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# INTELLECTUAL PROPERTY & ANTITRUST 2023

Contributing editor

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# Global overview

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## Antitrust and intellectual property

The issue of industry standards continues to be 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 already have staked 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.

Under the Trump administration’s US Department of Justice’s Antitrust Division (DOJ), Assistant Attorney General (AAG) Makan Delrahim attempted 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

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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.

Shortly after taking over, however, the Biden administration's DOJ leadership 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. At the time, 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.

On 8 June 2022, the DOJ, along with the United States Patent and Trademark Office and the National Institute of Standards and Technology, withdrew a Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary FRAND Commitments issued jointly by the agencies on 19 December 2019. The withdrawal followed the request by President Biden in a 9 July 2021 Executive Order to, among other things, 'consider whether to revise [the agencies'] position on the intersection of the intellectual property and antitrust laws, including by considering whether to revise the [Policy Statement]' to reduce 'the potential for anticompetitive extension of market power beyond the scope of granted patents, and to protect standard-setting processes from abuse'. Although the agencies considered whether to replace the 2019 Policy Statement, they ultimately withdrew the statement noting instead, that '[i]n exercising its law enforcement role, DOJ will review conduct by SEP holders or standards implementers on a case-by-case basis to determine if either party is engaging in practices that result in the anticompetitive use of market power or other abusive processes that harm competition.'

Meanwhile, the US Federal Trade Commission (FTC) has not issued formal guidance on its approach to antitrust enforcement and FRAND licensing commitments, but several of the Commission members have recently articulated their views. In May 2022, FTC Chair Lina Khan and Commissioner Rebecca Kelly Slaughter submitted a written statement to

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the US International Trade Commission in *In the Matter of Certain UMTS and LTE Cellular Communication Modules and Products Containing the Same*. The statement expressed the Commissioners' concerns with patent 'hold up' and noted that 'where a complainant seeks to license and can be made whole through remedies in a different U.S. forum, an exclusion order barring standardized products from the United States will harm consumers and other market participants without providing commensurate benefits.' In a June 2022 speech, FTC Commissioner Christine Wilson, however, critiqued this approach and noted that 'prohibiting injunctions if a court has simply been asked to resolve FRAND terms will, in the long run, disincentivize innovation.' (emphasis in original) Instead, she advocated for a balanced approach, such as the standard adopted by the European Court of Justice in its 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).

## European Union and the United Kingdom

In recent years, several actions have focused on the interpretation of *Huawei v ZTE*. 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 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

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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.

## 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)?

In China, intellectual property rights, as private civil rights, are stipulated under article 123 of the Civil Code (also known as the basic law of civil legal relationships in China). Article 123 provides for various categories of intellectual property rights, including works, inventions, utility models, designs, trademarks, geographical indications, trade secrets, integrated circuit layout designs and new plant varieties, among others.

The following laws and regulations grant intellectual property rights:

- the Patent Law, which covers inventions, utility models and designs;
- the Trademark Law;
- the Copyright Law covers:
  - written works;
  - oral works;
  - musical, dramatic, *quyi*, choreographic and acrobatic works;
  - fine art and architectural works;
  - photographic works;
  - pieces of audiovisual work;
  - graphic works, including engineering design drawings, product design drawings, maps and schematic drawings as well as model works and computer software; and
  - other intellectual achievements that match the characteristics of a piece of work;
- the Regulations on the Protection of New Plant Varieties;
- the Regulations on the Protection of Computer Software;
- the Regulations on the Protection of Layout-designs of Integrated Circuits; and
- the Anti-Unfair Competition Law, which covers trade secrets (technical secrets and business operation information) and the name, packaging and decoration of well-known goods.

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Although intellectual property rights are exclusive in nature, their enforcement, licensing and assignment are subject to the legal interests that have higher priority and are therefore restricted under certain circumstances. For example:

- according to article 864 of the Civil Code, technology transfer or licence contracts may agree on the scope within which the patent or the technical know-how is used, but may not restrict technological competition and development;
- according to article 55 of the Anti-Monopoly Law and Provisions on Prohibiting the Abuse of Intellectual Property Rights to Eliminate and Restrict Competition, issued by the State Administration for Market Regulation, the business operators shall not eliminate or restrict market competition by abusing their intellectual property rights, including:
  - taking advantage of intellectual property rights to enforce monopoly agreements;
  - refusal to license;
  - restricting the counterparties;
  - unreasonable tying;
  - adding unreasonable restrictive conditions; and
  - other activities that constitute the abuse of market dominance;
- according to the Law on Guarding State Secrets, the transfer and licensing of technologies that constitute state secrets are subject to the review and approval of the competent authority;
- according to the Regulations on the Administration over Technology Import and Export, China implements a prohibited list and a restricted list for technology import and export – as such, any transfer or licensing of technology on the import and export restricted list must be reported and approved by the foreign trade department of the State Council; and
- according to articles 53 to 57 of the Patent Law, pharmaceutical patents involving public health, semiconductor technology pertinent to the public interest, etc, will be subject to a compulsory licence system under certain circumstances.

In addition, technology transfers or licences involving national security and the public interest or that were implemented by the entity designated by the relevant department and the technology is under the state's licensing system, shall comply with the regulations of the competent authority. Technology that violates the law and the public interest shall not be transferred or licensed.

China's laws and regulations relating to intellectual property are in compliance with the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) and exceed the minimum protection required by TRIPs.

## Responsible authorities

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

Pursuant to the Institutional Reform Plan of the State Council released in March 2018, the authorisation, administrative management and enforcement agencies for patents, trademarks, integrated circuit layout designs and geographical indications have been transferred

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to the National Intellectual Property Administration, which is a body under the State Administration for Market Regulation.

The National Copyright Administration under the State Council is responsible for the registration, administrative management and enforcement of copyright.

The General Administration of Customs and its branches are responsible for the enforcement of intellectual property protection in the course of the import and export of goods, such as detention of goods suspected of infringing intellectual property rights.

The State Administration for Market Regulation and its branches are responsible for the administrative enforcement of trade secrets and other types of intellectual property with a view to maintaining competitive market order.

### 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?

China implements a dual system (ie, both judicial and administrative protection) of intellectual property rights. Rights holders can either request administrative authorities to protect their intellectual property rights or initiate civil litigation with the judicial authorities to exercise their intellectual property rights.

From the judicial perspective, intellectual property courts are established in Beijing, Shanghai and Guangzhou City (Guangdong Province), which are specialised in intellectual property protection. Intellectual property tribunals are also established in the intermediate and district people's courts in China's main cities, such as provincial capitals. These courts and tribunals have concentrated and exclusive jurisdiction on litigation regarding invention patents, technical secret infringements, monopolies and unfair competition relevant to intellectual property. Meanwhile, the court's jurisdiction is decided by taking into consideration the amount in dispute; that is, a case with a larger disputed amount is under the jurisdiction of a higher-level court. To unify the standards for trialling intellectual property cases and enhance judicial protection of intellectual property rights, the Intellectual Property Court of the Supreme People's Court was established on 1 January 2019. The court directly handles appeals for disputes over invention patents, trade secret infringements and monopolies.

From the administrative perspective, the State Administration for Market Regulation (including the National Intellectual Property Administration), the National Copyright Administration, the General Administration of Customs and their local branches are vested with broad investigative powers and mandates to impose sanctions against intellectual property violations.

Rights holders can apply for both administrative and judicial protection of their intellectual property rights in China at the same time. When the rights holder resorts to the administrative authorities for protection, the decision made by the administrative authority will be subject to judicial review.

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The difference between administrative and judicial protection is as follows.

- administrative protection can be initiated either upon the parties' application or ex officio by the regulatory authority, while judicial protection is only available upon the parties' application;
- administrative protection is generally efficient and economic, while judicial protection can be time and cost consuming;
- the administrative authorities have the right to investigate and collect evidence, while in litigation proceedings it is the parties who generally bear the burden of collecting evidence; and
- the administrative authorities have no right to award damages to the rights holders. The courts, on the other hand, can afford to the rights holders comprehensive protection, including temporary injunctions and damages awards.

## 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?

From the civil perspective, remedies available to the rights holders for intellectual property infringement mainly include injunctions, damages and destruction of infringing products. For intellectual property rights that include personal rights such as copyright, the remedy of an apology is also available.

From the administrative perspective, sanctions include fines, confiscation or destruction of illegal tools or products and confiscation of illegal proceeds.

The remedies available in administrative and judicial procedures are different. Judicial procedures pay more attention to compensating the victims, which may not be obtained in the administrative procedures. Administrative procedures focus more on stopping and punishing the illegal acts and, therefore, the administrative authorities often impose sanctions such as fines and confiscation of illegal proceeds against the infringer.

## 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?

Intellectual property law protects the exclusive rights of rights holders, while competition law protects competition with a view to maintaining a fair competitive order in the market, which mainly regulates monopolistic and unfair competitive conduct. The interaction between these two areas of laws is mainly reflected in the following two aspects.

- Anticompetitive conduct by way of abusing intellectual property rights is prohibited. For this reason, the State Administration for Market Regulation promulgated the Provisions on Prohibiting the Abuse of Intellectual Property Rights to Eliminate and Restrict Competition in 2020. For example, the abuse of a dominant market position through the

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- licensing of standard-essential patents – such as refusal to license, unreasonable tying, excessive pricing and discriminatory pricing – are considered monopolistic conduct.
- Chinese competition law provides protection for intellectual property rights that are not granted under any specific legislation, such as trade secrets and distinctive decorations of well-known goods.

### Patent cooperation treaties and other agreements

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

China is a member of the WTO and the World Intellectual Property Organization, and has also participated in, among others:

- TRIPs;
- the Patent Cooperation Treaty;
- the Madrid Agreement Concerning the International Registration of Marks;
- the Berne Convention for the Protection of Literary and Artistic Works;
- the Paris Convention for the Protection of Industrial Property;
- the Beijing Treaty on Audiovisual Performances; and
- the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations.

### Remedies for deceptive practices

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

The Anti-Unfair Competition Law clearly states that business operators shall not make false propaganda, or deceive or mislead consumers. In addition, if the rights and interests of the trademark owners are indeed infringed by certain acts that are not clearly stipulated in the Trademark Law, the rights holder may seek protection in accordance with the principle of good faith under Chinese competition law. However, to balance the interests of trademark rights holders and competitors, the rights holders cannot seek protection under Chinese competition law for acts that have already been regulated under the Trademark Law.

### 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, it is enforced in China. The Copyright Law and the Regulations for the Protection of Computer Software provide that rights holders can take technical measures to protect copyright and related rights. No organisation or individual may deliberately avoid or destroy such technical measures.

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China's laws and regulations do not limit the ability of manufacturers to incorporate technological protection measures (TPMs) or digital rights management (DRM) protection to limit the platforms on which content can be played.

There is no restriction under Chinese competition law for rights holders on adopting TPMs or DRM to protect their rights, unless the adoption of TPMs or DRM constitutes monopolistic acts under the Anti-Monopoly Law.

## 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?

Mandatory standards generally do not involve patents. If it is necessary to involve patents, the patentees are required to provide statements agreeing to license the patents in accordance with fair, reasonable and non-discriminatory (FRAND) principles. If the patentee does not agree to grant a FRAND licence, the standard-setting body will negotiate with the patentee or the patent applicant to solve the problem.

For patents involved in the recommended industry standards, the patentee should also negotiate with the implementers of the licence in compliance with FRAND terms and the principle of good faith. Otherwise, it may be regarded as a monopolistic act for abusing a dominant market position. The method for determining whether the patentee has followed FRAND principles and the principle of good faith in licensing negotiations is regulated under the Anti-Monopoly Guidelines on Intellectual Property Rights, which are issued by the Anti-Monopoly Committee of the State Council, and the judgments of the local courts in Beijing and Guangdong.

In the meantime, organisations or individuals involved in the development of industry standards should disclose the essential patents they own and of which they are aware. Otherwise, those involved would violate the principle of good faith and may not be afforded judicial remedies in the future.

A large number of cases involving monopolies and the determination of licence fees arising from standard-essential patents have emerged in China in recent years, especially in the field of telecommunications. In judicial practice, Chinese courts, on the one hand, decide whether the patentee or implementer has followed the principle of good faith in the licensing negotiation process according to the above rules and therefore decide whether to support the rights holder's request for an injunction or the implementer's claim that the rights holder constitutes a monopoly. On the other hand, Chinese courts will try to determine the licence fees of standard-essential patents using comparable agreements and top-down methods. When determining the licence fees, the court will consider factors such as patent hold-up, patent ambush, reverse patent hold-up or royalty-stacking.

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## COMPETITION

### Competition legislation

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

The following laws and regulations set out competition law:

- the Anti-Unfair Competition Law, which regulates commercial competition among business operators and specifies some typical types of unfair competitive conduct;
- the Anti-Monopoly Law, which regulates monopolistic acts and specifies some typical monopolistic practices; and
- the Anti-Monopoly Guidelines on Intellectual Property Rights and the Regulations on Prohibiting the Abuse of Intellectual Property Rights to Eliminate and Restrict Competition, which regulate the types of monopolistic conduct involving intellectual property rights.

### IP rights in competition legislation

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

Intellectual property rights are touched upon in Chinese competition law in the following two aspects.

First, the Anti-Unfair Competition Law protects some intellectual property rights that fall outside the scope of the specialised laws (such as the Patent Law and the Trademark Law), including trade secrets (article 9 of the Anti-Unfair Competition Law) and distinctive decorations of well-known goods (article 6 of the Anti-Unfair Competition Law), among others.

Second, competition law, especially the Anti-Monopoly Law, imposes restrictions on the exercise of intellectual property rights. For example, according to article 55 of the Anti-Monopoly Law, the exercise of intellectual property rights by a business operator that complies with the laws and administrative regulations on intellectual property rights is not subject to the Anti-Monopoly Law. However, the Anti-Monopoly Law will apply if there is an abuse of intellectual property rights by an operator to eliminate or restrict competition. Further, the Anti-Monopoly Guidelines on Intellectual Property Rights and the Regulations on Prohibiting the Abuse of Intellectual Property Rights to Eliminate and Restrict Competition directly regulate intellectual property rights from the perspective of competition law.

### 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?

Regarding anti-monopoly measures, the Anti-Monopoly Bureau is the competent authority for regulating all monopolistic conduct as defined in the Anti-Monopoly Law.

Anti-unfair competition (ie, unfair competitive conduct that does not constitute monopolistic conduct) is generally governed by the State Administration for Market Regulation.

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## 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?

If a private party suffers any damage caused by abuse in the exercise, licensing or transfer of intellectual property rights, there are different ways to seek remedies. The private party can report and apply to the competent administrative authorities requesting cessation of the infringement or can file civil lawsuits under the Anti-Unfair Competition Law or the Anti-Monopoly Law to seek relevant remedies.

## Competition guidelines

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

On 4 January 2019, the Anti-Monopoly Committee of the State Council issued the Anti-Monopoly Guidelines on Intellectual Property Rights, which regulate intellectual property-related agreements that may eliminate or restrict competition, abuse of a dominant market position involving intellectual property rights, concentration of undertakings involving intellectual property rights and other circumstances involving intellectual property rights.

On 23 October 2020, the State Administration for Market Regulation revised the Provisions on Prohibiting the Abuse of Intellectual Property Rights to Eliminate and Restrain Competition, which focus on monopolistic conduct such as monopoly agreements and abuse of a dominant market position in the exercise of intellectual property rights.

These regulations are basically the same in terms of content in regulating monopoly agreements and abuse of dominant market positions.

## Exemptions from competition law

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

According to article 55 of the Anti-Monopoly Law, the exercise of intellectual property rights by an operator that complies with the laws and administrative regulations on intellectual property rights will not be subject to the Anti-Monopoly Law. However, the Anti-Monopoly Law will apply to the abuse of intellectual property rights by an operator to eliminate or restrict competition.

Regarding exemptions of exercise of intellectual property rights from competition law, the following apply:

- the general exemption under article 15 of the Anti-Monopoly Law is applicable to the exercise of intellectual property rights; and
- the Anti-Monopoly Guidelines on Intellectual Property Rights provide for a safe harbour rule, meaning that unless there is evidence to the contrary, an agreement involving

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intellectual property rights entered into by an operator will not be considered a horizontal or vertical monopoly agreement if the following conditions are satisfied:

- the total market share of competing business operators in the relevant market does not exceed 20 per cent;
- the market share of the business operator and the transaction counterparty in any relevant market affected by the agreement involving intellectual property rights does not exceed 30 per cent; or
- the business operator's share in the relevant market is difficult to obtain or the market share does not accurately reflect the business operator's market position but, in the relevant market and in addition to the technologies controlled by the parties to the agreement, there are four or more technologies with substitute relationships that are independently controlled by other business operators and can be obtained at reasonable costs.

In addition, the exercise of intellectual property rights by business operators that comply with the relevant laws and regulations does not usually constitute abuse. The abuse of intellectual property rights mainly includes the following circumstances.

First, according to article 850 of the Civil Code, any technology contract that constitutes illegal monopoly of technologies or infringes upon the technological achievements of others shall be null and void. Article 10 of the Interpretation of the Supreme People's Court on Certain Issues Concerning the Application of Law in Trying Cases Involving Technology Contract Disputes defines 'illegal monopoly of technology' as restricting technological development, restricting other sources of technology, obstructing the disposal of technology, attaching unreasonable conditions, restricting the purchase of raw materials and prohibiting challenges.

Second, in principle, it is legal for the patentee to prohibit others from using the patent. However, for standard-essential patents, the patentee is usually considered to have complete dominance in the licensing market of such patents and, if the standard-essential patent rights holder unilaterally prohibits others from using the patent without following the fair, reasonable and non-discriminatory commitment to negotiate a licence, it may be deemed to have abused market dominance.

## 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?

Article 75(1) of the Patent Law recognises the rule of exhaustion of rights (ie, the patent right is exhausted after the first legal sale). Neither the Trademark Law nor the Copyright Law explicitly provide for the rule of exhaustion of rights, but judicial practice recognises the rule of exhaustion of rights.

For example, the reference case of the People's Supreme Court (Qian Gao Min San Zhong No. 7 (2014)) recognised the copyright exhaustion rule. The case held that if a paper book is put on the market legally for the first time, after it is sold, the right of first distribution

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is exhausted and its resale thereafter does not constitute infringement, but the copyright exhaustion rule does not apply to the sale of pirated second-hand books.

In terms of software, in judicial practice the courts often hold that copyright exhaustion does not apply to software licences. Under the current Chinese copyright legislation, it is difficult to apply this rule to network transmission, as it may easily lead to an uncontrolled number of copies and seriously damage the interests of rights holders.

The Copyright Law is silent regarding whether the rule of copyright exhaustion can be excluded by contractual agreement and there are no judicial cases touching upon this issue. A trademark case decided by the Tianjin Intermediate People's Court discussed the exclusion of a right exhaustion rule by agreement. The court held that an agreement to exclude the exhaustion of trademark rights does not have the effect of restricting the exhaustion of trademark rights, but the contractual agreement itself is valid and binding upon the breaching party.

The Anti-Monopoly Law regulates the issue of resale price maintenance.

## Import control

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

China adopts the internationally accepted principle of exhaustion of rights relating to patents. Therefore, the patent rights holder cannot restrict parallel importation or the right to exhaustion rule through contractual agreements and other measures.

