



GETTING THE DEAL THROUGH

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Intellectual property law

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

Trademarks are protected by registration pursuant to the Trade Marks Act 1994 (TMA 1994). Trademarks last for an initial period of 10 years, but can be renewed indefinitely. Such rights are normally also protected by the common law action of passing off (available whether a mark is registered or not), provided that goodwill, use of mark and damage, or likelihood of such can be demonstrated. Assignment and licensing of marks must be made in writing, and should be registered with the UK Intellectual Property Office (see below) to ensure enforceability. Registration provides protection against subsequent transactions involving such rights because any subsequent transaction is made subject to the registration, whether it is a licence, charge or assignment. Depending on the nature of the mark and countries of trading interest, a trademark owner can choose to file for either a UK, EC or international registration using the Madrid Protocol or Agreement.

The Patents Act 1977 (PA 1977) creates a 20 year exclusive right to make, use, sell, offer to sell, or import inventions claimed in a patent. Patent assignments must be made in writing, whereas patent licences may be oral; though this is inadvisable. A patent holder may apply for European or international registration, but this merely creates a bundle of national patents. A European Patent (UK) is still essentially a UK patent.

Copyright is governed by the Copyright, Designs and Patents Act 1988 (CDPA 1988). There are no registration requirements for copyright; it is a right which arises automatically. The UK is a member of various international copyright conventions (principally Berne and Rome), which ensure that work published in a members' country is protected by copyright in other member countries (where their national legislation applies). The duration of copyright protection in the UK depends on the nature of the work. Literary, dramatic, musical and artistic works are usually protected for the author's life plus 70 years, whereas typographical arrangements, for example, are only protected for 25 years from publication. Assignments and exclusive licences must be in writing, but sole and non-exclusive licences may be oral.

Design rights are protected either by registration, pursuant to the Registered Designs Act 1949 (RDA 1949); or can enjoy lesser protection as unregistered designs under the CDPA 1988. Registered designs can be protected for up to a maximum of 25 years, whereas unregistered designs are only protected for 15 years. Assignments and licences of registered designs need not

be in writing, but they must be registered at the UK Intellectual Property Office, where proof of agreement is required. It is therefore preferable that all assignments and licences are made in writing.

Trade secrets, or confidential information, such as customer lists, recipes and technical information, are protected by the civil law action of breach of confidence. The information must be confidential, it must have been imparted in circumstances importing an obligation of confidence, and the defendant must have made unauthorised use of the information. Information that is not secret, or that is trivial cannot be protected.

- 2 Which authorities are responsible for administering IP legislation?

Applications for UK patents, trademarks and design rights are made to the UK Intellectual Property Office in Newport, Wales (www.ipo.gov.uk). The Patent Office also processes applications for European and international patents.

- 3 What types of legal or administrative proceedings are available for enforcing IP rights?

Actions for infringement will generally be brought in the High Court (Chancery Division), as the issues are often complex and involve large sums of money. A wide range of interim remedies are also available. Parties are encouraged by the pre-action protocols to try to agree to an alternative form of dispute resolution, such as arbitration or mediation. In cases of piracy it is also possible to initiate criminal proceedings.

- 4 What remedies are available to a party whose IP rights have been infringed?

Remedies for an infringement of IP rights include interim and final injunctions, damages (including additional damages where infringement has been flagrant) or an account of profits, delivery up and destruction of infringing items, and search and seizure of infringing items. Criminal sanctions are also available.

- 5 Does IP legislation make any specific mention of competition or contain provisions respecting the anti-competitive or similar abuse of IP rights?

United Kingdom IP legislation does not specifically deal with competition issues, but both UK and EC competition law apply to prevent anti-competitive abuse of IPRs. However, some copyrights owned collectively by bodies that represent particular copyright owners such as the Copyright Licensing Agency are regulated by the Copyright Tribunal, which was specifically created to regulate and prevent the abuse of monopoly rights.

- 6 With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices in addition to traditional 'passing off' or trademark infringement cases?

There are specific remedies for deceptive practices with regard to trademarks. In particular, the Trade Descriptions Act 1968 provides specific protection for consumers when a false or misleading description is applied to goods. In addition general civil remedies such as misrepresentation, along with other remedies of contract or tort law, could be available. The Office of Fair Trading (OFT) is open to receive complaints, and has extensive investigative powers.

- 7 With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Does legislation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Could TPM or DRM protection be challenged under the competition laws?

Yes. The Copyright and Related Rights Regulations 2003 (SI 2003/2498) implements Directive 2001/29/EC, updating the protection of copyright and other IPRs, in relation to obligations raised by the WIPO treaties. It came into force on 31 October 2003.

