments in law and policy affecting these and other areas from jurisdictions around the world.

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## INTELLECTUAL PROPERTY

### Intellectual property law

- 1 Under what statutes, regulations or case law are intellectual property rights granted? Are there restrictions on how IP rights may be enforced, licensed or otherwise transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

Most IP rights in Germany are governed by dedicated statutes, the most relevant being:

- the Patent Act (GPA);
- the Act on Utility Models;
- the Act on Trademarks and Signs (TMA);
- the Copyright Act (GCA);
- the Design Act;
- the Act on the Protection of Topographies of Microelectronic Semiconductors;
- the Act on Plant Varieties;
- the Trade Secrets Act;
- the European Patent Convention (EPC);
- EU Regulation 469/2009 on supplementary protection of medicinal products;
- EU Regulation 6/2002 on Community Designs (CDR);
- EU Regulation 2017/1001 on the European Union Trademark (EUTMR);
- EU Directive 2001/29 on the harmonization of certain aspects of copyright and related rights;
- EU Directive 2019/790 on copyright and related rights in the Digital Single Market, amending Directive 2001/29/EC; and
- EU Regulation 510/2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.

European and German Patents, as well as German utility models, are granted for technical instructions that are new and involve an inventive step. With a Supplementary Protection Certificate, the term of patent protection (which is 20 years from filing) can be extended by up to five years for pharmaceutical products.

Trademark law protects the commercial use of signs with distinctive character for specific products and services. Protectable signs may include characters, designs, colours, shapes of goods or sounds.

The TMA also covers commercial names (company names, domain names, etc), work titles (movie names, magazine titles, etc), collective marks and indications of geographic origin. It also contains provisions on the enforcement of EU trademarks and World Intellectual Property Organization (WIPO) trademarks.

The GCA protects personal intellectual creations of any form (literary, musical, artistic, etc) and contains provisions for a number of specific copyright-related IP rights. These rights include the protection of databases and computer programs (software).

Community designs and German designs protect the appearances of products that are new and of individual character.

Alongside codified IP rights, the Act on Unfair Competition (UCA) provides for the supplementary protection of work results with 'individual commercial character' against imitations.

The Trade Secrets Act provides for the protection of confidential business information in a way that is similar to the protection of IP rights. Information or data may qualify as a trade secret if it is confidential and of commercial value to the company. If confidentiality is unlawfully breached, as a result of the illicit use or disclosure of the trade secret or portions thereof, the company owning the trade secret may claim injunctive relief, redress and compensation of damages.

As an EU member state, the Treaty of the Functioning of the European Union (TFEU) and all EU Regulations apply directly in Germany. IP rights established by EU law, such as EU trademarks and community designs, have the same legal status and protection in Germany as IP rights established by national law.

Most IP rights require registration to come into force. Unregistered IP rights include rights protected under the Copyright Act, commercial names (section 5 of the TMA), signs publicly recognised as a trademark (section 4(2) of the TMA), and non-registered community designs (article (2a) of the CDR).

In principle, IP rights may be freely transferred, assigned and licensed. Due to its personal nature, copyright may not be transferred, but only licensed. Transfer and licensing generally follow the rules on the assignment of rights and claims under the German Civil Code. While there is no statutory form required for these types of agreements, parties are strongly advised to use the written form and ideally agree on German law to govern the agreement, as this will help when enforcing IP rights in court. Article 72 of the EPC stipulates the written form for assignments of European patent applications. Equally, assignments of EU trademarks will require the written form pursuant to article 20(3) of the EUTMR.

Germany has implemented TRIPs, yet the scope of IP rights protection under German law usually exceeds the minimum TRIPs requirements. German civil courts may turn to the provisions of the TRIPs Agreement to interpret the scope of protection and remedies in case of IP infringement.

### Responsible authorities

- 2 Which authorities are responsible for granting, administering or enforcing IP rights?

The German Patent and Trademark Office (GPTO) is responsible for granting and administering German trademarks, patents, utility models, designs and semiconductor topographies. The GPTO administers the



German designations of European patents and processes applications for WIPO trademarks and designs.

The GPTO is the first instance venue for revocation actions involving German trademarks, utility models, German designs and German designations of international designs. The GPTO is not an exclusive venue in that respect, however, as the validity of these IP rights can also be challenged before the civil courts.

German patents can be challenged with a motion for revocation ('opposition') before the GPTO within nine months after the grant of the patent.

Decisions of the GPTO can generally be appealed to the Federal Patent Court (FPC). The FPC is also the exclusive venue for invalidity actions against German patents and German parts of European patents (provided no opposition is pending against the patent or the opposition period has lapsed). German civil courts are not competent to decide on the validity of patents, but may only stay patent infringement proceedings, pending a nullity attack before the FPC, GPTO or the European Patent Office (EPO), where revocation of the patent is highly likely ('bifurcated system'). Decisions of the FPC in patent matters can be appealed to the Federal Supreme Court (FSC).

The EPO is competent for administering applications for European patents. Similar to the German system, an opposition can be filed with the EPO within nine months after the grant of the patent.

EU trademarks and community designs are granted and administered by the European Office for Intellectual Property (EUIPO), which is also competent to hear revocation actions with respect to these rights.

### Proceedings to enforce IP rights

- 3 | What types of legal or administrative proceedings are available for enforcing IP rights? To the extent your jurisdiction has both legal and administrative enforcement options for IP rights, briefly describe their interrelationship, if any?**

German law provides for civil law and administrative proceedings to enforce IP rights, although enforcement before civil courts is generally prevalent.

All German IP statutes provide for the exclusive first-instance jurisdiction of the district courts for all matters involving IP rights, irrespective of the value in dispute. The same holds true for claims based on the German antitrust rules (ie, the Act on Restraints of Competition (GARC)). The district courts maintain dedicated divisions, specialising in disputes involving trademarks, patents, designs, unfair competition and antitrust law, respectively. The same is true for the appeal courts and the FSC.

Some federal states have concentrated competence for IP matters at certain venues that have gained significant expertise and experience over the years. If the act of infringement takes place in Germany (eg, for a product offered on the internet), the IP owner may freely select the venue that suits him or her best.

Enforcement measures at the administrative level include border seizure actions based on trademarks, designs, patents or utility models. The EU and national rules on border seizure allow for stopping potentially IP-infringing goods from entering the EU market. The German Customs offices have set up a specialist unit (ZGR; [www.zoll.de/EN/Home/](http://www.zoll.de/EN/Home/)) to administer and enforce border seizure requests filed in Germany. As the wilful infringement of IP rights is a criminal offence, the IP owner may start criminal proceedings and avail itself of seizure measures inland, which may help with certain issues, for example, fighting product piracy at trade fairs.

The wilful infringement of IP rights on a commercial level (eg, counterfeiting, product piracy) is a criminal offence and may be sanctioned by fines and imprisonment.

IP owners are free to conduct civil court actions, administrative enforcement measures and criminal enforcement in parallel.

### Remedies

- 4 | What remedies are available to a party whose IP rights have been infringed? Do these remedies vary depending on whether one utilises judicial or administrative review or enforcement?**

The remedies available to IP owners are broadly harmonised in the IP statutes, following the implementation of the provisions of Directive 2004/48/EC (the Enforcement Directive) into German law.

Injunctive relief is the prevailing remedy in German IP infringement litigation, allowing the IP owner to forbid the future manufacturing, importation, offer and use of infringing products and patented methods. The claim for injunctive relief will, in principle, be granted if an infringement is established. In exceptional cases, where an injunction would result in disproportionate hardship for the infringer or third parties, an adequate use-up period may be granted by the court. This is now expressly stipulated in the revised section 139 of the GPA. Further, the infringer can be ordered to recall and destroy infringing products. The IP owner is entitled to damages, which he or she may calculate according to one of the three following methods: lost profits, licence analogy or claiming the infringer's profits. To substantiate the claim for damages, the IP owner can request the infringer to disclose information on sales, prices, turnover and profits generated with the infringing product. Under German law, the exclusive licensee of an IP right has automatic standing to sue for the said claims and may enforce its rights together with, or independently of, the IP owner.

In urgent cases (eg, the presentation of infringing products at trade fairs), the claim for injunctive relief may be enforced in preliminary injunction proceedings, which can result in an enforceable title within days of filing the request. If IP infringement appears likely but is not fully apparent from the facts available to the IP owner, civil courts may order an inspection of the infringing embodiment, allowing an expert to inspect the product at the premises of the potential infringer and to gather information on the product's operation. The right to inspect may even include going through data on computers and examining software code.

In cases of wilful IP infringement, criminal courts can impose fines, prison sentences and sequester infringing goods and illicit profits. Subject to the pertinent provisions, the Customs offices have the authority to destroy counterfeited goods legitimately seized.

### Nexus between competition and IP rights

- 5 | Do any statutes, regulations or case law in your jurisdiction address the interplay between competition law and IP law?**

While German statutory provisions do not expressly address the nexus between competition law and IP rights, there is ample German and EU case law dealing with the intersection between both legal concepts. Most relevant intersections include the exhaustion of rights principle, agreements on IP rights such as licence agreements, litigation settlement agreements and rights delimitation agreements.

### Patent cooperation treaties and other agreements

- 6 | Does your jurisdiction participate in any patent cooperation treaties or other similar agreements?**

Germany is a member of the WIPO and has ratified the WIPO Patent Cooperation Treaty, the WIPO Trademark Treaty, the WIPO Copyright Treaty and the WIPO Patent Treaty. Germany is also a signatory to TRIPs, the Paris Convention and the International Patent Convention.



Germany is set to ratify the Agreement on a Unified Patent Court, an international specialised court with divisions in up to 24 participating member states of the European Union (with the notable exclusions of Spain, Poland and Croatia). The Court will be competent to hear cases of patent infringement, patent validity, unitary patents and European patents that take part in the system.

### Remedies for deceptive practices

#### 7 | With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices?

Yes. The UCA provides for remedies against misleading and deceptive marketing and advertising practices. Section 5(2) of the UCA prohibits commercial conduct that leads to a likelihood of confusion with the products or trademarks of competitors. Remedies for violations of section 5(2) of the UCA are not reserved to the trademark holder, but may also be enforced by competitors and other interest groups having standing to sue under the UCA.

### Technological protection measures and digital rights management

#### 8 | With respect to copyright protection, is WIPO protection of technological protection measures (TPMs) and digital rights management (DRM) enforced in your jurisdiction? Do statutes, regulation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Has TPM or DRM protection been challenged under the competition laws?

Germany has implemented the provisions of article 11 of the WIPO Copyright Treaty and article 6 of EU Directive 2001/29/EC in section 95a of the GCA, which forbids the wilful circumvention of technological protection measures for works protected by copyright. With respect to computer programs, section 69f(2) of the GCA allows for destruction of the means to circumvent TPMs. However, section 95b of the GCA obliges the copyright holder to provide those who have a legitimate right to use the works with the means to disable the TPMs. Section 95b features an enumerative list of the cases of 'legitimate use rights' (eg, the user's right to a backup copy).

As TPMs have the potential to restrict competition and go against the spirit of the copyright exhaustion principle, the FSC added an unwritten feature to section 95a of the GCA, requiring the IP owner to proactively demonstrate that the TPM in question is a proportional measure, which does not unduly limit legitimate forms of use, and further, that other less restrictive measures providing for the same level of protection of the copyright are not available (FSC, docket I ZR 124/11 and I ZR 273/14 – *Gaming Consoles II and III*; applying the reasoning of the Court of Justice of the European Union (CJEU), C-355/12, *Nintendo/PC Box*).

### Industry standards

#### 9 | What consideration has been given in statutes, regulation or case law to the impact of the adoption of proprietary technologies in industry standards?

Owing to their potentially pro-competitive effects (providing interoperability, encouraging development etc), agreements on industrial and technological standards are usually considered permissible under antitrust law provided that access and use of the standardised technologies is open to everyone on fair, reasonable and non-discriminatory (FRAND) terms. In light of this, major standard-setting organisations (eg, the European Telecommunications Standards Institute, the International Telecommunication Union, the Open Mobile Alliance etc) request contributors to the standard to declare their willingness to grant a licence on FRAND terms under their IP rights included in the standard.

As a consequence, the owner of a standard-essential patent (SEP), to which a FRAND declaration has been given, may be barred from enforcing his or her claim for injunctive relief against an implementer who has declared its willingness to take a licence on FRAND terms. The CJEU has developed a negotiation regime that includes obligations for both the SEP patent owner and the implementer on how to reach a licence agreement on FRAND terms (CJEU, docket C-170/13 – *Huawei/ZTE*). Based on the CJEU decision, German civil courts have rendered a string of rulings on how the individual steps of this roadmap must be implemented to comply with the provisions of the CJEU. However, to date, no German court has confirmed a specific licence offer to be FRAND. Instead, cases have been decided on whether or not the parties to the proceedings have duly and promptly followed their obligations under the *Huawei/ZTE* regime.

It is suggested that the *Huawei/ZTE* regime should likewise be applied to cases involving patents that are essential, but have not been notified to the standard ('patent ambush'). The decision of the FSC in *Sisvel v Haier* (case ID: KZR 36/17) seems to support this position for Germany. The highest German court interprets the FRAND objection exclusively from a competition law perspective and considers a FRAND declaration given for the patent-in-suit to be of minor relevance for adjudicating a case involving a patent essential to an industry standard.

## COMPETITION

### Competition legislation

#### 10 | What statutes set out competition law?

The Act on Restraints on Competition (GARC) contains the substantive rules on cartels, abuse of market dominance, merger control and public procurement. It features civil law claims to remedies for parties infringed by anticompetitive behaviour and bestows the Federal Cartel Office (FCO) with the competence to investigate markets and sanction anticompetitive behaviour.

At EU level, articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU) are the focal provisions of competition law. Articles 101 and 102 are flanked by many Commission Regulations and Commission Guidelines, setting out how EU antitrust law is to be applied in practice. The last revision of the GARC, implementing the provisions of the ECN+ Directive (Directive (EU) 2019/1), entered into effect in January 2021.

The GARC provisions have been widely harmonised with EU competition law (eg, sections 1ff of the GARC correspond to article 101 of the TFEU and sections 19ff of the GARC correspond to article 102 of the TFEU).

In cases that could potentially affect trade between EU member states, the FCO and civil courts will decide based on EU competition law provisions. At the time of writing, this is likely to be the majority of cases involving competition law matters.

The FCO regularly publishes investigation status reports and decisions on mergers and abuses of dominance, as well as guidelines on how the FCO will assess relevant product markets. Decisions and guidelines are available from the FCO website.

### IP rights in competition legislation

#### 11 | Do the competition laws make specific mention of any IP rights?

The GARC does not specifically address IP rights. However, the new section 18 (III 3) of the GARC, which took effect in January 2021, provides that possession or exclusive access to certain 'data' may be considered when assessing if an undertaking is market-dominant. Likewise, the new section 19 (II 4) of the GARC stipulates that 'data' may qualify as

an 'essential facility' that is indispensable to access a certain product or service market, so that denying access to this data based on fair, reasonable and non-discriminatory (FRAND) terms may amount to an abuse of market dominance. Also, German courts regularly consider patents that must be practised when a technical standard is applied (SEPs) as an 'essential facility' to access a downstream product or service market in the sense of section 19 (II 4) of the GARC; see, for instance, the decisions of the Federal Supreme Court (FSC) in the *Sisvel v Haier* cases ((FSC) case IDs: K ZR 35/17, K ZR 36/17).

On the EU level, Regulation (EU) No. 316/2014, exempting certain agreements on technology transfer from the cartel prohibition of article 101(1) of the TFEU (the Technology Transfer Block Exemption Regulation), is specifically directed to agreements involving IP. Regulation (EU) No. 316/2014 applies to agreements involving the assignment and licensing of patents, utility models, designs, rights to software and technical know-how. Regulation (EU) No. 1217/2010, exempting certain categories of agreements of research and development (R&D Block Exemption Regulation), and Regulation (EU) No. 330/2010, exempting certain vertical agreements from the prohibition of article 101(1) of the TFEU (Vertical Block Exemption Regulation), are equally relevant for agreements involving IP rights.

### Review and investigation of competitive effects from exercise of IP rights

- 12 | Which authorities may review or investigate the competitive effect of conduct related to exercise of IP rights?

The FCO is competent to enforce German antitrust law. In accordance with EU Regulation 1/2003 (Regulation on the implementation of articles 101 and 102 of the TFEU), the FCO will apply the provisions of EU competition law where national cases are likely to affect trade between EU member states. The FCO may start investigations of specific market sectors. It has the power to seize information and material, order undertakings to stop anticompetitive behaviour and fine infringers. Mergers and acquisitions are reviewed by the European Commission if the turnover thresholds of Regulation 139/2004 (Merger Control Regulation) are met. Below these thresholds, the FCO will assess, clear or prohibit mergers on a national level.

The Court of Appeals in Düsseldorf has exclusive competence to handle appeals against decisions of the FCO. A further appeal to the FSC on grounds of law is possible.

It is expected that Council Directive (EU) 2019/1, empowering the national competition authorities to enforce competition law rules more effectively, will foster harmonisation of competition law enforcement across EU member states, particularly as regards the standards of imposing sanctions and fines on non-compliant entities.

### Competition-related remedies for private parties

- 13 | Can a private party recover for competition-related damages caused by the exercise, licensing or transfer of IP rights?

Section 33 of the GARC provides competitors and other market participants affected by anticompetitive behaviour with a claim for injunctive relief. Section 1 of the GARC and articles 101 and 102 of the TFEU, in connection with section 134 of the German Civil Code, provide that an anticompetitive agreement is void *ab initio*.

Under section 33a of the GARC, a private party may claim damages caused by the anticompetitive exercise of the transfer of IP rights. In refusing to license cases, the claim to damages can take the form of a claim to a licence on FRAND terms.

Having acknowledged that establishing personal damage from anticompetitive behaviour often proves difficult in practice, Germany has introduced a class action for a declaratory judgment on damages. In

a string of decisions, the FSC has also made it easier to prove that anti-competitive behaviour, such as fixing prices and conditions or limiting output, resulted in a financial loss on the part of the aggrieved party (see FSC decisions with case IDs: K ZR 20/20; K ZR 35/19; K ZR 63/18; K ZR 24/17). A number of actions, where bundled claims for cartel damages are asserted against members of price cartels, are currently pending before German courts.

### Competition guidelines

- 14 | Have the competition authorities, or any other authority, issued guidelines or other statements regarding the overlap of competition law and IP?

To date, the FCO has not published specific guidelines on IP. However, the FCO will apply the Commission Guidelines in the field of competition law. The guidelines on technology transfer agreements (OJ 2014 C89/3) and on vertical restraints (OJ 2010, C130/1) include detailed guidance on how articles 101 and 102 of the TFEU are to be applied to cases involving IP.

Moreover, the FCO publishes annual reports on its activities. These reports involve case studies showing the FCO's approach towards investigating potentially anticompetitive conduct, as well as the markets and sectors in which the FCO is currently focusing its work.

### Exemptions from competition law

- 15 | Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

No. While the Court of Justice of the European Union (CJEU) recognises the IP owner's right to exclude third parties from use as the distinctive feature or 'specific subject matter' of IP rights (CJEU, docket C-267/95 – *Merck*; CJEU, docket C-170/13 – *Huawei/ZTE*), the exercise of IP rights in general will be subject to review by the competition law authorities, particularly where the IP holder is dominant in the respective markets. However, when applying competition law, antitrust authorities and civil courts are required to take the specific characteristics of IP rights into account.

### Copyright exhaustion

- 16 | Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws?

Yes. The doctrine of copyright exhaustion is stipulated in section 17(2) of the Copyright Act (GCA) and specifically codified for computer programs in section 69c(3) of the GCA. The exhaustion principle is an overarching concept of EU and national IP law: if a product is put on the market under the control and with the consent of the IP owner, the rights under the IP are exhausted for that specific product item. Accordingly, the IP owner may not prohibit the onward sale of this product item within the European Economic Area (EEA) (the EU, Norway, Iceland and Liechtenstein).

In contrast to the US 'first sale' concept, the EU principle provides for EEA-wide exhaustion only. This allows rights owners to establish dedicated distribution systems for EEA and ex-EEA markets and use their IP rights to keep products out of the EU. However, rights owners should be aware that products labelled with the CE mark (an indication of compliance with pertinent EU regulations) may be considered to indicate that the IP owner expects and tacitly consents to the marketing of the product item in the EU (Düsseldorf Court of Appeals, docket I-15 U 68/15).

The CJEU has made significant rulings with respect to the 'exhaustion of copyrights'. In the *UsedSoft* case, the CJEU held that the owner

of rights to a software program cannot prohibit the buyer, who has downloaded the program from a link provided by the rights owner, from reselling its copy of the software to a third party, as the rights to the originally downloaded copy have exhausted with the first sale. The copyright holder may, however, oblige the buyer or reseller to delete all remaining copies of the software code at his or her end (CJEU, docket C-128/11, *UsedSoft III*).

According to a recent CJEU decision, this would not apply to e-books downloaded from a platform of the copyright holder. E-books are different from paperback books and software programs; if the rights to an electronic copy of an e-book are exhausted with the first download, the legitimate interests of the copyright holder are more seriously affected (CJEU, docket C-263/18, *NUV v Tom Kabinet*). It is suggested that the same applies to downloaded music files.

## Import control

### 17 | To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

Given the principle of EEA-wide exhaustion of IP rights, the IP holder has limited options to prevent the unauthorised distribution of its products once they have been marketed in the EEA with its consent. However, article 15(2) of the EU Trademark Directive and section 24(2) of the Act on Trademarks and Signs (TMA) provide for exemptions from the exhaustion of rights under a trademark, if the trademark owner has 'legitimate reasons' to object to the further distribution of its products. Legitimate reasons may be given where the branded product has been modified after the first sale or marketed under detrimental conditions to the functions and reputation of the trademark. Based on the 'change of product' objection, the CJEU and the FSC have developed detailed standards for the relabelling and repacking of branded pharmaceutical products for re-imports from other EU countries. Thus, re-importing repacked products can be prohibited under certain conditions, based on section 24(2) of the TMA (eg, where the original labelling or packaging has been impaired).

With respect to the 'grey market' or parallel imports of branded goods, where the alleged trademark infringer claims to source the goods from a licensed supplier, while the trademark owner maintains a selective distribution system in the EEA area, forbidding the sale to commercial dealers outside of the system, the FSC has ruled that the trademark owner must prove that the branded goods do not originate from a licensed source within the EEA area. Otherwise, the alleged infringer would have to disclose its supplier, which would enable the trademark owner to close the gaps in his or her distribution system (FSC, case ID: I ZR 147/18 - *cross-supplies in selective supply systems*).

Given that the rights under a patent can only exhaust for the product as specified in the patent claim, the IP holder's rights under its patent will not exhaust through the mere sale of components of that product. Thus, depending on the circumstances of the case, grey imports of components may constitute contributory patent infringement under German law. Also, the exclusive right to manufacture a patented product is not subject to exhaustion. That is, the repair or refurbishment of a patented product can amount to direct patent infringement if the refurbishment is of such a nature that it amounts to a new making of the patented product (FSC, case ID: X ZR 55/16 - *drum unit of a printer cartridge*).

Owners of patents for pharmaceutical products may object to imports from some eastern European countries under the 'special mechanism'. This legal principle provides for an exception from the exhaustion of patent rights if pharmaceutical products are imported from countries where no comparable patent protection was available to the IP holder at the time of filing the patent.

## Jurisdictional interaction between competition laws and IP rights

### 18 | Are there authorities with exclusive jurisdiction over IP-related or competition-related matters? For example, are there circumstances in which a competition claim might be transferred to an IP court to satisfy subject matter jurisdiction? Are there circumstances where the resolution of an IP dispute will be handled by a court of general jurisdiction?

As the GARC and the dedicated IP statutes each establish exclusive jurisdiction of specialised divisions within the district courts, cases involving matters of IP and competition law will not be heard by the lower courts or the courts of general jurisdiction. The civil court decides ex officio if another court and division are competent. If so, it may dismiss or, upon request of the plaintiff, defer the case to the competent division. Thus, the procedural provisions on jurisdiction provide that the issues of both IP and competition law will be handled by specific and competent courts.

However, there are overlaps. If a competition law defence (such as the FRAND defence) is raised in an IP infringement case before a specialised IP division of the civil court, the IP division will decide on the competition law issue and not defer the case to the competition law division.

In 2019, a new senate was established at the FSC, which will be competent to hear all cases involving issues of competition law and public procurement law. It is hoped that this new senate will harmonise and consolidate German case law at the intersection of IP and antitrust law.

## MERGER REVIEW

### Powers of competition authority

#### 19 | Does the competition authority have the same authority with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

Yes. The Federal Cartel Office (FCO) and the European Commission (when competent under Regulation (EC) No. 139/2004) will review mergers, including those involving IP rights. Special provisions do not exist.

### Analysis of the competitive impact of a merger involving IP rights

#### 20 | Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

The analysis of mergers involving IP rights follows the general rules. However, the FCO will take specific account of IP rights involved in the merger when assessing whether a dominant position is likely to be created or intensified, or whether access to a protected technology will be impeded or foreclosed through the concentration of IP involved in the merger (FCO decision, docket B5-84/08, *Stihl*; CoA Berlin, docket Kart 6/89, *Linde*). Anticompetitive effects may occur, in particular, where patent portfolios are aggregated, such that the merged undertaking gains a monopoly position on the patent-protected technology market.

In relation to this, section 18 of the Act on Restraints of Competition (GARC), which sets out the guidelines to assess market dominance, specifically provides that competitive pressure resulting from innovation must be considered when assessing market dominance. Under this provision, the FCO must assess whether market dominance indicated by a high market share may be mitigated and even countered by high pressure to innovate in dynamic technology markets. However, network effects and the activities of a company on adjacent markets may also be considered in the assessment under section 18 (IIIa and IIIb) of the

GARC. These provisions, which came into effect in 2021, are specifically aimed at addressing the market dominance of online platforms and are intended to help competition authorities identify market dominance, by leveraging market power from dominated technology markets to down- and upstream markets through network effects.

### Challenge of a merger

- 21 | In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights? Does this differ from the circumstances in which the competition authority might challenge a merger in which IP rights were not a focus?

There are no specific rules for challenging a merger focused on IP. As in non-IP-related cases, the parties to an intended merger must notify the FCO when the relevant revenue thresholds are exceeded. The parties may execute the transaction only after the FCO has cleared the merger.

### Remedies to address the competitive effects of mergers involving IP

- 22 | What remedies are available to address competitive effects generated by a merger when those effects revolve around the transfer of IP rights?

The FCO can request the parties involved to divest parts of their business prior to clearing a merger. Such divestments may involve the sale of IP or the grant of licences to third parties (FCO decision, docket DE-V 861, *BASF/Bayer Crop Science*).

## SPECIFIC COMPETITION LAW VIOLATIONS

### Conspiracy

- 23 | Can the exercise, licensing or transfer of IP rights create price-fixing or conspiracy liability?

An agreement that limits a party's commercial behaviour by fixing prices or limiting output and the use of technology is likely to fall under the cartel prohibitions (article 101(1) of the Treaty on the Functioning of the European Union (TFEU) and section 1 of the Act on Restraints of Competition (GARC)). Agreements between direct or potential competitors will be subject to more intense scrutiny than those between non-competitors active in different markets (eg, producer-distributor). Regulation (EU) No. 316/2014 on certain technology transfer agreements and Regulation (EU) No. 330/2010 on vertical agreements provide for exemptions from the cartel prohibitions for certain forms of IP agreements or terms of agreements. The European Commission's Guidelines on technology transfer agreements (OJ 2014, C89/3) and the Guidelines on vertical agreements (OJ 2010, C130/1) include detailed guidance on how the provisions of the said regulations are to be applied in practice.

### Scrutiny of settlement agreements

- 24 | How would a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective? What are the key factors informing such an analysis?

Paragraph 234 et seq of the European Commission's Guidelines on Technology Transfer Agreements (OJ 2014, C89/3) generally recognise settlement agreements as a commercially reasonable and legitimate means to end IP infringement disputes. Still, the specific terms of a dispute settlement will be subject to scrutiny under article 101(1) of the TFEU. That is, settlement agreements wherein the technology in question is licensed or cross-licensed to enable the parties to use the technology are unlikely to be considered anti-competitive as they

safeguard market access to that technology. Also, the obligation of a party to discontinue offering a certain product is likely to fall outside of article 101(1) of the TFEU within the context of a dispute settlement, provided that the parties to the settlement recognise the validity of the asserted IP right and that there is a considerable risk that the product in question makes use of that right. This assessment may be different where a standard-essential patent (SEP) is concerned. Here, the settlement agreement will likely have to involve a licence under the SEP on fair, reasonable and non-discriminatory (FRAND) terms for the settlement to be compliant with article 101(1) of the TFEU.

Paragraph 242 of the Guidelines stipulates that obligations not to challenge the validity of an IP right (non-challenge clauses) in a settlement agreement will normally be considered to fall outside the scope of article 101(1) of the TFEU, recognising that non-challenge clauses are regularly a precondition for the IP owner to accept such a settlement. If, however, the asserted IP right is very likely not valid, a non-challenge clause may be considered to have an unlawful anticompetitive effect as the non-challenge provision is prolonging the existence of an unjustified statutory monopoly and maintaining an obstacle to free trade between member states. In principle, the same applies to a right to terminate a contract in case of a validity attack on the licensed IP right, as such a right to termination would have the same adverse effect on competition as an express non-challenge clause. Further guidance on IP dispute settlement agreements can be found in the Reports on the Monitoring of Patent Settlements, which are regularly published by the European Commission (current: 8th Report of March 2018).

Settlement agreements terminating an IP infringement dispute sometimes involve the acceptance of a judgment that finds infringement of the concerned IP right. This acceptance usually takes the form of waiving all legal remedies to the first instance infringement decision, with the result that the decision becomes final. In a case where such a waiver was made but the involved patent was later declared invalid by the Federal Patent Court (FPC), the Court of Appeals in Munich ruled that the waiver would not violate sections 1 and 19 of the GARC (Munich Court of Appeals, docket 29 U 2134/19 Kart). The waiver of rights would be 'neutral' under competition law aspects if the defendant had reasonable grounds to believe that he or she would lose the infringement case in the final instance. The revocation of the patent-in-suit would not change this, as the decision of the FPC is not final and the appeals court may uphold the validity of the patent.

### Reverse payment patent settlements

- 25 | How have the competition laws been applied to reverse payment patent settlements in your jurisdiction?

Paragraph 238 of the Guidelines on Technology Transfer Agreements (OJ 2014, C89/3) stipulates that any dispute settlement that involves a value transfer, in consideration of a limitation to market entry of the other party, will closely be scrutinised under article 101(1) of the TFEU. Accordingly, if a settlement of a patent dispute involves payments that are not made in reasonable consideration of a right to use a patent, but are aimed at accepting a non-challenge clause and delaying market entry, or otherwise restricting the commercial behaviour of a party to the agreement ('pay for delay'), such a settlement will very likely be considered an 'intended restriction of competition' and will therefore violate article 101(1) of the TFEU. Hence, the Court of First Instance ruled in its *Lundbeck* decision (docket T-472/13) that a payment by a pharmaceutical company, with the object of delaying the market entry of a generic drug, is an intended restriction of competition under article 101(1) of the TFEU. This decision has been confirmed by the Court of Justice of the European Union (CJEU) in its judgment *Lundbeck/Commission* (case IDs: C-588/16P and C-591/16P). The CJEU stressed that the remaining hurdles to enter the market were low for the generics companies after



the patent on the active ingredient in the drug had lapsed. Thus, there was a realistic threat of competition from generics, which Lundbeck aimed to exclude by the payment for the delay of market entry.

However, in the *Perindopril* case (T-684/14), the court of first instance had to decide on a patent licence granted as a part of a dispute settlement agreement. The licence allowed the generics company to enter the market, however, at a date agreed with the patent owner. The court opined that absent factual evidence, it cannot be assumed that the generics company would have entered the market without the settlement agreement, given that the patentee could exclude competitors from the market based on its valid patent. Thus, regard must always be had to the specific circumstances of the case when assessing anticompetitive objects or the effects of IP dispute settlements. In this context, the nature and validity of the IP right, as the hurdle to market entry for the potential competitor, requires thorough scrutiny.

## **(Resale) price maintenance**

### **26 Can the exercise, licensing, or transfer of IP rights create liability under (resale) price maintenance statutes or case law?**

Measures of resale price maintenance are considered a core restriction of competition and are thus prohibited, regardless of whether IP is involved in the transaction. Prohibited measures include the setting of minimum prices and other means that have an equivalent effect. However, setting maximum sales prices or giving resale price recommendations can be permissible in IP licence agreements between non-competing companies (article 4(2a) of EU Regulation 316/2014).

There are a limited number of sector-specific exceptions. Pursuant to section 30 of the GARC, certain forms of resale price maintenance are permissible for print media (eg, books and newspapers).

## **Exclusive dealing, tying and leveraging**

### **27 Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to exclusive dealing, tying and leveraging?**

In general, the IP owner is free to grant licences under its IP rights to limit its use for certain products or to allocate rights for active sales into certain territories. This is recognised as the 'specific subject matter' of any IP right. However, the exercise of IP rights, which goes beyond the scope of its protection or is used to foreclose market access or leverage market power to other markets, may come under the scrutiny of the competent authorities. For instance, prohibiting licensees or resellers from making passive sales into territories that the licensor reserved to other licensees will violate article 4b (ii) of Regulation (EU) No. 330/2010 and will, thus, be in breach of article 101(1) of the TFEU. Accordingly, the European Commission fined Nike (Com dec 25 March 2019, *Ancillary sports merchandise*) for imposing restrictions on its licensees regarding passive sales of trademark-licensed goods to certain territories. Such a partition of national markets within the EU Common Market will go beyond the specific subject matter of the licensed IP right and therefore cannot be justified on the grounds of differing IP rights protection in the affected EU member states.

In a similar scenario, the European Commission fined Guess (Com dec 17 December 2018, *GUESS*) for obliging their licensees to block access to their online shops from certain countries ('geoblocking'). Also, in most cases, obligations to exclusively source a certain product or technology from the licensor will violate article 101(1) of the TFEU (CJEU, case ID: C-85/76, *Hoffmann-LaRoche*). Obligations to buy products alongside IP products may be permissible if economically justified. This may be the case where the tied product is a supplementary part to the IP-protected product. Tying will be subject to scrutiny under article

102 of the TFEU where the supplier has a dominant market position, as tying involves the risk of leveraging market power to the market of the tied product.

However, in its decision *Coty Germany GmbH v Parfümerie Akzente GmbH* (case ID: C-230/16), the CJEU ruled that it would not go against article 101(1) of the TFEU if the authorised distributors within a selective distribution system (which sets out certain quality standards for the online presentation of the goods), are banned from marketing the products via sales platforms such as eBay or Amazon. Additionally, the CJEU suggests that sales bans for online market platforms may not even conflict with article 4b of Regulation 330/2010 and, thus, may be exempt from the scope of article 101 of the TFEU. Given that the *Coty* case involved luxury brands, where limitations on distributors may be more easily justified to preserve the exclusive image and allure of the products, it remains to be seen if the courts will apply the lenient approach of the CJEU to bans of marketplaces in cases involving non-luxury products. Until now, German courts have taken diverging views on this issue.