That said, the rights holder may restrict the sales area of the product by way of contractual agreements. However, whether such an agreement is effective in practice is highly controversial and subject to many restrictions, including:

- if the rights holder has a dominant position in the market, there is a risk that the above-mentioned conduct may be considered a monopoly with unreasonable trading conditions and abuse of market dominance;
- if the intellectual property right is licensed with obviously unreasonable restrictions on sales channels and export markets, it may constitute an illegal monopoly of technology and thus may render the contract invalid; and
- although not explicitly provided by law (except in the automotive field), there is also a risk that it may be considered a vertical monopoly agreement.

In terms of trademarks, the law does not explicitly provide for parallel importation rules and there is still controversy in practice regarding whether parallel importation is recognised. Some local courts have held that the Trademark Law and its judicial interpretations do not provide for parallel importation and the principle of exhaustion of rights is not the prevailing view in the academic community. Therefore, it is uncertain whether Chinese law allows or prohibits parallel importation, though there are some local courts that allow parallel importation of trademark rights.

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In terms of copyright, there are express regulations that prohibit parallel importation of copyrights. For example, the Notice of the Ministry of Culture on Strengthening and Improving the Management of Importation of Audio and Video Products prohibits parallel importation between copyright trading, as well as between copyright trading and manufactured products. Importation of audio and video products that are not authorised for exclusive use is also prohibited. In practice, we have not found any cases relating to parallel importation of copyrights.

### **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?

China has set out special rules relating to the jurisdictions involving intellectual property rights or competition. All intellectual property cases will be subject to the jurisdiction of the intellectual property court or the court designated by the Supreme court to handle intellectual property cases.

An Intellectual Property Court was established under the Supreme People's Court and special intellectual property courts have been set up in Beijing, Shanghai, Guangzhou and Hainan. There are also intellectual property tribunals in over 30 intermediate people's courts (the vast majority of which are in provincial capitals and some other larger cities).

The intellectual property courts or tribunals have jurisdiction over major and complex invention patents, utility model patents, new plant varieties, integrated circuit layout designs, technical trade secrets, computer software and monopoly civil cases of first instance within their jurisdiction (with larger contested amounts falling under the jurisdiction of the High People's Court). Appeals are heard by the Intellectual Property Court of the Supreme People's Court.

There are also special jurisdictional rules for other special intellectual property cases, such as the recognition of well-known trademarks, which in principle are also under the jurisdiction of the intellectual property courts or tribunals. Other intellectual property cases, such as copyright disputes, follow the general jurisdictional rules for other civil disputes.

In areas where no intellectual property courts or tribunals have been established, such cases will generally fall under the jurisdiction of intermediate people's courts with limited exceptions.

In terms of monopolies, the first instance of anti-monopoly cases is under the jurisdiction of the intellectual property court or tribunal. Therefore, if other courts receive a case involving anti-monopoly aspects, they should transfer the case to the intellectual property court or tribunal with competent jurisdiction. In areas where no intellectual property court or tribunal has been established, the following courts have jurisdiction:

- the intermediate people's court where the provincial government is located;

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- other intermediate people's courts designated by the Supreme People's Court; or
- the district people's courts approved by the Supreme People's Court.

With respect to unfair competition, the cases will be considered as general intellectual property cases (with the exception of technical trade secrets cases), which will be subject to the local district court with intellectual property 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?

There are no special restrictions on the review of mergers involving intellectual property rights. Therefore, the competition authorities have the same power as they do in non-intellectual property-related mergers when reviewing mergers involving intellectual property 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 competition authority's analysis of the competitive impact of a merger involving intellectual property rights applies the same basic principles as those that do not involve intellectual property. That said, there are some differences in terms of the specific analysis that is necessary, given the unique features of intellectual property rights. Specifically, Chapter 4 of the Anti-Monopoly Guidelines on Intellectual Property provides for a review of concentration of undertakings involving intellectual property rights. An operator who obtains control over other operators or is able to exert a decisive influence on other operators through transactions involving intellectual property rights, may constitute a concentration of undertakings. If the arrangement involving intellectual property is a substantial component of the transaction or is significant to the achievement of the transaction purpose, it is necessary to conduct an assessment on whether the transfer or licensing of intellectual property may constitute a concentration of undertakings. In this case, the factors to be specifically considered include whether the intellectual property constitutes an independent business, whether the intellectual property has generated an independent and calculable turnover in the previous fiscal year, and the manner and duration of the intellectual property licence, among others.

## 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 basic principles for reviewing mergers that involve transfers or concentrations of intellectual property rights are generally the same as those for other ordinary mergers. The key difference lies in the discretionary factors concerning the concentration of undertakings as stipulated in article 27 of the Anti-Monopoly Law. However, intellectual property rights have special characteristics including exclusivity, temporality, territoriality and procedural nature, which are reflected as follows.

- Definition of the relevant market involving intellectual property rights: for some industries and fields with more intensive intellectual property rights, especially when the filing party is the holder of a large number of major patented technologies, it is necessary to define a separate relevant technology market. For example, in the cases of Microsoft's acquisition of Nokia and Nokia's acquisition of Alcatel-Lucent with conditional approval, the Ministry of Commerce defined a separate relevant market for the licensing of standard-essential patents.
- Evaluating the competitive impact on the relevant market by assessing the characteristics of the intellectual property rights involved: assessing the nature of the intellectual property right involved (eg, whether it is a standard-essential patent), the impact of the patented technology on upstream and downstream products, the consistent patent strategy of the company, the impact of the patent on market entry, and the ability of the licensee to contend with the licensor. For example, in the case of Thermo Fisher Scientific's acquisition of Liffey Technologies, the filing party's patents on the relevant goods were the key to market entrance; therefore, the intellectual property rights constituted a barrier to entry into the relevant market by new market participants.

## 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 elimination of competitive effects for mergers that involve intellectual property includes the following aspects.

### During merger review

The Anti-Monopoly Law provides that, when a concentration of undertakings has or may have the effect of eliminating or restricting competition, the anti-monopoly enforcement agency may impose restrictive conditions that could reduce the adverse effect of the concentration on competition. Restrictive conditions that involve intellectual property include structural, behavioural and comprehensive conditions, which are provided in articles 22 to 25 of the Anti-Monopoly Guidelines on Intellectual Property Rights.

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Structural conditions refer to the divestiture of intellectual property rights or businesses involving intellectual property rights and behavioural conditions refer to recommendations on the use, transfer and licensing of intellectual property rights on a case-by-case basis. This includes imposing constraints on the licensing of intellectual property rights (compliance with the fair, reasonable and non-discriminatory principle, no tying, etc), charging reasonable royalties and maintaining the independent operations of intellectual property-related businesses. Finally, comprehensive conditions refer to the combination of structural conditions and behavioural conditions.

### After merger completion

The competent authorities can still impose sanctions under the Anti-Monopoly Law after the completion of the merger, such as:

- ordering the cessation of the merger;
- the disposal of shares or assets for a limited period of time;
- the transfer of business for a limited period of time; and
- taking other necessary measures to restore to a state prior to the merger, such as confiscating the illegal proceeds and imposing a fine of one to ten per cent of the previous year's sales, among others.

The other business operators may file civil lawsuits to seek relief such as damages. Compulsory licensing of intellectual property rights is only available under circumstances expressly provided in national laws, such as:

- when it is determined by judicial or administrative authorities to be a monopolistic act;
- when a state of emergency or extraordinary circumstances arise in the country; or
- when the patent is not fully implemented or cross-implementation is necessary for public interest and public health purposes.

For the time being, compulsory licensing is not yet a measure that can be relied upon to eliminate anti-competitive effects.

## SPECIFIC COMPETITION LAW VIOLATIONS

### Conspiracy

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

The Anti-Monopoly Law regulates horizontal monopoly agreements between operators with a competitive relationship and vertical monopoly agreements between operators without a competitive relationship. Among the two types of monopoly agreements, price fixing and restriction of the counterparty's autonomy in pricing are typical manifestations of conduct that have the effect of excluding or restricting competition, specifically horizontal monopoly agreements that fix or change prices, and vertical monopoly agreements that fix the resale price of a third party or limit the minimum resale price.

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The analysis of monopoly agreements that involve intellectual property rights follows the general rules under the Anti-Monopoly Law. The features of intellectual property rights will also be considered. For example, the Anti-Monopoly Guidelines on Intellectual Property Rights specify some types of conduct that may give rise to elimination or restriction of competition, including unreasonable restrictions on technology development in joint research and development, agreements on exclusive licensing in cross-licensing and agreements on exclusive grant-back or non-challenge clauses in the agreement, among others. Safe harbour rules are also provided in the Anti-Monopoly Guidelines on Intellectual Property Rights. The current amendment to the Anti-Monopoly Law makes it clear that the safe harbour rule applies only to vertical monopoly agreements, but not to horizontal monopoly agreements, and the safe harbour rule for intellectual property agreements in the aforementioned Guidelines will most likely be adjusted accordingly.

In addition, if business operators with competitive relationships jointly participate in the development of standards involving intellectual property rights, this may be considered to have an effect of eliminating or restricting competition, such as excluding other operators without justifiable reasons. Therefore, this could be considered a special form of horizontal monopoly agreement.

There has also been an increasing amount of discussion over whether patent pools may constitute horizontal monopolies in recent years.

### 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?

A decision on whether a settlement agreement on an intellectual property infringement dispute violates the Anti-Monopoly Law is subject to the same basic principles of analysing whether an operator has entered into or implemented a monopoly agreement in the exercise of intellectual property rights. The key factors are whether the content of the agreement has the effect of eliminating or restricting competition in the relevant market as a whole and whether the statutory exemptions are applicable (eg, it does not seriously restrict competition in the relevant market and enables consumers to share the benefits arising therefrom).

A settlement agreement on an intellectual property infringement dispute in which the infringer agrees not to compete may possibly be considered a monopoly in the following circumstances.

- If the rights holder has a dominant market position in the relevant market, there is a possibility that the rights holder may be found to have abused its dominant market position by attaching unreasonable transaction conditions under article 10(3) of the Provisions on Prohibiting the Abuse of Intellectual Property Rights to Eliminate and Restrict Competition, and article 12(4) of the Anti-Monopoly Guidelines on Intellectual Property Rights, among others.
- If the rights holder and the infringer who are potential competitors agree through a settlement agreement that the infringer will not compete, there is a possibility that the agreement may be deemed to be a horizontal monopoly agreement dividing the

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- type of goods sold and thus dividing the sales market under article 9(1) of the Interim Provisions on Prohibition of Monopoly Agreements.
- The infringer's non-competition clause may be potentially considered an illegal monopoly clause that restricts one of the parties from obtaining similar technology from other sources or competing with the technology provider, which may render the settlement agreement invalid under article 850 of the Civil Code and article 10(2) of the Interpretation of the Supreme People's Court on Certain Issues Concerning the Application of Law in Trying Cases Involving Technology Contract Disputes.

In the course of legal proceedings, the settlement agreements shall not violate the law and the court shall not confirm settlement agreements that violate the prohibiting provisions in laws and administrative regulations. The Anti-Monopoly Law is certainly one of the laws that should be followed in the court's review of settlement agreements. However, there are no clear guidelines on how to conduct antitrust review *ex officio* by the courts on the settlement agreements that are reached in legal proceedings. This issue warrants further and continuous attention. In the case *AstraZeneca v Jiangsu Aosaikang Pharmaceutical Co, Ltd* concerning infringement of an invention patent (hereinafter '*AstraZeneca v Jiangsu Aosaikang Patent Infringement Case*'), the court for the first time made the anti-monopoly preliminary review on the Reverse Payment Agreement for Medicine Patent in a non-monopoly cause of action case. The parties reached a settlement during the second instance and intended to withdraw the appeal. The Supreme People's Court held that the settlement agreement was in conformity with the appearance of the Reverse Payment Agreement for Medicine Patent and granted an anti-monopoly review on the settlement agreement. Considering the high level of specialisation and complexity of anti-monopoly review, the court made it clear that such review in non-monopoly cause of action cases is generally limited to the preliminary review. After a preliminary examination, the Supreme People's Court found that the settlement agreement did not clearly violate the Anti-Monopoly Law and that there was no need for further examination as the protection period of the patent in question had already expired, and finally ruled that the appeal was allowed to be withdrawn.

### Reverse payment patent settlements

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

A reverse payment agreement is usually a special settlement agreement reached in a drug patent infringement lawsuit, which is generally a promise by the originator drug company (plaintiff) to pay a certain consideration to the generic drug company (defendant) in exchange for a delayed entry into the market by the generic drug company. The consideration is not limited to cash, but also includes non-cash forms of value transfer such as co-promotion, licensing and distribution agreements.

Since the originator drug company and the generic drug company have a potentially competitive relationship in the drug market, the settlement agreement that is reached between the two parties requiring the generic drug company to delay its market launch may be deemed as a horizontal monopoly agreement restricting the development of or investment in new technologies (article 13(4) of the Anti-Monopoly Law).

A patent pool management organisation with a dominant market position may be found to be abusing its dominant market position if there is no justifiable reason to restrict the pool members or licensees from developing technologies that compete with the pool patents, either independently or jointly with third parties [article 12(3)(b) of the Provisions on Prohibiting the Abuse of Intellectual Property Rights to Eliminate and Restrict Competition].

Under the Anti-Monopoly Law, reverse payment is not yet included as typical behaviour for special consideration in the anti-monopoly analysis. Only in the annual National Intellectual Property Strategy Implementation Promotion Plan published by the National Intellectual Property Administration in 2014 is reverse payment listed as an abuse of market dominance. Together with refusal to license and high-priced licensing, it is necessary to conduct an anti-monopoly investigation in instances of the above conduct related to intellectual property rights. With the amendment of the Patent Law establishing the drug patent linkage system and the improvement of the related supporting system (the National Medical Products Administration and the National Intellectual Property Administration's Implementation Measures for the Mechanism for Early Settlement of Drug Patent Disputes [for Trial Implementation], and the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Civil Cases involving Patent Disputes Related to Drugs of which Applications for Registration are Filed), while the resolution of patent infringement disputes regarding generic drugs before the drugs are marketed is encouraged, it may also breed the emergence of reverse payment agreements. The attitude of the administrative and judicial authority is worth keeping an eye on. In the judicial practice of China's Anti-Monopoly Law, there have been instances where anti-monopoly law has been applied to check the settlement agreement containing reverse payment. In the *AstraZeneca v Jiangsu Aosaikang Patent Infringement Case*, the Supreme People's Court held that once the agreement in question, which was the basis for the parties' claim or the basis for the court's decision, had the appearance of a 'reverse payment agreement' for pharmaceutical patents, the court should generally conduct a certain degree of review on whether it violates the Anti-Monopoly Law. As to whether a 'reverse payment agreement for a pharmaceutical patent', the main content of which is not to challenge the validity of the patent right, is suspected to constitute a monopoly agreement, the core of the judgment is whether it is suspected to exclude or restrict competition in the market related to the patented pharmaceutical product, generally by comparing the actual situation where the relevant agreement is signed and performed with the hypothetical situation where the relevant agreement is not signed or performed. The determination will focus on the possibility of the invalidation of the patent rights in question in the event that the generic applicant does not withdraw its request for invalidation, and will then be based on an analysis of whether and to what extent the agreement has caused harm to competition in the relevant market for the patented medicine.

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

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

Maintaining the resale price of a third party or limiting the minimum resale price is a typical vertical monopoly agreement.

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The rights holder may restrict the price of sub-licensing and retransferring the intellectual property rights in the relevant technology market, and may also restrict the sales price and resale price of products produced downstream using the intellectual property concerned. The above conduct needs to be analysed for whether there is competition between the rights holder and the counterparty, as well as the effect of the agreement on competition in the relevant market. As an example, the following price maintenance conduct may be considered monopolistic conduct in the relevant technology market.

- In the case of a transfer of intellectual property and sole or exclusive licence where the parties to the agreement do not compete in the market for the licensing of intellectual property, the transferor or licensor's restriction of the price at which the transferee retransfers the intellectual property or the licence fee at which the licensee sub-licenses the intellectual property would likely be considered a vertical monopoly agreement.
- In the case of a general licence, where the parties are in competition for the sub-licensing of intellectual property, limiting the sub-license fee would likely be considered a horizontal monopoly agreement with a fixed sales price.
- If the rights holder has a dominant market position in the relevant technology market, maintaining the resale price may be considered imposing unreasonable trading conditions without justification.

Restricting the price of products made using intellectual property rights also applies the above analysis. If the rights holder obviously and unreasonably restricts the price of the products or services made by the other party using the intellectual property right, it falls within the scope of an illegal monopoly of technology, which is explicitly stated by the Supreme People's Court to be invalid in the Interpretation of the Supreme People's Court on Certain Issues Concerning the Application of Law in Trying Cases Involving Technology Contract Disputes.

### 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 is not an independent type of illegal act specified in the Anti-Monopoly Law. In practice, it is generally determined by reference to whether the act in question constitutes a restriction of transaction or an unreasonable condition abusing a dominant market position. Article 10 of the Regulations of the State Administration for Market Regulation on the Prohibition of Abuse of Intellectual Property Rights to Exclude or Restrict Competition restricts 'exclusive re-licensing' in the exercise of intellectual property rights by operators with a dominant market position, and Article 12 of the same Regulations also explicitly prohibits patent pool management organisations with a dominant market position from forcing licensees to exclusively re-license their improved or developed technologies to patent pool management organisations or pool members without justifiable reasons.

In the case of exclusive dealings involving intellectual property rights, exclusive acts that are deemed to be an abuse of intellectual property rights to eliminate or restrict competition specifically includes exclusive licensing in cross-licensing, and sole or exclusive grant-back licensing. In this regard, detailed provisions are provided in articles 8 and 9 of the

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Anti-Monopoly Guidelines on Intellectual Property issued by the Anti-Monopoly Committee of the State Council.

Tying is expressly listed under the Anti-Monopoly Law to fall within the abuse of market dominance, which refers to the bundling and selling of different goods or combination of goods in violation of trading and consumption habits, or in disregard of the function of the goods. Tied sales involving intellectual property rights refer to the licensing or transfer of intellectual property rights on the condition that the operator accepts the licensing or transfer of other intellectual property rights, or accepts other goods. Article 9 of the Regulations of the State Administration for Market Regulation on the Prohibition of Abuse of Intellectual Property Rights to Exclude or Restrict Competition specifies two conditions to be met in order to be considered a 'tied sale' in the field of intellectual property rights: (1) in terms of conduct, the compulsory bundling of different goods for sale in violation of trading habits; and (2) in terms of the effect, the tied sale extends the operator's dominant position in the market for the tied goods to the tying market and excludes or restricts competition from other operators in the two markets (what is commonly referred to as 'leverage'). However, in the 'Regulations on the Prohibition of Abuse of Intellectual Property Rights to Exclude or Restrict Competition (Draft for Public Comments)' published by the State Administration for Market Regulation in June 2022, the draft Regulations for public comments only list the manifestations of tying behaviour and removes the aforementioned conditions for determining the effect of 'leverage'. A package licensing of intellectual property rights may be a form of tying. Article 17 of the Anti-Monopoly Guidelines on Intellectual Property sets out the rules for determining whether a tied sale involving intellectual property rights constitutes an abuse of market dominance.

In practice, there are no judicial or enforcement cases of monopoly that have been found to constitute exclusive dealing involving intellectual property rights. However, there are several cases involving tying. For example, Qualcomm was found by the monopoly enforcement agency to have abused its dominant position in the licensing market of standard-essential patents for wireless communications by tying in the sale of non-standard-essential patents and administrative penalties were imposed.