Section 296ZE of the Regulations protects against the use of TPMs by manufacturers, which prevent users from carrying out permitted acts permitted by national law. In such circumstances, the user may issue a notice of complaint to the secretary of state, who will give appropriate directions to enable the permitted use. This section, however, does not apply to copyright works made available to the public on agreed contractual terms, in such a way that they may access works from a place and at a time individually chosen by them.

Although concerns have been raised that TPMs extend the existing rights of copyright holders by potentially preventing free use and leading to anti-competitive practices, such concerns are largely unjustified, as UK and EC competition law will still operate when TPMs are used in an anti-competitive way.

Competition legislation

- 8 What legislation sets out competition law?

UK Competition law is contained in two Acts;

- the Competition Act 1998 (the Competition Act); and
- the Enterprise Act 2002 (the Enterprise Act).

Chapter I of the Competition Act prohibits agreements between undertakings which have as their object or effect the prevention, restriction or distortion of competition. It applies to agreements that have an effect on trade within the UK (the chapter I prohibition).

Chapter II prohibits the abuse by one or more undertakings of a dominant position. It applies to any abuse that may affect trade within the UK (the chapter II prohibition).

The chapter I prohibition mirrors article 81 of the EC Treaty; the chapter II prohibition mirrors article 82. The Competition Act provides for the two prohibitions to be interpreted in accordance with the principles of European Court judgments on articles 81 and 82.

The Enterprise Act 2002 amends the Competition Act and sets out the basis on which mergers are reviewed by the UK competition authorities. Mergers are reviewable where either:

- the UK turnover of the enterprise being acquired exceeds £70 million; or
- the transaction will result in at least one quarter of the goods or services of any description that are supplied in the UK being supplied by, or to, one and the same person.

Notification is voluntary. Where a merger is investigated, it is assessed on the basis of whether it may result in a substantial lessening of competition in the UK or a substantial part of it.

The Enterprise Act also provides for criminal sanctions to be imposed on individuals that dishonestly enter into hard-core cartels.

- 9 Does the competition legislation make specific mention of IP rights?

Neither the Competition Act nor the Enterprise Act makes a specific reference to IP rights.

However, an agreement that is exempt from article 81 of the EC Treaty is also exempt from the chapter I prohibition.

EU competition law provides for two exemptions in this regard. First, EC Regulation No. 772/2004 exempts certain technology transfer agreements (essentially patent and know how licences) from the prohibition of article 81 of the EC Treaty (the Technology Transfer Block Exemption, TTBER).

Second, Commission Regulation EC No. 2659/2000 exempts certain research and development agreements from article 81, including provisions relating to IP rights (the R&D Block Exemption).

Agreements concerning IP rights that comply with these Regulations are therefore exempted from the chapter I prohibition.

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

There is no body specifically charged with the application of UK competition law to IP rights.

The OFT is primarily responsible for the enforcement of the chapter I and chapter II prohibitions, including as they relate to agreements or conduct concerning IP rights.

Sector regulatory bodies, including those responsible for telecommunications energy, water, and air and rail transport have jurisdiction concurrently with the OFT, including where conduct relating to IP rights could affect the regulated sectors.

The OFT has extensive powers to carry out an investigation of possible infringements of the Competition Act, including conduct relating to IP rights.

Decisions of the OFT (or sector regulator) are appealable to the Competition Appeal Tribunal (the CAT). Decisions of the CAT are appealable on a point of law, or on the amount of a penalty, to the Court of Appeal.

Mergers, including those involving IP rights, are initially assessed by the OFT. If the OFT believes that a merger has resulted, or could be expected to result, in a substantial lessening of competition in any market or markets in the UK it must refer the merger to the Competition Commission (the CC) for an in-depth review. A decision by the OFT or the Competition Commission on any particular merger is appealable to the Competition Appeal Tribunal.

- 11** Do private parties have competition-related remedies if they suffer harm from the exercise, licensing or transfer of IP rights?

Yes. If a private party has suffered harm from another party's actions in relation to IP rights it can either make a complaint to the OFT, or bring an action for civil damages and other civil remedies before the High Court. A complaint to the OFT will not result in the award of damages, although a party may nevertheless benefit from any remedies offered to, or imposed by, the OFT or CC. However, if the OFT has already issued a decision that chapter I or II has been infringed, private parties can also bring proceedings for damages before the Competition Appeal Tribunal.

- 12** Has the competition authority issued guidelines or other statements regarding the overlap of competition law and IP?

The OFT issued draft guidelines in 2001 in relation to the overlap of competition law and IP, but these were never adopted.

However, the provisions of the Competition Act are interpreted in accordance with the principles of EU law. The OFT and the UK courts also have regard to the European Commission's Guidelines – including those on the TTBER. These guidelines expand on the TTBER and explain how their provisions are applied. The OFT and the UK courts also have regard to the Commission's Guidelines on Horizontal Cooperation Agreements as they refer to licences, research and development agreements, manufacturing and other agreements between competitors relating to IP rights. The Commission's guidelines on the application of the EU block exemption on vertical agreements are also relevant to vertical agreements that contain some provisions on IP rights.