A right to terminate a licence agreement if the licensee attacks the validity of the licensed IP is viewed critically by EU competition law as such a right could keep licensees from attacking the validity of IP rights, which would prolong the existence of unjustified exclusionary rights and thereby distort competition within the EU Common Market. Article 5(1)(b) of Regulation (EU) No. 3016/2014 provides an exemption from this rule. The provision allows for a right to terminate an exclusive licence if the licensee attacks the validity of the licensed IP.

## **Abuse of dominance**

### **28 Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to monopolisation or abuse of dominance?**

Given that the right of the IP owner to exclude third parties from its use is the characteristic 'subject matter' of any IP right (CJEU, docket C-267/95 – *Merck*), a refusal to deal and license the IP right is generally permissible, even if the IP owner is market-dominant. A refusal to license may amount to an abuse of a dominant position only under 'exceptional circumstances' (CJEU, docket C-241/91P – *Magill*; CJEU, docket C-170/13 *Huawei/ZTE*). Exceptional circumstances may apply, for instance, where the use of the IP right is 'indispensable' for offering a new product, so that the IP owner, by refusing to deal, has the power to foreclose the market and prevent the development and offer of a new product for no justifiable reason (CJEU, docket C-241/91P – *Magill*).

If the owner has already granted licences to his or her IP, he or she will be obliged to apply comparable and non-discriminatory licence terms to all licensees if he or she has a dominant position in the relevant technology market (article 102(c) of the TFEU). Accordingly, the Federal Supreme Court (FSC) acknowledged that enforcing the claim for injunctive relief for patent infringement might amount to an abuse of a dominant position if the patent owner is under the obligation to grant a licence to the patent on FRAND terms (FSC, docket KZR 40/02 – *Standard-Bucket*; FSC, docket KZR 39/06 – *Orange Book Standard*). Similarly, the CJEU ruled that the market-dominant owner of a SEP may not claim injunctive relief against an implementer if a FRAND declaration was given for the SEP and the implementer has declared willingness to take a licence on FRAND terms (CJEU, docket C-170/13 *Huawei/ZTE*).

Abuse of market dominance under article 102 of the TFEU may occur, where the IP system is intentionally abused to maintain the exclusionary right of a patent or a similar right. Such exceptional circumstances have been found by the CJEU in the *AstraZeneca* case (case ID: C-457/10 P), where a pharmaceutical company obtained a supplementary protection certificate on its lapsed patent for a drug by

giving false information to the competent authority, thereby prolonging the right to exclude generic drugs from the market for no valid reason.

### Refusal to deal and essential facilities

- 29 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities?

Under exceptional circumstances, an IP right can be considered an 'essential facility' if it is indispensable to practise a certain technology or offer a certain product and therefore enables the owner to foreclose all competition in the market for that technology (CJEU, docket C-241/91P – *Magill*, CFI, docket T-167/08 – *Microsoft*). This reasoning is relevant for cases involving SEPs if the technology protected by the patent must be used to offer a competitive product. As section 19 (II 4) of the GARC stipulates, data can be considered an essential facility (eg, where such data is needed to provide for interoperability of systems). However, ownership of an IP right or data alone does not necessarily afford the owner a dominant position on the product market, which is a prerequisite for a violation of section 19 of the GARC and article 102 of the TFEU. Apart from this, not every SEP is indispensable to offering a competitive product. Whether or not this is the case will require a legal assessment on a case-by-case basis.

If an IP right is found to be an essential facility that must be used to offer a new product in a downstream market, the IP owner may temporarily lose its right to exclude third parties from use. Under section 33a of GARC and article 102 of the TFEU, the party seeking access to the IP right may have a right to a licence on FRAND terms.

## REMEDIES

### Remedies for violations of competition law involving IP

- 30 | What sanctions or remedies can the competition authorities or courts impose for violations of competition law involving IP?

Remedies may involve fines by the European Commission or the Federal Cartel Office (FCO). Agreements that involve provisions or clauses in breach of competition law provisions are automatically invalid, as per article 101 (I) and 102 (I) of the Treaty on the Functioning of the European Union (TFEU) and sections 1 and 19 of the Act on Restraints of Competition (GARC), in conjunction with section 134 of the German Civil Code.

If patents are concerned, the Federal Patent Court can order a compulsory licence to a patent pursuant to section 24 of the Patent Act (GPA) and will also fix a reasonable remuneration for the patent owner. This will require, however, that the person seeking the licence has shown serious (but unsuccessful) efforts to agree on a licence with the patentee and, more importantly, the desired licence is in the public interest, in particular in the interest of public health. In its *Isentress* decision (case ID: X ZB 2/17) the Federal Supreme Court (FSC) confirmed the grant of a compulsory licence under section 24 of the GPA for the first time. However, the facts of the case were special. The person seeking the licence convinced the FSC that the patented medication was the only effective cure for a certain group of patients of a potentially deadly disease. These high thresholds have been confirmed in the *Alirocumab* decision of the FSC (case ID: X ZB 2/19), where the Court rejected the grant of another compulsory licence. The FSC considered that the party seeking the licence failed to prove that the patented medication had substantial benefits over comparable drugs. Also, a significant reduction of mortality rates was not sufficiently supported by clinical tests. Therefore, a prevailing public interest that would justify curtailment of the patent owner's right of exclusive use was not sufficiently evidenced in this case.

### Competition law remedies specific to IP

- 31 | Do special remedies exist under your competition laws that are specific to IP matters?

There are no IP specific remedies. The general rules apply. However, if the exercise of an IP right is found to amount to an abuse of a dominant market position, the general remedy is a claim to a licence on fair, reasonable and non-discriminatory terms. This claim is commonly based on section 33a of the GARC (claim to remedy the disadvantages following from anticompetitive behaviour).

## ECONOMICS AND APPLICATION OF COMPETITION LAW

### Economics

- 32 | What role has competition economics played in the application of competition law in cases involving IP rights?

Economics plays a decisive role in the assessment of relevant markets, market dominance and the appraisal of economic damage that results from anticompetitive behaviour. The Federal Cartel Office has considered on several occasions that market power conveyed by market share may be mitigated by appreciable innovative pressure as a form of potential competition. This aspect of mitigating market dominance is also expressly stipulated in section 18 (IIIa 5) of the Act on Restraints of Competition (GARC). On the other hand, the access to the relevant data for offering competitive products or services on the concerned markets (such as the data necessary to provide compatible parts and supplies), can be taken into account in favour of market dominance; see section 18 (IIIa 4) of the GARC.

## RECENT CASES AND SANCTIONS

### Recent cases

- 33 | Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

The enforcement of standard-essential patents (SEPs) and the scope of the fair, reasonable and non-discriminatory terms (FRAND) defence remains a fiercely disputed issue at the interface between IP law and antitrust law in Germany and other EU jurisdictions. In late 2020, the Federal Supreme Court (FSC) handed down its first two decisions in *Sisvel v Haier* (case IDs: K ZR 35/17 and K ZR 36/17). These are the first verdicts of the highest German court on SEPs and FRAND after the Court of Justice of the European Union's (CJEU) 2015 ruling in the dispute between Huawei and ZTE. Unlike courts in other jurisdictions, the FSC construes the FRAND objection purely under antitrust law aspects. The decisive legal question is whether the enforcement of a SEP against an implementer of a technical standard amounts to an abuse of a dominant market position under article 102 of the Treaty on the Functioning of the European Union (TFEU). In the view of the FSC, the enforcement of a SEP may amount to an abuse of market dominance, if the technology covered by the patent-in-suit is indispensable for the offering of a competitive product on the relevant market. This may be the case for patents that are essential to a technical standard that provides for the interoperability of devices and networks.

The FSC also interprets the obligations that the SEP owner and implementer must follow according to the decision of the CJEU in *Huawei v ZTE* (docket C-170/13), which are commonly referred to as the 'FRAND dance'. Here, the FSC emphasised the implementer's obligation to show willingness to take a licence on FRAND terms. The FSC opined that declaring 'willingness' cannot be simple 'lip service'. Once the SEP owner has notified the implementer about his or her SEP and the potential infringement, the implementer must react without undue

delay by declaring its unconditional willingness to take a licence on 'whatever terms are, in fact, FRAND'. Further, the implementer must confirm its willingness 'by action' throughout the negotiation process, meaning that the implementer must actively participate in negotiating FRAND licence terms with the patentee to obtain a FRAND licence. If the implementer fails to do so, it will be considered an 'unwilling' licensee and its FRAND objection will fail. In that event, the SEP owner can claim an injunction under his or her SEP without violating article 102 of the TFEU. In a noteworthy decision, the Munich District Court (case ID: 7 O 36/21, *InterDigital v Xiaomi*) held that a SEP implementer who files or threatens to file an action to bar the SEP holder from enforcing its SEP in another jurisdiction (anti-suit injunction), must be considered an 'unwilling licensee' from the outset. That is, the SEP implementer who filed an anti-suit injunction to stop enforcement of the SEP will be barred from raising the FRAND defence in SEP infringement proceedings before the Munich District Court.

Unfortunately, the FSC did not set out in detail what would be FRAND terms and conditions in the *Sisvel v Haier* cases. The Court made it clear, however, that in the determination of licence terms, the focus will be on the non-discriminatory prong of FRAND. That is, the implementer is entitled to a licence on terms that do not put it at a disadvantage with regard to other licensees of the same patent or patent portfolio, which have a size and outfit comparable to the attacked implementer. While the onus to prove non-discrimination will lie with the patentee, the terms of previous licence agreements with regard to the patent portfolio will, in principle, be accepted by the courts, to establish non-discrimination.

Referring to the reasoning of the FSC in the *Sisvel v Haier* case, the Mannheim District Court handed down an injunction against the car manufacturer Daimler based on a SEP of Nokia that is relevant to the LTE standard (case ID: 2 O 34/19). The Mannheim District Court, and later the Munich District Court in a parallel case (case ID: 7 O 8818/19), considered Daimler to be an 'unwilling licensee' because Daimler refused to take a FRAND licence itself, but referred Nokia to Daimler's suppliers of the patent-infringing component. These suppliers (among them, Huawei) had expressed their genuine willingness to take a licence themselves.

The decisions in Mannheim and Munich came down, despite a formal request by the Federal Cartel Office (FCO) (case No. P-66/20) to stay the infringement proceedings and refer the question to the CJEU when a reference to the willing supplier does suffice to establish willingness. The FCO expressed its preference for the concept to license the supplier instead of the manufacturer of the end product ('component-level' licensing versus 'have-made' licensing), as in this scenario, the patent-infringing component would come from a licensed source, leading to the exhaustion of patent rights on the end product level. While the Dusseldorf District Court followed the request of the FCO in November 2020 and referred the question to the CJEU, Daimler and Nokia settled all cases out of court, making the referral to the CJEU obsolete. Thus, it remains an open issue whether the implementer of a technical standard can successfully rely on the willingness of its supplier to support its FRAND defence.

## Remedies and sanctions

### 34 | What competition remedies or sanctions have been imposed in the IP context?

Sanctions can include compulsory licences or sales of IP as a precondition to get merger clearance. Civil courts will declare agreements or provisions of agreements void if they violate antitrust law. IP owners that abuse their market dominance by denying access to their IP can be barred from enforcing their claim to injunctive relief. Fines by administrative bodies for anticompetitive behaviour in the IP context are possible but do not play a relevant role in practice.

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## UPDATE AND TRENDS

### Key developments

- 35 | Are there any emerging trends or hot topics in the law of IP and antitrust policy? Have changes occurred recently or are changes expected in the near future that will have an impact on the application of competition law to IP rights?**

Standard-essential patent (SEP) litigation and fair, reasonable and non-discriminatory (FRAND) licensing are currently dominating the legal debate in Germany. Emphasising the importance of this, the Federal Cartel Office (FCO) has requested a number of district courts to stay certain pending SEP cases and refer questions to the Court of Justice of the European Union (CJEU) for clarification. In essence, the FCO is seeking to clarify whether, under article 102 of the Treaty on the Functioning of the European Union (TFEU), the following amounts to an abuse of a dominant position: if a holder of a SEP, for which a FRAND declaration has been given, refuses to license a willing supplier, while at the same time enforcing its claim for an injunction against the manufacturer of the end product, which contains the SEP-infringing component of the supplier. While in late 2020, a first attempt to refer this question to the CJEU failed, commentators expect that this will eventually reach the highest EU court to decide this fundamental question at the interface between IP law and EU antitrust law.

Besides that, the debate about what is actually FRAND continues. The District Courts of Mannheim and Munich recently endorsed a plaintiff's approach to calculating a FRAND licence rate based on the benefit of the invention to the end product, while the 'smallest sellable unit' approach is not considered FRAND by these courts. While it remains to be seen whether these lower court decisions will hold on appeal, it is safe to say that the German patent infringement courts are SEP-holder friendly and are less likely to disallow licence terms of the patentee that have been accepted by third parties, provided that these terms are not outright unfair or discriminating against the implementer.

Meanwhile, the Unified Patent Court (UPC) and the Unitary Patent (Regulation (EU) No. 1257/2012), which aim to provide users with uniform patent protection in the 24 participating EU member states and, thereby, reduce distortion of competition, are back on track. Following the Federal Constitutional Court's refusal of objections raised against the German bill to ratify the UPC Agreement in September 2021, Germany, as the last member state required to ratify, can now bring the provisional phase of the UPC system into operation. This is expected at the end of 2021. The Court is expected to be fully operational by the end of 2022.



A hot topic to watch is the European Commission's plan for a Digital Markets Act (DMA), the first draft of which was published in December 2020. The envisaged law aims to provide better control of the competitive behaviour of large players in digital markets, which generate annual turnovers of above €6.5 billion or have more than 45 million monthly active users in the EU (eg, Facebook, Google and Amazon). Companies meeting these thresholds will be scrutinised by the European Commission. The draft bill provides for specific sanctions to keep the access to services and data fair and to avoid leverage of market power to adjacent markets at an early stage (ie, before market dominance is attained on the adjacent market). The envisaged remedies and sanctions would mean a substantial shift from the reactive status quo to a more pre-emptive approach towards battling anticompetitive behaviour in the digital sector.

While it remains to be seen in what form the DMA will become binding law, the German legislature has created a precedent with the newly introduced section 19a of the Act of Restraints on Competition. This provision, effective as of January 2021, gives the FCO the authority to formally designate undertakings to have 'superior market power across markets'. If this is established by the FCO for a specific undertaking, the FCO may expressly forbid certain anticompetitive practices, such as pre-installing certain software on devices or giving preference to one's own services over the services of competitors, which are, at the same time, dependent on the services of the undertaking in other markets. Initial guidance for the application of this provision can be found in the Federal Supreme Court's *Facebook* (case ID: K VR 69/19), where the online network was found to have abused its market-dominant position by aggregating and combining personal data collected from its members' websites outside the platform.

# India

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## INTELLECTUAL PROPERTY

### Intellectual property law

- 1 Under what statutes, regulations or case law are intellectual property rights granted? Are there restrictions on how IP rights may be enforced, licensed or otherwise transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

IP laws in India provide a well-established statutory, administrative and judicial framework for safeguarding IP in India.

Broadly, the following Acts deal with the protection of IP rights:

- the Patents Act 1970;
- the Trade Marks Act 1999;
- the Copyright Act 1957;
- the Designs Act 2000;
- the Geographical Indications of Goods (Registration and Protection) Act 1999;
- the Semiconductor Integrated Circuits Layout Design Act 2000;
- the Protection of Plant Varieties and Farmers' Rights Act 2001;
- the Information Technology Act 2000;
- the Biological Diversity Act 2002; and
- the Customs Act 1962, read with Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007.

These Acts have corresponding rules of practice to enable the exercise of their respective provisions and are compliant with TRIPs.

The enforcement, licensing or transfer of these IP rights is subject to the provisions of these statutes. There are specific requirements for each of these in each law, for example, a patent cannot be enforced until registered under the Patents Act, but a trademark may be enforced under common law.

A design is protected under the Designs Act but also as a trademark under common law. Although the design is protected under the Designs Act, the enforcement is an action (tort) of passing off that is based in common law.

Similarly, a copyright may be enforced under common law. A trade secret can be enforced through the principles of common law. There is no special statute for protecting the same.

Generally, licensing and the transfer of IP rights must be in writing and must be duly recorded with the respective offices set up under the statutes. There are provisions for compulsory licensing in patents and copyrights law providing for mandatory licensing in specific situations.

### Responsible authorities

- 2 Which authorities are responsible for granting, administering or enforcing IP rights?

The authorities responsible for administering and granting IP rights in India are as follows:

- the Patents Office;
- the Trade Marks Registry;
- the Designs Office;
- the Copyright Office;
- the Geographical Indications Registry;
- the Semiconductor Integrated Circuits Layout-Design Registry (under the Department of Electronics and Information Technology, Ministry of Communications and Information Technology);
- the Protection of Plant Varieties and Farmers' Rights Authority and the Registrar of Plant Varieties;
- the Biodiversity Authorities (at the national level, at the state level and at the local level) (under the Ministry of Environment, Forests and Climate Change); and
- the Customs Authorities.

Prior to 2021, appeals against the decisions of these authorities, except the Protection of Plant Varieties and Farmers' Rights Authority and the Registrar of Plant Varieties, lay before the Intellectual Property Appellate Board (IPAB). Since the abolishment of the IPAB in view of the Tribunals Reforms (Rationalisation and Conditions of Service) Ordinance 2021, the appropriate forum for such appeals are the respective high courts.

In India, judicial enforcement of IP rights falls within the jurisdiction of district and high courts, depending on the pecuniary jurisdiction. In territories where the high court has original civil jurisdiction (ie, Delhi, Mumbai, Kolkata, Madras), the plaintiff can file a patent infringement suit in either a commercial court at district level or the commercial division of the high court.

The Central Board of Indirect Taxes and Customs is empowered with the administrative enforcement of IP rights, such as the prohibition of import of infringing goods, the suspension of clearance of imported goods (with reasonable grounds to believe that the imported goods are goods infringing), the disposal of infringing goods and so on.

### Proceedings to enforce IP rights

- 3 What types of legal or administrative proceedings are available for enforcing IP rights? To the extent your jurisdiction has both legal and administrative enforcement options for IP rights, briefly describe their interrelationship, if any?

In any civil action for enforcement of IP rights, the following reliefs may be claimed:

- a permanent injunction;
- an interim injunction;

- damages;
- accounts and the handing over of profits;
- an *Anton Piller* order (the appointment of a local commissioner by the court for custody, or sealing of infringing material or accounts); and
- the delivery of goods.

Additionally, in the case of infringement of trademarks, copyrights, geographical indications, plant varieties and semiconductor integrated circuits layout designs, the following may also be initiated:

- the registration of a first information report; or
- the filing of a criminal complaint before a competent magistrates' court with the application for the issue of search and seizure warrants, directing the police to raid the premises of the accused for seizure of the infringing material, and arrest the infringers.

In India, the provisions for criminal prosecution for violation of any IP rights have been established, such that a criminal case can be filed against known and unknown persons. Both civil and criminal remedies, where applicable, can be availed simultaneously, and the remedies are coexistent.

A plaintiff is required to choose a specific forum on the basis of the amount in controversy but the reliefs available largely remain the same.

Because of this, on 3 May 2018, the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act was introduced, and commercial courts at district level, commercial divisions of high courts and commercial appellate divisions of high courts were constituted to deal with patent infringement matters.

In territories where the high court has original civil jurisdiction (ie, Delhi, Bombay, Calcutta, Madras, Himachal Pradesh), the plaintiff can file a patent infringement suit in either a commercial court at district level or the commercial division of the high court.

For pecuniary jurisdictions, the pecuniary value of patent infringement disputes adjudicated at district level is approximately US\$4,500 or more, and at high court level it is approximately US\$282,000 or more.

In territorial jurisdictions, the territory of the court in which a patent infringement suit is to be filed is decided is either the place where the defendant resides or conducts business or the place where the cause of action has arisen (ie, where the infringement took place).

Further, if a defendant files a counterclaim for the revocation of the patent, the suit and the counterclaim are transferred to the high court of the concerned territory. As defendants invariably file a counterclaim for revocation, patent infringement suits are typically heard mostly by the high court.

There are no specialised IP courts in India. However, some courts have gained the reputation of being favourable courts for IP matters.

Prior to 2021, the appeals against the decisions of authorities, except the Protection of Plant Varieties and Farmers' Rights Authority and the Registrar of Plant Varieties, lay before the IPAB. Since the abolishment of the IPAB in view of the Tribunals Reforms (Rationalisation and Conditions of Service) Ordinance 2021, the appropriate forum for such appeals are the respective high courts.

In general, the principle of *res judicata* precludes a party from initiating separate proceedings for the same issues before the same authority or a different authority, to avoid multiplicity or conflicting decisions.

Accordingly, if revocation or invalidity proceedings are pending, the court may stay the suit for infringement.

Customs authorities are empowered under the Customs Act and the Intellectual Property Rights (Imported Goods) Enforcement Rules to execute border control measures for enforcement of IP rights. They prohibit the import or export of goods for the protection of patents, trademarks and copyrights, and confiscate the infringing products. A customs officer is authorised to inspect any premises, conduct conveyance or X-ray inspection of any person and effect search and seizure where they

have reasons to believe that there are goods of a contraband nature. They can also investigate or interrogate any person and arrest him or her. The Intellectual Property Rights (Imported Goods) Enforcement Rules 2007 have been amended by way of Notification No. 56/2018 and the term 'patents' has been omitted from the meaning of 'intellectual property' in Rule 2. As a result, customs authorities are no longer tasked with examining and scrutinising the imports of any products or goods on the grounds of patent infringement.

## Remedies

### 4 What remedies are available to a party whose IP rights have been infringed? Do these remedies vary depending on whether one utilises judicial or administrative review or enforcement?

Upon infringement of an IP right, the following civil remedies may be availed by filing a suit for infringement or passing off (in the case of unregistered trademarks) in the competent court:

- permanent and temporary injunctions;
- *Anton Piller* orders and ex parte orders;
- orders for delivery up, surrender or seizure and destruction of the infringing goods; and
- an award of costs and damages.

Additionally, the following criminal remedies may also be availed by the aggrieved party.

Section 63 of the Copyright Act deals with offences of copyright infringement or other rights conferred by the Act and provides for imprisonment for a term not less than six months, which may be extended up to three years; and a fine of not less than approximately US\$700, which may be extended up to approximately US\$2,800. The term of imprisonment and the amount of the fine can be enhanced under the provisions of section 63A of the Copyright Act.

The Trade Marks Act also provides for criminal remedies against infringement and passing off of the trademark under Chapter XII, which deals with offences, penalties and procedures. Sections 103 and 104 provide for imprisonment for a term of not less than six months, which may be extended up to three years; and a fine of not less than approximately US\$700, which may extend up to approximately US\$2,800.

Under section 156 of the Code of Criminal Procedure 1973, the police have the power to investigate cognisable cases. Subsection 3 of section 156 provides that, in the case of refusal by the police to lodge a first information report or initiate criminal action, the aggrieved can file a complaint before the magistrate, the procedure for which is laid down in section 190 of the Code of Criminal Procedure.

A right holder may give notice to the Customs Authority requesting for suspension of the clearance of goods suspected to be infringing IP rights. After the notice has been granted by the Commissioner on due examination, the import of the allegedly infringing goods into India shall be deemed as prohibited within the meaning of section 11 of the Customs Act. On suspension of the clearance of such goods, the right holder has the right to examine such goods. If Customs Authority finds that the goods detained or seized have infringed IP rights, it shall destroy the goods under official supervision or dispose of them outside the normal channels of commerce after obtaining 'no objection' from or concurrence of the right holder or his or her authorised representative, subject to certain conditions.

## Nexus between competition and IP rights

### 5 Do any statutes, regulations or case law in your jurisdiction address the interplay between competition law and IP law?

While it is assumed that IP rights are based on the idea of monopolistic reward to the right holder, the provisions in the IP statutes in

India reflect the endeavour of the Indian Parliament to strike the right balance between the interests of the innovators and the wider public interest to foster an environment in which creativity and innovation can flourish. For example, as stipulated in section 83 of the Patents Act, patents are not granted merely to enable patentees to enjoy a monopoly on a patented article. This provision emphasises the general consideration that the patent right is not abused by the patentee or a person deriving title or interest on the patent from the patentee, and the patentee or a person deriving title or interest on the patent from the patentee does not resort to practices that unreasonably restrain trade or adversely affect the international transfer of technology, among other considerations.

The same intention is also reflected in judicial precedents wherein the courts have undertaken and supported harmonious construction of the provisions of the Competition Act and respective IP statutes. In 2013, Intex Technologies filed a complaint with the Competition Commission of India (CCI) against Ericsson stating that Ericsson's standard essential patent (SEP) licensing terms were unfair and abusive as Ericsson enjoyed a dominant position in the Indian markets. The CCI concluded that Intex had established a prima facie case. Ericsson thereafter filed a writ petition before the Delhi High Court wherein the Court upheld the jurisdiction of the CCI to adjudicate cases pertaining to the abuse of dominance by the SEP holders.

In the recent case of *Monsanto Holdings Pvt Ltd and Ors v Competition Commission of India and Ors* (WP(C) 1776/2016 and CM Nos. 7606/2016, 12396/2016 and 16685/2016), Mahyco Monsanto Biotech (India) Pvt Ltd (MMBL), which licensed its Bt cotton seed technology to seed manufacturers in India, was accused of abusing its dominant position and contravening sections 3 and 4 of the Competition Act. Thereafter, MMBL filed a writ petition before the Delhi High Court challenging the jurisdiction of the CCI to examine issues related to the exercise of rights granted under the Patents Act. However, the Delhi High Court referred to the decision in *Telefonaktiebolaget L M Ericsson v Competition Commission of India & Anr* (WP(C) 464/2014 & CM Nos. 911/2014 and 915/2014), wherein it was held that the provisions of the Competition Act clearly indicate that the intent of Parliament is to ensure that the provisions of the Competition Act are implemented in addition to provisions of other statutes and, therefore, there is no irreconcilable repugnancy or conflict between the Competition Act and the Patents Act. Hence, the CCI has the jurisdiction to examine abuse of dominance with regard to patent rights.

Since the interplay of competition law and IP statutes is becoming a prevalent topic of debate, it is expected that future precedents will lay down a clear framework and direction to address these overlapping issues effectively.

### Patent cooperation treaties and other agreements

#### 6 | Does your jurisdiction participate in any patent cooperation treaties or other similar agreements?

India is a member of the World Trade Organization and is committed to TRIPs. The country is also a member of the World Intellectual Property Organization (WIPO). It is also a member of the below IP-related WIPO-administered international treaties and conventions:

- the Paris Convention for the Protection of Industrial Property;
- the Patent Cooperation Treaty;
- the Budapest Treaty on the International Recognition of the Deposit of Micro-Organisms for the Purposes of Patent Procedure;
- the Convention Establishing the World Intellectual Property Organisation;
- the Berne Convention for the Protection of Literary and Artistic Works;
- the Convention on Biological Diversity;

- the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity;
- the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks;
- the Universal Copyright Convention;
- the Washington Treaty on Intellectual Property in Respect of Integrated Circuits;
- the Nairobi Treaty on the Protection of the Olympic Symbols;
- the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms;
- the Marrakesh Treaty to Facilitate Access to Published Works by Visually Impaired Persons and Persons with Print Disabilities;
- the International Plant Protection Convention;
- the International Treaty on Plant Genetic Resources for Food and Agriculture;
- the WIPO Copyright Treaty;
- the WIPO Performances and Phonograms Treaty;
- the Locarno Agreement for Establishing an International Classification for Industrial Designs;
- the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks;
- the Vienna Agreement for Establishing an International Classification of the Figurative Elements of Marks; and
- the Patent Prosecution Highway, the programme between the Indian Patent Office and the Japan Patent Office.

### Remedies for deceptive practices

#### 7 | With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices?

No, the Competition Act 2002 does not specifically provide remedies for deceptive practices. However, the term 'unfair trade practices' has been defined under the Consumer Protection Act 1986 and remedies are also provided in the form of penalties and costs.

Further, the Consumer Protection Act also defines the term 'misleading advertisements' for which remedies have been provided under this Act, and the same are applicable to trademarks in respect of trademark disparagement.

### Technological protection measures and digital rights management

#### 8 | With respect to copyright protection, is WIPO protection of technological protection measures (TPMs) and digital rights management (DRM) enforced in your jurisdiction? Do statutes, regulation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Has TPM or DRM protection been challenged under the competition laws?

The Copyright Amendment Act 2012 has added section 2(xa), which identifies 'rights management information' as the title or information identifying the work or performance, the name of the author, details of the owner and the terms regarding use of the rights. Further, the statute also criminalises and penalises the circumvention of TPMs under section 65a as introduced by the 2012 Amendment Act and alteration of rights management information under section 65b. There are certain exceptions to the above penalties, including where the act is carried out to conduct encryption research using a lawfully obtained encrypted copy, or for conducting any lawful investigation or doing anything for the purpose of testing the security of a computer system or taking measures in the interest of national security.

The Copyright Act was amended to bring it in line with the WIPO Performances and Phonograms Treaty and the WIPO Copyright Treaty.

## Industry standards

### 9 | What consideration has been given in statutes, regulation or case law to the impact of the adoption of proprietary technologies in industry standards?

The Competition Act deals with the impact of the adoption of proprietary technologies in industry standards, also referred to as SEPs, by way of section 4 of the Act, which implicitly extends to prohibition of abuse of a dominant position by the SEP holder. 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. Accordingly, the CCI has jurisdiction to inquire into the abuse of dominance by SEP holders.

In 2013, Intex Technologies filed a complaint with the CCI against Ericsson, stating that Ericsson's SEP licensing terms were unfair and abusive as Ericsson enjoyed a dominant position in the Indian markets. Intex argued that Ericsson demanded potential licensees to enter into strict non-disclosure agreements and hence was restrictive and violative of Ericsson's fair, reasonable and non-discriminatory (FRAND) obligations. The CCI concluded that Intex had established a prima facie case for all its allegations and directed the Director General to investigate the allegations of abuse of dominance against Ericsson.

Similarly, Micromax Informatics Limited filed a complaint with the CCI against Ericsson, stating that Ericsson's SEP licensing terms were unfair and abusive as Ericsson enjoyed a dominant position in the Indian markets. The CCI held that, since Ericsson held SEPs and there was no alternate technology in the market, Ericsson enjoys complete dominance over its present and prospective licensees in the relevant product market and, thus, could be said to be dominant. Further, the CCI noted that royalty rates being charged by Ericsson had no connection to the patented product, contrary to what was expected from patent owner holding licences on FRAND terms and, therefore, Ericsson seemed to be acting contrary to FRAND terms by imposing royalties linked with the cost of product of user for its patents. The CCI concluded that a prima facie case existed and directed the Director General to investigate the matter.

In 2015, iBall filed a complaint with the CCI against Ericsson, stating that iBall was made to sign 'onerous terms of the NDA' while executing the licensing agreement. Moreover, iBall contended that the royalty charged by Ericsson was unreasonably high and the same had been unfairly calculated based on a percentage of the price of the whole product rather than the patented item alone. Further, while charging the royalty, Ericsson had unfairly bundled patents not relevant to iBall's products. In ruling that Ericsson held a dominant position in the market concerned, the CCI found Ericsson to be in contravention of the Competition Act. In setting unfair terms such as an NDA and charging excessive royalty, Ericsson was abusing its dominance and not adhering to international standards of FRAND terms in licensing out SEP technology such as 2G, 3G and 4G standards.

## COMPETITION

### Competition legislation

#### 10 | What statutes set out competition law?

Competition law in India is governed by the Competition Act, which regulates practices that may be adversarial to competition among businesses, thus promoting competition in the market.

Alongside the Competition Act, there is a set of rules regulating the combinations and mergers between different players in the market – the Competition Commission of India (Procedure in regard to the transaction of Business relating to Combinations) Regulations. These regulations are geared towards maintaining fair competition in

the market and to ensure that no merger causes an adverse effect on competition.

### IP rights in competition legislation

#### 11 | Do the competition laws make specific mention of any IP rights?

Section 3(5)(i) of the Competition Act provides that the provisions related to anticompetitive agreements are not applicable to agreements executed by a person to restrain any infringement of, or to impose reasonable conditions for, protecting the person's IP rights protected under Indian IP laws.

### Review and investigation of competitive effects from exercise of IP rights

#### 12 | Which authorities may review or investigate the competitive effect of conduct related to exercise of IP rights?

The Competition Commission of India (CCI) is the competent authority to review or investigate the competitive effect of conduct related to the exercise of IP rights, as is the case with all business practices. Appeals against CCI decisions lie before the National Company Law Appellate Tribunal (NCLAT). Decisions of the NCLAT are appealable before the Supreme Court of India.

### Competition-related remedies for private parties

#### 13 | Can a private party recover for competition-related damages caused by the exercise, licensing or transfer of IP rights?

The NCLAT, in general, has the original jurisdiction to award compensation to a person for any loss or damage suffered at the hands of an enterprise for their anticompetitive practices (based on the findings of the CCI). This, however, is not limited to the enterprise's exercise, licensing or the transfer of IP rights. The Competition Act provides a right to any natural or legal person, including private parties, to recover competition-related damages against the anticompetitive conduct (including the exercise, licensing or transfer of IP rights) of an enterprise.

### Competition guidelines

#### 14 | Have the competition authorities, or any other authority, issued guidelines or other statements regarding the overlap of competition law and IP?

No recent guidelines have been issued by the competition authorities or any other authority regarding the overlap of competition law and IP.

However, considering the recommendation by the Competition Law Review Committee, the Ministry of Corporate Affairs produced a draft Competition (Amendment) Bill 2020. The Bill puts forth clause 4A, which is an addition to section 4 of the existing Act dealing with abuse of dominance. Clause 4A reads: 'Nothing contained in section 3 or section 4 shall restrict the right of any person to restrain any infringement of, or to impose reasonable conditions, as may be necessary for protecting any of his rights which have been or may be conferred under . . . (a) the Copyright Act, 1957 (14 of 1957); (b) the Patents Act, 1970 (39 of 1970); . . . '.

This clause can essentially be seen as an addendum to the existing proviso of section 3(5), which carves out an exemption for IP right holders; however, this clause acts as a proviso to both sections 3 and 4, by not limiting the exception to just anticompetitive agreements.

The Bill also expands the current list of IP statutes to six (from five). It also adds a residual clause covering 'any other law relating to the protection of IP rights that may be in force', thus enhancing the protection accorded to IP right holders.



## Exemptions from competition law

### 15 | Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

Section 3(5)(i) of the Competition Act provides that any agreement that restrains the infringement of or imposes reasonable conditions to protect IP rights protected under Indian IP laws shall be exempted from being considered as anticompetitive.