### **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?**

There is a risk that the exercise, licensing or transfer of intellectual property rights may be found to be an abuse of market dominance and hence subject to liability under the Antitrust Law. In principle, the criteria for determining abuse of market dominance involving intellectual property are the same as those for conduct involving non-intellectual property. However, in terms of specific forms or criteria, the determination of abuse of market dominance involving intellectual property differs significantly from non-intellectual property conduct. The biggest factor is that intellectual property itself may be monopolistic in nature. The key, therefore, is how to draw the line between a reasonable use of intellectual property rights and a monopoly.

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## Determination of market dominance

The owner of intellectual property rights may enjoy or exercise its rights exclusively to the extent permitted by law. The fact that an operator owns intellectual property rights does not necessarily mean that it has a dominant position in the market. This needs to be analysed in conjunction with the general factors of dominance. (ie, the possibility and cost of switching to alternative technologies or goods, the degree of dependence of the downstream market on the goods produced using the intellectual property and the ability of the counterparty to counterbalance the intellectual property rights holder).

## Determination of abuse

A dominant intellectual property rights holder does not ipso facto constitute a monopolist. The types of abusive acts are provided in the Anti-Monopoly Law. Features of the intellectual property industry should also be taken into consideration when determining abuse, which may include unfair licensing at a high price, refusal to license, package licensing, sole or exclusive grant-back licensing and other acts with unreasonable trading conditions. Further details are provided in Chapter 3 of the Anti-Monopoly Guidelines on Intellectual Property. In the 'Regulations on the Prohibition of Abuse of Intellectual Property Rights to Exclude or Restrict Competition (Draft for Public Comments)' published by the State Administration for Market Regulation in June 2022, the draft Regulations for public comments refine the identification of abuses of market dominance related to patent pooling and standard-essential patent licensing, for example, in the licensing process of standard-essential patents, the dominant market position holder's breach of its commitment to fair, reasonable and non-discriminatory licensing, improper application for injunctions and forcing the licensee to accept unfairly high price or other unreasonable restrictions without good faith negotiation procedures, are considered as typical acts of abuse of 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?

In general, there is no obligation for the business operator to trade with competitors or counterparties. However, for an operator with a dominant position in the market, refusal to deal without justifiable reasons may constitute an abuse of market dominance. In terms of intellectual property, refusal to deal is specifically manifested as refusal to license. Specifically, article 16 of the Anti-Monopoly Guidelines on Intellectual Property sets out the rules for reviewing refusal to license intellectual property rights.

In addition, a business operator with a dominant market position shall not, without justification and for the purpose of eliminating or restricting competition, refuse to license to other business operators to use intellectual property rights that constitute essential facilities for production and business activities on reasonable terms. In terms of platforms, refusal to deal is established if the platform operator who controls the essential facilities refuses to trade with the counterparty on reasonable terms. To determine whether the relevant platform constitutes an essential facility, it is generally necessary to take into account factors such as the possession of data by the platform, the substitutability of other platforms, the

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feasibility of developing a competitive platform, the degree of dependence of the counterparty on the platform and the possible impact on the operator of granting others access to the platform.

Disputes involving refusal to deal in intellectual property rights are most typically reflected in standard-essential patents. Refusal to license a standard-essential patent (including refusal to negotiate or undue delays in negotiation that make negotiation de facto impossible, etc) will likely be considered an abuse of market dominance. In the area of telecommunications, Chinese courts have ruled that the rights holder of a standard-essential patent constitutes a monopoly. In terms of remedies, there have been a number of cases in which Chinese courts have ruled on what they consider to be an appropriate license rate (although this is also highly controversial). One court requires the patent owner to propose to the applicant licensee, within a reasonable period of time after the entry into force of the judgment, a licence contract for the patent in question in accordance with the fair, reasonable and non-discriminatory principles as a remedy to stop infringement (*Hitachi Metals v Ningbo Ketian Magnet* in 2021). This case has been heard in the second instance and is currently pending under appeal.

Compulsory licensing is available in China. If the abuse of patent rights by the patentee is recognised as a monopoly by the judicial or administrative authorities, the applicant may apply to the National Intellectual Property Administration for compulsory licensing. As at December 2021, there is no single case of compulsory patent licensing in China, therefore it may not be a sufficient remedy for refusal to deal in practice.

## 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 Anti-Monopoly Law provides for a dual-track regulatory mechanism, with administrative enforcement being the primary regulatory mechanism, which is supplemented by private enforcement by way of anti-monopoly litigation. Under the dual-track regulatory mechanism, operators will be subject to administrative and civil liability for violations of the Antitrust Law, including the following.

#### Administrative liability of monopolies

For monopolistic acts that constitute monopoly agreements and abuse of market dominance, the operator will be ordered to cease the illegal acts, fined and have their illegal proceeds confiscated.

If the concentration is carried out in violation of the Antitrust Law, the operator will be ordered to cease the concentration and restore it to its pre-concentration state, and may be fined. If restrictive conditions are attached for approving the concentration of undertakings, the enforcement agency will require the post-concentration enterprise to divest specific

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intellectual property rights or impose restrictive conditions on the business that involves the intellectual property rights.

The Decision on Amending the Anti-monopoly Law of the People's Republic of China, which came into effect on 1 August 2022, has strengthened the punishments for violations. In particular, it has significantly increased the costs for operators to violate the law, greatly increasing the amount of penalties for the aforementioned administrative liability for monopoly, such as increasing the fine for entering into but not implementing a monopoly agreement from a fine of less than 500,000 yuan to 3 million yuan.

### **Civil liability of monopolies**

Operators who engage in monopolistic conduct and cause damage to others shall cease infringement, compensate for damages and assume other civil liability provided by law.

Regarding the remedy of compulsory licensing, after a certain act is considered to be monopolistic conduct by the judicial or administrative authorities, or both, the applicant may apply to the National Intellectual Property Administration separately for a compulsory patent licence. In judicial practice, there are cases where the courts have required the patent owner to license under fair, reasonable and non-discriminatory principles as a remedy to the plaintiff's claim for cessation of infringement.

### **Competition law remedies specific to IP**

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

Yes. Punitive damages are generally not available in China except in cases of intellectual property. The Trademark Law (amended in 2013) was the first to establish punitive damages rules in legislation. Later, punitive damages provisions were added to the Anti-Unfair Competition Law (amended in 2019), the Patent Law (amended in 2020), the Copyright Law (amended in 2020) and other intellectual property laws. The Civil Code also provides for punitive damages to protect intellectual property rights, marking the full coverage of punitive damages in the area of intellectual property rights. Punitive damages are not currently applied in the area of civil antitrust litigation.

According to the Anti-Monopoly Law, civil anti-monopoly infringement liability includes forms of liability such as cessation of infringement and compensation for damages. As mentioned, there has been a civil anti-monopoly lawsuit which, on the basis of finding that a patent owner's refusal to license constitutes an abuse of the dominant market position, the court in the first instance requires the patent owner to propose to the applicant licensor, within a reasonable period of time after the entry into force of the judgment, the terms of the patent license contract in question in compliance with the principles of fairness, reasonableness and non-discrimination as a remedy to 'cease infringement'. However, no valid judgment has yet been rendered in this case, and it is not yet known whether this rule will be recognised by the Supreme People's Court and become a general judicial precedent. In the event that the owner and implementer of a standard-essential patent cannot agree on a licence fee, they may apply to the court to determine the appropriate rate. This is in fact

similar to a compulsory licence system. This judicial practice is the same as the common rule in other jurisdictions.

## 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 determination of monopolistic conduct often requires the application of complex economic analysis, specifically including the determination of the relevant market, dominant market position, the effect of eliminating and restricting competition, and the amount of the damages. Monopoly cases involving intellectual property rights are no exception.

In civil monopoly proceedings, the parties may apply to the court to entrust professional organisations or professionals to produce market surveys or economic analysis reports on specific issues. In recent years, both parties to standard-essential patent monopoly and licence fee litigation have engaged economic experts to issue written economic analysis reports and testify in court on matters such as the definition of the relevant market, the determination of dominant position and whether abuse is established, as well as the calculation of licence fees (specifically including the determination of comparable agreements, the dismantling of comparable agreements and the determination of each factor in the top-down method).

In monopoly administrative enforcement cases, increasingly, enforcement agencies are using economic analysis to quantitatively determine the operator's dominant market position and the impact of its business practices on the effect of eliminating and restricting competition. For example, with respect to the abuse of a dominant market position, the State Administration for Market Regulation punished Meituan and Alibaba for restricting competition by imposing an either-or condition. In this case, the enforcement agency measured the operator's Herfindahl–Hirschman Index, which is a measure of the operator's market position, and its market concentration ratio to determine the market dominance of the operators. In the case of the administrative penalty imposed by the Shanghai Municipal Bureau of Market Supervision on the Sherepas, an internet takeaway platform, for the abuse of a dominant market position by imposing an 'either-or' condition – the enforcement agency conducted an economic analysis and a market survey by commissioning a third-party agency to carry out a hypothetical monopolist test with the help of economic tools and applied the critical loss analysis method to analyse the market transaction data, thereby determining the scope of the relevant market involved in the case.

## 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 hot area with respect to the intersection between intellectual property and competition law in China during recent years has been regarding the disputes over standard-essential patents in the telecommunications field. These cases usually involve the right holder arguing that the patent implementer is infringing its patent and therefore asks the court to grant an injunction, while the patent implementer argues that the rights holder refuses to license or violates the fair, reasonable and non-discriminatory principle in licensing negotiations, which therefore constitutes a monopoly (typical claims include refusal to deal, unreasonably high prices, tying, etc). At the same time, the rights holder or implementer asks the court to determine the appropriate licence fee (royalty rate) for the essential patent. As the Chinese economy develops in line with global trends, such cases may become part of the global disputes between both rights holders and implementers. Such cases typically involve numerous international parallel proceedings between the parties, with multiple proceedings initiated in multiple jurisdictions over patent infringement, disputes over the use of standard-essential patent royalties and antitrust litigation, among others.

For example, litigation between Unwired Planet (UP) and Huawei has been initiated in the United Kingdom, Germany and China. In the Shenzhen Intermediate People's Court in China in 2017, Huawei sued UP, seeking confirmation that UP constituted a monopolist and asking the court to determine the licence rate between the parties. In this series of lawsuits, both parties hired economic and technical experts specialised in telecommunications to explain the validity, necessity and value of the patents, and how royalties shall be calculated. Thereafter, the parties reached a settlement.

Another noteworthy case is the lawsuit between Conversant and Huawei, in which the Chinese court used a top-down approach to determine the licence fee rate. Apparently, a more noteworthy matter in this piece of litigation is that the Supreme People's Court issued its first injunction against a foreign court (prohibiting Conversant from enforcing the judgment outside of China) in 2020 and has since served as a model for Chinese courts to issue similar injunctions.

Another highly discussed area regarding the intersection of intellectual property and competition law in China is cases related to the monopolisation of online platforms. With the rapid development of the internet and online platforms in China, conflicts between the strong market dominance of internet companies and the traditional intellectual property rights of the counterparty have become hot areas of dispute. For example, there is a dispute between ByteDance and Tencent in a cause of action for Tencent's abuse of dominant market position by restricting users from sharing contents on TikTok through WeChat and QQ. The case is currently pending before Beijing Intellectual Property Court. After this case was accepted, another group of Tiktok users filed a lawsuit in Shanghai Intellectual Property Court against Tencent and its affiliates for abuse of dominant market position by restricting users from sharing content on TikTok through WeChat and QQ. Since this case involves the

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same monopolistic conduct, Shanghai Intellectual Property Court has ruled to transfer this case to Beijing Intellectual Property Court for trial.

## Remedies and sanctions

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

In areas where intellectual property and competition law intersect, while reviewing or judging whether acts involving intellectual property constitute monopoly, in addition to the traditional fines, confiscation of illegal proceeds (administrative) or cessation of infringement as well as damages (civil) are available. Some measures that are traditionally available only under competition law are provided to intellectual property at the same time. For example, in the review of a concentration involving an intellectual property operator, the administrative enforcement agency will impose restrictive conditions on a concentration, including the divestiture of specific intellectual property rights or additional licensing conditions. For example, in Microsoft's acquisition of Nokia and Nokia's acquisition of Alcatel-Lucent, the Ministry of Commerce imposed restrictive conditions on the post-concentration operator's patent licences.

In terms of civil remedies, in addition to the traditional injunction and damages, there are cases in which the court requires the patentee to offer terms of the patent licence contract or determine the licence fee in accordance with the fair, reasonable and non-discriminatory principle (eg, *Huawei v UP* and *Huawei v Conversant*).

## 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?

In 2021, there were significant developments in the antitrust legal and regulatory system on which antitrust litigation is based, with updates on all aspects of the law, departmental rules, and guidelines.

#### Law

Following the release of the 'Draft Amendment of the Anti-Monopoly Law (Draft for Comments)' by the State Administration for Market Regulation (SAMR) in January 2020 and the release of the 'Anti-Monopoly Law (Draft Amendment)' by the Standing Committee of the National People's Congress (NPCSC) after initial deliberation in October 2021 – the NPCSC finally adopted the Decision on the Amendment to the Anti-Monopoly Law on 24 June 2022, which came into force on 1 August 2022. The amended Anti-Monopoly Law retains the basic structure of, but extends, the total number of articles from 57 to 70. The major changes include the following.

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## Monopoly agreements

The amended Anti-Monopoly Law:

- provides an independent article stipulating the concept of monopoly agreement that clearly applies to both horizontal and vertical agreements, which optimises the logic of the articles;
- clarifies applicability of the 'rule of reason' to vertical monopoly agreements. Analysis of the actual effect of excluding or restricting competition is required. It also adds that business operators may make the defences on the ground that there are no such anti-competitive effects;
- introduces the rule of 'safe harbour', which specifies that vertical agreements reached between business operators whose market share is lower than a certain level may be allowed, and the specific applicable standards and conditions will be separately stipulated by SAMR; and
- introduces the regime regulating 'Hub-and-Spoke collusion', according to which, the conduct of concluding a monopoly agreement through 'organizing' and providing 'substantive assistance' is also illegal.

## Digital economy

The amended Anti-Monopoly Law introduces a new principle on the use of data and algorithms, technology and platform rules to exclude or restrict competition, bringing the digital economy into the scope of anti-monopoly regulation at the legislative level.

## Concentrations of undertakings

The amended Anti-Monopoly Law improves the procedural rules for concentration review. For example, it proposes to improve the classified and graded system for concentration review, to provide a legal basis for delegating the authority to provincial agencies.

## Legal liabilities

The amended Anti-Monopoly Law:

- intensifies punishments for violations, and the costs incurred by operators in violation of anti-monopoly laws are substantially increased;
- optimises and improves the legal liability system of anti-monopoly is optimized and by increasing the personal liabilities and punishments on legal representatives and persons-in-charge, such as a fine of up to 1 million yuan for legal representatives, persons-in-charge and the directly responsible persons of an operator who are personally liable for entering into a monopoly agreement;
- introduces the public interest litigation system at the legislative level. It stipulates that the people's procuratorate at or above the level of cities with district division may file public interest lawsuits; and
- establishes a dishonesty restraint mechanism. Where a business operator is subject to an administrative penalty due to monopolistic behaviours, the penalty shall be entered into the business operator's credit records and be disclosed to society.

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## Departmental rules

To implement the amended Anti-Monopoly Law, the SAMR has revised six departmental rules correspondingly and formed drafts for public comment. Taking the 'Provisions on Prohibition of Abuse of Intellectual Property Rights to Exclude or Restrict Competition (Draft for Comments)' as an example, the core revisions include:

- implementing the latest provisions of the Decision on the Amendment to the Anti-Monopoly Law, including adding new provisions on hub-and-spoke collusion in the field of intellectual property, and adding a provision that 'a business operator shall not, by means of exercising the intellectual property rights, organize other business operators to enter into a monopoly agreement, or provide substantive assistance for other business operators to enter into a monopoly agreement';
- strengthening anti-monopoly rules in the field of intellectual property rights, including refining the rules on the abuse of dominant market position in the field of intellectual property rights, adding new factors for identifying the dominant market position such as 'substitutability of the intellectual property concerned, the degree of dependence of downstream markets on the commodities provided by the use of the intellectual property concerned, and transaction counterpart's capability to counter the said operator, and other factors', and adding new forms of 'tie-in sales' such as compulsory package licensing 'in violation of trade practice, consumption habit, etc., or in disregard of the product function; and
- improving anti-monopoly rules in key areas such as standard-essential patents and refining the identification of the monopoly agreement and the abuse of dominant market position related to patent pool and license of the standard-essential patents. For example, in the licensing process of standard-essential patents, the dominant market position holder's breach of its commitment to fair, reasonable and non-discriminatory licensing, improper application for injunctions and forcing the licensee to accept unfairly high price or other unreasonable restrictions without good-faith negotiation procedures are considered as typical acts of abuse of rights.

## Guideline

The Anti-Monopoly Commission of the State Council has issued the Anti-Monopoly Guide for the Platform Economy Sector and the Anti-Monopoly Guide for the Active Pharmaceutical Ingredients Field, providing more detailed regulations on special issues in their respective fields. In particular, in the field of internet platform economy the highlights include special provisions with respect to issues such as:

- 'either-or choice' (internet platforms require operators within the platform to make an 'either-or choice' among competing platforms); and
- 'big data-enabled price discrimination against existing customers' (platforms charge users with more stable consumption habits a higher fee than other users)

Widely reflected by all social sectors in recent years, specifying the standards for whether relevant conduct constitutes monopolistic conduct and responding to hot spots and difficult issues in practice.

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The above amendments to the law and the promulgation of the guides, not only further standardise the anti-monopoly regulatory system and strengthen the anti-monopoly regulatory capability, but also sound the alarm for the establishment of an anti-monopoly compliance system by business operators, who should raise the awareness of anti-monopoly compliance to prevent and prohibit monopolistic conducts.

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# Germany

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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.

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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, 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

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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](#)) 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

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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

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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 anti-competitive 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 (EU Directive 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.

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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 (standard-essential patents) 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).

At EU level, EU Regulation 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. EU Regulation 316/2014 applies to agreements involving the assignment and licensing of patents, utility models, designs, rights to software and technical know-how. EU Regulation 1217/2010, exempting certain categories of agreements of research and development (R&D Block Exemption Regulation), and EU Regulation 720/2022, 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 anti-competitive 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 anti-competitive 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 fair, reasonable and non-discriminatory (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 anticompetitive 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 2022, C248/1] 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

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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

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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 is 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 (139/2004/EC) 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 316/2014/EC on certain technology transfer agreements and EU Regulation 720/2022 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 2022, C 248/1 ff) 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 (CFI) 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 720/2022).

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 EU Regulation 720/2022 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 (EU) 720/2022 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 EU Regulation 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*).

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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 fair, reasonable and non-discriminatory (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 standard-essential patent 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. 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 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 anti-competitive 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'

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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 SEP owner is, due to the dominant position afforded to it by the standard-essentiality of his patent, under an obligation to grant a licence to a supplier at any level of a component supply chain, if this supplier declared to be willing to take a licence on FRAND terms.



## 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.

## 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. This has been confirmed in substance by the Appeal Courts of Karlsruhe and Duesseldorf. The Appeals Court Karlsruhe also confirmed, that when assessing whether the offered terms and conditions are FRAND, the focus shall be on whether or not the conditions offered are accepted in the concerned market (to be proven by concluded licence agreements) and do not discriminate against standing licensees. Instead, the court will not review in detail, whether the offered terms are clearly fair and reasonable in the specific case. Hence, 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.

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Meanwhile, the Unified Patent Court (UPC) and the Unitary Patent (EU Regulation 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 to happen at the end of 2022, while 1 April 2023 is the start date currently targeted by the preparatory committee of the UPC.