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

Pursuant to the TTBER, patent and know-how licence agreements entered into between two parties are exempt from the chapter I prohibition of the Competition Act, provided that their combined market shares do not exceed certain thresholds and that the licence does not contain any hard-core restrictions. If the licence includes certain other restrictions referred to as 'excluded restrictions', the licence as a whole will still be exempted from article 81 of the EC Treaty (and the chapter I prohibition) but those provisions will not be.

The combined market share of competitors must not exceed 20 per cent of the relevant technology or product market. The market share of non-competitors must not exceed 30 per cent each of the relevant technology or product market.

Hard-core restrictions in agreements between competitors include: restricting a party's ability to determine resale prices; reciprocal output or production caps; restricting the licensee's ability to exploit its own technology or carry out further research and development; and certain provisions allocating markets or customers between parties (subject to a set of exceptions designed to enable a licensor to license the rights in different territories). Overall this set of hard-core restrictions is lighter than those imposed upon competitors.

Pursuant to the R&D Block Exemption, research and development agreements containing provisions on IP rights are also exempt from the chapter I prohibition. The exemption applies where two or more parties agree to jointly carry out a research and development project and exploit the results. The exemption applies provided certain market-share thresholds are not

exceeded and that the agreement does not contain any of the restrictions specified in the block exemption. If it is applicable, the exemption also covers the assignment or licensing of IP rights required for the project.

There are no specific exemptions from the chapter II prohibition relating to IP rights.

- 14** Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' or 'first sale'? If so, how does that doctrine interact with competition laws, for example with regard to efforts to contract out of the doctrine, to control pricing of products sold downstream and to prevent 'grey marketing'?

In the UK, the doctrine of exhaustion of rights (applicable to patents, trademarks and copyright) enshrined in EU law applies. Thus products placed on the market in the UK with the consent of the owner of the relevant IPRs cannot use those IPRs to prevent those products circulating freely within the EU. It is not possible to contract out of the doctrine or to prevent grey marketing. But it is possible to rely on IPRs in the UK to prevent the importation of products placed on the market outside the EU with the consent of the trademark owner.

- 15** Are there circumstances in which the competition authority may have its jurisdiction ousted by, or will defer to, an IP-related authority, or vice versa?

No.

Review of mergers

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

Yes. The acquisition of IP rights may be a merger under the Enterprise Act.

- 17** 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?

Mergers involving IP rights are assessed on the basis of the same test as other mergers, ie, on the basis of whether they may result in a substantial lessening of competition in the UK or any part of it.

- 18** In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights?

The OFT and the Competition Commission are more likely to be concerned about a merger that involves IP rights where third-party access to the IP rights concerned (or to products protected by them) is important to ensure effective competition either in the market in which the parties to the merger are active or in an upstream or downstream market.

- 19** What remedies are available to alleviate the anti-competitive effect of a merger involving IP rights?

Remedies in relation to mergers involving IP rights can include requirements to transfer IP rights to third parties or mandatory licences. For example, in the 2006 merger case between the Tetra Laval Group and Carlisle Process Systems, the OFT cleared the transaction on the basis of, inter alia, a commitment to divest certain IP rights to a third party.

Specific conduct

20 Cartel or conspiracy

It can be an infringement of the chapter I prohibition for companies to agree not to compete or to share markets, including where this is done through the transfer or licensing (or cross-licensing) of IP. Such agreements are regarded as cartels whether or not they also involve agreement on price. They will attract heavy fines under the Competition Act. In addition, the Enterprise Act introduced a new criminal offence, the 'cartel offence'. A person may be guilty of a cartel offence where they dishonestly agree with one or more other persons to make or implement, or cause to be made or implemented, an arrangement to: fix prices, limit or prevent supply or production, share markets, or rig bids.

Agreements to share markets that are affected through a transfer of patents to patent pools may comprise anti-competitive agreements and are not exempted from chapter I under the TTBER or R&D Block Exemption. Where a cartel is affected through a patent pool, that could also attract the cartel offence.

The OFT has said in relation to standardisation agreements that agreements on technical or design standards could lead to an improvement in production by reducing costs or raising quality, or that they may promote technical or economic progress by reducing waste and consumers' search costs. However, such agreements will be likely to infringe the chapter I prohibition if they are, in effect, a means of limiting competition from other sources, for example by raising entry barriers. Standardisation agreements that prevent the parties from developing alternative standards or products that do not comply with the agreed standard may also infringe the chapter I prohibition.

In assessing standard-setting arrangements, the OFT will have regard to the European Commission's guidelines on Horizontal Cooperation Agreements.