Generally, the CCI has narrowly interpreted this exemption by holding that it extends only to the IP rights protected under the Indian IP laws and the restrictions must be 'reasonable' for them to be eligible for the exemption. In *Samsher Kataria v Honda Sael and Ors* (Case No. 03/2011), the CCI held that IP rights not registered in India would not be exempted under section 3(5)(i) of the Competition Act.

Further, in *K Sera Sera Digital Cinemas Limited v Pen India Ltd and Ors* (Case No. 97/2016), the point of contention was that the licensor executed selective distribution agreements. The CCI, in utilising section 3(5) of the Competition Act, posted that it is the right of the copyright holder to deny access to its product to an entity accused of repeated infringement in the past.

With regards to the interface between IP rights in India and Competition law, the Delhi High Court observed in *Telefonaktiebolaget L M Ericsson v Competition Commission of India & Anr* (WP(C) 464/2014 & CM Nos. 911/2014 and 915/2014) that 'if there are irreconcilable differences between the Patents Act and the Competition Act in so far as anti-abuse provisions are concerned, the Patents Act being a special Act shall prevail'. In effect, this means that if a point of law in the IP regime is in question and has not been adequately addressed by the competition law statute in terms of anti-abuse provisions, the Patents Act would prevail in the jurisprudence of the matter.

## Copyright exhaustion

### 16 | Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws?

Yes, India recognises the doctrine of first sale, such that copyright in a work does not extend to copies already in circulation and a copy, once sold, is deemed to be a copy already in circulation and distribution of the same is not infringement.

In the case of *Engineering Analysis Centre for Excellence Pvt Ltd v CIT* (Civil Appeal Nos. 8733-8734 of 2018), the Supreme Court of India recognised copyright exhaustion in computer software mainly by observing two amendments made in the Copyright Act 1957 in 1994 and 1999, where it opined that the latter amendment re-established the doctrine of copyright exhaustion in software in section 14(b)(ii) as the phrase 'regardless of whether such copy has been sold or given on hire on earlier occasions' was absent from the text, thus giving statutory recognition to the doctrine of exhaustion.

In the case of *Warner Bros Entertainment Inc v Santosh V G* (CS (OS) No. 1682/2006), the Single Judge of the High Court of Delhi explained the principle of exhaustion as follows:

*57. The doctrine of exhaustion of copyright enables free trade in material objects on which copies of protected works have been fixed and put into circulation with the right holder's consent. The 'exhaustion' principle in a sense arbitrates the conflict between the right to own a copy of a work and the author's right to control the distribution of copies. Exhaustion is decisive with respect to the priority of ownership and the freedom to trade in material carriers on the condition that a copy has been legally brought into trading. Transfer of ownership of a carrier with a copy of a work fixed on it makes it impossible for the owner to derive further benefits from*

*the exploitation of a copy that was traded with his consent. The exhaustion principle is thus termed legitimate by reason of the profits earned for the ownership transfer, which should be satisfactory to the author if the work is not being exploited in a different exploitation field.*

*58. Exhaustion of rights is linked to the distribution right. The right to distribute objects (making them available to the public) means that such objects (or the medium on which a work is fixed) are released by or with the consent of the owner as a result of the transfer of ownership. In this way, the owner is in control of the distribution of copies since he decides the time and the form in which copies are released to the public. Content-wise the distribution right is to be understood as an opportunity to provide the public with copies of a work and put them into circulation, as well as to control the way the copies are used. The exhaustion of rights principle thus limits the distribution right, by excluding control over the use of copies after they have been put into circulation for the first time.*

*However, in the case of John Wiley v Prabhat Chander* (IA No. 11331/2008 in CS (OS) No. 1960/2008), the Delhi High Court held that exporting books whose sale and distribution was subject to territorial restrictions amounts to copyright infringement. In this case, the plaintiff published low-priced editions (LPEs) of a book with the rider that they were meant for sale and resale only in India, Bangladesh, Nepal, Pakistan, Sri Lanka, Indonesia, Myanmar, the Philippines and Vietnam. The defendants offered the LPEs online for sale worldwide. The plaintiff contended that after the first sale, its rights in the LPEs were exhausted only in India and the defendants had contravened their distribution right under the Copyright Act.

The Court held that, in the absence of an express provision for international exhaustion, regional exhaustion would apply and affirmed that the right owner had the exclusive right to assign or license the work, which could be limited by way of period or territory, and could be exclusive or non-exclusive. Therefore, a copyright owner's distribution right may be exhausted with respect to some countries and not others.

Further, the same cannot be held to be anticompetitive, as per *Penguin Books Ltd v India Book Distributors* (AIR 1985 Delhi 29, 26 (1984) DLT 316).

## Import control

### 17 | To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

Customs authorities are empowered under the Customs Act and the Intellectual Property Rights (Imported Goods) Enforcement Rules 2007 to execute border control measures for the enforcement of IP rights. They prohibit the import or export of goods for the protection of trademarks and copyrights, and confiscate the infringing products. The custom authorities are empowered to seize suspected counterfeit goods and report the same to the rights holder for the determination of authenticity. The rights holder may then file a civil suit seeking injunction and prohibition of such unauthorised importation and the distribution of such goods. A customs officer is also authorised to inspect any premises, or conduct conveyance or an X-ray inspection of any person and effect search and seizure where they have reasons to believe that there are goods of a contraband nature. They can also investigate or interrogate any person and arrest him or her. The Intellectual Property Rights (Imported Goods) Enforcement Rules have been amended by way of Notification No. 56/2018 and the term 'patents' has been omitted from the meaning of 'intellectual property' in Rule 2. As a result, custom authorities are no longer tasked with examining and scrutinising the imports of any products or goods on the grounds of patent infringement.

## Jurisdictional interaction between competition laws and IP rights

- 18 | Are there authorities with exclusive jurisdiction over IP-related or competition-related matters? For example, are there circumstances in which a competition claim might be transferred to an IP court to satisfy subject matter jurisdiction? Are there circumstances where the resolution of an IP dispute will be handled by a court of general jurisdiction?

The exclusive jurisdiction pertaining to IP rights and related subject matter is vested with the respective statutory bodies established under the statutes, such as the Patents Office, the Designs Office and the Trade Marks Registry. With respect to competition law, the CCI and the NCLAT have exclusive jurisdiction over competition law cases.

Commercial courts at district level, commercial divisions of high courts and commercial appellate divisions of high courts were constituted to deal with IP infringement matters, depending on the pecuniary and territorial jurisdiction. IP rights can be enforced by bringing actions to the civil courts or through criminal prosecution (specifically in trademark matters), and both the IP statutes and the Competition Act set out the necessary procedures for this.

### MERGER REVIEW

#### Powers of competition authority

- 19 | Does the competition authority have the same authority with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

Yes, the Competition Commission of India (CCI) has the same authority with respect to reviewing mergers involving IP rights as it does with respect to any other merger. The provisions contained in the Competition Act are to be read in addition to and not in derogation of other existing laws, as stated in section 62 of the Competition Act. Therefore, the presence of IP rights cannot affect the analysis of the CCI.

#### Analysis of the competitive impact of a merger involving IP rights

- 20 | Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

No, the Competition Act does not provide a different standard for the analysis of the competitive impact of a merger involving IP rights. Any such merger that may have an appreciable adverse effect on the competition in the relevant market is prohibited under the Competition Act under sections 5 and 6. However, the CCI (Procedure in regard to the transaction of the business relating to Combinations) Regulations stipulate certain information regarding IP rights to be provided by the parties to the merger.

#### Challenge of a merger

- 21 | In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights? Does this differ from the circumstances in which the competition authority might challenge a merger in which IP rights were not a focus?

The circumstances under which the CCI would challenge an IP-focused merger would be the same as the circumstances in which the CCI might challenge a non-IP-focused merger.

## Remedies to address the competitive effects of mergers involving IP

- 22 | What remedies are available to address competitive effects generated by a merger when those effects revolve around the transfer of IP rights?

The CCI can propose structural and behavioural modifications to address competitive effects generated or likely to be generated by a merger. The parties can also offer voluntary commitments at any time before the CCI issued its order proposing modifications, after which the parties can offer a counter proposal, which the CCI can either accept or reject.

In its order dated 5 December 2014, the CCI, before approving a merger between Sun Pharmaceuticals and Ranbaxy Laboratories, mandated that, in mergers involving IP rights, brands owned by either party to a merger, which would cause anticompetitive effects in the relevant market, must be divested (ie, assigned, licensed or transferred such that parties have no direct or indirect interest in them thereafter).

### SPECIFIC COMPETITION LAW VIOLATIONS

#### Conspiracy

- 23 | Can the exercise, licensing or transfer of IP rights create price-fixing or conspiracy liability?

Yes, the exercise, licensing or transfer of IP rights can create price-fixing or conspiracy liability, and these agreements are treated under section 3 of the Competition Act in the same purview as for non-IP conduct. Once a cartel or horizontal agreement is found to exist, it is presumed to cause an appreciable adverse effect on competition unless the agreement relates to an efficiency-enhancing joint venture. Though this presumption is rebuttable, precedents suggest that this burden has been an onerous one, and alleged cartelists have rarely succeeded in rebutting this presumption.

In *FICCI – Multiplex Association of India v United Producers/ Distributors Forum and Ors* (Case No. 1 of 2009), the Federation of Indian Chambers and Industry (FICCI) filed information before the Competition Commission of India (CCI) against United Producers/ Distributors Forum (UPDF) and others for a market cartel in films against multiplexes. To raise their revenue, UPDF refused to deal with multiplex owners, who were 100 per cent dependent upon the films. The CCI found that the conduct of producers and distributors was anticompetitive within the meaning of section 3(3) of the Competition Act. The UPDF and others hold almost 100 per cent share in the Bollywood film industry. UPDF was indulged in limiting and controlling the supply of films in the market by refusing to deal with multiplexes. Accordingly, the CCI refrained the UPDF from indulging in such anticompetitive practices and imposed a penalty.

#### Scrutiny of settlement agreements

- 24 | How would a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective? What are the key factors informing such an analysis?

Although there are no cases where the CCI has scrutinised settlement agreements terminating an IP infringement dispute, as held by the Delhi High Court, the CCI would be at liberty to consider the factum of settlement and may even take sua sponte action if it still feels action against the petitioner is required for abuse of the dominant position.



## Reverse payment patent settlements

### 25 | How have the competition laws been applied to reverse payment patent settlements in your jurisdiction?

At present, there are no cases where competition laws have been applied to reverse payment patent settlements in India.

## (Resale) price maintenance

### 26 | Can the exercise, licensing, or transfer of IP rights create liability under (resale) price maintenance statutes or case law?

Section 3(4)(e) of the Competition Act clearly states that an agreement for resale price maintenance would contravene the Act if it causes an adverse appreciable effect on competition in India.

In *Jasper Infotech v Kaff Appliances*, the CCI held that agreements or directions to maintain a minimum resale price, and withholding purchase by third parties, if the same is not met, is prima facie a violation of section 4, notwithstanding that the same is a purported exercise of the IP rights of the proprietors.

Further, in *Fx Enterprise Solutions India Pvt Ltd v Hyundai Motor India Ltd*, the CCI held that Hyundai Motor India Limited (HMIL) entered into an arrangement resulting in resale price maintenance and, thus, violated the provisions of section 3(4)(e) read in consonance with section 3(1) of the Competition Act. Consequently, HMIL was directed to pay a penalty of over US\$12 million.

In 2019, the CCI launched a suo moto inquiry into alleged claims of resale price maintenance agreement between Maruti Suzuki India Ltd (MSIL) and its dealers. It was alleged that MSIL imposed its discount control policy, preventing its dealers from giving out greater discounts than were officially agreed upon in a particular region. In response to MSIL's defence of the absence of an agreement to imply a discount control policy, the CCI was of the view that, as per the Competition Act, an 'agreement' constitutes any arrangement, regardless of whether such an arrangement is enforceable by law. Therefore, before ordering a further investigation, the CCI claimed that MSIL's claim of the absence of any discount control policy by implication was not tenable.

## Exclusive dealing, tying and leveraging

### 27 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to exclusive dealing, tying and leveraging?

The statutes pertaining to IP rights in India and the Competition Act address the liability of parties in respect of exclusive dealing, tying and leveraging.

Section 140 of the Patents Act 1970 and section 42 of the Designs Act prohibit the right holders (licensors) from entering into agreements that restrain the licensee from acquiring or using other products, processes, particles or designs or to challenge the validity of a patent. Under the Competition Act, the CCI is empowered to investigate any exclusive tie-ins, leveraging and dealing for potential anticompetitive effects.

## Abuse of dominance

### 28 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to monopolisation or abuse of dominance?

Yes, the exercise, licensing or transfer of IP rights may create liability under statutes or case law relating to monopolisation or abuse of dominance. Section 4 of the Competition Act proscribes activities comprising abuse of dominance, which also apply to unreasonable conditions for

exploitation of IP rights, and thus, any of the above activities resulting in an encumbrance to competition would fall within the purview of this provision.

In the case of *Atos Worldline India Pvt Ltd v Verifone India Sales Pvt Ltd and Ors*, confirming the findings of the Director General, the CCI noted that Verifone was in a dominant position in the relevant market of point of sale terminals in India. The conclusion was based on Reserve Bank of India data pertaining to Verifone's sales, market share, size, resources, capabilities, pan-Indian presence and economic power in the market. The CCI also perused and analysed the terms of the licence agreement in question and noted that certain clauses and restrictions in the agreement were clearly restrictive, unfair and anticompetitive. Hence, in view of the circumstances, the CCI concluded that Verifone was abusive in terms of section 4 of the Competition Act.

In the case of *Air Works India (Engineering) Private Limited v GMR Hyderabad International Airport Limited and Anr* (Case No. 30 of 2019), the CCI noted that every refusal to deal would not contravene the Competition Act, but a refusal to deal would likely qualify as an abuse of dominance, where:

- refused input is indispensable or substitutable for an entity to compete in the downstream market;
- refusal eliminated competition in the downstream market; and
- refusal is likely to damage consumers.

Further, in the case of *Samsheer Kataria v Honda Sael and Ors* (Case No. 03/2011), the original equipment manufacturer's refusal to license its diagnostic tools to independent repairers and workshops was held as an abuse of dominance.

## Refusal to deal and essential facilities

### 29 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities?

Yes, the exercise, licensing or transfer of IP rights may create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities.

The specific statutes pertaining to IP rights, such as the Patents Act (Chapter XVI) and the Copyright Act (section 31), stipulate provisions for compulsory licensing. The grant of a compulsory licence is often misconstrued to mean the relinquishment of a proprietor's IP rights. However, in reality, the right holder continues to have such IP rights, including the right to be compensated for such licence.

The Patents Act provides that an application for a compulsory licence for a patent can be made if the reasonable requirements of the public with respect to the patented invention have not been satisfied, the patented invention is not available to the public at a reasonably affordable price or the patented invention is not worked in the territory of India.

The Patent Office, while deciding on an application for compulsory licensing, noted that: 'from its very nature, a right cannot be absolute. Whenever conferred upon a patentee, the right also carries accompanying obligations towards the public at large . . . A slight imbalance may fetch highly undesirable results. It is this fine balance of rights and obligations that is in question in this case.'

The Copyright Act provides for a complaint to be made if the owner of a copyright has refused to republish or allow republication, amounting to withholding of the work from the public. Further, refusal to allow communication to the public on reasonable terms may also be grounds for such a complaint. On such a complaint, a licence to republish or perform or communicate such work to the public can be granted by the Copyright Board on satisfaction that the grounds for refusal are unreasonable.

A refusal to license IP exclusively held by a dominant enterprise may be deemed abusive because it may limit the 'production of goods or provision of services or market', restrict the 'technical or scientific development relating to goods or services to the prejudice of consumers', or result in the 'denial of market access', which would amount to abusive conduct under section 4(2) of the Competition Act. In 2018, in *East India Petroleum Pvt Ltd (EIPL) v South Asia LPG Company Pvt Ltd (SALPG)* (Case No. 76 of 2011), the CCI stated that: 'having held SALPG to be the dominant enterprise, Commission does not find it necessary to decide whether the terminalling infrastructure of SALPG is an essential facility or not as dominance of SALPG has been established in terms of relevant parameters under Section 19(4) of the Act. As a result, it is vested with special responsibility to not inhibit competition and be compliant with the requirements of the obligation cast under Section 4 of the Act.'

## REMEDIES

### Remedies for violations of competition law involving IP

#### 30 | What sanctions or remedies can the competition authorities or courts impose for violations of competition law involving IP?

Under section 27 of the Competition Act, the Competition Commission of India (CCI) is empowered to direct that an anticompetitive agreement or association be discontinued, impose appropriate penalties, modify agreements and direct enterprises to abide by such orders as it may pass, including payment of costs. In December 2014, the CCI approved the *Sun Pharma-Ranbaxy* merger with the caveat that the merged entity will have to divest seven drug formulations in which its combined market share goes up to 95 per cent, resulting in a monopoly.

Further, under section 28 of the Competition Act, the CCI is empowered to divide any enterprise enjoying dominant position, ensuring that the enterprise does not abuse its dominant position.

### Competition law remedies specific to IP

#### 31 | Do special remedies exist under your competition laws that are specific to IP matters?

No, there are no remedies in the Competition Act that are specific to IP matters. The Act prohibits an acquisition, merger or amalgamation that may cause an adverse appreciable effect on competition within the relevant market; however, there is no special consideration given to IP rights as such, except when defining the relevant market.

## ECONOMICS AND APPLICATION OF COMPETITION LAW

### Economics

#### 32 | What role has competition economics played in the application of competition law in cases involving IP rights?

Competition economics plays a significant role in the application of competition law in cases involving IP rights. On numerous occasions, the Competition Commission of India has paid due importance to factors that are descriptive and considerate of the commercial interests of the parties and the market at large. While the IP laws are focused on protecting the efforts of the right holder, the necessity of balance has also been acknowledged in IP laws. For example, the main objective of section 84 of the Patents Act, which stipulates the provision for compulsory licensing, is to prevent the abuse of a patent as a monopoly and to allow the commercial exploitation of an invention by an interested person.

## RECENT CASES AND SANCTIONS

### Recent cases

#### 33 | Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

In the complaint filed by Intex Technologies in 2013 against Ericsson, stating that Ericsson's standard essential patent (SEP) licensing terms were unfair and abusive as Ericsson enjoyed a dominant position in the Indian markets, the Competition Commission of India (CCI) concluded that Intex had established a prima facie case for all its allegations, which were meritorious, and accordingly held that Ericsson was abusing its dominance in the market. Ericsson then filed a writ petition before the Delhi High Court. The Court upheld the jurisdiction of the CCI to adjudicate cases pertaining to abuse of dominance by SEP holders, and upheld the order of the CCI directing the Director General to investigate the allegations of abuse of dominance against Ericsson. At present, the report of the Director General is awaited and thereafter the CCI will resume the proceedings and pronounce the final judgment in the matter.

iBall's complaint against Ericsson in 2015 before the CCI also included a number of allegations that were admitted and considered meritorious by the CCI. According to iBall, Ericsson violated a number of fair, reasonable and non-discriminatory (FRAND) terms along with being in violation of section 4 of the Competition Act. It was alleged that Ericsson wanted to execute a patent-licensing agreement with iBall, and a non-disclosure agreement to license GSM and WCDMA to make compliant products. iBall asserted that the terms of the non-disclosure agreement were not just strict and onerous but also restricted arbitration in Stockholm and covered iBall's past as well as future sales within the ambit of the licensing agreement. iBall also accused Ericsson of bundling non-SEPs with SEPs in the agreement, which was a blatant disregard of the FRAND terms. The CCI upheld the accusations and found Ericsson guilty of the same. Ericsson thereafter filed a writ petition with the Delhi High Court, which is currently pending.

In May 2020, a complaint was filed against Monsanto, alleging violation of sections 3 and 4 of the Competition Act. Monsanto owned patented Bt Cotton seed technology and sublicensed it to certain seed manufacturers in India in return for royalty for the use of the patented technology. The orders passed by the CCI were challenged on the grounds that the CCI lacked the jurisdiction to take up complaints pertaining to the exercise of rights granted under the Patents Act. However, the Delhi High Court dismissed the petition challenging the order by the CCI and held that there was no irreconcilable repugnancy or conflict between the Competition Act 2002 and the Patents Act 1970 and, therefore, upheld the order and jurisdiction of the CCI.

### Remedies and sanctions

#### 34 | What competition remedies or sanctions have been imposed in the IP context?

The CCI has held that compulsory licensing or divestment of brands should be seen as a precondition to approval in any merger agreement. Even in the absence of specific IP-related provisions, it can be understood that the exercise of the CCI's powers and imposition of remedies and sanctions in an IP context are undeterred by the fact.

## UPDATE AND TRENDS

### Key developments

- 35 | Are there any emerging trends or hot topics in the law of IP and antitrust policy? Have changes occurred recently or are changes expected in the near future that will have an impact on the application of competition law to IP rights?

The Patents Act and the Competition Act are intended to be interpreted harmoniously. However, there has long been a debate on the powers conferred on the authorities by these Acts. Further, the authorities have adopted different methodologies when reaching conclusions in different matters.

In light of the evolving role being played by the Competition Commission of India (CCI) in IP-related matters, it can be expected that a new wave of consideration may influence the balance of rights and obligations on a patentee.

The evolving nature of decisions by the CCI and the courts clarify that due consideration is being given to market conditions in India while devising suitable methods of valuations. For example, initially, the CCI's orders seemed to favour using the smallest saleable patent-practising component to determine royalties in complaints concerning standard essential patents.

However, the Delhi High Court has adopted a different perspective in infringement suits. It used the value of the downstream product as a royalty base and relied on comparable licences to determine the royalty. Further, the court has placed the onus of proof on the defendant to establish that the rates offered by the plaintiff were not fair, reasonable and non-discriminatory. Moreover, the Delhi High Court precluded the CCI from determining royalty while holding that the CCI can still carry out investigations for antitrust and abuse of dominance.

However, in a recent decision, the Delhi High Court did not assess royalty rates based on comparable licences, but simply inferred them from the parties' conduct and the plaintiff's assertion that its licence was on FRAND terms. The Court accepted the plaintiff's argument that the patent royalty rates should be determined by evidence of prior negotiation between the parties.

Thus, we may see that the courts and the CCI eventually develop mutually agreeable and foreseeably consistent methods of valuation in SEP-related matters, among other questions.

Guidelines may be issued for streamlining the practices adopted in matters involving the interplay of competition and IP laws to provide clarity to stakeholders.



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# Japan

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## INTELLECTUAL PROPERTY

### Intellectual property law

- 1 Under what statutes, regulations or case law are intellectual property rights granted? Are there restrictions on how IP rights may be enforced, licensed or otherwise transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

IP rights are granted under the following acts:

- the Patent Act (No. 121 of 1959);
- the Utility Model Act (No. 123 of 1959);
- the Design Act (No. 125 of 1959);
- the Trademark Act (No. 127 of 1959);
- the Plant Variety Protection and Seed Act (No. 83 of 1998);
- the Act on the Circuit Layout of Semiconductor Integrated Circuits (No. 43 of 1985);
- the Copyright Act (No. 48 of 1970); and
- the Unfair Competition Prevention Act (No. 47 of 1993).

For patent, utility model, design and trademark rights to be granted, registration at the Patent Office is required. For the registration of breeders' rights under the Plant Variety Protection and Seed Act, registration at the Ministry of Agriculture, Forestry and Fisheries (MAFF) is required, and for the right to the layout of semiconductor integrated circuits, registration is required at the Software Information Centre as designated by the Ministry of Economy, Trade and Industry (METI). As for copyrights and trade secrets, no registration is required.

Licensing of IP rights generally becomes effective upon agreement between a licensor and a licensee, without registration with governmental authorities. However, the relevant acts state that an exclusive licence of the registrable rights described above shall not become effective without registration with the competent authorities. In reality, many licensees refrain from registering exclusive licences to save registration costs. An exclusive licensee with registration may statutorily claim the licence against third parties (eg, an infringer). If a third party infringes the relevant IP right, an exclusive licensee without registration may be entitled to damages, but such a licensee cannot seek injunctive relief against the infringer.

The transfer, waiver or restriction on the disposability of the registrable rights must be registered with the relevant authorities. The creation, transfer, change, extinction or restriction on the disposability of the registered exclusive rights must also be registered. Unless so registered, no such transfer, etc, will be effective against third parties.

If two or more people share the registrable rights described above, the transfer or licensing of such rights requires the consent of all holders.

The protection of IP rights in Japan exceeds the minimum requirement by TRIPs.

### Responsible authorities

- 2 Which authorities are responsible for granting, administering or enforcing IP rights?

The Patent Office, an extra-ministerial bureau of the METI, is the responsible authority for administering the Patent Act, the Utility Model Act, the Design Act and the Trademark Act, including granting the relevant registrable IP rights. The MAFF is responsible for administering the Plant Variety Protection and Seed Act, including granting the relevant registrable IP rights. The METI is responsible for administering the Act on the Circuit Layout of Semiconductor Integrated Circuits and the Unfair Competition Prevention Act, including granting the relevant registrable IP rights. The Agency for Cultural Affairs, an extra-ministerial bureau of the Ministry of Education, Culture, Sports, Science and Technology, is responsible for administering the Copyright Act. All these IP rights are ultimately enforced through judicial proceedings conducted by the court.

### Proceedings to enforce IP rights

- 3 What types of legal or administrative proceedings are available for enforcing IP rights? To the extent your jurisdiction has both legal and administrative enforcement options for IP rights, briefly describe their interrelationship, if any?

In legal proceedings, civil lawsuits are available. A civil action of first instance relating to a patent right, utility model right, right of layout designs of integrated circuits or an author's right over a computer program shall be subject exclusively to the jurisdiction of the Tokyo District Court or the Osaka District Court, depending on the location of the court in which the action could otherwise be filed (article 6, paragraph 1 of the Code of Civil Procedure), and any such action is assigned to one of the court divisions that exclusively handle IP-related cases. An appeal to the court of second instance against the final judgment of the court of first instance in such an action shall be subject exclusively to the jurisdiction of the Tokyo High Court (article 6, paragraph 3 of the Code of Civil Procedure) (specifically, the Intellectual Property High Court, a special branch of the Tokyo High Court, handles the cases). In administrative proceedings, the holders of a patent, utility model, design, trademark, copyright, or neighbouring or breeders' rights may request the customs director to initiate administrative proceedings to prohibit the importation of goods that they believe infringe their rights. If a person finds that a certain indication (such as trade names, registered or unregistered trademarks or packaging) or shape of goods to be imported are identical or similar to his or her own, that person may also make the same request (article 69-13, paragraph 1 of the Customs Act). When such goods are being imported, the customs director may confiscate and discard them, or may order an importer to reload them (article 69-11, paragraph 2). The holder of the relevant IP rights may

choose which proceedings described above to take first and there is no procedural interrelationship between them.

## Remedies

- 4 | What remedies are available to a party whose IP rights have been infringed? Do these remedies vary depending on whether one utilises judicial or administrative review or enforcement?

Available civil remedies include compensation of damages, injunctions and preliminary injunctions. An injunction may include the destruction of the objects that have been created by the act of infringement, the removal of the machines and equipment used for the act of infringement, or other measures necessary to suspend and prevent the infringement. Administrative remedies are also available. An infringer may be criminally punished, but in some cases only if the holder of relevant rights files a criminal complaint with the investigative authorities in a timely manner.

## Nexus between competition and IP rights

- 5 | Do any statutes, regulations or case law in your jurisdiction address the interplay between competition law and IP law?

The Intellectual Property Basic Act (No. 122 of 2002) (IPBA) refers to competition. Article 10 (consideration of promotion of competition) of the IPBA stipulates that in promoting measures regarding the protection and use of IP, ensuring fair use and the public interest shall be taken into consideration, and the promotion of fair and free competition shall also be considered. However, because this is just a general statement about the relationship between IP rights and competition, specific interpretation of IP law or competition law is unlikely to be affected by this provision.

## Patent cooperation treaties and other agreements

- 6 | Does your jurisdiction participate in any patent cooperation treaties or other similar agreements?

Japan participates in, among others, the following patent cooperation treaties or other similar agreements:

- the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks;
- the Nice Agreement Concerning the International Classification of Goods and Services for Purposes of the Registration of Marks;
- the Trademark Law Treaty;
- the Singapore Treaty on the Law of Trademarks;
- the Paris Convention for the Protection of Industrial Property;
- the Convention Establishing the World Intellectual Property Organization;
- the Strasbourg Agreement Concerning the International Patent Classification;
- the Patent Cooperation Treaty;
- the Patent Law Treaty;
- the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure;
- the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations;
- the Berne Convention for the Protection of Literary and Artistic Works;
- the Universal Copyright Convention;
- the Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of their Phonograms;
- the World Intellectual Property Organization Copyright Treaty;

- the World Intellectual Property Organization Performances and Phonograms Treaty; and
- the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).

## Remedies for deceptive practices

- 7 | With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices?

Remedies against certain deceptive practices are provided for in the Unfair Competition Prevention Act (UCPA) with respect to trademarks. Where the UCPA is applicable, the person whose business interest is damaged may invoke its provisions regarding injunction rights and compensation of damages, in addition to remedies under civil law. Certain acts of this type also give rise to criminal liability.

## Technological protection measures and digital rights management

- 8 | With respect to copyright protection, is WIPO protection of technological protection measures (TPMs) and digital rights management (DRM) enforced in your jurisdiction? Do statutes, regulation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Has TPM or DRM protection been challenged under the competition laws?

Both TPMs and DRM are enforced in Japan under the Copyright Act. Regarding the protection of TPMs, a person who provides devices or programmes that are designed to circumvent TPMs to the general public or develops, imports or owns them for the purpose of provision to the general public, or who on a regular basis circumvents TPMs upon the request of the general public, may be sentenced to a maximum of three years' imprisonment or a fine of ¥3 million, or both (article 120-2, items 1 and 2 of the Copyright Act). A person who intends to privately copy those copyrighted works that are protected by TPMs must obtain the consent of a copyright holder, which is an exception to the general rule that private copying is permitted without the copyright holder's consent (article 30, paragraph 1, item 2). Regarding the protection of DRM, intentionally attaching false information as DRM, or removing or altering DRM, is deemed infringement of copyright (article 113, paragraph 7), and a person who commits such an act with the intention of making a profit may be sentenced to a maximum of three years' imprisonment or a fine of ¥3 million, or both (article 120-2, item 4).

No legislation or case law limits the ability of manufacturers to incorporate TPM or DRM protection, limiting the platforms on which the content can be played. TPM or DRM protection is not generally considered anticompetitive, and we understand that the mere employment of TPM or DRM would not be challenged under competition laws. Further, we understand that TPM or DRM protection has not been challenged under the competition laws.

## Industry standards

- 9 | What consideration has been given in statutes, regulation or case law to the impact of the adoption of proprietary technologies in industry standards?

Neither statutes nor regulations have given special consideration to the impact of proprietary technologies in industry standards.

There is no compulsory licensing of technologies in industry standards; however, the Guidelines for the Use of Intellectual Property under the Anti-Monopoly Act (2007) (the IP Guidelines) published by the Japan Fair Trade Commission (JFTC) do provide such consideration, and stipulate that refusal of a licence can be deemed a violation of the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No.



54 of 1947) (the Anti-Monopoly Act (AMA)) under certain circumstances. Further, the JFTC amended the IP Guidelines in January 2016 to address the situation where a refusal to grant a licence or claim for injunction to a party who is willing to take a licence, by a FRAND-encumbered standard essential patent (SEP) holder, can be deemed a violation of the AMA. In short, the amended Guidelines provide that the following may be considered private monopolisation or unfair trade practice:

- the refusal to grant a licence or claim for an injunction by a FRAND-encumbered SEP holder to a party who is willing to take a licence; or
- the refusal to grant a licence or claim for an injunction by a FRAND-encumbered SEP holder who has withdrawn its FRAND declaration for that SEP to a party who is willing to take a licence.

The amendment further states that the determination that a certain party is willing to take a licence on FRAND terms should be judged based on the situation of each case in light of the behaviour of both sides in licensing negotiations, etc. For example, the presence or absence of the presentation of the infringement designating the patent and specifying the way in which it has been infringed; the presence or absence of the offer for a licence on the conditions specifying its reasonable basis; the correspondence attitude to the offers such as prompt and reasonable counter-offers and whether or not the parties undertake licensing negotiations in good faith in light of normal business practice. The amendment also notes that the mere fact that a potential licensee challenges the validity, essentiality or infringement of the SEP would not be considered as grounds to deny that such party is a 'willing licensee' as long as the party undertakes licensing negotiations in good faith in light of normal business practice. The above would be applied regardless of whether the conduct is taken by the SEP-holder, by a party that accepted the assignment of the SEP or by a party that was entrusted to manage the SEP.

While it is not necessarily clear, the language used in the amendment suggests that the JFTC had taken into account the Intellectual Property High Court decision (May 2014), concerning an injunction claim brought by Samsung against Apple, which ruled that a patent holder that had made FRAND declarations in relation to a SEP is not permitted to seek injunctive relief against a manufacturer that intends to obtain the relevant licence from the patent holder under FRAND terms and conditions. As this court decision was not based on competition law grounds, it is yet to be determined whether a competition law-based approach (as suggested by the amendment) would be accepted by the courts.

Another example of a violation arising from the refusal of a licence is where many companies are jointly developing a standard for certain products, and one of the companies has its technology adopted as a part of the standard by inappropriate measures (such as misrepresentation of possible terms and conditions of a licence of such technology after it is adopted as the standard); and, after successfully having the technology adopted, it then refuses to license the technology to other companies. Such refusal of a licence may constitute private monopolisation or unfair trade practice.

On the other hand, it seems logical to interpret the IP Guidelines to mean that mere refusal to license technologies cannot be a violation of the AMA, even if such technologies have been adopted in certain standards, unless the owner of such technologies has employed inappropriate measures in doing so.

## COMPETITION

### Competition legislation

#### 10 | What statutes set out competition law?

The Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No. 54 of 1947) (the Anti-Monopoly Act (AMA)) sets out the

basic rules of competition law. Broadly, the AMA prohibits three types of activity, as follows:

- private monopolisation (activities to exclude or control the business activities of other entrepreneurs);
- unreasonable restraint of trade (activities to restrict or conduct business activities mutually with other entrepreneurs in such a manner as to fix, maintain or increase prices, limit production or products, or other similar matters); and
- unfair trade practices (boycott, unjust price discrimination, predatory pricing, resale price maintenance, abuse of a superior bargaining position and other practices).

While private monopolisation and unreasonable restraint of trade require the level of restriction on competition to be substantial, a tendency to impede fair competition would be considered sufficient for the purpose of unfair trade practices. Private monopolisation corresponds largely to the abuse of a dominant position under EU competition law, and unreasonable restraint of trade includes almost all illegal cartels.