A hot topic to watch is the European Commission's Digital Markets Act (DMA) and Digital Services Act, which entered into force in Germany in mid 2022. The 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 law 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.

In anticipation of the DMA, 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.

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# 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.

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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 co-existent.

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.

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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

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- 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 the 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.

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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. Subsequently, in 2022, the Delhi High Court in *Vifor v CCI* (WP (C) 11263/2022) reiterated that the CCI's jurisdiction cannot be ousted merely because the matter deals with a patent, as long as it is dealing with anti-competitive and unfair trade practices.

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;

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- 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

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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

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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

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(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, which was subsequently introduced in the Indian Parliament in August 2022. The Bill adds a residual clause to section 3(5), which carves out an exemption for IP right holders; 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,*

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*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.

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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.

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## 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 [Ex 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. However, in 2021, MSIL challenged CCI's decision before the NCLAT and the matter is awaiting final adjudication.

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## 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 [Samsher Kataria v Honda Siel 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.

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## 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.'

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## 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 would 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.

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## 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 a 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. In July 2022, in *Vifor v CCI* (WP (C) 11263/2022) the Delhi High Court reiterated this decision and held that the CCI cannot be denied authority to enquire on a matter solely based on the fact that it deals with a patent.

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## 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 (SEPs).

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 fair, reasonable and non-discriminatory 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.

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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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## 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)?

As a civil law country, Indonesia codifies its positive laws in a set of laws and regulations. Intellectual property regulations are spread out in several laws according to type.

Trademarks and geographical indications are regulated under [Law No. 20 of 2016](#) (Trademarks and Geographical Indications Law), as amended by [Law No. 11 of 2020](#) (Job Creation Law). Trademark rights are given to signs that are displayed graphically in two or three-dimensional form, as a device, logo, name, word, letter, number, colour arrangement, sound, hologram, or a combination of these elements to distinguish the source of goods or services from its competitors. In Indonesia, trademark protections arise from registration and not from use. The protection is given once the trademark is protected and applied retroactively from the filing date for a 10-year period and can be renewed perpetually for another 10 years for each period.

Further, geographical indication is a sign that identifies the place of origin of goods or products that, due to geographical factors, including environmental, human, or a combination thereof, enjoy a particular reputation, quality and characteristic. The geographical indication right is given exclusively by the state to the geographical indication right holder (usually the geographical indication protection society) as long as the reputation, quality and characteristics upon which protection is based are maintained.

Separately, patents are regulated under [Law No. 13 of 2016](#) (Patent Law), as amended by the Job Creation Law. The Patent Law recognises protection over general patents and simple patents. General patent rights are granted to inventions that are novel, have inventive steps, and can be applied in industry. In comparison, simple patent rights are granted to inventions that are novel, improve existing products or processes, have a practical use, and are industrially applicable. Protection for a general patent is valid for 20 years from the filing date, and a simple patent is valid for 10 years. Neither can be renewed.

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Copyrights are regulated under [Law No. 28 of 2014](#) (Copyright Law). Works protected by copyright include scientific, artistic and literary works resulting from inspiration, ability, thoughts, imagination, dexterity, skill or expertise expressed in a tangible form. Copyright is an exclusive right vested automatically based on the declarative principle once a work is embodied in a tangible form. Copyright protection of persons is valid for 70 years post mortem auctoris (PMA), which exceeds the minimum 50 years of PMA copyright protection under the Berne Convention and the WTO TRIPs agreement. The Copyright Law also includes provisions on related rights, such as the exclusive rights of performers, phonogram producers and broadcasting organisations.

Industrial designs give protection to a novel two- or three-dimensional shape, configuration, the composition of lines or colours or a combination thereof that gives an aesthetic impression, can be realised in a two- or three-dimensional pattern, and can be used to produce products, goods, industrial commodities, or handicrafts. [Law No. 31 of 2000](#) (Industrial Design Law) governs such rights. Protection is given for 10 years from the filing date and cannot be renewed.

Trade secrets are regulated under [Law No. 30 of 2000](#) (Trade Secret Law). Trade secret protection is given to information in the technology or business fields that is not known to the public and has economic value due to its usefulness in business activities. The confidentiality of such information is maintained by its owner. The protection is given perpetually as long as the economic value persists and confidentiality is maintained.

Layout designs of integrated circuits are regulated under [Law No. 32 of 2000](#) (Layout Designs of Integrated Circuit Law). An integrated circuit is a finished or half-finished product that contains various elements, at least one of which is active, which are partly or entirely interconnected and integrated into a semiconductor to produce electronic functions. A layout design is a three-dimensional design formed by various elements, at least one of which is active, of which parts of or all of the interconnections in a circuit and the three-dimensional layout are intended for the preparation of making an integrated circuit. Protection for layout designs of integrated circuits is valid for 10 years from the filing date.

Lastly, plant variety protections are regulated under [Law No. 29 of 2000](#) (Plant Variety Protection Law), as amended by the Job Creation Law. Plant variety protection is a specific protection granted by the state to plant breeders for a new, unique, uniform, stable, and named plant species produced through plant breeding activities. The protection is valid for 20 years from the granting of the plant variety protection for seasonal plants and 25 years for annual plants.

The laws referred above are collectively referred to as the 'IP Laws.'

Aside from the IP Laws, the legal basis against unfair competition in Indonesia is provided in the general provisions on unlawful acts stipulated in articles 1365 and 1366 of the [Indonesian Civil Code](#) and article 382-bis of the [Indonesian Criminal Code](#), which prohibit unfair business conduct. However, in practice, we are unaware of any standalone unfair competition case that has been heard in the courts. Parties who wish to bring unfair competition cases usually have a nexus of conventional IP rights and, most often, trademark rights, which are consequently rendered as a trademark (or other IP) case rather than an unfair competition case.

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As regards the limitation on the licensing of IP rights, as a general rule, article 6 of Government Regulation No. 36 of 2018 regarding the Recordation of IP Licence Agreements (GR 36/2018) stipulates that an IP licence agreement should not contain any provision that may:

- harm Indonesia's economy or national interest;
- contain any restriction that impedes Indonesian people in transferring, controlling or developing technology;
- cause unfair business competition; or
- contradict the provisions of laws and regulations, religious values, decencies, and public order.

## Responsible authorities

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

The Directorate General of Intellectual Property (DGIP) at the Ministry of Law and Human Rights (MOLHR) is responsible for granting and administering IP, namely accepting, examining, granting or rejecting trademark, patent, industrial design, geographical indication, and layout design of integrated circuit applications. As for copyrights and trade secrets for which rights do not stem from registration, the DGIP administers the recordation of the same, which can be beneficial for prima facie evidence of ownership and a prerequisite for recording the license agreement.

As for plant variety protection, the authorised party to grant and administer such protection is the Plant Variety Protection Office at the Ministry of Agriculture.

Regarding enforcement, the commercial courts hear civil claims, including cancellation claims, deletion (non-use cancellation) claims, claims for damages, and claims to cease the infringement for all IP rights besides trade secrets and plant variety protections. District courts hear the civil proceedings for trade secrets and plant variety protections.

District courts also hear the criminal proceedings related to IP infringement. Investigating officers from the Indonesian police and civil servant investigators from the MOLHR have the authority to investigate criminal offences involving 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?

Indonesia does not provide different enforcement options based on the amount in dispute.

Commercial courts and specific chambers of district courts have the authority to deal with civil proceedings for IP matters including IP infringement matters, except for trade secrets and plant variety protections, which the district courts deal with. Currently, there are five

commercial courts in Indonesia: Jakarta, Semarang (Central Java province), Surabaya (East Java province), Medan (North Sumatra province), and Makassar (South Sulawesi province).

Aside from plant variety protection-related disputes, IP disputes can also be handled through alternative dispute resolution methods, such as arbitration, negotiation, mediation, and conciliation.

At the administrative stage, rights holders and interested third parties may file oppositions with the DGIP against applications for trademarks, patents, and industrial designs, on the grounds that the trademarks, patents, or industrial designs being applied for should not be registered.

An objection (appeal) to the granting of a patent may also be filed with the Patent Appeal Commission within nine months of the date the patent was granted.

## 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?

Generally, the remedies for parties who suffer from IP rights infringement are claims for damages and cessation of the unlawful act by the infringer. These claims are to be filed with the commercial courts.

Aside from the above-mentioned avenue, criminal sanctions are also provided for infringements of IP rights. All criminal offences involving IP rights are complaint-based offences. Therefore, the party that suffers such infringement must file a claim to the police department or civil servant investigators from the MOLHR before the case can proceed.

## Trademarks

Article 100 of the Trademarks and Geographical Indications Law sets out criminal sanctions for the infringement of registered trademarks, namely:

- a maximum of five years' imprisonment or a maximum fine of 2 billion rupiahs, or both, for unlawful use of a mark that is similar in its entirety to another party's registered trademark for similar goods or services that are produced or traded;
- a maximum of four years' imprisonment or a maximum fine of 2 billion rupiahs, or both, for unlawful use of a mark that is similar in principle to another party's registered trademark for similar goods or services that are produced or traded; and
- a maximum of 10 years' imprisonment or a maximum fine of 5 billion rupiahs, or both, for unlawful use of a mark for types of goods that can cause health and environmental problems or death.

## Geographical indications

Criminal sanctions for infringement of geographical indications are outlined in article 101 of the Trademarks and Geographical Indications Law. The sanctions are a maximum of four

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years' imprisonment or a maximum fine of 2 billion rupiahs, or both, for the unlawful use of a sign that is similar in its entirety or in principle with the registered geographical indication for similar goods or products.

## **Patents**

Article 161 of the Patent Law sets out the criminal sanctions for general patent infringement. The sanctions are a maximum of four years' imprisonment or a maximum fine of 1 billion rupiahs, or both. Article 162 sets forth criminal sanctions for simple patent infringement, namely a maximum of two years' imprisonment or a maximum fine of 500 million rupiahs, or both.

If such patent infringement causes health or environmental problems, it is punishable by a maximum of seven years' imprisonment or a maximum fine of 2 (two) billion rupiahs, or both (article 163(1) of the Patent Law). If the violation results in a person's death, it is punishable by a maximum of 10 years' imprisonment or a maximum fine of 3.5 billion rupiahs, or both (article 163(2) of the Patent Law).

## **Industrial designs**

Article 54 of the Industrial Design Law stipulates that infringement of the rights of an industrial design holder is punishable by a maximum of four years' imprisonment or a maximum fine of 300 million rupiahs, or both.

## **Copyright and related rights**

Articles 112 to 120 of the Copyright Law regulate criminal sanctions for unlawful acts relating to copyright and related rights, with a minimum imprisonment of one year, a minimum fine of 100 million rupiahs, maximum imprisonment of 10 years, and a maximum fine of 4 billion rupiahs.

## **Layout designs of integrated circuits**

Article 42(1) of the Layout Designs of Integrated Circuit Law regulates that infringement against the right holder's layout design of integrated circuits is punishable by a maximum of three years' imprisonment or a maximum fine of 300 million rupiahs, or both.

## **Trade secrets**

Article 17 of the Trade Secret Law stipulates that infringement of the rights of a trade secret holder is punishable by a maximum of two years' imprisonment or a maximum fine of 300 million rupiahs, or both.

## **Plant variety protections**

Article 71 of the Plant Variety Protection Law stipulates that infringement of the rights of a plant variety protection holder is punishable by a maximum of seven years' imprisonment or a maximum fine of 2.5 billion rupiahs, or both.

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No remedy is provided in the administrative stage.

## 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?

Article 50(b) of Law No. 5 of 1999 regarding the Prohibition of Monopolistic Practices and Unfair Business Competition (the Anti-Monopoly Law) exempts agreements related to IP rights, namely licences and franchises, from the scope of its regulation.

The Business Competition Supervisory Commission (KPPU) issued Regulation No. 2 of 2009 regarding Guidelines on Exceptions to the Application of the Anti-Monopoly Law in Relation to Agreements Related to IP (KPPU Reg 2/2009). KPPU Reg 2/2009 stipulates that licence agreements related to IP are exempted from the Anti-Monopoly Law if they do not contravene the principles and purposes as set out in articles 2 and 3 of the Anti-Monopoly Law, as follows.

- The activities of business actors in Indonesia must be based on economic democracy, with due observance of the equilibrium between the interests of business actors and the interests of the public.
- The purposes of the Anti-Monopoly Law are to:
- safeguard the interests of the public and improve national economic efficiency for the sake of people's welfare;
- create a conducive business climate through the stipulation of fair business competition to ensure the certainty of equal business opportunities for large, medium-sized and small business actors in Indonesia;
- prevent monopolistic practices and unfair business competition by business actors; and
- create effectiveness and efficiency in business activities.

KPPU Reg 2/2009 further stipulates that the exempted IP-related licences are those that have met the requirements set out in the IP laws and have been recorded at the DGIP.

## Patent cooperation treaties and other agreements

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

Indonesia has been a contracting party to the World Intellectual Property Organization (WIPO) Patent Cooperation Treaty since 5 September 1997. Indonesia is also a member of the Paris Convention, which allows applicants to claim priority for patent applications from other Paris Convention member states. Moreover, Indonesia has entered into a bilateral Patent Prosecution Highway Agreement with the Japan Patent Office (JPO), which enables applicants to request an accelerated examination process for patent applications filed to the DGIP by using the examination of the corresponding patent examined by the JPO.

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## Remedies for deceptive practices

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

Article 9(a) and (d) of [Law No. 8 of 1999](#) (Consumer Protection Law) sets out provisions that prohibit business actors from offering, promoting, or advertising goods or services incorrectly or as if such goods or services have met quality standards, or have a particular style, mode, characteristic, or if a corporation produced such goods or services with a sponsor, approval, or affiliation. In theory, it should be possible to apply these provisions to deceptive practices concerning trademarks. However, the general (preamble) section of the Consumer Protection Law's elucidation stipulates that IP rights violations by business actors do not fall within the scope of the Consumer Protection Law. Consequently, the Consumer Protection Law cannot be used as grounds for seeking remedies against deceptive practices concerning trademarks.

Further, there is no specific provision in the Anti-Monopoly Law regulating remedies for deceptive practices.

## 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?

Article 6 of the Copyright Law contains a provision on copyright management information (CMI), which states that authors may use CMI and copyright electronic information to protect their moral rights. CMI includes information on methods or systems that can identify the originality of the author's works and the information code and access code. Article 7(3) of the Copyright Law stipulates that CMI and copyright electronic information owned by the authors are prohibited from being removed, changed or damaged.

Furthermore, article 52 of the Copyright Law provides a provision prohibiting anyone from damaging, destroying, eliminating or disabling the function of TPMs used as safeguards for copyrighted works or related rights products, except for state defence and security purposes and other grounds according to the provisions of laws and regulations, or as otherwise agreed.

There is no provision restricting the ability of manufacturers to incorporate TPM or DRM protections to limit the platforms on which content can be played.

We are unaware of any challenge under competition laws against TPM or DRM protection.



## 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?

Article 82 of the Patent Law allows for an interested party to file an application to the MOLHR to obtain a compulsory license. The MOLHR may issue a decree approving the issuance of a compulsory license on the following grounds:

- the patent holder has not carried out its obligation to make products or use processes in Indonesia within three years of when the patent was granted, as obliged by article 20 of the Patent Law;
- the patent has been carried out by the patent holder or licensee in a manner that is detrimental to the public interest; or
- the patent resulted from the development of a previously granted patent and cannot be implemented without using another party's patent that is still protected.

## COMPETITION

### Competition legislation

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

Competition law is governed under the Anti-Monopoly Law and its implementing regulation, Government Regulation No. 57 of 2010 regarding the Merger or Consolidation of Business Entities and the Acquisition of Company Shares which Results in Monopolistic Practices and Unfair Business Competition (GR 57/2010).

Indonesia's Business Competition Supervisory Commission (KPPU) has also issued several implementing regulations containing guidance on several Anti-Monopoly Law provisions.

### IP rights in competition legislation

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

The only specific mention of IP rights in the Anti-Monopoly Law is stipulated in article 50(b), which expressly exempts agreements related to IP rights, including licences, patents, trademarks, copyrights, industrial designs, integrated electronic circuits, trade secrets, and agreements related to a franchise from its scope.

### 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?

Article 6(c) of Government Regulation No. 36 of 2018 regarding the Recordation of IP Licence Agreements (GR 36/2018) states that an IP licence agreement should not contain any provision that could cause unfair business competition. Article 11(2) of GR 36/2018 stipulates

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that the examination of an application for the recordation of an IP licence is only conducted to check the completeness and conformity of the required documents as specified in article 10(4) of GR 36/2018, namely:

- a copy of the licence agreement;
- a copy of the official citation of the certificate of registration for the patent, trademark, industrial design or layout design of the integrated circuit, or evidence of ownership of copyright and related rights, or evidence of the trade secret that is licensed and its validity;
- power of attorney if the application is filed through an IP consultant (a prerequisite for foreign parties); and
- evidence of payment.

In theory, as part of the examination process for recording the licence agreement at the Directorate General of Intellectual Property (DGIP), the license agreement should be examined to determine that it does not contain any provision that may cause unfair business competition. However, in practice, we are unaware that the DGIP is conducting any such examination.

Should the licence agreement be deemed to contain provisions that could cause unfair business competition or contravene the principles and purposes set out in articles 2 and 3 of the Anti-Monopoly Law, the KPPU has the authority to investigate the competitive effect of conduct related to the licence agreement.

### 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?

Since agreements related to IP rights, including IP licence agreements and franchise agreements, are exempted from the Anti-Monopoly Law, a private party cannot recover competition-related damages resulting from the exercise, licensing or transfer 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?

The KPPU's Regulation No. 2 of 2009 (KPPU Reg 2/2009) sets out guidelines on exceptions to the application of the Anti-Monopoly Law concerning IP-related agreements. The guidelines stipulate that the IP-related licence agreements that are exempted from the Anti-Monopoly Law are those that do not contravene the principles and purposes set out in articles 2 and 3 of the Law, as follows.

The activities of business actors in Indonesia must be based on economic democracy, with due observance of the equilibrium between the interests of business actors and the interests of the public.

The purposes of the Anti-Monopoly Law are to:

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- safeguard the interests of the public and improve national economic efficiency for the sake of people's welfare;
- create a conducive business climate through the stipulation of fair business competition to ensure the certainty of equal business opportunities for large, medium-sized and small business actors in Indonesia;
- prevent monopolistic practices and unfair business competition that business actors may commit; and
- create effectiveness and efficiency in business activities.

KPPU Reg 2/2009 further stipulates that to be exempted from the scope of the Anti-Monopoly Law, IP-related licences must have met the requirements set out in the IP Laws and have been recorded at the DGIP.

GR 36/2018 sets out the minimum information required for IP licences, namely:

- date, month, year and place where the licence agreement was signed;
- name and address of the licensor and the licensee;
- object of the licence agreement;
- provisions on the exclusivity or non-exclusivity of the licence, including sublicensing;
- term (duration) of the licence agreement;
- territorial scope of the licence agreement; and
- party that will attend to the patent annuity fees (for the patent licence).

Licence agreements executed in other languages must be translated into Bahasa Indonesia.

### Exemptions from competition law

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

Article 50(b) of the Anti-Monopoly Law explicitly exempts from its scope agreements related to IP rights, including licences, patents, trademarks, copyright, industrial designs, integrated electronic circuits, trade secrets and agreements related to franchises. Additionally, KPPU Reg 2/2009 sets out guidelines under which IP licences can be exempted from the provisions of the Anti-Monopoly Law.