21 (Resale) price maintenance

An IP licence will infringe the chapter I prohibition if it contains provisions that directly or indirectly impose minimum resale prices for goods or services.

22 Exclusive dealing, tying and leveraging

An agreement in relation to exclusive dealing, tying or leveraging using IP rights may be contrary to the chapter I prohibition. If a dominant company unilaterally uses its IP rights for such purposes, this may infringe chapter II.

23 Abuse of dominance

Consistent with EU competition law, there are a number of ways in which a dominant company's conduct in relation to its IP rights might be considered to be an abuse of dominance. In particular, the following activities may be contrary to the chapter II prohibition:

- setting unfair licensing terms (ie, terms that are onerous and go beyond what is necessary to protect legitimate interests of the licensor);
- charging excessive royalties;
- discriminatory licensing practices;
- tying or bundling of other technologies or products; and
- in exceptional circumstances, refusing to license IP rights.

24 Refusal to deal and essential facilities

A refusal to license IP rights will only be abusive in exceptional circumstances. Consistent with EU law, these are only likely to arise where:

- the IP right (or the product covered by the IP right) is an essential or indispensable input for a third party to compete on the downstream market (because there is no real or potential substitute or viable alternative for it, taking into account the cost, time or both needed to produce an alternative);
- the third party that requests the licence intends to offer, on the downstream market, new products or services not offered by the IP rights holder and for which there is potential consumer demand;
- the refusal is not justified by objective considerations; and
- the refusal reserves the downstream market for the owner of the IP rights.

Although the OFT has not reached a decision on any case under the Competition Act in relation to a refusal to license IP rights, it has investigated such conduct. For example, the OFT initiated an investigation into whether the British Standards Institution's refusal to license a competitor to offer BSI standards online was contrary to chapter II of the Competition Act. The investigation was closed when the parties reached a settlement.

Remedies

25 What sanctions or remedies can the competition authority or courts impose for violations of competition law involving IP?

The OFT can impose various penalties or remedies on companies that breach the UK competition law. In particular, it can issue directions requiring that the infringement be brought to an end; impose penalties of up to 10 per cent of the company's worldwide turnover; and accept commitments from a company to remedy its concerns.

In the context of IP rights, the OFT can require that a company amend its agreements relating to IP rights or ceases certain conduct in relation to IP rights or licences rights to third parties either by way of a direction or by accepting commitments offered by the defendant company.

26 Do special remedies exist under your competition laws that are specific to IP matters?

No.

27 What competition remedies or sanctions have actually been imposed in the IP context?

None, other than in the context of mergers as described in question 30.

28 How will a settlement agreement terminating an IP infringement litigation or dispute be scrutinised from a competition perspective?

There is no specific guidance on this from a UK competition law perspective. However, the OFT will be guided by the EU judgments and decisions in analysing settlement agreements. Accordingly, patent, trademark and know-how licences entered into in the context of settlement agreements must be required as a means of settling a genuine dispute between the parties, and, although some territorial or field of use restrictions may be possible, the arrangements must be the least restrictive way of settling the

dispute. The competition authorities will prefer agreements that allocate an IP right entirely to one of the parties on a clean-break basis. Parties may not agree not to compete in a way that does not infringe the relevant IP right. Any no-challenge clauses should be for a reasonable period and should not concern rights that are known to be invalid by the parties.

Economics and the application of competition law

29 What role has economics played in the application of competition law to cases involving IP rights?

Economic analysis plays an increasingly significant role in the application of UK competition law. In 2002, the OFT published a report prepared by economic consultancy Charles River Associates, which is an economic discussion paper on innovation and competition policy. The OFT's investment in this type of report highlights its desire to take a sound economic approach to the application of competition law to innovation markets.

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

In 2006, the OFT considered a proposed merger between Tetra Laval Group and Carlisle Process Systems, their closest pre-merger competitors in cheese-making equipment in the UK. The OFT considered that the proposed merger would eliminate competition in a limited market and consequently lead to higher pricing and a lack of innovation. The OFT decided not to refer the merger to the Competition Commission based on undertakings given, which included the licensing of IP rights.

Update and trends

There are no new trends or hot topics in the law of IP and antitrust policy specific to the UK. Developments in the EU, and particularly the recent judgment of the Court of First Instance in *Microsoft*, may influence the enforcement policy of the UK authorities.

The IP-related undertakings were:

- to grant to a suitable buyer an irrevocable, exclusive and perpetual licence of all copyright, design right, know-how, manual and confidential information, granting the licensee the right to use these IP rights in the development and manufacture of the equipment for the marketing, sale and distribution of equipment in the EEA; and
- to grant rights to Carlisle's best known brand of cheese-making equipment.

Recent changes

31 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?

No such changes are expected.

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