Other important acts with aspects of competition law include the Act against Unjustifiable Premiums and Misleading Representations (No. 134 of 1962), which prevents unjustifiable premiums and representations regarding the trade of goods and services, and the Unfair Competition Prevention Act, which provides for measures to prohibit unfair competition and special rules regarding compensation of damages.

### IP rights in competition legislation

#### 11 | Do the competition laws make specific mention of any IP rights?

Article 21 of the AMA provides that the AMA shall not apply to such acts recognisable as the exercise of rights under the Copyright Act, Patent Act, Utility Model Act, Design Act or Trademark Act. However, holders of IP rights should not rely on this provision without careful consideration of competition law, as this provision is quite general.

### Review and investigation of competitive effects from exercise of IP rights

#### 12 | Which authorities may review or investigate the competitive effect of conduct related to exercise of IP rights?

The Japan Fair Trade Commission (JFTC), an independent administrative committee responsible for competition-related matters, has general jurisdiction to review and investigate the competitive effects of certain conduct, including those related to IP rights. For this administrative process, the Tokyo District Court is the court of first instance for reviewing the JFTC's orders upon an appeal filed by a recipient. The courts may also review the competitive effect of business practices if civil or criminal lawsuits filed with the court contain issues involving an effect on competition.

### Competition-related remedies for private parties

#### 13 | Can a private party recover for competition-related damages caused by the exercise, licensing or transfer of IP rights?

Private parties can claim for competition-related damages caused by the exercise, licensing or transfer of IP rights under article 709 of the Civil Code, or article 25 of the AMA, whereby a defendant may not be discharged even if his or her act was not intentional or negligent, which is contrary to general rules under article 709 of the Civil Code. However, the claim under article 25 of the AMA is not always useful because it may not be made unless the JFTC's formal order finding a violation of the addressee becomes final and conclusive.

## Competition guidelines

- 14 Have the competition authorities, or any other authority, issued guidelines or other statements regarding the overlap of competition law and IP rights?

Apart from comparative or industry-specific research, the JFTC has issued three guidelines and one report regarding the overlap of competition law and IP rights.

The Guidelines for the Use of Intellectual Property under the Anti-Monopoly Act (2007) discuss how to analyse legal issues arising from the interaction of competition law and IP rights.

The Guidelines concerning Joint Research and Development under the Anti-Monopoly Act (1993) provide that joint research activity itself is normally lawful if the total market share of participants is not more than 20 per cent, but further provide that whether covenants ancillary to joint research activities are lawful or not shall be determined by taking various relevant factors into consideration, and not limiting it to the total market share alone. The Guidelines on Standardisation and Patent Pool Arrangements (2005) specify the circumstances where the formation of patent pools or licensing for standardisation through patent pools may give rise to antitrust concerns.

Views on Software Licensing Agreements, etc. under the Anti-Monopoly Act (2002), which is an interim report and not a guideline, covers various issues arising from software licensing agreements, including abusive conduct by developers of operating systems software and restrictive covenants in software licensing agreements.

Other than the JFTC, no authority had issued such guidelines until June 2018, when the Japan Patent Office released the Guide to Licensing Negotiations involving Standard Essential Patents regarding FRAND-encumbered standard essential patents (SEPs). This Guide, however, is not binding in law and is only intended to summarise the issues concerning licensing negotiations as objectively as possible based on items such as the current state of court rulings from various jurisdictions, the judgment of competition authorities and licensing practices. That said, the Guide covers items such as offering an explanation of what actions companies can take to make it more likely for them to be recognised as negotiating in good faith, which may help implementers to avoid an injunction and right holders to secure appropriate compensation. It is possible that future licensing negotiations, relevant court disputes and competition law cases could evolve around this Guide. Therefore, it is worth following developments related to it from an IP and competition perspective.

Further, in 2021, the JFTC and the Ministry of Economy, Trade and Industry jointly issued the Guidelines on Business Partnership Contracts with Startups. The Guidelines identify potential issues that may arise in agreements concluded between start-ups and partner businesses and aim to present best practices, covering non-disclosure agreements, proof of concept agreements, joint research and development agreements, and licensing agreements.

## Exemptions from competition law

- 15 Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

Generally not, except that resale price maintenance of copyrighted works between entrepreneurs is exempt from the AMA (article 23, paragraph 4). The JFTC's interpretation is that 'copyrighted works' for the purpose of this article include only the following six items: books, magazines, newspapers, music records, music tapes and music CDs. DVDs, for example, are not exempt.

## Copyright exhaustion

- 16 Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws?

The Copyright Act explicitly lays down a doctrine of exhaustion (article 26-2, paragraph 2) with respect to copyrighted works other than cinematographic works, and the same doctrine is recognised by a Supreme Court decision with respect to cinematographic works. The Act on the Circuit Layout of Semiconductor Integrated Circuits (article 12, paragraph 3) and the Plant Variety Protection and Seed Act (article 21, paragraph 4) have similar provisions. Notably, the Copyright Act specifically refers to 'international exhaustion', but the certain import of records lawfully sold outside of Japan for the purpose of resale in Japan is deemed to be copyright infringement (article 113, paragraph 10).

In practice, the doctrine of exhaustion has been disputed mainly in respect of patents and trademarks, particularly in the field of parallel import (or the 'grey market'). Regardless of the lack of specific provisions on the exhaustion doctrine in the Patent Act and Trademark Act, domestic exhaustion has been taken for granted. As to international exhaustion, the courts have recognised the doctrine and rejected claims of injunction by patent holders or trademark holders (or their licensees) against parallel importers that import genuine products (regarding patents, *BBS Kraftfahrzeugechnik v Racimex Japan* (Supreme Court, 1997); regarding trademarks, *NMC v Shriro Trading* (Osaka District Court, 1970); and *3M v Hit Union* (Supreme Court, 2003)).

## Import control

- 17 To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

An IP rights holder cannot prevent a grey market by exercising his or her IP rights against parallel importers. Moreover, the Guidelines concerning Distribution Systems and Business Practices under the Anti-Monopoly Act (the Distribution Guidelines 1991) stipulate that it may be a violation of the AMA for an authorised general agent of imported products or a foreign manufacturer (who may or may not be an IP rights holder) of the products, to do the following in order to maintain the price of the authorised products:

- prevent foreign distributors from selling products to the grey market;
- prevent domestic distributors from handling products imported through the grey market;
- prevent wholesalers from selling the products to retailers handling products imported through the grey market;
- defame by stating that products imported through the grey market are not genuine products;
- buy up the products imported through the grey market; and
- prevent newspapers or other media from carrying advertisements of parallel importers.

The Distribution Guidelines also stipulate that it would be a violation of the AMA for an authorised general agent, in order to maintain the price of the authorised products, to refuse, or have distributors refuse, to repair products imported through the grey market or to supply repair parts for products imported through the grey market when it is extremely difficult for people or companies other than an authorised general agent or a retailer to repair the products or procure repair parts for the products.



**Jurisdictional interaction between competition laws and IP rights**

- 18 Are there authorities with exclusive jurisdiction over IP-related or competition-related matters? For example, are there circumstances in which a competition claim might be transferred to an IP court to satisfy subject matter jurisdiction? Are there circumstances where the resolution of an IP dispute will be handled by a court of general jurisdiction?

A civil action of first instance relating to a patent right, a utility model right, the right of layout designs of integrated circuits or an author's right over a computer program shall be subject exclusively to the jurisdiction of the Tokyo District Court or the Osaka District Court, depending on the location of the court in which the action could otherwise be filed, regardless of whether the case involves a competition claim or not. An appeal to the court of second instance against the judgment on such action shall be subject exclusively to the jurisdiction of the Tokyo High Court, specifically, the Intellectual Property High Court, a special branch of the Tokyo High Court. This exclusive jurisdiction equally applies regardless of whether the case involves a competition claim or not. Additionally, cases (regardless of whether the cases involve a competition claim or not) over which the Tokyo High Court has jurisdiction may be transferred to the Intellectual Property High Court if the cases require specialised knowledge on IP for examination of the major points at issue.

**MERGER REVIEW****Powers of competition authority**

- 19 Does the competition authority have the same authority with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

The Japan Fair Trade Commission (JFTC) has the same authority with respect to reviewing mergers involving IP rights as in any other mergers.

**Analysis of the competitive impact of a merger involving IP rights**

- 20 Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

The standard for review by the JFTC of the competitive impact of a merger is always the same (whether or not the merger 'may be substantially to restrain competition'), irrespective of whether the mergers involve IP rights. We have observed in horizontal cases that the role of IP may be limited given that factors such as the result of the Herfindahl-Hirschman Index before and after the merger and whether the party after a merger can increase the price at its own will, are likely to carry more practical importance for the review. IP rights could play a significant role in vertical and conglomerate cases. The JFTC explicitly confirmed this when it revised its Guidelines to Application of the Antimonopoly Act Concerning Review of Business Combination (the Merger Guidelines) in 2019, in relation to mergers that involve a party that has certain important assets for competition, including IP.

**Challenge of a merger**

- 21 In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights? Does this differ from the circumstances in which the competition authority might challenge a merger in which IP rights were not a focus?

We understand that the JFTC has never challenged a merger solely because the parties have IP rights resulting in a strong competitive edge.

**Remedies to address the competitive effects of mergers involving IP**

- 22 What remedies are available to address competitive effects generated by a merger when those effects revolve around the transfer of IP rights?

The JFTC may order any measures necessary to eliminate acts in violation of the provisions regarding mergers (the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No. 54 of 1947) and the Anti-Monopoly Act (AMA)), article 17-2, paragraph 1). Therefore, theoretically, compulsory licences may be ordered as a remedy.

In the course of a merger review, antitrust concerns are sometimes dealt with by the parties that promise to take certain measures to alleviate such concerns. Some of these remedies are IP-specific. When the JFTC revised the Merger Guidelines in 2019 to address potential input foreclosure concerns in vertical and conglomerate mergers that may be caused by a merging party in the upstream market holding important data that would be used in the downstream market (or in one of the markets holding important data that would be used in the other market), it explicitly said that its approach to data that can be traded in the market would also be applicable to input goods such as IP rights that are important for competition purposes. While there has not yet been a case directly applicable to IP rights, in a recent vertical and conglomerate merger case involving the potential input foreclosure of data, the JFTC investigated a consummated merger (share acquisition) that was non-reportable and cleared the case, with conditions based on the remedies proposed by the parties, where they would continue provision of such data to competitors and refrain from discriminatory treatment of their competitors in terms of the prices and other trade terms concerning such data for an infinite period of time (in *re Acquisition by M3, Inc of the Shares in Nihon Ultmarc Inc*, 24 October 2019). This case could be of reference for future mergers involving IP.

**SPECIFIC COMPETITION LAW VIOLATIONS****Conspiracy**

- 23 Can the exercise, licensing or transfer of IP rights create price-fixing or conspiracy liability?

Yes. The Guidelines for the Use of Intellectual Property under the Anti-Monopoly Act (2007) (the IP Guidelines) and the Guidelines concerning Joint Research and Development under the Anti-Monopoly Act (1993) introduce a number of useful examples. As to patent pools, because they have a pro-competitive effect, the 'rule of reason' test would be applied. Patent pools can constitute an unreasonable restraint of trade if members of the patent pools share the understanding that they have accepted common restrictions on trade conditions such as sales prices and sales areas, and such restrictions substantially restrict competition in a market, or if the members mutually restrict the area of research and development or prospective licensees of the IP rights and such restrictions substantially restrict competition in a market.

Patent pools may also be regarded as private monopolisation or unfair trade practices. For example, if members of patent pools refuse to grant a licence and effectively exclude competitors, such a refusal may constitute private monopolisation.

It will not be considered as cartel conduct for competitors to jointly license their IP rights to a certain licensee. On the other hand, if competitors jointly refuse to license their IP rights without reasonable grounds, it may be considered as illegal cartel conduct.

In this context, the exercise of IP rights is treated no differently from non-IP conduct.

## Scrutiny of settlement agreements

- 24 How would a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective? What are the key factors informing such an analysis?

We are not aware of any published case to date where the Japan Fair Trade Commission (JFTC) has applied competition laws to a settlement agreement terminating an IP infringement dispute. However, the JFTC is likely to rely on existing laws and guidelines to scrutinise such a situation, and thus the IP Guidelines and the Guidelines concerning Joint Research and Development under the Anti-Monopoly Act (1993) are likely to be of relevance. For example, the IP Guidelines provide guidance for situations where the licensor restricts the licensee from manufacturing or selling competing products or adopting competing technologies, suggesting the possibility of applying 'unfair trade practices (dealing on exclusive terms or dealing on restrictive terms)'. Therefore, in a situation where the parties to a patent infringement claim enter into a settlement agreement whereby one party agrees not to compete with respect to the patented product, if they also enter into a licensing agreement, the guidelines above may be referenced from a vertical restriction perspective. On the other hand, if there is no such licensing agreement, then the application of 'unreasonable restraint of trade' may be considered from a horizontal restriction perspective.

## Reverse payment patent settlements

- 25 How have the competition laws been applied to reverse payment patent settlements in your jurisdiction?

We understand that the JFTC has never officially applied the competition laws to reverse payment patent settlements in Japan. Reverse payment patent settlements do not seem to be very common in Japan. This is because there are no regulations in Japan similar to the US Hatch-Waxman Act, whereby a patent holder is practically forced to bring an infringement lawsuit upon notice from a generic manufacturer. It is difficult to predict the result of the application of the competition laws to reverse payment patent settlements in Japan, because it may be difficult to define the relevant market and determine whether any restraint on competition is substantial. Having said that, as it is also pointed out that the JFTC may be interested in applying 'unfair trade practices (dealing on restrictive terms)', which only requires a tendency to impede fair competition and does not necessarily require a substantial restraint of competition, it is advisable to carefully consider the pro-competitive and anticompetitive effects arising from the contemplated arrangements.

The JFTC and the Competition Policy Research Center published a joint research report titled 'Competition and R&D Incentives in the Pharmaceutical Product Market - Based on the analysis of the effect on the market by the entry of generic pharmaceutical products' in 2015. The report concludes that while a reverse payment situation that has raised significant competition law issues in the EU and the US is unlikely to arise in Japan under the current regulatory system and market structure for pharmaceutical products, the incentives to engage in a reverse payment scheme might increase in the event that the market share of generic pharmaceuticals further increases in the near future, and suggests that the JFTC should continue to monitor the situation and be prepared to proactively enforce the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No. 54 of 1947) (the Anti-Monopoly Act (AMA)) as necessary.

## (Resale) price maintenance

- 26 Can the exercise, licensing, or transfer of IP rights create liability under (resale) price maintenance statutes or case law?

Yes. If a licensor sets minimum resale prices for its licensees, the licensor's act is, in principle, considered to be an unfair trade practice (dealing on restrictive terms). It should be noted that such vertical restraint is not generally regulated as an unreasonable restraint of trade in Japan. In this context, the exercise of IP rights is treated no differently from non-IP conduct.

## Exclusive dealing, tying and leveraging

- 27 Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to exclusive dealing, tying and leveraging?

Yes. An IP rights holder that restricts a licensee from manufacturing or using competing products or adopting competing technologies may be considered to have committed unfair trade practices (dealing on exclusive terms or dealing on restrictive terms) if such a restriction tends to impede fair competition in a market. In particular, if such a restriction is imposed after the expiry of the licensing agreement, it is highly likely that such a restriction will constitute an unfair trade practice.

An IP rights holder that obliges a licensee to obtain a package licence for more than one IP right may be considered to have committed unfair trade practices (tie-in sales), if such an obligation may have an adverse effect on competition in a market. For instance, in 1998, the JFTC provided a recommendation decision to Microsoft Co, Ltd, a Japanese subsidiary of Microsoft Corporation, that it should not tie its MS Word and Outlook software with its MS Excel software with regard to its licensing arrangements with PC manufacturers.

In this context, the exercise of IP rights is treated no differently from non-IP conduct.

## Abuse of dominance

- 28 Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to monopolisation or abuse of dominance?

Yes. Private monopolisation under the AMA is similar to abuse of dominant market position under EU competition law. If an entrepreneur or a combination of entrepreneurs in a dominant position excludes or controls the business activities of other entrepreneurs and thereby causes a substantial restraint of competition, such an abusive act will constitute a private monopolisation. In the *Paramount Bed* case (1998), a dominant manufacturer of beds for medical use approached an official of the Tokyo metropolitan government and made it adopt a specification for beds that contained its IP rights by misrepresenting that the specification somehow could also be reasonably satisfied by its competitors, effectively excluding the business activities of its competitors. The JFTC held that the activities of Paramount Bed Co, Ltd constituted private monopolisation (exclusionary type).

In addition, it is becoming more likely than before that even where the level of restriction on competition is not substantial, 'exploitation'-type conduct taking advantage of a predominant bargaining position will be considered 'abuse of superior bargaining position', which is one of the 'unfair trade practices'. Although there has been no precedent in which the JFTC has declared its policy to take such an approach with regard to IP rights, caution should be used in a potential patent hold-up case, for example, particularly given that a surcharge (a type of administrative fine) shall be imposed on an 'abuse of superior bargaining position' if it occurs on a regular basis.

With respect to the abuse of superior bargaining position, it should also be noted that exploiting the counterparty who is the owner of know-how and IP may amount to a violation of the AMA. In 2019, the JFTC published the Report on Fact-Finding Survey on Abuse of Superior Bargaining Position Involving Know-How and Intellectual Property of Manufacturers, which includes a comprehensive list of actual cases gathered during the survey that may amount to an abuse of superior bargaining position by unjustly taking up know-how and IP developed by manufacturers.

In this context, the exercise of IP rights is treated no differently from non-IP conduct.

### Refusal to deal and essential facilities

- 29 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities?

An entrepreneur's mere refusal to license IP rights is generally thought to be beyond the scope of the AMA, unless the entrepreneur has:

- purchased the IP rights knowing that they are used by other entrepreneurs;
- collected IP rights that may be used by its competitors but not for its own use; or
- employed inappropriate measures to have the IP rights incorporated to a standard.

No court judgment or JFTC decision has ever held a genuine unilateral refusal to license as being against the AMA. Moreover, no JFTC decision or court judgment has ever explicitly mentioned the essential facilities doctrine. Theoretically, however, if an IP rights holder singularly refuses to provide a licence to another entrepreneur and the entrepreneur faces difficulty in doing business because of the essential nature of the refused IP, the possibility that such a refusal to license could constitute private monopolisation or unfair trade practice (other refusal to deal) cannot be ruled out. In this context, the exercise of IP rights is treated no differently from non-IP conduct.

## REMEDIES

### Remedies for violations of competition law involving IP

- 30 | What sanctions or remedies can the competition authorities or courts impose for violations of competition law involving IP?

In cases of violation of competition law involving IP, the Japan Fair Trade Commission (JFTC) may issue a cease-and-desist order to take any measures necessary to eliminate such violation. However, while the term 'necessary measures' suggests that such drastic measures as compulsory licensing or divestiture of IP rights are possible, whether or not the JFTC is of the view that such aggressive enforcement policy is needed is unclear; to date, the JFTC has not ordered compulsory licensing or divestiture of IP rights. If the violation is private monopolisation whereby a violator controls other enterprises' business activities, subject to some additional requirements, the JFTC should impose a surcharge (a type of administrative fine) on the violators. In addition, if the violation is private monopolisation whereby a violator excludes other enterprises' business activities or certain types of unfair trade practices, the JFTC will impose a surcharge on the violators. Private parties who have been harmed by such acts of violation may seek an injunction or compensation of damages in court or report the alleged violation to the JFTC, or any combination of the foregoing, subject to certain other requirements.

### Competition law remedies specific to IP

- 31 | Do special remedies exist under your competition laws that are specific to IP matters?

Article 100 of the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No. 54 of 1947) (the Anti-Monopoly Act (AMA)) lays down special sanctions that are specific to IP matters. That is, when the court pronounces a criminal sentence on people who have committed private monopolisation or unreasonable restraint of trade, it may order that the patents exercised for the relevant offence be revoked. However, this sanction has never previously been declared.

## ECONOMICS AND APPLICATION OF COMPETITION LAW

### Economics

- 32 | What role has competition economics played in the application of competition law in cases involving IP rights?

Economics has so far played a limited role in the application of competition law to specific cases by the Japan Fair Trade Commission. IP-related cases are no exception to this.

## RECENT CASES AND SANCTIONS

### Recent cases

- 33 | Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

On 16 September 2008, the Japan Fair Trade Commission (JFTC) held that Microsoft Corporation had engaged in unfair trade practices (dealing on restrictive terms) by entering into agreements with PC manufacturers to license Windows OS. Such agreements included a 'non-assertion of patents' (NAP) clause, which prevented licensees from asserting patent infringement claims against Microsoft Corporation and other PC manufacturers. Microsoft did not challenge the decision and it became final and binding.

The May 2014 decision of the Intellectual Property High Court in the *Samsung v Apple Japan* litigation was one development that we believe led to the JFTC introducing amendments to its Guidelines for the Use of Intellectual Property under the Anti-Monopoly Act (2007), although the court rendered its decision on grounds other than competition law.

The JFTC's investigation concerning patents that are essential for the use of the Blu-ray Disc standard, which closed on 18 November 2016, basically followed the framework set by the *Samsung v Apple Japan* decision. In this case, One-Blue, a patent pool that manages patents that are essential for the use of the Blu-ray Disc standard, sent a notice to some customers of a potential licensee informing them that One-Blue licensors had the right to seek injunction for infringement of its patent rights to advance licence negotiations. The JFTC found that such notice, which is incorrect, falls under unfair trade practices (interference with a competitor's transactions). The investigation was closed without any orders issued because the JFTC concluded that there was no need to issue a cease-and-desist order as the relevant violation had already ceased to exist and other circumstances did not otherwise warrant a cease-and-desist order.

In a case decided on 22 July 2020, a plaintiff laser printer manufacturer sought an injunction and claimed for damages for patents infringement. The plaintiff claimed that the defendants' manufacturing and sale of a recycled ink toner cartridge incorporating an electronic component that replaced the electronic component the plaintiff had implemented to restrict the rewriting of memory infringed its patents. The Tokyo District Court dismissed the complaint, holding that, although the defendants' electronic component may technically infringe the

plaintiff's patents, the plaintiff's measures impede fair competition and constitute unfair trade practices (interference with a competitor's transactions); and, given the lack of necessity and reasonableness of such measures, the exercising of the IP rights goes beyond the purpose of the Patent Act and should be deemed as an abuse of rights.

In another case decided on 30 September 2021, which also concerns a dispute between another laser printer manufacturer and manufacturers of recycled ink toner cartridges, the Tokyo District Court held that the design change that the defendant laser printer manufacturer implemented to its printers made the plaintiff's printer cartridges inoperable with the defendant's laser printer cannot be justified as it lacked necessity and the changes were not reasonable. The Court concluded that the change constitutes tie-in sales under the Anti-Monopoly Act, given that users that purchased the new printers would have no choice but to buy the defendant's cartridges, and ordered damages to be compensated under the general tort provisions of the Civil Code.

## Remedies and sanctions

### 34 | What competition remedies or sanctions have been imposed in the IP context?

On 16 September 2008, the JFTC held that Microsoft Corporation had engaged in unfair trade practices (dealing on restrictive terms) by entering into agreements with PC manufacturers to license Windows OS, where such agreements included a NAP clause. In this case, the JFTC ordered Microsoft not to use the NAP clause when dealing with PC manufacturers as a part of the cease-and-desist order.

## UPDATE AND TRENDS

### Key developments

### 35 | Are there any emerging trends or hot topics in the law of IP and antitrust policy? Have changes occurred recently or are changes expected in the near future that will have an impact on the application of competition law to IP rights?

An amendment to the Copyright Act, which took effect on 1 January 2021, expands the definition of technological protection measures (TPMs) covered by the Copyright Act so that they include not only protection codes embedded in media or provided simultaneously with music or videos (such as traditional copy control), but also activation or licence authentication schemes where protection codes are provided separately from media, music or videos. Under the amendment, a person who provides codes that are designed to circumvent TPMs to the general public, or develops, imports or owns them for the purpose of provision to the general public, is deemed to infringe the underlying copyrights or neighbouring rights. This means a right holder can seek civil remedies against such an act. In addition, a person who conducts such an act may be sentenced to a maximum of three years' imprisonment or a fine of ¥3 million, or both, regardless of whether the act is conducted to make a profit or not.

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# Kazakhstan

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## INTELLECTUAL PROPERTY

### Intellectual property law

- 1 Under what statutes, regulations or case law are intellectual property rights granted? Are there restrictions on how IP rights may be enforced, licensed or otherwise transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

IP rights in Kazakhstan are granted, regulated and protected under a number of statutes. The principle rules in the area of IP rights are summarised in the Civil Code of Kazakhstan. Other main laws in this area include:

- the Law on Copyrights and Related Rights (10 June 1996);
- the Law on Trademarks, Service Marks and Appellations of the Origin of Goods (26 July 1999);
- the Patent Law (16 July 1999);
- the Law on the Legal Protection of the Topologies of Integrated Circuits (29 June 2001); and
- the Law on the Protection of Selection Achievements (13 July 1999).

Liability for the breach of IP rights is also established in the Administrative Code and the Criminal Code.

Kazakhstan is a party to the main international treaties in the area of IP rights:

- the Convention Establishing the World Intellectual Property Organization (since 1993);
- the Paris Convention for the Protection of Industrial Property (since 1993);
- the Madrid Agreement Concerning the International Registration of Trademarks (since 1993);
- the Patent Cooperation Treaty (PCT) (since 1993);
- the Eurasian Patent Convention (EAPC) (18 July 1998);
- the Berne Convention of Copyright Protection (10 November 1998);
- the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms (7 June 2000);
- the Trademark Law Treaty (since 2002);
- the Nice Agreement Concerning the International Classification of Goods and Services for the Purpose of the Registration of Marks (since 2002);
- the Locarno Agreement Establishing an International Classification for Industrial Designs (since 2002);
- the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (since 2002);
- the Strasbourg Agreement Concerning International Patent Classification (24 January 2003);

- the World Intellectual Property Organization Performances and Phonograms Treaty (12 November 2004);
- the World Intellectual Property Organization Copyright Treaty (12 November 2004);
- the Protocol Relating to the Madrid Agreement Concerning the International Registration of Trademarks (27 May 2010);
- the Patent Law Treaty (2 May 2011); and
- the World Trade Organization (December 2015) and, accordingly, a party to the Agreement on Trade-Related Aspects of Intellectual Property Rights (Annex 1C to the Marrakesh Agreement Establishing the World Trade Organization dated 15 April 1994).

Generally, local laws are thought to comply with minimum standards prescribed by international treaties. However, the practice of enforcing IP rights is still developing and there are still various issues that IP rights holders face in enforcement activities.

### Responsible authorities

- 2 Which authorities are responsible for granting, administering or enforcing IP rights?

The principal government agency regulating matters pertaining to copyrights, inventions, utility models, industrial designs, selection achievements, trademarks, service marks and appellations of origin is the Ministry of Justice (which has a department for IP rights).

The State Republic Enterprise National Institute of Intellectual Property (the IP Institute), which is supervised by the Ministry of Justice, carries out the registration of IP rights.

### Proceedings to enforce IP rights

- 3 What types of legal or administrative proceedings are available for enforcing IP rights? To the extent your jurisdiction has both legal and administrative enforcement options for IP rights, briefly describe their interrelationship, if any?

A number of state authorities protect and enforce IP rights, including the courts, state income authorities and justice authorities.

Kazakhstani Customs maintains a special register of IP rights (TROIS). Owners of certain IP objects, such as trademarks, can ask Customs to record these objects in the TROIS. This allows Customs to suspend imports of any products bearing those registered objects for 10 business days. The authorities then alert the right holder of the import to allow them to challenge it or request interim relief. If the owner does nothing in the 10 days, the authorities will lift the suspension. In practice, however, due to technical issues, only trademarks may be recorded with the TROIS. At the time of writing, no copyrights are recorded in the TROIS.

Kazakhstan does not have specialised IP courts. Courts of general jurisdiction (economic or general civil courts, depending on the parties of litigation) are entitled to consider any disputes related to IP rights



within a framework of civil litigation. In civil litigation, an injured party may claim cease of violation, compensation of damages, destruction of the infringing products or fixed compensation.

The breach of IP rights may be the ground for administrative liability, which results in fines with possible destruction and confiscation of infringing goods.

If material damage has been caused, in certain cases, a breach of IP rights may be grounds for criminal liability with sanctions in the form of fines, correction works, public works or arrest. Administrative or criminal proceedings can be initiated in addition to civil litigation. However, administrative and criminal liability cannot be applied together.

## Remedies

- 4 | What remedies are available to a party whose IP rights have been infringed? Do these remedies vary depending on whether one utilises judicial or administrative review or enforcement?

In civil litigation, an injured party may claim cease of violation, compensation of damages, destruction of the infringing products and fixed compensation. Administrative sanctions include fines, confiscation and destruction of the infringing products. Criminal sanctions may include fines, correction works, public works or arrest.

## Nexus between competition and IP rights

- 5 | Do any statutes, regulations or case law in your jurisdiction address the interplay between competition law and IP law?

There are no special rules that address the interplay between competition law and IP law. Both IP laws and competition laws have their separate remedies. Depending on the circumstances, these remedies may be applied in parallel.

## Patent cooperation treaties and other agreements

- 6 | Does your jurisdiction participate in any patent cooperation treaties or other similar agreements?

Kazakhstan is a party to the PCT and the EAPC.

## Remedies for deceptive practices

- 7 | With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices?

Kazakhstan's laws do provide a legal basis for the initiation of actions in view of deceptive practices. For example, competition laws prohibit acts of bad faith competition. Copying the appearance or packaging of products of other manufacturers is considered a type of bad faith competition. However, the practice of application of such actions is not well developed. The Kazakhstani anti-monopoly authorities have poor experience in IP protection and prefer to avoid such disputes. There are almost no cases where an injured party could successfully protect its rights under the deceptive practice rules.

## Technological protection measures and digital rights management

- 8 | With respect to copyright protection, is WIPO protection of technological protection measures (TPMs) and digital rights management (DRM) enforced in your jurisdiction? Do statutes, regulation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Has TPM or DRM protection been challenged under the competition laws?

Generally, the Copyright Law provides for the protection of technological protection measures and digital rights management. The Copyright

Law does not provide for any specific limitations depending on the type of content.

We are not aware of cases where TPM or DRM protection has been challenged under the competition laws. However, the practice of enforcing TPM or DRM protection is not well developed.

## Industry standards

- 9 | What consideration has been given in statutes, regulation or case law to the impact of the adoption of proprietary technologies in industry standards?

These questions are not regulated in detail.

However, some separate provisions can be used in similar situations. For example, in the event of abuse of patent rights by a patent holder, an entity interested in the use of the patent may seek the issuance of a compulsory licence. Likewise, a party that cannot use its own invention in view of the other party's patent can seek issuance of a compulsory licence if the other party refuses to issue the licence.

In addition, the compulsory licence may be issued in view of public interests. The Ministry of Healthcare has launched a discussion around such licences, which may apply to specific medicines required for the treatment of certain diseases.

In any event, the practice of application of these provisions is not well developed.

## COMPETITION

### Competition legislation

- 10 | What statutes set out competition law?

The main statute that sets out competition law is the Entrepreneurship Code, dated 29 October 2015. The Code provides for regulation in areas such as bad faith competition, anti-monopoly regulation, economic concentration and price regulation.

### IP rights in competition legislation

- 11 | Do the competition laws make specific mention of any IP rights?

Competition laws specifically mention IP rights. In particular, the unauthorised use of other entities' means of individualisation (eg, trademarks, trade names) and copyright is considered an act of bad faith competition. The Code on Administrative Offences provides for separate liability for bad faith competition activity.

### Review and investigation of competitive effects from exercise of IP rights

- 12 | Which authorities may review or investigate the competitive effect of conduct related to exercise of IP rights?

The Agency for the Protection and Development of Competition is the main state authority responsible for control of compliance with competition laws. Generally, this authority is responsible for considering cases related to the competitive effect of conduct related to the exercise of IP rights.

However, there is no developed practice on this. While the concept of abuse of civil rights exists, it does not have wide application in the practice of enforcing competition laws. Currently, competition authorities are not experienced in IP laws. As a result, the potential to use competition laws as a tool for protecting IP rights is not fully realised.

## Competition-related remedies for private parties

- 13 | Can a private party recover for competition-related damages caused by the exercise, licensing or transfer of IP rights?

From a legal perspective, a private party may try to recover damages if he or she can prove that there has been an abuse of his or her IP rights. However, such practice is not well developed. We have not seen cases where such damages were claimed or awarded.

## Competition guidelines

- 14 | Have the competition authorities, or any other authority, issued guidelines or other statements regarding the overlap of competition law and IP?

There are no official guidelines regarding the overlap of competition law and IP rights.

## Exemptions from competition law

- 15 | Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

There are certain exemptions from the application of competition law in connection with the exercise of IP rights. In particular, the Entrepreneurship Code generally prohibits anticompetitive agreements (eg, agreements that regulate prices). The Entrepreneurship Code expressly provides that these restrictions do not apply to agreements that relate to the exercise of IP rights.

At the same time, the Entrepreneurship Code also provides that this exemption will apply provided that there is no limitation or elimination of the competition. Given that anticompetitive agreements in their essence limit competition, it is difficult to prove how the relevant exemption may be applied in cases involving IP rights.

## Copyright exhaustion

- 16 | Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws?

The Copyright Law provides for the concept of copyright exhaustion. In particular, with a few exemptions, after the first legal sale of a copy, further sales of this copy do not require the consent of the relevant copyright holder.

After exhaustion of the copyright, exemptions in the competition law do not apply and any further sales are subject to the general regulation of competition laws.

## Import control

- 17 | To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

With regard to certain IP rights (eg, trademarks), it is possible to record the relevant objects in the special register of IP rights (TROIS). This allows Customs to suspend imports of any products bearing those registered objects for 10 business days. Customs then alerts the right holder of the import to allow it to challenge it or request interim relief. If the owner does nothing in the 10 days, the authorities will lift the suspension.

Irrespective of the Customs registration, an import without the consent of the IP rights holder may be a breach of the IP rights. Accordingly, the IP rights holder can apply to courts of general jurisdiction with a claim to cease any violation and demand compensation of damages.

## Jurisdictional interaction between competition laws and IP rights

- 18 | Are there authorities with exclusive jurisdiction over IP-related or competition-related matters? For example, are there circumstances in which a competition claim might be transferred to an IP court to satisfy subject matter jurisdiction? Are there circumstances where the resolution of an IP dispute will be handled by a court of general jurisdiction?

In Kazakhstan, there are no specialised IP or competition courts. Accordingly, within civil litigation, all claims are considered by general civil courts.

For administrative and criminal procedures, different authorities have the competence to initiate such proceedings. In particular, there are specialised authorities responsible for the control of compliance with competition laws (eg, the Agency for the Protection and Development of Competition and its territorial departments). IP matters are overseen by different authorities (eg, the justice authorities and Customs). Copyright matters are in the jurisdiction of the police. Depending on the circumstances, the case will be handled by an administrative or criminal court.