### 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?

Article 11(1) of the Copyright Law stipulates that the economic right to distribute works or copies of works does not apply to works or copies of works that have been sold or assigned. However, the Copyright Law is silent on the parallel importing of copyrighted works. Without a specific provision on parallel importing, there is no mechanism to prevent grey marketing in the IP sphere.

## Import control

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

With the absence of a specific provision on parallel importing in IP laws and regulations, there is no mechanism to prevent grey marketing in the IP sphere.

Furthermore, the Patent Law exempts the parallel importing of pharmaceutical products from its criminal provisions and civil claims.

## 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 commercial courts have exclusive jurisdiction to handle civil proceedings related to IP (except for trade secrets and plant variety protections). Competition matters are handled by the KPPU. Pursuant to the amendment of the Anti-Monopoly Law by the Job Creation Law, appeals of KPPU decisions are now filed and handled by the commercial courts. Prior to the amendment, appeals were filed and heard at the district 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?

The Anti-Monopoly Law does not specifically distinguish mergers involving IP rights from other mergers. Therefore, the general rules on mergers apply. Indonesia's Business Competition Supervisory Commission (KPPU) has the authority to review 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?

According to article 1(18) of KPPU Regulation No. 3 of 2019 regarding Assessments of Mergers or Consolidations of Business Entities or Acquisitions of Company Shares That May Result in Monopolistic and/or Unfair Business Competition Practices (KPPU Reg 3/2019), 'assets' means all assets, tangible and intangible, that are owned by the business actor and

are valuable or have an economic value. In that case, IP rights owned by a business actor should also be deemed as assets.

To the best of our knowledge, the KPPU does not analyse the competitive impact of a merger involving IP rights any differently from any other 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?

There is no specific provision in the Anti-Monopoly Law that deals with challenging a merger involving the transfer or concentration of IP rights. However, the Anti-Monopoly Law requires the KPPU to be notified of any merger, consolidation, or acquisition involving an asset value or sales value, or both, exceeding a certain threshold no later than 30 days from the date of such merger, consolidation or acquisition.

The thresholds are regulated in article 5(2) of Government Regulation No. 57 of 2010 (GR 57/2010), as follows:

- asset value of 2.5 trillion rupiahs; and
- sales values of 5 trillion rupiahs.

Although the Anti-Monopoly Law and GR 57/2010 only use the term 'shares' in relation to acquisitions, in its Guidance on the Evaluation of Mergers, Consolidations, and Acquisitions, the KPPU says that acquisitions also include, among others, asset transfers and acquisitions of participating interest.

Article 1(18) of KPPU Reg 3/2019 defines assets as all tangible and intangible assets owned by the business actor that are valuable or have an economic value. So, IP rights owned by a business actor are also deemed as assets.

Article 5 of KPPU Reg 3/2019 further stipulates that asset transfers are deemed equivalent to the acquisition of company shares when such transfers:

- result in the transfer of control or control of the asset, or both; and/or
- increase the ability to control a certain market by the acquiring business entity.

If an asset transfer meets the above criteria, such transfer falls within the scope of KPPU supervision and must be notified to the KPPU.

Aside from the above inclusion of IP as an asset, there is no specific provision to challenge a merger involving the transfer or concentration of IP rights. Therefore, the general rules for challenging a merger apply.

The KPPU evaluation of a merger, consolidation, or acquisition that meets the above-mentioned thresholds is a two-step process, those being a preliminary and/or thorough evaluation.

The preliminary evaluation is conducted using market concentration analysis. Market concentration is a preliminary indicator to evaluate whether a merger, consolidation or acquisition results in a monopoly and/or unfair business competition. Analysis of changes in market concentration before and after a merger, consolidation or acquisition that is horizontal in nature may be conducted using the Herfindahl-Hirschman Index (HHI) or Concentration Ratio (CRn), or both. In comparison, analysis of a vertical merger, consolidation or acquisition takes into account whether there is any market power or dominance in the upstream or downstream market.

The thorough evaluation will be conducted using the following analysis.

### **Entry barriers**

Barriers to market entry are costs that are higher than reasonable or other barriers that prevent new business actors from entering the relevant market. This entry barrier provides benefits to existing business actors because it protects the income and profits of these business actors.

The evaluation of whether there are entry barriers is based on:

- the historical data of the number of business actors in the relevant market from time to time;
- the number of business actors that may potentially enter the relevant market; and
- the ratio between the costs incurred to enter the relevant market and the estimated revenue and the estimated time to gain such revenue.

The analysis will consider:

- the ease of entry by new business actors into the relevant market;
- if new business actors are able to put competitive pressure on existing business actors; and
- the time needed to enter the relevant market.

If these factors seem satisfactory, competition in the relevant market is likely to be maintained, and the KPPU will not object to the transaction.

### **Potential anticompetitive behaviour**

The KPPU will analyse the potential anticompetitive behaviour that would result from the merger based on the following factors:

- unilateral effect: the KPPU will identify whether there will be a dominant business entity resulting from the merger that would have the ability to abuse its dominant power. One of the elements the KPPU would observe is buyers' bargaining power in the relevant

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- market and whether this would be impacted due to the potential existence of such dominant power;
- coordinated effect: the KPPU will identify whether there will be coordination between the surviving entity and its main competitors. In other words, even if no dominant business entity results from the merger, the KPPU will still try to anticipate whether the merger would create potential coordination between the resulting entity and its main competitors; and
  - market foreclosure: the KPPU will analyse any vertical mergers that would increase a rival's costs to enter the same market. As vertical mergers may give rise to the closure of access by new competitors, the KPPU will also try to identify whether the merger would create a possible cost-raising strategy, which would be borne by new competitors entering the same market.

## Efficiency

If the business actor justifies the acquisition on the grounds of efficiency, the KPPU will examine such claim and the effect on competition.

The business actor may be called upon to support its argument with calculations of efficiency and the advantages enjoyed by customers after the transaction. The efficiency argument may include cost savings, increases in capacity and increases in marketing or quality of the product post-transaction. The KPPU will evaluate this argument in detail. The most important factor in the KPPU's evaluation is whether customers will enjoy lower prices.

## Bankruptcy

If the merger is conducted to avoid bankruptcy, the KPPU will determine whether consumers would suffer if the business entity went bankrupt. If consumers are likely to suffer a greater loss if the business entity goes bankrupt than the loss caused by the merger, the transaction will likely be found not to have an anticompetitive effect on the relevant market. The KPPU will evaluate whether:

- the company's financial problems are such that without the acquisition, the company would likely go bankrupt;
- it is possible to conduct a reorganisation to save the company; or
- there is no other alternative that could save the company that would not have an anti-competitive effect.

Aside from the above analysis, the KPPU may also conduct the evaluation using the following analysis:

- policies to increase competitiveness and strengthen national industries: the merger, consolidation or acquisition is conducted in relation to government policy to increase competitiveness, strengthen national industries, or both;
- technology and innovation development: the merger, consolidation or acquisition is conducted to develop technology or to innovate the parties' product;
- protection of micro, small and medium enterprises: the evaluation will consider whether the merger, consolidation or acquisition will have a positive impact on micro, small and medium enterprises;

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- impact on workforce: the evaluation will consider whether the merger, consolidation or acquisition will have a positive impact on the workforce or employment, or both, in Indonesia; and
- implementation of laws and regulations: the KPPU will consider whether the merger, consolidation or acquisition is conducted pursuant to laws and regulations.

## 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 KPPU assessment indicates that an acquisition will substantially lessen competition in the relevant market, the parties may be asked to propose remedies.

The types of remedies that can be proposed are as follows.

- structural remedies: the divestment of assets, shares or other actions that can create business competition; and
- behavioural remedies:
  - the acquiring business actor may provide its IP licences;
  - competition can be promoted by eliminating such barriers as exclusive contracts, consumer switching costs, bundling or tie-in of certain products or other barriers to supply or purchase;
  - disclosure of the price and amount of production or output; or
  - other actions that support competition.

The KPPU will review the proposed remedies and assess whether they are effective. If the KPPU accepts the proposal, it will issue an opinion that there is no monopolistic practice or unfair business competition resulting from the acquisition, with notes to conduct certain actions that the business actor must fulfil. If the KPPU rejects the proposed remedies, it will issue an opinion that monopolistic practice or unfair business competition will result from the acquisition.

## SPECIFIC COMPETITION LAW VIOLATIONS

### Conspiracy

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

The exercise, licensing or transfer of IP rights are not specifically regulated under the conspiracy provisions of articles 22 to 24 of the Anti-Monopoly Law. However, according to the IP Laws, Government Regulation No. 36 of 2018 and the KPPU's Regulation No. 2 of 2009 (KPPU Reg 2/2009), licence agreements should not contain provisions that may cause unfair business competition.

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## 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?

Taking enforcement measures to prevent infringement of one's IP rights should not be deemed as contravening the Anti-Monopoly Law. However, suppose the settlement agreement contains a provision that a party will not compete with a patented product, this agreement may be deemed an act of monopolistic practice and unfair business competition as regulated by article 17(2)(b) of the Anti-Monopoly Law. This article stipulates that business actors may be reasonably suspected or deemed to control the production and marketing of goods or services if they cause other business actors to be unable to enter the business competition for the same goods or services.

## 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 where competition laws have been applied to reverse payment of a patent settlement in Indonesia.

## (Resale) price maintenance

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

Article 8 of the Anti-Monopoly Law stipulates that business actors are prohibited from entering into agreements with other business actors that contain the condition that parties receiving goods or services shall not sell or resupply goods or services received by them at a price lower than the contracted price, potentially causing unfair business competition.

The KPPU has issued KPPU Regulation No. 8 of 2011 regarding Guidance on article 8 of the Anti-Monopoly Law on Resale Price Arrangements.

The Anti-Monopoly Law prohibits the following types of minimum resale price maintenance agreements:

- manufacturers or suppliers determine the minimum selling price for the resale of their products;
- manufacturers or suppliers require retailers not to sell their products for less than a determined minimum selling price;
- producers or suppliers enter into an agreement with distributors or retailers for the procurement of goods where there are requirements regarding a certain minimum selling price;
- manufacturers or suppliers will stop or withhold the supply of goods to distributors or retailers unless the distributors or retailers agree not to sell the goods for less than a specified minimum selling price; and

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- manufacturers or suppliers withhold the supply of goods to distributors or retailers that have sold the product for less than a determined minimum selling price.

If an IP licence agreement contains clauses on minimum resale price, especially if such clauses are drafted in any of the above forms, the agreement can be viewed as anticompetitive, which falls under the scope of the Anti-Monopoly Law.

### 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?

Although, in general, IP-related agreements are exempted from the scope of the Anti-Monopoly Law, if such agreement incorporates clauses that may be deemed anticompetitive, according to KPPU Reg 2/2009 the said agreement is not exempted from the Anti-Monopoly Law and, therefore, may create liability under the Anti-Monopoly Law.

KPPU Regulation 2/2009 shares some guidance in assessing whether an IP-related agreement contains exclusive dealings provisions, tying, and leveraging that may create unfair business competition, namely in relation to the following provisions:

- Pooling licensing and cross-licensing: in principle, the licensor may use pool and cross licences to streamline its business activities. However, if this results in the production or marketing of a product being dominated by a particular business actor, which subsequently hampers other business actors from competing effectively, the clause may be viewed as anticompetitive.
- Tying arrangement: in principle, the licensor may combine two or more of its products that have been protected by IP rights to sell to consumers. However, consumers should be given the option to buy only one product. If there is an obligation for the licensee to sell the combined products to consumers as an integral product, such that consumers cannot buy one product only, the clause may be deemed anticompetitive.
- Limitation on raw materials: if there is a clause in the licence agreement that obliges the licensee to use raw materials that are exclusively determined by the licensor, while similar raw materials are available domestically in an adequate amount, price and quality, the clause can be deemed anticompetitive.
- Limitation on production and sale: in principle, the licensor can set limitations on the area or number of products produced using the licensee's technology that may be marketed. However, if the limitations prevent the licensee from innovating technology, this can make product development inefficient. Therefore, a clause in the licence agreement that contains limitations on the area and number of products that can be marketed, which is proven to hinder the licensee from making technological innovations, so that product development becomes inefficient, can be viewed as anticompetitive.
- Limitation on selling price and reselling price: clauses in the licence agreement that contain restrictions on selling prices and resale prices by setting a lower price can be viewed as anticompetitive.
- Grant-back licensing: grant-back provisions require the licensee always to disclose and transfer information regarding improvements made to the licensed product and know-how related to the development of the licensed technology or product to the licensor. If this impedes the licensee in advancing and controlling the technology by

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legitimising the licensor in owning IP rights that it does not create, the clause may be deemed anticompetitive.

### 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?

Since agreements related to IP rights, including IP licence agreements and franchise agreements, are exempted from the Anti-Monopoly Law, the exercise, licensing or transfer of IP rights are not deemed as monopolisation or an abuse of dominance, as long as the licensing of IP does not contain provisions that might cause unfair business competition.

### 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?

According to KPPU Reg 2/2009, if particular IP rights can be deemed essential facilities, the refusal to license such rights may be assessed on the possibility of unfair business competition. However, if the IP rights cannot be deemed essential facilities, the refusal to grant a licence for the same is lawful.

Furthermore, article 82 of the Patent Law allows an interested party to file an application to the Ministry of Law and Human Rights (MOLHR) to obtain a compulsory licence. The MOLHR may issue a decree approving the issuance of a compulsory licence on the following grounds:

- the patent holder has not carried out its obligation to make products or use processes in Indonesia within 36 months of the date the patent was granted, as obliged by article 20 of the Patent Law;
- the patent holder or licensee has used the patent in a form and manner that is detrimental to the public interest; and
- patents resulting from the development of previously granted patents cannot be implemented without using another party's patent that is still protected.

## 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 specific remedies under the Anti-Monopoly Law involving IP matters. However, the issuance of a compulsory licence is one of the options to remedy violations 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 under the Anti-Monopoly Law that are specific to IP matters.

## 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 Anti-Monopoly Law was drawn up based on the principles of the Indonesian state philosophy, Pancasila, the 1945 Constitution and economic democracy. It seeks to balance business interests and the interests of the public to:

- safeguard the public interest and protect consumers;
- develop a conducive business climate through the creation of fair business competition;
- ensure equal business opportunities for every person;
- prevent monopolistic practices and unfair business competition created by business actors; and
- ensure effective and efficient business activities to improve the national economy's efficiency and the people's welfare.

IP rights, in general, do not contradict the principles and purposes of the Anti-Monopoly Law. On the contrary, the robust protection of IP rights supports the purposes of the Anti-Monopoly Law to ensure effective and efficient business activities to improve the national economy's efficiency and the people's welfare.

Such argument is also supported by the fact that agreements related to IP rights, including licences, patents, trademarks, copyrights, industrial designs, integrated electronic circuits and trade secrets, as well as agreements related to franchises, are exempted from the scope of the Anti-Monopoly Law, as stipulated in article 50(b) of the Anti-Monopoly Law.

For IP protection and competition law, the IP laws contain provisions requiring that IP licence agreements should not include any provision that could cause unfair business competition.

Indonesia's Business Competition Supervisory Commission, in its Regulation No. 2 of 2009, also issued guidelines on IP licence agreements that cannot be exempted from the scope of competition laws due to their anticompetitive nature.

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## 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 has been a merger between a prominent ride-hailing company and a leading marketplace company in Indonesia. These two giant technology companies combined their e-commerce, on-demand, payment and other services, in what was believed to be the biggest combination between start-ups in Asia. It was thought that the merger had the potential to result in unfair business competition. In a press conference, as stipulated in Indonesia's Business Competition Supervisory Commission (KPPU) Letter No. 10/KPPU-PR/II/2022, dated 25 February 2022, the KPPU said that the anticompetitive potential or potential impact of the merger could be in the form of vertical integration, abuse of dominant power, market control or discriminatory practices in the use of online platforms.

Although the two companies have rather extensive IP portfolios, being among the most prominent technology companies in Indonesia, the merger evaluation of their transaction was not IP induced.

### Remedies and sanctions

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

After conducting a thorough evaluation on the impacts on, amongst others, market entry, business competition, unilateral conduct, and anticompetition, the KPPU held that the merger between the two tech companies (as discussed under 'Recent cases') did not violate the Anti-Monopoly Law. Namely, it did not create market concentration. Therefore, no remedies or sanctions were given in relation to the merger.

## 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 Indonesian House of Representatives is currently deliberating the draft of a new anti-monopoly law (Draft Anti-Monopoly Law), which would replace the current Anti-Monopoly Law. The Draft Anti-Monopoly Law currently in circulation no longer contains a provision exempting intellectual property agreements, including licences, patents, trademarks, copyrights, industrial designs, layout designs of integrated circuits, and trade secrets. Thus, if the Draft Anti-Monopoly Law is passed in its current form, IP-related agreements will fall within the scope of the Anti-Monopoly Law.

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The Draft Anti-Monopoly Law also contains new provisions on the following:

- the scope of business entity subject to the Draft Anti-Monopoly Law;
- reclassification of prohibited agreements and business activities;
- a leniency programme by which Indonesia's Business Competition Supervisory Commission (KPPU) may grant an amnesty or reduce any punishment, or both, for business entities that confess to or report any conduct that contravenes the relevant provisions on prohibited agreements, except in the case of any closed agreements;
- pre-notification, which would be a change from the current post-notification system. The House of Representatives is deliberating the pre-notification system, which would require companies to seek official approval from the KPPU before conducting any merger, consolidation or acquisition of shares or assets, as well as establishing any joint venture company;
- abuse of dominant business and bargaining positions;
- the authority of the KPPU. The Draft Anti-Monopoly Law contemplates enhanced KPPU authorities not only to investigate and adjudicate cases involving alleged monopolistic and unfair business practices, but also to conduct searches and/or seizures, assess mergers and/or the consolidation of companies, acquisitions of shares and assets, as well as the establishment of any joint ventures, and to draft guidelines for the anti-trust law;
- procedural anti-trust law; and
- criminal sanctions.

In the realm of IP regulation, the House of Representatives is deliberating drafts of a new industrial design law (Draft Industrial Design Law) and a new patent law (Draft Patent Law).

The Draft Industrial Law contains provisions on, among other things, the new novelty criteria to avoid unfair competition and the protection of unregistered short life cycle industrial designs for a maximum of three years.

The Draft Patent Law includes provisions on the possibility of granting second medical use, introducing a requirement for submitting a statement of patent implementation, cancellation of a compulsory licence if it does not prevent the implementation of a patent in a manner that is detrimental to the public interest, and the implementation of patents by the government for pharmaceutical products that cannot be produced in Indonesia.

It appears that all of the above draft laws are moving toward a better alignment between IP laws and anti-monopoly laws, which would strike a fair balance in business competition.

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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.

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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 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).

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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. In administrative proceedings at customs, the available remedies would be the confiscation and discard of the infringing goods by customs, or an order to an importer to reload them. 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;

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- 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. 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. The technological measures corresponding to TPMs and DRMs are defined as 'technological protection measures' and 'technological exploitation restriction measures' in terms of their general function and nature under 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). A person who provides devices or programmes that are designed to circumvent these measures 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 those measures 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). In addition, the act of circumventing technological exploitation restriction measures (except where it does not unduly harm the interests of the right holder), and the act of assigning codes to circumvent TPMs or technological exploitation restriction measures to the general public, or manufacturing such codes for the purpose of

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assignment to the general public, etc, constitute a deemed infringement of a copyright, and are also subject to criminal punishment of a maximum of three years' imprisonment or a fine of ¥3 million, or both (article 120-2, items 3 and 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 fair, reasonable and non-discriminatory (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 accompanied by a reasonable basis for such conditions; 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 to be applied 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.

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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 Act 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?