## MERGER REVIEW

### Powers of competition authority

- 19 | Does the competition authority have the same authority with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

Generally, certain types of mergers are subject to review by competition authorities. The applicability of the review depends on a number of factors, including the market position of merging entities and the economic value of the transaction. This requirement applies irrespective of whether the merger involves IP rights.

There are no specific rules requiring competition review of mergers involving IP rights. Thus, mergers involving IP rights will be subject to the competition review under the general provisions of the competition laws.

### Analysis of the competitive impact of a merger involving IP rights

- 20 | Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

During the merger review, competition authorities should mainly consider how the relevant merger will affect competition in the market. There are no special review criteria for mergers involving IP rights.

### Challenge of a merger

- 21 | In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights? Does this differ from the circumstances in which the competition authority might challenge a merger in which IP rights were not a focus?

There are a number of grounds on which approval of a merger by the competition authorities may be cancelled (eg, the submission of falsified information during the review process or failure to fulfil conditions on the basis of which the approval has been issued).



Apart from the general grounds, there are no special grounds for challenging the review that are applicable to IP rights only.

### **Remedies to address the competitive effects of mergers involving IP**

- 22 | What remedies are available to address competitive effects generated by a merger when those effects revolve around the transfer of IP rights?

There are no remedies with regard to a merger around the transfer of IP rights that are specific to IP assets only. Mergers involving IP rights are reviewed and challenged on the basis of the same rules that are applicable to other mergers not involving IP rights.

## **SPECIFIC COMPETITION LAW VIOLATIONS**

### **Conspiracy**

- 23 | Can the exercise, licensing or transfer of IP rights create price-fixing or conspiracy liability?

Generally, competition laws prohibit a number of agreements that are considered anticompetitive. For example, the Entrepreneurship Code prohibits agreements resulting in, among other things, the establishment or agreement of prices, division of the market and the refusal to contract with specific groups of counterparties.

However, the Entrepreneurship Code also provides that these limitations do not apply to agreements that relate to the exercise of IP rights, provided that such agreements do not limit, restrict or eliminate competition.

The inherent contradiction of these provisions raises the question of how this exemption would apply if the relevant anticompetitive agreement inherently limits competition in the market.

In any event, these provisions have not been tested in practice. There are no court cases where a court would confirm that an agreement related to IP rights is not subject to the prohibition of anticompetitive actions and vice versa.

### **Scrutiny of settlement agreements**

- 24 | How would a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective? What are the key factors informing such an analysis?

Generally, a settlement agreement is subject to approval by a court considering the relevant dispute. When approving the settlement agreement, the court should check compliance with all mandatory legal rules applicable to the specific situation, including competition laws.

There are no rules that apply specifically to IP disputes. However, under general rules, the court should consider a settlement agreement in an IP dispute for compliance with laws, including competition laws. Non-compete undertakings of a settlement agreement should be considered under the same rules. Accordingly, if the court believes that such undertakings breach competition laws, it may refuse to approve the settlement agreement. However, we have not seen cases where the court has refused to approve a settlement agreement in an IP dispute with reference to a breach of competition laws.

### **Reverse payment patent settlements**

- 25 | How have the competition laws been applied to reverse payment patent settlements in your jurisdiction?

There is no practice of applying competition laws to reverse payment patent settlements. Competition laws do not expressly regulate this.

At the same time, legally, this arrangement may give rise to issues under competition laws. In particular, the competition laws, among other anticompetitive actions, prohibit agreements aimed at decreasing or ceasing the manufacture of certain products. Technically, a settlement agreement whereby one party agrees to stop selling products and challenging another party's patent may fall under the concept of an anticompetitive agreement. Accordingly, there is a risk that a reverse payment patent settlement may be challenged from the competition law perspective.

In practice, there have not been cases where such arrangements have been challenged, cancelled or considered as valid from a legal perspective.

### **(Resale) price maintenance**

- 26 | Can the exercise, licensing, or transfer of IP rights create liability under (resale) price maintenance statutes or case law?

Generally, competition laws prohibit a number of agreements that are considered anticompetitive. For example, the Entrepreneurship Code prohibits agreements resulting in, among other things, the establishment or agreement of prices.

However, the Entrepreneurship Code also provides that these prohibitions should not apply to agreements that relate to the exercise of IP rights, provided that such agreements do not limit or restrict competition.

The inherent contradiction of these provisions raises the question of how this exemption would apply if the relevant anticompetitive agreement inherently limits competition in the market.

Thus, while IP agreements should enjoy a different regime under competition laws, the requirement of non-limitation of the competition makes it difficult to apply this exemption.

These provisions have not been tested in practice so it is difficult to predict what approach the courts will take.

### **Exclusive dealing, tying and leveraging**

- 27 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to exclusive dealing, tying and leveraging?

Generally, local laws allow exclusive IP arrangements. However, competition laws prohibit a number of agreements that are considered anticompetitive. Among other things, the Entrepreneurship Code prohibits agreements resulting in the refusal to deal with other sellers or purchasers.

However, the Entrepreneurship Code also provides that these prohibitions should not apply to agreements that relate to the exercise of IP rights, provided that such agreements do not limit or restrict competition.

The inherent contradiction of these provisions raises the question of how this exemption would apply if the relevant anticompetitive agreement inherently limits competition in the market.

Thus, while IP agreements should enjoy a different regime under competition laws, the requirement of non-limitation of the competition makes it difficult to apply this exemption.

These provisions have not been tested in practice so it is difficult to predict what approach the courts will take.

### **Abuse of dominance**

- 28 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to monopolisation or abuse of dominance?

Local laws do provide for liability with regard to abuse of dominant position in the market. There are no exceptions for IP arrangements.

Accordingly, abuse of the dominant position involving IP rights will be treated in the same way as other types of conduct.

In addition, the abuse of certain IP rights (eg, patents) may result in the issuance of a compulsory non-exclusive licence.

### Refusal to deal and essential facilities

- 29 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities?

Depending on circumstances, the refusal to deal and grant access to essential facilities may fall under the concept of abuse of a dominant position. Such a situation may result in general liability under competition laws. In addition, the abuse of IP rights may result in the issuance of a compulsory licence for certain types of IP rights (eg, patents).

## REMEDIES

### Remedies for violations of competition law involving IP

- 30 | What sanctions or remedies can the competition authorities or courts impose for violations of competition law involving IP?

Depending on circumstances, remedies for the breach of competition laws include fines and confiscation of income obtained with the breach of the relevant requirements. With regard to certain IP rights (patents), remedies may also include the issuance of a compulsory licence.

### Competition law remedies specific to IP

- 31 | Do special remedies exist under your competition laws that are specific to IP matters?

Remedies for breaches of competition laws specific to IP rights may include the issuance of a compulsory licence.

## ECONOMICS AND APPLICATION OF COMPETITION LAW

### Economics

- 32 | What role has competition economics played in the application of competition law in cases involving IP rights?

The local practice of enforcing competition laws in IP cases is not well developed. State authorities that deal with competition matters have poor experience in IP laws. Therefore, currently, competition laws do not play a significant role in the protection of IP rights.

## RECENT CASES AND SANCTIONS

### Recent cases

- 33 | Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

There have been no recent high-profile cases dealing with the intersection of competition law and IP rights.

### Remedies and sanctions

- 34 | What competition remedies or sanctions have been imposed in the IP context?

In Kazakhstan, the practice of applying competition laws to IP matters is not well developed. Therefore, there are no high-profile cases where competition remedies or sanctions have been imposed in IP-related cases.

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## UPDATE AND TRENDS

### Key developments

- 35 | Are there any emerging trends or hot topics in the law of IP and antitrust policy? Have changes occurred recently or are changes expected in the near future that will have an impact on the application of competition law to IP rights?

On 1 July 2021, the new Administrative Procedure Process Code (APPC) entered into force. The APPC regulates, among other things, various issues related to the issuance, cancellation and appeal of administrative acts by state authorities. The main purpose of the APPC is to unify the regulation of activities of state authorities, including the authorities responsible for IP and competition matters.

Also, because of the two-year moratorium on audits of small and medium-sized businesses, the administrative enforcement procedure is not currently available in Kazakhstan. IP rights holders may apply for civil or criminal enforcement procedures, though these are time-consuming and expensive.

# Mexico

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## INTELLECTUAL PROPERTY

### Intellectual property law

- 1 Under what statutes, regulations or case law are intellectual property rights granted? Are there restrictions on how IP rights may be enforced, licensed or otherwise transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)?

The Federal Law for the Protection of Industrial Property in México, which is to become effective as from 5 November 2020 together with the Federal Copyright Law constitute the fundamental sources of Intellectual Property in México. Bear in mind that the Mexican legal system is supported on Civil Law (Roman Law) and, as such, the primary source of IP rights is the law while judicial precedents and jurisprudence will be restricted to interpret the law. On procedural aspects, the Federal Code of Civil Procedure and the Federal Law of Administrative Procedure will also be applicable in IP matters. Restrictions on enforcement, licensing and transfer of IP rights in México meet applicable rules contained in TRIPS. The only exceptions on the transfer of IP assets could result from Competition Law.

### Responsible authorities

- 2 Which authorities are responsible for granting, administering or enforcing IP rights?

The granting of IP rights, as is their maintenance, administration and enforcement are the responsibility of the Mexican Patent and Trademark Office. The enforcement of copyrights falls under the responsibility of the Mexican Patent and Trademark Office (MPTO) as well. All primary decisions affecting IP rights thus originate at the MPTO. Appeal instances, however, are tried with the IP Chamber of the Federal Tribunal on Administrative Matters and with the Collegiate Courts, while the Supreme Court of México will also hear cases involving IP rights when alleged violations to fundamental rights are to be resolved. Lastly, damages resulting from violations to IP rights are to be tried with the Civil Courts in México, whether federal or local. In addition, the new IP law, effective from 5 November 2020 has empowered the Civil Courts to try claims for infringement and even claims for revocation of IP rights, although the relevant statute will most likely be questioned on grounds of violation to jurisdictional provisions contained in the Constitution. At any rate, the MPTO will be responsible for finding on claims for infringement and revocation of IP rights, in a primary setting. The Civil Courts may recognise jurisdictions over the same IP claims, although the specific wording in the law and the lack of legal provisions to empower the judiciary and the Civil Courts in particular to try IP cases may render the amendment ineffective.

### Proceedings to enforce IP rights

- 3 What types of legal or administrative proceedings are available for enforcing IP rights? To the extent your jurisdiction has both legal and administrative enforcement options for IP rights, briefly describe their interrelationship, if any?

Under the law, all claims for infringement against IP rights are to be tried with the MPTO although the new Federal Law for the Protection of Industrial Property has attempted to empower the Civil Courts to try these cases as well. At time of writing, it remains uncertain how or if the noted amendment will actually operate, therefore, it may be safe to assume that the MPTO will remain the only government entity effectively empowered to try administrative proceedings to enforce IP rights. No distinctions on the amount of the dispute are included in the law. On the appeal level, Mexico has an IP Court that sits in the Federal Tribunal on Administrative Matters while the Collegiate Courts will generally constitute the last available recourse to appeal decisions originating at the MPTO, unless disputes over fundamental rights recognised in the Mexican Constitution were to be addressed, in which case the Supreme Court of México would try and resolve such issues.

### Remedies

- 4 What remedies are available to a party whose IP rights have been infringed? Do these remedies vary depending on whether one utilises judicial or administrative review or enforcement?

Injunctive relief is provided for in the IP law and is to be sought after with the MPTO. Given the current uncertainty on the eventual ability of the Civil Courts to try IP cases, the present analysis will be limited to the actual options available at the MPTO although, in principle, Civil Courts would also be able to award injunctive relief on IP cases.

### Nexus between competition and IP rights

- 5 Do any statutes, regulations or case law in your jurisdiction address the interplay between competition law and IP law?

So far as statutes or regulations are concerned, neither address the interplay between competition law and IP law. While there may be case law addressing the same, neither has been located.

### Patent cooperation treaties and other agreements

- 6 Does your jurisdiction participate in any patent cooperation treaties or other similar agreements?

Mexico is a member state of the Paris Convention, the Patent Cooperation Treaty and the Hague Convention on Designs. Patent Prosecution Highway (PPH) is also available in México.

## Remedies for deceptive practices

- 7 | With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices?

Under the IP Statute, unfair competition practices can be tried. Further, the Federal Law on Consumer Protection provides for remedies against deceptive practices, however, these are not available to IP owners but rather to consumers.

## Technological protection measures and digital rights management

- 8 | With respect to copyright protection, is WIPO protection of technological protection measures (TPMs) and digital rights management (DRM) enforced in your jurisdiction? Do statutes, regulation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Has TPM or DRM protection been challenged under the competition laws?

Amendments to the Federal Copyright Law effective as from 2 July 2020 now address technological protection measures and digital rights management. So far, however, regulations to the amended law are yet to be enacted and case law is neither available at this time. So far, no challenges of TPM or DRM appear to have been challenged under competition law. Bear in mind, however, that legal proceedings in México are kept strictly confidential until a final decision is rendered in the given case. Therefore, if there have been cases filed to challenge either TPO or DRM there is no way to be alerted.

## Industry standards

- 9 | What consideration has been given in statutes, regulation or case law to the impact of the adoption of proprietary technologies in industry standards?

To date, such concepts are yet to be implemented in the IP laws and thus patentees are not under any such obligations.

## COMPETITION

### Competition legislation

- 10 | What statutes set out competition law?

The Federal Economic Competition Law (Competition Law) and its Regulatory Provisions are the statutes governing free competition, anti-trust, monopolies, monopolistic practices, and concentrations.

### IP rights in competition legislation

- 11 | Do the competition laws make specific mention of any IP rights?

Neither the Competition Law or its Regulatory Provisions, contain any specific mention of IP rights, since their provisions are aimed to regulate all the aspects of the market economy and its implications for commercial activities, including companies owned by the government.

### Review and investigation of competitive effects from exercise of IP rights

- 12 | Which authorities may review or investigate the competitive effect of conduct related to exercise of IP rights?

The Federal Commission for Economic Competition (Competition Commission) is the entity in charge of carrying out the investigation in its case, or the Institute Federal of Telecommunications in case of telecommunications and radio broadcasting cases. It is important to bear in mind

that the licence itself is not a case subject to investigation of possible monopolistic practices, but rather that if derived from said licence, it is intended to carry out domain activities in the market place, or by itself such licence brings as a consequence the displacement of other market participants, then the Competition Commission ex officio or at the request of an interested party considered affected, may carry out an investigation to determine whether a monopolistic practice is originated from the industrial property licences.

## Competition-related remedies for private parties

- 13 | Can a private party recover for competition-related damages caused by the exercise, licensing or transfer of IP rights?

In the event that derived from an investigation or complaint of monopolistic practices, in which IP rights are involved, derived from the granting of a licence of an IP right, (eg, by the exploitation of a patent or in case of an illicit concentration and according to the general guidelines of the Law), an absolute or relative monopolistic practice has been originated, those persons who have suffered damages and loses, as a consequence of the foregoing, may take legal action only until a final resolution of the competence authority has been issued.

## Competition guidelines

- 14 | Have the competition authorities, or any other authority, issued guidelines or other statements regarding the overlap of competition law and IP?

Currently the Competition Commission has not issued guidelines related to specific issues of rights of industrial property, even though it has the authority to issue an opinion when it deems pertinent, regarding adjustments to programmes and policies carried out by governmental authorities, when these may have contrary effects to the process of free competition and economic competition, in accordance with the applicable legal provisions.

## Exemptions from competition law

- 15 | Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

The Federal Law on Economic Competition expressly states that the privileges granted for a certain period of time to authors and artists for the production of their works do not constitute monopolies and neither do the rights granted to inventors and perfectors for the exclusive use of their inventions or improvements.

The Federal Copyright Law grants the right to authors to prohibit the execution of public communication of their work through various electronic, telecommunications, media; making their works available to the public, in such a way that members of the public can access these works from the place and at the time that each of them chooses; the public transmission or broadcasting of his or her works, in any way, including the transmission or retransmission of the works by cable; optical fibre; microwave, via satellite or any other means known or to be known.

## Copyright exhaustion

- 16 | Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws?

Copyright law in México does provide exhaustion of rights, basically in the same terms as those contained in EU legislation on the matter, however, practices under doctrine aimed to contract out of the same, control prices or prevent grey marketing would be found contrary to law if tried in a law suit.

## Import control

- 17 | To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

Under the exhaustion doctrine, also applicable on IP cases, parallel imports or grey marketing is permitted, although the burden to demonstrate that the given products originated from the trademark owner or its recorded licensee falls on the defendant and the strict rules governing the issue make it difficult to meet the required level of evidence.

## Jurisdictional interaction between competition laws and IP rights

- 18 | Are there authorities with exclusive jurisdiction over IP-related or competition-related matters? For example, are there circumstances in which a competition claim might be transferred to an IP court to satisfy subject matter jurisdiction? Are there circumstances where the resolution of an IP dispute will be handled by a court of general jurisdiction?

With regard to IP, the MPTO is, for the time being, the sole government entity with authority to try IP related cases originally. Competition matters are also tried with the competition authority. Both issues, however, IP and competition law, have specialised courts to oversee appeals. Both specialised courts belong under the Federal Tribunal on Administrative Matters. A motion to reassign a given case on appeal may be filed with either specialised court to change the venue to the other. The reasoning would need to address why the merits in the given case fall into the other court's jurisdiction to be granted.

## MERGER REVIEW

### Powers of competition authority

- 19 | Does the competition authority have the same authority with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

The competition authority within its authority to review and authorise or sanction concentrations, (mergers, acquisitions or joint ventures) has the capacity to review those that involve intellectual property rights, since concentrating the IP rights in a merger could be considered to exist the possibility that the merger, acquisition or new entity that arises from the concentration, may have a dominant participation in the market place and with the exploitation of intellectual property rights, could engage in monopolistic practices, limiting the free competition of competitors.

In the case of concentrations in telecommunications matters, the Federal Telecommunications Institute is the authority in charge of review the concentrations in this industry, (telecommunications and radio broadcasting), for purposes of determining whether such concentration can be considered a barrier to free competition.

According to the Regulatory Provisions on telecommunication matters the rights of use or exploitation protected by the legislation on intellectual and industrial property must be considered, to obtain concessions, licences, permits or any kind of authorisation or enabling title issued by the Public Authority.

### Analysis of the competitive impact of a merger involving IP rights

- 20 | Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

As a general rule in the event of a merger, the competition authority must analyse as many elements as possible and consider that the

merger has an impact on free competition in the market, including the impact of concentration of IP rights.

### Challenge of a merger

- 21 | In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights? Does this differ from the circumstances in which the competition authority might challenge a merger in which IP rights were not a focus?

The competition authority within its authority to review and authorise or sanction concentrations, (mergers, acquisitions or joint ventures) has the capacity to review those that involve IP rights, since concentrating the IP rights in a merger may open up the possibility that the merger, acquisition or new entity that arises from the concentration may have a dominant participation in the market place and with the exploitation of intellectual property rights, could engage in monopolistic practices.

### Remedies to address the competitive effects of mergers involving IP

- 22 | What remedies are available to address competitive effects generated by a merger when those effects revolve around the transfer of IP rights?

If the competition authority considers that the concentration of IP rights could result in dominant participation in the marketplace with the exploitation of intellectual property rights, the competition authority may condition the authorisation of the concentration, to the economic agent, assigns or licences certain IP the authority, to third parties.

In the case of concentrations in telecommunications, the Federal Telecommunications Institute, as the authority in charge of knowing about concentrations in this industry, (telecommunications and broadcasting), for purposes of determining whether said concentration can be considered a barrier to free competition, the need to have concessions, licences, permits or any kind of authorisation or enabling title issued by the Public Authority, as well as rights of use or exploitation protected by the legislation on intellectual and industrial property, must be analysed.

In this case and as a result of the analysis of the impact of the merger, in order to authorise it, the authority may determine that certain IP rights must be licensed to those who require them 'must offer, must carry' or order the divestiture of the entity, resulting from the merger of certain IP rights, which, if maintained by the authority, considers that a monopolistic practice would be generated, excluding other competitors from the market.

These IP rights transmission or sub-licensing measures are not only limited to telecommunications or broadcasting cases, but also apply to other industries, where IP rights play an important role in the development of their activities, such as patents.

## SPECIFIC COMPETITION LAW VIOLATIONS

### Conspiracy

- 23 | Can the exercise, licensing or transfer of IP rights create price-fixing or conspiracy liability?

The price fixing agreements that a distributor must observe when providing services or trading products, or the condition of not using, acquiring, or trading third party products, are considered to be relative monopolistic practices.

In this context, if there are commercial agreements in which IP licence rights are involved between competitors or not, and in which are established the aforementioned conditions, these operations may be sanctioned by the competition authority.



The rules for determining monopoly conduct are generally applicable, so there is no specific treatment for cases of IP.

### Scrutiny of settlement agreements

- 24 How would a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective? What are the key factors informing such an analysis?

In the case of a transaction agreement derived from the infringement of an industrial property rights; considering that industrial property rights are exceptions to be considered as a monopoly (temporary monopoly), their examination should be in said context and should only, where appropriate, verify that if derived from such agreement there is no abuse of industrial property rights.

The scrutiny of transactional agreements would be reviewed by the competition authority, when they are entered into by economic entities with preponderance in the market place, and that if as a consequence of same, it may be considered that they create anti-competitive practices that limit free access to the market.

An agreement not to compete with respect to the patented product cannot be considered to violate competition laws, by virtue of being a product protected by industrial property laws (patented product) and recognised by competition laws. The agreement must be limited to the validity of the patent, so as not to violate competition laws.

### Reverse payment patent settlements

- 25 How have the competition laws been applied to reverse payment patent settlements in your jurisdiction?

The competition laws treat these way of conduct in similar manner to the other anticompetitive conducts, namely, if the aforementioned conducts cause monopolistic practices or conspire to create barriers to free market competition, they will be sanctioned in this regard, and the authority's resolution will be based on the economic impact that this represents.

### (Resale) price maintenance

- 26 Can the exercise, licensing, or transfer of IP rights create liability under (resale) price maintenance statutes or case law?

The law sanctions as monopolistic practices, the imposition of the price or other conditions that must be observed when marketing a product or service, as well as, the invitation or recommendation addressed to one or more competitors to coordinate prices, the offer or the conditions of production, marketing or distribution of goods or services in a market; or to exchange information with the same object or effect.

If, derived from the granting of licences, any of the aforementioned conducts are generated, it may be generated liabilities in accordance with the corresponding laws.

### Exclusive dealing, tying and leveraging

- 27 Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to exclusive dealing, tying and leveraging?

A transaction subject to the condition of not selling, using, acquiring, marketing or providing services, will generate liabilities according to competition laws, without distinguishing whether or not intellectual property rights are involved.

Therefore, in the event that a firm compels the licensee or acquirer of its IP rights, to carry out the aforementioned conducts, it would be subject to the applicable sanctions under the competition law.

### Abuse of dominance

- 28 Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to monopolisation or abuse of dominance?

Conduct on the part of a dominant company, which is provided for in the competition law or in the regulatory provisions issued by the competition commission, may involve liabilities for the company, regardless of whether it is their general activities or those in which they involve IP rights.

### Refusal to deal and essential facilities

- 29 Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities?

By virtue of the fact that according to the competition law, it is considered as monopolistic practice, the denial of access in discriminatory terms and conditions to an essential input by one or more economic agents, under this concept, the denial of the granting of a patent licence could be considered a relative monopolistic practice, if this refusal is not properly founded by the owner of the patent.

The competition law does not make any difference in treatment regarding issues of general trade or IP rights, for this particular case of refusal to negotiate and essential facilities.

On the other hand, the law on IP establishes the guidelines and assumptions for the application for the granting of a compulsory licence, which may be at the request of the interested party if the granted patent has not been exploited, after three years from the date of the granting of the patent, or four years from the filing of the application, whichever occurs more by virtue of the fact that according to the competition law, it is considered as monopolistic practice, the denial of access in discriminatory terms and conditions to an essential input by one or more economic agents. Under this concept, the denial of the granting of a patent licence could be considered as a relative monopolistic practice, if this refusal is not properly founded by the owner of the patent.

The competition law does not make any difference in treatment regarding issues general trade or IP rights, for this particular case of refusal to negotiate and essential facilities.

On the other hand, the law on IP establishes the guidelines and assumptions for the application for the granting of a compulsory licence, which may be at the request of the interested party if the granted patent has not been exploited, after three years from the date of the granting of the patent, or four years from the filing of the application, whichever occurs later, unless there are duly justified causes.

## REMEDIES

### Remedies for violations of competition law involving IP

- 30 What sanctions or remedies can the competition authorities or courts impose for violations of competition law involving IP?

In the case of violation of competition law involving IP rights, the competition authority may instruct the correction or suppression of the monopolistic practice or illicit concentration; instruct the partial or total reversion of an illegal concentration, the termination of control or the suppression of the acts, as appropriate, without prejudice to the fine that may be applicable; or only imposition of fines, which amount will depend on the type of violation of competition law.

## Competition law remedies specific to IP

### 31 | Do special remedies exist under your competition laws that are specific to IP matters?

There are no special remedies specific to IP matters, the remedies imposed by the competition authorities are in relation to the anticompetitive acts. If in the anticompetitive acts directly involve IP rights or the abuse of same, then the remedies may involve decisions in connection with the IP rights.

## ECONOMICS AND APPLICATION OF COMPETITION LAW

### Economics

### 32 | What role has competition economics played in the application of competition law in cases involving IP rights?

Based on the report issued periodically by the Commission of Economic Competence, cases involving IP rights have not particularly been identified.

## RECENT CASES AND SANCTIONS

### Recent cases

### 33 | Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

In the public communication COFECE-009-2019 issued by the Federal Commission of Competence, such commission published the clarification on the terms by which the acquisition of the 100 per cent shares of Twenty-First Century Fox by The Walt Disney Company, in which the following were involved:

- distribution of films for exhibition in cinemas;
- licensing of audio-visual content for home entertainment in physical and digital formats for direct acquisition and download;
- licensing of music for home entertainment in physical and digital formats for purchase and direct download;
- music licensing by non-digital means;
- live entertainment; and
- licensing of intellectual property rights for books and magazines, for consumer products and for the development of interactive media and video games.

### Remedies and sanctions

### 34 | What competition remedies or sanctions have been imposed in the IP context?

Based on the report issued periodically by the Commission of Economic Competence, competition remedies or sanctions in cases involving IP rights have not particularly been identified.

## UPDATE AND TRENDS

### Key developments

### 35 | Are there any emerging trends or hot topics in the law of IP and antitrust policy? Have changes occurred recently or are changes expected in the near future that will have an impact on the application of competition law to IP rights?

There are no emerging trends nor expected changes related to the application of competition law to IP rights.

\* The information in this chapter was verified between October and November 2020.



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# Portugal

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## INTELLECTUAL PROPERTY

### Intellectual property law

- 1 | Under what statutes, regulations or case law are intellectual property rights granted? Are there restrictions on how IP rights may be enforced, licensed or otherwise transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

Under Portuguese law, IP rights are statutory rights that are granted under the following legislation:

- the Industrial Property Code;
- the Code of Copyright and Related Rights;
- Decree Law No. 122/2000 (database rights); and
- Decree Law No. 252/94 (computer programs).

The above-mentioned legislation covers patents, trademarks, designs, utility models, logotypes, topographies of semiconductor products, trade secrets, appellations of origin and geographical indications, awards, copyright and related rights, and database rights.

In general terms, and by way of example, industrial property rights confer on their holder the following exclusive rights.

- Patents: to exploit the invention throughout Portugal. The patent also grants its holder the right to prevent any third party, without the holder's consent, from:
  - manufacturing, offering, stocking, placing on the market or using a product that is the subject matter of the patent, or importing or possessing it, for any of the purposes mentioned;
  - using the process that is the subject matter of the patent or, if the third party knows or should have known that the use of the process is prohibited without the consent of the holder of the patent, offering to use it; or
  - offering, stocking, placing on the market and using, importing or possessing for those purposes, products obtained directly by the process that is the subject matter of the patent.

Furthermore, the patent also grants the right to prevent any third party, without the consent of the patent holder, from offering or making available to any person who does not have the right to exploit the patented invention, the means of performing it with respect to an essential element of it, if the third party knows or should have known that such means are suitable and intended for such performance.

- Trademarks: to prevent third parties that do not have the holder's consent from using in the course of economic activities any identical or similar sign to the trademark used in relation to goods or services that are identical or similar to the goods or services for which the mark is registered, if there is a likelihood

of confusion on the part of the public. Under the right mentioned above, the trademark holder may, among other things, prohibit third parties from:

- affixing the sign to the goods or to the packaging of those goods;
- offering the goods;
- putting the goods on the market;
- stocking the goods for the purposes under the sign;
- offering or supplying services thereunder; and
- importing or exporting the goods under the sign.
- Designs or models: to use the design and to prevent any third party from using it without the holder's consent. The use covers, in particular, the manufacturing, offering, putting on the market, importing, exporting or use of a product in which the design is incorporated or to which it is applied, or stocking such a product for those purposes.

Regarding the rules on appellations of origin and geographical indications, the registration confers the right to prevent:

- the use, by third parties, in the designation or appearance of a product, of any means that indicate that the product originated from a geographical location other than its real place of origin;
- use that constitutes an act of unlawful competition, within the meaning of article 10-bis of the Paris Convention for the Protection of Industrial Property, following the Stockholm revision, of 14 July 1967; and
- use by an unauthorised third party.

Copyright protection encompasses rights of a financial and personal nature (moral rights). In the case of the financial content of the rights, the holder is granted an exclusive right to the economic exploitation of the work. In other words, the author has the exclusive right to use and dispose of their work, or to authorise its use by a third party, in whole or in part. Moral rights are recognised in the author and amount to the right to claim the authorship over the work and to ensure its genuineness and integrity.

There are no IP rights that are granted under or originate from settled case law.

There are some restrictions on how the IP rights may be enforced, licensed or transferred, depending on the nature of the rights in question or the existence of consumer protection reasons.

In general terms, the rights exceed the minimum required by the TRIPs Agreement.

## Responsible authorities

### 2 Which authorities are responsible for granting, administering or enforcing IP rights?

The authorities responsible for granting, administering or enforcing IP rights include:

- the National Industrial Property Office (INPI), which is an administrative authority responsible for the promotion and protection of industrial property rights in Portugal (among other things, the INPI is responsible for granting and, in some cases, declaring the nullity of industrial property rights);
- the Portuguese Inspectorate General of Cultural Activities, which supervises, inspects and monitors copyrights and related rights, and deals with the registration of works and cultural content;
- the Authority for Food and Economic Security, which is responsible for bringing administrative offence proceedings in relation to industrial property rights; and
- the Intellectual Property Court, which is a specialised court with exclusive jurisdiction to decide on cases in which the cause of action relates to:
  - copyright and related rights;
  - industrial property;
  - annulment and nullity actions set out in the Industrial Property Code;
  - appeals against decisions of the INPI, which grant or refuse any industrial property rights or relate to the assignment;
  - licensing;
  - cancellation or any actions that otherwise modify or extinguish such rights; and
  - proceedings relating to acts of unlawful competition in industrial property matters.

## Proceedings to enforce IP rights

### 3 What types of legal or administrative proceedings are available for enforcing IP rights? To the extent your jurisdiction has both legal and administrative enforcement options for IP rights, briefly describe their interrelationship, if any?

IP rights are principally enforced through legal proceedings, although administrative customs proceedings are also available in relation to IP rights.

Apart from the customary administrative proceedings available before the INPI to examine, grant, cancel and, in some cases, declare the nullity of industrial property rights, there are no administrative enforcement proceedings available before this institute.

Criminal proceedings may also be brought based on the infringement of IP rights, before criminal courts.

Civil enforcement of IP rights takes place before the Intellectual Property Court, which is a specialised court with its seat in Lisbon. There are two types of civil proceedings relating to IP rights that may be filed: preliminary injunctions and main actions. Although preliminary injunctions are functionally dependent on a main action, both types of proceedings can be brought in parallel over the same subject matter and may run separately from each other.

Special inhibitory actions relating to pharmaceutical patents and generic medicines are available under Law No. 62/2011 of 19 December 2011. While this law had originally established a mandatory arbitration system for resolving these disputes, significant changes were introduced by Decree Law No. 110/2018, which maintained the special enforcement system but abandoned the mandatory arbitration system. As such, these disputes are now resolved by the Intellectual Property Court or, upon agreement of the parties, by voluntary arbitration.

There are no specific enforcement options based on the amount at issue.

Administrative proceedings such as customs actions do not preclude the possibility of bringing civil or criminal proceedings.

## Remedies

### 4 What remedies are available to a party whose IP rights have been infringed? Do these remedies vary depending on whether one utilises judicial or administrative review or enforcement?

Any party whose IP rights have been infringed has civil, criminal, and administrative offence remedies available to enforce its rights, as these remedies vary depending on the nature of the proceedings in question.

Regarding civil remedies, these include preliminary and permanent injunctions. In cases of negligent or wilful infringement, damages claims for infringement are also allowed.

The infringement of IP rights may also be criminally punishable with a penalty of imprisonment or the payment of a fine. Criminal proceedings relating to industrial property rights usually depend on the filing of a complaint by the offended party, whereas copyright offences are considered public crimes and are not dependent on the filing of a criminal complaint (except in the case of exclusive infringement of moral rights).

The violation of IP rights may also be punished as an administrative offence.

The seizure or destruction of infringing goods is an available remedy.

## Nexus between competition and IP rights

### 5 Do any statutes, regulations or case law in your jurisdiction address the interplay between competition law and IP law?

Portuguese law does not contain any specific provision that addresses the interplay between competition law and IP law. However, the Portuguese Competition Authority (PCA) fined the National Association of Pharmacies (ANF) for abusing its dominant position by way of a margin squeeze of a competitor (IMS Health). IMS Health alleged that the price it was being charged for data collected from pharmacies (data owned by ANF and protected by IP rights) was abusive when compared to the price ANF charged its own downstream market study provider.

Generally, in cases where IP rights are relevant to the competitive assessment of conduct or a merger, the PCA will undertake a detailed analysis of how the IP rights could be used by the post-merger entity to impact competition.

## Patent cooperation treaties and other agreements

### 6 Does your jurisdiction participate in any patent cooperation treaties or other similar agreements?

Yes, Portugal does participate in several patent cooperation treaties and other similar agreements. Examples include:

- the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPs Agreement) of the World Trade Organization (WTO) (ratified by Decree No. 82-B/94 of 27 December of the President of the Republic);
- the WIPO Patent Cooperation Treaty (approved, through accession, by Decree No. 29/92 of 25 June);
- the Paris Convention for the Protection of Industrial Property (ratified by Decree No. 22/75 of 22 January);
- the European Patent Convention (ratified by Decree No. 126-A/2007 of 12 December of the President of the Republic); and
- the Agreement on a Unified Patent Court (ratified by Decree No. 90/2015 of 6 August of the President of the Republic).

## Remedies for deceptive practices

### 7 | With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices?

The Industrial Property Code defines unfair competition as any act of competition contrary to the rules and honest practices in any branch of economic activity. Such practices include acts that can create confusion with products and services of the competitors. General civil remedies are available, as are specific IP remedies (such as the prohibition on registering trademarks if it is recognised that unfair competition may occur).

Under consumer protection laws, Decree-Law No. 57/2008 of 26 March provides for civil liability if the consumer is harmed by a misleading commercial practice. It also provides for the right to seek an injunction for any person with a legitimate interest in opposing unfair commercial practices. These specific proceedings are provided for in Law No. 24/96 of 31 July.

The Advertising Code (Decree Law No. 330/90 of 23 October) also provides for precautionary measures regarding unlawful comparative advertising with relation to trademarks.

In theory, competition law could also provide remedies for deceptive practices in cases where they have a restrictive effect on competition. However, we are not aware of such a case being brought in Portugal under the competition laws.

## Technological protection measures and digital rights management

### 8 | With respect to copyright protection, is WIPO protection of technological protection measures (TPMs) and digital rights management (DRM) enforced in your jurisdiction? Do statutes, regulation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Has TPM or DRM protection been challenged under the competition laws?

Yes, these measures are enforced in Portugal.

The Code of Copyright and Related Rights places limitations on the protection of technological measures. These include a prohibition on applying such measures to works in the public domain, new editions of them and works published by public entities or under public funding.

Furthermore, the technological protection measures will not constitute an obstacle against the normal exercise of several free use actions listed in the Code of Copyright and Related Rights.

TRM or DRM protection has not been challenged under the competition rules.

## Industry standards

### 9 | What consideration has been given in statutes, regulation or case law to the impact of the adoption of proprietary technologies in industry standards?

No specific consideration has been given in national statutes, regulation or case law to the impact of the adoption of proprietary technologies in industry standards.

## COMPETITION

### Competition legislation

#### 10 | What statutes set out competition law?

Law No. 19/2012 of 8 May 2012 (the Competition Act) is the main piece of competition legislation in Portugal. The Competition Act contains

provisions that relate to both restrictive agreements (ie, cartels, vertical restraints and other types of agreements between competitors) and provisions regarding merger control, namely the merger control thresholds. The Competition Act also incorporates the cartel leniency regime (which was previously set out in separate legislation).

The Competition Act further sets out the general rules regarding the Portuguese Competition Authority's (PCA) investigatory powers and the procedural steps of an antitrust or merger control investigation.

Other domestic legislation is also applicable on a subsidiary basis. The Administrative Procedural Code applies in certain cases to the PCA's investigations and the Procedural Code for Administrative Courts applies to the judicial review of the PCA's decisions. The Misdemeanours Act is applicable in instances where the PCA adopts a fine and where there is a judicial review of such fines.

Other relevant guidance of note that may be relevant in the IP context include the PCA's Guidelines regarding the economic analysis undertaken for horizontal mergers and the PCA's Mergers remedies guidelines.

### IP rights in competition legislation

#### 11 | Do the competition laws make specific mention of any IP rights?

No specific reference is made to IP rights in the Competition Act and the PCA has not adopted any specific guidelines or any other type of working document regarding the application of competition law to IP rights.

### Review and investigation of competitive effects from exercise of IP rights

#### 12 | Which authorities may review or investigate the competitive effect of conduct related to exercise of IP rights?

The PCA is the principal authority that reviews the competitive effect of conduct related to the exercise of IP rights. If the PCA adopts a decision that relates to a market that is subject to sector-specific regulation (eg, telecoms or energy), it must seek a non-binding opinion from that regulator. To that extent, other economic regulators may, in theory, influence any PCA decision (be it in the context of antitrust proceedings, a market study or a merger) that refers to the competitive effects of conduct related to the IP rights.

### Competition-related remedies for private parties

#### 13 | Can a private party recover for competition-related damages caused by the exercise, licensing or transfer of IP rights?

A private party can recover for competition-related damages caused by the exercise, licensing or transfer of IP rights, provided it demonstrates that it suffered harm as a result of the unlawful exercise of IP rights.

### Competition guidelines

#### 14 | Have the competition authorities, or any other authority, issued guidelines or other statements regarding the overlap of competition law and IP?

No.

### Exemptions from competition law

#### 15 | Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

No.



## Copyright exhaustion

- 16 Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws?

Yes, Portuguese law provides for copyright exhaustion. From a competition law standpoint, the general rules that prohibit the extension of IP rights beyond their temporal scope would apply, as would rules that prohibit certain limitations on the resale of goods after an initial sale (eg, resale price maintenance or other unjustifiable restrictions on sales outside the scope of limited exemptions provided by law).

## Import control

- 17 To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

Under Portuguese law, an IP rights holder may prevent any third parties from importing and distributing its products inside the European Economic Area (EEA) without its consent.

## Jurisdictional interaction between competition laws and IP rights

- 18 Are there authorities with exclusive jurisdiction over IP-related or competition-related matters? For example, are there circumstances in which a competition claim might be transferred to an IP court to satisfy subject matter jurisdiction? Are there circumstances where the resolution of an IP dispute will be handled by a court of general jurisdiction?

The Intellectual Property Court (TPI) has jurisdiction over matters concerning, among other things, proceedings relating to industrial property rights, copyright and related rights, and to actions concerning unfair competition.

The Competition, Regulation and Supervision Court is responsible for matters relating to the appeal, review and enforcement of decisions of the PCA, and of administrative entities with regulatory and supervisory functions.

There are no circumstances where a competition claim can be transferred to an IP court.

In the case of an appeal against the decisions of the TPI, the resolution of an IP dispute will be handled by a court of general jurisdiction.

## MERGER REVIEW

### Powers of competition authority

- 19 Does the competition authority have the same authority with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

The Portuguese Competition Authority (PCA) has the same authority with respect to reviewing mergers involving IP rights as it does in any other type of merger.

### Analysis of the competitive impact of a merger involving IP rights

- 20 Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

The PCA will adapt its analysis of a merger to the markets in question and the competitive dynamics of those markets. Accordingly, in cases where IP rights are relevant to the competitive assessment of a merger, the PCA will undertake a detailed analysis of how the IP rights could be used by the post-merger entity to impact competition.

For example, in paragraph 2.6.24 the PCA's Guidelines regarding the economic analysis undertaken for horizontal mergers, it is noted that 'IP rights and trade secrets can also give rise to barriers to entry or expansion if they allow an undertaking to protect its market power regarding a certain product or production process. An undertaking may, for example, develop a strategic deployment of its IP rights, preventing or hampering the supply of products by competitors.'

### Challenge of a merger

- 21 In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights? Does this differ from the circumstances in which the competition authority might challenge a merger in which IP rights were not a focus?

The PCA will challenge a merger that involves the transfer or concentration of IP rights as it would challenge any other merger that gives rise to a significant impediment of effective competition in all or part of the domestic market, namely through the creation or reinforcement of a dominant position (article 41(5) of the Competition Act).

### Remedies to address the competitive effects of mergers involving IP

- 22 What remedies are available to address competitive effects generated by a merger when those effects revolve around the transfer of IP rights?

The PCA's Guidelines on Merger Remedies (the Remedies Guidelines) make specific reference to IP rights as a potential remedy in mergers that give rise to a significant impediment of effective competition in all or part of the domestic market.

In general, the PCA's approach to remedies that involve IP rights will follow that of the European Commission. As such, the three general principles that any remedy must meet to be acceptable are as follows.

- The remedy must be effective. To assess whether this is the case, the following considerations are taken into account: the necessity of the remedy; the ability of the remedy to address the competition concern at issue; the ability to monitor the remedy; and the necessary duration of the remedy. In accordance with EU practice, only remedies that guarantee a high degree of certainty for each of these factors will be considered by the PCA.
- The remedy must be efficient. To meet this criterion, the remedy must be the most cost-effective means by which to address the identified concern.
- The remedy must be proportionate. The remedy must adequately address the identified concern in a proportionate manner (ie, not go beyond what is necessary to remedy the issues at stake).

The principal way that an IP right can act as a remedy is through the disposal of an IP right or a package of IP rights upon which the PCA's concerns are based (ie, where the IP rights allow for post-merger foreclosure by the merged entity or through the licensing of IP rights to a third party or competitor to ensure that competition is maintained post-merger). In this respect, the Remedies Guidelines state that, for a remedy to be effective in these circumstances, the divested or licensed IP rights must be sufficient in themselves or as a package to allow for market entry or to reinforce the market position of competitors (para 76).

Examples referred to by the Remedies Guidelines include the transfer or the licensing of technology or of a trademark – whichever is the most proportionate in the case at hand. Such licensing has taken place in the past as part of a broader package of remedies required for the clearance of a merger.

It should be noted, however, that the Remedies Guidelines clearly state that the PCA prefers a 'straightforward' sale of a business rather than the transfer or sale of IP rights to address its concerns. The Remedies Guidelines refer to the European Commission's guidance on remedies in this respect.

## SPECIFIC COMPETITION LAW VIOLATIONS

### Conspiracy

- 23 | Can the exercise, licensing or transfer of IP rights create price-fixing or conspiracy liability?

In principle, the exercise, licensing or transfer of IP rights could create price-fixing or conspiracy liability under Portuguese competition law. However, we are not aware of a case of this kind having been brought in the past.

### Scrutiny of settlement agreements

- 24 | How would a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective? What are the key factors informing such an analysis?

We are not aware of any case under domestic law where a settlement agreement of this type has been analysed from a competition law perspective. We would expect the Portuguese Competition Authority (PCA) or a national court to scrutinise settlement agreements, terminating an IP infringement per the general practice of the European Commission and the EU Courts. Accordingly, a settlement agreement that, for example, prevents the entry of generic competition following the expiry of a patent would carry a material risk of being unlawful and be analysed according to the principles set out by the Court of Justice of the European Union in its *Lundbeck* judgment.

### Reverse payment patent settlements

- 25 | How have the competition laws been applied to reverse payment patent settlements in your jurisdiction?

We are not aware of any case under domestic law where a reverse payment patent settlement has been analysed from a competition law perspective. We would expect that the PCA or a national court (or both) would review such a case in accordance with the general principles under EU law.

### (Resale) price maintenance

- 26 | Can the exercise, licensing, or transfer of IP rights create liability under (resale) price maintenance statutes or case law?

In principle, the exercise, licensing or transfer of IP rights could create liability under the rules prohibiting re-sale price maintenance (RPM) under Portuguese competition law. RPM liability under Portuguese law is treated in the same manner as under EU law. We are not aware, however, of a case of this kind having been brought in the past.

### Exclusive dealing, tying and leveraging

- 27 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to exclusive dealing, tying and leveraging?

In principle, the exercise, licensing or transfer of IP rights could create liability under the rules regarding exclusive dealing, tying and leveraging under Portuguese competition law. Under Portuguese law, such

practices would be treated in the same manner as under EU law. We are not aware, however, of any case of relating to such practices as they concern IP rights being brought in the past.

### Abuse of dominance

- 28 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to monopolisation or abuse of dominance?

The exercise, licensing or transfer of IP rights can create liability under Portuguese competition law. An example of this was the case brought against the National Association of Pharmacies (ANF) by the PCA in 2015. In that case, the PCA accused the ANF of abusing its dominant position in the markets for pharmaceutical sales data and market studies by way of a margin squeeze.

The case was based on a complaint brought by IMS Health that alleged that the price it was being charged for data collected from pharmacies was abusive when compared to the price ANF charged its own downstream market study provider. The access to upstream data (protected by IP rights owned by ANF) related to pharmacy sales was one of the key elements considered by the PCA as forming part of the ANF's abuse of dominance in this case, despite the fact that the licences in question were non-exclusive.

### Refusal to deal and essential facilities

- 29 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities?

In principle, the exercise, licensing or transfer of IP rights could create liability under the rules relating to the refusal to deal and refusal to grant access to essential facilities under Portuguese competition law. Such liability under Portuguese law is treated in the same manner as under EU law. We are not aware, however, of a case of this kind having been brought in the past.

## REMEDIES

### Remedies for violations of competition law involving IP

- 30 | What sanctions or remedies can the competition authorities or courts impose for violations of competition law involving IP?

The general rules on sanctions apply for violations of competition law involving IP as follows.

- The Portuguese Competition Authority (PCA) can impose a fine of up to 10 per cent of the company's local turnover in the preceding financial year. The PCA can also impose behavioural or structural measures to end the prohibited practices or their effects. For example, it can require the company found to have infringed the law to sell its assets to remedy the infringement or to adapt its commercial behaviour and contracts for the same purpose – this could, in theory, include compulsory licensing or divestitures of IP rights. We are not aware, however, of any such remedies being imposed in the past.
- The board members and any individuals responsible for the management or supervision of the areas of the business involved in any infringement can be sanctioned with a fine of up to 10 per cent of the individual's annual salary. In these cases, the PCA must show that the individual in question knew or ought to have known of the illegality of the conduct at issue and did not take any measures to bring it to an end.
- As a matter of law, any agreement or practice that is found to have breached Portuguese competition law is null and void.

## Competition law remedies specific to IP

- 31 | Do special remedies exist under your competition laws that are specific to IP matters?

No.

## ECONOMICS AND APPLICATION OF COMPETITION LAW

### Economics

- 32 | What role has competition economics played in the application of competition law in cases involving IP rights?

The competitive effects of IP rights have not been subject to a great deal of analysis in Portugal. However, we expect that competition economics will play a role in any future cases of this type, given that the Portuguese Competition Authority (PCA) has a dedicated team of economists, and competition economics has been used by the PCA in other cases. The same is true of any future private litigation of this type – competition economics has been used in, for example, competition class actions. Accordingly, we expect competition economics to play a role in any private litigation of competition law cases involving IP rights.

## RECENT CASES AND SANCTIONS

### Recent cases

- 33 | Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

No.

### Remedies and sanctions

- 34 | What competition remedies or sanctions have been imposed in the IP context?

The Portuguese Competition Authority imposed a fine of €10.3 million on the National Association of Pharmacies (ANF) for abusing its dominant position by way of a margin squeeze of a competitor (IMS Health). IMS Health alleged that the price it was being charged for data collected from pharmacies (data owned by ANF) was abusive when compared to the price ANF charged its own downstream market study provider. The fine was reduced by the Court of Appeal to €815,000 for reasons unrelated to the main conduct at issue.

## UPDATE AND TRENDS

### Key developments

- 35 | Are there any emerging trends or hot topics in the law of IP and antitrust policy? Have changes occurred recently or are changes expected in the near future that will have an impact on the application of competition law to IP rights?

One of the Portuguese Competition Authority's (PCA) stated priorities for 2021 is the enforcement of competition law in the digital sector. Due to the nature of this sector, future enforcement by the PCA may include cases where IP rights are part of or are central to the theories of harm upon which it bases its decisions.



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## INTELLECTUAL PROPERTY

### Intellectual property law

- 1 Under what statutes, regulations or case law are intellectual property rights granted? Are there restrictions on how IP rights may be enforced, licensed or otherwise transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

IP rights in the UK are protected by a combination of UK and EU derived legislation and UK case law. Unless extended, after the Brexit transition period ends on 31 December 2020, EU law will cease to apply to the UK. EU regulations will only continue to apply in UK domestic law (by virtue of the European Union (Withdrawal) Act 2018 (the 'EU Withdrawal Act')) insofar as they are not modified or revoked by regulations under the EU Withdrawal Act, which will repeal the European Communities Act 1972 as from the end of the transition period. The EU Withdrawal Act includes provisions to convert the existing directly applicable EU law into domestic UK law by way of statutory instruments. This will mainly apply to EU Regulations, which would otherwise cease to apply after Brexit, and also to statutory instruments implementing EU Directives, where the statutory instruments were adopted pursuant to the ECA 1972.

Patents are protected under the UK Patents Act 1977, and substantive national patent law across Europe has been partially harmonised by the European Patent Convention 1973. Patent protection lasts for 20 years, and can be extended for medicinal and plant protection products by a supplementary protection certificate (SPC) under EU Regulation 469/2009 (for medicinal products by up to five-and-a-half years) and Regulation 1610/96 (for plant protection products by up to five years.). Following Brexit, UK patent law, including the patent enforcement system in the UK, will remain unchanged. The Patents (Amendment) (EU Exit) Regulations 2019 (the 'Patents Regulations 2019') (as further amended by the Intellectual Property (Amendment etc.) (EU Exit) Regulations 2020 (SI 2020/1050)) will come into effect at the end of the transition period on 31 December 2020. These regulations will bring current EU legislation into UK law as far as possible, to maintain current systems and processes.

After the end of the transition period, the process of applying for a UK SPC, the timescale, documentation, fees for the application, the requirements, scope of protection and duration of SPC will remain the same. However, there will be some changes that impact upon SPC law:

- authorisations from the European Medicines Agency (EMA) for the purposes of SPCs will be converted into equivalent UK authorisations. Holders of existing SPCs, which were based on authorisations from the EMA, may need to provide information to convert it to the equivalent UK authorisation; and

- new applications for a six-month paediatric extension to SPCs will be considered based on provisions in the UK's Human Medicines Regulations 2012.

The SPC manufacturing waiver came into effect in the UK on 1st July 2019, by way of updates to the SPC Regulation via Regulation (EC) No. 2019/933 (the 'SPC Waiver Regulation'). The SPC waiver applies to SPCs which were (1) applied for after 1 July 2019; and (2) applied for before 1 July 2019 but which come into force after that date (in such cases the waiver will only be applicable from 2 July 2022 onwards). The SPC waiver does not apply to SPCs that were already in force on 1 July 2019. The SPC waiver allows a European Union manufacturer of generics and biosimilar products to manufacture medicines protected by an SPC without the consent of the SPC holder either for exports outside the EU (where the protection either expired, or does not exist); or to make and stockpile medicines during the six months before the expiry of the SPC, for launch in the EU on day-1 of SPC expiry, or both. As the SPC waiver came into force after the Patents Regulations 2019 were made on 4 April 2019, a number of the SPC waiver provisions would not operate effectively under UK law after the transition period. Following a consultation conducted by the UK government in 2019, the UK government has published revised draft legislation to address this issue. It is anticipated that this legislation will be passed in advance of the end of the transition period.

Registered trade marks are protected under the UK Trade Marks Act 1994 and EU Regulation 2017/1001 (the EUTM Regulation). Unregistered trade marks, including the overall 'get-up' of a product or service, are protected by case law under the tort of passing off. Protection for unregistered trade marks can last indefinitely, the same applies to registered trademarks as long as the registrations are successfully renewed every 10 years.

Registered and unregistered designs are protected under the UK Copyright, Designs and Patents Act 1988 (CDPA) and Registered Designs Act 1949, and EU Regulation 6/2002 (the Community Designs Regulation) (to the extent applicable post Brexit). The duration of protection varies from three to 25 years, depending on the nature of the right.

The UK Parliament has passed the Designs and International Trade Marks (Amendment etc) (EU Exit) Regulations 2019 (as further amended by the Intellectual Property (Amendment etc.) (EU Exit) Regulations 2020 (SI 2020/1050)) to provide for Brexit related amendments on to designs and trade mark law. Once the transition period expires:

- registered EU trade marks, Community designs (RCDs), unregistered Community designs (UCDs), and international design and trade mark registrations designating the EU will no longer be valid in the UK. These rights will be immediately and automatically replaced by equivalent UK rights. A supplementary unregistered design right (SUDR) will be created to replace the former UK part of the equivalent RCD. The SUDR will subsist alongside the current

UK UCDs with the same scope and duration as the current UCD right; and

- pending EU trade mark and RCD applications can be re-filed with the UK IPO as a new UK trade mark application within a period of nine months from 1 January 2021 and retain the earlier filing date of the pending application.

Copyright protection is governed by the UK CDPA, and specific aspects of copyright law have been (and continue to be) harmonised by a number of EU Directives. The duration of copyright protection varies, depending on the nature of the work; literary, dramatic, musical and artistic works are protected for 70 years from the end of the year in which the author dies.

Given that a substantial part of UK copyright law is derived from the EU copyright framework, there are references in UK copyright law to the EU, the EEA, and member states. Some of these references occur in the UK's implementation of EU cross-border copyright arrangements which apply only within the EU and EEA and provide reciprocal protections and benefits between member states. The UK government has introduced the Intellectual Property (Copyright and Related Rights) (Amendment) (EU Exit) Regulations 2019 (as further amended by the Intellectual Property (Amendment etc.) (EU Exit) Regulations 2020 (SI 2020/1050)), which remove or correct references to the EU, EEA or member states in the UK copyright legislations to preserve the effect of UK copyright law. The reciprocal cross-border arrangements will be amended or brought to an end as appropriate. The regulations are due to come into force on 1 January 2021, and may be amended further to take into account negotiations between the EU and UK during the transition period which ends on 31 December 2020 (unless extended).

As the UK and all EEA member states are members of international treaties on copyright that ensure eligible works (including databases that are original) are protected in all treaty countries. Such protections are unaffected by Brexit.

Databases are protected as copyright works under the CDPA, and by sui generis database right under Directive 96/9 (the Database Directive) as implemented by the CDPA. Copyright in a database lasts for 70 years, and sui generis database right for 15 years. The UK implemented the Database Directive through the Copyright and Rights in Databases Regulations 1997.

After the end of the transition period, UK citizens, residents, and businesses will not be eligible to receive or hold database rights in the EEA for databases created on or after 1 January 2021. UK owners of databases created on or after this date will need to consider alternative means of protection in the EEA, such as licensing arrangement or relying on copyright protection. Database rights that exist in the UK or EEA before 1 January 2021 (whether held by UK or EEA persons or businesses) will continue to exist in the UK and EEA for the rest of their duration. UK legislation will be amended so that only UK citizens, residents, and businesses are eligible for database rights in the UK for databases created on or after 1 January 2021. Trade secrets are protected by the common law of breach of confidence, and the UK has enacted legislation in the form of the Trade Secrets (Enforcement, etc.) Regulations 2018 (SI 2018/597) to implement the Trade Secrets Directive (2016/244).

The enforcement of IP rights across Europe has been harmonised to some extent by Directive 2004/48 (the Enforcement Directive). In addition to restrictions arising out of competition law, key restrictions on the ability to enforce IP rights include the risk of incurring liability for groundless threats of IP infringement, the law of which has been significantly reformed in the UK by the Intellectual Property (Unjustified Threats) Act 2017, and specific defences to infringement and restrictions on available remedies for each right. The formalities for assignments and licences, and the effect of failing to register a transaction in relation

to a registered right, vary between different rights and are provided for in the relevant legislation.

Overall, the protections afforded under UK IP law to trade marks, copyright, designs, patents and trade secrets exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).

## Responsible authorities

### 2 Which authorities are responsible for granting, administering or enforcing IP rights?

The UK Intellectual Property Office (IPO) is responsible for the grant and administration of UK patents, SPCs, trademarks, and registered designs. The European Patent Office is responsible for the prosecution (including post-grant opposition) of European patents which, when granted, can designate the UK as a territory where the patent is validated. The UKIPO and EPO are not EU institutions and their operation will be unaffected by Brexit.

The EU IPO is responsible for the grant and administration of EU trade marks and RCDs, which provide protection in the UK before the end of the transition period. After the end of the transition period, any new UK rights created to replace EU trade marks, RCDs, and international trade mark and design right registrations designating the EU will no longer be valid in the UK, will be under the purview of the UK IPO.

The Trading Standards Authorities play a role in investigating IP infringement and conducting prosecutions for criminal IP enforcement, and the UK customs and border authorities can take action to assist in IP enforcement, but IP enforcement is primarily via civil litigation in the courts.

## Proceedings to enforce IP rights

### 3 What types of legal or administrative proceedings are available for enforcing IP rights? To the extent your jurisdiction has both legal and administrative enforcement options for IP rights, briefly describe their interrelationship, if any?

IP rights are primarily enforced in the UK via civil court proceedings, and the English High Court is the most common venue. IP proceedings in the English High Court are heard in the Chancery Division, and different specialist lists are available:

- the Intellectual Property Enterprise Court (IPEC) can hear any IP claim of relatively low complexity and value: the IPEC is generally suitable for claims which can be tried in two days or less, damages are capped at £500,000 and recoverable legal costs are subject to a cap of £50,000;
- the Patents Court can hear claims relating to patents, registered designs, semiconductor topography rights and plant varieties. There is no cap on damages or recoverable legal costs; and
- all other IP claims can be heard in the Intellectual Property List of the Chancery Division, of which the Patents Court and IPEC are sub-lists.

Decisions of the English High Court can be appealed (with permission) to the Court of Appeal and the Supreme Court. Post Brexit, questions on EU law will no longer be referred to the Court of Justice of the European Union.

The UK IPO offers a mediation service, which can mediate infringement disputes relating to all types of IP, and can also provide a non-binding opinion on infringement of a patent or supplementary certificate. However, the IPO cannot make a binding decision on infringement of any IP right.



## Remedies

- 4 | What remedies are available to a party whose IP rights have been infringed? Do these remedies vary depending on whether one utilises judicial or administrative review or enforcement?

The remedies available in a civil action for IP infringement (in line with the Enforcement Directive) are an injunction to restrain infringement, an order for delivery up, erasure or destruction of infringing goods, damages or an account of profit, and a declaration that the right is valid and has been infringed. Copyright and trademark infringement can also give rise to criminal liability in certain circumstances; it is theoretically possible to pursue a private prosecution, but not common.

IP holders can also request the UK customs authorities to detain suspected infringing goods.

## Nexus between competition and IP rights

- 5 | Do any statutes, regulations or case law in your jurisdiction address the interplay between competition law and IP law?

UK IP and competition legislation does not address the interplay between competition law and IP law.

UK IP case law has addressed the interplay between competition and IP law in cases where an alleged infringer asserts that IP rights (IPRs) in the relevant goods have been exhausted, or that the IP holder's behaviour in enforcing its rights is anticompetitive.

The body of case law on the nexus between IPRs and competition law is largely driven by EU competition cases. For example, there have been a number of recent European cases in respect of reverse payment patent settlement agreements. There are also a number of cases on when the use of IPRs can amount to abuse of dominance.

## Patent cooperation treaties and other agreements

- 6 | Does your jurisdiction participate in any patent cooperation treaties or other similar agreements?

The UK is a signatory to the WIPO Patent Cooperation Treaty, the Madrid Protocol, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the European Patent Convention (to which the UK will continue to be a member of post Brexit). Whilst the UK was a signatory to the Agreement on a Unified Patent Court, the UK government decided in July 2020 to withdraw its ratification of the Agreement on a Unified Patent Court. Since leaving the European Union, the UK no longer qualifies for membership to the Unified Patent Court.

## Remedies for deceptive practices

- 7 | With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices?

It is theoretically possible for a dominant company to abuse its market power by engaging in deceptive practices. In such a case, the remedies would be the same as for other breaches of competition law.

The Consumer Protection From Unfair Trading Regulations 2008 (CPUT) prohibit unfair commercial practices, including copycat packaging (promoting a product similar to a product made by a particular manufacturer in such a manner as deliberately to mislead the consumer into believing that the product is made by that same manufacturer). CPUT is enforced by public authorities and can be relied on by consumers, but does not give rise to a right in favour of affected businesses.

## Technological protection measures and digital rights management

- 8 | With respect to copyright protection, is WIPO protection of technological protection measures (TPMs) and digital rights management (DRM) enforced in your jurisdiction? Do statutes, regulation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Has TPM or DRM protection been challenged under the competition laws?

The UK has implemented EU Directive 2001/29 (the 'Copyright Directive'), which requires member states to provide legal protection against the circumvention of TPMs and the removal or alteration of electronic rights management information, and ensure that the use of TPMs does not prevent the exercise of exceptions to copyright.

There have been no recent cases where TPM or DRM protection has been challenged as a breach of competition law. That said, as with other IPRs, it is theoretically possible for TPM or DRM-related conduct to be investigated and prohibited if its object or effect restricts competition.

## Industry standards

- 9 | What consideration has been given in statutes, regulation or case law to the impact of the adoption of proprietary technologies in industry standards?

The European Commission has published guidelines (OJ 2001 C3/2), which are applied in the UK, on the applicability of article 101 of the Treaty on the Functioning of the European Union (TFEU) to standardisation and horizontal cooperation agreements. These provide that where technology is adopted as an industry standard the agreement must provide for access on fair, reasonable and non-discriminatory (FRAND) terms or it could be a breach of competition law.

The Commission decisions in *Motorola* (C-39985/2014) and *Samsung* (C-350/08) of April 2014 were the first to provide some guidance on the compatibility of standard-essential patent (SEP) injunctions with the EU competition rules. The Commission recognised that seeking an injunction is a legitimate remedy against a patent infringer, but it held that applying for an injunction based on SEPs may be an abuse of a dominant position where the patent holder has given a voluntary commitment to license on FRAND terms and where the injunction is sought against a licensee that is willing to enter into a licence agreement on FRAND terms. The CJEU's judgment in *Huawei v ZTE* (C-170/13) in July 2015 clarified the circumstances in which an injunction can and cannot be sought without infringing competition law and sets out a general roadmap of behaviour for both parties.

In August 2020 the Supreme Court handed down the long-awaited judgment in the joint appeal of *Unwired Planet International Ltd v Huawei Technologies Co. Ltd & Anor* and *Huawei Technologies Co. Ltd & Anor v Conversant Wireless Licensing SARL & ZTE Corporation* [2020] UKSC 37.

The Supreme Court dismissed both appeals and upheld the decisions of the Court of Appeal and the High Court holding that:

- the English Court has the jurisdiction and may properly exercise its power, without both parties' agreement to: (1) grant an injunction in respect of a UK patent that is an SEP unless the implementer of the patented invention enters a global licence of a multinational patent portfolio; and (2) determine the terms of that licence. Whilst the national courts have the jurisdiction to determine validity and infringement of national patents, a national court such as the UK court is empowered under the IPR policy of the European Telecommunications Standard Institute (ETSI) to determine FRAND. An implementer such as Huawei would remain free to challenge a particularly important national patent and seek a change in royalties should that be successful;

- the FRAND undertaking under ETSI's IPR Policy is a single composite obligation instead of three distinct obligations separately (ie., 'fair'; 'reasonable'; and 'non-discriminatory' individually and separately). There is no requirement for SEP owners to grant licences on terms equivalent to the most favourable licence terms to all similarly situated licensees; and
- the Supreme Court affirmed that there is no mandatory requirement to follow the protocol set out by the CJEU in its judgment in *Huawei v ZTE* to avoid infringing article 102 for behaving in an abusive manner. Seeking a prohibitory injunction without notice or prior consultation with the alleged infringer will infringe article 102. To avoid infringing article 102, the nature of the notice or consultation required before a SPE owner brings an action for a prohibitory injunction will depend on the circumstances of the case.

## COMPETITION

### Competition legislation

#### 10 | What statutes set out competition law?

UK competition law is contained in the following key statutes: the Competition Act 1998, the Enterprise Act 2002, the Enterprise and Regulatory Reform Act 2013 and the Consumer Rights Act 2015.

The provisions of Chapter I (prohibiting anticompetitive agreements) and Chapter II (prohibiting abuse of dominance) of the Competition Act mirror the EU equivalent found in articles 101 and 102 of the TFEU, respectively. Section 60 of the Competition Act provides that the UK courts must interpret these provisions in line with EU law, including European Commission decisions and European court judgments.

The Enterprise Act contains the UK's merger control provisions. The UK operates a voluntary system for merger notifications.

The Enterprise Act also contains the cartel offence, a criminal law offence potentially affecting individuals involved in price-fixing, market sharing, bid rigging or output limitation.

### IP rights in competition legislation

#### 11 | Do the competition laws make specific mention of any IP rights?

No. UK competition law does not make specific reference to IPRs. However, EU law is directly applicable and therefore agreements that fall within one of the EU block exemptions will be exempt from the application of the Chapter I provisions and article 101 of the TFEU. A number of block exemptions make specific reference to IPRs:

- the Technology Transfer Block Exemption Regulation (Commission Regulation (EU) No. 316/2014) (TTBER);
- the R&D Block Exemption Regulation (Commission Regulation (EU) No. 1217/2010);
- the Vertical Agreements Block Exemption Regulation (Commission Regulation (EU) No. 330/2010); and
- the Specialisation Block Exemption Regulation (Commission Regulation (EU) No. 1218/2010).

### Review and investigation of competitive effects from exercise of IP rights

#### 12 | Which authorities may review or investigate the competitive effect of conduct related to exercise of IP rights?

The competition authority in the UK is the Competition and Markets Authority (CMA) and it reviews and investigates compliance with competition law. The CMA's remit includes the review and control of the acquisition, sale or exercise of IPRs insofar as they affect competition.

Conduct in the UK that may have an effect on trade between EU member states can come under the jurisdiction of the European Commission.

The CMA applies and enforces the Chapter I and II provisions concurrently with the sector regulators in relation to their respective areas. There are a number of sector regulators, for example: Ofgem (gas and electricity), Ofwat (water), Ofcom (telecommunications and post), ORR (rail and road), CAA (airport and air traffic), NHS Improvement (healthcare in England), the FCA and the PSR (financial services and payment systems). They can investigate potential breaches of competition law, impose fines, impose interim measures and give directions to bring infringements to an end. Both the relevant regulator and the CMA are likely to be involved in a Competition Act complaint in relation to a regulated industry.

The Competition Appeal Tribunal (CAT) is a specialist competition tribunal and hears appeals against the decisions of the CMA and the sector regulators made under the Competition Act. It also hears appeals from merger and market investigation cases. An appeal from the CAT can be made to the Court of Appeal. Follow-on and standalone claims for competition law damages can be raised in the High Court (and the Court of Session in Scotland) and in the CAT.

### Competition-related remedies for private parties

#### 13 | Can a private party recover for competition-related damages caused by the exercise, licensing or transfer of IP rights?

Competition-related damages in respect of IPRs can be recovered in the same way as for breaches of competition law generally.

Private enforcement of competition-related damages comes in two forms: follow-on and standalone actions. Follow-on cases are claims for damages where the infringement of competition law has already been established by a competition authority (such as the Commission or the CMA). For these claims, the claimant can rely on the infringement decision and the action only assesses the quantum of damage suffered. In standalone cases, the claimant has to prove the breach of competition law before going on to the issue of damages. Both types of claim can be heard in either the High Court (or the Court of Session in Scotland) or the CAT.

The UK regulations (SI 2017/385) to implement the EU Damages Directive (Directive 2014/104/EU) came into force on 9 March 2017. The regulations apply to claims relating to cartels arising on or after 9 March 2017, although some aspects of the regulations apply to claims where the cartel existed before that date. The Directive seeks to facilitate competition law damages claims across the EU. In its consultation documents, the UK government stated that it considered that the UK rules were largely in line with the requirements of the Directive and therefore significant changes to UK legislation were not required. This was the case in particular following the reforms introduced by the Consumer Rights Act 2015. Nonetheless, the implementation of the Directive amended the Competition Act 1998, the Civil Procedure Rules and the CAT Rules in some significant respects.