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.

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The Guidelines for the Use of Intellectual Property under the Anti-Monopoly Act (2007, last amended in 2016) 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, last amended in 2017) 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, last amended in 2007) 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 (JPO) released the Guide to Licensing Negotiations involving Standard Essential Patents regarding FRAND-encumbered standard-essential patents (SEPs) (last amended in June 2022). 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. In contrast, in 2022, the Ministry of Economy, Trade and Industry (METI) published the Good Faith Negotiation Guidelines for Standard Essential Patent Licenses that sets out a more subjective guidelines from a Japanese industrial policy perspective. The METI guidelines do not have any binding effect either, so we have yet to see how the actual practice will evolve around these guidelines from an IP and competition perspective.

Further, the JFTC and the METI jointly issued the Guidelines on Business Partnership Contracts with Startups in 2021, and updated it as well as renamed it as the 'Guidelines on Business Partnership Contracts with Startups and Investments into Startups'. The Guidelines identify potential issues that may arise in agreements concluded between start-ups and partner businesses and aim to present best practices, in particular 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 2) 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 Kraftfahrzeugtechnik 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, last amended in 2017) 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;

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- 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. 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. These rules on the exclusive jurisdiction equally apply 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.

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## 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) (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

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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 indefinite 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, last amended in 2016) (the IP Guidelines) and the Guidelines concerning Joint Research and Development under the Anti-Monopoly Act (1993, last amended in 2017) (the Joint Research and Development Guidelines) 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 Joint Research and Development Guidelines 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

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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.

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## 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

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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 into 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

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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) 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, last amended in 2016), 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

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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 an 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.

Recycled ink toner cartridges is one of the topics highly litigated in Japan. In a case decided by the Tokyo District Court on 22 July 2020, the plaintiff laser printer manufacturer claimed infringement of its patents regarding an electronic component of an ink toner cartridge which disables the printer's function of displaying the remaining amount of ink once the cartridge is refilled by restricting the rewriting of memory. Recycled ink toner cartridge manufacturers sold refilled cartridges with a replaced electronic component (which allows rewriting of memory) allegedly implementing those patents to make sure that such function of the printer would work with their refilled cartridges. The Tokyo District Court dismissed the claim as an abuse of right, holding that the plaintiff's measures constituted unfair trade practices because recycled ink toner cartridge manufacturers were forced to sell refilled cartridges which could not utilise such function of the printer – which as a consequence made such cartridges substantially less attractive to consumers. However, the Intellectual Property High Court reversed this decision on 29 March 2022, holding that the printing function still worked with the refilled cartridges and the plaintiff's electric component and there were ways to replace the electronic component at issue without implementing the plaintiff's patents; thus, the exclusionary effect of the plaintiff's measures were minimal, and coupled with certain elements that could reasonably explain the plaintiff's motive not being solely exclusionary, there was no abuse of right.

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 to make the plaintiff's printer cartridges inoperable with the defendant's laser printer could not be justified as it lacked necessity and the changes were not reasonable. The Court concluded that the change constituted tie-in sales under the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (No. 54 of 1947), 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.

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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?

An amendment to the Copyright Act, which took effect on 1 January 2021, expands the definition of technological protection measures 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 such measures 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, Geographic Indications 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);

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- 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, 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.

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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, as well as limitation of freedom or imprisonment in certain aggravated 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?

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

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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.

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## 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 anti-competitive 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 anti-competitive 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.

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## 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, Customs, state income authorities). 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.

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## 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 anti-competitive. 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.

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## 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.

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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 the 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.

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## 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.

## 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?

It is expected that the three-year moratorium on audits of small and medium-sized businesses will cease to apply in January 2023. If so, IP rights holders will be able to apply for the administrative enforcement procedure which is generally more cost and time effective compared to civil or criminal enforcement procedures. However, there are still discussions that this moratorium may be extended for another year (ie, until January 2024)

In June 2022, the Trademark Law of Kazakhstan was amended. The amendments, among other things, introduce a new IP object – geographic indications. A geographic indication is an indication which identifies goods produced at certain territory and specific features of which are connected with their geographic origin. Regulation applicable to geographic indications is in most aspects similar to appellations of origin, but there are some differences. For example, while for geographic indications specific features of goods are linked to geographic origin, for appellation of origin the main criteria are natural conditions and/or people at the location.

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# 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, effective as from 5 November 2020, together with the Federal Copyright Law, constitute the fundamental sources of intellectual property law in México. Bear in mind that the Mexican legal system is based 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 tried within 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

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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. At 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 Mexico.

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## 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 (TPMs) and digital rights management (DRM). 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 TPMs or DRM appear to have been challenged under competition law. Bear in mind, however, that legal proceedings in Mexico are kept strictly confidential until a final decision is rendered in the given case. Therefore, if there have been cases filed to challenge either TPMs 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, antitrust, 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 aim 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 of cases, or the Institute Federal of Telecommunications in relation to 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. Instead, an investigation is likely to stem from the situation where a holder of an industrial property licence intended to carry out domain activities in the market place, or where the issue of such licence brings, as a consequence, the displacement of other market participants. In those cases, 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 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 an investigation is conducted or a complaint is made about an absolute or relative monopolistic practice, in which IP rights are involved, which resulted from the granting of a licence of an IP right and the exploitation of a patent, or an illicit concentration, those persons who have suffered damages and losses, 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.

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## 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 channels, telecommunications, or 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 Mexico 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 to 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 Mexican Patent and Trademark Office is, for the time being, the sole government entity with authority to try IP-related cases originally. Competition-related

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matters are also dealt with by the competition authority. However, both IP and competition law disputes, 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 IP rights – as concentrating the IP rights in a merger could be considered to enable 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 IP 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 of the concentrations in this industry (telecommunications and radio broadcasting), for the 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 with regards to 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 IP 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 IP 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 is the authority in charge of knowing about concentrations in this industry (telecommunications and broadcasting). For the purposes of determining whether a 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 (ie, 'must offer, must carry') or order the divestiture of the entity. This course of action will be appropriate if as a result of the merger of certain IP rights, which, if maintained by the authority, it 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 IP cases.

### 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 industrial property rights (considering that industrial property rights are exceptions to be considered as a monopoly (ie, temporary monopoly)), their examination should be in the 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 anticompetitive 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 such conduct in similar manner to other anticompetitive conduct, namely, if the aforementioned conduct causes monopolistic practices or conspires to create barriers to free market competition, it will be sanctioned in this regard, and the authority's resolution will be based on the economic impact that this represents.

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## **(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 price or other conditions that must be observed when marketing a product or service, as well as an 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, as a consequence of the granting of licences, any of the aforementioned examples of conduct occur, it may result in 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 result in liabilities according to the competition laws, without distinguishing whether or not IP rights are involved. Therefore, in the event that a firm compels the licensee or acquirer of its IP rights, to carry out the aforementioned conduct, it would be subject to the applicable sanctions under the competition laws.

## **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 result in liabilities for the company, regardless of whether it is as a consequence of their general activities or those which 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?

The denial of access, in discriminatory terms and conditions, to essential input by one or more economic agents is considered, according to the competition law, as monopolistic practice. 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.

In the context of general trade or IP rights, the competition law does not treat either differently regarding refusal to negotiate and access to 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 impose 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 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, the Commission published and clarified the terms involved concerning the acquisition of the 100 per cent shares of Twenty-First Century Fox by The Walt Disney Company:

- 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 IP 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, logos, 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.

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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.

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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

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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

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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.

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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.

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## 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.

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## 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.

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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.

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## 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 are 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.

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- 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

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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 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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# Turkey

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[ACTECON](#)

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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)?

Turkey has granted intellectual property (IP) rights in a number of legal regulations. These legal regulations consist of:

- Law No. 6769 on the Industrial Property;
- Law No. 5846 on the Intellectual and Artistic Works;
- Law No. 5147 on the Protection of Integrated Circuit Topographies; and
- Law No. 5042 on the Protection of Plant Breeders' Rights for New Plant Varieties.

Within this scope, statutory and non-statutory IP rights can be summarised as patent, trademark, copyright and related rights, utility model, design, geographical indications and traditional product names, integrated circuit topographies, new plant varieties, biotechnological inventions, trade names and company names, domain names, trade secrets, and know-how. In accordance with the relevant legal regulations, IP holders are entitled to exploit the subject of right exclusively, to prevent illegal use of it by third parties and confer the right to use it by licensing it to third parties.

In line with article 148 of the Industrial Property Law, geographical indications and traditional product name rights cannot be the subject of licence, transfer and similar legal transactions. Moreover, legal transactions regarding IP rights are subject to written form and the validity of transfer agreements depends on the fact that they are notarised.

IP rights in Turkey exceed the minimum required by the TRIPs Agreement. In literature, they are referred to as 'TRIPs plus', and they mainly focus on two areas: pharmaceutical patents and providing protection to species through breeding animals and plants.

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## Responsible authorities

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

The institutions that grant, administer, enforce and protect IP rights by functioning as IP rights register and other institutions that are exclusively authorised in the enforcement of IP rights are as follows:

- Turkish Patent and Trademark Office: carries out the registration procedures related to patent, utility model, trademark, design, geographical indication and integrated circuit topographies applications. It is affiliated to the Ministry of Industry and Technology;
- Directorate General for Copyright of Ministry of Culture and Tourism: follows international developments on copyright, works to develop national legislation, deals with necessary measures and practices against infringements of IP rights and engages in public awareness activities. In addition, 'registration', 'banderol' and 'certificate' procedures for intellectual and artistic works are also carried out in this directorate;
- Directorate General for Plant Production of Ministry of Agriculture and Forestry: all registration procedures for new plant varieties are made in this directorate.
- Intellectual and Industrial Property Rights Coordination Board: established in order to create short, medium and long-term strategies on intellectual and industrial property rights, to improve coordination and cooperation among relevant institutions, and to ensure effectiveness in practices;
- General Directorate of Security: as a police organisation, carries out the actions specified in law by acting ex officio or upon complaints made regarding copyright and industrial rights infringements in Turkey. It is affiliated to the Ministry of Interior; and
- General Directorate of Customs of Ministry of Commerce: carries out the procedures stipulated by the law, with the authority to act ex officio or upon application for IP rights infringements at Turkish customs.

## 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?

On 1 January 2019, mediation for commercial disputes concerning receivables and compensation claims became mandatory in Turkey. In this context, article 4(1)(a) of the Turkish Commercial Law considers all disputes arising from the IP legislation as commercial disputes, regardless of the title of parties (whether they are merchants or not) and the amount in dispute. Therefore, the IP holder must complete the applicable mandatory mediation proceedings before filing a lawsuit regarding a commercial payment claim.

Alternatively, parties can take the IP dispute to arbitration as well. However, in Turkish law, disputes arising from contracts regarding IP rights or infringement of these rights are arbitrable, but it is difficult to say the same for registered IP rights.

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In terms of disputes that are not subject to arbitration and are outside the scope of mandatory mediation, there are two specialised courts available for cases stipulated in the Industrial Property Law, in line with article 156 of the same law:

- through the Civil Court of Intellectual and Industrial Rights, an IP holder can file a lawsuit mainly for the infringement actions to be stopped and to be compensated; and
- through the Criminal Court of Intellectual and Industrial Rights, criminal prosecutions and actions are handled, all of which commence with the IP holder initiating a raid action following a criminal complaint with the public prosecutors. It is important to note that criminal actions are not available for patent and industrial design owners.

The amount subject to dispute is also not relevant to the court. Hence, there are no separate enforcement options based on the amount in dispute.

In addition to these legal proceedings, there are auxiliary actions that can be taken to the administrative court, which are recommended to be combined with civil and criminal action. In this context:

- oppositions can be filed before the Turkish Patent and Trademark Office, which are available for trademarks, patents and industrial designs as there is no registration system for copyright in Turkey; and
- the recording of IP rights with customs is one of the administrative proceedings that would lead to the confiscation of counterfeit or pirated goods by customs officers. Following the recording of the rights, the customs authorities detain the suspected products and inform the IP holder. However, the detainment of goods is temporary, and the IP holder has to initiate legal proceedings (civil or criminal) in order to have the counterfeit or infringing goods permanently confiscated and subsequently destroyed.

As to the interrelationship between legal and administrative enforcement options for IP rights, parties are not precluded from arguing in one venue when choosing one enforcement option first. On the contrary, it is recommended to combine an administrative enforcement option with a civil or criminal action for an effective action plan.

## 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 accordance with article 149 of the Industrial Property Law, a party whose IP rights have been infringed may ask the court to:

- determine the infringement;
- stop the infringing acts;
- rule on compensation for material and moral damages;
- confiscate or destroy the infringing products as well as the equipment and machinery used to produce the products; and
- publicise its decision.

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In addition, preliminary injunctions are available before or during the substantive proceedings in line with article 159 of the Industrial Property Law. In this regard, the claimants must prove that they are the right holder, their rights are being infringed or it is highly likely for the rights to be infringed, and they may suffer irreparable harm or damages.

There are no criminal remedies for design and patent infringements, but for trademark and copyright infringements, criminal remedies, including imprisonment and fines, are available.

### 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?

Article 129 of the Industrial Property Law governs the interplay between competition law and IP law. If the patentee carries out activities distorting, hindering or limiting the competition while the patent is used, a compulsory licence shall be requested from the Turkish Competition Authority (TCA).

Other than this provision, there is no law that regulates the interaction between competition law and IP law. Nevertheless, within the scope of competition law, the secondary legislation addresses the interaction between competition law and IP law. In this context:

- ‘Block Exemption Communiqué No. 2008/2 on Technology Transfer Agreements’ and ‘Guidelines on the Application of articles 4 and 5 of the Law no. 4054 on the Protection of Competition to Technology Transfer Agreements’ state that both bodies of law have the same basic objective of promoting consumer welfare and an efficient allocation of resources. While IP rights promote dynamic competition by encouraging undertakings to invest in developing new or improved products and processes, competition law puts pressure on undertakings to innovate. Therefore, they both aim to promote innovation and ensure a competitive benefit thereof.
- ‘Block Exemption Communiqué No. 2002/2 on Vertical Agreements’ and ‘Guidelines on Vertical Agreements’ contain an exemption for vertical agreements that include the exercise of intellectual rights where provisions concerning intellectual rights are directly related to the use, sale or resale of the relevant goods and services, and other the conditions provided in the relevant communiqué are met.
- ‘Block Exemption Communiqué No. 2013/3 on Specialisation Agreements’ extends the exemption to licensing or IP transfer agreements that are directly related to, or necessary for, the functioning of the exempted specialisation agreements.
- ‘Block Exemption Communiqué No. 2016/5 on Research and Development Agreements’ provides an exemption for R&D agreements that include provisions regarding the assignment or licensing of IP rights in order to conduct joint R&D, paid-for R&D or joint exploitation (as long as those provisions are not the primary object of such agreements).

## Patent cooperation treaties and other agreements

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

Turkey is a participant (as a signatory or party) of various international and bilateral agreements, conventions and treaties, such as the TRIPs Agreement, the WIPO Patent Cooperation Treaty, the WIPO Copyright Treaty, the Paris Convention for the Protection of Industrial Property, the Strasbourg Agreement Concerning the International Patent Classification, 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 the Purposes of Registration of Marks, the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks, the Berne Convention for the Protection of Literary and Artistic Works, the Hague Agreement Concerning the International Registration of Industrial Designs, and the European Patent Convention.

## Remedies for deceptive practices

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

No, there are no remedies in competition or consumer protection laws for deceptive practices regarding trademarks. That said, consumer protection law in Turkey has remedies concerning deceptive advertising.

## 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?

No. Turkey does not have a law in force with regards to the circumvention of technological protection measures and digital rights management. However, the Intellectual and Artistic Works Law has a broad definition concerning the rights owner being able to use any kind of technological measures to protect their artistic rights.

## 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?

As per the Industrial Property Law, a compulsory licence may be given if at least one of the following conditions stipulated within article 129 is satisfied:

- notwithstanding other provisions, if the invention subject to the patent is not used;
- if the dependence of patent issues is in question;

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- if there is public interest;
- if the conditions specified in the protocol amending the TRIPS Agreement are present, if exportation of pharmaceutical products comes into question due to public health issues in other countries;
- if the breeder fails to develop a new plant variety without infringing on a previous patent; and
- if patentee carries out activities distorting, hindering or limiting the competition while patent is used.

Pursuant to the same article, as per the last condition above, if the patentee disturbs competition, the compulsory licence is requested from the TCA.

On the other hand, the Guidelines on Horizontal Cooperation Agreements contains explanations regarding access to the standard on fair, reasonable and non-discriminatory (FRAND) terms. According to paragraph 258, FRAND commitments are designed to ensure that any essential technology under IPR protection incorporated in a standard is accessible to the users of that standard on a FRAND basis. In particular, these commitments can prevent IPR holders from making the implementation of a standard difficult by refusing to license or by requesting unfair or unreasonable (excessive) fees or discriminatory fees after the industry has been locked-in to a standard.

There is no case law in Turkey dealing with 'patent hold-up', 'patent ambush', 'reverse patent hold-up' or 'royalty-stacking'.

## COMPETITION

### Competition legislation

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

The main legal source of competition law in Turkey is Law No. 4054 on the Protection of Competition (Competition Law) akin to EU law. It aims to ensure the protection of competition in the market and to prevent anticompetitive actions such as preventing, distorting or restricting competition in markets for goods and services and the abuse of dominance, etc. In addition, there are some regulations, communiques and guidelines that set out this field as secondary legislation.

### IP rights in competition legislation

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

There is no specific provision that relates to IP rights in the Competition Law. That said, Block Exemption Communiqué No. 2008/2 on Technology Transfer Agreements (Communiqué) regulates the compatibility IP rights licence agreements with the Competition Law. This Communiqué provides for the conditions whereby the provisions, contained in technology transfer agreements, which are restrictive of competition under article 4 of the Competition Law, are granted exemption when they are accepted to satisfy the requirements under article 5 of the Competition Law.

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In determining whether technology transfer agreements that are restrictive of competition satisfy the requirements of exemption, the power, held especially by those undertakings that are party to such agreements, within the relevant product and technology market, must be taken into account. In other words, the existence of substitutable technologies and substitutable products at the disposal of the competitors of the aforementioned undertakings gains importance.

In the assessment of technology transfer agreements, paying attention to the distinction whether the agreement is between competitors or not is quite important. It is less likely for technology transfer agreements between non-competitors to affect competition adversely than those that are between competitors. Therefore, rules to be applied to technology transfer agreements between competitors and between non-competitors, and especially factors such as market share thresholds and limitations that would exclude the agreement from the coverage of block exemption needed to be differentiated.

Where the market shares of the undertakings that are party to technology transfer agreements exceed the market share thresholds set forth under the Communiqué, a detailed examination needs to be made so that it can be determined whether the said agreements are caught by article 4 of the Competition Law and whether they satisfy the requirements of exemption under article 5. In making this assessment, all of the legal and economic factors related to the agreements, particularly the structure of the relevant technology and product market must be taken into account.

This Communiqué aims at the protection of competition within the market and provision of legal certainty to undertakings. To that end, the Communiqué gives the general conditions of block exemption for technology transfer agreements and enumerates the provisions that would prevent the said agreements from qualifying for the block exemption. In addition to these, rather than the approach whereby an agreement is excluded from the scope of the block exemption as a whole in relation to certain obligations, it would be appropriate to adopt the practice whereby the relevant obligations only are disqualified from block exemption and thus the agreements containing these continue to qualify for the block exemption. Whereas the existence of issues such as market share thresholds, obligations that leave the agreement out of the scope of the block exemption and obligations that are unable to qualify for block exemption is generally sufficient to protect competition within the market, the exemption will be withdrawn where it is established that an agreement or networks of agreements that qualified for exemption under this Communiqué still do not satisfy the requirements under article 5 of the Competition Law.