The future development of private damages claims is unclear following the UK's vote to leave the EU. However, divergence seems unlikely, at least in the short term.

### Competition guidelines

#### 14 | Have the competition authorities, or any other authority, issued guidelines or other statements regarding the overlap of competition law and IP?

No. The CMA has not issued any specific guidance on the overlap of competition law and IP. However, the CMA will have regard to guidelines developed by the Commission. See, for example, the Technology

Transfer Guidelines (OJ 2014 C 89/03), which set out the Commission's approach to assessing the competitive effects of technology transfer agreements.

### Exemptions from competition law

- 15 | Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

No. In UK competition law there are no uses of IPRs that are specifically exempt from the application of competition law. However, a number of EU block exemptions make specific reference to IPRs (see, for example, the Technology Transfer Guidelines OJ 2014 C 89/03). Agreements covered by a block exemption will be exempt from the application of the Chapter I provisions. There are no IPR-specific exemptions from the Chapter II provisions.

### Copyright exhaustion

- 16 | Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws?

The doctrine of copyright exhaustion is contained in national legislation. Sections 16(1)(b), 18(1) and 18(2) of the CDPA 1988 establish the copyright holder's exclusive right to issue (ie, distribute) copies of their work to the public. Section 18(3)(a) contains the principle of exhaustion, stating that the subsequent distribution of copies of a work will not infringe the copyright holder's distribution right.

The principle also applies to the UK as derived from the EU rules on the free movement of goods. Once a good has been placed on the market (ie, the distribution right has been exercised), there is no right to prevent the subsequent movement of that particular right throughout the EEA. The UK government has implemented the Intellectual Property (Exhaustion of Rights)(EU Exit) Regulations 2019 (as further amended by the Intellectual Property (Amendment etc.)(EU Exit) Regulations 2020 (SI 2020/1050)) in relation to the position on exhaustion of rights in the UK post Brexit. After the end of the transition period for Brexit (which ends on 31 December 2020), there will be asymmetric regional exhaustion in the UK: whilst the UK will continue to recognise EEA exhaustion (which means that UK IP owners will not be able to prevent parallel imports from the EEA), the EU has confirmed that rights will not be considered to be exhausted if the goods are first placed in the UK market before being imported to the EEA. Therefore, UK businessmen will need to check if they need to obtain EEA-based IP owner's permission before they export goods from the UK to the EEA.

### Import control

- 17 | To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

The position of import control in respect of goods flowing from EEA into the UK will be unchanged post Brexit. The doctrine of copyright exhaustion is contained in national legislation as well as being contained in EU law from the perspective of protecting the free movement of goods. Subject to the doctrine of implied licence, if a UK IPR holder markets its products outside the EEA, it can control the unauthorised import of those products into the EEA.

## Jurisdictional interaction between competition laws and IP rights

- 18 | Are there authorities with exclusive jurisdiction over IP-related or competition-related matters? For example, are there circumstances in which a competition claim might be transferred to an IP court to satisfy subject matter jurisdiction? Are there circumstances where the resolution of an IP dispute will be handled by a court of general jurisdiction?

The UK competition authority is the CMA. It is the body that reviews and enforces competition law complaints and investigations.

The CAT has jurisdiction to hear follow-on and standalone actions and to undertake fast-track actions for simple claims involving small and medium-sized enterprises. The High Court (and the Court of Session in Scotland) also has jurisdiction to hear competition cases.

IP proceedings in the English High Court are heard in the Chancery Division.

CP Rule 30.8 provides that claims dealing with Chapter I or II of the Competition Act will be transferred to the Chancery Division.

## MERGER REVIEW

### Powers of competition authority

- 19 | Does the competition authority have the same authority with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

Yes, the Competition and Markets Authority (CMA) has the same authority with respect to reviewing mergers involving IP rights (IPRs) as it does with any other merger. The acquisition or sale of IPRs alone will only amount to a relevant merger situation if it constitutes the acquisition or sale of a business. For this to be the case, the IPRs must constitute a business with a market presence to which a market turnover can be clearly attributed.

### Analysis of the competitive impact of a merger involving IP rights

- 20 | Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

The UK competition authorities apply the same general competition law principles to mergers involving IPRs that they apply to mergers involving any other form of property. Under the Enterprise Act, the substantive assessment is whether or not the merger will result in a substantial lessening of competition.

The existence of IPRs can play a part in defining the relevant market in which goods or services are sold and, as a result, what market the competitive effects of the merger need to be assessed in respect of. For example, in a situation where a manufacturer holds significant IPRs that allow it to prevent other manufacturers from producing spare parts for its products, the substitutability of the other manufacturers' products could be reduced. This could result in a narrow definition of the relevant market for those spare parts. The strength of IPRs held by incumbent market participants may also be considered a barrier to entry into a market. Similarly, where parties hold complementary IPRs or IPRs for alternative technologies a merger could give rise to significant issues. Where licences are held, particularly in the medium or short term, more complex issues can arise on whether the IPRs are to be ascribed to the licensee or the licensor.

## Challenge of a merger

- 21 | In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights? Does this differ from the circumstances in which the competition authority might challenge a merger in which IP rights were not a focus?

The UK competition authorities apply the same analysis to transactions involving the transfer of IPRs as they would apply to a transaction involving any other property. IPRs can be relevant in identifying barriers to entry and definition of relevant market.

## Remedies to address the competitive effects of mergers involving IP

- 22 | What remedies are available to address competitive effects generated by a merger when those effects revolve around the transfer of IP rights?

The main remedy applied to address the competitive effects of mergers involving IPRs is divestiture, either by licensing or assignment. The aim is that the parties acquiring the IPRs should be able to compete effectively with the merged entity.

The CMA has published guidance on merger remedies (CMA87), which contains guidance on IPR remedies. According to the guidance, for licensing of IPRs to be effective as a remedy it must be sufficient to significantly enhance the acquirer's ability to compete with the merged entity. Such a remedy may not be effective if it needs to be accompanied by other resources (such as sales networks) to enable effective competition and these are unlikely to be available to the acquirers of the IPRs. Where the terms of an IPR remedy result in a material ongoing link between the merger parties and the parties gaining the IPR (eg, providing access to new releases or upgrades of technology or data), the measure may take on some of the characteristics of a behavioural commitment, which requires ongoing monitoring and enforcement.

Given these difficulties in crafting effective IPR-based remedies, where possible, the UK competition authorities generally prefer to divest a business including IPRs rather than relying on IPR remedies alone. The view is that the business including the IPRs is more likely to include all that the acquirer needs to compete effectively with the merged entity.

## SPECIFIC COMPETITION LAW VIOLATIONS

### Conspiracy

- 23 | Can the exercise, licensing or transfer of IP rights create price-fixing or conspiracy liability?

The Chapter I provisions do not generally prevent IP rights (IPRs) from being enforced, licensed or transferred. However, these are treated in the same way as non-IPR conduct. That is, agreements that have as their object or effect the restriction, prevention or distortion of competition in the UK will breach the Chapter I provisions. IPR-related agreements that fix prices, limit or control production or supply, or involve market sharing or allocation are likely to be considered infringements. This means that the way an IPR is used can become subject to competition law enforcement (for example, the reverse payment settlement cases).

Under the Enterprise Act, it is a criminal offence for an individual to agree with one or more other persons to make or implement (or cause to be implemented) arrangements relating to at least two undertakings involving the following prohibited cartel activities: price-fixing, market sharing, limitation of production or supply and bid rigging. A person who is guilty of the cartel offence is liable for up to five years' imprisonment or an unlimited fine.

IPR pools, where two or more parties assemble a package of protected works either for their own use or for licensing to third parties, can raise competition law liability. Such pools can create efficiencies for both the right holders and the right purchasers. However, they may limit third-party access to the pools or foreclose opportunities for rivals who are not part of the pool. This has not yet been examined in the UK, but the Technology Transfer Block Exemption Regulation (TTBER) Guidelines (OJ C 89, 28 March 2014, pp 3-50) contain a framework for assessing the application of EU competition law to the pooling of protected works.

## Scrutiny of settlement agreements

- 24 | How would a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective? What are the key factors informing such an analysis?

In the same way as any other agreement, a settlement agreement terminating an IPR infringement dispute must comply with UK competition law. The TTBER Guidelines deal with this directly. They address the licensing of technology rights in settlement agreements as a means of settling disputes or avoiding a situation in which one party exercises its IPRs to prevent the other party from exploiting its own technology rights. These agreements can breach competition law where the settlement leads to a delayed or otherwise limited ability of the licensee to launch the product on any of the markets concerned. If the parties to such an agreement were competitors and there was a significant value transfer from the licensor to the licensee, there may be a risk of it constituting market allocation or market sharing. Cross-licensing in settlement agreements may also be anticompetitive where the parties have a significant degree of market power and the agreement imposes restrictions that clearly go beyond what was required. Additionally, non-challenge clauses in settlement agreements may breach competition law where an IPR was granted following the provision of incorrect or misleading information.

Agreements that could be problematic from a competition perspective include patent settlements that may lead to a delay of generic entry in return for a value transfer from the originator company to the generic company. Settlement agreements in which the regulator considered the patent holder to have known that the patent did not meet the patentability criteria have also been scrutinised from a competition law perspective. In particular, regulators have shown interest where the patent was granted following the provision of incorrect, misleading or incomplete information.

## Reverse payment patent settlements

- 25 | How have the competition laws been applied to reverse payment patent settlements in your jurisdiction?

In February 2016, the Competition and Markets Authority (CMA) fined GlaxoSmithKline (GSK) and a number of generic companies £45 million in respect of certain patent settlement agreements related to the antidepressant paroxetine (branded Seroxat by GSK). In the same investigation, the CMA issued a 'No Grounds for Action' decision in respect of IVAX Pharmaceuticals UK's agreement with GSK. The fined parties have appealed the CMA's decision to the CAT, which, on 8 March 2018, referred a number of questions to the CJEU. On 30 January 2020, the CJEU issued its decision in the preliminary ruling referral. This was hot on the heels of Advocate General Kokott's opinion the week before. The Court's decision is notable for its depth and breadth. It found, broadly agreeing with AG Kokott, that an agreement to settle a patent dispute may constitute a restriction of competition by object or by effect and that entering into such an agreement may be an abuse of a dominant position.

The ongoing case of *Secretary of State for Health and others v Servier Laboratories Ltd and others* [2013] EWCA Civ 1234 concerns patent settlement agreements relating to the patent for perindopril and alleged attempt to delay market entry. The claim was brought after the European Commission initiated an investigation into those agreements.

In September 2016, the General Court of the European Union (General Court) delivered its judgment in *Lundbeck* (Case T-472/13). The court dismissed the appeal against the Commission's decision and found that, in specific circumstances, reverse payment patent settlements could amount to a restriction of competition by object. The General Court's decision was appealed to the CJEU. Lundbeck, a Danish pharmaceutical company, appeared at the EU court along with several generics manufacturers for an oral hearing in January 2019. On 4 June 2020, Advocate General Kokott delivered her opinion concluding that the General Court's judgment should be upheld. The final judgment is still pending. While this is a European case, rather than a UK one, it will have a significant impact on the application of competition law in the UK to reverse payment patent settlements.

In December 2018, the General Court partially overturned the EU Commission's decisions in *Perindopril (Servier v Commission and Krka v Commission)*, confirming that a patent settlement agreement can be a restriction by object. The General Court narrowed somewhat the EU Commission's expansive reading of what constitutes a value transfer in the context of a patent settlement and also expressly permits settlements that are not pan-EU but that have different outcomes in different parts of the EU. This decision was appealed by the EU Commission and is now pending judgment from the CJEU.

In July 2017, the European Commission adopted a Statement of Objections in respect of an agreement between Teva and Cephalon over allegedly delaying the sale of generic modafinil. On 8 June 2020 the European Commission sent a supplementary Statement of Objections in which it sought to clarify its assessments of the parties' arrangement as a restriction 'by object'. These cases make it clear that reverse payment patent settlement agreements are still very much in the crosshairs.

### **(Resale) price maintenance**

#### **26 | Can the exercise, licensing, or transfer of IP rights create liability under (resale) price maintenance statutes or case law?**

IPR licences are treated in the same way as other agreements in this context. A licence that imposes (directly or indirectly) a minimum resale price for goods or services will likely infringe the Chapter I provisions. Price-fixing and resale price maintenance agreements are seen as hard-core restrictions and are also excluded from the block exemptions. For example, the block exemptions will not apply to price fixing.

In September 2020, the CMA published an addendum to its leniency guidelines in RPM cases. Companies that apply for 'Type B' leniency on or after 24 September 2020 will only receive a 50 per cent penalty discount in RPM cases. Type B leniency applies to the first applicant to report and provide evidence of a cartel, when the CMA is conducting a pre-existing investigation into the reported cartel conduct.

### **Exclusive dealing, tying and leveraging**

#### **27 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to exclusive dealing, tying and leveraging?**

The Chapter I and Chapter II provisions do not generally prevent IPRs from being enforced, licensed or transferred. However, these are treated in the same way as non-IPR conduct and should be assessed on a case-by-case basis. IPR-related agreements dealing with exclusive dealing can infringe the Chapter I provisions. For example, an IPR-related

exclusive dealing arrangement that prevents a manufacturer from distributing outside a certain territory may be seen as a form of market sharing. Additionally, a dominant company could infringe the Chapter II provisions by only granting a licence to a licensee who agrees to buy unrelated products or services.

### **Abuse of dominance**

#### **28 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to monopolisation or abuse of dominance?**

Even a dominant company has the right to choose its trading partners and dispose of its IPRs freely. However, certain IPR-related conduct can be seen as abusive and contrary to the Chapter II provisions. Such conduct can include abusive defence of patent litigation, acquisition of competing technology, discriminatory licensing practices, refusal to license (in exceptional circumstances) and the charging of unfair prices for goods or services protected by IPRs. In October 2017, the CMA announced that it had launched four separate antitrust investigations into alleged anticompetitive practices regarding generic products in the pharmaceutical industry. Three of the cases were being examined for potential abuse of dominance (alongside alleged horizontal practices). In one of these cases (*MSD/ Remicade*), the CMA issued a final decision in March 2019, deciding that, following the statement of objections, there were no grounds for action (ie, the case was closed without an infringement finding). One important point arising from this decision is that the CMA rejected the submission that the as-efficient competitor test (AEC price/cost test) would have prevented the CMA from finding foreclosure as established.

Over the past few years, a number of authorities (particularly the CMA) have started or completed investigations into excessive pricing of pharmaceuticals. One of the common features is that they involve products that at one stage were patent-protected. After patent expiry, the company, often following a sale of the product, changed the status from branded to generic and then increased the price by many multiples beyond the historic price. In finding that the prices were unfair, the authorities have typically relied (among other things) on the fact that the drugs had long been off-patent. In a long-running excessive price case against Pfizer and Flynn Pharma, in June 2018, the CAT held that the CMA had misapplied the relevant legal test. In December 2018, the Court of Appeal granted the CMA permission to challenge the CAT's ruling. On 10 March 2020 the Court of Appeal handed down its judgment. It re-affirmed the CAT's decision that the question of abuse and penalties be remitted to the CMA but it upheld the CMA's ground that the CAT had erred by requiring the CMA to identify a hypothetical benchmark price in assessing whether prices were excessive. This highlights the challenges faced by regulators when bringing these cases.

In light of the Court of Appeal's decision the CMA issued supplementary statements of objections for two ongoing investigations under article 102/Chapter II into liothyronine and hydrocortisone relating to excessive and unfair pricing.

The strength of IPRs may also be considered a barrier to entry into a market, leading to a narrower market definition and, as a result, could make it more likely that the holder of the IPRs could be considered to be in a dominant position.



## Refusal to deal and essential facilities

- 29 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities?

The refusal to grant a licence (i.e. a refusal to deal) may constitute an abuse of dominance in exceptional circumstances. The UK position mirrors the EU competition law.

In 2013, the Court of Appeal dismissed an appeal by Chemistree Homecare Limited against the High Court's refusal to grant it an interim injunction in a case concerning an alleged refusal to supply a patented medical product (*Chemistree Homecare Ltd v Abbvie Ltd [2013] EWCA Civ 1338*). The Court held that Chemistree did not have a real prospect of showing that Abbvie had a dominant market position. It had not provided sufficient evidence to establish that the relevant product market comprised only Abbvie's product.

In July 2015 the European Court of Justice in *Huawei Technologies Co Ltd v ZTE Corp, ZTE Deutschland GmbH* laid out criteria for when a SEP-holder is entitled to seek an injunction against a potential licensee (without violating antitrust laws). On 26 August 2020, the Supreme Court provided further interpretations of this decision and ruled in *Unwired Planet International Ltd. v Huawei Technologies (UK) Co. Ltd. and Huawei Technologies Co. Ltd. v Conversant Wireless Licensing SARL* that so long as the SEP-holder is a willing licensor on FRAND terms, the holder may seek an injunction without abusing its dominance. The 'non-discriminatory' prong of the FRAND offer need not be a single 'most favoured' rate for all licensees. In addition, the court held that English courts have the power to enjoin an SEP-implementer (unless it enters into global FRAND licence of a portfolio that includes foreign patents) and to determine royalty rates and terms of such a licence.

## REMEDIES

### Remedies for violations of competition law involving IP

- 30 | What sanctions or remedies can the competition authorities or courts impose for violations of competition law involving IP?

The remedies for violations of competition law involving IP rights (IPRs) are the same as those for breaches of competition law generally.

The CMA can accept binding commitments offered by the parties to address infringements of the Chapter I and II provisions. It also has the power to impose financial penalties of up to 10 per cent of the worldwide turnover of an undertaking for such infringements. Additionally, it can give such directions as it considers appropriate to bring the infringement to an end. The CMA has a wide discretion in this respect, but can include directions to cease certain behaviour or to set up systems to prevent continuance of the infringements.

The CMA can also impose interim measures where it has a reasonable suspicion that there has been an infringement and the measures are necessary to protect the public interest or to prevent significant damage to particular persons or businesses. In such cases, it can give any directions that it considers appropriate to prevent the harm feared. There is no requirement that the directions be ones it could give in a final order, nor that the measures be temporary and conservatory.

The courts (including the CAT) can grant injunctions and award damages. The infringing party can also face criminal liability.

### Competition law remedies specific to IP

- 31 | Do special remedies exist under your competition laws that are specific to IP matters?

No.

## ECONOMICS AND APPLICATION OF COMPETITION LAW

### Economics

- 32 | What role has competition economics played in the application of competition law in cases involving IP rights?

Regardless of whether IP rights (IPRs) are involved, economics plays an important role in competition law cases. Economic analysis is relevant at the stage of assessing the anticompetitive effects of behaviours and conduct, but it is also important in determining the relevant markets for goods and services.

## RECENT CASES AND SANCTIONS

### Recent cases

- 33 | Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

In February 2016, the Competition and Markets Authority (CMA) (in a case started by its predecessor, the Office of Fair Trading (OFT)) fined GSK and two other pharmaceutical companies (the generic companies) in relation to anticompetitive patent settlement agreements. The CMA found that the generic companies agreed to delay the launch of their generic versions of the drug paroxetine in return for substantial payments by GSK. The CMA also found that GSK abused its dominant position in the UK market by seeking to delay the generic companies' entry into the market. The OFT had previously alleged that a third generic pharmaceutical company had entered into an anticompetitive agreement with GSK. However, the CMA issued a no grounds for action decision in respect of that agreement. The CMA's decision was appealed to the CAT, which, on 8 March 2018, referred a number of questions to the CJEU.

The CMA has recently closed and opened a number of investigations into excessive pricing of pharmaceuticals.

The English High Court has recently decided several cases relating to the enforcement of SEPs and FRAND licensing obligations.

### Remedies and sanctions

- 34 | What competition remedies or sanctions have been imposed in the IP context?

In 2010, the OFT fined Reckitt Benckiser £10.2 million (reduced from £12 million as part of an early resolution agreement) for the abuse of its dominant position on the market for the NHS supply of certain medicines. The claim related to product evergreening.

In 2016, the CMA fined GSK and two other generic pharmaceutical companies a total of £45 million for agreeing to delay entry of generic versions of paroxetine, for which GSK held certain patents in the UK. The CMA's decision was appealed to the CAT which, on 8 March 2018, referred a number of questions to the CJEU. In August 2019, the CMA provisionally accepted a £10.1 million settlement from Aspen over an agreement that prevented the entry of a competing version of the drug fludrocortisone. Unusually, Aspen has agreed to pay its customer, the NHS, £8 million without the government launching court proceedings. Aspen will additionally pay a maximum fine of £2.1 million if the CMA concludes that competition law was infringed.

There are also a number of cases in which the CMA has issued a statement of objections that may lead to fines at a later stage. For example, the CMA in February 2019 provisionally found that Auden McKenzie and Waymade broke the law by agreeing not to compete for the supply of hydrocortisone tablets to the NHS. In a supplementary statement of objections, on 12 February 2020, the CMA also alleges that these agreements constitute an abuse of a dominant position.

**UPDATE AND TRENDS****Key developments**

- 35 | Are there any emerging trends or hot topics in the law of IP and antitrust policy? Have changes occurred recently or are changes expected in the near future that will have an impact on the application of competition law to IP rights?

The hot topic in all areas of UK law continues to be the United Kingdom's exit from the EU. The UK left the EU on 31 January 2020 and entered into a 'transition period' set to expire on 31 December 2020. In February 2020 both the EU and the UK published their negotiation mandates. The EU was clear that it expects a future partnership which prohibits anti-competitive agreements. The UK agreed but has made clear that this does not require legal or regulatory alignment with the EU. In the short term, UK law remains unchanged. The consequences for UK competition and IP law will largely depend on the outcome of negotiations before the end of the transition period and, in particular, the level of access to the single market and the corresponding level of free movement requirements. In October 2018, the Competition (Amendment, etc) (EU Exit) Regulations 2019 were published, which has since been approved by Parliament. This has the effect of adapting the EU competition regulations to become a set of domestic competition regulations in the event of, and only in the event of, a no-deal Brexit.

The Competition and Markets Authority (CMA) published guidance in March 2019 on the effect of a no-deal Brexit on merger control cases that are 'live' on exit day. If agreed terms cannot be reached by the expiry date of the transition period, the UK has indicated its intentions to cease to apply the EU rules. As such the EU prohibitions under article 101 and 102 TFEU would no longer be applicable in the UK. Any anti-competitive behaviour in the UK would be subject to examination by the CMA under the Chapter I and II CA98 prohibitions, which for now closely mirror the EU provisions. If the behaviour effects trade within the UK and trade between the remaining EU member states, there will be a high likelihood of parallel investigations by EU and UK authorities, with an increased burden to businesses. Divergent outcomes will also pose some risk, although EU case law is likely to remain influential in practice for some time.

On 26 August 2020, the Supreme Court ruled in *Unwired Planet International Ltd. v Huawei Technologies (UK) Co. Ltd. and Huawei Technologies Co. Ltd. v Conversant Wireless Licensing SARL* that so long as the SEP-holder is a willing licensor on FRAND terms, the holder may seek an injunction without abusing its dominance.

\* The information in this chapter was verified between October and November 2020.

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# United States

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## INTELLECTUAL PROPERTY

### Intellectual property law

- 1 Under what statutes, regulations or case law are intellectual property rights granted? Are there restrictions on how IP rights may be enforced, licensed or otherwise transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

US federal law governs three types of intellectual property: (1) patents (35 USC, section 101 et seq), (2) copyrights (17 USC, section 101 et seq) and (3) trademarks (15 USC, section 1051 et seq). State law primarily governs the protection of trade secrets, with most states having adopted the Uniform Trade Secrets Act, or some variation. In 2016, Congress passed the Defend Trade Secrets Act (DTSA) allowing the owner of a trade secret to sue in federal court for misappropriation. The DTSA largely mirrors the Uniform Trade Secrets Act, but notably does not pre-empt state law.

Holders of IP rights generally can transfer and assign their rights. The transfer and licensing of IP rights may be subject to pre-merger notification requirements under the Hart-Scott-Rodino Antitrust Improvements (HSR) Act. The sale or licensing of IP rights is evaluated under the same antitrust statutes that apply to conduct involving tangible property, including the Sherman, Clayton and Federal Trade Commission (FTC) Acts. The US views TRIPs as setting a minimum standard for the protection and enforcement of IP rights and US standards frequently exceed TRIPs minimum standards.

### Responsible authorities

- 2 Which authorities are responsible for granting, administering or enforcing IP rights?

The US Patent and Trademark Office (USPTO) and the US Copyright Office are the main IP authorities in the United States. An agency of the US Department of Commerce, the USPTO has the authority to grant patents and register trademarks, and it also advises the President of the United States, the Secretary of Commerce and bureaus of the Department, and other government agencies, on domestic and global intellectual property issues.

The Copyright Office does not grant IP rights – copyright protection is created the moment that a work is created and fixed in a tangible form. The Office administers the Copyright Act's mandatory deposit provisions and various compulsory and statutory licensing provisions set forth in the Act, including collecting and distributing royalty fees. The Office also advises Congress on copyright policy.

The US International Trade Commission (ITC), pursuant to section 337 of the Tariff Act of 1930 (19 USC, section 1337), investigates claims regarding IP rights and infringement by imported goods.

### Proceedings to enforce IP rights

- 3 What types of legal or administrative proceedings are available for enforcing IP rights? To the extent your jurisdiction has both legal and administrative enforcement options for IP rights, briefly describe their interrelationship, if any?

US federal courts resolve patent, copyright and trademark infringement suits, largely brought through private party civil litigation. Although state courts normally resolve trade secret violations, federal courts might resolve these disputes as part of disputes involving federal law issues.

Administrative proceedings are handled in numerous different tribunals. The ITC adjudicates private claims of infringement by imported goods under section 337. The USPTO also holds administrative proceedings. The America Invents Act of 2011 created the Patent Trial and Appeal Board (PTAB) within the USPTO, which conducts trials dealing with inter partes review, post grant review, covered business method patent reviews and derivation proceedings, and hears appeals from adverse patent examiner decisions in patent applications and re-examination proceedings. Relatedly, the USPTO's Trademark Trial and Appeal Board (TTAB) is responsible for adjudicating petitions opposing proposed trademark registrations and appeals from USPTO examiners denying registration of marks, as well as handling concurrent use and interference proceedings. Appeals from the USPTO and ITC can be further appealed to the US Court of Appeals for the Federal Circuit.

The FTC can also bring an administrative enforcement action before an administrative law judge in the instance that private enforcement of IP rights violates competition laws.

### Remedies

- 4 What remedies are available to a party whose IP rights have been infringed? Do these remedies vary depending on whether one utilises judicial or administrative review or enforcement?

US IP statutes provide numerous remedies for infringement. For patent and copyright infringement, IP owners can receive monetary relief (actual or statutory damages), preliminary or permanent injunctions, exclusion orders and seizures of imported items. For wilful or deliberate infringement, patent and copyright owners may win increased damages, which can be up to three times the compensatory damages. Additionally, costs may be recoverable, and in cases of wilful infringement, attorneys' fees are also recoverable.

Federal courts evaluate a request for an injunction to remedy patent infringement under the Supreme Court's decision in *eBay v MercExchange LLC*, 547 US 388 (2006). Under *eBay*, a plaintiff must demonstrate that: (1) absent an injunction it would suffer irreparable injury; (2) monetary damages are inadequate; (3) that balance of

hardships between the plaintiff and defendant favours an injunction; and (4) an injunction is not contrary to the public interest.

Trademark owners also have numerous remedies available for infringement: injunctions, a court order requiring the destruction or forfeiture of infringing articles, damages (again, which may be trebled in cases involving bad faith) and disgorgement of the infringer's profits. For dilution, the most likely remedy is an injunction against further dilution. However, if the trademark owner can prove wilfulness, they can seek attorneys' fees, monetary damages and even treble damages.

Although state and federal courts can grant injunctive relief and monetary damages for IP holders, administrative tribunals (such as the ITC) can usually offer injunctive relief such as exclusion and cease-and-desist orders. Temporary exclusion and cease-and-desist orders can be granted in certain exceptional circumstances.

### Nexus between competition and IP rights

#### 5 | Do any statutes, regulations or case law in your jurisdiction address the interplay between competition law and IP law?

The federal antitrust agencies and courts treat antitrust and intellectual property as complementary areas of law that work together to promote competition, innovation and consumer welfare. The acquisition or assertion of intellectual property rights is neither particularly suspect nor immune from scrutiny under the antitrust laws.

For the purposes of antitrust enforcement, courts and agencies apply the same antitrust rules to matters involving IP rights as they apply to matters involving tangible property. Antitrust claims based on the acquisition, assertion or transfer of intellectual property rights are evaluated primarily under sections 1 and 2 of the Sherman Act, section 7 of the Clayton Act, or section 5 of the FTC Act.

A wide body of federal case law provides guidance on the application of the antitrust laws to particular fact patterns. Key Supreme Court cases provide foundational principles that apply broadly to antitrust claims based on the acquisition or assertion of IP rights. The Supreme Court has held that although patents confer a bundle of rights that may include the right to exclude, patents do not confer monopoly power for purposes of establishing a claim under the antitrust laws. *Illinois Tool Works v Independent Ink*, 547 US 28 (2006). In addition, the Supreme Court has held that the First Amendment to the US Constitution provides IP owners with immunity for antitrust claims based primarily on the assertion of their rights unless the assertion is both objectively and subjectively baseless. *Prof'l Real Estate Inv'rs, Inc. v Columbia Pictures Indus, Inc*, 508 US 49 (1993).

The two federal antitrust agencies, the United States Department of Justice (DOJ) and FTC, have issued guidance materials on federal antitrust enforcement policy relating to IP.

Competition is addressed in statutes and case law on intellectual property rights as well. Patent misuse is an affirmative defence to patent infringement (not an independent cause of action). Patent misuse sometimes, but not always, requires a showing of market power or competitive harm. In a controversial decision, the Supreme Court held that the payment of post-expiration royalties constitute per se misuse despite appeals from academics that licensing agreements providing for post-expiration royalties can be efficient and should be evaluated under a rule of reason standard. *Kimble v Marvel Entm't, LLC*, 135 S. Ct. 2401 (2015). Claims of patent misuse based on tying or package licensing are typically evaluated under a reasonableness standard and so typically require a showing of competitive harm. Section 271(d) of the Patent Act bars a defence of misuse based solely on a unilateral refusal to license IP and requires a showing of market power to support a misuse defence based on tying. Federal courts have recognised a defence of misuse for copyright infringement. The Lanham Act, the principal federal trademark

law, expressly provides for an antitrust defence to a trademark violation claim, 15 USC, section 1115(b)(7).

### Patent cooperation treaties and other agreements

#### 6 | Does your jurisdiction participate in any patent cooperation treaties or other similar agreements?

The US is party to the Agreement on Trade-Related Aspects of Intellectual Property Rights, the Patent Cooperation Treaty, the Geneva Patent Law Treaty and all other major global agreements on IP.

### Remedies for deceptive practices

#### 7 | With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices?

The Lanham and FTC Acts both provide remedies for false advertising and deceptive practices. The FTC has sole authority to enforce the FTC Act. Where the FTC finds a violation, it has the authority to issue a cease and desist order to enjoin deceptive practices and prevent a future violation. The FTC also has the authority to pursue civil penalties in federal court. Private parties may bring false advertising claims in federal and state court under the Lanham Act. A plaintiff may be awarded both an injunction against further unlawful practices and monetary damages as compensation for lost profits. Most states have similar laws that provide protection against false advertising, which may be enforced by either the state attorney general or through private rights of action.

### Technological protection measures and digital rights management

#### 8 | With respect to copyright protection, is WIPO protection of technological protection measures (TPMs) and digital rights management (DRM) enforced in your jurisdiction? Do statutes, regulation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Has TPM or DRM protection been challenged under the competition laws?

The US implemented the WIPO protections on digital rights in 1998 through passage of the Digital Millennium Copyright Act (DMCA). The DMCA prohibits the circumvention of technological protections on copyrighted works or certain rights management information. Violations of the DMCA can give rise to both civil and criminal penalties. There are no laws that limit the use of TPM or DRM protection on platforms. In certain cases, TPM or DRM software that blocks market access to unprotected aspects of a product or technology may give rise to antitrust liability, including claims for monopolisation or attempted monopolisation, if the other elements of a claim, including market power and anticompetitive exclusion, are established.

### Industry standards

#### 9 | What consideration has been given in statutes, regulation or case law to the impact of the adoption of proprietary technologies in industry standards?

The activities of standards-development organisations (SDOs) are typically treated as agreements subject to section 1 of the Sherman Act. Courts have held that although the development of industry standards can limit competition, where standards are developed through transparent procedures and without undue capture by any single group of stakeholders, standards can also provide enormous procompetitive value. For those reasons, the activities of SDOs are almost always evaluated under the rule of reason standard. *Allied Tube & Conduit Corp v Indian Head Inc*, 486 US 492 (1988). These same principles apply to

the development of standards that include technologies covered by IP rights.

There are no special antitrust rules that apply to the assertion or licensing of standard-essential patents. Federal case law defines the application of section 2 of the Sherman Act to the unilateral conduct of essential patent owners. A claim for monopolisation or attempt to monopolise requires a showing that (among other things) deception during the standards-development process harmed the competitive process by excluding rivals. However, absent exclusionary behaviour during the development process, the later breach of an agreement to provide access to essential patents on reasonable and non-discriminatory (RAND) terms does not alone provide the basis for an antitrust claim. *Broadcom Corp v Qualcomm Inc* 501 F. 3d 297 (Third Circuit 2007), *Rambus Inc. v FTC*, 522 F.3d 456 (DC Circuit 2018). Instead, claims that an essential patent owner has breached a RAND assurance are typically evaluated under principles of contract law. *Microsoft Corp v Motorola, Inc.*, 795 F.3d 1024 (Ninth Circuit 2015).

In two matters, the FTC has alleged that an essential patent owner that seeks an injunction against a firm willing to abide by a RAND licence may violate section 5 of the FTC Act. *Robert Bosch GmbH*, FTC Docket No. C-4377, *Motorola Mobility LLC*, Docket No. C-4410. Both matters were resolved through settlement agreements that lack broader precedential value. Federal courts have held that merely seeking relief in court, including seeking an injunction, is immune from antitrust liability under the *Noerr-Pennington* doctrine, providing further limits on the precedential value of the FTC's settlements. *Apple, Inc v Motorola Mobility, Inc*, 886 F Supp 2d 1061 (Western District Wisconsin 2012), *TCL Commc'ns Tech. Holdings, Ltd v Telefonaktienbolaget LM Ericsson*, 2016 US Dist. LEXIS 140566 (Central District California 2016).