Although this Communiqué covers only those technology transfer agreements between a licensor and a licensee, the provisions not constituting the main purpose of the agreement, however, directly relating to the implementation of the technology concerned by the agreement, which are contained in these agreements, shall also be covered by the exemption. This Communiqué shall also apply where technology transfer agreements cover issues related to more than one level of trade such as the obligations the licensee must impose on resellers, for example, in relation to setting up of a certain distribution system. However, in such a case, such obligations need to be in conformity with the relevant regulations. This Communiqué shall not apply to supply and distribution agreements between licensee and their buyers.

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Among the other agreements to which the Communiqué shall not apply are also the licence agreements made through pooling of technologies in order to grant licence to third parties as a package. Licence agreements drawn up for the purpose of having an undertaking carry out research and development activities shall not be dealt with under this Communiqué either.

### 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?

When obtaining, granting, licensing or transfer of IP rights is subject to agreements and these agreements contain provisions on resale price maintenance, regional restraints, quantitative restraints on production or sales, or customer allocation, they may be considered to have an anticompetitive effect on the market; and thus, the provisions of the Competition Law regulating anticompetitive agreements apply (if they fail to meet the conditions of a block or individual exemption). In such a case, since activities or legal transactions prohibited by the Competition Law will be in question, they will fall under the duties and powers of the Turkish Competition Authority (TCA) in accordance with article 27 of the Competition Law. Consequently, the TCA may review or investigate the competitive effect of conduct related to exercise of 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?

Yes. Anyone who prevents, distorts or restricts competition via practices, decisions, contracts or agreements contrary to the Competition Law, or abuses its dominant position in a particular market for goods or services, may be obliged to compensate for any damages of the injured. If the damage has resulted from the behaviour of more than one person, they are responsible for the damage jointly.

In this regard, it is not important whether the person claiming compensation for the damage is a private party or not; anyone can recover the damage and whether the damage is caused by the exercise, licensing or transfer of IP rights does not matter as long as it causes competition-related damages. Those who suffer as a result of the prevention, distortion or restriction of competition, may claim as a damage the difference between the cost they paid and the cost they would have paid if competition had not been limited. Competing undertakings affected by the limitation of competition may request that all of their damages are compensated by the undertaking or undertakings that limited competition. In determining the damage, all profits expected to be gained by the injured undertakings are calculated by taking into account the balance sheets of the previous years as well. If the damage arises from an agreement or decision or gross negligence of the parties, the judge may, upon the request of the injured, award compensation by three-fold of the material damage incurred or of the profits gained or likely to be gained by those who caused the damage.

## Competition guidelines

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

Guidelines on the Application of articles 4 and 5 of Law No. 4054 on the Protection of Competition to Technology Transfer Agreements issued by the TCA contains statements regarding the overlap of competition law and IP. Indeed, it is stated in paragraph 5 that legal regulations related to IP grant exclusive rights of exploitation to right holders does not imply that IP rights are immune from the area of application of the competition law. Articles 4, 5 and 6 of the Competition Law are also applicable to agreements whereby the holder of an IP right licences another undertaking to exploit its IP rights. However, the grant of exclusive right to use to right holders does not imply that there is an absolute conflict between IP rights and competition rules. Indeed, both bodies of law have the same basic objective of promoting consumer welfare and an efficient allocation of resources. As is known, innovation constitutes an essential and dynamic component of an open and competitive market economy. Within this scope, while IP rights promote dynamic competition by encouraging undertakings to invest in developing new or improved products and processes, competition protected by competition law puts pressure on undertakings to innovate. Therefore, the common objective of IP rights and competition is to promote innovation and ensure a competitive exploitation thereof.

## 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 no aspects or uses of IP rights that are specifically exempt from the application of competition law.

## 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, 'copyright exhaustion' is also applicable in Turkey. In that sense, the enforceability of copyrights of a product is exhausted after the first sale or other means of transfer of ownership. Once it is exhausted, this allows for free movement across borders all over the world, thus facilitating competition. Moreover, with the principle of exhaustion, the copyright holder is prevented from taking control or influencing the distribution and creating a monopoly. Within this context, the copyright owner cannot control prices depending on the country in which the copyrighted product sold. Additionally, once an IP owner or authorised seller places a product on the market, a third party's parallel import of that product cannot be restricted, even by the exclusive distributor, unless the third party changes or impairs the product. As a result, effective competition can take place and consumers can take advantage of price differences.

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Articles 4(d) and 6(a) of the Competition Law prohibit behaviour that prevents competitors from entering into the market and restrict their activities. In this context, as the prevention of parallel importation is regarded to bear these effects, it is also evaluated to be within the scope of the Competition Law. In consequence, without prejudice to abusive conducts protected within the scope of the relevant legislation pertaining to the protection of trade-mark protection, from the moment that the protected product is offered to the market in Turkey, it cannot be claimed that the owner has the right to prevent the resale of the original product or from the original product being imported to the country through legal ways.

### Import control

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

The principle of exhaustion of rights plays an important role on this matter. With the amendments made to the Industrial Property Law in 2017, Turkey adopted the principle of 'international exhaustion', meaning that the rights of the IP holder are exhausted once the products are offered to the market anywhere in the world, and the world is regarded as a single market or 'one country'. Therefore, the IP holder can no longer claim any right to control over a third party who offers these products to the market again and cannot prevent 'grey-market' or parallel import.

Similarly, in terms of preventing the distribution of these products, the rights of the IP holder are subject to exhaustion after the first sale of the product or transfer of ownership. Accordingly, once the IP rights holder sells the product or transfers its ownership, no permission is needed for its disposition or movement. As a result, the IP rights holder can prevent 'grey-market' or unauthorised importation or distribution of its products until the first sale.

### 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?

Claims and damages arising with regards to competition law are not exclusively overseen by a certain authority, and these claims could be asserted within a civil lawsuit filed accordingly with the Commercial Courts in general. However, IP claims are overseen by the Civil Court of Intellectual and Industrial Rights and the Criminal Court of Intellectual and Industrial Rights. These courts have the duty and power to decide upon IP-related matters. If a claim is filed with the wrong authority, this would not be transferred to the relevant authority but rather would be rejected, and the claimant would have to file their claim once again within the correct jurisdiction. While all IP-related disputes are overseen by exclusive courts, courts with general jurisdiction would step in for the cities where a special court is not established.

## 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?

Claims and damages arising with regards to competition law are not exclusively overseen by a certain authority, and these claims could be asserted within a civil lawsuit filed accordingly with the Commercial Courts in general. However, IP claims are overseen by the Civil Court of Intellectual and Industrial Rights and the Criminal Court of Intellectual and Industrial Rights. These courts have the duty and power to decide upon IP-related matters. If a claim is filed with the wrong authority, this would not be transferred to the relevant authority but rather would be rejected, and the claimant would have to file their claim once again within the correct jurisdiction. While all IP-related disputes are overseen by exclusive courts, courts with general jurisdiction would step in for the cities where a special court is not established.

### 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?

Under the Competition Law, the same general merger control analysis is applicable for transactions 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?

For transactions exceeding the turnover thresholds set forth under Communiqué No. 2010/4 Concerning the Mergers and Acquisitions Calling for the Authorization of the Competition Board, as part of the notification phase of the merger control procedure, the Turkish Competition Authority (TCA) gives a special focus to transactions in which one of the transaction parties has more than 25 per cent market share and another one of the transaction parties holds important IP rights for that market. As of 4 May 2022, the TCA has amended the relevant legislation, stating that transactions regarding the acquisition of technology undertakings operating in the Turkish geographical market or having R&D activities or providing services to users in Turkey shall be subject to notification to the TCA regardless of the turnover thresholds of the turnover of the acquired undertaking. In this context, the turnover of the acquiring undertaking still must be exceeding the relevant thresholds just as stipulated for regular mergers and acquisitions. In this regard, technology entities are defined as undertakings or related assets operating in the fields of digital platforms, software and gaming software, financial technologies, biotechnology, pharmacology, agro-chemicals, and health technology under the relevant communiqué.

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Regardless of if the transaction is IP rights related or not, the merger control test in Turkey evaluates transactions not only from the creating or strengthening a dominant position perspective, but also identifies transactions that may significantly impede competition in the relevant markets even if they do not create a dominant position or strengthen the dominant position in any given relevant product 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?

Proposed remedies aimed at eliminating competition problems created by a concentration transaction may be structural or behavioural. Proposed structural remedies generally involve the divestiture of a certain business, while proposed behavioural remedies involve the arrangement of the future market behaviours of the parties. The main purpose of proposed remedies is to protect the competitive structure that existed in the market prior to the transaction. Therefore, due to their characteristics of bringing about a sustainable result in the short term in terms of eliminating competition problems and not requiring supervision after being implemented, structural remedies – particularly those causing structural changes in the market such as the divestiture of a business – more properly fit within the purpose expected from proposed remedies. However, it is not disregarded that proposed behavioural remedies such as ensuring access to important infrastructure and raw material in a non-discriminatory manner are also likely to solve competition problems caused by a transaction.

As regards the divestiture packages, the parties shall be asked to waive from all of the rights relating to the intangible assets included in the divestiture package. For instance, granting a limited-time licence concerning IP rights falls short of eliminating the anticompetitive effects of the transaction because sometimes the licensee is not able to compete effectively with the parties following the expiry of the licence period. Furthermore, due to the fact that a licence – because it requires an ongoing relationship between the two parties – allows the licensor to affect the behaviours of the licensee in the market and conflict arises between the licensee and the licensor with regard to the scope and conditions of the licence, proposed remedies involving the granting of licence concerning the rights pertaining to intangible assets instead of divesting those assets are not considered as a suitable remedy save for exceptional cases.

In exceptional cases where the competitive problems arise from a market position based on the superiority of owning a certain technology or IP right, the divestiture of the said technology or IP right may be considered as a suitable remedy.

As regards the access remedies, remedies foreseeing the granting of access to key infrastructure, network, technologies such as patent, know-how or other IP rights and essential inputs may be accepted as an appropriate remedy in some cases to facilitate market entry by competitors.

In addition, use of certain IP rights may lead to foreclosure of competitors who depend on those technologies as an essential input in downstream markets. For instance, this may be the case where competition problems about the transaction arise as the parties withhold

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information necessary for the interoperability of different equipment. Similarly, in certain sectors where undertakings must cooperate by licensing patents to each other, the possibility of the parties to introduce licensing behaviour with different terms than those in the past may lead to competition problems. This type of competition problems may be eliminated by a commitment to grant licences on the same basis and on reasonable conditions also after the transaction. In those cases, the proposed remedies should give non-exclusive access to the licence or confidential information for the IP right in question to the third parties concerned. Moreover, the remedy must clearly determine the conditions under which the licence is given and licence charge or fee in order not to impede effective implementation of such remedy. An alternative may be granting royalty-free licences.

## SPECIFIC COMPETITION LAW VIOLATIONS

### Conspiracy

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

Under the Competition Law, obtaining, granting or transfer of IP rights are regulated under the general provisions of anticompetitive agreements (ie, article 4 of the Competition Law), provided that they do not satisfy the block or individual exemption conditions. According to article 4 of the Competition Law, agreements and concerted practices between undertakings, and decisions and practices of associations of undertakings that have as their object or effect or likely effect the prevention, distortion or restriction of competition directly or indirectly in a particular market for goods or services are illegal and prohibited. Such cases are, in particular, as follows:

- fixing the purchase or sale price of goods or services, elements such as cost and profit that form the price, and any terms of purchase or sale;
- partitioning markets for goods or services, and sharing or controlling all kinds of market resources or elements;
- controlling the amount of supply or demand in relation to goods or services, or determining them outside the market;
- complicating and restricting the activities of competing undertakings, or excluding firms operating in the market by boycotts or other behaviour, or preventing potential new entrants to the market;
- except exclusive dealing, applying different terms to persons with equal status for equal rights, obligations and acts; and
- contrary to the nature of the agreement or commercial usages, obliging to purchase other goods or services together with a good or service, or tying a good or service demanded by purchasers acting as intermediary undertakings to the condition of displaying another good or service by the purchaser, or putting forward terms as to the resupply of a good or service supplied.

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## 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?

Settlement agreements are considered within the scope of the Block Exemption Communiqué No. 2008/2 on Technology Transfer Agreements (Communiqué).

Licensing may serve as a means of settling disputes or avoiding that one party exercises its IP rights to prevent the other party from exploiting its own technology rights. Licensing, including cross-licensing, in the context of settlement agreements is generally not as restrictive of competition since it allows the parties to exploit their technologies after the agreement is concluded. However, some of the terms and conditions of such agreements may be caught by article 4 of the Competition Law. Licensing in the context of settlement agreements is treated in the same way as other licence agreements. Therefore, in the case where there are technically substituted technologies, to what extent those technologies are in a one-way or two-way blocking position should be analysed. If a blocking position exists, the parties will not be considered competitors.

The block exemption applies as long as the agreement does not include the hardcore competition restrictions listed in article 6 of the Communiqué. The hardcore competition restrictions listed in article 6(2) of the Communiqué will apply to cases where the parties clearly know that there is not a blocking position between their technologies and as a result they are competitors. In such cases, settlement is a means to restrict the competition present at the time of the conclusion of the agreement.

Settlement agreements whereby the parties cross-license each other and impose restrictions on the use of their technologies, including restrictions on the licensing to third parties, may be caught by article 4 of the Competition Law. Where the parties have a significant degree of market power and the agreement imposes restrictions that go beyond what is required in order to unblock, the agreement is likely to be caught by article 4 of the Competition Law even if a mutual blocking position exists.

Where under the agreement the parties are entitled to use each other's technology and the agreement extends to future developments, it is necessary to assess the impact of the agreement on the parties' incentive to innovate. In cases where the parties have a significant degree of market power, the agreement may be caught by article 4 of the Competition Law where the agreement prevents the parties from gaining a competitive lead over each other. Agreements that eliminate or substantially reduce the possibilities of one party to gain a competitive lead over the other reduce the incentive to innovate and thus adversely affect an essential part of the competitive process. The achievement of the objective of the agreement, namely to ensure that the parties can continue to exploit their own technology without being blocked by the other party, does not require that the parties agree to share future innovations. However, the parties are unlikely to be prevented from gaining a competitive lead over each other where the purpose of the licence is to allow the parties to develop their respective technologies and where the licence does not lead them to use the same technological solutions. Such agreements merely create freedom of movement by preventing future infringement claims by the other party.

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In Turkey, there is no patent settlement agreement subjected to the Turkish Competition Authority's (TCA) scrutiny because it aims to delay the entry of a potential competitor. The objective of pay-for-delay agreements can be achieved by such types of agreements in which an IP right owner might give a licence to the other party in one market so that it does not enter another one. It is important to evaluate the contract terms carefully to understand the intention kept in the background.

### Reverse payment patent settlements

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

No. Turkish competition law is yet to witness a case of reverse payment patent settlement; no relevant decision was concluded by the TCA. However, in the eyes of the TCA, non-IP related conduct is distinguishable from IP-related conduct.

### (Resale) price maintenance

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

Yes. Resale price maintenance is considered to be a hardcore restriction of competition and accordingly prohibited under the Competition Law. Specifically, according to article 6(3)/a of the Block Exemption Communiqué No. 2008/2 on Technology Transfer Agreements, restriction of a party's right to determine its sales prices is defined as a hardcore restriction. In the eyes of the TCA, non-IP related conducts are not distinguishable from IP-related conducts.

### 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. In its *Logo Yazılım* decision, 11-26/497-154, 28 April 2011, the TCA also reviewed the abuse of dominance with respect to tying and bundling practices, in which the licensing of IP rights was tied to the licensing of other IP rights, and applied the general provisions set forth under article 6 of the Competition Law. It should be noted that, in the eyes of the TCA, non-IP related conduct is not distinguishable from IP-related 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. In its *Philips* decision, 19-46/790-344, 26 December 2019, the TCA deemed that standard-essential patents held by Philips grant monopolistic power to Philips, and Philips' practices led to abuse of dominance in terms of article 6 of the Competition Law. In the eyes of the TCA, non-IP related conduct is not distinguishable from IP-related conduct.

The TCA also ruled in its *Bilsa* decision, 07-26/238-77, 21 March 2007, that Bilsa abused its dominant position by disrupting the competition in the market for school software. In this earlier decision, the TCA found that Bilsa took advantage of the technological and commercial benefits of encryption and did not let customers change service provider by refusing to provide encryption keys that would decode the data the schools stored within the software. This way, the schools who were not satisfied and wanted to change programs were unable to choose the products of another company as they could not risk losing their data pool. In this regard, the TCA did not find the encryption defences by Bilsa to be essential in protecting their IP rights, but rather to prevent schools from terminating their contracts by hindering their ability to access their data after the agreement was terminated.

### 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?

Essential facility doctrine is accepted by the TCA; therefore, a simple refusal to license by a dominant undertaking does not automatically result in a violation of article 6 of the Competition Law. In contrast, in the case where the TCA deems an IP right as an essential facility and finds an infringement by way of refusal to deal, mandatory licensing might be a possible remedy. In the eyes of the TCA, non-IP related conduct is not distinguishable from IP-related 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?

As per article 16(3) of the Competition Law, to those who commit behaviour prohibited in articles 4, 6 and 7 of the Competition Law, an administrative fine shall be imposed up to 10 per cent of annual gross revenues of undertakings and associations of undertakings or members of such associations as a penalty, generated by the end of the financial year preceding the decision, or generated by the end of the financial year closest to the date of the decision if it would not be possible to calculate it and which would be determined by the Turkish Competition Authority (TCA).

Article 16(4) of the Competition Law provides that managers or employees of undertakings or associations of undertakings who are found to have had decisive influence on the violation may be subject to fines up to 5 per cent of the fine given to the undertakings or associations of undertakings pursuant to paragraph 3.

In determining the percentage of the fine to be imposed, the TCA takes the characteristics of the violation into account, and thus the consequences of an infringement vary depending on the facts of the specific behaviour. However, the Regulation on Fines to Apply in Cases

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of Agreements, Concerted Practices and Decisions Limiting Competition, and Abuse of Dominant Position sets forth that the TCA is entitled to impose a base fine:

- between 2 per cent and 4 per cent for cartels; and
- between 5 and 3 per cent for other violations of the undertaking's turnover.

Reviewing the mitigating factors (such as provision of assistance to the examination beyond the fulfilment of legal obligations, existence of encouragement by public authorities or coercion by other undertakings in the violation, voluntary payment of damages to those harmed, termination of other violations, and occupation of a very small share by practices subject to the violation within annual gross revenues) and aggravating factors (such as recidivism of the violation, maintaining cartel after the notification of the investigation decision, not meeting the commitments made for the elimination of the competition problems within the scope of article 4 or 6 of the Competition Law, providing no assistance with the examination, coercing other undertakings into the violation), the TCA is entitled to increase the fine percentage up to 10 per cent of the company's turnover achieved within the previous year.

On the other hand, as per article 129 of the Intellectual Property Law, a compulsory licence may be granted by the TCA if the patent holder engages in anticompetitive practices during the use of the patent. Additionally, if the TCA determines that there is an infringement of articles 4, 6 or 7 of the Competition Law, then it shall notify in its final decision the behaviours that the relevant undertaking or associations of undertakings must carry out or refrain from in order to re-establish competition, and any structural remedies in the form of undertakings transferring certain businesses, partnership shares, IP rights or assets. Behavioural and structural remedies must be proportionate to the infringement and necessary to bring the infringement effectively to an end. Structural remedies such as divestitures shall only apply where previous behavioural remedies imposed have been ineffective. If the final decision finds that behavioural remedies have been unsuccessful, relevant undertaking or associations of undertakings shall be given at least six months to comply with the structural remedy.