## COMPETITION

### Competition legislation

#### 10 | What statutes set out competition law?

The Sherman Act, passed by Congress in 1890 and the FTC Act and Clayton Act, both passed in 1914, are the three core US federal antitrust laws in effect today. The Sherman Act prohibits unreasonable restraints of trade, monopolisation, attempts to monopolise and conspiracies to monopolise. The Clayton Act prohibits acquisitions that may substantially lessen competition, as well as certain other issues such as tying. The FTC Act, which is enforced solely by the Federal Trade Commission (FTC), prohibits unfair methods of competition as well as unfair or deceptive acts and practices. Though the FTC's authority to challenge unfair methods of competition technically reaches beyond letter of the Sherman Act, the precise scope of the FTC's 'unfair methods of competition' authority has been a subject of some controversy. The FTC has most often used its antitrust authority falling outside the scope of the Sherman and Clayton Acts to challenge invitations to collude, where no agreement forms. Beyond that, the FTC typically pursues claims for an unfair method of competition under the same standards federal courts apply to Sherman Act claims.

In addition to these federal statutes, most states have their own antitrust statutes – generally modelled after the federal antitrust laws – enforced by the state attorneys general or private plaintiffs.

### IP rights in competition legislation

#### 11 | Do the competition laws make specific mention of any IP rights?

US antitrust statutes do not specifically mention IP rights. However, the Department of Justice (DOJ) and FTC have issued antitrust licensing guidelines (first in 1995, and most recently in 2017) and other guidance

materials that outline the agencies' antitrust enforcement policy towards the licensing of intellectual property and other conduct involving IP such as patent pools, bundled or package licensing arrangements and unilateral refusals to deal.

### Review and investigation of competitive effects from exercise of IP rights

#### 12 | Which authorities may review or investigate the competitive effect of conduct related to exercise of IP rights?

The DOJ and FTC jointly enforce the federal antitrust laws. However, only the DOJ has the authority to bring criminal enforcement actions – though the FTC can refer matters to the DOJ for criminal enforcement. Additionally, under section 5 of the FTC Act, the FTC may bring civil challenges to conduct that violates section 5 of the FTC Act (which covers but is not limited to claims that could be brought under sections 1 or 2 of the Sherman Act) either in administrative proceedings or federal court.

Coordination between DOJ and FTC is governed loosely by an informal memorandum of understanding, which distributes enforcement authority by industry expertise and knowledge. For example, the FTC is typically responsible for industries including healthcare providers, pharmaceuticals, and food and retail. The DOJ is typically responsible for telecommunication, agriculture and insurance.

### Competition-related remedies for private parties

#### 13 | Can a private party recover for competition-related damages caused by the exercise, licensing or transfer of IP rights?

Private parties can recover for competition-related damages from the exercise, licence or transfer of IP rights under either federal or state antitrust law. Under federal law, the Clayton Act creates a private right of action for parties to recover damages from injuries flowing from a violation of the antitrust laws. Damages are typically trebled and plaintiffs may also recover court costs and attorneys' fees (15 USC, section 15(a)). Plaintiffs may also win an injunction requiring the defendant to end the offending conduct. To win relief, a plaintiff must establish antitrust injury, which requires that it suffered harm because of the restriction in competition that forms the basis for the violation. The alleged anticompetitive conduct must proximately cause the injury.

Forty years ago, the Supreme Court barred, with limited exceptions, indirect purchasers from seeking and recovering antitrust damages. *Illinois Brick Co v Illinois*, 431 US 720 (1977). Over half of US states have enacted 'Illinois Brick repealer' statutes allowing for indirect purchasers to recover. On 13 May 2019, the Supreme Court affirmed the Ninth's Circuit's decision that because Apple sold iPhone apps directly to consumers, Apple should be treated as a distributor and consumers as direct purchasers with standing to sue Apple for alleged monopolisation of the market for iPhone apps. *Apple v Pepper*, 139 S. Ct. 1514 (2019).

### Competition guidelines

#### 14 | Have the competition authorities, or any other authority, issued guidelines or other statements regarding the overlap of competition law and IP?

The DOJ and FTC have issued joint guidance materials on federal antitrust enforcement policy relating to IP. In 2007, the agencies issued a report outlining agency enforcement policy on a range of competition issues involving IP, including unilateral refusals to license, the incorporation of patents into standards, patent pools, tying and bundling. For purposes of antitrust analysis, the agencies distinguished unconditional from conditional refusals to licence. Under US enforcement policy, unconditional unilateral refusals to license patents 'will not play a meaningful part in the interface between patent rights and antitrust



protections'. Conditional refusals to license, such as a licence that includes exclusivity provisions, may raise antitrust concerns if restrictions in the licence lead to competitive harm.

In 2017, the DOJ and FTC issued updated Antitrust Guidelines for the Licensing of Intellectual Property. The Guidelines incorporate the core principles from the 1995 Guidelines and remain consistent with the principles in the broader 2007 Antitrust IP Report. The 2017 Guidelines cover the antitrust treatment of licences involving patents, copyrights, or trade secrets. Although the Guidelines do not apply expressly to trademark agreements, 'the same general antitrust principles that apply to other forms of intellectual property apply to trademarks as well.'

The 2017 Guidelines incorporate several key principles.

- The agencies will apply the same antitrust principles to conduct involving IP as to conduct involving other forms of property.
- IP rights do not create a presumption of market power under the antitrust laws.
- IP licensing allows firms to combine complementary assets and is thus generally procompetitive.

The vast majority of restrictions in licensing arrangements are evaluated under the rule of reason and are not likely to harm competition if the restriction does not limit competition that would have existed in the absence of the licence.

### Exemptions from competition law

#### 15 | Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

Courts have developed a number of exemptions and immunities from the antitrust laws, such as the state action doctrine or protection for the solicitation of government action (known as *Noerr-Pennington* immunity). These general exemptions apply equally to conduct involving IP rights. *Noerr-Pennington* immunity protects IP owners from antitrust liability for pursuing infringement claims unless the underlying claims are both objectively and subjectively baseless. *Professional Real Estate Investors v Columbia Pictures Industries*, 508 US 49 (1993). Petitioning immunity extends to conduct associated with seeking relief such as sending infringement notices or other marketplace communications relating to infringement. Some courts have recognised an exception to petitioning immunity where the IP owner files repeated lawsuits without regard to individual merit. *USS-Posco Industries v Contra Costa County*, 31 F.3d 800 (Ninth Circuit 1994).

The Federal Circuit has held that a mere unconditional unilateral refusal to license or share IP is lawful and cannot give rise to antitrust liability. *In re Independent Service Organizations Antitrust Litigation*, 203 F.3d 1322 (Federal Circuit 2000). One appellate court has held that although a refusal to license is presumptively lawful as a legitimate exercise of the statutory right to exclude, but the presumption can be overridden by evidence that the refusal was a pretextual effort to harm rivals. *Image Technical Services, Inc v Kodak Co*, 125 F.3d 1195 (Ninth Circuit 1997). However, in reversing a district court decision, the Ninth Circuit more recently held that patent owner has no antitrust duty to deal with rivals except in limited circumstances articulated by the Supreme Court. *FTC v Qualcomm*, 969 F.3d 974 (Ninth Circuit 2020), citing *Verizon Communications Inc v Law Offices of Curtis v Trinko LLP*, 540 US 398 (2004).

### Copyright exhaustion

#### 16 | Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws?

The first sale doctrine is codified under section 109(a) of the Copyright Act. Under the first sale doctrine, a party that lawfully acquires the tangible embodiment of a copyright work, such as a book or a compact disc, may resell the item without violating the copyright. Efforts to control the price at which the acquiring party resells the product are evaluated under state and federal antitrust laws relating to resale-price maintenance. The first sale doctrine does not apply to computer software that is licensed rather than sold and thus the copyright owner can exert greater control over subsequent distribution by licensing rather than selling the tangible product. *Vernor v Autodesk*, 621 F.3d 1102 (Ninth Circuit 2010). The party asserting the first use defence bears the burden of proving ownership through lawful acquisition.

### Import control

#### 17 | To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

An IP owner can challenge the unauthorised importation of infringing products by filing a complaint with the US International Trade Commission (ITC) under section 337 of the Tariff Act. Section 337 bars unfair methods of competition, including through importation of items that infringe US patent, copyright or trademark rights. The primary remedy in a 337 investigation is an exclusion order, which blocks entry of infringing items at the border. The ITC may also stop the sale of infringing items already in the US through a cease and desist order. A trademark owner may also file suit in federal court under section 42 of the Lanham Act. Relief under the Lanham Act may include injunction relief to stop infringing imports as well as monetary relief.

### Jurisdictional interaction between competition laws and IP rights

#### 18 | Are there authorities with exclusive jurisdiction over IP-related or competition-related matters? For example, are there circumstances in which a competition claim might be transferred to an IP court to satisfy subject matter jurisdiction? Are there circumstances where the resolution of an IP dispute will be handled by a court of general jurisdiction?

US district courts have exclusive jurisdiction over claims brought under the patent and copyright acts. The Federal Circuit has exclusive jurisdiction to hear appeals in cases 'arising under' that patent laws. A case that involves both a patent and antitrust claim will be appealed to the Federal Circuit. However, the Federal Circuit will apply the law of the appropriate regional circuit to pure antitrust questions such as relevant market and competitive effects.

Antitrust enforcement occurs at both the state and federal level. Actions are brought by the FTC, DOJ, state attorneys general, as well as through private litigation. The FTC has sole authority to enforce the FTC Act, which it may do in federal court or in its own administrative tribunal. Administrative decisions are appealed to the Commission and may be ultimately reviewed by federal appellate courts.



## MERGER REVIEW

### Powers of competition authority

- 19 | Does the competition authority have the same authority with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

Acquisitions involving IP rights are reportable under the HSR Act if the value of the IP rights triggers statutory thresholds and the parties otherwise meet the standard regulatory requirements for premerger notification. The FTC and DOJ review both reportable and non-reportable mergers and acquisitions involving IP rights under the same statutes that apply to other mergers (the Sherman, Clayton and FTC Acts). State attorneys general also have the authority to review and challenge mergers, and that authority includes mergers that involve IP.

Certain IP licensing agreements that fall short of a full transfer or assignment of rights may also be reportable. Based on informal guidance from the FTC Premerger Notification Office, exclusive patent or trademark licences may be reportable under the HSR Act. Such licences may be reportable even if exclusivity extends only to a particular geographic region. Although non-exclusive licences are generally not reportable, the FTC issued a rule in 2013 that requires reporting for certain non-exclusive pharmaceutical patent licences that transfer 'all commercially significant' rights, even where the licensor retains manufacturing rights.

### Analysis of the competitive impact of a merger involving IP rights

- 20 | Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

The same principles apply to the evaluation of mergers and acquisitions involving IP rights as to transactions involving other forms of property. However, in analysing mergers involving IP, the agencies may consider competitive effects in upstream technology markets for the IP rights themselves as well as downstream product markets.

In limited cases, the agencies may also consider the impact of a merger on research and development activities and the analysis of the competitive effects on research and development (R&D) may be more likely in merger that involves the transfer of significant IP. However, potential anticompetitive effects in an 'R&D' or 'innovation' market has not played a meaningful role in merger investigations outside the pharmaceutical sector, where the agencies will evaluate the pipeline products of the merging parties. However, even those matters can be understood as focusing on potential competition rather than pure R&D.

### Challenge of a merger

- 21 | In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights? Does this differ from the circumstances in which the competition authority might challenge a merger in which IP rights were not a focus?

The US agencies will apply the same statutes and legal standards towards evaluating the competitive effects of mergers involving IP as to other transactions and will take both horizontal and vertical effects into account. For example, the agencies may consider whether the transfer of a patent portfolio would combine ownership over technologies that would otherwise compete in upstream technology markets and whether that combination may substantially lessen competition. The agencies may also evaluate whether the acquisition will change the incentives of the merging parties towards licensing potential downstream rivals. In 2011 and 2012, the DOJ investigated a series of transactions involving

the transfer of large patent portfolios that included standard-essential. The agencies evaluated how the transfer would change incentives to share IP with downstream product market rivals. The DOJ allowed the transactions to proceed after certain acquiring parties made public assurances regarding their future licensing behaviour. (Statement of the DOJ's Antitrust Division, 13 February 2012.) Challenges to the aggregation of patents by patent assertion entities are likely to fail where plaintiffs are unable to show that the defendant enhanced its market power in any technology market consisting of patents that cover technical substitutes. *Intel Corporation v Fortress Investment Group LLC*, 2020 U.S. Dist. LEXIS 158831 (Northern District of California 15 July 2020.)

### Remedies to address the competitive effects of mergers involving IP

- 22 | What remedies are available to address competitive effects generated by a merger when those effects revolve around the transfer of IP rights?

The normal range of remedies is available to restore competition that may be lost in mergers that involve IP rights, including divestiture and behavioural remedies. In some cases, one of the merging parties may own IP that creates a barrier to entry into the relevant market. To resolve competitive concerns with the merger, the agencies may require the merging parties to provide a licence to new entrants to ameliorate the potential anticompetitive effects from the merger. In 2012, the DOJ at least informally appeared to require certain technology companies acquiring stakes in large patent portfolios to provide assurances regarding their willingness to provide downstream competitors with access to standard-essential patents that were part of the portfolios. (Statement of the DOJ's Antitrust Division, 13 February 2012.) In other cases, intellectual property rights owned by one of the merging parties may act as a barrier to entry, in which case the agencies may require that the merging parties either divest certain intellectual property rights or to make licences available to new entrants to resolve competitive concerns associated with the merger. Courts also have the authority to require divestiture of assets, including IP rights, to remedy an anticompetitive merger.

## SPECIFIC COMPETITION LAW VIOLATIONS

### Conspiracy

- 23 | Can the exercise, licensing or transfer of IP rights create price-fixing or conspiracy liability?

The same antitrust rules apply to price-fixing and conspiracy claims involving IP as to horizontal conduct involving tangible property. Most licensing arrangements expand competition by allowing parties to share complementary assets. Thus, the transfer or licensing of IP is seldom treated as per se unlawful. When evaluating a licensing arrangement, the agencies will ask whether the licence restricts competition between the parties that would have existed in the absence of a licence. In cases where the licensee requires a licence to participate in the market, a licence expands competition, even if the parties agree on the resale price of licensed products or agree to operate in different territories. However, a licence or cross-licensing arrangement may support a price-fixing claim if it is used as a sham to control the price for products or technologies where the parties would be actual or potential competitors without the licence.

In *Continental Auto Systems v Avanci*, a district court dismissed claims filed by upstream component manufacturers alleging that a patent pool covering 5G SEPs that offered licences solely to end-device manufacturers constituted an unlawful conspiracy. Applying the

rule of reason, the court held that the pool agreement did not harm competition because it did not preclude pool members from individually negotiating licences that excluded the pool's field of use restriction. 2020 U.S. Dist. LEXIS 17399 (Northern District of Texas, 10 Sept. 2020). Agreements among technology users on the price at which they will accept a licence may also give rise to a price-fixing claim. Recently, the DOJ has expressed concerns that users of standardised technologies (acting collectively through a standards-development organisation) may engage in de facto price fixing by imposing policies that improperly shift bargaining leverage towards licensees and signalled its intention to scrutinise such conduct.

### Scrutiny of settlement agreements

#### 24 | How would a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective? What are the key factors informing such an analysis?

While IP settlements are not immune from antitrust scrutiny, settlement of legitimate infringement actions is typically procompetitive and lawful under a rule of reason standard. However, patent infringement settlements in the pharmaceutical sector that involve a reverse payment from the infringer to the patent owner are often the subject of antitrust scrutiny. The Court rejected the assertion that a settlement that fell within the legitimate scope of the patent owner's rights should be immune from scrutiny, concluding that a large unexplained payment from the patent owner to the alleged infringer suggests that the patent would not survive challenge. As such, the presence of the reverse payment raises legitimate concerns that the settlement could be used primarily as a tool to restrain competition. However, the same antitrust standard applies. The Supreme Court held in *FTC v Actavis* that reverse payment patent settlements are subject to antitrust scrutiny under a rule of reason standard, the same standard that applies broadly to agreements with the potential for procompetitive benefit.

### Reverse payment patent settlements

#### 25 | How have the competition laws been applied to reverse payment patent settlements in your jurisdiction?

Patent settlements in the pharmaceutical sector that include a reverse payment from the owner of a patent on a branded drug to an alleged generic infringer have been the subject of scrutiny from enforcement agencies and have been widely litigated by private plaintiffs as well.

In a significant 2013 decision, *FTC v Actavis, Inc.*, the Supreme Court held that even in cases where the underlying infringement claim was not a sham, reverse payment settlements are subject to antitrust scrutiny under a section 1 rule of reason standard. The Court explained that an 'unexplained large reverse payment itself would normally suggest that the patentee has serious doubts about the patent's survival', suggesting the objective of the settlement is to preserve and share monopoly profits by avoiding price competition. However, the court refused to find that reverse payment settlements were presumptively unlawful, which would effectively shift the burden to the settling parties to prove that the agreement was pro-competitive. The Court held that the anticompetitive effects of a settlement depended on a variety of factors including the size of the payment relative to likely litigation costs and whether the payment provided compensation for other services, and that a plaintiff 'must prove its case as in other rule-of-reason cases'.

Since *Actavis*, most district courts have concluded that a non-cash transfer of value from the branded pharmaceutical to the potential generic can constitute a reverse payment. The Third Circuit has held that the branded pharmaceutical firm's agreement to refrain

from introducing an authorised generic during the first-filer's 180-day exclusivity period can constitute a reverse payment and support an antitrust claim. Additionally, in 2016, the First Circuit followed the Third Circuit in holding that these no authorised generic agreements may violate the antitrust laws, holding that to limit the holding of *Actavis* to only cash payments would put form over substance.

There are still numerous reverse payment lawsuits that continue to be litigated. See, eg, *In re Glumetza Antitrust Litig.*, Case No. C 20-01198 WHA, 2020 U.S. Dist. LEXIS 39649, 2020 WL 1066934 (Northern District of California 5 Mar. 2020) (partially granting and partially denying the motion to dismiss in reverse payment putative class action); *In re Zetia (Ezetimibe) Antitrust Litig.*, MDL No. 2:18-md-2836, 2020 U.S. Dist. LEXIS 152380, 2020 WL 4917625 (Eastern District of Virginia 21 Aug. 2020) (partially granting class certification in reverse payment case). Government agencies also continue to actively litigate such cases. See, eg, *Fed. Trade Comm'n v. AbbVie Inc.*, 976 F.3d 327 (Third Circuit 2020) (reversing the lower court's grant of motion to dismiss but also finding that disgorgement is not a remedy the FTC can seek under section 13(b) of the FTC Act); see also *Ass'n for Accessible Med. v Becerra*, 822 Fed. Appx. 532 (2020) (affirming lower court's refusal to grant a preliminary injunction blocking California law that purportedly prohibits reverse payment settlement agreements). However, private plaintiffs who previously entered into arbitration agreements with pharmaceutical manufacturers may have a harder time bringing lawsuits. In 2019, the Third Circuit found that a lawsuit alleging that a pharmaceutical manufacturer engaged in anticompetitive behaviour to protect its monopoly over a drug called Remicade was subject to an arbitration clause, even though that arbitration clause was part of a distribution agreement and not directly related to antitrust. *In re Remicade (Direct Purchaser) Antitrust Litig.*, 938 F.3d 515, 524-56 (Third Circuit 2019); but see *In re Rotavirus Vaccines Antitrust Litig.*, Civil Action No. 18-CV-1734, 2020 U.S. Dist. LEXIS 217565, 2020 WL 6828123 (Eastern District of Pennsylvania Nov. 20, 2020) (finding that physician buying groups did not have authority to bind their members to arbitration provisions).

### (Resale) price maintenance

#### 26 | Can the exercise, licensing, or transfer of IP rights create liability under (resale) price maintenance statutes or case law?

The Supreme Court has long held that where an IP owner licenses a product market competitor, it may restrict the price at which its competitor sells the licensed product. *United States v General Electric*, 272 US 476 (1926). However, for many years the liberal treatment afforded resale price maintenance for licensed products stood in contrast to the per se rule against vertical price fixing more generally. Then, in 2007, the Supreme Court reversed the per se rule for vertical price fixing and held that, given the potential for procompetitive benefits, an agreement between vertically related entities on minimum resale prices will be evaluated under the rule of reason. *Leegin Creative Leather Products v PSKS*, 551 US 877 (2007). The rule of reason requires a showing that the agreement harmed competition and that the harm was not outweighed by countervailing competitive benefits. Competitive harm is unlikely in a situation where the licensor and licensee would not have competed in the same relevant market absent the licence. Thus, the law covering licensed and unlicensed products is now better aligned under federal law. However, resale price maintenance remains per se unlawful under many state anti-trust statutes.

## Exclusive dealing, tying and leveraging

### 27 Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to exclusive dealing, tying and leveraging?

Exclusive dealing and tying arrangements involving IP are evaluated under sections 1 and 2 of the Sherman Act, section 3 of the Clayton Act and section 5 of the FTC Act. These arrangements are subject to the same standards as arrangements involving tangible property and are almost always evaluated under the rule of reason standard. In the 2017 Antitrust Licensing Guidelines, the FTC and DOJ explained that tying and package licensing arrangements can provide substantial efficiencies and provided guidance on the application of the rule of reason to these arrangements. The agencies will challenge such arrangements only if the IP owner has market power in the tying product or technology, and the arrangement has an adverse effect on competition that is not outweighed by countervailing efficiencies. In evaluating an exclusive dealing arrangement, the agencies will consider both the extent to which exclusivity enables the IP owner to realise the value of its rights more efficiently and the extent to which the arrangement forecloses competition that would have existed absent the licence. Though the term is used loosely in some opinions, US courts generally do not recognise leveraging as a distinct theory of harm. Any claim that a firm is using a licence to leverage power from one market to the next must meet the standards for anticompetitive exclusion to succeed.

## Abuse of dominance

### 28 Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to monopolisation or abuse of dominance?

US antitrust law does not recognise a claim for abuse of dominance. Single-firm conduct associated with the exercise or acquisition of monopoly power is evaluated under section 2 of the Sherman Act and section 5 of the FTC Act. Monopolisation under section 2 requires a showing that a firm has acquired or maintained monopoly power through the anticompetitive exclusion of rivals, rather than creating 'a superior product, business acumen, or historic accident.' *United States v Grinnell Corp.*, 384 US 563 (1966). However, US antitrust laws do not prevent a lawful monopolist from charging prices or setting other terms of trade that reflect its lawfully acquired dominance of the market. *Verizon Communications Inc v Law Offices of Curtis v Trinko LLP*, 540 US 398 (2004). Though the FTC may have authority under section 5 to bring a monopolisation case that falls outside the scope of section 2, the bounds of the FTC's section 5 authority are unclear and the FTC has not prevailed in court on a different theory.

## Refusal to deal and essential facilities

### 29 Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities?

The US agencies stated in a 2007 report that they are unlikely to bring an enforcement action challenging the unconditional unilateral refusal to license patents. Similarly, the Federal Circuit has held that a refusal to license or share IP is lawful and cannot give rise to antitrust liability. *In re Independent Service Organizations Antitrust Litigation*, 203 F3d 1322 (Federal Circuit 2000). One appellate court has held that although a refusal to license is presumptively lawful as a legitimate exercise of the statutory right to exclude, the presumption can be overridden by evidence that the refusal was a pretextual effort to harm rivals. *Image Technical Services, Inc v Kodak Co.*, 125 F3d 1195 (Ninth Circuit 1997). Although *Kodak* has not been overruled, it has not been followed

widely and has been criticised for its reliance on the subjective intent of the IP owner and the court's failure to provide sensible guidance on distinguishing a legitimate versus pretextual exercise of the right to exclude. In reversing a district court decision, the Ninth Circuit more recently held that patent owner has no antitrust duty to deal with rivals except in the limited circumstances described by the Supreme Court. *FTC v Qualcomm*, 969 F.3d 974 (Ninth Circuit 2020), *citing Verizon Communications Inc v Law Offices of Curtis v Trinko LLP*, 540 US 398 (2004).

## REMEDIES

### Remedies for violations of competition law involving IP

#### 30 What sanctions or remedies can the competition authorities or courts impose for violations of competition law involving IP?

There are no special sanctions or remedies to resolve antitrust matters involving IP. Private civil antitrust matters in federal court may give rise to treble damages as well as injunctive relief. The Supreme Court has recognised compulsory licensing as an acceptable antitrust remedy in appropriate circumstances though district courts have rarely required a compulsory licence in practice. More commonly, courts will refuse to enforce patent rights as a remedy for patent misuse. The FTC has the authority to seek a range of equitable remedies through administrative litigation and has ordered compulsory licensing on reasonable rates as a remedy to a section 5 violation. Both the DOJ and FTC may require a compulsory licence or divestiture of IP as part of settlement agreement resolving the potential anticompetitive effects of a merger. Though criminal antitrust matters involving IP are unusual, criminal matters can give rise to both fines and imprisonment.

### Competition law remedies specific to IP

#### 31 Do special remedies exist under your competition laws that are specific to IP matters?

Special remedies specific to IP matters do not exist under US competition laws.

## ECONOMICS AND APPLICATION OF COMPETITION LAW

### Economics

#### 32 What role has competition economics played in the application of competition law in cases involving IP rights?

Economics has changed the way that IP rights are viewed under the antitrust law. The incorporation of economics into antitrust law has led to the recognition that strong IP rights promote competition by creating incentives to invest in the development of new technologies and products. Most antitrust matters involving IP are evaluated under a rule of reason standard, which requires a showing of competitive harm, typically based on fact-intensive economic analysis and evidence.

## RECENT CASES AND SANCTIONS

### Recent cases

#### 33 Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

On 21 May 2019, a federal district court in the Northern District of California ruled in favour of the Federal Trade Commission (FTC) in its antitrust case against Qualcomm (*FTC v Qualcomm*, 2019 U.S. Dist. LEXIS 86219 (Northern District of California 21 May 2019)). After a 10-day

bench trial, the court ruled that the FTC had shown that Qualcomm had unlawfully monopolised two markets for modem chips by requiring its modem chip customers to separately license Qualcomm's patented technology (rather than exhausting those rights through the sale of the chips themselves), refusing to provide licences for its standard-essential patents to its modem chip rivals, and engaging in exclusive dealing arrangements with Apple. Qualcomm appealed the decision to the Ninth Circuit, which stayed key aspects of the district court injunction order pending appeal. The United States Department of Justice (DOJ) Antitrust Division filed an amicus brief supporting Qualcomm's appeal. On 11 August 2020, the Ninth Circuit reversed the district court and vacated the remedy. *FTC v Qualcomm*, 969 F.3d 974 (Ninth Circuit 2020). The Ninth Circuit rejected each of the FTC's substantive theories of harm. The court held that Qualcomm had no antitrust duty to deal with rivals and that Qualcomm's licensing policies did not harm competition because chipset customers paid the same royalty rate for Qualcomm's patents regardless of whether they sourced their chips from Qualcomm or a competitor; its licensing model was 'chipset neutral'. The court did not reach the question of whether Qualcomm had breached its licensing commitment to two specific standards-development organisations because a breach alone would not constitute an antitrust claim. The FTC sought rehearing, which was denied on 28 October 2020.

On 10 September 2020, the DOJ Antitrust Division updated a 2015 Business Review Letter to the Institute of Electrical and Electronics Engineers (IEEE). The Antitrust Division took the unusual step of revisiting a prior review letter out of concerns that the 2015 letter had been misunderstood as an endorsement of a particular IEEE policy, rather than a statement of its antitrust enforcement intentions. In issuing the revised letter, DOJ stated that its action was 'meant to align the now outdated analysis in the 2015 letter with the current US law and policy, which has evolved in important ways over the last five years in relation to the licensing of standard-essential patents, and the governance of standards development organizations'. DOJ Press Release, Justice Department Updates 2015 Business Review Letter to the Institute of Electrical and Electronics Engineers, 10 September 2020.

A Third Circuit opinion in 2020 provided further guidance on reverse payment settlements. The FTC sued AbbVie and other pharmaceutical companies for attempting to monopolise and restrain trade over the drug Androgel. *Federal Trade Commission v AbbVie, Inc*, 976 F.3d 327, 338 (Third Circuit 2020). The FTC claimed that AbbVie had pursued sham litigation claims against generic competitors Perrigo and Teva. The agency also claimed that the defendants had executed an anticompetitive reverse payment settlement agreement with Teva through a favourable supply agreement for a separate product, Tricor. The district court agreed with the FTC that the defendants had pursued sham patent infringement claims and ordered disgorgement as a remedy. However, the district court dismissed the FTC's claims that were based on reverse payment settlements. Even though the Teva patent settlement and Tricor supply agreements were executed on the same day, the district court analysed the agreements separately and found neither anticompetitive standing alone. On 30 September 2020, the Third Circuit reversed, finding that the district court's analysis put form over substance and would allow parties to avoid antitrust liability by merely creating a separate contractual vehicle for the reverse payment. The Third Circuit remanded with instructions to reevaluate the agreement under the proper framework. The Third Circuit also reversed the district court's order on disgorgement under section 13(b) of the FTC Act, reasoning that to sue under section 13(b), the FTC must have reason to believe an antitrust violation is imminent or ongoing, which is inconsistent with a remedy that deprives a wrongdoer of past gains, not current or imminent gains. The Third Circuit denied the FTC's and the defendants' petitions for rehearing and the case continues to be litigated at the district court.

In 2020, a federal district court dismissed a separate antitrust lawsuit brought against prescription drug maker AbbVie. The plaintiffs alleged that AbbVie had cornered the market for Humira, which is an anti-inflammatory drug, by amassing a large number of patents related to the drug and using those patents to keep out competitors. The district court found that AbbVie had simply 'exploited advantages conferred on it through lawful practices' and found that the alleged patent amassing practices AbbVie had engaged in were not violations of antitrust law. *In re Humira (Adalimumab) Antitrust Litig*, No. 19-CV-1873, 2020 U.S. Dist. LEXIS 99782, 2020 WL 3051309 (Northern District of Illinois 8 June 2020).

In 2019, a trio of cases limited the jurisdiction of courts to hear pharmaceutical antitrust cases. First, on 25 February 2019, the Third Circuit upheld the dismissal of the FTC's complaint against Shire Viropharma, Inc. From 2006 to 2012, Shire submitted a total of 43 FDA filings and instituted three federal court proceedings in an attempt to block the approval of generic versions of a drug called Vancocin. The FTC alleged that these filings were meritless filings that were an attempt to block generics from entering the market, and in 2017, sought an injunction against Shire by bringing suit under section 13(b) of the FTC Act. However, by 2014, Shire had already divested its Vancocin holdings. The district court said that Shire was not currently violating the law and was not about to violate the law, and thus the FTC did not have the authority to obtain an injunction under section 13(b). *FTC v Shire Viropharma, Inc*, 917 F.3d 147, 159-60 (Third Circuit 2019). On 13 September 2019, the Third Circuit found that a plaintiff's antitrust claims were subject to an arbitration agreement. Rochester Drug Cooperative (RDC) sued Johnson & Johnson (J&J), alleging that J&J imposed anticompetitive clauses on insurers in an effort to keep the price of Remicade inflated. But RDC had entered into a distribution agreement with J&J regarding Remicade that had an arbitration clause. The Third Circuit found that because the price RDC paid for Remicade was directly intertwined with the distribution agreement, the antitrust claims were subject to the arbitration agreement. *In re Remicade (Direct Purchaser) Antitrust Litig*, 938 F.3d 515, 524-56 (Third Circuit 2019).

On 5 November 2019, the Second Circuit upheld the dismissal on Foreign Trade Antitrust Improvements Act grounds of an antitrust complaint brought against a pharmaceutical company. Biocad, a company that made biosimilars to a set of drugs called mAbs, sued F. Hoffmann-La Roche on the grounds that La-Roche had taken anticompetitive action in Russia to prevent Biocad from earning enough capital in Russia to be able to expand into the United States. The Second Circuit affirmed that the case should have been dismissed, holding that even if La-Roche's actions were taken with the intent to block Biocad from the US market, there were no actions taken in the US or that affected the US import market directly. *Biocad JSC v F. Hoffmann-La Roche*, Docket No. 17-3486, 2019 U.S. App. LEXIS 33011, 2019 WL 5700347 (Second Circuit 5 Nov. 2019).

## Remedies and sanctions

### 34 What competition remedies or sanctions have been imposed in the IP context?

The full range of remedies is available in competition matters involving IP. International Trade Commission unfair competition claims involving infringing imports are subject to exclusion and cease and desist orders to prevent US sales of infringing items.

**UPDATE AND TRENDS****Key developments**

- 35 | Are there any emerging trends or hot topics in the law of IP and antitrust policy? Have changes occurred recently or are changes expected in the near future that will have an impact on the application of competition law to IP rights?

Since taking over as Assistant Attorney General for Antitrust, Makan Delrahim has focused on restoring greater balance to competition policy and enforcement involving IP rights, particularly regarding the licensing of standard-essential patents subject to a reasonable and non-discriminatory licensing assurance. On 10 November 2017, AAG Delrahim delivered his first public remarks on the topic. Delrahim stated that antitrust enforcers have recently focused too narrowly on the risk that firms that have agreed to license essential patents on reasonable and non-discriminatory terms will breach those assurances and demand licensing terms that exceed reasonable levels. Delrahim explained that this narrow focus has led antitrust enforcers to misuse antitrust law to police private contractual arrangements in ways that risk harm to continuing incentives to innovate and participate in the standards-development ecosystem. Delrahim also stated that the narrow focus on policing private contracts has led US enforcement agencies to ignore the greater risk that firms implementing standardised technologies, acting collectively through standards-development organisation, will impose policies that shift the bargaining leverage in licensing negotiations towards licensees, behaviour that is tantamount to buyer-side price fixing. Delrahim advised SDOs and their members to exercise caution in discussing or imposing licensing policies through collective action that disadvantage either licensors or licensees, and to ensure that standards are developed through transparent procedures with due process for all relevant stakeholders. Delrahim has delivered several additional speeches since November elaborating on his views and emphasising the risk that misdirected antitrust enforcement involving IP can generate for competition and innovation.

AAG Delrahim has continued his strong advocacy in 2020, including through DOJ amicus filings in several matters involving standard-essential patents. DOJ's goal was to both direct the development of US law and advocate for greater balance by international enforcers. While DOJ's amicus program has likely influenced the development of law at the intersection of antitrust and IP, the impact of its softer competition advocacy work on future US enforcement activity or internationally remains to be seen. With a new administration and recent changes in the Congressional balance of power, the Congress and the enforcement agencies are likely to consider various antitrust reforms in 2021, including new legislation and regulatory changes that could affect the intersection of antitrust and IP, and the antitrust enforcement landscape more broadly (House Judiciary Subcommittee on Antitrust, Commercial and Administrative Law, Investigation of Competition in Digital Markets, Majority Staff Report and Recommendations) (6 October 2020). The Supreme Court's copyright decision in *Google v Oracle*, which is expected in 2021, may also influence the enforcement landscape for digital platforms with regard to antitrust duties or risks associated with restrictions on platform interoperability and data portability.

\* The information in this chapter was verified in January 2021.



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