Moving back to damages, the civil courts may also order compensation of damages incurred as a result of the violation.

### Competition law remedies specific to IP

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

Under the Competition Law, there are no special remedies that directly address IP-related considerations, except article 129 of the Intellectual Property Law that governs 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?

There is no specific case law involving IP rights where competition economics played a role.

## 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 Turkish Competition Authority's (TCA) *Philips* decision, 19-46/790-344, 26 December 2019, standard-essential patents held by Philips and their relevant practices while licensing these patents were assessed by the TCA. The TCA concluded that the standard-essential patents granted dominance to Philips, and Philips' conduct in licensing the patents was regarded as exclusionary and discriminatory; hence, it was abusing its dominant position. The TCA found that Philips was engaged in anticompetitive practices, by not acting in accordance with fair, reasonable and non-discriminatory (FRAND) principles, and was consequently fined as per 0.75 per cent of its turnover generated in the financial year preceding the date of the decision. However, this decision was annulled by the Ankara 7th Administrative Court on 3 June 2021, with the Ankara Regional Administrative Court 8th Administrative Law Chamber upholding the decision on 29 April 2022. The judicial review of the case is still ongoing.

### Remedies and sanctions

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

In the TCA's *Philips* decision, 19-46/790-344, 26 December 2019, the TCA found that Philips was engaged in anticompetitive practices, by not acting in accordance with FRAND principles, and was consequently fined as per 0.75 per cent of its turnover generated in the financial year preceding the date of the decision. However, this decision was annulled by the Ankara 7th Administrative Court on 3 June 2021, with the Ankara Regional Administrative Court 8th Administrative Law Chamber upholding the decision on 29 April 2022.

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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?

There may be emerging trends in the intersection of IP and antitrust policy depending on the European Commission's policy developments as the Turkish Competition Authority closely follows the activities of the European Commission.

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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, as well as UK and EU case law. After the Brexit transition period which ended on 31 December 2020, EU law ceased to apply to the UK. EU Regulations only continue to apply in UK domestic law by virtue of the [European Union \(Withdrawal\) Act 2018](#), as amended by the European Union (Withdrawal Agreement) Act 2020 (the EU Withdrawal Act). The EU Withdrawal Act includes provisions which converted existing directly applicable EU law into domestic UK law by way of statutory instruments. This mainly applies to EU Regulations, which would otherwise have ceased to apply after the Brexit transition period, and also to statutory instruments implementing EU Directives, where the statutory instruments were adopted pursuant to the European Communities Act 1972. In addition, a series of statutory instruments were implemented in advance of the end of the Brexit transition period to enable EU retained law to work effectively. At the time of writing, EU case law prior to 1 January 2021 is still binding on UK courts, although the Supreme Court and Court of Appeal have the ability to depart from pre-exiting EU case law if they feel it is 'appropriate to do so'.

Substantive national patent law across Europe has been partially harmonised by the European Patent Convention 1973, which was implemented nationally in the UK through the UK [Patents Act 1977](#) (as amended). Patent protection lasts for 20 years, and can be extended for medicinal and plant protection products by a supplementary protection certificate (SPC). Under a retained version of EU Regulation 469/2009 (Retained SPC Regulation), for medicinal products it can be extended by up to five-and-a-half years, and under a retained version of EU Regulation 1610/96, for plant protection products it can be extended by up to five years. UK patent law, including the patent enforcement system in the UK, has remained unchanged. Statutory instruments came into effect at the end of the transition period on 31 December 2020 and brought EU legislation into UK law as far as possible, to maintain current systems and processes.

The process of applying for a UK SPC, the timescale, documentation, fees, conditions for seeking an SPC and the scope of protection have also remained essentially the same.

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However, there are some important changes relating to the territory of protection and the date of calculation of the duration of SPCs. SPC applications are now required to be based on a UK, Great Britain (GB) and/or Northern Ireland (NI) marketing authorisation (MA), and will be territory-specific to the underlying MA(s). The consequence of this is that the territorial extent of an SPC will extend only to the territory where the MA(s) allows the product to be sold. In circumstances where the territorial scope of an SPC extends only to GB or NI, the scope can be extended to the whole of the UK if, before an SPC takes effect, a valid GB or NI MA is granted in relation to the same product (where such MA is the first MA for that product).

The duration of both old and new UK SPCs is determined by reference to the earliest MA in the European Economic Area (EEA) and the UK. This means that if the MA had been granted in an EEA member state before the grant of the UK MA, the term of the UK SPC will run from the date of the earlier EEA MA, thereby limiting the effective period of exclusivity in the UK.

In addition, from 1 January 2021:

- authorisations from the European Medicines Agency, for the purposes of SPCs, were converted into equivalent UK authorisations; and
- new applications for a six-month paediatric extension to SPCs are considered based on provisions in the UK Human Medicines Regulations 2012.

With effect from 1 January 2021, the Retained SPC Regulation has provided for a revised SPC manufacturing waiver regime in order for it to work effectively in the UK. The UK SPC waiver allows a UK 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 UK, the Isle of Man and the EU (where the protection has 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 UK, the Isle of Man or the EU on day one of SPC expiry, or both. The waiver applies to SPCs which were applied for on or after 1 July 2019, but not to SPCs that took effect before 1 July 2019. In cases where an SPC application was filed before 1 July 2019 but did not take effect until after 1 July 2019, the waiver has only applied from 2 July 2022.

Registered trade marks are protected under the UK [Trade Marks Act 1994](#) (as amended). Since 1 January 2021, EU trade marks (EUTMs) no longer cover the UK. Protection for unregistered trade marks can last indefinitely; the same applies to registered trademarks as long as the registrations are successfully maintained and renewed every 10 years.

Registered and unregistered designs are protected under the UK [Copyright, Designs and Patents Act 1988](#) (CDPA, as amended) and [Registered Designs Act 1949](#) (as amended). The duration of protection varies from three to 25 years, depending on the nature of the right.

Prior to the end of the Brexit transition period, the UK Parliament enacted Brexit-related amendments to design and trade mark law. As EUTMs and registered Community designs (RCDs) ceased to cover the UK after 31 December 2020, an EUTM or a RCD was automatically cloned and a comparable UK trade mark registration or design registration was created that retained the same priority, filing, seniority and renewal dates as the equivalent EU right.

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A new UK right called the supplementary unregistered design ('SUD') has been created to replace the former UK part of the equivalent EU unregistered Community design ('UCD'). The SUD intends to mimic the UCD in the UK with the same scope and duration following the loss of the UCD, protecting the 2D and 3D appearance of the whole or part of a product for a period of three years. Given that UK and EU unregistered designs are now separate rights, it is important for UK businesses, nationals or residents to consider where to first disclose designs if they wish to rely on unregistered design rights either in the UK or the EU (or both). This is because a SUD will be established by a first disclosure in the UK or another qualifying country. Notably, first disclosure in the EU will not establish a SUD right in the UK. There is an unresolved question as to whether disclosure on the same day in the UK and the EU will create a separate unregistered design right in both territories.

Copyright protection is governed by the CDPA. The duration of copyright protection varies, depending on the nature of the work. Literary, dramatic, musical and artistic works are usually protected for 70 years from the end of the year in which the author dies. Specific aspects of copyright law have been harmonised by a number of EU Directives which form part of retained EU law. There is, however, an important exception. The Directive on Copyright in the Digital Single Market 2019/790 has not been implemented into UK law, as it came into force after 31 January 2020. The deadline for transposing this directive into national law was 7 June 2020 but the UK government decided not to implement it in the UK. Prior to Brexit completion date, the UK government implemented statutory instruments which removed or corrected references to the EU, EEA or member states in the national legislation to preserve the effect of UK copyright law.

Databases may be protected as copyright works under the CDPA, and by the *sui generis* database right under EU Directive 96/9 (the Database Directive) as implemented in the CDPA. Copyright in a database lasts for 70 years after the creator's death, and the *sui generis* database right for 15 years, from the date the database was made.

UK citizens, residents, and businesses are no longer eligible to be assigned or to own database rights in the EEA for databases created on or after 1 January 2021. UK owners of databases that are created on or after this date need to consider alternative means of protection in the EEA, such as licensing arrangements with persons who are eligible to be owners of such rights in the EEA or relying on copyright protection. Database rights that existed in the UK or EEA before 1 January 2021 (whether held by UK or EEA persons or businesses) continue to exist in the UK and EEA for the rest of their protection duration. UK legislation has been amended so that only UK citizens, residents, and businesses are eligible to own database rights in the UK for databases that are created on or after 1 January 2021.

Trade secrets and confidential information are protected by the common law of breach of confidence, and trade secrets are also protected by [EU Directive 2016/943](#).

The enforcement of IP rights across Europe has been harmonised to some extent by [Directive 2004/48](#) (the Enforcement Directive) which is still applicable in the UK as retained EU law. 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 unjustified threats of IP infringement, the law of which was 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.

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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, trade marks, and registered designs. The European Patent Office (EPO) 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 UK IPO and EPO are not EU institutions and their operation are unaffected by Brexit.

Since 1 January 2021, new UK rights have been created to replace EUTMs and RCDs. In addition, international trade mark and design right registrations designating the EU are no longer valid in the UK and the UK must be designated specifically.

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 rights owners 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 High Court is the most common venue. IP proceedings in the 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.

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Decisions of the English High Court can be appealed (with permission) to the Court of Appeal and the Supreme Court. Since 1 January 2021, with some limited exceptions relating to Northern Ireland, questions on EU law are no longer referred to the Court of Justice of the European Union (CJEU).

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 protection certificate. However, the UK 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 or destruction of infringing goods, damages or an account of profit, and a declaration that the right is valid and has been infringed. In addition, the UK courts have broad jurisdiction to make declarations that will serve a useful purpose (eg *Arrow* declarations and declarations of non-essentiality in the case of fair, reasonable, and non-discriminatory (FRAND) disputes). Copyright, registered designs 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, such that this is left to the courts to determine. For example, 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 are a number of European cases in respect of reverse payment patent settlement agreements. There are also several 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 (of which the UK is still a member). 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 this agreement. Since leaving the EU, 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](#), 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.

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## 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 [\[2011/C 11/01\]](#), 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 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 into a global licence of a multi-national 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.

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In subsequent years, as a consequence of this decision, the English courts continue to be a leading forum for resolving global SEP FRAND disputes.

## 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 effectively mirror the EU equivalents found in articles 101 and 102 of the Treaty on the Functioning of the European Union, respectively (for the moment, at least). Following the end of the Brexit transition period on 1 January 2021, section 60A of the Competition Act provides that the UK courts must ensure consistency between UK competition law and pre-Brexit EU competition case law, although the courts may depart from pre-Brexit EU competition case law if it is appropriate in light of specified circumstances. The extent of any future divergence between EU and UK competition law is unclear.

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.

Note that the National Security and Investment Act 2021 introduced a new (mandatory and voluntary) regime for transactions that may have an impact on national security.

### 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 IP rights (IPRs).

However, agreements that fall within one of the EU block exemptions will be exempt from the application of the Chapter I provisions because all EU block exemption regulations (except the new Vertical Block Exemption Regulation) have been preserved in UK law by the Competition (Amendment etc.) (EU Exit) Regulations 2019. 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); and

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- the Specialisation Block Exemption Regulation (Commission Regulation (EU) No. 1218/2010).

In addition, the Competition Act 1998 (Vertical Agreements Block Exemption) Order 2022 (SI 2022/516) has replaced the Vertical Agreements Block Exemption (Commission Regulation (EU) No. 330/2010) on 1 June 2022, the latter having expired on 31 May 2022. The new UK block exemption contains an equivalent provision relating to IPRs corresponding with that contained in both the old and the new EU Vertical Block Exemption Regulations. The Competition and Markets Authority's (CMA) guidance for the new UK block exemption now acknowledges that with respect to a restriction in a vertical agreement that only concerns exports outside the UK or imports/re-imports from outside the UK, the CMA is unlikely to regard it as having the object of restricting competition within the UK; it would carry out an effects analysis instead. This mirrors the equivalent updated guidance for the EU.

### 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 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.

Following the end of the Brexit transition period, the European Commission no longer has concurrent jurisdiction over conduct taking place in the UK that may have an effect on trade between EU member states. However, EU competition law still applies to conduct that takes place outside the EU (including in the UK) that is implemented in the EU or on the basis of the qualified effects doctrine (namely that the jurisdiction of EU competition law can be established where anticompetitive conduct outside the EU has substantial, immediate and foreseeable effects on the internal market).

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 Financial Conduct Authority and the Payments System Regulator (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.

In addition, the Department for Business, Energy and Industrial Strategy now has jurisdiction to review transactions that may raise national security concerns under the National Security and Investment Act 2021.

The Competition Appeal Tribunal (CAT) is a specialist competition tribunal which 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

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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). Commission decisions on liability under EU competition law may still underpin follow-on claims where the decision was reached before the end of the transition period.

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) that implemented 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 Brexit. 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 to the extent that such guidance remains relevant to the retained block exemptions. For example, the Technology Transfer Guidelines (OJ 2014 C 89/03) 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 retained 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 Copyright, Designs and Patents Act 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 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. This means there is now asymmetric regional exhaustion in the UK. While the UK will continue to recognise European Economic Area (EEA) exhaustion (which means that UK IP owners will not be able to prevent parallel imports from the EEA), goods cannot be freely imported from the UK to the EEA. As a result, UK businesses must 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 the EEA into the UK is unchanged post-Brexit. The doctrine of copyright exhaustion is contained in national legislation and EU retained law. 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.

CPR, 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

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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

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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 appealed the CMA's decision to the Competition Appeal Tribunal (CAT), which, on 8 March 2018, referred a number of questions to the Court of Justice of the European Union (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. On 10 May 2021, the CAT dismissed the companies' remaining grounds of appeal (but reduced the imposed fines to £27.1 million).

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 generic 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. In March 2021, the European Court of Justice (ECJ) dismissed Lundbeck and the generic manufacturers' appeals against the General Court's judgment.

Notwithstanding the UK's exit from the EU, this case may still be influential as to 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 somewhat narrowed the EU Commission's expansive reading of what constitutes a value transfer in the context of a

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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 both the EU Commission and Servier. On 14 July 2022, Advocate General Kokott delivered her opinion that the General Court was incorrect to hold that the agreements concluded by Servier and Krka did not constitute a restriction of competition by object and effect.

In November 2020, the European Commission fined Teva and Cephalon €60.5 million for agreeing to delay the market entry of generic modafinil.

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 hardcore 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 resale price maintenance (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. The CMA originally fined Pfizer and Flynn £89.4 million in 2016. In June 2018, the CAT held that the CMA had misapplied the relevant legal test. On appeal, the Court of Appeal in March 2020 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 of appeal 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 July 2022, the CMA fined Pfizer and Flynn almost £70 million in response to the Court of Appeal's judgment.

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 CMA fined Advanz and its former owners, HgCapital and Cinven, £101.44 million for charging excessive prices for liothyronine and fined Auden McKenzie, Actavis and others over £260 million for charging excessive prices for hydrocortisone. The CAT is hearing the appeals against the CMA's decisions in Autumn 2022.

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.

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## 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 (ie, a refusal to deal) may constitute an abuse of dominance in exceptional circumstances. For now, the UK position still largely mirrors that of 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 ECJ in *Huawei Technologies Co Ltd v ZTE Corp, ZTE Deutschland GmbH* laid out criteria for when a standard-essential patent (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 fair, reasonable and non-discriminatory (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 a 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 are the same as those for breaches of competition law generally.

The Competition and Markets Authority (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.

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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 Competition Appeal Tribunal) 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 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 GlaxoSmithKline (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 Competition Appeal Tribunal (CAT), which, on 8 March 2018, referred a number of questions to the Court of Justice of the

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European Union (CJEU). The CJEU delivered its judgment in January 2020, clarifying the criteria applicable to settlement agreements between holders of pharmaceutical patents and generic manufacturers. On 10 May 2021, the CAT dismissed the companies' remaining grounds of appeal (but reduced the imposed fines to £27.1 million).

The CMA has recently closed and opened a number of investigations into excessive pricing of pharmaceuticals. The CMA fined Advanz and its former owners, HgCapital and Cinven, £101.44 million for charging excessive prices for liothyronine and fined Auden McKenzie, Actavis and others over £260 million for charging excessive prices for hydrocortisone. The CAT is hearing the implicated companies' appeals against the CMA's decisions in Autumn 2022.

The English High Court has recently decided several cases relating to the enforcement of standard-essential patents and fair, reasonable and non-discriminatory (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. On 10 May 2021, the CAT dismissed the companies' remaining grounds of appeal (but reduced the imposed fines to £27.1 million).

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 agreed to pay its customer, the NHS, £8 million without the government launching court proceedings. Aspen also paid a fine of £2.1 million.

The CMA fined Advanz and its former owners, HgCapital and Cinven, £101.44 million for charging excessive prices for liothyronine and fined Auden McKenzie, Actavis and others over £260 million for charging excessive prices for hydrocortisone.

## 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?

UK competition law has undergone significant changes following the UK's exit from the EU. Following the end of the transition period (that is, from 1 January 2021 onwards), the Competition (Amendment etc.) (EU Exit) Regulations 2019 mean that EU competition law no longer has effect in the UK; the Regulations revoked articles 101 and 102 of the Treaty on the Functioning of the European Union and the EU Merger Regulation.

The Competition and Markets Authority (CMA) and the European Commission no longer have concurrent jurisdiction to enforce competition law in the UK. The CMA has also gained a new role under the Internal Market Act 2020, with a new Office for the Internal Market (OIM) having been established within the CMA. The OIM will support the functioning of the UK internal market.

However, section 60A of the Competition Act provides that UK competition authorities and courts are obliged to ensure that there is no inconsistency between UK law and practice and pre-exit EU competition case law, other than in specific circumstances. In addition, with the exception of the new EU Vertical Restraints Block Exemption, the existing EU block exemptions have been copied into UK law as retained exemptions to the Chapter I prohibition. For vertical agreements, the UK has introduced the Competition Act 1998 (Vertical Agreements Block Exemption) Order 2022 (SI 2022/516), which took effect on 1 June 2022 following the expiry of old EU Vertical Block Exemption Regulation.

Brexit also had a significant impact on IP rights (IPRs) in the UK created by EU instruments; namely, EU trade marks, registered Community designs, unregistered Community designs, database rights, Community plant variety rights and geographical indications. National IPRs have remained largely unaffected. The EU Withdrawal Agreement provided for holders of EU-created IPRs to be granted equivalent UK rights immediately after the Brexit completion day (31 December 2020).

Although it does not strictly relate to competition law, the recent National Security and Investment Act 2021 (NSIA) is a major piece of merger control legislation. It came into effect on 4 January 2022 and replaces the previous national security provisions in the Enterprise Act 2002. The NSIA provides for national security review of transactions involving the acquisitions of undertakings engaged in sensitive sectors of the UK economy. Unlike the voluntary merger notification system that operates for regular merger control, the NSIA operates both a voluntary and mandatory regime. A number of cases have been blocked under the NSIA jurisdiction, including a proposed licensing agreement that involved the transfer of IPRs in vision-sensing technologies from the University of Manchester to the Chinese firm BIVT, seemingly on the basis that the technology had military application and that, therefore, the licensing agreement posed a national security risk to the UK.

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